



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

March 20, 2024

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

- AMENDED -

**AGENDA FOR REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE PALMDALE WATER DISTRICT
TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE**

MONDAY, MARCH 25, 2024

6:00 p.m.

NOTES: 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.

Additionally, an interpreter will be made available to assist the public in making **comments** under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Danielle Henry at 661-947-4111 x1059 with your request. (PWD Rules and Regulations Section 4.03.1 (c))

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer **comentarios** bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Danielle Henry al 661-947-4111 x1059 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c))

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/board-activity/2023-meeting-agendas-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.)

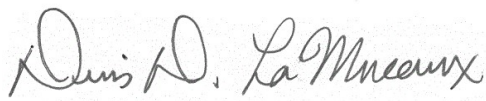
Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.
- 4) Public comments for non-agenda items.



- 5) Presentations:
 - 5.1) None at This Time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
 - 6.1) Approval of Minutes of Regular Board Meeting held March 11, 2024.
 - 6.2) Payment of Bills for March 25, 2024.
- 7) Action Items – Action Calendar (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.)
 - 7.1) Consideration and Possible Action on Rescheduling Second Regular Board Meeting in May due to the Memorial Day Holiday. (No Budget Impact – General Manager LaMoreaux)
 - 7.2) Consideration and Possible Action on Election of Special District Local Agency Formation Commission (LAFCO) Representative. (No Budget Impact – General Manager LaMoreaux)
 - 7.3) Consideration and Possible Action on Resolution No. 24-1 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance by the Palmdale Water District Public Financing Authority of Subordinate Water Revenue Bonds in an Aggregate Principal Amount Not-to-Exceed \$22,700,000 and Approving Certain Documents in Connection Therewith. (Finance Manager Hoffmeyer/Mark Northcross, NHA Advisors)
 - 7.4) Adjourn to Palmdale Water District Public Financing Authority Board Meeting. (President Mac Laren-Gomez)
 - 7.5) Consideration and Possible Action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance within Budget Amounts Previously Approved in the 2024 Budget:
 - a) East Valley Water District Valve Turning Celebration for Sterling Natural Resource Center to be held May 3, 2024 in San Bernardino.
 - 7.6) Consideration and Possible Action on Resolution No. 24-2 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the District’s Application to the Environmental Protection Agency’s Climate Pollution Reduction Grant for Federal Fiscal Year 2024. (Up to \$50,000,000 Potential Revenue – Engineering Manager Rogers)
- 8) Information Items:
 - 8.1) Reports of Directors:
 - a) Standing Committees; Organization Appointments; Agency Liaisons:
 - 1) Antelope Valley East Kern Water Agency (AVEK) – March 12. (Director Dino, Board Liaison/President Mac Laren-Gomez, Alt.)
 - 2) Outreach Committee Meeting – March 18. (Director Dino, Chair/Director Sanchez/Director Wilson, Alt.)

- 3) Finance Committee Meeting – March 19. (Director Wilson, Chair/Director Kellerman/Director Sanchez, Alt.)
 - b) General Meetings Reports of Directors.
- 8.2) Report of General Manager.
 - a) March 2024 Written Report of Activities through February 2024.
- 8.3) Report of General Counsel.
- 9) Board Members' Requests for Future Agenda Items.
- 10) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dh



BOARD MEMORANDUM

DATE: March 25, 2024
TO: BOARD OF DIRECTORS
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: *CONSIDERATION AND POSSIBLE ACTION ON RESCHEDULING SECOND REGULAR BOARD MEETING IN MAY DUE TO THE MEMORIAL DAY HOLIDAY. (GENERAL MANAGER LaMOREAUX)*

Recommendation:

Staff recommends that the second Regular Board Meeting in May be rescheduled from May 27, 2024 to May 28, 2024 due to the Memorial Day Holiday.

Alternative Options:

The Board could choose to cancel the second Regular Board Meeting in May or choose a different date rather than May 28, 2024.

Provided there is no need to hold a second Regular Board Meeting in May, another option would be an in-person Ethics AB 1234 training provided by General Counsel Lee in place of the second Regular Board Meeting on a date that works for the Board. This training is required every two years with four Directors that are due in 2024.

Impact of Taking No Action:

The Board and staff will need to open the office and work on Memorial Day to hold the second Regular Board Meeting in May.

Background:

The second Regular Board Meeting in May is scheduled for May 27, 2024, which is also Memorial Day. The District office will be closed in observance of the Memorial Day Holiday.

Strategic Plan Initiative:

This item is under Strategic Initiative No. 2 – Organizational Excellence.

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

Budget:

This item will not impact the Budget.



BOARD MEMORANDUM

DATE: March 25, 2024
TO: BOARD OF DIRECTORS
FROM: Dennis D. LaMoreaux, General Manager
RE: *CONSIDERATION AND POSSIBLE ACTION ON ELECTION OF SPECIAL DISTRICT LOCAL AGENCY FORMATION COMMISSION (LAFCO) VOTING MEMBER. (NO BUDGET IMPACT – GENERAL MANAGER LaMOREAUX)*

Background:

Palmdale Water District is entitled to cast one vote for a Special District Voting Member on the Local Agency Formation Commission (LAFCO) for the term expiring in May 2028. Ballots must be returned by 5:00 p.m. on April 26, 2024. The candidates are as follows:

- Steven Appleton, Greater Los Angeles County Vector Control District
- Jonathan Beutler, Palos Verdes Library District
- Gary Burns, Las Virgenes Municipal Water District
- Donald L. Dear, West Basin Municipal Water District
- Vera Robles DeWitt, Water Replenishment District of Southern California
- Dirk Marks, Santa Clarita Valley Water Agency
- Sharon S. Raghavachary, Crescenta Valley Water District

Strategic Plan Initiative/Mission Statement:

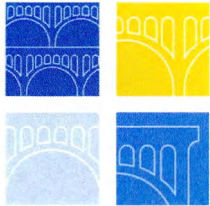
This item is under Strategic Initiative No. 5 – Regional Leadership.
This item directly related to the District’s Mission Statement.

Budget:

This item will have no impact on the budget.

Supporting Documents:

- Special District LAFCO Voting Member Ballot
- Nomination Forms and Candidate Statements



RECEIVED

MAR 12 2024

Lagerlof
LAWYERS LLP

MEMORANDUM

TO: PRESIDING OFFICER OF EACH INDEPENDENT SPECIAL DISTRICT IN
LOS ANGELES COUNTY

FROM: WILLIAM F. KRUSE

RE: BALLOT; SPECIAL DISTRICT LAFCO REPRESENTATIVE

DATE: March 4, 2024

Enclosed is the Ballot and the supplementary materials submitted for each of the candidates for Special District LAFCO **VOTING MEMBER** for the term expiring in May 2028. Nominations closed as of 5:00 p.m. on February 29, 2024.

Please vote for ONE candidate for the position. The marked ballot should be placed in the envelope marked "Ballot Envelope" and sealed. Please write the name of your agency and sign your name on the outside of the ballot envelope and return the completed ballot by mail to:

William F. Kruse, Esq.
Lagerlof, LLP
155 N. Lake Avenue, 11th Floor
Pasadena, CA 91101.

No ballot will be counted if it is missing the name of the voting agency and the signature of the Presiding Officer on the ballot envelope.

The candidate receiving the highest number of votes will be declared the Special District **Voting Member** to LAFCO.

Ballots must be returned by 5:00 p.m. on Friday, April 26, 2024.

WFK/dc
Enclosures

cc(w/ encls.): Paul Novak

Lagerlof LLP
155 N Lake Avenue, 11th Flr
Pasadena, CA 91101

Lagerlof.com
Email: wfkruise@lagerlof.com

T: (626)-793-9400
F: (626)-793-5900

BALLOT

SPECIAL DISTRICT LAFCO VOTING MEMBER

Please vote for no more than one candidate.

STEVEN APPLETON

Occupation: Board of Trustees

Sponsor: Greater Los Angeles County Vector Control District

JONATHAN BEUTLER

Occupation: Board of Trustees

Sponsor: Palos Verdes Library District

GARY BURNS

Occupation: Board of Directors

Sponsor: Las Virgenes Municipal Water District

DONALD L. DEAR

Occupation: Board of Directors

Sponsor: West Basin Municipal Water District

VERA ROBLES DeWITT

Occupation: Board of Directors

Sponsor: Water Replenishment District of Southern California

DIRK MARKS

Occupation: Board of Directors

Sponsor: Santa Clarita Valley Water Agency

SHARON S. RAGHAVACHARY

Occupation: Board of Directors

Sponsor: Crescenta Valley Water District

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT **VOTING MEMBER**
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee

From: Greater Los Angeles County Vector Control District

Date: FEBRUARY 29, 2024

Name of Candidate: Steven Appleton

Greater Los Angeles County Vector Control District is pleased to nominate
Steven Appleton as a candidate for appointment as special district **voting**

member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a member of the board of an independent special district appointed for a fixed term. For your consideration, we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: BOARD OF TRUSTEE, LOS ANGELES CITY

Agency: GREATER LOS ANGELES COUNTY VECTOR CONTROL DISTRICT

Type of Agency: SPECIAL DISTRICT

Term Expires: N/A

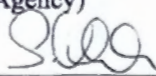
Residence Address: 2825 BENEDICT STREET

LOS ANGELES, CA 90039

Telephone: (310) 740-7294 email: stevenappleton.art@gmail.com

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Greater Los Angeles County Vector Control District
(Name of Agency)

By: 

Its: Susanne Khuh



Steven Appleton

A citizen public servant with technical knowledge, interdisciplinary skill and a collaborative approach.

Mr. Appleton is the past President of the Greater Los Angeles County Vector Control District (2020), where he continues to serve as Trustee for the City of Los Angeles. Appointed in 2011, he has encouraged collaboration among public agencies in the planning of parklands, such as by assuring a place at the table for vector control experts in the design of engineered wetlands. He is a Board Member on the Los Angeles County Second District Consolidated Oversight Board and has served in a variety of capacities on watershed issues, including as a Technical Stakeholder to the yearly "State of the Watershed" report for the Los Angeles Region by the Council on Watershed Health.

Steve balances his role as a citizen public servant with his career in public art and education. He has taught at local institutions, including Otis College of Art and Design, USC, and California State University, Northridge. He recently founded the Water Institute of Science Policy that collaborates with California State University Northridge's Institute for Sustainability at California and Center for the Geospatial Science and Technology (CGST) in the creation of community service and educational programming.

As a public artist, he has created permanent and temporary public artworks in Los Angeles, Seattle, Denver, Brazil, Denmark, and Finland. Americans for the Arts recognized his work "FaceTime" with a national award in 2007. Most recently, he collaborated with Artichoke Dance Company in a three-day series performances, sculptures and participatory workshops called "Future Currents," sponsored by the Soraya Performing Arts Center. His public art projects have often included internship opportunities for local youth, such as his Metro Green Line project in Watts.

His seasonal business LA River Kayak Safari, has been the leading vendor of kayaking in the Los Angeles river since 2013, bringing more than 12,000 people on a unique tour of the naturalized section of the river in Elysian Valley. His group has broadened the audience for nature recreation by sponsoring more than 20% of its offerings for at-risk youth and underserved communities. As part of the yearly permitting for this business, Appleton is in dialog with US Army Corp of Engineers and regional Park Authorities.

Appleton received his Bachelor of Arts in Sculpture at the University of California, Santa Cruz and studied for his Master of Fine Arts at University of Southern California. He is a resident of the "Frogtown" district of Los Angeles, where he lives with his wife Agnieszka and son Janis.

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT VOTING MEMBER
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee
From: Palos Verdes Library District
Date: February 15, 2024
Name of Candidate: Jonathan Beutler

Palos Verdes Library District is pleased to nominate
Jonathan Beutler as a candidate for appointment as special district voting
member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a
member of the board of an independent special district appointed for a fixed term. For your consideration,
we submit the following additional information together with a resume of the candidate's qualifications.


Elective office: Secretary, Board of Library Trustees
Agency: Palos Verdes Library District

Type of Agency: Library Special District
Term Expires: November 27, 2026
Residence Address: P.O. Box 101
Palos Verdes Estates, CA 90274
Telephone: 310-699-9619

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Palos Verdes Library District

(Name of Agency)

By: 
Bob Parke
Its: President, Board of Library Trustees

Candidate to Represent Special Districts on LAFCO



Jonathan Beutler

Trustee, Palos Verdes Library District

My passion for community service and love for our region lead me to respectfully seek your support for my candidacy to represent independent Special Districts on the Local Agency Formation Commission (LAFCO). I take pride in serving my community and pledge to be eagerly engaged as a Commissioner to bring about fair oversight in ensuring the successful execution of LAFCO's mission. As a results-focused professional, I am dedicated to inclusive decision-making, building bridges and stakeholder engagement in order to reach mutually beneficial outcomes. This approach will guide me on LAFCO as your representative for Special Districts.

Because LAFCO's role is so crucial and its decisions have such long-lasting ramifications, it is imperative that Special Districts' voices be heard! The services of Special Districts transcend the boundaries of cities and touch the lives of people across various jurisdictions, so it is essential that we identify concerted ways to solve regional issues. As a trustee of a special district that serves communities in four unique cities plus other unincorporated areas, I understand that no special district can operate alone in a vacuum and that regional engagement is critical to ensure orderly growth and the balanced protection of public interest. As a LAFCO Commissioner, I will:

1. Advocate for policy outcomes that enhance special districts' capacity to serve effectively;
2. Strive to exercise good stewardship over agency resources;
3. Engage an inclusive range of voices and data and promote a cooperative environment;
4. Favor decisions that enhance the quality of life for communities throughout our region.

My Background

My varied experience has spanned the public, nonprofit and private sectors. In addition to my current service as an elected Trustee of the Palos Verdes Library District, my previous work as a U.S. diplomat has informed much of my approach to results-focused collaboration. Some other relevant highlights that prepare me for the opportunity to serve on LAFCO include:

- Former U.S. diplomat (Foreign Service of the U.S. Department of State)
- Appointed twice as County Commissioner: Beaches & Harbors Commission; Library Commission
- Bond Oversight Committee member, Manhattan Beach Unified School District
- Local Control Accountability Plan Committee member, Palos Verdes Peninsula Unified School District
- Chairman of the Board, Torrance Area Chamber of Commerce
- President, Harbor City Chamber of Commerce
- Board of Governors, Japan America Society
- Graduate, Leadership Los Angeles; also alumnus of Leadership Torrance and Leadership Manhattan Beach
- Recognized by Empowerment Congress as "40 under 40" in L.A. County
- Co-Chair, International Trade, Los Angeles Business Federation
- Completed multiple CSDA trainings, including Leadership Academy
- Education: Master of Public Policy, UCLA; Master of Spanish Literature, University of Barcelona
- Personal: Married with four children; avid rare book collector; active in the Greek School of Redondo Beach.

Together, we can help LAFCO continue to be a driving force for positive change in our respective communities. As a Commissioner, I look forward to being a compelling voice and contributing in a meaningful way on behalf of independent Special Districts.

Thank you for your consideration.

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT VOTING MEMBER
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee

From: Las Virgenes Municipal Water District

Date: January 16, 2024

Name of Candidate: Gary Burns

Las Virgenes Municipal Water District is pleased to nominate
Gary Burns as a candidate for appointment as special district voting
member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a
member of the board of an independent special district appointed for a fixed term. For your consideration,
we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: Director, Division 3

Agency: Las Virgenes Municipal Water District

Type of Agency: Water District

Term Expires: December 4, 2026

Residence Address: 22118 Dardenne Street

Calabasas, CA 91302

Telephone: (818) 222-4200

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Las Virgenes Municipal Water District

(Name of Agency)

By: 

Its: General Manager

Local Agency Formation Commission (LAFCO):

Nomination of Candidate for Special District Board Member

Gary Burns, Candidate for LAFCO Member Position 2024

I would like to thank each district board that voted for me last year. Although not chosen as an alternate, I am returning this year, asking for your vote, to become a full member of the LAFCO Board.

It is time to add "fresh" ideas and excitement to how LAFCO communicates and operates. To that end, please call me at 818 326 2000 to discuss your specific issues. I will listen intently, absorbing your insight.

I hope to visit each of your Board Meetings via zoom or in person to introduce myself, listen to what is important to your district and provide the confidence that I can lead LAFCO into the future.

I desire to serve as a LAFCO Board Member to further serve the community, each of our districts and provide "new" and "environmental" input to the Los Angeles Region and the Supervisors we report to. Few citizens know what LAFCO accomplishes or what the initials stand for. I intend to change that.

As with the homeowners of Calabasas and the entire www.LVMWD.com area, I am available to advocate for or listen to constituents whenever needed. I pledge to do the same for ALL LAFCO Districts.

Gary Burns was elected to the Las Virgenes Municipal Water District Board in 2022. (Division 3, currently Secretary). He is the first Calabasas resident to serve on the District Water Board. **Since his time on the District Board, he has imbued his efforts with energy and the desire to effect change.** He has visited various local and state water facilities and Districts. **He is a member of ACWA, CASA, WaterReuse and has attended their conventions throughout the year, attaining insight into District, State and Water Policy. He is serving on the Business Development Committee of ACWA Region 8. He is championing a Heli-Hydrant project with Los Angeles County Fire, the City of Calabasas and the local Council of Governments.**

In his efforts to search for new sources of water, Gary has visited the future SITES Reservoir Project, the San Joaquin Delta, and various Metropolitan Water District facilities, including the in-development Carson Pure Water Plant. His goal is to ensure there is a sufficient water supply for future generations, while preserving the environment we cherish in Southern California, the State of California, and the United States.

Growing up on the East Coast, Gary moved to California in 1989, watched the City of Calabasas incorporate in 1991 and has been a resident of Calabasas for the past 35 years. He attended Fairleigh Dickenson (FDU) and Hofstra University where he received a BA and Master's in Psychology and an MBA in Business and Finance.

Gary has been President of the Mulholland Heights Homeowners Association for the past 10 years. Currently, he is a Board Member of Community Associations Institute, 2018 - 2024 (CAI of Greater Los Angeles County), a Board Member of CAI International, National Homeowner Leaders Council 2021 - 2024 and recognized by CAI Los Angeles for Excellence in Community Leadership in 2021, 22 and 23.

He is also a founding member of EPIC, (Emergency Preparedness in Calabasas, www.epic-fsc.com), volunteers for many local community activities, is a partner in the snack foods company Just Pure Foods Distribution (www.justpurefoods.com) and a Life and Health Insurance Broker (<https://garyburns.businesslinksolutions.net>).

Thank You for your vote and consideration of Gary Burns for LAFCO Board Member (818 326 2000 mobile/text)

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT **VOTING MEMBER**
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee
From: West Basin Municipal Water District
Date: January 22, 2024
Name of Candidate: Donald L. Dear

West Basin Municipal Water District is pleased to nominate
Donald L. Dear as a candidate for appointment as special district **voting**
member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a
member of the board of an independent special district appointed for a fixed term. For your consideration,
we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: Division 5 Director

Agency: West Basin Municipal Water District

Type of Agency: Water Wholesaler

Term Expires: December 2024

Residence Address: 15433 Catalina Ave., Gardena, CA 90247

Telephone: (310) 704-0881

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

West Basin Municipal Water District

(Name of Agency)

By: E.J. Caldwell

Its: General Manager



Donald L. Dear

Secretary, West Basin Municipal Water District Board of Directors
Division V



Donald L. Dear was elected to the West Basin Municipal Water District (West Basin) Board of Directors in November 2000. He is currently serving his sixth term after being re-elected in November 2020. He represents the Division V cities of Lawndale, portions of Gardena and Hawthorne, and the unincorporated Los Angeles County areas of El Camino Village and Lenno.

Director Dear came to the Board with a vast array of experience in public service, serving on the Gardena City Council from 1970 to 1974 and again from 1978 to 1982, as well as serving as the Gardena mayor for nine consecutive terms from 1982 to 2001. He retired with 27 years of total service to the City of Gardena. Director Dear is currently serving as Secretary of the Board and Chair of the Ethics Committee. He previously served as one of two West Basin representatives on the board of directors of the Metropolitan Water District of

Southern California from 2013 to 2018.

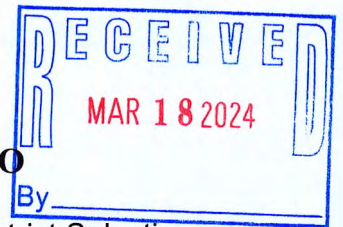
In 2004, 2008, 2012, 2016 and again in 2020, he was elected as one of the representatives for the Los Angeles County Independent Special Districts on the Local Agency Formation Commission, of which he currently serves as Chair. In October 2011, the West Basin Board paid tribute to Dear's distinguished public service by naming their Carson Headquarters the Donald L. Dear Building.

Director Dear's years of experience have given him a deep first-hand understanding of the roles, responsibilities and challenges facing local governmental institutions. He served for 24 years as a Trustee of the Greater Los Angeles Vector Control District, and for 19 years on the Board of Directors for the Los Angeles County Sanitation District No. 5. He also served as President of the South Bay Cities Association (now known as South Bay Cities Council of Governments), on the Board of Directors of the Southern California Cities Joint Powers Consortium and is a member of the Sierra Club.

As a former teacher at Stephen White Middle School in Carson for 38 years, he is well known and widely respected by his former students, colleagues and members of the community. In 1983 he was "Teacher of the Year" for Region A of the Los Angeles Unified School District. Dear's professional affiliations include his service as a member of the National Council for Social Studies, board member of the Political Action Council of Educators, and six terms of service as a member of the House of Representatives of the United Teachers of Los Angeles (UTLA). His civic affiliations include the Association for Retarded Citizens – South Bay, El Nido Services, Gardena Elks, Gardena High School Booster Club, Gardena Jaycees, Gardena Valley Cultural Arts Corporation, Gardena Valley Friends of the Library, Gardena Valley Music Association, Gardena Valley Red Cross, Gardena-Carson Family YMCA, Hollypark and Gardena Valley Lions Club, Kiwanis Club of Gardena Valley, Serra High School Advisory Board, and the University of Southern California San Pedro Peninsula Trojan Club.

Director Dear has also distinguished himself through his outstanding work with youth, not only as a noteworthy educator, but also for his 30 years of unselfish dedication as a coach for more than 70 teams in three sports through the Gardena Recreation Department Youth Sports Leagues.

Donald L. Dear
Candidate, Independent Special Districts Representative to LAFCO



Dear LA County LAFCO Independent Special District Selection Committee Member:

I am writing to ask for your support for my election to represent the Independent Special Districts on the Los Angeles County Local Agency Formation Commission (LA County LAFCO).

I believe my 50 years of experience in municipal and local government uniquely qualify me to represent the Independent Special Districts at LA County LAFCO. As a former City Council Member and Mayor of the City of Gardena, I also served for 24 years as a Trustee of the Greater Los Angeles Vector Control District, and for 19 years on the Board of Directors for the Los Angeles County Sanitation District No. 5.

- ✓ **Current West Basin Municipal Water District Director**
- ✓ **24 Years Vector Control District Trustee**
- ✓ **19 Years LA County Sanitation District Director**
- ✓ **27 Years Gardena City Councilman and Mayor**

I understand first-hand the critical role Independent Special Districts play in providing specialized services which protect and enhance the quality of life in our local neighborhoods and communities.

Independent Special Districts face many important challenges as our State and County Government have experienced a collapse in revenues and have begun to look more carefully at the financial reserves of Independent Special Districts. In addition, Independent Special Districts have a real stake in the operations of LA County LAFCO. Independent Special Districts are responsible for paying one-third of the LAFCO Budget. In the past, we have seen substantial increases in the LAFCO Operating Budget. I will fight on behalf of the Independent Special Districts to control LAFCO operating expenses.

Most importantly, the decisions made at LA County LAFCO will help shape the future of local governments throughout Los Angeles County for years to come. My background in municipal government, and my "real world" experience in the "nut and bolts" of vector control, sanitation operations and water policy have well prepared me to represent your Independent Special District on LA County LAFCO.

If you have any questions, or would just like to chat about LAFCO, I invite you to contact me at my home (310) 327-8965, or on my cell (310) 704-0881.

Thank you for your consideration and support,

A handwritten signature in black ink that reads "Donald L. Dear". The signature is written in a cursive, flowing style.

Donald L. Dear
Director, West Basin Municipal Water District

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT **VOTING MEMBER**
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee

From: The Water Replenishment District of Southern California

Date: January 16, 2024

Name of Candidate: Vera Robles DeWitt

The Water Replenishment District of Southern California is pleased to nominate

Vera Robles DeWitt as a candidate for appointment as special district **voting**

member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a member of the board of an independent special district appointed for a fixed term. For your consideration, we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: Board Member, Division 5

Agency: Water Replenishment District of Southern California

Type of Agency: Special District

Term Expires: January 7, 2025

Residence Address: 24728 Panama Ave.

Carson, CA 90745-6430

Telephone: (310) 505-8353

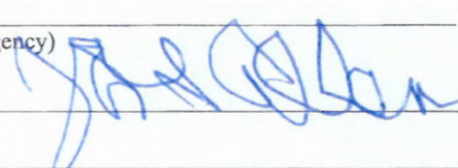
PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Water Replenishment District of Southern California

(Name of Agency)

By: John D.S. Allen

Its: Board President





CANDIDATE STATEMENT
Independent Special District Member
Los Angeles County Local Agency Formation Commission

VERA ROBLES DEWITT

I currently serve as an elected representative on the Board of Directors of the Water Replenishment District of Southern California (WRD). I have served continuously since 2018 and was overwhelmingly elected for a four-year term in November 2020.

Just like the special district you represent, WRD also plays a vital role that is unknown to most voters. And just like I brought more transparency to WRD, I want to bring transparency to LAFCO.

As your LAFCO representative I will report to you on all LAFCO actions via email at least quarterly and in-person at least annually so that you are no longer in the dark wondering what LAFCO is doing. And just as importantly, as the LAFCO representative for special districts, on all important LAFCO matters impacting special districts, I will seek your input – after all, I will be representing you.

I have a lot of experience in local government, including previously serving for 10 years as a Mayor and Councilmember. In those capacities I became very familiarized with LAFCO and now want to bring that wealth of experience for the benefit of all special districts.

In addition, for years I have been involved in many civic/non-profit programs. For example, I was the founding president of the Boys and Girls Club of Carson as well as a founding Board Member of Dominguez Family Shelter. I currently serve as Vice President of the Carson Kiwanis and for over 6 years have served on the Executive Board of South County Labor, AFL-CIO.

Moreover, as a small business owner for over 50 years, I also bring years of experience in budgets and fiscal matters.

I have one son who is a member of IBEW Local 47 and I raised a granddaughter who currently is an airline Captain flying charter jets.

I would be honored to serve on the LAFCO Board of Directors representing the best interests of the diverse Independent Special Districts.



DIRECTORS
JOY LANGFORD, PRESIDENT
ROB KATHERMAN, VICE PRESIDENT
VERA ROBLES DEWITT, SECRETARY
SERGIO CALDERON, TREASURER
JOHN D. S. ALLEN, DIRECTOR

STEPHAN TUCKER, MBA, PE, PMP, GENERAL MANAGER

March 6, 2024

RE: Letter of Support for Director Vera Robles DeWitt's Candidacy for LAFCO Election

Dear Colleague,

On behalf of the Water Replenishment Board of Directors, I am writing to express our support for Director Vera Robles DeWitt in her candidacy for the upcoming Local Agency Formation Commission (LAFCO) election.

Director DeWitt has demonstrated an unwavering commitment to the responsible management and sustainable development of water resources in our community. Her experience makes her a great candidate for the important role of LAFCO Commissioner.

Throughout her tenure on our board, Director DeWitt has helped shape policies that prioritize the equitable distribution and efficient utilization of water resources. Her understanding of the complexities surrounding water management, along with her collaborative approach, has yielded positive outcomes for our service area.

LAFCO plays a pivotal role in ensuring the coordinated and efficient organization of local governmental agencies. Director DeWitt's leadership on our board has consistently reflected her commitment to fostering cooperation among various agencies for the betterment of our community.

We kindly request your agency's support for Director DeWitt in the upcoming LAFCO election. We are confident that her election would benefit the broader region by ensuring thoughtful and effective governance of our local agencies.

Best regards,

A handwritten signature in black ink that reads "Joy Langford". The signature is written in a cursive, flowing style.

Joy Langford, Board President
Water Replenishment District Board of Directors

Enclosure

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT **VOTING MEMBER**
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee

From: Santa Clarita Valley Water Agency Board of Directors

Date: February 20, 2024

Name of Candidate: Dirk Marks

Santa Clarita Valley Water Agency is pleased to nominate

Dirk Marks as a candidate for appointment as special district **voting**

member to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a member of the board of an independent special district appointed for a fixed term. For your consideration, we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: Division 2 Director

Agency: Santa Clarita Valley Water Agency

Type of Agency: Special Act Water Agency

Term Expires: January 2027

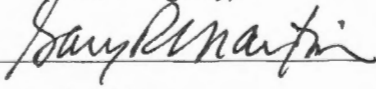
Residence Address: 27633 Yardley Way, Valencia, CA 91354

Telephone: 661 713-8496

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Santa Clarita Valley Water Agency

(Name of Agency)

By: 

Its: President

LAFCO Nomination Attachment for Dirk Marks

Dirk Marks is a registered professional engineer with over 40 years of experience in water resource management and planning and is well qualified to support LAFCO's efforts to assure the orderly and efficient provision of public services. His qualifications include:

Santa Clarita Valley Water Agency Board Member

- Currently serving as Division 2 Director through 2026
- Member of Water Resources and Watershed Committee

Association of California Water Agencies

- Serving on Groundwater Committee

Santa Clarita Valley Groundwater Sustainability Agency

- Director representing SCV Water

SCV Water/Castaic Lake Water Agency Work Experience

- Participated in consolidation of three water agencies to form SCV Water
- Managed or oversaw preparation of key planning documents including:
 - 2010, 2015, and 2020 Urban Water Management Plan
 - Supply Reliability Report
 - Regional Water Use Efficiency Strategic Plan
 - Groundwater Sustainability Plan for Santa Clara River East Subbasin
 - Annexation of Tesoro Del Val into SCV Water
- Represented SCV Water in several multi-agency organizations including:
 - Safe Clean Water Program Santa Clara River Watershed Steering Committee
 - State Water Contractors Operations and Maintenance Committee
 - State Water Contractors Delta Conveyance Contract Amendment Team
 - Sites Reservoir Committee
- Negotiated multiple bilateral water banking and water transfer agreements

Other Work Experience

- 21-years at Metropolitan Water District managing imported water supplies
- 7-years in private sector designing and inspecting water projects

Education

- Bachelors degree in Civil Engineering, CSU Long Beach
- Completed California Special District Leadership Academy

NOMINATION
OF
INDEPENDENT SPECIAL DISTRICT **VOTING MEMBER**
TO THE
LOS ANGELES COUNTY LOCAL AGENCY FORMATION COMMISSION

To: Independent Special District Selection Committee

From: Crescenta Valley Water District Board of Directors

Date: January 23, 2024

Name of Candidate: Sharon S. Raghavachary

Crescenta Valley Water District Board of Directors is pleased to nominate

Sharon S. Raghavachary as a candidate for appointment as special district **voting member** to the Los Angeles Local Agency Formation Commission. The nominee is an elected official or a

member of the board of an independent special district appointed for a fixed term. For your consideration, we submit the following additional information together with a resume of the candidate's qualifications.

Elective office: Member of the Board of Directors

Agency: Crescenta Valley Water District

Type of Agency: Water and Wastewater

Term Expires: December 2024

Residence Address: 2209 Maurice Avenue

La Crescenta, CA 91214

Telephone: 818 248-3925

PLEASE ATTACH RESUME OR CANDIDATE STATEMENT (limit one page)

Crescenta Valley Water District

(Name of Agency)

By: 

Its: President of the Board of Directors



Sharon Raghavachary
President of the Board of Directors
Crescenta Valley Water District

Director Raghavachary has been active in the La Crescenta Community for over 20 years and has a background in accounting and computer systems.

Currently, Ms. Raghavachary is the President of the Board of Directors for the Crescenta Valley Water District. She has served on the Board since 2019 and has been a past President as well as Vice President.

Ms. Raghavachary is a founder of the Crescenta Valley Community Association. She served for seven years on the Crescenta Valley Town Council, during which time she was co-chair of the Foothill Design Committee that wrote design standards for Foothill Boulevard, the community's main thoroughfare, and was a member of Supervisor Michael Antonovich's Library Committee. She also served as Council Vice President and Land Use Committee Chair.

Additionally, Director Raghavachary served three years on the Parent Advisory Council for Children's Hospital Los Angeles, providing input for the new hospital tower. She has been a volunteer for the Los Angeles County Sheriff's Department and Treasurer of the Crescenta Valley Arts Council, as well as a Girl Scout troop leader for ten years. For over five years, she wrote a featured column for the Glendale News Press and the Crescenta Valley Weekly. She also served on the Clark Magnet High School's School Site Council for four years.

Ms. Raghavachary has two children, one currently studying at USC and the other who looks forward to studying abroad.



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. 24-1 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF SUBORDINATE WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT-TO-EXCEED \$22,700,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/MARK NORTHCROSS, NHA ADVISORS)***

Recommendation:

Staff 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.

Staff also 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.

Alternative Options:

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

Impact of Taking No Action:

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

Background:

The District 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.

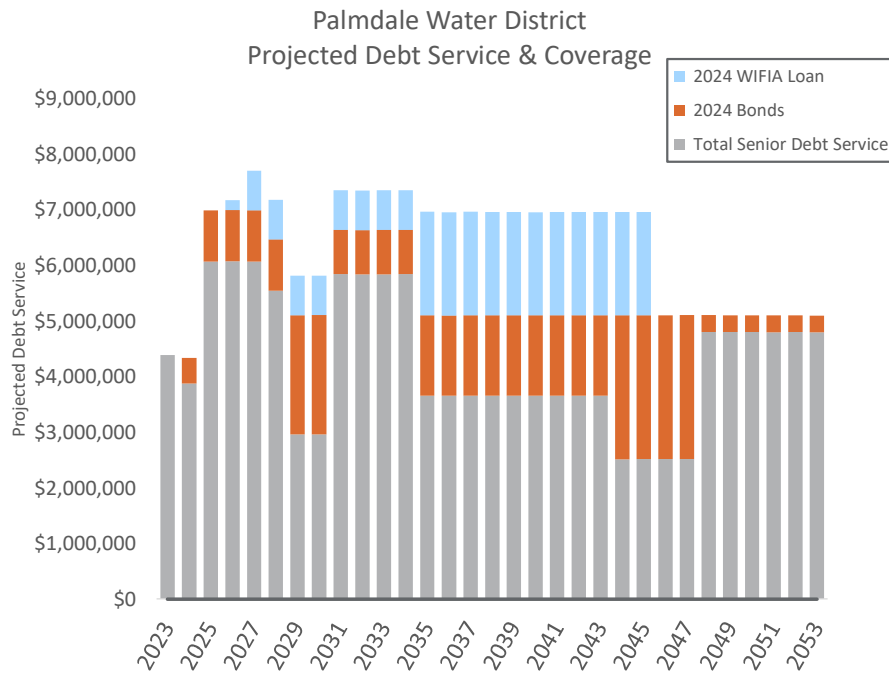
The 2024 Bonds will provide approximately \$17 million in matching funding toward the Demonstration Facility and additional project management and design on the larger Advanced Water Purification Facility. Additionally, the 2024 Bonds will provide approximately \$5 million for other capital projects,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

- 2024 Subordinate Bonds Presentation
- Resolution No. 24-1 of the Palmdale Water District
- Resolution No. 2024-1 of the Palmdale Financing Authority
- Installment Purchase Agreement
- Assignment Agreement
- Bond Purchase Agreement
- Indenture of Trust
- Preliminary Official Statement



PALMDALE WATER DISTRICT PRESENTATION TO DISTRICT BOARD

2024 SUBORDINATE BONDS

DRAFT

March 25, 2024

2024 Bond Financing Participants

Issuer

Palmdale Water District

Municipal Advisor

NHA Advisors, LLC

District Financial Advisor

Egan & Egan, CPA

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth

Underwriter

Hilltop Securities

Trustee

BNY Mellon

Proposed Bond Issue

- ▶ Fund \$22 million for capital projects
 - ▶ Approximately \$17M for projects related to Pure Water AV (Demonstration Facility, planning/design for Advanced Water Purification Facility)
 - ▶ Approximately \$5M for a sedimentation basin
- ▶ Estimated par value of \$21.1 million
 - ▶ Costs of issuance, bond insurance premium and underwriter's discount are funded from the bond issue
- ▶ Debt service on bonds repaid over 30 years to 2053
- ▶ Principal payments “wrap around” District's existing debt
 - ▶ Rate management: minimizes rate impact on future ratepayers
- ▶ There is no additional rate increase required to support the 2024 bonds, though should the District decide to go ahead with the Advanced Water Purification Facility component of the Pure Water AV project, additional future rate increases will be required
 - ▶ NHA estimates 9.5-8.5% annual increase in water rates will be required in 2025 through 2029*

** This estimate is based on conservative assumptions regarding grants. More grants or project partnerships would further reduce the rate increases required for PWAV*

2024 Bonds and the Full Pure Water AV Project

- ▶ Pure Water AV project split into two Projects
 - ▶ Project 1: \$28M capital cost for the construction of the Demonstration Facility, Well 37 design & construction management, planning & design for the larger Project
 - ▶ Project 2: \$253 million capital cost for the construction of the Full 5 MGD Advanced Water purification Facility and Well 37
- ▶ PWD actively pursuing alternative funding sources to minimize ratepayer impact
 - ▶ Grants
 - ▶ WIFIA Loans (one for each Project)
 - ▶ Cash reserves
- ▶ Remaining funding need will come from market-rate bond issuance
 - ▶ Project 2 financing (WIFIA & Bonds) expected in 18-24 months
- ▶ Splitting the Pure Water AV into two projects and each financing into multiple series can help to mitigate near-term impact to ratepayers since it allows time for the rates to grow to support new debt service payments as those debts come online

Sources and Uses Pure Water AV

Sources of Funds	Project 1: Demo Facility, Well 37 Design & Cons Management, Planning & Design for Project 2	Project 2: Construction of Well 37 and 5MGD AWWP	Total Project Sources of Funds
2024 WIFIA Loan	\$14,805,000	\$0	\$14,805,000
2024 Matching Bonds	\$13,124,338	\$0	\$13,124,338
2026 WIFIA Loan	\$0	\$130,635,000	\$130,635,000
2025 Matching Bonds	\$0	\$85,715,868	\$85,715,868
District Cash Spent To Date (Through July 2023)	\$1,122,041	\$0	\$1,122,041
District Cash To be Spent in the Future	\$0	\$20,255,780	\$20,255,780
Grant Funding	\$1,165,000	\$30,000,000	\$31,165,000
Total Sources and Uses	\$30,216,379	\$266,606,648	\$296,823,027

Uses of Funds (Eligible Costs Only)	Project 1: Demo Facility, Well 37 Design & Cons Management, Planning & Design for Project 2	Project 2: Construction of Well 37 and 5MGD AWWP	Total Project Uses of Funds
Construction	\$13,631,975	\$165,838,800	\$179,470,775
Design	\$2,688,867	\$15,532,714	\$18,221,581
Planning	\$0	\$1,216,230	\$1,216,230
Land Acquisition	\$0	\$255,780	\$255,780
Other Capital Costs (Construction & Proj Management)	\$8,745,780	\$22,466,911	\$31,212,692
Contingency	\$2,726,395	\$47,962,948	\$50,689,343
Total Capital Costs	\$27,793,018	\$253,273,383	\$281,066,400
Reimburse PWD for Previously Incurred Eligible Costs	\$0	\$0	\$0
Debt Service Reserve Fund (2024 WIFIA Loan)	\$1,469,000	\$0	\$1,469,000
Debt Service Reserve Fund (2026 WIFIA Loan)	\$0	\$11,383,265	\$11,383,265
Total Debt Reserves and Capitalized Interest	\$1,469,000	\$11,383,265	\$12,852,265
2024 WIFIA Loan EPA Application Fee	\$100,000	\$0	\$100,000
2024 WIFIA Loan EPA Credit Processing Fee	\$200,000	\$0	\$200,000
2024 WIFIA Loan PWD Financing Costs	\$250,000	\$0	\$250,000
2024 Bonds Issuance Costs	\$404,361	\$0	\$404,361
2026 WIFIA Loan EPA Credit Processing Fee	\$0	\$200,000	\$200,000
2026 WIFIA Loan PWD Financing Costs	\$0	\$250,000	\$250,000
2025 Bonds Issuance Costs	\$0	\$1,500,000	\$1,500,000
Total Costs of Issuance	\$954,361	\$1,950,000	\$2,904,361
Total Uses of Funds	\$30,216,379	\$266,606,648	\$296,823,027

Capital Projects Funded through the 2024 Bonds

- ▶ District has applied for an a \$10M state grant which, if awarded, will go toward the construction of the Demonstration facility
- ▶ This would free up 2024A Bonds proceeds to be used toward additional secondary projects

Project	Funded through 2024A Bonds
Primary	
Pure Water AV Project 1: Demo Facility + a portion of Planning for Project 2)	\$13.1 million
Sedimentation Basin	\$5.0 million
Pure Water AV Project 2: Additional Design & Project Management Components	\$3.9 million
Secondary	
Various Pipeline Replacement Projects	TBD
5M Reservoir Rehabilitation	TBD
25 th Street Tank 1 Rehab / 45 th Street Tank 2 Rehab	TBD
Booster Pump at 47 th Street	TBD
Lake Outlet Structure Rehabilitation	TBD
WTP Filter Valve Replacements	TBD
Total Funding from 2022 Bonds	\$22.0 million

2024 Bonds Sources and Uses & Debt Service*

Sources Of Funds	
Par Amount of Bonds	\$20,270,000
Net Original Issue Premium (Discount)	\$2,347,707
Total Sources	\$22,617,707

Uses Of Funds	
Deposit to Project Construction Fund	\$22,004,086
Costs of Issuance*	\$613,621
Total Uses	

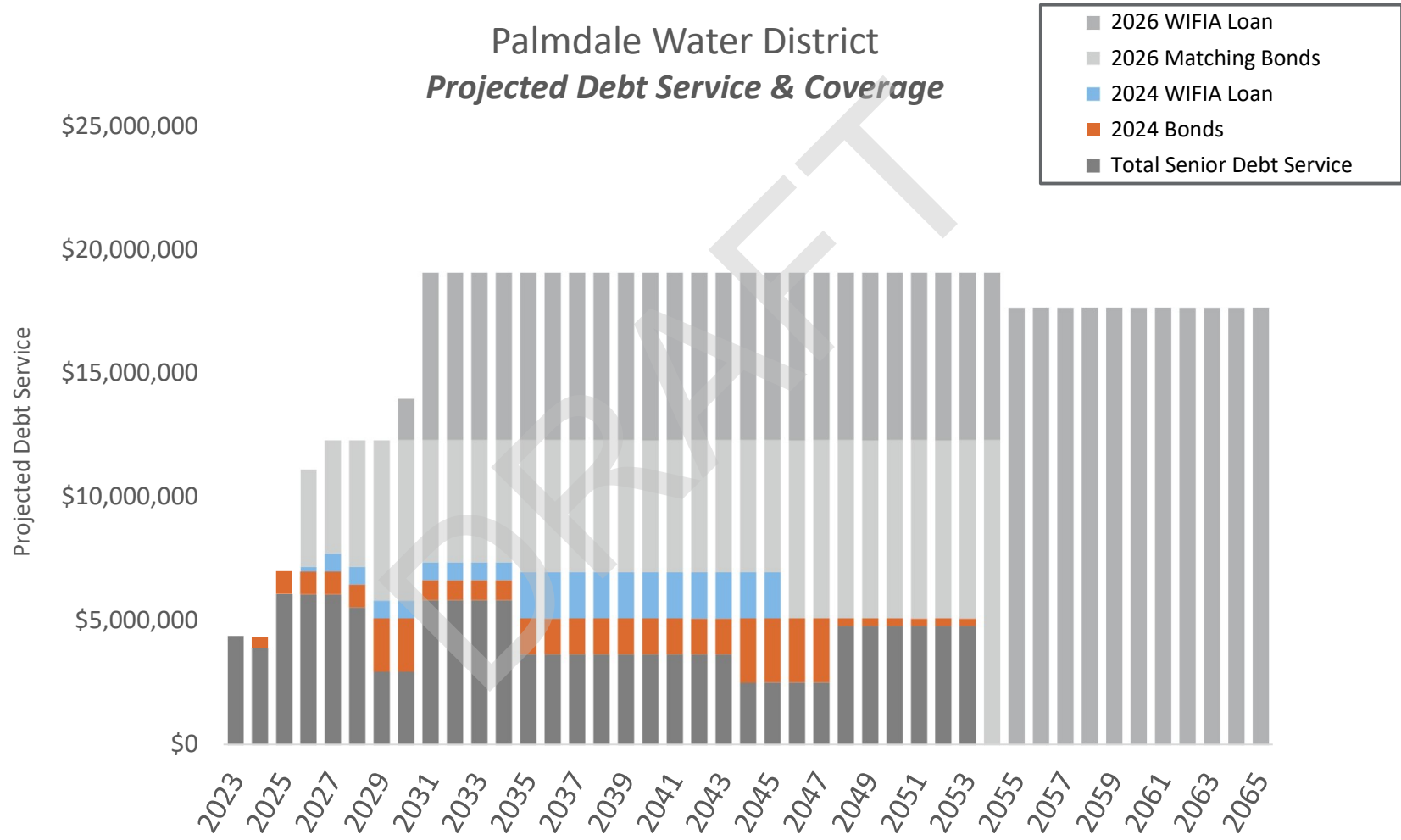
*Includes underwriting costs, bond and disclosure costs, rating agency costs, municipal advisor fees, bond insurance and surety premiums

- Structured to “wrap” around current debt
- 30-year amortization

Year	Principal	Interest	Total Debt Service
2024	\$0	\$461,175	\$461,175
2025	\$0	\$922,350	\$922,350
2026	\$0	\$922,350	\$922,350
2027	\$0	\$922,350	\$922,350
2028	\$0	\$922,350	\$922,350
2029	\$1,220,000	\$922,350	\$2,142,350
2030	\$1,280,000	\$861,350	\$2,141,350
2031	\$0	\$797,350	\$797,350
2032	\$0	\$797,350	\$797,350
2033	\$0	\$797,350	\$797,350
2034	\$0	\$797,350	\$797,350
2035	\$650,000	\$797,350	\$1,447,350
2036	\$680,000	\$764,850	\$1,444,850
2037	\$715,000	\$730,850	\$1,445,850
2038	\$750,000	\$695,100	\$1,445,100
2039	\$785,000	\$657,600	\$1,442,600
2040	\$825,000	\$618,350	\$1,443,350
2041	\$865,000	\$577,100	\$1,442,100
2042	\$910,000	\$533,850	\$1,443,850
2043	\$955,000	\$488,350	\$1,443,350
2044	\$2,150,000	\$440,600	\$2,590,600
2045	\$2,230,000	\$354,600	\$2,584,600
2046	\$2,320,000	\$265,400	\$2,585,400
2047	\$2,415,000	\$172,600	\$2,587,600
2048	\$225,000	\$76,000	\$301,000
2049	\$235,000	\$64,750	\$299,750
2050	\$245,000	\$53,000	\$298,000
2051	\$260,000	\$40,750	\$300,750
2052	\$270,000	\$27,750	\$297,750
2053	\$285,000	\$14,250	\$299,250
Total	\$20,270,000	\$16,496,775	\$36,766,775

*Preliminary, subject to change

Total Debt Service (After Full Financing For Pure Water AV)



Summary of Legal and Disclosure Documents

Authorizing Resolutions

- Approve the financing plan, legal and disclosure documents, and authorize District staff to deliver the 2024 Bonds
- Outlines Not-to-Exceed amounts for the 2024 Bonds
- One for Palmdale Water District Board, one for the Palmdale Water District Public Financing Authority Board

Installment Purchase Agreement

- Outlines relationship between District and PWD Financing Authority (Financing Authority provides financing for project and sells project to PWD in exchange for installment payments)
- 110% debt service coverage agreement
- 110% additional debt test

Trust Agreement

- Relationship between PWD, PWD Financing Authority and BNY Mellon (Trustee)
- Sets forth key terms and conditions for Bonds – allocation of proceeds, prepayment terms, covenants, form of 2024 Bonds, role of Trustee

Preliminary Official Statement

- Primary disclosure document for 2024 Bonds, providing investors with information about PWD, security for the bonds, state of District finances and operations, and key risks
- Must contain all relevant material information that an investor would make in deciding to invest in the 2024 Bonds

Continuing Disclosure Agreement

- Attached as an Appendix to the Preliminary Official Statement; sets forth the District's obligation to provide ongoing reporting
- Similar requirements to PWD's outstanding debt

Purchase Contract

- Sets forth terms and conditions under which underwriter (Hilltop Securities) will purchase the 2024 Bonds and sell the 2024 Bonds to investors

Key Covenants Made to Bond Owners

▶ Rate Covenant

- ▶ Raise rates as needed to provide Net Revenues equal to 110% of combined debt service on an annual basis
- ▶ Need to raise rates to meet rate covenant may be temporarily offset by the application of any funds set-aside in the District's Rate Stabilization Fund
 - ▶ District policy targets a Rate Stabilization Fund and that money can be used by the District to address a one-time shortfall in coverage
 - ▶ Allows the District to avoid triggering a rate increase process due to a one-time event


▶ Additional Bonds Test

- ▶ Issuance of new debt conditional upon current revenues exceeding maximum annual debt service now and in the next 5 years by 10% (110% coverage)

▶ Continuing Disclosures

- ▶ District covenants to provide bond investors with annual financial & operating data
- ▶ District covenants to provide bond investors with events-based disclosures on an as needed basis
- ▶ Similar requirement to all outstanding District debt

Proposed Schedule



March 18	Credit Rating Call
March 25	Board Approval of 2024A Bonds
April 11	WIFIA Term Sheet Finalized
Week of April 15	Price Bonds*
Week of April 29	Close Financing*
May 13	Board Approval of 2024 WIFIA Loan
June 20	2024 WIFIA Loan Closes & Funds

**Dates contingent upon market conditions*

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.

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.

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NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

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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.

INSTALLMENT PURCHASE AGREEMENT

by and between

PALMDALE WATER DISTRICT

and

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

Dated as of _____ 1, 2024

Relating to

\$ _____

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

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INSTALLMENT PURCHASE AGREEMENT

This Installment Purchase Agreement, made and entered into and dated as of _____ 1, 2024, 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”).

WITNESSETH:

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

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

WHEREAS, the Authority is authorized pursuant to the Act (defined herein) to assist the District in financing the Project and to enter into this 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, 22425 and 22426, to acquire property for its Water System;

WHEREAS, the District and the Authority have duly authorized the execution of this 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 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 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 Indenture of Trust.

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.

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 Series 2024A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including but not limited to, the 2020 Bonds. 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.

Burns-Porter Assessments

The term “Burns-Porter Assessments” means those assessments levied for the benefit of the District in connection with the State Water Supply Contract under and pursuant to the Burns-Porter Act of 1959, also known as the California Water Resources Development Bond Act.

Construction Fund

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

Continuing Disclosure Certificate

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated _____, 2024 and executed by the District in connection with the 2024A Bonds.

Contracts

The term “Contracts” means this 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 Series 2024A 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 Trustee (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.

Indenture of Trust

The term "Indenture of Trust" means the Indenture of Trust, dated as of _____ 1, 2024, by and between the Authority and the Trustee as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

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; Series 2024A 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 “Series 2024A Installment Payment Date” means the tenth day preceding each Interest Payment Date pursuant to the Indenture.

Installment Payments; Series 2024A Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the Series 2024A Installment Payments. The term “Series 2024A Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of _____ 1, 2024, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Insurance Policy

The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2024A Bonds when due.

Insurer

The term “Insurer” means _____, or any successor thereto or assignee thereof.

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 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 Burns-Porter Assessments.

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.

Project

The term “Project” means the additions, betterments, extensions and improvements to the Water System, including real property and buildings, if any, described in Exhibit A hereto.

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.

Reserve Fund

The term “Reserve Fund” means the fund by that name established under and held by the Trustee pursuant to Section 5.04 of the Indenture of Trust.

Reserve Surety Policy

The term “Reserve Surety Policy” means that certain municipal bond debt service reserve fund policy issued by the Insurer to satisfy the Reserve Requirement under the Indenture of Trust.

Senior Obligations

The term “Senior Obligations” means all Contracts and Bonds of the District which are secured by a pledge of and lien on the Water Revenues on a senior basis to the pledge of and lien on Water Revenues securing this Installment Purchase Agreement and any other Subordinate Obligations and payable from the Senior Payments.

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 2020 Bonds, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement.

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, including the Burns-Porter Assessments.

Subordinate Obligations

The term “Subordinate Obligations” means all Contracts and Bonds of the District which are secured by a pledge of and lien on the Water Revenues on a parity with the pledge of and lien on Water Revenues securing this 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 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.

Trustee

The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture of Trust, and its successors and assigns.

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, as amended.

2020 Bonds

The term “2020 Bonds” means the Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable) issued pursuant to an Indenture of Trust, dated as of November 1, 2020 by and between the District and The Bank of New York Mellon Trust Company, N.A.

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, as amended.

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, as amended.

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, as amended.

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 September 1, 2023.

2024A Bonds

The term “2024A Bonds” means the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A, in the aggregate principal amount of \$ _____.

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 any reserve funds, 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 Burns-Porter Assessments, 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.

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 Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this 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 Installment Purchase Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this 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 or which results in interest on the 2024A Bonds being included in the gross income of the owners thereof for federal income tax purposes or being subject to State of California personal income taxation.

(e) 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 the Project in the manner provided for in this 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 Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this 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 Project under the terms of this 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 PROJECT

Section 3.1 Changes to the Project. The District may substitute other improvements for those listed as components of the Project in Exhibit A hereto, but only if the District first files with the Authority and the Trustee a statement of the District in the form attached as Exhibit C:

(a) identifying the improvements to be substituted and the improvements to District facilities they replace in the Project; and

(b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.2 Sale and Purchase of the Project. In consideration for the Authority's assistance in financing the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the District, the Project at the purchase price 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 Purchase and Sale of the Project. In consideration for the Series 2024A Installment Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.4 Title. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Agreement.

Section 3.5 Acquisition and Construction of the Project. The Authority hereby agrees to cause the 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 Project.

The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds into the Construction Fund, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be completed. 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 Project and that all such costs and expenses shall be paid by the District.

ARTICLE IV

SERIES 2024A 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 B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.2 Series 2024A 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 Series 2024A Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2024A 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 Series 2024A Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2024A Installment Payments is absolute and unconditional, and until such time as all of the Series 2024A 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 Series 2024A 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 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.

Section 4.3 Additional Payments. In addition to the Series 2024A Installment Payments, the District shall pay all reasonable compensation to the Trustee for all services rendered under the Indenture of Trust and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture of Trust.

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 Series 2024A Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the Series 2024A 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.

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 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 Series 2024A Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Bond Payment Fund a sum equal to the Series 2024A Installment Payment coming due on such Series 2024A 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 Bond Payment Fund for the payment of Series 2024A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2024A Installment Payment due and payable on the next succeeding Series 2024A Installment Payment Date.

All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture of Trust.

(d) Subordinate 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 Trustee for deposit to the Reserve Fund and 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 Obligations. 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 Series 2024A Installment Payments due hereunder.

Section 5.4 Additional Subordinate Obligations. 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 Series 2024A Installment Payments due hereunder; provided:

(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 and one hundred percent (100%) of any Policy Costs 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 and one hundred percent (100%) of any Policy Costs 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 a period of not to exceed five years, 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 and one hundred percent (100%) of any estimated Policy Costs 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 Water Revenues yielding 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 Series 2024A 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 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. With regards to funds held by the Trustee, the District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

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 Series 2024A 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 Payment of Insurer Costs. The District shall pay any reimbursements due to the Insurer under Section 5.05(b) of the Indenture of Trust to the extent that the Authority fails to pay any such costs and such amounts are payable from and secured by a lien on and pledge of the Water Revenues on a parity with other Bonds and Contracts. In addition, the District shall pay to the Insurer any Policy Costs due to the Insurer under Section 5.04 of the Indenture of Trust. In order to secure the District’s payment obligations with respect to Policy Costs, there is hereby granted and perfected in favor of the Insurer a security interest in the Water Revenues and the Water Revenue Fund subordinate to the pledge created hereunder and with respect to all other Bonds and Contracts.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2024A 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 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 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 Indenture of Trust required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture of Trust that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the 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 all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

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. 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 Installment Purchase Agreement in accordance with Section 5.4 hereof.

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 Series 2024A 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 Series 2024A 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 Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest on the 2024A Bonds will not be adversely affected for federal income tax purposes, the District and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the 2024A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Authority will not take or omit to take any action or make any use of the proceeds of the 2024A Bonds or of any other moneys or property which would cause the 2024A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Authority will make no use of the proceeds of the 2024A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2024A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Authority will make no use of the proceeds of the 2024A Bonds or take or omit to take any action that would cause the 2024A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2024A Bonds pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District and the Authority will make no use of the proceeds of the 2024A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2024A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2024A Bonds for federal income tax purposes.

(f) Miscellaneous. The District and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed for the 2024A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6 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 6.7 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 Indenture of Trust or on any funds in the hands of the District pledged to pay the Series 2024A Installment Payments or to the Owners prior or superior to the lien of the Series 2024A Installment Payments or which might impair the security of the Series 2024A Installment Payments.

Section 6.8 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 6.9 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 Series 2024A 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 Series 2024A 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 Series 2024A 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 Series 2024A 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 Trustee and 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 6.10 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 District, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duties to inspect such records.

(b) The District will prepare and file with the Authority and the Trustee 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. The Trustee shall not be responsible for reviewing such financial statements.

(c) As long as there are any outstanding financial obligations of the District (in excess of \$100,000), the District will notify the Authority and the Trustee within 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 6.11 Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority to the Series 2024A Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12 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 or the Rate Stabilization Fund 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 6.13 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 6.14 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 6.15 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 Trustee 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 Trustee, 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 Series 2024A 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 Series 2024A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16 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 of the rights and benefits provided to it herein.

Section 6.17 Enforcement of Contracts. So long as any of the 2024A Bonds 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 rights of the Owners from time to time of the 2024A Bonds.

Section 6.18 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 Series 2024A Installment Payments.

Section 6.19 Continuing Disclosure. The District will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2024A Bonds. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default.

Section 6.20 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 levy and collection of the Burns-Porter Assessments.

Section 6.21 Provision of Information to the Insurer. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Insurer shall be provided with the following information by the District:

(a) Annual audited financial statements within 270 days after the end of the District's Fiscal Year (together with a certification of the District that it is not aware of any default or Event of Default under this Installment Purchase Agreement), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(b) Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law;

(c) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Installment Purchase Agreement or any supplement thereto or amendment thereof; and

(d) All information furnished pursuant to the Continuing Disclosure Certificate shall also be provided to the Insurer, simultaneously with the filing of the Continuing Disclosure Certificate with any electronic repository.

ARTICLE VII

PREPAYMENT OF SERIES 2024A 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 6.9 and 6.15 herein on any date all or any part of the unpaid Series 2024A Installment Payments, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Series 2024A Installment Payments, as a whole or in part, in the order of payment date as it directs, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2024A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01(a) of the Indenture of Trust.

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 and the Trustee) and the requirements of Article IX hereof shall have been satisfied.

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 Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given unless a shorter period is agreed to by the Trustee in its sole discretion.

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 Series 2024A 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; or

(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;

then and in each and every such case upon the occurrence of such Event of Default specified in clauses (3) and (4) above, without any notice to the District, the Authority shall, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), declare the entire principal amount of the unpaid Series 2024A Installment Payments and the accrued interest thereon shall be immediately due and payable and for any other Event of Default the Authority may, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), by notice in writing to the District declare the entire principal amount of the unpaid Series 2024A 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. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2024A Installment Payments and the accrued interest thereon shall have been so declared due and payable and 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 a sum sufficient to pay the unpaid principal amount of the Series 2024A Installment Payments or the unpaid payment of any other Contract or Bond 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 Series 2024A Installment Payments or such Contract or Bond 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 Series 2024A 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, if appropriate, or provision deemed by the Authority, if appropriate, to be adequate shall have been made therefor, then and in every such case the Authority, if appropriate, by written notice to the District, may rescind and annul such declaration and its consequences; 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 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, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee, and then to the payment of the fees, costs and expenses of the Authority, 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 Series 2024A 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 Series 2024A 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. The Authority shall have the right:

(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; or

(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.

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

Section 8.4 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 Series 2024A 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, 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 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 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 by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

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 8.5 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. To the extent that this Installment Purchase Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1 Discharge of Obligations. When

(a) all or any portion of the Series 2024A Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2024A Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2024A Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2024A Installment Payments, sufficient moneys and non-callable Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2024A Installment Payments to their respective Series 2024A Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2024A Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such Defeasance Securities applied to the payment of such Series 2024A Installment Payments).

In such event, upon request of the District the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture of Trust as an overpayment of Series 2024A Installment Payments, all such Defeasance Securities held by it pursuant hereto other than such Defeasance Securities, as are required for the payment or prepayment of the Series 2024A Installment Payments, which Defeasance Securities shall continue to be held by the Trustee in trust for the payment of the Series 2024A Installment Payments and shall be applied by the Trustee to the payment of the Series 2024A Installment Payments of the District.

Notwithstanding anything to the contrary set forth herein or in the Indenture of Trust, the right, title and interest of the Authority herein and the obligations of the District hereunder shall not cease, terminate, become void or be discharged and satisfied until all amounts due and owing to the Insurer in connection with the Insurance Policy and the Reserve Surety Policy shall have been paid.

ARTICLE X

MISCELLANEOUS

Section 10.1 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 Water Revenue Fund, the Rate Stabilization Fund and the other funds provided herein and in the Indenture of Trust for the payment of the Series 2024A 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 Series 2024A 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 10.2 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 or the Authority and its assigns any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3 Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority 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 or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2024A 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 10.5 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 Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6 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 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 10.7 Assignment. This Installment Purchase Agreement and all right, title and interest of the Authority hereunder, including its right to receive the Series 2024A Installment Payments, shall be assigned by the Authority to the Trustee, pursuant to the Indenture of Trust with the express consent of the District, which is hereby granted.

Section 10.8 Net Contract. This Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof with respect to the Series 2024A Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9 California Law. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10 Notices. All written notices to be given hereunder shall be given 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 Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Department

Section 10.11 Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully

paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee).

Section 10.12 Execution in Counterparts. This 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 10.13 Indemnification of Authority and the Trustee. The District hereby agrees to indemnify and hold harmless the Authority and the Trustee and their directors, officers and employees 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 and under the Indenture of Trust; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture of Trust by the Authority or the Trustee.

Section 10.14 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Installment Purchase Agreement.

Section 10.15 No Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2024A Bonds which is provided from the District may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 10.16 Insurer Considerations. The rights granted to the Insurer under this Installment Purchase Agreement or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 10.17 Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2024A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consent of the Insurer, which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the stated maturities of the 2024A Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each 2024A Bond so affected; or (2) reduce the aforesaid percentage of Owners of 2024A Bonds whose consent is required for the execution of any amendment or modification of this Installment Purchase Agreement; or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2024A Bonds may also be modified or amended

without the consent of the Owners of the 2024A Bonds to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the District contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the District, and which shall not adversely affect the interests of the Owners of the 2024A Bonds;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Authority or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2024A Bonds;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the 2024A Bonds; and

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2024A Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes.

No amendment may modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto.

IN WITNESS WHEREOF, the parties hereto have executed this 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

DESCRIPTION OF THE PROJECT

The Project comprises the following described improvements to the District's Water System:

[To Come]

The District may substitute other improvements to the Water System for all or a portion of the improvements listed above.

EXHIBIT B
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 Series 2024A Installment Payment Dates as follows:

<i>Series 2024A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>		\$	\$

<i>Series 2024A 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:

TOTAL	\$ _____	\$ _____	\$ _____
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EXHIBIT C

FORM OF SUBSTITUTION CERTIFICATE

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

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

The undersigned General Manager of the Palmdale Water District (the “District”) hereby states pursuant to Section 3.1 of the Installment Purchase Agreement, dated as of _____ 1, 2024, by and between Palmdale Water District Public Financing Authority and the District (the “Installment Purchase Agreement”) that each component of the Project (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: _____, _____

General Manager

EXHIBIT 1

ASSIGNMENT AGREEMENT

by and between

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of _____ 1, 2024

Relating To

\$ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A

ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of ____ 1, 2024 by and between the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

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

Section 1. Assignment.

The Authority, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the bonds (the “Bonds”), to be issued by the Authority pursuant to the Indenture of Trust dated as of ____ 1, 2024, by and between the Authority and the Trustee (the “Indenture”), all of its rights, title and interest in the Installment Purchase Agreement dated as of ____ 1, 2024, by and between the Palmdale Water District (the “District”) and the Authority (the “Installment Purchase Agreement”) including the right to receive all installment payments from the District under the Installment Purchase Agreement (but not including the right to be indemnified pursuant to, or receive notices under, the Installment Purchase Agreement), together with any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Bonds. The assignment herein is absolute and presently effective.

Section 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the District under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Indenture, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture.

Section 3. Conditions.

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

§[PAR]
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A

BOND PURCHASE AGREEMENT

[_____], 2024

Palmdale Water District Public Financing Authority
c/o Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Ladies and Gentlemen:

The undersigned (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the Palmdale Water District Public Financing Authority (the “**Authority**”) and the Palmdale Water District (the “**District**”), for the purchase by the Underwriter and the delivery by the Authority of the Bonds specified below. The proceeds of the Bonds (defined below) will be used (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy (the “**Insurance Policy**”) to guarantee payment of the principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “**Reserve Surety Policy**”) for deposit in the Reserve Fund; and (iv) to pay the costs of issuing the Bonds. This offer is subject to your acceptance prior to 11:59 p.m., Los Angeles time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the District and the Authority at any time prior to the acceptance thereof by the District and the Authority. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and Installment Purchase Agreement (each as defined below).

The District and the Authority acknowledge and agree that: (i) the primary role of the Underwriter, as an underwriter, is to purchase the Bonds, for resale to investors, in an arm’s-length commercial transaction among the Authority, the District and the Underwriter, and the Underwriter has financial and other interests that differ from those of the Authority and the District; (ii) the Underwriter is acting solely as a principal and not as an agent of the District or the Authority and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District or the Authority; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District or the Authority with respect to the transaction contemplated by the Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter have provided other services or is currently providing other services to the District or the Authority on other matters); (iv) the only obligations the Underwriter has to the District and the Authority with respect to the transaction contemplated by this Purchase

Agreement are expressly set forth in this Purchase Agreement; and (v) the District and the Authority have consulted their own financial and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the District and the Authority have deemed appropriate. The Authority acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$[PAR] aggregate principal amount of the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A (the “**Bonds**”) to be dated the Closing Date, at a price of \$[_____], being the principal amount of the Bonds, [plus/minus] [net] original issue [premium/discount] of \$[_____], less an Underwriter’s discount of \$[_____].

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto. The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of [_____] 1, 2024 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the Trustee and the Underwriter.

The obligation of the Authority to pay the principal of and interest on the Bonds is a special obligation of the Authority, payable solely from Revenues (as defined in the Indenture), and certain other amounts held under the Indenture. Revenues consist primarily of installment payments made by the District pursuant to the Installment Purchase Agreement, dated as of [_____] 1, 2024 (the “**Installment Purchase Agreement**”), by and between the District and the Authority. The principal of and interest on the Bonds are not required to be paid from any other funds of the Authority, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the Authority or the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under the Insurance Policy to be issued concurrently with the delivery of the Bonds by [_____] (the “**Insurer**”). The Insurer will also issue the Reserve Surety Policy concurrently with the delivery of the Bonds.

The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement, dated [_____] 1, 2024 relating to the Bonds (together with the cover page and all appendices thereto, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate as required by Securities and Exchange Commission Rule 15c2-12, as amended (“**Rule 15c2-12**”), and substantially in the form attached as an appendix to the Official Statement (the “**Continuing Disclosure Certificate**”) and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The District has heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

The District will undertake pursuant to the Installment Purchase Agreement and the Continuing Disclosure Certificate to provide certain annual financial and operating information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriter in complying with Rule 15c2-12.

2. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover page of the Official Statement of the District pertaining to the Bonds, dated [_____], 2024 (together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, and with the Preliminary Official Statement, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds subject to Section 5 hereof. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “**Public Offering**” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The District shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The District shall deliver these copies to the Underwriter no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriter to comply with Rule 15c2-12 of the Securities and Exchange Commission, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The District and Authority shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32. The Underwriter shall inform the District in writing of the End Date, and covenants to file the Official Statement with the MSRB on a timely basis.

The Official Statement, as of its date, as of the Closing Date and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the “**End Date**”) of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the “underwriting period” (as defined in Rule 15c2-12) (the “**Underwriting Period**”), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4), any event shall

occur or circumstance shall exist of which the Authority or the District has knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority or the District, as the case may be, shall notify the Underwriter (and for the purpose of this Section provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the District, the Authority or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority and the District will, at their expense, supplement or amend the Official Statement in a form and manner jointly approved by the District, the Authority and the Underwriter and furnish to the Underwriter a reasonable number of copies of such supplement or amendment provided that the Underwriter promptly agrees that it will notify the Authority and the District of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on [_____], 2024, or at such other time or date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “**Closing Date**”), the District will deliver to the Underwriter, at a location or locations to be designated by the Underwriter, the Bonds in book-entry form (all Bonds having had the CUSIP numbers assigned to them thereon), duly executed by an authorized officer of the Trustee as provided in the Indenture, and the other documents herein mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

5. (a) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “**issue price**” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Authority and the Underwriter agrees that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that

is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties.

6. The Underwriter represents to and agrees with the District and the Authority that:

(i) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District and the Authority, and is not prohibited thereby from acting as the underwriter with respect to securities of the District and the Authority; and

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District or the Authority with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

7. The Authority represents, warrants and covenants to the Underwriter that:

(a) The Authority is a joint powers authority duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to enter into and perform its duties under the Indenture, the Installment Purchase Agreement and the Assignment Agreement, dated as of [] 1, 2024 (the “**Assignment Agreement**”), between the Authority and the Trustee (collectively, the “**Authority Documents**”) and, when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority in accordance with their respective terms.

(b) Neither the execution and delivery of the Authority Documents, or the approval and execution of the Official Statement or this Purchase Agreement, and compliance with the provisions on the Authority’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest in or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Bonds or the consummation by the Authority of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the Authority, and except as disclosed in the Official Statement, there is, and on the Closing Date there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or

threatened against the Authority to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Authority Documents or the authority of the Authority to execute this Purchase Agreement, or enter into the Authority Documents or contesting the powers of the Authority to perform its obligations under any of the foregoing or in any way contesting the powers of the Authority in connection with any action contemplated by this Purchase Agreement, or in any way questioning or challenging the tax status of interest on the Bonds.

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the Authority contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Authority agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Authority will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(g) By official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The Authority is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the Authority or with respect to an obligation guaranteed by the Authority as guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the Authority has knowledge, which might or would cause the information relating to the Authority or the Authority's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority

will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the Authority.

(k) If the information relating to the Authority, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the End Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) No consent, approval, authorization or other action by a governmental or regulatory authority that has not been obtained is or will be required of the Authority for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(m) At or prior to the Closing, the Authority will deliver all opinions, Bonds, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(n) Any certificate of the Authority delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(o) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the Authority does not and will not have outstanding any indebtedness which is secured by a lien on the Revenues superior to or on a parity with the lien of the Bonds thereon.

(p) Between the date of this Purchase Agreement and the Closing Date, the Authority will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent.

(q) The Authority is not presently and as a result of the execution of the Authority Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the Authority is a party or to which the Authority is bound.

(r) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authority Documents.

8. The District represents, warrants and covenants to the Underwriter that:

(a) The District is an irrigation district duly organized and existing under the laws of the State of California, and has all necessary power and authority to enter into and perform its duties under the Installment Purchase Agreement, the Continuing Disclosure Certificate and this Purchase Agreement (collectively, the “**District Documents**”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute the legal, valid and binding obligations of the District in accordance with their respective terms.

(b) Neither the execution and delivery of the District Documents, or the approval and execution of the Official Statement, and compliance with the provisions on the District’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest in or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the District Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bonds or the consummation by the District of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the District, and except as disclosed in the Official Statement, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the District Documents or the authority of the District to execute this Purchase Agreement, or enter into the District Documents, or in any way questioning or challenging the tax status of interest on the Bonds.

(e) As of its date and as of the date hereof, the information relating to the District, the Bonds (excluding information as to the Insurer, the Insurance Policy and the Reserve Surety Policy and DTC and its book-entry system as to which no view is expressed) and the Water System contained in the Preliminary Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the District, the Bonds (excluding information as to the Insurer, the Insurance Policy and the Reserve Surety Policy and DTC and its book-entry system as to which no view is expressed) and the Water System contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 8(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the District will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(g) By official action of the District prior to or concurrently with the execution hereof, the District has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in the District Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The District is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the District or with respect to an obligation guaranteed by the District as guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, the Water System or the District's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the District.

(k) If the information relating to the Water System, the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the End Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) The District covenants that it will comply with all tax covenants relating to it in the District Documents and the Tax Certificate of the District.

(m) The written information supplied by the District to the Underwriter with respect to the financial information relating to the Water System is true, correct and complete in all material respects for the purposes for which it was supplied.

(n) No consent, approval, authorization or other action by an governmental or regulatory agency that has not been obtained is or will be required of the District for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Water System which the District has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(o) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds) will be used to finance the acquisition and construction of improvements to the Water System, and the District will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(p) At or prior to the Closing, the District will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(q) Any certificate of the District delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(r) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the District does not and will not have outstanding any indebtedness which is secured by a lien on the Net Water Revenues superior to or on a parity with the lien thereon established under the Indenture.

(s) Between the date of this Purchase Agreement and the Closing Date, the District will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from the Net Water Revenues.

(t) The District is not presently and as a result of the execution of the District Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound.

(u) The District has not, in the last five years, failed to comply in any material respect in its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Preliminary Official Statement and the Official Statement. The District will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

9. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the Authority and the District contained herein, and the opinions of Bond Counsel, Counsel to the Trustee, Counsel to the District and Counsel to the Authority required hereby. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, this Purchase Agreement, the Indenture, the Installment Purchase Agreement, the Assignment Agreement and the Continuing Disclosure Certificate (collectively the "**Legal Documents**"), all as described in the Official Statement, shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Stradling Yocca Carlson & Rauth LLP (herein called "**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them:

(1) The unqualified approving opinion of Bond Counsel, dated the Closing Date, addressed to the Authority, the District, the Trustee and the Underwriter (or a reliance letter to the Trustee and the Underwriter), in substantially the form attached as APPENDIX C to the Official Statement;

(2) A supplemental opinion or opinions of Bond Counsel dated the Closing Date, addressed to the Underwriter, in form and substance to the effect that:

(a) The statements and information contained in the Official Statement under the captions "INTRODUCTION," "THE 2024A BONDS," "SECURITY FOR THE 2024A BONDS," "TAX MATTERS" and APPENDIX B and APPENDIX C, to the extent they purport to summarize information concerning the Bonds and certain provisions of the Legal Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

(c) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding agreement of the Authority and the District enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Agreement.

(3) A letter from Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel, dated the Closing Date and addressed to the Authority, the District and the Underwriter, to the effect that, based upon their participation in conferences in the course of preparation of the Preliminary Official Statement and Official Statement, and in reliance on such conferences and on the certificates, opinions and other documents mentioned in such letter, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement as of its date and as of the date of this Purchase Agreement and the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, technology, real estate or environmental matters, any information with respect to ratings or rating agencies, the compliance by the District with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, the appendices thereto or any information about the Insurer, the Insurance Policy, the Reserve Surety Policy, The Depository Trust Company or the Book-Entry System included or referred to therein, which such firm expressly excludes from the scope of this section and as to which such firm need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) An opinion of Aleshire & Wynder LLP, General Counsel to the District dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Authority and the Underwriter, to the effect that:

(i) the District is an irrigation district created in accordance with the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the District Documents have been duly approved by the District;

(iii) the resolution of the District approving and authorizing the execution and delivery of the Official Statement and the District Documents has been duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the District or the Authority, which would adversely impact the District's or the Authority's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the District Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or

finding would adversely affect the validity and enforceability of the District Documents;

(v) the execution and delivery of the District Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(vi) the District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement; and

(viii) the Water System charges and fees were duly approved and adopted by the District, and are valid and enforceable at the current levels levied by the District.

(5) An opinion of Aleshire & Wynder LLP, General Counsel to the Authority dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the District and the Underwriter, to the effect that:

(i) the Authority is a joint powers authority duly organized and validly existing under the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the Authority Documents have been duly approved by the Authority;

(iii) the resolution of the Authority approving and authorizing the execution and delivery of the Official Statement and the Authority Documents has been duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the Authority, which would adversely impact the Authority's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the Authority Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Authority Documents;

(v) the execution and delivery of the Authority Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) the Authority Documents and the Official Statement have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California; and

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the Authority Documents and the approval of the Official Statement.

(6) The opinion of counsel to The Bank of New York Mellon Trust Company, N.A. (the "**Bank**") as Trustee, dated the Closing Date in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the Authority, the District and the Underwriter, to the effect that:

(i) The Bank is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Bank has duly authorized the execution and delivery of the Indenture and the Assignment Agreement (respectively, the "**Bank Documents**").

(iii) The Bank Documents have been duly entered into and delivered by the Bank and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitutes the legal, valid

and binding obligations of the Bank enforceable against the Bank in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity.

(iv) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by the Bank of the Bank Documents.

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of Kutak Rock LLP, counsel to the Underwriter ("**Underwriter's Counsel**"), in such form as may be acceptable to the Underwriter.

(8) A certificate, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the Authority contained in this Purchase Agreement; (b) certifying that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents; and (c) certifying that to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading in any material respect.

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the District contained in this Purchase Agreement; (b) certifying that the District has complied with all agreements, covenants and conditions to be complied with by the District at or prior to the Closing under the District Documents; (c) certifying that to the best of such official's knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading in any material respect; (d) certifying that no consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 2023 in the Official Statement; and (e) certifying that the payment by the District of the Installment Payments is on a parity with the obligation of the District to pay the Parity Payments (as defined in the Official Statement).

(10) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the District deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(11) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the Authority deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(12) Executed or certified copies of the Legal Documents.

(13) An executed copy of the Official Statement.

(14) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds and the Indenture.

(15) A copy of the resolution adopted by the Authority and certified by the Secretary of the Authority authorizing the execution and delivery of the Authority Documents and the Official Statement.

(16) A copy of the resolution adopted by the District and certified by the Secretary of the Board of Directors, authorizing the execution and delivery of the District Documents and the Official Statement.

(17) Tax certifications by the Authority and the District in form and substance acceptable to Bond Counsel.

(18) A Certificate of the Bank, dated the Closing Date to the effect that:

(i) The Bank is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Bank Documents;

(ii) Subject to the provisions of the Bank Documents, the Bank will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Bank has duly authorized and executed the Bank Documents.

(19) Evidence that the Bonds have been rated as set forth in the Official Statement and that such ratings continue in effect as of the Closing.

(20) The Insurance Policy, duly executed by the Insurer.

(21) The Reserve Surety Policy, duly executed by the Insurer.

(22) An opinion of counsel to the Insurer, dated the Closing Date, addressed to the Authority and the Underwriter, in form and substance satisfactory to the Underwriter and Bond Counsel.

(23) A certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer, the Insurance Policy and the Reserve Surety Policy included in the Official Statement and such other matters reasonably requested by the Underwriter and Bond Counsel.

(24) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(25) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(26) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter's Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Agreement, the Bonds and the sale thereof, the Legal Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the District nor the Authority shall have any further obligation hereunder.

10. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefore, by written notification to the Authority and the District if at any time at or prior to the Closing:

(i) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be

to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iii) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter); or

(iv) A general banking moratorium shall have been established by federal, State of New York or California authorities; or

(v) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended and the Trust Indenture Act of 1939, as amended; or

(vi) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal

or state agency or the Congress of the United States, or by Executive Order;
or

(vii) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District or the Authority, its property, income or securities (or interest thereon), or the ability of the District to execute the Installment Purchase Agreement or the Authority to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(viii) There shall have occurred any (1) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (2) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereto; or

(ix) There shall have occurred any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the District or the Authority, other than changes in the ordinary course of business or activity or in the normal operation of the District or the Authority, except as described in the Official Statement; or

(x) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any respect any material statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(xi) An event described in Section 7(j) or 8(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xii) Any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded; or

(xiii) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xiv) Any rating of the Bonds or other obligations of the District or the Authority by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch.

11. Performance by the Authority and the District of their respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriter of its obligations hereunder, and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at Closing by persons and entities other than the Authority or the District.

12. After the Closing and until the End Date (a) neither the Authority nor the District will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing or which shall be reasonably disapproved by the Underwriter, and (b) if any event relating to or affecting the Authority or the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Bonds, and the Authority will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to an initial purchaser of the Bonds, not misleading. The costs of preparing any necessary amendment or supplement to the Official Statement to be utilized until the End Date shall be borne by the Authority and any costs incurred thereafter incident to amending or supplementing the Official Statement shall be borne by the Underwriter. For the purposes of this Section, the Authority will furnish such information with respect to itself as the Underwriter may from time to time request.

13. (a) The Underwriter shall be under no obligation to pay, and the District or Authority shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the District and Authority's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the District Documents and the Authority Documents, and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; the cost of preparation of any "blue sky" or legal investment memoranda; and the fees and disbursements of Bond Counsel, Disclosure Counsel, any accountants, financial advisors or other engineers or experts or consultants the District or the Authority have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District or Authority officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, neither the Authority nor the District shall be under any obligation to pay, and the Authority and District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the fees and disbursements of Underwriter's Counsel.

14. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Hilltop Securities Inc., 777 S. Hwy. 101, Suite 104, Solana Beach, CA 92075, Attention: Public Finance Department. Any notice or other communication to be given to the

Authority or the District may be given by delivering the same to addresses initially provided herein, Attention: General Manager. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by Hilltop Securities Inc. and delivered to you.

15. This Purchase Agreement is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

16. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

17. The representations and warranties of the District and the Authority set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the District and the Authority and regardless of delivery of and payment for the Bonds.

18. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District, the Authority and the Underwriter and shall be valid and enforceable as of the time of such acceptance.

19. This Purchase Agreement shall be governed by the laws of the State of California. This Purchase Agreement shall not be assigned by either party hereto.

20. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and the Authority and represents the entire agreement of the parties as to the subject matter herein.

21. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

22. This Purchase Agreement shall be governed by the laws of the State of California.

HILLTOP SECURITIES INC.

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

PALMDALE WATER DISTRICT

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

**[EXECUTION PAGE OF BOND PURCHASE AGREEMENT - PALMDALE
WATER DISTRICT PUBLIC FINANCING AUTHORITY SUBORDINATE
WATER REVENUE BONDS, SERIES 2024A]**

EXHIBIT A

**§[PAR]
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule (<i>marked if used</i>)</u>
	\$	%	%				

(T)

(C)

^(T) Term Bond.

^(C) Yield and Price to optional call at par on October 1, 20[].

* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

EXHIBIT B

**§[PAR]
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Hilltop Securities Inc. (“Hilltop Securities”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Issuer* means the Palmdale Water District Public Financing Authority.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop Securities ’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

HILLTOP SECURITIES INC.

By: _____

Name: _____

Dated: [_____] , 2024

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(To be attached)

INDENTURE OF TRUST

by and between

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

and

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY,
as Issuer**

Relating to

**\$ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

Dated as of _____ 1, 2024

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INDENTURE OF TRUST

This INDENTURE OF TRUST (the “Indenture”), dated as of _____ 1, 2024, by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the “Trustee”) and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Issuer”);

WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all its rights to receive the Revenues (as hereinafter defined) scheduled to be paid by the Palmdale Water District (“the District”) to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the “Bonds”) in an aggregate principal amount equal to \$ _____; and

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 entering into of this Indenture 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 Indenture;

NOW, THEREFORE, IN CONSIDERATION OF THE 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; EQUAL SECURITY

Section 1.01 Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. 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 the Bonds and of any certificate, opinion, request 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:

Annual Debt Service. The term “Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

Authority. The term “Authority” means the Palmdale Water District Public Financing Authority.

Authorized Denominations. The term “Authorized Denominations” means \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to Section 3.02.

Bond Year. The term “Bond Year” means each twelve month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date of the Bonds to October 1, 2024, both dates inclusive.

Bonds. The term “Bonds” means the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A in the aggregate principal amount of \$ _____.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The term “Certificate” or “Request” means: (i) with respect to the District, an instrument in writing signed on behalf of the District by the General Manager, or by any other officer of the District duly authorized by the District’s Board of Directors to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the Executive Director of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Construction Fund. The term “Construction Fund” means the fund by that name established in accordance with Section 3.03 hereof.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, (4) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (5) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (6) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation

under the Insurance Policy or the Reserve Surety Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Delivery Date. The term “Delivery Date” means the date of the delivery of the Bonds to the initial purchaser thereof.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

District. The term “District” means the Palmdale Water District.

DTC. The term “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Executive Director. The term “Executive Director” means the Executive Director of the Issuer.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the District and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., its successors and assigns.

General Manager. The term “General Manager” means the General Manager of the District.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any form of certified public accountants appointed by the Issuer which is independent pursuant to the Statement on Auditing Standards No. I of the American Institute of Certified Public Accountants.

Indenture. The term “Indenture” means this Indenture of Trust executed and entered into as of _____ 1, 2024 by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a Certificate to the Trustee.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the District pursuant to the Installment Purchase Agreement.

Installment Payments. The term “Installment Payments” means the installment payments payable by the District pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of _____ 1, 2024, by and between the District and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

Insurer. The term “Insurer” means _____, or any successor thereto or assignee thereof.

Interest Account. The term “Interest Account” means the account by that name established pursuant to Section 3.02 hereof.

Insurer Administrative Costs. The term “Insurer Administrative Costs” has the meaning given to such term in Section 5.05 hereof.

Insurer Reimbursement Amounts. The term “Insurer Reimbursement Amounts” has the meaning given to such term in Section 5.05 hereof.

Interest Payment Date. The term “Interest Payment Date” means April 1 and October 1 of each year, commencing _____ 1, 2024.

Issuance Costs. The term “Issuance Costs” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Installment Purchase Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the District.

Issuance Costs Fund. The term “Issuance Costs Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Issuer. The term “Issuer” means the 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.

Letter of Representations. The term “Letter of Representations” means the Blanket Issuer Letter of Representations of the District and the Trustee delivered to and accepted by the Depository on or prior to delivery of the Bonds as book-entry certificates setting forth the basis on which the Depository serves as depository for such book-entry certificates, as originally executed or as it may

be supplemented or revised or replaced by a letter from the District and the Trustee delivered to and accepted by the Depository.

Maturity Date. The term “Maturity Date” means October 1 of each year in which principal payments are due on the Bonds commencing in ____ and ending in ____.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds except: (i) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “Bond Owner” or “Owner of Bonds” or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Issuer (provided that the Trustee shall be entitled to rely upon any investment directions from the Issuer as conclusive certification to the Trustee that the investments described therein comply with any policy guidelines promulgated by the Issuer and are both suitable and authorized under the laws of the State of California).

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services

Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;
- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank). Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Issuer, or bankers acceptances of depository institutions, including the Trustee or any of its affiliate;
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market mutual fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and

- (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
- (1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (j) Investment Agreements (supported by appropriate opinions of counsel);
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

The value of the above investments shall be determined as follows:

- (a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at cost;
- (b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- (c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

Policy Payments. The term “Policy Payments” has the meaning given to such term in Section 5.05 hereof.

Principal Account. The term “Principal Account” means the account by that name established pursuant to Section 3.02 hereof.

Project. The term “Project” has the meaning given in the Installment Purchase Agreement.

Project Costs. The term “Project Costs” means all costs of acquiring, constructing and installing the Project, including, but not limited to:

(a) all costs which the Issuer or the District shall be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of the Project;

(b) all costs which the Issuer or the District shall be required to pay a contractor or any other person for the acquisition, construction and installation of the Project;

(c) obligations of the Issuer or the District incurred for services (including obligations payable to the Issuer or the District for actual out-of-pocket expenses of the Issuer or the District) in connection with the acquisition, construction and installation of the Project, including reimbursement to the Issuer or the District for all advances and payments made in connection with the Project prior to or after delivery of the Bonds;

(d) the actual out-of-pocket costs of the Issuer or the District for surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses relating to the acquisition, construction and installation of the Project; and

(e) any sums required to reimburse the Issuer or the District for advances made by the Issuer or the District for any of the above items or for any other costs incurred and for work done by the Issuer or the District which are properly chargeable to the Project.

Rebate Fund. The term “Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.03 hereof.

Record Date. The term “Record Date” means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

Redemption Account. The term “Redemption Account” means the account by that name established pursuant to Section 3.02.

Redemption Price. The term “Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion) plus the applicable

premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Reserve Fund. The term “Reserve Fund” means the fund by that name established pursuant to Section 5.04.

Reserve Requirement. The term “Reserve Requirement” means, with respect to the Bonds, as of any date of calculation, an amount not to exceed the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, or (iii) 10% of the initial principal amount of such Bonds. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed \$_____, the initial Reserve Requirement.

Reserve Surety Policy. The term “Reserve Surety Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer and deposited in the Reserve Fund to satisfy the Reserve Requirement.

Revenues. The term “Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Securities Depository. The term “Securities Depository” means DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hereof.

Sinking Account. The term “Sinking Account” means the account established pursuant to section 5.02 hereof.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the District, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services, LLC business, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s) designated by the Issuer by written notice to the Trustee.

State. The term “State” means the State of California.

Statement of the Issuer or the District. The term “Statement of the Issuer or the District” means a statement signed by or on behalf of: (i) the Issuer by its President, Treasurer or Executive Director; or (ii) the District by the President, General Manager or the Finance Director or by any two persons (whether or not officers of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the date of initial issuance of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by and delivered to the District on the date of execution and delivery of the Bonds, including any and all exhibits attached thereto.

Term Bonds. The term “Term Bonds” means the Bonds maturing on October 1, ____ and October 1, ____ which are subject to mandatory sinking fund redemption.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor as Trustee hereunder.

Written Consent of the Issuer or the District; Written Order of the Issuer or the District; Written Request of the Issuer or the District; Written Requisition of the Issuer or the District. The terms “Written Consent of the Issuer or the District,” “Written Order of the Issuer or the District,” “Written Request of the Issuer or the District,” and “Written Requisition of the Issuer or the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Issuer by its President, Treasurer, Executive Director; or (ii) the District by the President, General Manager or its Finance Director or by any two persons who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02 Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, on the Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01 Preparation of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds, to be denominated “Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A” in an aggregate principal amount of \$_____.

Section 2.02 Denominations; Dating. The Bonds shall be prepared in the form of fully registered Bonds in Authorized Denominations. The Bonds shall be dated the Delivery Date.

Section 2.03 Payment of Principal and Interest with Respect to Bonds.

(a) Bonds. Bonds shall become payable on October 1 of each of the years in the principal amounts, and shall bear interest at the rates, set forth below:

***Maturity Date
(October 1)***

Principal Amount

Interest Rate

(b) Amounts Due. Principal or Redemption Price due on the Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the Bonds, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding the Payment Dates in each year.

(c) Payment of Interest. Interest on the Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on the Bonds, from the date thereof.

(d) Interest Accrual. Interest on the Bonds shall accrue on the basis of a 360-day year based on twelve 30-day months.

(e) Method and Place of Payment. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check sent by first class mail by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

Section 2.04 Form of Bonds. The Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue,

shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Issuer although at the nominal date of such Bonds any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually or electronically executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06 Transfer of Bonds. In the event that the Bonds are no longer held in book-entry form, the following transfer and exchange provisions shall apply. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee shall cancel and destroy the Bonds it has received.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.07 Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee shall cancel and destroy the Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any Bond (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Section 2.08 Bond Registration Books. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Issuer or the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

The person in whose name any Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal of and Redemption Price represented by such Bond shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like series, tenor, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated.

Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the District, the Trustee, at the expense of the Bond Owner, shall authenticate and deliver a new Bond of like series, tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Bond executed and authenticated under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.10 Book-Entry System.

(a) Bonds shall be issued in fully registered form and shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company in accordance with this Section 2.10. The Bonds shall be evidenced by one bond maturing on each stated Maturity Date of Bonds. The Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry Bonds, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond registration books, of any notice with respect to book-entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Issuer redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond registration books as the absolute Owner of such book-entry Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond registration books, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the Bonds. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Issuer and the Trustee shall execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Bond registration books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (ii) the Issuer determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Issuer, then the Issuer will discontinue the book-entry system with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond register in the name of the Nominee, but shall be

registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Indenture to the contrary, so long as all Outstanding Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds shall be initially authenticated and delivered as provided in Section 2.01 hereof. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this subsection (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (ii) a determination by the Issuer that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or; (ii) a determination by the Issuer that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee designating the Substitute Depository, a single new Bond, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered for each series and maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Issuer. In the case of any transfer pursuant to clause (C) of subsection (i) of this subsection, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Issuer to the Trustee, new Bonds, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Issuer, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds

indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) the Issuer and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Issuer nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01 Delivery of Bonds. The Trustee is hereby authorized to authenticate and deliver the Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

Section 3.02 Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds.

(a) There is hereby established with the Trustee the following funds and accounts for the Bonds: the Issuance Costs Fund, the Rebate Fund, the Reserve Fund, the Construction Fund and the Bond Payment Fund. Within the Bond Payment Fund there is hereby established an Interest Account, a Principal Account, a Sinking Account and a Redemption Account.

(b) Upon the receipt of payment for the Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the net proceeds of sale thereof as follows:

(i) Deposit into the Issuance Costs Fund, \$_____, constituting an amount sufficient to pay Issuance Costs with respect to the Bonds; and

(ii) Deposit into the Construction Fund, \$_____, constituting an amount sufficient to pay the Project Costs.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a Written Requisition of the District or the Issuer. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid or on the six month anniversary of the initial issuance of the Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

(d) The Reserve Surety Policy shall be deposited into the Reserve Fund to satisfy the Reserve Requirement.

The Trustee may establish temporary funds or accounts to facilitate such transfers.

Section 3.03 Construction Fund.

(a) The Trustee shall establish and maintain a separate fund designated the “Construction Fund.” On the Closing Date there shall be deposited in the Construction Fund the amount specified in Section 3.02(b)(ii) hereof.

(b) The moneys in the Construction Fund shall be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Requisition of the District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid with payment instructions, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a Project Cost and is a proper charge against the Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) Upon the filing of a Written Request of the District stating that the Project has been completed and that all Project Costs have been paid, the Trustee shall transfer and apply the amount, if any, remaining in the Construction Fund (x) if such amount is equal to or greater than \$50,000, to the Redemption Account to be used to optionally redeem Bonds, provided that the amount so transferred shall not exceed the amount required to provide for the redemption of all Outstanding Bonds, and (y) if such amount is less than \$50,000, to the Bond Payment Fund to be used for the purposes thereof. Notwithstanding the foregoing, unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01 Redemption of Bonds.

(a) Optional Redemption. The Bonds are subject to optional redemption, in whole or in part, on any date on and after October 1, ____, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory

sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of Section 4.01(a) and (c) of this Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “ ____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of Section 4.01(a) and (c) of this Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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*

* Final Maturity.

In lieu of such mandatory sinking fund redemption, the Trustee may apply amounts in the Principal Account to the purchase of Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited

towards and will reduce the principal amount of such Term Bonds required to be redeemed on the succeeding October 1.

(c) Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request of the District provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.9 and 6.15 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02 Selection of Bonds To Be Redeemed. Whenever provision is made herein for the redemption of less than all of the Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the Bonds to be redeemed from all Bonds or such given portion of the Bonds not previously called for redemption, among maturities as directed by the District, and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and within each maturity in a manner selected by the Trustee. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

Section 4.03 Notice of Redemption. The District shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to any optional or extraordinary redemption date for Bonds pursuant to Section 4.01. Notice of redemption shall be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, (i) if the Bonds are no longer held under the Book-Entry System, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository electronically or by such method as is acceptable to the Securities Depository, and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the delivery of such notice will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the redemption shall not take place.

Section 4.04 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond of Authorized Denominations, and of the same maturity date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05 Effect of Redemption of Bonds. If notice of redemption having been duly given pursuant to Section 4.03 hereof, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, such Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Neither the failure to receive any notice nor any defect therein shall not affect the sufficiency of the proceedings of redemption.

All Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

ASSIGNMENT AND APPLICATION OF REVENUES

Section 5.01 Assignment of Revenues. The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of this Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the District contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Installment Payments shall be paid directly by the District to the Trustee, and all Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the District until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

Section 5.02 Deposit of Revenues. The Trustee shall deposit all Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, Principal Account, Sinking Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided, that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred first to the Reserve Fund to replenish amounts therein to the Reserve Requirement and/or to reimburse the Insurer for amounts owed, and second to the Issuer to be used for any lawful purpose of the Issuer.

(a) Interest Account. On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds on their respective Interest Payment Dates.

(b) Principal Account. On or prior to each maturity date (commencing on October 1, ____), the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such maturity date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds on their respective maturities. Notwithstanding the foregoing, no principal payments shall be made on the Term Bonds from the Principal Account.

(c) Sinking Account. On or prior to each date on which the Term Bonds are subject to mandatory sinking fund redemption, the Trustee shall transfer to the Sinking Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such date. All money in the Sinking Account shall be used and withdrawn by the Trustee solely for the purpose of paying the mandatory sinking fund redemption of the Term Bonds as they become due and payable.

(d) Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement, including any Net Proceeds and other amounts to effect an optional redemption of Bonds, shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds to be redeemed on their respective optional or mandatory redemption dates.

Section 5.03 Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent

that the Issuer delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days after the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days after the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund,

(A) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by an Internal Revenue Service Form 8038-T prepared by the Issuer, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

Section 5.04 Reserve Fund. The Trustee shall establish and hold in trust the Reserve Fund. The District shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.04.

As long as the Reserve Surety Policy shall be in full force and effect, and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Issuer and Trustee agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Bond Payment Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Surety Policy, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) Business Day after receipt by the Insurer of a Notice of Nonpayment (as such terms are defined in the Reserve Surety Policy), duly executed by the Trustee certifying that payment due under this Indenture has not been made to the Trustee; or (ii) the Interest Payment Date, the Insurer will make a deposit of funds in an account with the Trustee or its successor sufficient for the payment to the Trustee of amounts which are then due to the Trustee under this Indenture up to but not in excess of the Policy Limit, as defined in the Reserve Surety Policy; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Reserve Surety Policy, includes amounts available under a letter of credit, insurance policy, reserve surety policy or other such funding instrument (the "Additional Funding Instrument"), draws on the Reserve Surety Policy and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) The Issuer shall repay any draws under the Reserve Surety Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank, N.A.) plus 5%, and (B) the then applicable highest rate of interest on the Bonds, and (ii) the maximum rate permissible under

applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(c) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(d) Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Surety Policy will be increased by a like amount, subject to the terms of the Reserve Surety Policy.

(e) All cash and investments in the Reserve Fund shall be transferred to the Bond Payment Fund for payment of the principal of and interest on the Bonds before any drawing may be made on the Reserve Surety Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Surety Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) If the Issuer or the District shall fail to pay any Policy Costs in accordance with the requirements of Section 5.04(b) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture other than: (i) acceleration of the maturity of the payments of principal of and interest on the Bonds; or (ii) remedies which would adversely affect Owners of the Bonds.

(g) The Trustee shall ascertain the necessity for a claim upon the Reserve Surety Policy in accordance with the provisions of Section 5.04(a) hereof and provide notice to the Insurer in accordance with the terms of the Reserve Surety Policy at least five (5) Business Days prior to an Interest Payment Date. Where deposits are required to be made by the District with the Trustee to the Bond Payment Fund for the payment of principal of and interest on the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Issuer to make timely payment in full of such deposits within two Business Days of the date due.

So long as the Reserve Surety Policy is in full force and effect and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, future deposits of a surety in the Reserve Fund shall require the prior written consent of the Insurer. Notwithstanding anything to the contrary, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service on the Bonds.

Section 5.05 Claims Upon the Insurance Policy and Payments by and to the Insurer.

(a) Payment Procedure Under the Insurance Policy. In the event that principal and/or interest on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, shall not cease, terminate, become void or be discharged or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) Business Days prior to the related scheduled interest payment date or principal payment date (“Payment Date”), the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such Payment Date, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “Policy Payment Account”) to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurer, (iii) segregate all such payments in the Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on the Bonds paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, maturity or other advancement

of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the District on any Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. This Indenture shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee agree for the benefit of the Insurer that:

(iii) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in this Indenture and the Bonds; and

(iv) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(b) Additional Payments. The Issuer agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement ("Insurer Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Insurer agrees that failure to pay any Insurer Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy ("Policy Payment"); and (ii) interest on such Policy Payments from the date paid by the Insurer until payment thereof in full by the Issuer, payable to the Insurer at the Late Payment Rate per annum (collectively,

“Insurer Reimbursement Amounts”) compounded semi-annually. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from Revenues and secured by a lien on and pledge of Revenues and other collateral pledged to the Bonds on a parity with debt service due on the Bonds.

Section 5.06 Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

ARTICLE VI

COVENANTS

Section 6.01 Compliance With Indenture and Installment Purchase Agreement. The Issuer will not execute and the Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Section 6.02 Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on Bonds will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Issuer will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with the issuance of the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.03 Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Bonds; provided that such litigation shall be concluded favorably to such Owners’ contentions therein.

Section 6.04 Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the Bonds, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Issuer and to the District a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

Section 6.05 Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01 Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the Issuer in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Issuer in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the Issuer, within such thirty (30) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default; provided, however, if such default shall have been continued for ninety (90) days without being cured then such default shall become an Event of Default unless the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall have consented to extend the time for such corrective action.

(d) The Issuer 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 Issuer 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 Issuer or of the whole or any substantial part of its property.

(e) A default by the Issuer under the Installment Purchase Agreement.

Section 7.02 Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), which consent shall be at the sole discretion of the Insurer, upon written notice to the Issuer, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or

entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Anything in this Indenture to the contrary notwithstanding, so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the holders of the Bonds under this Indenture. No default or Event of Default may be waived without the Insurer's written consent.

Section 7.03 Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Trustee shall have a first lien with a right to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the following fees, charges, and expenses incurred by it, and all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture, which are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all interest then due in the order of the due date of such interest, and, if the amount available shall not be sufficient to pay in full any interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the

amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds, any other amounts due and owing the Insurer hereunder or under the Installment Purchase Agreement and amounts required to restore the Reserve Fund to the Reserve Requirement.

Section 7.04 Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and, subject to Section 7.11 hereof, upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project, any property of the District or other assets or property thereof and no default hereunder shall result in the loss of the Project, any property of the District or other assets or property thereof.

Section 7.05 Bond Owners' Direction of Proceedings. Subject to Section 7.11 hereof, anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights on any Owner thereof, or to authorize

the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owner so affected.

Section 7.06 Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Purchase Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07 Absolute Obligation of Issuer. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08 Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Issuer, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09 Right of Mandamus; Remedies Not Exclusive. Following an Event of Default, subject to Section 7.11 hereof, the Owners may, by mandamus or other suit or proceeding of law or in equity enforce any and all rights of the Owners hereunder. No remedy herein conferred

upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10 No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11 Insurer Rights. The Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to this Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each Bond, each Bond Owner appoints the Insurer as their agent and attorney-in-fact and agrees that the Insurer may at any time during the continuation of any proceeding by or against the Authority under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Bond Owner delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Bond Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Bond Owner for the Insurer’s benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Bond Owners shall expressly include mandamus.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Employment and Duties of the Trustee. The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

Section 8.02 Removal and Resignation of the Trustee. The Issuer may, by giving thirty days prior notice of such negotiation to the Issuer and the District, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.06 of such removal to all Owners of Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the District and by giving notice by mail in accordance with Section 11.06 of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Issuer and the District do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may, at the District's expense, petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee, acceptable to the Insurer, shall be appointed. Any successor Trustee shall be a bank, national banking association with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), unless the District consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Notwithstanding the foregoing, the Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be qualified and appointed.

Section 8.03 Compensation and Indemnification of the Trustee. The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.03 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep

harmless, the Trustee and its directors, officers, agents and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers, agents or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the District including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Water System, (ii) any act of negligence of the District or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Water System, (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

Section 8.04 Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, electronic mail, facsimile, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, before being required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its corporate trust office in Los Angeles, California. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of this Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in this Indenture), or with respect to any obligation of the Issuer or the District hereunder or for the sufficiency of any insurance on the Water System.

Whenever in the observance or performance of its rights and obligations hereunder or under the Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the District

and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the District as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the District and the Issuer with the covenants as set forth in Sections 5.03 and 6.02 hereof and Section 6.5 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the District and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.02.

The Issuer shall not be deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Issuer and District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Issuer and District whenever a person is to be added or deleted from the listing. If the Issuer and District elect to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Issuer and District understand and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Issuer and District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Issuer and District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Issuer and District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer and District agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer and District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The Trustee shall have the right to employ separate counsel in any such action and participate in the in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by the Trustee unless (i) the employment of such counsel has been authorized by the Issuer and the District or (ii) the Issuer and the District shall have failed promptly after receiving notice of such action by the Trustee to assume the defense of such action and employ counsel reasonably

satisfactory to the Trustee, or (iii) the named parties to any such action (including any impleaded parties) include the Trustee, the Issuer, and the District, and the Trustee shall have been advised by counsel that there is a conflict on any issue between the Trustee, the Issuer, and the District.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The Trustee shall have no duty to review, verify or analyze any financial statements furnished to it by the District, and shall hold such financial statements solely as a repository for the Owners. The Trustee shall not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

Section 8.05 Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge. The Trustee shall provide the Insurer with all notices and other information received by the Trustee that the Issuer is obligated to provide to the holders of the Bonds or to the Trustee under this Indenture.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THIS INDENTURE

Section 9.01 Amendment or Supplement by Consent of Owners. This Indenture and the rights and obligations of the Issuer, the District, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the consent of the Insurer shall be required for any amendment or supplement which requires the written consent of the Owners. No such amendment or supplement shall: (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected; or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

This Indenture and the rights and obligations of the Issuer, the District, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of approving Favorable Opinion of

Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon a Favorable Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements and, only if in the case of any amendment that adversely affects the rights and interests of the Insurer, with the written consent of the Insurer, which shall be required only if the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the District, or to surrender any right reserved herein to or conferred herein on the Issuer or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement this Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Favorable Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer shall give written notice of any amendment, or supplement to this Indenture, and the rights and obligations of the Issuer and the District and the Owners, the Trustee and the Insurer hereunder, to Fitch and S&P not less than fifteen (15) days prior to the execution thereof.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 Disqualified Bonds. Bonds known to the Trustee to be held for the account of the Issuer or the District (but excluding Bonds held in any pension or retirement fund of the Issuer or the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section. Upon request of the Trustee, the Issuer and the District shall specify in a Certificate of the Issuer and the District those

Bonds disqualified pursuant to this Section 9.02 and the Trustee may conclusively rely on such Certificate.

Section 9.03 Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Issuer and the District as to such action, and in that case, upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the corporate trust office of the Trustee in Los Angeles, California, a suitable notation as to such action shall be made on such Bond. If the Issuer and the District shall so determine, new Bonds so modified as in the opinion of the Issuer and the District shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the corporate trust office of the Trustee in Los Angeles, California, upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

Section 9.04 Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him or her; provided, that due notation thereof is made on such Bonds.

Section 9.05 Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under this Indenture would adversely affect the security for the Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds and Indenture.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then all agreements and covenants of the Issuer and the District to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds shall be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such Bonds payable on and prior to their maturities or their redemption date.

(c) Any Outstanding Bonds shall prior to their maturities be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if: (1) in case any of such Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds of the redemption of such Bonds on

such redemption dates; (2) there shall have been deposited with the Trustee Defeasance Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such Bonds on and prior to the earlier of their maturities or their redemption dates, as the case may be, and the principal and redemption premiums, if any, on such Bonds; and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating their maturities or the redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such Bonds.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (the "Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification"); (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Trustee and Insurer. The Insurer shall be provided with final drafts of the above-reference documentation not less than three Business Days prior to the funding of the escrow. In addition, the Escrow Deposit Agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the Escrow Deposit Agreement shall require the delivery of a Verification, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(ii) The Issuer will not exercise any prior optional redemption of Bonds secured by the Escrow Deposit Agreement or any other redemption other than mandatory sinking fund redemption unless (a) the right to make any such redemption has been expressly reserved in the Escrow Deposit Agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (b) as a condition to any such redemption there shall be provided to the Insurer a Verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The District shall not amend the Escrow Deposit Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Bonds shall be deemed "Outstanding" under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the interest on those Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such Bonds, with respect to which such Defeasance Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof; as the case may be. If, at any time: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 10.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 10.01 the total amount of Defeasance Securities remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining Bonds in order to satisfy subclause (2) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the District pursuant to a request of the District, pay the amount of such excess to the District free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture; provided, however, before any such excess is transferred to the District, the District and the Trustee shall have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the Defeasance Securities remaining on deposit with the Trustee after such amount is transferred to the District shall be sufficient to pay when due the interest on such Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither Defeasance Securities deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and

interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under this Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the interest on the Bonds on and prior to their maturities or their redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the Bonds and interest earned from such reinvestment shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding Bonds as provided in subsections (a) or (b) of this Section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the Issuer and the District and shall authenticate and deliver to the Issuer and the District all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of this Indenture, and the Trustee shall pay over or deliver to the District all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such Bonds, which money and investments shall be used by the District for any lawful purpose.

This Indenture shall not be discharged until all Policy Costs, Insurer Reimbursement Amounts, Insurer Administrative Costs and other amounts owing to the Insurer with respect to the Reserve Surety Policy or the Insurance Policy shall have been paid in full. The Issuer's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the Bonds.

Section 10.02 Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such Bonds have become payable, shall be repaid by the Trustee to the Issuer (without liability for interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by mail in accordance with Section 11.06 to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Benefits of this Indenture Limited to Parties and District. Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the District, the Trustee, the Insurer and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the District shall be for the sole, exclusive benefit of the Trustee, the Insurer and the Owners. The District is a third party beneficiary of this Indenture.

Section 11.02 Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the District or the Trustee or any officer, director or employee thereof 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 Issuer, the District or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the District or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Issuer or the District or the Trustee in good faith and in accordance therewith.

Section 11.04 Waiver of Personal Liability. No officer, director or employee of the District, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the District or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.05 Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination

or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon a Favorable Opinion of Special Counsel unless the person or persons executing such certificate know that the Favorable Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Favorable Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Favorable Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.06 Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by sending a copy of such notice by first class mail, postage prepaid, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 11.07 Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Section 11.08 Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided herein shall be invested in one or more Permitted Investments in accordance with a Written Request of the Issuer or the District filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of a Written Request of the Issuer or the District funds shall be held uninvested. Any such money shall be invested by the Trustee as directed by the Issuer or the District pursuant to a Written Request of the Issuer or the District in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. The Trustee may rely conclusively and without liability upon investment direction of the Issuer or District as to the suitability and legality of the directed investments.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this Section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer (and the District by its execution of the Installment Purchase Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which include detail for all investment transactions made by the Trustee hereunder. In determining the market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(c) Subject to Section 5.03 and subsection (d) of this Section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before April 1 and October 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, shall be transferred to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, maturity date, or Redemption Date.

Section 11.09 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,” “hereof” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

Section 11.10 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall

in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the 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 11.11 California Law. THIS INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.12 Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Indenture.

Section 11.13 No Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 11.14 Insurer Consideration. The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.15 Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 11.16 Notices. Unless otherwise specified herein, all written notices to be given hereunder shall be given either by first class mail, postage prepaid, by email with confirmation of receipt, or by overnight delivery service, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
333 South Hope Street, Suite #2525
Los Angeles, California 90071
Attention: Corporate Trust Department

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

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

If to the Insurer: _____

Re: Policy No.

The Trustee shall give notices to S&P and Fitch upon (i) redemption of all Outstanding Bonds, (ii) acceleration of amounts due with respect to the Bonds, (iii) amendments to this Indenture, or (iv) any defeasance of the Bonds.

Section 11.17 Execution in Counterparts. This Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.18 Effective Date. This Indenture shall become effective upon its execution and delivery.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Indenture by their officers hereunto duly authorized as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

[FORM OF BOND]

No. _____

\$ _____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____ %	October 1, 20__	_____, 2024	69674T__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the “Record Date”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before _____ 15, 2024, in which event it shall bear interest from the Dated Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond), at the interest rate per annum specified above, payable on each Interest Payment Date as set forth in the Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”) relating to the Bonds, by and between the Authority and The Bank of New York Mellon

Trust Company, N.A., as trustee (the “Trustee”). Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

Principal hereof, premium, if any, upon early redemption hereof, and interest, are payable in lawful money of the United States of America. So long as all Bonds (defined below) are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on the Bonds and all notices with respect to the Bonds shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee. If the Bonds are no longer registered in the name of the Nominee, then principal and premium, if any, and interest shall be paid in the manner set forth in the Indenture.

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or the State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues and other amounts pledged therefor under the Indenture. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are authorized to be issued in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges as provided in the Indenture, Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A” (the “Bonds”), in an aggregate principal amount of \$ _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the laws of the State of California, including the Act, and pursuant to the Indenture and the resolution of the Board of Directors of the Authority authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance the acquisition and construction of certain facilities which are a part of the District’s Water System.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by an irrevocable pledge of and a first and exclusive lien on the Revenues and amounts on deposit in the Bond Payment Fund and the Reserve Fund in accordance with the terms hereof and the provisions of the Indenture.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are subject to optional redemption, in whole or in part, on any date on and after October 1, ____ from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

<i>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
--	-----------------------------------

*

* Final Maturity.

The Term Bonds maturing on October 1, ____ (the “____ Term Bonds”), shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, ____ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the ____ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the ____ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral

multiples of \$5,000, as will be designated pursuant to written notice (which shall include a revised sinking fund schedule) filed by the District with the Trustee:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
--	-----------------------------

*

* Final Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Principal Account to the purchase of Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Term Bonds required to be redeemed on the succeeding October 1.

The Indenture and the rights and obligations of the Authority, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Authority and the District and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Favorable Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon a Favorable Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Authority or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the District, or to surrender any right reserved therein to or conferred therein on the Authority or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in a Favorable Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of interest, principal or redemption premium, if any, with respect to the Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney, at the Principal Corporate Trust Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of an Authorized Denomination or Authorized Denominations, for a like aggregate principal amount and of like maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations and of like maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer of or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Act, the Indenture, and the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or any laws of the State of California, or by the Act.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this ____ day of _____, 2024.

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of the Palmdale Water District
Public Financing Authority

[FORM OF STATEMENT OF INSURANCE]

[TO COME]

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto _____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____, attorney, to transfer the same on the
registration books of the Trustee with full power of substitution in the premises.

Dated: _____, 20__

Note: The signature(s) on this assignment must
correspond with the name(s) as written on the
face of the within Bond in every particular
without alteration or enlargement or any
change whatsoever.

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024

NEW ISSUE—BOOK-ENTRY ONLY

**RATINGS: S&P: “_____” (Insured)
S&P: “_____” (Underlying)
(See “RATINGS” herein)**

In the opinion of Stradling Yocca Carlson & Rauth LLP, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2024A Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences with respect to the 2024A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$ _____ *

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Palmdale Water District Public Financing Authority’s (the “Authority”) Subordinate Water Revenue Bonds, Series 2024A (the “2024A Bonds”), are being issued by the Authority pursuant to an Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and will be payable from the sources described herein. The 2024A Bonds are being issued: (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2024A Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay the costs of issuing the 2024A Bonds.

Interest due on the 2024A Bonds is payable semiannually on April 1 and October 1 of each year, commencing _____ 1, 2024. The 2024A Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive certificates representing their interest in the 2024A Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2024A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners who have purchased interests in the 2024A Bonds.

The 2024A Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE 2024A BONDS—Redemption of 2024A Bonds.”

The 2024A Bonds are limited obligations of the Authority. The 2024A Bonds are payable solely from Revenues (defined herein) and from certain other amounts on deposit in funds and accounts under the Indenture, as described herein. Revenues consist primarily of installment payments (the “Series 2024A Installment Payments”) received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Authority. The obligation of the District to make the Series 2024A Installment Payments is a special obligation of the District payable solely from Net Water Revenues (defined herein) on a subordinate basis to the District’s outstanding Senior Obligations and on a parity with any future Subordinate Obligations, as further described herein. See the caption “THE 2024A BONDS—Debt Service Schedule” for the scheduled payments under the Senior Obligations.

The District will covenant not to incur additional Senior Obligations payable from Net Water Revenues senior to the Series 2024A Installment Payments. The District may incur additional Subordinate Obligations payable from Net Water Revenues on a parity with the Series 2024A Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2024A BONDS. THE AUTHORITY HAS NO TAXING POWER. THE 2024A BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

MATURITY SCHEDULE
(See inside front cover)

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER REVENUES OF THE DISTRICT AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION THAT THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The scheduled payment of principal of and interest on the 2024A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the issuance of the 2024A Bonds by _____ (the “Insurer”).

[Insurer Logo]

This cover page contains certain information for quick reference only. It is not a complete summary of the 2024A Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2024A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth LLP, is serving as Disclosure Counsel to the District with respect to the 2024A Bonds. Certain legal matters will be passed upon for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Underwriter by Kutak Rock, LLP, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the 2024A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about _____, 2024.

[HILLTOP SECURITIES LOGO]

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Dated: _____, 2024

\$ _____ *

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A

MATURITY SCHEDULE

<i>Maturity (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP†</i>
---------------------------------	-----------------------------	----------------------	--------------	--------------	---------------

\$ _____ % Term Bonds due October 1, 20__ ; Yield _____ %; Price _____ ; CUSIP† _____

\$ _____ % Term Bonds due October 1, 20__ ; Yield _____ %; Price _____ ; CUSIP† _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter, the Authority or the District or their agents or counsel assume responsibility for the accuracy of such numbers.

**PALMDALE WATER DISTRICT
LOS ANGELES COUNTY, CALIFORNIA**

BOARD OF DIRECTORS

Kathy Mac Laren-Gomez, *President*
W. Scott Kellerman, *Vice President*
Vincent Dino, *Secretary*
Don Wilson, *Treasurer*
Cynthia Sanchez, *Assistant Secretary*

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

BOARD OF DIRECTORS

Kathy Mac Laren-Gomez, *President*
W. Scott Kellerman, *Vice President*
Vincent Dino, *Secretary*
Don Wilson, *Treasurer*
Cynthia Sanchez, *Assistant Secretary*

DISTRICT STAFF

Dennis D. LaMoreaux, *General Manager/Chief Executive Officer*
Adam Ly, *Assistant General Manager*
Dennis J. Hoffmeyer, *Finance Manager/Chief Financial Officer*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

MUNICIPAL ADVISOR

NHA Advisors, LLC
San Rafael, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2024A BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY, THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE 2024A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2024A BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Authority since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Water Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the District for future operations of the water system; (c) statements of future economic performance of the water system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2022" regarding the District's financial position, business strategy, capital resources and plans and objectives for future operations of the water system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the District are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the District or any person acting on behalf of the District are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2024A Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2024A Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2024A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2024A Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

[_____ (the "Insurer") makes no representation regarding the 2024A Bonds or the advisability of investing in the 2024A Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer supplied by the Insurer and presented under the heading "BOND INSURANCE" and APPENDIX G—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY".]

THE 2024A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2024A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2024A Bonds.

§ _____ *

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
SUBORDINATE WATER REVENUE BONDS, SERIES 2024A**

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A (the “2024A Bonds”) pursuant to an Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), by and between the Palmdale Water District Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). See the caption “THE 2024A BONDS.”

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix B, unless otherwise stated in this Official Statement.

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of April 10, 2013 (the “Joint Powers Agreement”), by and between the Palmdale Water District (the “District”) and the California Municipal Finance Authority, to assist the District in financing and refinancing improvements to its Water System. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to assist the District in financing and refinancing the costs of public capital improvements. See the caption “THE AUTHORITY.”

Purposes of the 2024A Bonds. The 2024A Bonds are being issued by the Authority: (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2024A Bonds (the “Insurance Policy”); (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund (the “Reserve Surety Policy”); and (iv) to pay the costs of issuing the 2024A Bonds.

Authority for Issuance. The 2024A Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”). In connection with the authorization of the 2024A Bonds on _____, 2024, the Authority adopted a resolution (the “Authorizing Resolution”) approving the 2024A Bonds and the execution and delivery of the Indenture and the District adopted a resolution approving the execution and delivery of various documents related to the 2024A Bonds.

Sources of Payment for the 2024A Bonds. The 2024A Bonds are limited obligations of the Authority. The 2024A Bonds are payable solely from “Revenues” and from amounts on deposit in the Bond Payment Fund and the Reserve Fund under the Indenture. Revenues consist primarily of payments (the “Series 2024A Installment Payments”) received by the Trustee from the District pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Authority. See the caption “SECURITY FOR THE 2024A BONDS.”

The 2024A Bonds do not constitute a charge against the general credit of the Authority. The 2024A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except for moneys pledged under the Indenture which includes the Series 2024A Installment Payments under the Installment Purchase Agreement. Neither the faith and credit nor the taxing power of the State of California (the “State”) or any public agency thereof, including the District and any other member of the Authority, is pledged to the payment of the principal amount or redemption price of, or interest on, the 2024A Bonds. The Authority has no taxing power. The 2024A Bonds do not constitute a

* Preliminary, subject to change.

debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

Pursuant to the Installment Purchase Agreement, the District is obligated to pay the Series 2024A Installment Payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. The obligation of the District to make the Series 2024A Installment Payments is a special obligation of the District payable solely from Net Water Revenues of the District's Water System and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Net Water Revenues include Water Revenues remaining after payment of Operation and Maintenance Costs. See the caption "SECURITY FOR THE 2024A BONDS."

The obligation of the District to make the Series 2024A Installment Payments from Net Water Revenues is subordinate to the obligation of the District to make payments with respect to: (i) the Installment Purchase Agreement, dated as of June 1, 2018 (the "2018 Installment Purchase Agreement"), by and between the District and the Authority; (ii) the Installment Purchase Agreement dated as of May 1, 2020 (the "2020 Installment Purchase Agreement"), by and between the District and Western Alliance Business Trust; (iii) principal and interest on the District's 2020 Water Revenue Refunding Bonds (Federally Taxable) (the "2020 Bonds"); (iv) the Installment Purchase Agreement, dated as of July 1, 2021 (the "2021 Installment Purchase Agreement"), by and between the District and the Authority; (v) the Installment Purchase Agreement, dated as of August 1, 2021 (the "2021A Installment Purchase Agreement"), by and between the District and Sterling National Bank; (vi) the Installment Purchase Agreement, dated as of October 10, 2022 (the "2022 Installment Purchase Agreement"), by and between the District and Municipal Finance Corporation; and (vii) the Installment Purchase Agreement, dated as of September 1, 2023 (the "2023 Installment Purchase Agreement"), by and between the District and the Authority.

The payments made by the District with respect to the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2020 Bonds, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement, and the payments of principal and interest on the 2020 Bonds, are collectively referred to herein as the "Senior Payments." The documents pursuant to which the District is obligated to make the Senior Payments are collectively referred to as the "Senior Obligations." See the caption "THE 2024A BONDS—Debt Service Schedule" herein for the combined payment schedule for the Senior Payments and the caption "PALMDALE WATER DISTRICT—Outstanding Indebtedness" for more information with respect to the Senior Payments. As of the date of issuance of the 2024A Bonds, there will not be any other Subordinate Payments payable from Net Water Revenues on a parity with the Series 2024A Installment Payments; however, see the captions "THE PROJECT" and "THE WATER SYSTEM—Future Capital Projects" for information with respect to the District's current expectations for the issuance of additional Subordinate Obligations in the future.

Reserve Fund. A Reserve Fund for the 2024A Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement, which, as of the date of calculation, is an amount equal to the lowest of (i) 10% of the initial principal amount of the 2024A Bonds, (ii) Maximum Annual Debt Service on the Outstanding 2024A Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding 2024A Bonds (the "Reserve Requirement"). In no event shall the Reserve Requirement exceed \$_____, the initial Reserve Requirement. Assured Guaranty Municipal Corp. (the "Insurer") has committed to issue, simultaneously with the execution and delivery of the 2024A Bonds, the Reserve Surety Policy in an amount equal to \$_____, which is the initial Reserve Requirement, for deposit in the Reserve Fund.

Bond Insurance. Payment of principal of and interest on the 2024A Bonds will be insured by the Insurance Policy to be issued by the Insurer concurrently with the issuance of the 2024A Bonds. See the caption “BOND INSURANCE” and APPENDIX G.

Additional Subordinate Obligations. The District will covenant in the Installment Purchase Agreement not to incur additional obligations payable from Net Water Revenues senior to the Series 2024A Installment Payments. The District may incur additional obligations on a parity with the Series 2024A Installment Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE 2024A BONDS—Additional Bonds and Contracts.”

The District and the Water System. The District is located in northern Los Angeles County and serves an area of approximately 74,000 acres. The District’s Water System provides water service to the residents of the City of Palmdale (the “City”) as well as unincorporated areas located in Los Angeles County. See the caption “THE DISTRICT.”

Professionals Involved in the Offering. The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the 2024A Bonds. The 2024A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth LLP, is serving as Disclosure Counsel to the District with respect to the 2024A Bonds. NHA Advisors, LLC is serving as Municipal Advisor to the District with respect to the 2024A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock, LLP, for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Trustee by its counsel and for the Insurer by its counsel.

Audited Financial Statements of the District. The District’s audited financial statements for Fiscal Year 2022 are included in Appendix A to this Official Statement.

Other Information about this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2024A Bonds, the security for the 2024A Bonds, the District, the Authority and certain other information relevant to the issuance of the 2024A Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

THE PROJECT

General. As described further under the caption “THE WATER SYSTEM—Future Capital Projects,” the District is in the process of developing the Pure Water AV Project (the “Pure Water AV Project”), which the District will need to undertake in order to increase water supplies in future years to meet expected demand. The District is in the process of creating the environmental impact report, developing the basis of design report, working through permitting approvals and applying for funding. The Pure Water AV Project includes construction of new facilities to deliver recycled water from the Palmdale Water Reclamation Plant to an advanced water purification facility located in the northeast portion of the City. The advanced treated water would be pumped into the groundwater aquifer through injection wells and mixed with native groundwater, until it is eventually extracted via existing District wells as potable water and delivered to District customers. The project is intended to allow the District to fully utilize 5,325-acre feet of tertiary water by developing a groundwater water augmentation program and is expected to consist of the planning, design, permitting, land acquisition, project management, program management and other professional services and related costs prior to the advanced water purification facility construction. The first phase of the project would consist of the construction of a demonstration, testing and education facility, as well as planning, design, and project

management for the larger, second phase . The second phase is expected to consist of engineering services, project management, program management and construction of the advanced water purification facility, an additional extraction well, and related pipelines.

The capital cost to construct the facilities needed for the Pure Water AV Project is currently projected to be approximately \$281 million (which includes an approximately \$50.7 million project contingency). Construction of the Pure Water AV Project is currently expected to begin in June 2024 and take approximately five years to complete. The overall funding for the Pure Water AV Project is expected to come from: (a) approximately \$13 million from the proceeds of the Bonds issued by the Authority; (b) approximately \$86 million from proceeds of additional Subordinate Obligations of the District in the next couple of years; (c) approximately \$20 million in pay-go funding from the District; (d) approximately \$31 million in grant funding; (e) approximately \$15 million from the proceeds of a proposed 2024 WIFIA Loan; and (f) approximately \$131 million from the proceeds of a future proposed WIFIA Loan (defined below) as described below.

The District currently expects that repayment of the various amounts necessary for development of the Pure Water AV Project will come from Net Water Revenues consisting primarily of water supply fees from new development and water revenue from existing customers. The District has an approved water supply fee that is calculated based on estimated costs necessary to support new service connection/water demands. The District collects these fees from new development based on the District's estimate of the water supplies needed for the new development.

Proposed WIFIA Loans. In October 2022, the Authority submitted a letter of interest to the United States Environmental Protection Agency (the "EPA") for the issuance of a loan pursuant to the Water Infrastructure Finance and Innovation Act ("WIFIA") to finance certain capital improvement projects related to Pure Water AV Project. On December 21, 2022, the Authority received an invitation from EPA to submit an application for a WIFIA loan. The Authority submitted an application for a WIFIA loan in October 2023.

The Authority and the District currently expect to enter into a WIFIA master loan agreement (the "WIFIA Master Agreement") with the EPA under the authorization of the Water Infrastructure Finance and Innovation Act in mid-2024, and to obtain two loans to thereunder (each a "WIFIA Loan"): one in mid-2024 and one in 2026. Under the proposed WIFIA Master Agreement, the Authority and the District expect to borrow approximately \$145.6 million under both WIFIA Loans. Amounts due under the WIFIA Loans are expected to be paid from installment payments to be made by the District under installment purchase agreements and are expected to be payable from Net Water Revenues on a parity with the Series 2024A Installment Payments and any Subordinate Payments. If the Authority and the District enter into the WIFIA Master Agreement with the EPA and obtain the WIFIA Loans as described herein, repayments could begin in 2029, following the completion of the anticipated five-year construction period for the Pure Water AV Project. However, there can be no assurance that the WIFIA Master Agreement will be executed and delivered or that any WIFIA Loans will be obtained as described in this Official Statement.

The Authority and the District currently expect that the aggregate amount of the WIFIA loans will be approximately 49% of the total costs of the Pure Water AV Project, with a portion of the proceeds of the Series 2024A Bonds, a series of bonds expected to be issued in 2025 in the approximate principal amount of \$86 million, District cash and grant funding providing the balance of the required funding for the Pure Water AV Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2024A Bonds are set forth below.

Sources

Principal Amount of 2024A Bonds
[Plus/Less] [Net] Original Issue [Premium/Discount]
TOTAL

Uses

Construction Fund
Costs of Delivery⁽¹⁾
TOTAL

⁽¹⁾ Includes Underwriter's Discount and fees for Trustee, Municipal Advisor, legal fees, printing costs, rating agency fees, bond insurance and reserve surety premiums and other costs of delivery.

THE 2024A BONDS

Terms of the 2024A Bonds

The 2024A Bonds will be issued in the aggregate principal amount of \$ _____* and will be dated as of the date of issuance. Interest on the 2024A Bonds is payable on April 1 and October 1 of each year, commencing _____ 1, 2024 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 2024A Bonds is payable in lawful money of the United States of America. Such amounts will be paid by check sent by first class mail by the Trustee on the applicable payment dates by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the month preceding such Interest Payment Date (the "Record Date") in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of 2024A Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a book-entry system is in effect, the principal of, premium, if any, and interest will be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. See "THE 2024A BONDS—Book-Entry Only System" below.

Interest on the 2024A Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2024A Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Redemption of 2024A Bonds

Optional Redemption. The 2024A Bonds are subject to optional redemption, in whole or in part, on any date on and after October 1, 20__, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the 2024A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on October 1, 20__ (the “20__ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, 20__ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 20__ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the 20__ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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* Final Maturity.

In lieu of such mandatory sinking fund redemption, the Trustee may apply amounts in the Principal Account to the purchase of 20__ Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any of the 20__ Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Bonds required to be redeemed on the succeeding October 1.

The Term Bonds maturing on October 1, 20__ (the “20__ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, 20__ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 20__ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the 20__ Term Bonds so redeemed by reducing each of such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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* Final Maturity.

In lieu of such mandatory sinking fund redemption, the Trustee may apply amounts in the Principal Account to the purchase of 20__ Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the

Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any of the 20__ Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Bonds required to be redeemed on the succeeding October 1.

Extraordinary Redemption From Net Proceeds of Insurance or Condemnation. The 2024A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request of the District provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds of insurance or condemnation, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the caption “DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Insurance” and “—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2024A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Notice of Redemption

The District will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to any optional or extraordinary redemption date for 2024A Bonds pursuant to the Indenture. Notice of redemption will be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date: (i) if the 2024A Bonds are no longer held under the Book-Entry System, to the respective Owners of any 2024A Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository electronically or by such method as is acceptable to the Securities Depository; and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the 2024A Bonds of such maturity to be redeemed by giving the individual number of each 2024A Bond or by stating that all 2024A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2024A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2024A Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2024A Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such 2024A Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the delivery of such notice will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of 2024A Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2024A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2024A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made,

and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the redemption shall not take place.

Selection of 2024A Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the 2024A Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the 2024A Bonds to be redeemed from all 2024A Bonds or such given portion of the 2024A Bonds not previously called for redemption, among maturities as directed by the District and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and within each maturity in a manner selected by the Trustee. For purposes of such selection, the Trustee will treat each 2024A Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2024A Bond.

Partial Redemption of 2024A Bonds

Upon surrender of any 2024A Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the District, a new 2024A Bond of Authorized Denominations, and of the same maturity date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2024A Bond surrendered.

Effect of Redemption of 2024A Bonds

If notice of redemption has been duly given pursuant to the Indenture, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2024A Bonds (or portions thereof) so called for redemption is held by the Trustee on the redemption date designated in such notice, the 2024A Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2024A Bonds so called for redemption will cease to accrue, such 2024A Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2024A Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings of redemption. All 2024A Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Reserve Fund

The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2024A Bonds, the debt service reserve insurance policy in the amount of \$ _____, which amount is sufficient to satisfy the initial Reserve Requirement, for deposit in the Reserve Fund, effective as of the date of issuance of the 2024A Bonds. Under the terms of the debt service reserve insurance policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2024A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority.

See Appendix B—”DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” for further information with respect to the debt service reserve insurance policy.

Book-Entry Only System

One fully-registered 2024A Bond for each maturity will be issued in the principal amount of such 2024A Bond. Such 2024A Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2024A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2024A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the beneficial owners of the 2024A Bonds, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the 2024A Bonds are no longer held in book-entry form, the following transfer and exchange provisions will apply. Any 2024A Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2024A Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2024A Bond is surrendered for transfer, the Trustee will authenticate and deliver a new 2024A Bond of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2024A Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2024A Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2024A Bonds the Trustee will cancel and destroy the 2024A Bonds it has received.

2024A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2024A Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2024A Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2024A Bonds for definitive 2024A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2024A Bonds, the Trustee will cancel and destroy the 2024A Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2024A Bond: (i) within 15 days preceding selection of 2024A Bonds for redemption; or (ii) selected for redemption.

Debt Service Schedule

Set forth below is the debt service schedule for the 2024A Bonds assuming no optional or extraordinary redemption.

**PALMDALE WATER DISTRICT
Semi-Annual Debt Service Schedule**

<i>2024A Bond Payment Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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TOTALS

Source: The Underwriter.

The table below sets forth the annual scheduled Series 2024A Installment Payments and all Senior Payments and Subordinate Payments due with respect to current obligations of the District payable from Net Water Revenues.

**PALMDALE WATER DISTRICT
Outstanding Senior and Subordinate Debt Schedule⁽¹⁾**

<i>Period Ending December 31</i>	<i>Senior Obligations</i>	<i>Series 2024A Installment Payments</i>	<i>Total</i>
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TOTAL

⁽¹⁾ Rounded to the nearest dollar.
Source: The District and the Underwriter.

SECURITY FOR THE 2024A BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, will unconditionally grant, transfer and assign to the Trustee, without recourse, all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the 2024A Bonds, and grants a first and exclusive lien on and irrevocably pledges to

the Trustee the Revenues and all amounts in the Bond Payment Fund and the Reserve Fund, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2024A Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the District contained in the Installment Purchase Agreement.

The 2024A Bonds are limited obligations of the Authority. The 2024A Bonds are payable solely from Revenues and from amounts on deposit in the Bond Payment Fund and the Reserve Fund under the Indenture. Revenues consist primarily of Series 2024A Installment Payments received from the District pursuant to the Installment Purchase Agreement.

The 2024A Bonds do not constitute a charge against the general credit of the Authority. The 2024A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except for Revenues pledged under the Indenture, which includes the Series 2024A Installment Payments under the Installment Purchase Agreement, and amounts in the Bond Payment Fund and the Reserve Fund. Neither the faith and credit nor the taxing power of the State or any public agency thereof, including the District and any other member of the Authority, is pledged to the payment of the principal amount or redemption price of, or interest on, the 2024A Bonds. The Authority has no taxing power. The 2024A Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

Pledge of Water Revenues

All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund will be irrevocably pledged by the District to the payment of the Series 2024A Installment Payments as provided in the Installment Purchase Agreement. The District will further covenant not to use Water Revenues for any other purpose while any of the Series 2024A 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 in the Installment Purchase Agreement, including the senior or parity claim of any Bonds or Contracts. Such pledge, together with the pledge created by all other Bonds and Contracts, constitutes a first lien on Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement and subject to the application of Water Revenues in accordance with the terms of the Installment Purchase Agreement, 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.

Under the Installment Purchase Agreement, 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 Series 2024A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including the 2020 Bonds, and the term “Contracts” means the Installment Purchase Agreement and any amendments and supplements thereto, 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 Series 2024A Installment Payments and which are secured by a pledge and lien on the Water Revenues, including 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. Under the Installment Purchase Agreement, the term “Senior Obligations” is defined as all Contracts and Bonds of the District which are secured by a pledge of and lien on the Water Revenues on a senior basis to the pledge of and lien on Water Revenues securing this Installment Purchase Agreement and any other Subordinate Obligations and payable from the Senior Payments, and includes the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2020 Bonds, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement. As of the date of issuance of the 2024A Bonds, there will not be any

other Subordinate Payments payable from Net Water Revenues on a parity with the Series 2024A Installment Payments; however, see the captions “THE PROJECT” and “THE WATER SYSTEM—Future Capital Projects” for information with respect to the District’s current expectations for the issuance of additional Subordinate Obligations in the future.

The obligation of the District to make the Series 2024A Installment Payments is a special obligation of the District payable solely from Net Water Revenues of the Water System of the District, and does not constitute a debt of the District or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make the Series 2024A Installment Payments from Net Water Revenues is absolute and unconditional, and until such time as all of the Series 2024A Installment Payments have been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the District will not discontinue or suspend any Series 2024A Installment Payments required to be made by it under the Installment Purchase Agreement 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 such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

As defined in the Installment Purchase Agreement, 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 an reserve funds, 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 Burns-Porter Assessments, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.”

As defined in the Installment Purchase Agreement, 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 the 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 Burns-Porter Assessments.

Net Water Revenues means, for any fiscal year of the District (currently, the District’s fiscal year begins January 1 and ends on December 31), Water Revenues remaining after payment of Operation and

Maintenance Costs. See Appendix B—”DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” under the caption “INSTALLMENT PURCHASE AGREEMENT—DEFINITIONS.”

The obligation of the District to make the Series 2024A Installment Payments from Net Water Revenues is payable on a subordinate basis to the obligation of the District to make Senior Payments and on a parity with the obligation of the District to make the Subordinate Payments. See the caption “INTRODUCTION—Sources of Payments for the 2024A Bonds.”

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER REVENUES OF THE DISTRICT AND CERTAIN OTHER AMOUNTS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT THAT THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2024A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

If the District defaults on its obligation to make the Series 2024A Installment Payments or any Contract or Bond when due, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2024A Installment Payments and the accrued interest thereon, the entire principal amount of the unpaid Contracts and Bonds and the accrued interest thereon. However, in the event of a default and such acceleration of the Series 2024A Installment Payments or any Contract or Bond there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated Series 2024A Installment Payments or the accelerated Contracts or Bonds.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Series 2024A Installment Payments may only be accelerated with the written approval of the Insurer.

Allocation of Water Revenues

In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the District will agree and covenant in the Installment Purchase Agreement 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 Series 2024A Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in the 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 as follows:

(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 Series 2024A Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Bond Payment Fund a sum equal to the Series 2024A Installment Payment coming due on such Series 2024A 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, resolution or indenture relating thereto. No deposit need be made in the Bond Payment Fund for the payment of Series 2024A Installment Payment if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2024A Installment Payment due and payable on the next succeeding Series 2024A Installment Payment Date. All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture.

(d) Subordinate 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 Trustee for deposit to the Reserve Fund and to the applicable trustee for deposit to any reserve fund or account for other 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 (including any reimbursement due to the provider of the Reserve Surety Policy and any provider or providers of any other debt service reserve policies).

(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 the Installment Purchase Agreement.

Rate Covenant

The District will covenant in the Installment Purchase Agreement, to the fullest extent permitted by law, to 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 110% of Debt Service and 100% of Policy Costs due with respect to any reserve surety policies funding reserve funds for Bonds and Contracts, including the 2024A Bonds. 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 foregoing requirements.

For avoidance of doubt, so long as the District has complied with its obligations described above, the failure of Net Water Revenues to meet the thresholds described above at the end of a Fiscal Year will not constitute a default or an Event of Default under the Installment Purchase Agreement so long as the District

has complied with the rate covenant described above at the commencement of the immediately succeeding Fiscal Year.

Reserve Fund

The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2024A Bonds, the Reserve Surety Policy in the amount of \$ _____ for deposit in the Reserve Fund, effective as of the date of issuance of the 2024A Bonds. Under the terms of the Reserve Surety Policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2024A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority.

See Appendix B—”DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—INDENTURE—ASSIGNMENT AND APPLICATION OF REVENUES—Reserve Fund” for further information with respect to the Reserve Surety Policy.

Rate Stabilization Fund

The Installment Purchase Agreement continues the existence of a special fund designated as the “Rate Stabilization Fund” which is held by the District in trust. The District will covenant to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Money transferred by the District to the Rate Stabilization Fund, if any, in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Agreement.

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 the Installment Purchase Agreement or, in the event that all or a portion of the Series 2024A Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Series 2024A Installment Payments in accordance with the Installment Purchase Agreement. The District may also use moneys in the Rate Stabilization Fund to make any Senior Payments or Subordinate Payments. The District had approximately \$940,830 on deposit in the Rate Stabilization Fund as of December 31, 2023. Additionally, the District’s board adopted an amended reserve policy in October 2023 that identifies a goal of increasing the rate stabilization fund balance up to the lesser of 20% of debt service or \$2,500,000. The District plans to continue incremental, annual contributions to the Rate Stabilization Fund in the next several years to bring the fund level up to the board-adopted target level.

Additional Bonds and Contracts

No Additional Senior Obligations. The District has covenanted in the Installment Purchase Agreement not to 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 Series 2024A Installment Payments.

Additional Subordinate Obligations. 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 Series 2024A Installment Payments, provided:

(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 110% of the Debt Service and 100% of any Policy Costs 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 110% of the Debt Service and 100% of any Policy Costs 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 a period of not to exceed five years, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least 110% of the estimated Debt Service and 100% of any estimated Policy Costs 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 the foregoing, the amount of Water Revenues yielding 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 25% of Debt Service payable in the applicable Fiscal Year. “Budgeted Transfers” is defined in the Installment Purchase Agreement to mean, 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.

Notwithstanding the foregoing, Bonds issued or Contracts executed, on a parity basis with the Series 2024A Installment Payments, 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.

Future Capital Projects. As described further under the captions “THE PROJECT” and “THE WATER SYSTEM—Future Capital Projects,” the District does currently expect to incur Subordinate Obligations within the next five years in the total amount of approximately \$190 million, including the Series 2024A Installment Payments.

BOND INSURANCE

The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. None of the Authority, the District or the Underwriter makes any representation with respect to the accuracy or completeness thereof. Reference is made to Appendix G for a specimen of the Insurance Policy.

[TO COME]

PALMDALE WATER DISTRICT

General

The Palmdale Irrigation District was formed in 1918 by a vote of the local residents for the principal purpose of supplying irrigation water to the 4,600 acres then contained in its boundaries. In 1973, the name of the Palmdale Irrigation District was changed to Palmdale Water District by Resolution No. 73-3. The name was changed to eliminate public confusion; however, the District still operates as an "Irrigation District" as such term is defined in Division 11 of the California Water Code. Since its formation, the District has supplied domestic water to the residents within the District.

From the time of its formation until the early 1950's, the area within the District continued to be primarily agricultural in nature. Transformation of the District from a basically agricultural area to an urban area occurred simultaneously with activation of Air Force Plant No. 42 in Palmdale and the increased utilization of Edwards Air Force Base during the early 1950's. Agricultural use of water in the District steadily diminished to the point that only 51 acre-feet of agricultural water was supplied during 1965. After that year, irrigation demand, if any, was supplied from the District's domestic system and effectively, thereafter, the District became an urban water system.

In 1962, when it became apparent that the District could contract for water from the State Water Project, inclusion privileges were extended to a large portion of the south Antelope Valley for the primary purpose of participating in the State's Supplemental Water Program. As a result of this, the service area of the District was expanded during the latter part of 1962 and the early part of 1963 from approximately 7,000 acres to approximately 83,894 acres. The expanded service area includes the Littlerock Creek watershed area located in the Angeles National Forest. Exclusive of the area within the Angeles National Forest, the current service area of the District is approximately 42,806 acres. See "—Land and Land Use" below for additional information.

Land and Land Use

The District contains approximately 131 square miles of land in northeastern Los Angeles County, consisting of more than 30 non-contiguous areas scattered throughout the southern Antelope Valley and services a population of approximately 127,000 people. The District is partially located within the City boundaries with the remainder of its territory comprised of unincorporated areas of Los Angeles County. Approximately 96% of the District's customers reside within the City. The urban areas of the District are substantially developed, and the District expects to see additional future development occurring within its boundaries. The District serves an area in the high desert at elevations of 2,600 feet to 3,800 feet within the Antelope Valley.

The Antelope Valley and the Los Angeles Basin are the two major economic zones that influence the economic outlook for the District. The Antelope Valley encompasses over 3,000 square miles. It generally extends from the northern end of the San Gabriel Mountains northwards to Randsburg and Johannesburg in Kern County, and from the eastern region of Los Angeles and Kern Counties to the western end of the Tehachapi Mountains. The southern portion of the Antelope Valley is significantly urbanized and focused around the City, as well as the City of Lancaster. These cities accommodate nearly half of the Antelope

Valley’s population and are located in the nearest proximity to the large metropolitan employment center of the Los Angeles Basin. The City encompasses approximately 106 square miles within the Antelope Valley and is located in the northeast area of Los Angeles County.

Population. As of January 1, 2023, approximately 165,917 people resided in the City, and approximately 9,761,210 people resided in the County of Los Angeles. The County of Los Angeles is California’s most populous County with approximately 25.1% of the State’s population residing within its borders as of January 1, 2023. The following chart illustrates the historical population growth in the City, County and the State.

**Table 1
POPULATION ESTIMATES
2020-2023**

<i>Year</i>	<i>City of Palmdale⁽¹⁾</i>	<i>Annual Change</i>	<i>Los Angeles County</i>	<i>Annual Change</i>	<i>State of California</i>	<i>Annual Change</i>
2020	169,330	N/A	10,014,009	N/A	39,538,223	N/A
2021	168,845	(0.3)%	9,942,011	(0.7)%	39,286,510	(0.6)%
2022	167,015	(1.1)	9,834,503	(1.1)	39,078,674	(0.5)
2023	165,917	(0.7)	9,761,210	(0.7)	38,940,231	(0.4)

⁽¹⁾ The number of persons located within the District’s boundaries is less than the population of the City. Approximately 127,000 people lived within the District’s boundaries in 2023.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark*. Sacramento, California, May 2023.

Local Economy

The economy in the Antelope Valley has grown steadily since it crashed during the recession in 2008. In general, the local economy in and around the District is diversified, with an emphasis on the aerospace, healthcare, and municipal sectors. See APPENDIX G—“SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE.”

Governance and Management

The District is governed by a 5-member Board of Directors (the “Board”) that is elected to staggered four year terms by the registered voters in the District’s five divisions. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Director</i>	<i>Division</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Kathy Mac Laren-Gomez, President	4	2024	Business Development
W. Scott Kellerman, Vice President	1	2024	Business Owner
Don Wilson, Treasurer	2	2026	Retired
Cynthia Sanchez, Assistant Secretary	3	2024	Registered Nurse
Vincent Dino, Secretary	5	2026	Retired

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume for each of the District’s key staff members.

Dennis D. LaMoreaux, General Manager/Chief Executive Officer. Mr. LaMoreaux, the District’s General Manager, was initially employed by the District from March 1989 until March 2008 and was rehired in January 2010. Originally hired as the Assistant Engineer-Manager, he was promoted to General Manager in

September 1994. His responsibilities are chiefly to oversee the day-to-day District operations and implementation of Board policies. His previous employment was with private consulting firms in California and Wyoming where he was involved in design and inspection of projects. He is licensed as a Civil Engineer in California who graduated from the University of Wyoming with a B.S. Degree in Civil Engineering in 1984.

Adam Ly, Assistant General Manager. Mr. Ly joined the District as its Assistant General Manager in August 2018. He oversees the District's Information Technology, Operations, Engineering and Facilities departments. Mr. Ly has 22 years of experience in both public and private sectors in Southern California's water industry. He has worked for the Metropolitan Water District, the cities of Riverside, Pomona and Anaheim, and Liberty Utilities California, a private utilities company based in Downey. Mr. Ly received Bachelor of Science degrees in Chemical Engineering and Chemistry from the California State Polytechnic University, Pomona. Mr. Ly also received a Master of Business Administration from California State Polytechnic University, Pomona.

Dennis J. Hoffmeyer, Chief Financial Officer/Finance Manager. Mr. Hoffmeyer was promoted to Finance Manager/Chief Financial Officer in November 2021 after 32 years with the Palmdale Water District. Mr. Hoffmeyer manages the Finance Department, which is responsible for accounts payable, purchasing, payroll and customer finance and works closely with a financial advisor on District investments. Before his promotion, Mr. Hoffmeyer was the Accounting Supervisor. During his tenure with the District that started in 1989, Mr. Hoffmeyer has also held the roles of Senior Accountant, Information System Specialist and Drafter. Mr. Hoffmeyer earned his Master of Science in Strategic Finance from Bellevue University and his Bachelor of Science in Business, Information Systems from the University of Phoenix.

Powers

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of waste and storm water, to sell and deliver potable or non-potable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges.

Employees

The District currently employs 87 persons, of whom 53 work in the Information Technology, Facilities, Operations and Engineering departments and 34 work in the Administration or Finance departments. Currently, the District's labor force is not represented by a union. The District has never experienced a strike, slow down, or work stoppage.

Pension Benefits

CalPERS Plan. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 changed the District's accounting

reporting and disclosure requirements, but it did not change the District’s pension plan funding obligations. The pension information provided below is in conformance with GASB 68 standards.

The District participates in a CalPERS run agent multiple-employer public employee defined benefit pension plan for all of the District’s full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours (the “District’s Miscellaneous Plan”). CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District’s Board of Directors. The District’s employees participate in one of two plans under the District’s Miscellaneous Plan depending upon their date of hire. Employees hired prior to January 1, 2013 participate in the Classic Tier 1 plan and employees hired after that date participate in the PEPRA Tier 2 plan. The benefits of each plan are summarized below:

	<i>Miscellaneous Plans</i>	
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	6.908%	6.750%
Required employer contribution rates – FY 2022	11.031%	7.732%
Required employer contribution rates – FY 2021	10.221%	6.985%

At June 30, 2022, the following members were covered by the benefit terms:

<i>Plan Members</i>	<i>Miscellaneous Plans</i>		<i>Total</i>
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>	
Active members	49	37	86
Transferred and terminated members	40	7	47
Retired members and beneficiaries	<u>66</u>	<u>1</u>	<u>67</u>
Total plan members	<u>155</u>	<u>45</u>	<u>200</u>

District employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees’ Pension Reform Act of 2013 (“AB 340”), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier – 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income for 2024 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**Palmdale Water District
Pensionable Income Caps for 2024 (AB 340 and Non-AB 340 Employees)**

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired On or After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$345,000	\$181,734
Maximum Pensionable Income if also Participating in Social Security	N/A	\$151,446

Source: District.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District’s unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan’s employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan’s unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan’s unfunded liability will continue to be collected as set dollar amounts.

The District’s required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District’s required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District’s required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2012 through 2022 report investment gains (and losses) of approximately 1.0%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3% and (6.1%), respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

CalPERS’ discount rate was lowered from 7.00% to 6.80% in fall 2021. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

For Fiscal Years 2021 and 2022, the District made required Miscellaneous plan contributions of \$1,619,062 and \$1,700,412, respectively. For Fiscal Year 2023, the District made required Miscellaneous plan contributions of \$ _____. The District notes that contributions in future years may increase because of,

among other factors, losses in CalPERS’ portfolio resulting from stock market declines, although the District is unable to estimate the magnitude of any such increases at this time.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. Neither the District nor the Underwriter has independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the District nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The District’s Miscellaneous plan had a proportionate share of the risk pool collective net pension liability of approximately \$9,809,458 for the fiscal year ended June 30, 2018, approximately \$10,691,338 for the fiscal year ended June 30, 2019, approximately \$11,573,771 for the fiscal year ended June 30, 2020, approximately \$6,056,636 for the fiscal year ended June 30, 2021 and approximately \$13,730,102 for the fiscal year ended June 30, 2022. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For the measurement period ending June 30, 2022 and 2021, the total pension liability was determined by rolling forward the June 30, 2021 and 2020, total pension liability. The December 31, 2022 and 2021 total pension liability was based on the following actuarial methods and assumptions:

**Palmdale Water District
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: District.

Changes in the net pension liability for the District’s Miscellaneous plan at June 30, 2022 were as follows:

**Palmdale Water District
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2021	\$ 51,562,557	\$ 45,505,921	\$ 6,056,636
Balance at June 30, 2022	<u>57,665,907</u>	<u>43,935,805</u>	<u>13,730,102</u>
Net Changes ⁽¹⁾	<u>\$ 6,103,350</u>	<u>\$ (1,570,116)</u>	<u>\$ 7,673,466</u>

⁽¹⁾ Reflects net changes for the period from July 1, 2021 through June 30, 2022.

Source: District.

The following table presents the net pension liability of the District’s Miscellaneous plan, calculated using the discount rate applicable to the fiscal year ended June 30, 2022 (6.90%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

**Palmdale Water District
Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1% (5.90%)</i>	<i>Current Discount Rate (6.90%)</i>	<i>Discount Rate + 1% (7.90%)</i>
Plan’s Net Pension Liability/(Asset)	\$21,591,005	\$13,730,102	\$7,262,530

Source: District.

For additional information relating to the District’s CalPERS Miscellaneous pension plan, see Note 11 to the District’s audited financial statements for Fiscal Year 2022 set forth in Appendix A.

Other Post-Employment Benefits

Plan Description – Eligibility. The District administers its post-employment benefits plan, a single-employer defined benefit plan (“OPEB Plan”). The following requirements must be satisfied in order to be eligible for the post-employment medical, dental and vision benefits: (1) attainment of age 55, and 20 years for full-time service with the District and (2) retirement from the District (the District must be the last employer prior to retirement).

Membership in the OPEB Plan consisted of the following members as of December 31 of each of the following years:

	<i>2022</i>	<i>2021</i>
Active members	86	85
Inactives entitled to but not yet receiving benefits	--	--
Inactives currently receiving benefits	<u>27</u>	<u>23</u>
Total plan membership	<u>113</u>	<u>108</u>

OPEB Plan Description – Benefits. The District offers post-employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible

to receive benefits. Retirees may enroll in any plan available through the Association of California Water Agencies – Joint Power Insurance Authority (“ACWA-JPIA”) medical, dental and vision programs. The contribution requirements of OPEB Plan members and the District are established and may be amended by the Board of Directors. OPEB Plan benefits do not sunset when a retiree becomes eligible for Medicare.

The District’s total OPEB liabilities of \$13,275,385 and \$12,751,874 as of December 31, 2022 and December 31, 2021, respectively, were measured as of December 31, 2021 and December 31, 2020, and were determined by an actuarial valuation as of December 31, 2020.

GASB Statement No. 75 (“GASB 75”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the District, the reporting obligation began in Fiscal Year 2018.

The District retained Foster & Foster (the “Actuarial Consultant”) to calculate the District’s post-employment benefits funding status. In a report dated March 22, 2023 (the “Report”), the Actuarial Consultant concluded that, as of December 31, 2022, the District’s net liability for post-employment benefits was \$13,275,385.

Changes in the net liability for the District’s post-employment benefit plan for Fiscal Year 2022 were as follows.

**Palmdale Water District
Changes in Post-Employment Benefit Plan Liability**

	<i>Total OPEB Liability</i>
Balance at January 1, 2022 (MD Jan. 1, 2021)	<u>\$ 12,751,874</u>
Changes for the year:	
Service cost	596,605
Interest	278,018
Assumption changes	117,793
Benefit payments	<u>(468,905)</u>
Net changes	<u>523,511</u>
Balance at December 31, 2022 (MD Dec. 31, 2021)	<u>\$ 13,275,385</u>

Source: District.

The following table presents the total liability of the District’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2022 (2.06%), as well as what the total post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the Fiscal Year 2022 rate:

**Palmdale Water District
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<i>1.06%</i>	<i>2.06%</i>	<i>3.06%</i>
\$15,475,203	\$13,275,385	\$11,489,554

Source: District.

The District’s projections of Operation and Maintenance Costs under the caption “SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in

funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District’s annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to make the Series 2024A Installment Payments when due.

For additional information relating to the post-employment benefit plan, see Note 10 to the District’s audited financial statements set forth in Appendix A.

Budget Process

The District operates on a calendar year basis. Historically, prior to the closing of each calendar year a tentative budget is proposed by the District’s General Manager based on the previous year’s revenues and expenses, taking into account growth within the District and inflationary factors. The preliminary budget is then presented to the Board of Directors for their approval and the final budget is normally adopted before the close of the calendar year. The Board approved the District operating budget for the 2024 calendar year on October 23, 2023.

The District’s budget is prepared on an accrual basis. For budgeting purposes, the District generally sets user charges to cover operating expenses of the District, including certain transportation charges assessed by the State of California’s Department of Water Resources (“DWR”), and sets ad valorem assessments to pay for other expenses arising from the contract between the District and DWR relating to the State Water Project. In addition, the District sets its capital improvement fee amounts to finance capital projects. See “SYSTEM FINANCIAL INFORMATION” herein for a detailed description of the District’s various rates, assessments and fees. For a discussion of current and potential limitations on the District’s ability to maintain or increase taxes, fees and other charges, including such fees and other charges as may be limited by the terms of Proposition 218. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” herein. See also APPENDIX A—“AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2022.”

Insurance

The District maintains general liability and automotive liability and public officials liability (errors and omissions) insurance through the Association of California Water Agencies - Joint Powers Insurance Authority (“ACWA-JPIA”) with limits of \$60,000,000. The District’s self-insured retention amount for the general and auto liability coverage is \$25,000. The District maintains employee dishonesty and computer fraud coverage of up to \$100,000 per loss, which includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage. The District maintains replacement property insurance coverage through ACWA-JPIA with a \$100,000 deductible per occurrence, with \$500,000,000 maximum per claim amount and no maximum annual coverage amount. The District maintains boiler and machinery insurance coverage for the replacement cost of up to \$100,000,000, subject to various deductibles depending on the type of equipment. The District maintains public officials’ personal liability coverage of up to \$100,000 for each occurrence, with an annual maximum of \$100,000 per each elected/appointed official to which this coverage applies and is subject to certain terms and a \$1,000 deductible per claim. The District also maintains worker’s compensation insurance with ACWA-JPIA, with statutory limits and employers’ liability coverage with limits of \$2,000,000. The District does not currently carry insurance to cover the Littlerock Dam, which retains water in a reservoir, one of the District’s primary water storage facilities; however, the District by Board policy maintains a \$5,000,000 self-insurance reserve for the Littlerock Dam. The District carries earthquake insurance on its headquarters building, and the contents therein, in an amount up to \$4,136,176, and business and interruption insurance in an amount up to \$6,000,000. In addition, ACWA-JPIA provides cyber liability coverage through the commercial liability policy for participating members of the general liability pool program.

Seismic Consideration

The District is located near two seismically active faults: the San Andreas Fault located along the base of the San Gabriel Mountains and the Garlock Fault, located along the Tehachapi Mountains. The San Andreas Fault traverses the south central portion of the District's service area in roughly a northwest-southeast manner. The San Andreas Fault at this locale is actually a system of fault splays which include the Cemetery, the Littlerock and the Nadeau fault traces. In addition, there are several other regional faults near the District's service area, including the Sierra Madre fault, the White Wolf fault, and the Owens Valley fault. In the event of a major earthquake, the District believes that it could sustain ruptured pipelines or failures to facilities.

All facilities at the District have been designed in conformance with the Uniform Building Code standards for seismic Region 4 (the region of highest risk). In addition, storage tanks are designed based on site specific geotechnical engineering studies. The District also has incorporated certain precautions into its maintenance and construction practices to reduce impact on its facilities in the event of an earthquake. For example, rehabilitation of the Littlerock Dam was done in compliance with the standards set by the Division of Safety of Dams and all newly replaced pipeline segments are joined with rubber gasket joints for maximum flexibility. In addition, the District replaces and relines portions of old pipelines as part of its water system maintenance program. The District also maintains extra pipes and fittings in its inventory for use during an emergency. See "THE WATER SYSTEM" below.

Outstanding Indebtedness

Senior Obligations. Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2018 Installment Purchase Agreement will be outstanding in the amount of \$12,290,000.

Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2020 Installment Purchase Agreement will be outstanding in the amount of \$8,939,354.

Upon the issuance of the 2024A Bonds, the 2020 Bonds will be outstanding in the amount of \$14,025,000.

Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2021 Installment Purchase Agreement will be outstanding in the amount of \$9,390,000.

Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2021A Installment Purchase Agreement will be outstanding in the amount of \$10,146,820.

Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2022 Installment Purchase Agreement will be outstanding in the amount of \$1,952,719.

Upon the issuance of the 2024A Bonds, the Installment Payments due under the 2023 Installment Purchase Agreement will be outstanding in the amount of \$21,225,000.

The Installment Payments due under the 2018 Installment Purchase Agreement, the Installment Payments due under the 2020 Installment Purchase Agreement, the payments on the 2020 Bonds, the Installment Payments due under the 2021 Installment Payments, the Installment Payments due under the 2021A Installment Purchase Agreement, the Installment Payments due under the 2022 Installment Purchase Agreement and the Installment Payments due under the 2023 Installment Purchase Payments are secured by a pledge of Water Revenues and payable from Net Water Revenues on a senior basis to the Series 2024A Installment Payments. Upon the issuance of the 2024A Bonds, the Senior Obligations will be the only outstanding indebtedness payable from Net Water Revenues on a senior basis to the obligation to make the Series 2024A Installment Payments when due.

The Installment Purchase Agreement provides that the District is not permitted to 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 Series 2024A Installment Payments due under the Installment Purchase Agreement.

Subordination Obligations. Upon the issuance of the 2024A Bonds, there will be no other Contracts or Bonds outstanding payable from Net Water Revenues on a parity with the Series 2024A Installment Payments. As described further under the captions “THE WATER SYSTEM—Pure Water Antelope Valley” and “—Future Capital Projects,” the District currently expects to incur additional Subordinate Obligations within the next five years in the total amount of approximately \$232 million. See also the captions “SECURITY FOR THE 2024A BONDS—Additional Bonds and Contracts.”

Overlapping Debt. The overlapping debt table of the District as of March 1, 2024 is set forth in Table 2 below.

**Table 2
PALMDALE WATER DISTRICT
OVERLAPPING BONDED DEBT**

2023-24 Land Only Assessed Valuation: \$2,738,582,860

OVERLAPPING TAX AND ASSESSMENT DEBT: (Based on all property valuation of \$8,892,166,012)

	<u>% Applicable</u>	<u>Debt 3/1/24</u>
Antelope Valley Joint Community College District	18.921%	\$ 79,923,423
Pasadena Area Community College District	0.003	5,241
Acton-Agua Dulce Unified School District	0.867	66,461
La Canada Unified School District	0.035	33,506
Antelope Valley Union High School District	21.386	4,950,832
Palmdale School District	65.308	130,289,982
Westside Union School District	0.954	338,914
Palmdale School District Community Facilities District No. 90-1	79.489	60,017,194
City of Palmdale Street Lighting Assessment Districts	52.732 - 69.065	<u>5,120,096</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$280,745,649

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Los Angeles County General Fund Obligations	0.443%	\$ 11,185,948
Los Angeles County Superintendent of Schools Certificates of Participation	0.443	12,658
Antelope Valley Community College District Certificates of Participation	18.921	187,696
Pasadena Area Community College District Certificates of Participation	0.003	864
Acton-Agua Dulce Unified School District Certificates of Participation	0.867	12,745
Antelope Valley Union High School District General Fund Obligations	21.386	1,082,132
Palmdale School District Certificates of Participation	65.308	5,806,495
City of Palmdale Certificates of Participation	47.100	35,800,694
Palmdale Water District Certificates of Participation and Water Revenue Bonds	100.	<u>67,076,820⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$122,855,319

OVERLAPPING TAX INCREMENT DEBT:

Successor Agency to Palmdale Redevelopment Agency Merged Project Area	41.645%	\$21,499,572
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$21,499,572

COMBINED TOTAL DEBT \$425,100,540⁽²⁾

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Land Only Assessed Valuation:

Direct Debt (\$67,076,820) 2.45%

Ratios to 2023-24 All Property Assessed Valuation:

Total Overlapping Tax and Assessment Debt 3.16%

Combined Total Debt 4.78%

Ratios to Redevelopment Incremental Valuation (\$859,381,437):

Total Overlapping Tax Increment Debt 2.50%

Source: California Municipal Statistics, Inc.

District's Investment Policy

On November 28, 2022, the District adopted an updated Investment Policy to promote its stated objectives of (i) preserving principal through diversification, (ii) maintaining liquidity, and (iii) providing market rate of return throughout budgetary and economic cycles, taking into account risk constraints and the cash flow characteristics of the entire portfolio.

Under the current Investment Policy, investments are made in compliance with the Prudent Investor Rule and are governed by certain provisions of the California Government Code. Within the limitations imposed by the California Government Code, the District further restricts the types of investments and their maturities. Generally, permitted investments include: bonds issued by the District; United States Treasury Bills, Notes and Bonds, Federal agency or United States government-sponsored enterprise obligations, participations or other instruments; certificates of deposits not exceeding 60% of all money invested by the District pursuant to the Investment Policy; bonds, notes, warrants or other debt issued by a local agency within California, including pooled investment accounts established by the State of California, County Treasurer or other local agencies or joint powers agencies (including investments in the Local Agency Investment Fund); and monies held in trust pledged to the payment or security of bonds, or other indebtedness of a local agency. Under the Investment Policy, prohibited investments include inverse floaters, range notes, interest-only strips derived from a pool of mortgages or any investment that may result in zero interest accrual if held to maturity.

In addition, the Statement of Investment Policy provides certain guidelines for diversification of investments, liquidity goals, qualification of banks and securities dealers, and collateralization requirements for certain investments. While the District is currently required to adopt its Investment Policy annually, such requirement may be changed in the future and the investment guidelines may also be changed in the future.

The District’s investments by category and their respective market value as of December 31, 2022, June 30, 2023 and December 31, 2023 are set forth in the table below. For additional information relating to the District’s investments, see APPENDIX A—“AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2022,” Note 2.

Table 3
PALMDALE WATER DISTRICT
SUMMARY OF INVESTMENTS

<i>Investment Category</i>	<i>Market Value</i>		
	<i>12/31/22</i>	<i>6/30/23</i>	<i>12/31/23</i>
Federal Agency Obligations	\$ 7,749,428	\$ 8,067,481	\$ 7,322,749
Negotiable Certificates-of-Deposit	4,628,828	5,202,978	5,615,114
Local Agency Investment Fund (LAIF)	<u>12,778</u>	<u>12,931</u>	<u>13,150</u>
TOTAL	<u>\$ 12,391,034</u>	<u>\$ 13,283,390</u>	<u>\$ 12,951,013</u>

Source: The District.

The Investment Policy may be changed at any time at the discretion of the District (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. Any exception to the Investment Policy must, however, be formally approved by the Board of Directors of the District. There can be no assurance the State law or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the District with respect to investments will not change.

Unrestricted Reserves

The following chart illustrates the unencumbered reserves of the District for Fiscal Years 2013 through 2023. While the operating reserves may be allocated by the District to make the Series 2024A Installment Payments when due and Senior Payments or Subordinate Payments, they are not pledged for such purpose. Such reserves may be utilized at any time for lawful expenditures by the District, and no assurance can be made that the reserves will be available to make any such payments.

**Table 4
PALMDALE WATER DISTRICT
HISTORY OF UNRESTRICTED RESERVES
2013-2023**

<i>Year</i>	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Total Unrestricted Reserves</i>
2013	\$ 8,481,773	\$ 3,734,701	\$ 12,216,474
2014	9,220,142	3,761,914	12,982,056
2015	7,835,005	4,408,985	12,243,990
2016	4,412,202	8,441,547	12,853,749
2017	3,784,789	10,542,238	14,327,027
2018	3,679,407	8,105,601	11,785,008
2019	5,700,809	6,720,309	12,421,118
2020	1,472,530	10,276,706	11,749,236
2021	3,605,111	10,978,339	14,583,450
2022	3,716,677	12,378,256	16,094,933
2023 ⁽¹⁾	2,602,622	12,951,013	15,553,635

⁽¹⁾ Unaudited actual results for fiscal year 2023.
Source: The District.

THE WATER SYSTEM

General Description

The District is the sole provider of potable water service to water users within its boundaries, currently serving a population of approximately 127,000 people (through 27,705 connections), approximately 92% of whom are residential users. The District receives its water from three sources: (i) local groundwater, (ii) surface water from Littlerock Creek and the Santiago Canyon deposited in the Littlerock Dam and Reservoir, and (iii) imported water from the DWR through the State Water Project. As set forth in Table 5 below, the percentage of water received from each of these sources fluctuates depending on levels of rainfall year to year. The District uses Palmdale Lake to store water it receives from the Littlerock Dam and Reservoir and the State Water Project. Palmdale Lake has a storage capacity of 4,250 acre-feet. The District maintains Palmdale Lake at 90-100 percent of total capacity during the months of February through September and at 75-100 percent of capacity from October through January. The amount of water stored in Palmdale Lake is capable of supplying water to the District’s customers for approximately two months in the event water from the State Water Project and Littlerock Dam and Reservoir is not available.

The District operates 22 active water wells which extract groundwater from the Antelope Valley Groundwater Basin (the “Basin”). The District also maintains 20 reservoirs ranging in individual capacity from 40,000 to 6,000,000 gallons with an aggregate storage capacity of 49.9 million gallons of water. Other District water system facilities include two interconnections between the District’s water system and the facilities of the Antelope Valley – East Kern Water Agency and Littlerock Creek Irrigation District which can be utilized during emergencies to transfer water from one system to the other.

The District’s water system includes seven pressure zones. The distribution system includes over 408 miles of pipelines ranging in size from 4 inches to 42 inches in diameter. The District also operates 22 active water wells and 14 booster pumping stations which contain a total of 43 separate pumps. See “—District Water Facilities” below for additional information.

The table below sets forth the history of sources and uses of water for the District from its three primary production sources: local groundwater, surface water, and imported water from the DWR through the

State Water Project. The District also explored expanding its water supply with a Groundwater Water Augmentation Project. However, that project was replaced with the Pure Water AV Project using tertiary treated recycled water. See “—Local Groundwater” and “—Future Capital Projects— *Pure Water Antelope Valley Project.*” Quantities of water are expressed in terms of acre-feet. An acre-foot is the amount of water which will cover one acre to a depth of one foot and is equivalent to approximately 325,000 gallons.

**Table 5
PALMDALE WATER DISTRICT
WATER SOURCE AND USE SUMMARY TABLE**

Calendar Year	<u>Raw Surface Water Sources</u>			<u>Treated Surface Water Production</u>			Total Water Production (ac.-ft.) (a+e)	Total Water Metered (ac.-ft.) ⁽³⁾	Unaccounted for Water (ac.-ft.)	Unaccounted for Water (%)
	Groundwater Production (ac.-ft.) (a)	Littlerock Reservoir (ac.-ft.) (b)	State Water Project (ac.-ft.) (c)	Total Water Sources (ac.-ft.) (d) ⁽¹⁾	Yearly Total (ac.-ft.) (e)	Yearly Average ⁽²⁾ (MGD) (f)				
2019	4,425	3,129	11,859	19,413	14,109	12.6	18,534	17,045	1,489	8.0
2020	7,599	4,536	8,348	20,483	12,912	11.5	20,511	19,017	1,494	7.3
2021	9,844	1,086	11,704	22,633	10,996	10.4	20,840	19,540	1,300	6.2
2022 ⁽⁴⁾	8,540	3,620	4,205	16,364	9,740	9.6	18,280	17,296	984	5.4
2023	4,177	5,960	7,290	17,427	12,270	11.7	16,446	15,868	578	3.5

⁽¹⁾ Difference between the annual Total Water Sources in column “(d)” and the Total Water Production column is primarily the result of water storage, reservoir replenishment and water lost due to environmental factors.

⁽²⁾ Column “(f)” reflects the average daily production from the water treatment plant (“WTP”) over each year. WTP production during summer months averages 16 million gallons per day (MGD). The WTP production capacity is 35 MGD.

⁽³⁾ Total includes water treated on behalf of Antelope Valley East Kern Water Agency, water supplied to Littlerock Creek Irrigation District and process water used at the WTP.

⁽⁴⁾ Due to dry conditions throughout the State, the governor enacted mandatory water restrictions for all water agencies, including the District, in 2022.

Source: The District.

Local Groundwater

Over the last five years, the District received an average of approximately 37% of its water supply from local groundwater, with a high of 52% and a low of 23% during this time. As described below, the District has various rights to groundwater which could provide the District with up to approximately 8,140 acre feet of groundwater per year.

Historically, the District’s primary service area was supplied with groundwater pumped from deep wells. Natural recharge of the Basin is achieved primarily from watershed areas in the San Gabriel Mountains. Creeks and streams spread runoff from precipitation in the mountains over alluvial fans on the northern slopes. Recharge of the area is limited by the semi-arid regional climate.

Groundwater supplies in the Antelope Valley have been determined to be overdrafted, which has resulted in litigation to adjudicate water rights in the Basin. In late 2015, the District as well as the majority of parties involved in such litigation agreed to a stipulated judgment for the adjudication of the Basin (the “Judgment”). Under the Judgment, the District receives a groundwater production right to a fixed amount of water. Prior to the Judgment, the District had an unquantified right to pump water from the Basin for beneficial use, and assumed projected pumping volumes of approximately 12,000 acre feet per year. As a result of the Judgment, the District has reduced its groundwater production to 2,769.63 acre feet per year from the safe yield (as such term is described below). See “FACTORS AFFECTING WATER SUPPLIES—Antelope Valley Groundwater Basin” for further discussion of the Judgment.

Under the Judgment, the District is additionally entitled to a pumping allocation equal to 39.1% of the water the District used from the SWP in prior years for direct use via the Leslie O. Carter Water Treatment Plant (the “Return Flow Credit”). The District projects that the Return Flow Credit will provide approximately 4,000 acre-feet per year. Any unused portion of the Return Flow Credit for a given year may be carried forward for use in future years. The District also projects that the Pure Water AV Project will provide approximately an additional 5,325 acre-feet of groundwater upon completion in 2031 due to the additional use of recycled water. See “—Future Capital Projects” for a discussion of the Pure Water AV Project.

In addition to the groundwater allocation and the Return Flow Credit, the District is further entitled under the Judgment to a share of the unused reserve right of the Federal Government relating to the Edwards Air Force Base, which is projected to be approximately 1,370 acre feet per year through at least 2025. The District’s right to this water will be reduced or terminated in the event that the Federal Government increases water usage at the base.

The District also receives the following benefits from the Judgment, all of which make its groundwater supply more reliable: (1) the right to pump additional groundwater if the District pays the cost to replace it with imported water, (2) the right to store water in the Basin in wet years for use in dry years, and (3) the right to purchase additional water rights from other pumpers in the Basin.

The District is a member of a joint powers authority called the Antelope Valley State Water Contractors Association (the “Association”). The other members of the Association are the Littlerock Creek Irrigation District and the Antelope Valley – East Kern Water Agency, the other two State Water contractors in the Antelope Valley. The principal goal of the Association is for the three members to work together to develop conjunctive use projects, including groundwater banking.

The District’s primary service area overlies three sub-units of the Basin – the Lancaster, Buttes and Pearland sub-units. In addition, the District overlies a portion of the San Andreas Rift Zone, which also contains water bearing deposits. The District presently pumps groundwater from 22 wells in the Lancaster and Pearland sub-units and from the San Andreas Rift Zone. In Phase 3 of the trial in the Basin’s adjudication, the court determined the safe yield for the Basin, including imported water return flows, was 110,000 acre-feet per year. The term “safe yield” is generally defined as the maximum rate of extraction from a groundwater basin which, if continued over an indefinite period of years, would result in the maintenance of certain desirable fixed conditions.

Groundwater from the District’s wells meets all current water quality requirements and is not treated, other than the addition of disinfectant prior to being pumped into the water distribution system. Recently updated regulations, such as the new and lower arsenic maximum contaminant level, will also be met without treatment. The only present potential known threat to the District’s groundwater quality is the presence of a plume of high nitrate levels in groundwater located approximately two miles northeast of the District’s main well field that has resulted from the operation of the Sanitation Districts of Los Angeles County District No. 20 (the “Sanitation District”). The Sanitation District is currently under a Cleanup and Abatement Order from the Regional Water Quality Control Board, Lahontan Region, to fully identify and clean up the plume. The District’s wells are currently unaffected by the higher nitrate levels that exist in the plume.

Surface Water

Over the last five years, the District received an average of approximately 16% of its water supply from local surface water. The amount of local surface supply varies annually and has ranged from 5% to 22% in the last five years. Surface water in Littlerock Creek and the Santiago Canyon is fed by runoffs from a 65 square mile watershed in the Angeles National Forest. Water from the watershed is diverted into the Littlerock Dam which currently has a usable storage capacity of approximately 3,000 acre-feet of water. Construction of Littlerock Dam and Reservoir was completed in 1924 by the Palmdale Irrigation District, predecessor to the District, and the Littlerock Creek Irrigation District. Title to the Littlerock Dam and Reservoir is jointly held

by the District and the Littlerock Creek Irrigation District. Pursuant to the Littlerock Dam Agreement, the District financed the rehabilitation of the Littlerock Dam and Reservoir in compliance with directions from the Division of Safety of Dams. In consideration of the District's undertaking of all rehabilitation costs of the Littlerock Dam and Reservoir, the District was granted an irrevocable license to 100% of the storage capacity of the Littlerock Dam and Reservoir for a term of 50 years through 2042. Under the Littlerock Dam Agreement, the District is also responsible for the maintenance and operation of the Littlerock Dam and Reservoir, except as otherwise provided by such agreement. The average annual yield from the Littlerock Dam and Reservoir is estimated at 4,000 acre-feet per year. In 2023, the District received 5,960 acre-feet of water from the Littlerock Dam and Reservoir.

State Water Project

Over the last five years, the District received an average of approximately 46% of its water supply from the State Water Project ("SWP"). The SWP encompasses a complex array of reservoirs, pumping plants, power plants, canals and tunnels owned and operated by DWR. SWP water, which originates primarily north of the San Francisco Bay/Sacramento-San Joaquin River Delta (the "Bay-Delta" or "Delta"), is transported from the Delta to serve water contractors and their member agencies in the San Francisco Bay area, the San Joaquin Valley and Southern California.

Pursuant to a Water Supply Contract, dated February 2, 1963, by and between the Palmdale Irrigation District, as predecessor to the District, and DWR, as amended from time to time (as so amended, the "District's Water Supply Contract"), the District received entitlements to SWP water. Pursuant to the District's Water Supply Contract, the District is entitled to receive up to 21,300 acre-feet of SWP water each year. The District's Water Supply Contract was originally scheduled to expire in 2035; however, the District's Water Supply Contract has been extended through December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of SWP facilities, whichever is longer. There is, however, litigation with respect to the extension of the State Water Project contracts, including the District's Water Supply Contract.

DWR and the SWP contractors previously agreed to an "Agreement in Principle" to amend the existing State Water Project contracts to extend them through December 31, 2085, and make certain changes relating to the billing process. DWR prepared an environmental impact report under the California Environmental Quality Act ("CEQA") analyzing the proposed long-term contract extensions. In December 2018, after CEQA review and determination, DWR filed an action to validate the proposed extension of the SWP contracts, including the District's Water Supply Contract. Several environmental groups and counties and districts filed answers or separate actions opposing DWR's approval, asserting that the extension approval violated CEQA, the Public Trust Doctrine, and the Delta Reform Act. The trial court granted judgment in favor of DWR and supporting SWP contractors on all causes of action. The environmental groups and opposing agencies filed notices of appeal and their appeals have been coordinated. Appellants' opening briefs were filed on January 13, 2023. The District cannot predict the impact of the outcome of the appeal on the extension of the District's Water Supply Contract.

On January 9, 2023, DWR notified the District that the required number of SWP contractors had executed letter agreements to allow the contract extension amendment to become effective as of January 1, 2023 as to the contractors that executed such agreements, including the District, notwithstanding the pending litigation. This amendment extended the term of the District's Water Supply Contract to December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of SWP facilities, whichever is longer.

In 2023, the District received 39,510 acre-feet of water from the SWP, which includes its 2023 allocation, additional water supplied pursuant to a lease agreement with Butte County, a limited time transfer agreement with Littlerock Creek Irrigation District, Article 21 water, cooperative exchange agreements, and a carryover allocation of water from 2022. The final allocation of water made by DWR in 2023 was 100% of

each State Water Contractor’s contract amount. The District has a long-term lease agreement with Butte County for 10,000 acre-feet per year of their SWP Table A Quantity (the “Butte County Agreement”). The amount available through the Butte County Agreement varies primarily on the final annual allotment from DWR to the SWP contractors and can be roughly calculated by multiplying the final allotment percentage by 10,000 acre-feet. The Butte County Agreement runs through 2031 and has a renewal option through 2035. The District’s limited time transfer agreement with Littlerock Creek Irrigation District (the “Littlerock Creek Agreement”) is for a minimum of 75% of Littlerock Creek Irrigation’s District SWP Table A Quantity annually (approximately 1,725 acre-feet per year based on an 100% allocation of 2,300 acre-feet per year). The Littlerock Creek Agreement runs through 2035. The District’s Water Supply Contract, the Butte County Agreement, the Littlerock Creek Agreement and any other agreements to which the District is a party for SWP water and for which the District levies or will levy an assessment are collectively referred to herein as the “State Water Supply Contract.” The amount of water which DWR supplies to the District under the State Water Supply Contract may be reduced in any year in which there is a shortage or interruption, due to drought or other temporary cause, in the supply of water available for delivery to the District and other SWP contractors. DWR reduces allotments where the available water supply is less than the total of the annual project allotments of all project participants in the SWP facilities for that year. In December 2023, DWR announced that the initial allocation for 2024 would be 10% of requested supplies. Allocations are reviewed monthly based on several factors, including water in storage, environmental requirements and rain and snow runoff projections.

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District’s SWP allotment will be reduced in accordance with the State Water Supply Contract. In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District’s SWP allotment will be reduced in accordance with the State Water Supply Contract.

Pursuant to the District’s Water Supply Contract, the District is obligated to pay its allocable share of a capital cost component and a minimum operation, maintenance, power and replacement component (together, the “SWP Fixed Costs”) of the SWP. In addition to the SWP Fixed Costs, the District pays a variable amount to the SWP from Net Water Revenues based on the amount of water that is purchased for delivery to the District each year. Such variable costs have averaged approximately \$1.96 million per year over the last five years. The obligation to pay the SWP Fixed Costs exists and is required to be honored by the District whether or not water is furnished to it from the SWP facilities at all times, or at all, and whether or not the SWP facilities are operable. Such costs of participation rights are being amortized over the District’s original water entitlement period through 2035.

The table below sets forth the District’s allocable share of the SWP Fixed Costs for the last five years:

**Table 6
PALMDALE WATER DISTRICT
HISTORY OF SWP FIXED COSTS**

<i>Year</i>	<i>Capital Cost Component</i>	<i>Minimum Fixed Operating Component</i>	<i>Total SWP Fixed Costs</i>
2019	\$4,236,121	\$22,593	\$4,258,714
2020	5,238,206	38,084	5,276,290
2021	5,689,322	25,561	5,714,883
2022	6,357,278	25,134	6,382,412
2023 ⁽¹⁾	6,454,857	24,865	6,479,722

⁽¹⁾ Unaudited actual results for fiscal year 2023.

Source: The District.

Under the State Water Supply Contract, DWR is obligated to deliver to the District on or before July 1 of each year a statement of the SWP Fixed Costs payable in the next calendar year. The District levies an *ad valorem* assessment on the assessed value of the land (not including the value of any improvements) within its service area to pay the SWP Fixed Costs charged for operation, maintenance, power and replacement costs payable under the State Water Supply Contract. These assessments are placed on the tax roll and collected as a part of the annual tax bills sent to the property owners within the District by Los Angeles County. Any assessments collected are available only to pay amounts due under the State Water Supply Contract and are not a part of Water Revenues of the District pledged to secure the payments of the Series 2024A Installment Payments and any payments due under the Bonds and Contracts. Increases or decreases in the District’s allocable share of the SWP Fixed Costs generally will not require adjustments in the water rates of the District but will be factored in the subsequent *ad valorem* assessment levied. The District is not liable under the State Water Supply Contract for the obligations of any other SWP participants.

District Water Facilities

The District’s surface water system also consists of Palmdale Lake into which water from Littlerock Dam and from the SWP aqueduct are deposited. Water from Palmdale Lake is treated at the Leslie O. Carter Water Treatment Plant (the “Water Treatment Plant”) using chemical addition, flocculation, sedimentation, filtration, granular activated carbon (“GAC”) and disinfection. The treated water enters the distribution system by gravity or through the low head transfer pump stations. The capacity of the existing plant is 35 million gallons per day. On average, the District utilizes less than 50% of the Water Treatment Plant’s annual capacity and, currently, the District expects this capacity to meet projected demand for at least the next five years. Since 2004, the District has spent approximately \$59,347,000 to upgrade the Water Treatment Plant in order to meet more stringent water quality regulations. These upgrades were completed in April 2009, and include a GAC system for total trihalomethane (“TTHM”) control. GAC is considered Best Available Technology by the Environmental Protection Agency for meeting the new TTHM standards as well as a number of other standards.

In addition to its surface water supply system, the District operates 22 active wells. Water from the majority of the wells is pumped directly into the distribution system adjacent to their physical location. The remaining wells pump water into adjacent holding tanks from which booster pumps lift the water to the appropriate system pressure.

The District’s water distribution system includes 14 water booster or pumping plants, 49.9 million gallons of surface storage capacity and more than 413 miles of distribution pipeline ranging from 4 to 42 inches in diameter. The oldest pipelines are constructed of steel and many have experienced excessive leakage. The District has an ongoing, prioritized replacement program for these older steel pipelines. During calendar years 2015 through 2019, the District replaced 20,390 lineal feet of pipelines, representing 1% of all

of the pipelines within the District. Water loss in the District's distribution system in the last five years has ranged from a low of 3.5% in 2023 to a high of 8.0% in 2019. The District considers losses of water in its distribution system to be within acceptable industry standards.

Elevation within the District varies from 2,600 to 3,800 feet, and 7 pressure zones have been created within the District to provide water service at acceptable minimum and maximum pressures. The District attempts to maintain zone pressures between 40 and 120 pounds per square inch. Each pressure zone requires pumping plants or other sources of supply for providing water at the desired pressure. Most pressure zones also have storage facilities for providing water during peak demand, and under emergency and fire flow conditions. There are 43 booster pumps located within the District which vary in size from 10 to 150 hp to boost water in four of the seven primary pressure zones.

Quality of District's Water

Water quality requirements for potable water are developed by the U.S. Environmental Protection Agency and the California State Water Resources Control Board, Department of Drinking Water, pursuant to mandates contained in the Safe Drinking Water Act. On August 2, 1996 Congress passed the Safe Drinking Water Act Amendments of 1996, and President Clinton signed them into law on August 6, 1996. Stored water at Palmdale Lake is conveyed through a 42-inch pipeline to the District's Water Treatment Plant. The treatment process includes chemical addition, flocculation, sedimentation, filtration, GAC, and disinfection. Treated water at the District satisfies all current requirements of the Federal Safe Drinking Water Act and regulations of the California State Water Resources Control Board, Department of Drinking Water. However, future legislation and/or regulations could impose additional requirements necessitating modifications to the water treatment process and procedure currently used by the District, which could have the effect of increasing the cost of treating such water.

Future Capital Projects

General. The District conducts capital improvement planning on an ongoing basis for the rehabilitation, upgrade, and expansion of facilities, equipment, and improvements necessary to meet current and future needs for water treatment, storage, and conveyance within the existing service area. The table below sets forth a summary of estimated project costs for the capital projects which the District may undertake over the next several years based on certain categories. For projects that do not currently have an identified funding source, it is important to note that should sufficient funds not be available, several of these projects can be deferred for several years as needed. The District anticipates completing a rate study during calendar Year 2025 which will include updates to the District's 5-year capital improvement plans. See the caption "THE PROJECT" above.

**Table 7
PALMDALE WATER DISTRICT
FIVE YEAR CAPITAL PROJECT PLAN
(Dollars in Millions)**

<i>Category</i>	<i>Years 2025-2029</i>	<i>Identified Funding Amounts</i>
Asset/Infrastructure	\$28.5	\$21.4
Water Supply (Including Pure Water AV Project) ⁽¹⁾	\$281.3	\$281.3
Well Projects ⁽²⁾	\$7.5	\$5
Storage Tanks ⁽³⁾	\$23.2	\$8.8
Booster Projects	\$10.1	\$6.3
Water Treatment Plant Projects	\$5.6	\$5.6
Facility Projects	\$2.9	TBD
Equipment	\$2.5	TBD
Information Technology	<u>\$4.4</u>	<u>TBD</u>
TOTAL	<u>\$366.0</u>	<u>\$328.4M</u>

(1) See the caption “THE PROJECT” for a description of the financing plan for the Pure Water AV Project. Amount shown includes approximately \$51 million in project contingency for the Pure Water AV Project. Full funding for the Pure Water AV project has not yet been secured, though funding sources have been identified.

(2) Estimated; the District is pursuing grant funding for future well projects.

(3) Estimated; the District pursuing State grant funding for a new tank.

Source: The District.

The District completed a Water System Master Plan (the “WSMP”) in December 2016. The WSMP provides details for an updated capital improvement program through 2030. Based on the WSMP, the District develops updated capital improvement fees. The WSMP, the associated environmental impact report and capital improvement fees were approved by the Board in late 2018.

Future Water Sources

The Strategic Water Resources Plan (“SWRP”) that was adopted by the District in March, 2010, and the related Programmatic Environmental Impact Report that was certified by the Board of Directors in August, 2012, were developed to establish guiding objectives and identify necessary steps in order to meet the projected future needs of its customers. Over the next 23 years, the population residing within the District’s current service area is projected to more than double, which will require the District to increase supply to meet the water demands of these customers. The District has a number of water resource options available to it in order to meet these needs, including imported water, groundwater, local runoff, recycled water, conservation and water banking. To understand where the District should be placing its emphasis, the SWRP was developed to consider and evaluate the District’s options with respect to a variety of factors including cost, reliability, flexibility, implementation ability and sustainability.

In order to fund the costs of facilities and acquisitions of new water supplies, the principles followed by the SWRP are as follows:

- New customers establishing new connections must pay for new supplies and the infrastructure to deliver those supplies. This includes funding new imported water acquisition, recharge and recovery facilities, and recycled water facilities.

- Current and future customers must pay for reliability of current supply up to budgeted allotments for indoor and outdoor usage. This would include the costs of improvements to maintain Littlerock Reservoir, of the District’s share of improvements to the Delta, and of improvements needed to meet water quality standards.
- Those customers choosing to use more than their allotment need to contribute more to help fund water reliability projects including conservation and recycling.
- Current and future customers are to pay for all Operation and Maintenance Costs as well as fixed costs of existing systems.

In 2021, the District adopted an Urban Water Management Plan (“2020 UWMP”) with a revised Water Shortage Contingency Plan. The 2020 UWMP examined the District’s current and future water sources and concluded that existing supplies in combination with identified future and potential water supply opportunity will enable the District to meet all future water demands under all hydrologic conditions through the end of the planning period (2045). Under single-dry and multiple-dry-year scenarios there could be pressure (potential deficits) on future water supply; however, measures to address these situations include: utilizing previously banked water, using recycled water, activating the Water Shortage Contingency Plan and identifying/securing other long-term sources of supply that balance demands.

The District currently strives to maintain the capacity to receive approximately 40% of its supply from groundwater. The District is reviewing the possibility of increasing yield at Littlerock Creek. The District is also actively promoting water conservation within its service area to reduce future demands. Finally, recycled water use through the Palmdale Recycled Water Authority (“PRWA”), a joint powers agency of which the District and the City are the only members, is being pursued. PRWA adopted a consolidated Recycled Water Facilities Master Plan in 2015 that addresses potential recycled water use within the District including direct non-potable use (irrigation), agricultural deliveries, and possible groundwater recharge with recycled water.

FACTORS AFFECTING WATER SUPPLIES

State Water Project

General. One of the District’s major sources of water is the State Water Project (“SWP”), which is owned by the State and operated by the California Department of Water Resources (“DWR”). The SWP transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the Bay-Delta south via the California Aqueduct to delivery points near the boundaries of the District’s service area. The total length of the California Aqueduct is approximately 444 miles.

DWR’s ability to consistently deliver water to the District is one of the most challenging issues affecting the District’s long term water supply. See the caption “—California Water Policy Framework” below.

DWR faces various challenges in the continued supply of imported water to the District and other member agencies. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in certain disclosure documents prepared by DWR. DWR has prepared certain publicly available documents and has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of enumerated events as defined under Rule 15c2-12 and annual audited financial statements with EMMA. None of such information is incorporated into this Official Statement by reference thereto, and neither the District nor the Underwriter makes any representation as to the accuracy or completeness of such information.

DWR HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2024A BONDS TO PROVIDE DWR INFORMATION TO THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2024A BONDS.

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SWP AND DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2024A BONDS UNDER RULE 15C2-12.

The SWP was designed to meet demands of 4.2 million acre-feet per year. Initial SWP facilities were completed in the early 1970s, and it was envisioned that additional facilities would be constructed as contractor demands increased. Several factors, including public opposition, increased costs, and increased non-SWP demands for limited water supplies, combined to delay the construction of additional facilities. At the same time, contractors' demands for SWP entitlement water have been increasing.

The quantity of SWP water available for delivery each year to its contractors such as the District is controlled by both hydrology and operational considerations, including overall demand from contractors, weather, environmental controls, operational constraints and litigation regarding the SWP. The SWP has been unable to meet contractors' requests for entitlement water in drought periods. DWR has projected that future SWP supplies in normal weather years will be insufficient to meet demands unless additional facilities are constructed.

The District's final allocation from SWP for calendar year 2022 was 5% of its contracted-for amount, or 1,065 acre-feet. This allocation took into account the below average snowpack and reservoir levels, which resulted in a reduced water year as compared to calendar 2021.

Based on the February 2024 announcement by DWR, the District's current SWP allocation under the District's Water Supply Contract for 2024 is 15% of its contracted-for amount, or 3,195 acre-feet. The allocation for 2024 is subject to further revision by DWR. This allocation took into account above average participation during most of the winter. See "—California Drought and Response" below.

DWR Litigation. On May 5, 2020, the State Water Contractors, Kern County Water Agency, Antelope Valley-East Kern Water Agency, Central Coast Water Authority, Dudley Ridge Water District, County of Kings, Oak Flat Water District, the District, Santa Clarita Valley Water Agency, San Gabriel Valley Municipal Water District, and Tulare Lake Basin Water Storage District ("Petitioners") filed a Verified Petition for Writ of Mandate alleging California Environmental Quality Act and California Endangered Species Act violations by the California Department of Water Resources when evaluating the State Water Project's Long Term Operation Project and later the Refined Alternative 2b Project. In short, Petitioners allege that the Final Environmental Impact Report does not comply with the California Environmental Quality Act's procedural or substantive requirements and therefore approval of the project must be rescinded. Petitioners also allege breach of contract and breach of implied covenant of good faith and fair dealing claims.

There are seven other related cases filed in four different superior courts: *The Metropolitan Water District of Southern California, et al. v. Dept. of Fish & Wildlife, et al.* – Fresno County Superior Court, Case No. 20CECG01347; *San Bernardino Valley Municipal Water District v. Dept. of Water Resources, et al.* – Fresno County Superior Court, Case No. 20CECG01556; *Tehama-Colusa Canal Authority, et al. v. Dept. of Water Resources, et al.* – Fresno County Superior Court, Case No. 20CECG01303; *Central Delta Water Agency, et al. v. Dept. of Fish & Wildlife, et al.* – Sacramento County Superior Court, Case No. 34-2020-800003368-CU-WM-GDS; *North Coast Rivers Alliance, et al. v. Dept. of Water Resources, et al.* – San Francisco County Superior Court, Case No. CPF20517078; *Sierra Club, et al. v. Dept. of Water Resources, et*

al. – San Francisco County Superior Court, Case No. CPF20517120; *San Francisco Baykeeper, et al. v. Department of Water Resources, et al.*– Alameda County Superior Court, Case No. RG20063682. On October 7, 2020, the Superior Court for the County of San Francisco granted coordination of the actions and found Sacramento Superior Court to be the proper venue for hearing and determining the coordinated matters. The District is unable to predict the outcome of the DWR Litigation at this time.

Endangered Species Act Considerations. The District’s imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act (“ESA”). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and Central Valley Project (“CVP”), compounding the shortages created by the ongoing drought at the time. In 1993, the EPA also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. It was these circumstances that led to the historic Bay-Delta Accord in 1994, in which the state and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan and the Delta Plan (See the below caption “—California Water Policy Framework”) to develop a long-term solution for conflicts in the Bay-Delta.

Delta Litigation. Various legal challenges have been filed impacting the conveyance of water through the Delta by the DWR via the SWP and by the United States Bureau of Reclamation (the “Bureau”) via the CVP. These have included such cases as *Watershed Enforcers v. Broderick (California Department of Fish and Game), et al.* (Alameda County Superior Court, J. Smith, presiding) (the “Watershed Smelt Litigation”), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne (United States Department of the Interior)* (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Delta Smelt OCAP Litigation”) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Salmon OCAP Litigation”), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors (“SWC”), San Luis and Delta Mendota Water Authority (“SLDMWA”), Westlands Water District (“WWD”), et al. v. California Department of Fish and Game* (Sacramento Superior Court) (“Longfin Smelt Litigation”), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to Biological Opinions (“BOs”) relating to the coordinated operations of the CVP and SWP; required permitting for “incidental take” related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act (“CESA”), or other, similar grounds. The factual basis for these cases relates to claims of recent population declines of pelagic organisms, which include the delta smelt and longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

Watershed Smelt Litigation. On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a “take” permit under CESA. Kern County Water Agency (“KCWA”) and SWC, a non-profit association of twenty-seven public agencies, including the District, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to “take” protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days, unless it obtained a determination from the State Department of Fish and Game (“DFG”) that SWP operations are in compliance with CESA. Immediate appeals were filed, which

stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the “CD”) from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

Delta Smelt OCAP Litigation. In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 Operating Criteria and Plan (“2005 OCAP”) BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 Biological Opinion (the “2008 BO”) prepared by United States Fish and Wildlife Service (“FWS”) and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court’s interim injunction. This led to the filing of five separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, Metropolitan Water District of Southern California (“MWD”), Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act (“NEPA”) challenge to the 2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. SWP and CVP contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court’s findings that portions of the 2008 BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. The U.S. Court of Appeals for the Ninth Circuit issued a mandate on September 16, 2014. Petitions for Writ of Certiorari were submitted to the U.S. Supreme Court; however, the Court decided not to hear the case. The District Court issued the Final Order on October 1, 2014.

The SWP and CVP have been operating under the 2008 BO since it was issued. Deliveries of water supply from the SWP and CVP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations.

Salmon Operating Criteria and Plan Litigation. In the Salmon Operating Criteria and Plan Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the “2009 BO”) by the National Marine Fisheries Service

("NMFS") which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs' request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the 2009 BO that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the 2009 BO was flawed, and that some but not all of the project restrictions in the 2009 BO were arbitrary and capricious. On December 12, 2011, Judge O'Neill (who was assigned to this case following Judge Wanger's retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 BO to NMFS, and directs that a new draft salmon BO be issued by October 1, 2014, and that a final salmon BO be issued by March 1, 2017, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O'Neill approved a joint stipulation of the parties that specifies how to comply with one of the 2009 BO restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the U.S. Court of Appeals for the Ninth Circuit was held in September 2014, and on December 22, 2014, the Ninth Circuit reversed the district court decision and upheld the 2009 BO. The remand order related to the 2009 BO was rescinded. The Ninth Circuit issued a mandate on February 17, 2015. The district court issued the final order on May 5, 2015.

Longfin Smelt Litigation. The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt by the SWP. This permit authorizes continued operation of the SWP under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by SWP operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

Monterey Agreement. In December 1994, the State Water Project contractors (including CLWA) and DWR reached an understanding known as the "Monterey Agreement." The Monterey Agreement aimed to increase the reliability of existing water supplies and equalize the effect of water shortages on agricultural and urban users. Under the Monterey Agreement, water is delivered based upon contract Table A Amounts, and in years of water shortage, each participating water contractor will receive a prorated portion of its Table A Amounts. The Monterey Agreement has been substantially implemented since its execution via contract amendments between DWR and the State Water Project contractors in 1995 (the "Monterey Amendments"). The Monterey Agreement provides opportunities for the Agency (through its contract with DWR) to increase its water supply, water management activities and future supply reliability.

The adequacy of the Environmental Impact Report ("EIR") for the Monterey Amendments was challenged in litigation. After revising the EIR and completing remedial CEQA review, in September 2021, the court of appeal upheld the adequacy of the EIR, the validity of the Monterey Amendments and the agreement relating to the Kern Water Bank, and the trial court's denial of attorney fees for one of the plaintiffs.

On January 5, 2022, the California Supreme Court denied petitions seeking review of the court of appeal's decision. The court of appeal's decision upholding the Monterey Amendments is therefore final.

The SWP and CVP have been operating under the 2008 BO and 2009 BO since they were issued. Deliveries of water supply from the SWP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations. The District believes that any future decision or order by a State or Federal court related to one or more of the above-described BOs and leading to adverse decisions reducing SWP supplies would not have a material impact on the District's ability to pay the Series 2024A Installment Payments.

California Water Policy Framework

The District's water supply under its contracts with the SWP is imported through the Bay-Delta. The Bay-Delta is the largest estuary on the west coast and supports more than 750 species of plants and wildlife. However, decades of competing demands have taken a toll on the Bay-Delta and today it no longer functions as a healthy ecosystem. Regulatory actions to protect threatened or endangered fisheries have reduced the reliability of Bay-Delta water supplies. Water quality is degraded, making it difficult and expensive to meet drinking water standards. In addition, the vulnerability of Delta levees to seismic and flooding failures threatens both the infrastructure and the quality of California's water supply.

In 1995, the SWRCB adopted a Water Quality Control Plan for the Sacramento-San Joaquin Delta estuary. The Water Quality Control Plan's standards protect municipal, industrial and agricultural beneficial uses as well as fish and wildlife resources. In January 2003, the SWRCB completed its water rights process for implementing the Water Quality Control Plan.

In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta's ecosystem, water supply reliability, water quality, and levee stability. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

Building on CALFED and other Bay-Delta planning activities, in 2006 multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan ("BDCP"). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta. The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.

In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed "California WaterFix" and "California EcoRestore," respectively. In this alternative approach, DWR and the Bureau of Reclamation would implement planned water conveyance improvements (California WaterFix) as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. The associated costs of such mitigation would be underwritten by the public water agencies participating in the conveyance project. Ecosystem improvements and habitat restoration more generally (California EcoRestore) would be undertaken under a more phased approach than previously contemplated by the BDCP and would not be linked with the conveyance project or permits. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. Work on a number of EcoRestore projects is ongoing. Among other things, EcoRestore was undertaken to implement restoration projects required by the

biological opinions to which the State Water Project has been and is subject. EcoRestore is estimated to cost approximately \$300 million in the first four years, and includes amounts being paid by the State Water Contractors, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. See also “—Endangered Species Act Considerations.”

In July 2017, DWR certified a final EIR and approved the California WaterFix as an improvement to the State Water Project. As originally approved by DWR, California WaterFix, if completed, would have provided new conveyance facilities for the transportation of SWP and Central Valley Project water from the north Delta, principally from three new intakes, with a total maximum capacity of 9,000 cfs, through two 30-mile long tunnels running under the Delta, to the existing aqueduct systems in the south Delta. Under the California WaterFix as approved, DWR would have extended the delivery system from new north Delta water intakes on the Sacramento River to a new forebay in the south Delta to provide additional flexibility in operating the State Water Project.

On February 12, 2019, then recently elected Governor Gavin Newsom presented at the State of the State address a conceptual proposal supporting a single-tunnel configuration for new Bay-Delta conveyance instead of the two-tunnel California WaterFix. Subsequently, on April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system. Among other things, the Governor’s executive order directed the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project known as the “Delta Conveyance Project” (“DCP”). Following the Governor’s executive order, in May 2019, DWR withdrew approval of the California WaterFix project and decertified the EIR. In August 2019, DWR terminated the last permit associated with the project.

In July 2022, DWR released its draft Environmental Impact Statement for the DCP. The new conveyance facilities being reviewed would include a single 6,000 cubic feet per second (“cfs”) tunnel to convey water from new intakes on the Sacramento River to an expanded Bethany Reservoir (south of the Harvey O. Banks Pumping Plant). The public comment period ended on December 16, 2022, and DWR is now preparing responses to comments. Planning, environmental review and conceptual design work by DWR are expected to be completed in the 2023-2024 timeframe.

Since July 24, 2019, SWP contractors and DWR have been engaged in negotiations to amend the SWP contract for inclusion of the DCP. The amendment is intended to determine how costs and benefits of the DCP would be shared among the participating SWP contractors. If the District executes the amendment and the DCP is constructed, the District would be obligated to pay for its share of capital construction costs and future operations and maintenance costs. If the DCP is constructed, the District expects to pay its share of capital construction costs and future operations and maintenance costs from District reserves and the assessments levied to pay the District’s Water Supply Contract.

The District’s Board has previously authorized the District’s participation in two joint powers agencies relating to the DCP: the Delta Conveyance Design and Construction Authority (the “DCA”), a joint powers authority formed by the participating water agencies to actively participate with DWR in the design and construction of the DCP and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the “Financing JPA”), a joint powers authority formed by the participating water agencies to facilitate financing for the DCP. The DCA is currently providing engineering and design activities to support the DWR’s planning and environmental analysis for the potential new Delta Conveyance Project.

In August, 2020, the DCA provided a preliminary cost estimate for the DCP of approximately \$15.9 billion (in 2020 dollars). The DCA noted that such estimate has been developed at an early stage in the project and will be revised over time. The District cannot predict at this time what additional financial commitments to the DCP will be made. On August 20, 2020, the U.S. Army Corps of Engineers, as the lead agency for the DCP under National Environmental Policy Act (“NEPA”), issued a notice of intent for the development of the environmental impact statement for the DCP. On December 16, 2022, the U.S. Army Corps of Engineers

issued a draft environmental impact statement for the DCP. The public review and comment period for the draft environmental impact statement ended on February 14, 2023.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of DCP environmental review, planning, design and, if such DCP is approved, the costs of acquisition and construction thereof. The same day, DWR filed a complaint in Sacramento County Superior Court seeking to validate DWR's authority to issue the bonds. Several answers have been filed in the validation action, as well as at least two related cases alleging that DWR violated CEQA by adopting the bond resolutions before completing environmental review of the DCP. These validation and CEQA cases consolidated into one action. DWR and several project opponents filed cross-motions for summary judgment on the CEQA affirmative defenses and related CEQA lawsuit, and in December 2021, the trial court granted DWR's motions and denied opponents' motions, eliminating the CEQA affirmative defenses. Regarding the validation case, a hearing on the merits took place in May 2023. On August 25, 2023, the trial court tentatively ruled that DWR had exceeded its authority when it authorized the issuance of its bonds. At this time, the District cannot project the outcome of these cases or the potential impact on the District and its water supplies.

Antelope Valley Groundwater Basin

In 1999, two lawsuits naming the District were filed in Superior Court by landowners owning property in the Antelope Valley. In addition to the District, the lawsuits named as defendants Los Angeles County Waterworks District No. 40, the City of Lancaster, the Rosamond Community Services District, the Littlerock Creek Irrigation District, the Antelope Valley Water Company and the Quartz Hill Water District. The plaintiff landowners claimed in their suit that, as landowners, they were entitled to produce groundwater for use on their overlying land, and that their rights had priority over those of the defendants. The defendants contended that they acquired rights to the Basin groundwater through prescription, and that these prescriptive rights have priority over the rights of the plaintiffs.

In late 2004, the County of Los Angeles Waterworks District No. 40 filed a civil complaint against various groundwater users in the Basin, including the District, for adjudication of water rights. The lawsuit was consolidated with the prior lawsuits. On December 23, 2015, the District as well as the majority of parties involved agreed to the Judgment for the adjudication of the Basin.

Though the District made certain changes to its water supply sources as a result of the Judgment, the Judgment does not impact the District's ability to provide the required amount of water to its customers in future years. See "THE WATER SYSTEM—Local Groundwater."

California Drought and Response

State Actions. On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the "Declaration") with immediate effect. The Declaration also required DWR and the SWRCB to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the District to effect a 28% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency's updated mandatory conservation target.

On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. District staff is actively participating in all applicable working groups in order to ensure the effective implementation of Senate Bill 606 and Assembly Bill 1668.

To improve water conservation and drought planning, the California Legislature adopted and the Governor signed Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman) into law in 2018. This legislation lays out a new long-term water conservation framework for the State and mandates that DWR and the SWRCB develop new standards for indoor residential water use, outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation and water loss. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

On October 19, 2021, the California Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 28, 2022, the Governor requested that all water users voluntarily reduce water use by 20%. These declarations encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the SWRCB to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). Such regulations went into effect on June 10, 2022. There can be no assurance that subsequent State declarations will not impose mandatory water use restrictions should dry conditions persist in 2023 or future years. The District notes that the State experienced significant precipitation in the winter and early spring of 2023.

In order to achieve compliance with the SWRCB’s June 10, 2022 regulations, the District implemented Level 2 of its water shortage contingency plan. Such water restrictions remained in effect until March 2023. The District believes that it has significant water supplies and storage and is well-positioned to respond to both drought and regulatory requirements. At this time, the District does not foresee a water supply shortage in the near future. See the subcaption “—District Drought Responses Actions and Impact.”

District Drought Response Actions and Impact. Although the District’s customers cut water use by 95% of the mandated reductions, the District stabilized revenues through the imposition of the drought surcharge, which was triggered by the Governor’s proclamation of a drought emergency and subsequent Board action. The District imposed the Stage-1 drought surcharge from June 1, 2022 through March 1, 2023. In 2022, the Stage-1 drought surcharge accounted for approximately \$302,676 in revenues. The drought surcharge has not been imposed since February 2017, but may be imposed if the Governor proclaims a future drought emergency.

Water Supply Limitations

Factors beyond the control of the District could impair the ability of the District to supply water to its customers in an amount sufficient to yield Net Water Revenues sufficient to make the Series 2024A Installment Payments when due. Such factors could include, without limitation, the following:

Weather Patterns. The District’s existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. There can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2018), DWR assessed the possible impacts of climate changes on the State’s future water supplies and the SWP. The District, as a SWP contractor, will receive updated information from DWR on any impacts to its SWP allocations and will update its water supply planning accordingly.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the District to provide water is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the District will receive its full Table A Amount pursuant to its contract with DWR. See the caption “—State Water Project” above.

SYSTEM FINANCIAL INFORMATION

Rates and Charges

Existing Rates. The District has the power and authority under California law to establish charges for service without the review or approval of any other governmental body. The District staff annually determines, at the direction of the Board, the adequacy of the District water charge structure after full consideration of expected operations, maintenance, and capital costs. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” herein for a discussion of an initiative approved by the voters of the State of California which affects the District’s ability to increase rates and charges in the future. The District’s rates and charges are established by resolution or ordinance adopted by the Board of Directors.

On October 28, 2019, the Board conducted a hearing in accordance with Proposition 218 and adopted a resolution approving annual rate increases of 8.1% beginning in the calendar year 2020 through 2024. Under the current rate structure, metered revenues comprise approximately 55% of total revenues collected by the District making the District’s revenue stream more reliable. The average water bill per customer under the current rate structure is approximately \$76.37 per month.

In the District’s rate structure, each customer is allotted a certain amount of water that the customer may use during the billing period. If the customer uses more than the allotted amount, then the customer pays the commodity rate at increasing tiered amounts, as shown in Table 8 below. Customers are allotted water equally regardless of customer class.

Of the 27,790 meter connections within the District, the District currently serves approximately 27,115 active customers. The District is on a monthly billing cycle for water usage. Payment is due upon receipt of the bill by the customer and is considered delinquent if not paid by the 25th day after the billed date (the “Due Date”). In the event of failure to pay by the Due Date, the District imposes a late charge of 10% of amount due and an additional 1.5% every thirty days. In addition to imposing the late charge, non-payment of a water bill will also cause the District to initiate its Delinquent Final Notice procedure. The District’s policy is to discontinue water service within an average of 48 calendar days from the date of the Delinquent Final Notice. After an additional 30-45 days, accounts that continue to be delinquent are turned over to a collection

agency. Customer accounts not paid by the Due Date have ranged from 10% to 17% in the past five years, but such delinquency has never resulted in a net reduction in connections because all disconnected water customers generally re-connect their water service within a week of disconnection. Furthermore, historically, delinquencies as a whole have little to no current impact on the District because delinquency rates have been very low; however, the District did see an increase in delinquencies since the onset of the COVID-19 pandemic, though it expects delinquencies to return to historically normal levels once the effects of the COVID-19 pandemic have passed. See “PALMDALE WATER DISTRICT—Local Economy.” In addition, the District requires that all account holders provide an initial deposit to the District prior to connection from which the District can draw upon in the event of a delinquency. Under the District’s current policy, meter connections are only provided to property owners and not to renters or other short-term inhabitants. For Fiscal Year 2023, \$52,392.65 or 0.2% of billings were written off as uncollectible.

In addition to water rates, the District also charges capital improvement fees. In general, the methodology used to determine capital improvement fees consists of estimating the cost of needed capital improvements for each elevation zone and the District as a whole, estimating the number of new customers which provides the base on which the cost will be allocated and then adjusting the capital improvement fees based upon those estimates. See “—Operating Revenues—*Capital Improvement Fees*” and “—*Future Capital Projects*” below for additional information.

Future Rate Setting. The District is obligated under the Senior Obligations, and will covenant in the Installment Purchase Agreement, to set rates and charges sufficient to provide Net Water Revenues equal to 110% of Debt Service due in each Fiscal Year (the “Coverage Requirement”) as more particularly described under the caption “SECURITY FOR THE 2024A BONDS—Rate Covenant.” As of the date of this Official Statement, the District does not anticipate increasing rates above the rates adopted by the Board in October 2019 prior to the end of calendar year 2024. Pursuant to District policy, the District conducts a rate study every five years that considers the costs of maintaining its infrastructure, new projects, water imports, staffing and other District financial needs. The data from the rate study is used to determine the water rates needed to maintain economic stability over the next five years.

The District currently expects to adopt rate increases effective from 2025 through 2029 by the end of calendar year 2024. The projected operating results contained under the caption “—Projected Operating Results and Debt Service Coverage” assume annual rate increases of approximately ___% in calendar years 2025 through 2029. However, the District can provide no assurance that such increased water rates will be approved.

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 218. 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.

There can be no assurance that District ratepayers in the future will not protest one or more rate increases under Proposition 218, approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board or file litigation challenging District rates, thereby preventing the Board from complying with the Coverage Requirement. There also can be no assurance that the Board will adopt future rate increases or will not repeal or modify any adopted rate increase.

Operating Revenues

Revenues of the District are derived primarily from the following sources: (a) water sales and water services, (b) *ad valorem* taxes and assessments and (c) capital improvement fees. The District does not assess standby charges at this time.

Water Rates and Sales. The rates described below are the rates approved by the District on October 28, 2019. As described above, the District has approved annual rate increases through 2024. The rates adopted in 2019 were based on the analysis set forth in a rate study prepared by a consultant engaged by the District. That rate study took into consideration the District’s revenue requirements and cost projections in reaching its recommended amounts of the rates and charges.

The new commodity rates that went into effect on January 1, 2024 are stated in the table below.

**Table 8
PALMDALE WATER DISTRICT
COMMODITY RATES FOR 2024**

<i>Tier</i>	<i>All Classes ⁽¹⁾</i>
Tier 1 (\$1.08/unit)	0-100% Essential Allocation
Tier 2 (\$1.98/unit)	100% Essential Allocation – 100% Efficient Allocation
Tier 3 (\$2.54/unit)	101-130% Efficient Allocation
Tier 4 (\$4.23/unit)	131-160% Efficient Allocation
Tier 5 (\$6.23/unit)	161 and Above Efficient Allocation

⁽¹⁾ The District conducted a new water rate study in 2019. Final approval of the 2019 Water Rate Study was passed on October 28, 2019 with the first year’s rates taking effect on January 1, 2020.

Source: The District.

Certain other fees and charges of the District are set forth below:

Water quality fees (\$/ccf)
\$ 0.06

<i>Zone</i>	<u>Elevation booster surcharge (\$/ccf)</u>	
B		\$0.00
A 1		0.10
A 2		0.63
A 3		1.21

The table below sets forth the drought surcharge for Fiscal Years 2019 through 2024. The drought surcharge is triggered by the Governor’s proclamation of a drought emergency, including water conservation mandated by the Governor, and subsequent Board action. The District imposed the Stage-1 drought surcharge from July 2015 through March 2017 and again from June 2022 through March 2023. For additional information about the drought surcharge, see the caption “FACTORS AFFECTING WATER SUPPLIES—California Drought and Response—District Drought Response Actions and Impact.”

Drought surcharge (\$/ccf)

<i>Stage No.</i>	<i>Mandated Reduction in Water Deliveries⁽¹⁾</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
1	20%	\$0.53	\$0.35	\$0.38	\$0.40	\$0.42	\$0.45
2	30	0.91	0.54	0.58	0.61	0.65	0.69
3	40	1.40	0.79	0.84	0.89	0.94	1.00

⁽¹⁾ Reflects conservation mandated by the Governor.
Source: The District.

The current fixed meter charges, which went into effect on January 1, 2024 for calendar year 2024 are listed in the table below.

**Table 9
PALMDALE WATER DISTRICT
FIXED METER CHARGES FOR 2024**

<i>Meter Size</i>	<i>Monthly Service Charge</i>
1” and smaller	\$ 54.43
1-1/2”	134.37
2”	204.21
3”	367.16
4”	600.07
6”	1,181.81
8”	1,880.17
10”	2,695.17
Fixed Fire Line	192.47

Source: The District.

As described above, on October 28, 2019, the District’s Board of Directors adopted increases of 8.1% in the District’s commodity rate and meter charges which were effective on January 1 of each subsequent year through 2024.

Water Services. Water Revenues are also derived from various services provided to the District’s customers. These services are charged for on a “cost plus basis” and constitute less than 5% of total annual Water Revenues for the District.

Capital Improvement Fees. To provide construction costs of new facilities and the enhancement costs of existing facilities to serve new development, the District undertook a cost/benefit study to determine its capital improvement fee structure and adopted a capital improvement fee policy in October 2013. Pursuant to its policy, the District levies capital improvement fees to pay for improvements necessitated by new development according to water pressure elevation zone and use type. For new residential development, the

capital improvement fees are based upon the relative cost of providing service to residential connections in specific elevation zones. For commercial and industrial projects, elevation zones and fire flow requirements fixed by the County determine the capital improvement fees to be paid.

**Table 10
PALMDALE WATER DISTRICT
HISTORY OF COLLECTED CAPITAL IMPROVEMENT FEES**

<i>Year</i>	<i>CIF Amount</i>
2018	\$ 106,947
2019	624,101
2020	1,235,438
2021	5,247,538
2022	5,408,187
2023 ⁽¹⁾	802,116

⁽¹⁾ Represents unaudited actual amounts for Fiscal Year 2023.
Source: The District.

In addition to the capital improvement fee, the District levies a fee on new developments in the Palmdale Lake drainage area to provide construction costs of a diversion canal around the western and southern sides of Palmdale Lake. A capital improvement fee (exclusive of any applicable Palmdale Lake drainage area fee) is payable to the District upon application for and before installation or approval of installation of any new water service. The capital improvement fees for single family residential connections, approved by the Board on November 26, 2018, are set forth in Table 11 below, adjusted most recently in 2021 based on ENR LA Construction Cost index. Unlike past years, the capital improvement fee structure was modified to include a water supply and a combined infrastructure component. Capital improvement fees for all other development are calculated on a case by case basis based upon estimated fire flow and domestic water demands.

**Table 11
PALMDALE WATER DISTRICT
2024 CAPITAL IMPROVEMENT FEES
Capital Improvement Fees for Single Family Residential Connection**

<i>Service/Benefit Zones</i>	<i>2800' and 2850' Zones</i>	<i>2950' and 3000' Zones</i>	<i>3200' and 3250' Zones</i>	<i>3400' and Higher Zones</i>
Infrastructure	\$ 3,880	\$ 10,756	\$ 13,180	\$ 15,687
Water Supply	<u>8,907</u>	<u>8,981</u>	<u>8,604</u>	<u>8,604</u>
	\$ 12,787	\$ 19,737	\$ 21,784	\$ 24,291

Source: The District.

Ad Valorem Property Taxation. Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be

allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” sources from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and February 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the party.

District Assessed Valuation. The general 1% *ad valorem* property tax levy is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to

the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization (“SBE”). State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a “going concern” rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

No Teeter Plan. Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes is therefore subject to delinquencies.

Assessed Valuations. The following tables present the assessed valuation for both land only and all property located within the District for the most recent five fiscal years.

Table 12
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (LAND ONLY)
FOR FISCAL YEARS 2019-20 TO 2023-24

<i>Year</i>	<i>Total</i>
2019-20	\$2,029,142,347
2020-21	2,151,933,768
2021-22	2,268,542,658
2022-23	2,531,952,093
2023-24	2,737,898,260

Source: Los Angeles County Assessor.

Table 13
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (ALL PROPERTY)
FOR FISCAL YEARS 2019-20 TO 2023-24

<i>Year</i>	<i>Total</i>
2019-20	\$7,042,368,116
2020-21	7,478,149,985
2021-22	7,742,174,369
2022-23	8,358,534,426
2023-24	8,892,166,012

Source: Los Angeles County Assessor.

The following table shows the twenty largest secured property taxpayers in the District and their 2023-24 assessed valuations.

Table 14
PALMDALE WATER DISTRICT
LARGEST 2023-24 LOCAL SECURED TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2023-24 Assessed Valuation</i>	<i>Percent of Total</i>
Charter Communications	Communications	\$21,353,640	0.78%
Hastings Ranch Shopping	Shopping Center	15,391,816	0.56
Palmdale Realty Holdings LLC	Apartments	8,749,161	0.32
Palm Gateway SC LLC	Shopping Center	7,397,506	0.27
Sierra View Gardens LP	Apartments	6,881,510	0.25
Robertson's Ready Mix	Industrial	6,833,744	0.25
AP-Palmdale Place LLC	Shopping Center	6,616,544	0.24
Wal Mart Real Estate Business Trust	Shopping Center	6,606,503	0.24
Sierra HM LLC	Undeveloped	5,814,000	0.21
FP 10th Street Palmdale LLC	Shopping Center	5,255,892	0.19
Lowes HIW Inc.	Shopping Center	5,091,189	0.19
Savas and Helen Stathatos, Trustees	Commercial	4,949,429	0.18
Stater Bros. Markets	Shopping Center	4,823,398	0.18
Target Corporation	Shopping Center	4,509,751	0.16
3747 Palmdale Blvd. LLC	Commercial	4,155,854	0.15
Benjamin Gabayan Trust	Undeveloped	3,748,977	0.14
AEO LP	Commercial	3,742,155	0.14
P and L Realty LLC	Industrial	3,600,000	0.13
SFJ Alrabadi Inc.	Shopping Center	3,521,525	0.13
2018 1 IH Borrower LP	Residential Properties	<u>3,423,020</u>	<u>0.13</u>
		<u>\$132,465,614</u>	4.84%
2023-24 Local Secured Assessed Valuation (Land Only)	\$ 2,737,898,260		

Source: California Municipal Statistics

Principal Water Users

In 2023, the District’s ten largest water customers constituted 8.70% of total District operating revenues. The City, which is the District’s largest customer, was charged for an amount representing 2.72% of the District’s total operating revenues. The largest water customers in the District are as follows:

**Table 15
PALMDALE WATER DISTRICT
PRINCIPAL WATER USERS (2023 SALES)⁽¹⁾**

<i>Customer Name</i>	<i>Amount Charged</i>	<i>% of Total Operating Revenues</i>
City Of Palmdale	\$ 864,543.14	2.72%
Palmdale School District	823,088.77	2.59%
AV Union High School District	182,930.62	0.58%
HK Realty Inc	182,643.35	0.57%
Lockheed Martin Skunkworks	175,348.75	0.55%
Group XIII Properties LP	137,336.12	0.43%
J K Properties Inc	111,319.43	0.35%
Monte Vista HOA	102,036.56	0.32%
Housing Authority of the City of Palmdale	98,455.05	0.31%
The Vineyards at Palmdale	87,796.98	0.28%
TOTAL:	\$ 2,765,498.77	8.70%

⁽¹⁾ 2023 unaudited operating revenues totaled \$31,776,494.
Source: The District.

Customer Base

The table below shows the District’s water consumption by customer class in 2023.

**Table 16
PALMDALE WATER DISTRICT
WATER CONSUMPTION BY CUSTOMER CLASS (2023)**

<i>Type of Customer</i>	<i>Number of Accounts</i>	<i>Total Consumption (ccf)</i>	<i>Total Charges</i>	<i>Percent of Total</i>
Single Family	25,386	4,259,838	\$ 22,924,301	76.10%
Multi-Family	680	747,535	2,501,769	8.31%
Commercial/Industrial	688	708,250	2,508,267	8.33%
Fire Service	142	299,904	1,055,544	3.50%
Irrigation	256	381,922	1,038,656	3.45%
Construction	17	10,213	93,565	0.31%
TOTAL:	27,169	6,407,662	\$ 30,122,103	100.00%

Source: The District.

New Meter Connections, Consumption and Sales

The table below indicates total meter connections, water consumption and sales for the District from 2018 through 2023. With 27,790 meter connections in calendar year 2023 the District served a monthly average of approximately 27,071 active customers. Of such active customers, approximately 84% were residential customers and 16% were non-residential customers.

**Table 17
PALMDALE WATER DISTRICT
TOTAL METER CONNECTIONS, WATER CONSUMPTION AND SALES
FOR CALENDAR YEARS 2018-2023**

<i>Calendar Year</i>	<i>Total Meters</i>	<i>Water Consumption (in acre-feet)</i>	<i>Total Water Sales Revenues⁽¹⁾</i>
2018	27,403	16,769	\$23,538,802
2019	27,439	15,871	23,647,991
2020	27,504	17,213	26,287,479
2021	27,593	17,984	28,804,108
2022	27,705	15,903	29,484,156 ⁽²⁾
2023 ⁽³⁾	27,790	14,702	30,199,046 ⁽²⁾

⁽¹⁾ Accounts for water revenues derived from sales related to water, meter, elevation, water quality charges.
⁽²⁾ Includes revenues derived from Stage-1 drought surcharge charges totaling \$302,676 which were in effect from June 1, 2022 to March 31, 2023.
⁽³⁾ Represents unaudited actual results for Fiscal Year 2023.
Source: The District.

Actual water sales achieved by the District in future years may increase from the water sales assumptions made by the District and such variation would be material. Increased water sales volume due to additional meter connections may generate additional Water Revenues of the District and could provide increased Net Water Revenues available to make the Series 2024A Installment Payments. An increase in Net Water Revenues would generate debt service coverage greater than that set forth in the table under the caption “—Projected Operating Results and Debt Service Coverage” below.

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Nigro & Nigro, P.C., a professional accountancy corporation (the “Auditor”), are included as Appendix A (the “Audited Financial Statements”). The Auditor’s letter concludes that the Audited Financial Statements present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The Audited Financial Statements of the District should be read in their entirety.

The summary operating results contained under the caption “—Historic Operating Results and Debt Service Coverage” below are based on the audited financial statements of the District for calendar years 2018 through 2022 (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed the historical operating results provided below.

The District accounts for its activities as an enterprise fund. Its financial statements use the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the

balance sheet, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Historical Operating Results and Debt Service Coverage

The following table sets forth historical operating results and debt service coverage for the District for the years 2019 through 2022, based on the District’s audited financial statements for each of these years, and for 2023, based on unaudited results for that year, with certain adjustments to operating expenses and nonoperating revenues described below.

In addition to the District’s *ad valorem* property taxes collected the District also collects a separate assessment that may be used only to pay for certain costs under the State Water Supply Contract. The operating results in the table below have been adjusted to exclude the property taxes collected for capitalized and fixed operating expenses related to the SWP. Additionally, the operating expenses of the District have been reduced in the table below to exclude the amounts paid by the District for amounts due for fixed operating expenses under the State Water Supply Contract and also to exclude capitalized labor and overhead costs. Included in the non-operating revenues included in the table below are the available *ad valorem* assessments collected not related to the capitalized and fixed operating expenses of State Water Supply Contract. See APPENDIX A—”AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2022” hereto.

Table 18
PALMDALE WATER DISTRICT
HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE
FOR YEAR ENDED DECEMBER 31

	<i>Audited</i>				<i>Unaudited⁽¹³⁾</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Operating Revenues					
Operating Revenues	\$ 25,165,648	\$ 27,553,220	\$ 30,361,197	\$ 31,320,439	\$ 31,722,038
Rate Stabilization Transfers ⁽¹⁾	(120,757)	(100,000)	(100,000)	(146,000)	-
Total Operating Revenues	\$ 25,044,891	\$ 27,453,220	\$ 30,261,197	\$ 31,174,439	\$ 31,722,038
Operating Expenses					
Source of supply – water purchases	\$ 2,579	\$ 2,295,515	\$ 5,285,018	\$ 2,337,065	\$ 4,717,720
Operations and production	3,671,450	3,542,182	3,533,551	3,626,458	4,433,782
Facilities	7,249,738	7,463,258	7,484,342	7,662,975	8,123,420
Engineering	1,985,475	1,836,486	1,670,042	1,691,545	2,014,441
Water conservation	480,690	373,612	381,068	509,733	426,843
Administration	5,388,807	5,808,209	5,909,146	6,387,064	7,281,481
Administration – PERS UAL Payments ⁽²⁾	699,416	790,669	851,851	938,763	740,423
Finance and customer care	3,036,941	3,172,456	3,376,786	3,348,340	3,807,727
Total Operating Expenses⁽³⁾	\$ 25,091,896	\$ 25,282,387	\$ 28,491,804	\$ 26,501,941	\$ 31,745,837
Plus: Overhead Absorption – Sediment Removal ⁽⁴⁾	\$ -	\$ -	\$ 626,846	\$ 2,692,727	\$ 228,249
Less: Overhead Absorption ⁽⁴⁾	(1,049,246)	(557,620)	(345,654)	(635,443)	(25,501)
Less: SWP Fixed O&M Expenses ⁽⁵⁾	(22,593)	(38,084)	(25,561)	(25,134)	(24,865)
Less: Shortfall in SWP Assessments ⁽⁶⁾	-	-	-	-	-
Less: Non-Cash Related Pension/OPEB Expenses ⁽⁷⁾	(1,983,447)	(1,880,773)	(920,142)	(17,354)	1,532,521)
Total Operating Expenses	\$ 22,036,610	\$ 22,805,910	\$ 27,827,293	\$ 28,516,737	\$ 30,391,199
Net Operating Revenues	\$ 3,008,282	\$ 4,647,310	\$ 2,433,904	\$ 2,657,702	\$ 1,330,839
Non-Operating Revenues					
Ad Valorem Property Taxes	\$ 2,507,927	\$ 2,409,433	\$ 2,501,824	\$ 3,476,664	\$ 3,908,044
Interest Income ⁽⁸⁾	363,779	153,626	126,894	137,917	296,699
Capital Improvement Fees	624,101	1,235,438	5,247,538	5,408,187	802,116
Other ⁽⁹⁾	397,531	360,735	536,547	779,430	3,043,835
Total Non-Operating Revenues	\$ 3,893,338	\$ 4,159,232	\$ 8,412,803	\$ 9,802,198	\$ 8,050,694
Net Water Revenue Available for Debt Service	\$ 6,901,620	\$ 8,806,542	\$ 10,846,707	\$ 12,459,900	\$ 9,381,533
Debt Service					
Capital Leases	\$ 178,953	\$ 178,953	\$ 178,953	\$ 89,477	\$ -
2012 Installment Purchase Agreement ⁽¹⁰⁾	1,373,241	1,347,152	1,372,329	1,372,329	1,373,924
2013 Water Revenue Bonds ⁽¹¹⁾	2,345,825	2,169,025	1,375,575	900,825	138,038
2018 Water Revenue Bonds	568,894	568,894	568,894	818,894	821,394
2020 Installment Purchase Agreement	-	-	307,881	307,881	307,881
2020 Water Revenue Refunding Bonds	-	-	555,570	553,990	552,727
2021 Water Revenue Bonds	-	-	-	358,837	299,725
2021 Installment Purchase Agreement	-	-	-	368,133	368,134
2022 Installment Purchase Agreement	-	-	-	-	527,402
2023 Water Revenue Bonds	-	-	-	-	-
Total Senior Debt Service	\$ 4,466,913	\$ 4,422,706	\$ 4,359,202	\$ 4,770,366	\$ 4,389,225
Senior Debt Service Coverage	1.55x	1.99x	2.49x	2.61x	2.14x
Rate Stabilization Fund Balance	\$ 369,780	\$ 469,780	\$ 569,780	\$ 721,821	\$ 940,830
Debt Service Coverage if All Amounts in the Rate Stabilization Fund are used ⁽¹²⁾	1.63x	2.10x	2.62x	2.76x	2.35x
Net Water Revenues Available after Payment of Senior Debt Service	\$ 2,434,707	\$ 4,383,836	\$ 6,487,505	\$ 7,689,534	\$ 4,992,308
Subordinate Debt Service	N/A	N/A	N/A	N/A	N/A
Total Subordinate Debt Service	N/A	N/A	N/A	N/A	N/A
All-In Debt (Senior & Subordinate) Service Coverage	1.55x	1.99x	2.49x	2.61x	2.14x
All-In Debt Service Coverage if All Amounts in Rate Stabilization Fund are Used⁽¹²⁾	1.63x	2.10x	2.62x	2.76x	2.35x

[FOOTNOTES ON NEXT PAGE]

- (1) Following the final maturity of the 2012 Installment Purchase Agreement and the final refunding of the 2013 Bonds, the District's outstanding debt no longer requires deposits into the rate stabilization fund to be considered a reduction in gross revenues for the purposes of calculating coverage. Accordingly, commencing with Fiscal Year 2023 financials, deposits into the Rate Stabilization Fund will no longer be included here.
- (2) Source: CalPERS Actuarial Reports. In the District's Audited Financial Statements, CalPERS unfunded Actuarial Liability payments are included as an Administration Expense, but are being shown separately here for clarity. Amount reported here does not include the normal cost, which is included in other Operating Expenses categories.
- (3) Operating Expenses for Fiscal Years 2021 and 2022 have been re-stated to correct the treatment of sediment removal costs. Amounts previously disclosed incorrectly netted those sediment removal costs from the Operating Expenses as shown in the District's Audited Financial Statements. However, because sediment removal costs are not included in the Operating Expenses the District's reports, but are rather reported as a component of Overhead Absorption, total Operating Expense numbers have been re-stated for Fiscal Years 2021 and 2022.
- (4) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs. Beginning in Fiscal Year 2021, amounts reported in the District's Audited Financial Statements also include sediment removal expenses, which are considered an operating expense for the purposes of bond debt service coverage. Expenses specific to sediment removal have been shown as a separate row, but the sum of these two rows ties to the amounts reported in the District's Audited Financial Statements.
- (5) Adjustments made to exclude fixed Operation and Maintenance Expenses paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs. Amount for Fiscal Year 2022 has been slightly re-stated from the prior year number (by \$269).
- (6) Constitutes amounts paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs. Such payments were last made in 2008 and 2009 in the amount of approximately \$172,000 and \$377,000, respectively.
- (7) GASB 68 (pension) and GASB 75 (other post-employment benefits) expenses are included as an Operating Expense in the District's Audited Financial Statements but have been removed from the calculation of Operating Expenses for coverage due to non-cash nature of the expense.
- (8) Interest income shown reflects cash income, excluding non-cash fair market value adjustments.
- (9) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds, and other net miscellaneous items. In Fiscal Year 2023, the District recorded approximately \$2.9 million in additional Other revenue due to a one-time sale of water to other, non-ratepayer entities.
- (10) Fully paid off in Fiscal Year 2023.
- (11) Fully refunded in Fiscal Year 2023.
- (12) Balance in the Rate Stabilization Fund is legally available for debt service and can be used to help meet debt service coverage in a year where there are insufficient Net Revenues.
- (13) Based on District's unaudited results for Fiscal Year 2023.

Note: Totals may not add due to rounding.

Source: The District.

Projected Operating Results and Debt Service Coverage

The District is obligated under the Senior Obligations, and will covenant in the Installment Purchase Agreement, to set rates and charges sufficient to comply with the coverage requirement, as more particularly described under the caption “SECURITY FOR THE 2024A BONDS—Rate Covenant.” See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Future Rate Setting*” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Table 19 below sets forth projected debt service coverage for the District for the years 2024 through 2028. These projections are based upon the District’s adopted rates for 2024, which provide for an 8.1% annual rate increase, and projected 9.3%, 9.0%, 8.5% and 8.5% annual rate increases in each of 2025 through 2028, respectively, and includes other assumptions that the District believes to be reasonable. See the caption “—Rates and Charges.” Table 19 below includes the Series 2024A Installment Payments and projections of debt service on other future debt that is expected to be incurred to finance future capital projects, including a 2024 WIFIA Loan and a future series of bonds, both of which are expected to finance portions of the Pure Water AV Project not financed by the proceeds of the Series 2024A Bonds. Debt Service on a second, larger WIFIA loan is not expected to commence until 2030, following full completion of the Pure Water AV Project. As described further under the caption “THE WATER SYSTEM—Future Capital Projects” and “THE PROJECT,” the District currently expects such amounts will be incurred as Subordinate Obligations payable from Net Water Revenues on a parity with the District’s obligation to make the Series 2024A Installment Payments.

The assumptions used in Table 19 may be affected by numerous factors and there can be no assurance that such projections will be achieved. The projections in Table 19 are based upon certain forward-looking statements with respect to the financial condition, results of operations and business of the Water System. Forward-looking statements can be identified generally as those containing words such as “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “should,” “will,” “will likely result,” “forecast,” “outlook,” “projects,” “may,” or similar expressions. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, water rates different than assumed, changes in water demand and related conservation levels, raw materials, rate of technological changes, employee costs, pension costs and actuarial assumptions, debt service payments, interest rates respecting interest income of the Water System, changes in legislation, legal claims and changes in tax rates, among other factors. As a result, future results of the Water System may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of other factors that could cause future results to differ from such forward-looking statements, see also “INVESTMENT CONSIDERATIONS” and “FACTORS AFFECTING WATER SUPPLIES.”

Table 19
PALMDALE WATER DISTRICT
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
2024 THROUGH 2028

	<i>Budget</i>		<i>Projected</i>		
	<i>2024⁽¹⁸⁾</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>
Operating Revenues					
Operating Revenues ⁽¹⁾	\$ 34,291,523	\$ 37,480,635	\$ 40,853,892	\$ 44,326,743	\$ 48,094,223
Operating Expenses					
Source of supply – water purchases ⁽²⁾	\$ 3,530,000	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000	\$ 4,000,000
Operations and production ⁽³⁾	4,341,785	4,558,874	4,786,818	5,026,159	5,277,467
Facilities ⁽³⁾	8,154,071	8,561,775	8,989,863	9,439,356	9,911,324
Engineering ⁽³⁾	2,134,750	2,241,488	2,353,562	2,471,240	2,594,802
Water conservation ⁽³⁾	426,800	448,140	470,547	494,074	518,778
Administration ⁽³⁾	7,780,447	8,169,469	8,577,943	9,006,840	9,457,182
Administration – CalPERS UAL Payments ⁽⁴⁾	1,039,041	1,209,727	1,320,115	1,418,752	1,564,032
Finance and customer care ⁽³⁾	3,639,100	3,821,055	4,012,108	4,212,713	4,423,349
Total Operating Expenses	\$ 31,045,994	\$ 32,810,527	\$ 34,310,956	\$ 35,869,135	\$ 37,746,933
Plus: Overhead Absorption – Sediment Removal ⁽⁵⁾	1,800,000	1,890,000	800,000	840,000	882,000
Less: Overhead Absorption ⁽⁶⁾	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Less: SWP Fixed O&M Expenses ⁽⁷⁾	(24,865)	(24,865)	(24,865)	(24,865)	(24,865)
Less: Non-cash Related Pension/OPEB Expenses ⁽⁸⁾	(1,600,000)	(1,680,000)	(1,764,000)	(1,852,200)	(1,944,810)
Plus: Operating Expenses Related to New Facility ⁽⁹⁾	4,080	4,284	4,498	504,723	2,704,959
Total Operating Expenses	\$ 30,975,209	\$ 32,749,946	\$ 33,076,589	\$ 35,086,793	\$ 39,114,218
Net Operating Revenues	\$ 3,316,314	\$ 4,730,689	\$ 7,777,303	\$ 9,239,680	\$ 8,980,005
Non-Operating Revenues					
Ad Valorem Property Taxes ⁽¹⁰⁾	\$ 3,986,205	\$ 4,065,929	\$ 4,147,248	\$ 4,230,193	\$ 4,314,797
Interest Income ⁽¹¹⁾	200,000	200,000	200,000	200,000	200,000
Capital Improvement Fees ⁽¹²⁾	950,000	950,000	950,000	950,000	950,000
Other ⁽¹³⁾	600,000	600,000	600,000	600,000	600,000
Total Non-Operating Revenues	\$ 5,736,205	\$ 5,815,929	\$ 5,897,248	\$ 5,980,193	\$ 6,064,797
Net Water Revenue Available for Debt Service	\$ 9,052,519	\$ 10,546,618	\$ 13,674,551	\$ 15,219,873	\$ 15,044,802
Senior Debt Service					
2018 Water Revenue Bonds	\$ 820,794	\$ 822,044	\$ 822,544	\$ 822,294	\$ 821,294
2020 Installment Sale Agreement	307,881	307,881	307,881	307,881	307,881
2020 Water Revenue Refunding Bonds	556,290	554,304	551,894	553,870	555,476
2021 Water Revenue Bonds	299,725	299,725	299,725	299,725	299,725
2021 Installment Purchase Agreement	368,136	2,578,129	2,582,629	2,576,382	2,579,634
2022 Installment Sale Agreement	527,402	527,402	527,402	527,402	-
2023 Water Revenue Bonds	997,743	984,075	984,075	984,075	984,075
Total Senior Debt Service	\$ 3,877,970	\$ 6,073,560	\$ 6,076,150	\$ 6,071,628	\$ 5,548,085
Senior Debt Service Coverage	2.33x	1.74x	2.25x	2.51x	2.71x
Rate Stabilization Fund Balance ⁽¹⁴⁾	\$ 900,000	\$ 1,300,000	\$ 1,700,000	\$ 2,100,000	\$ 2,500,000
Debt Service Coverage if All Amounts in the Rate Stabilization Fund are used ⁽¹⁴⁾	2.57x	1.95x	2.53x	2.85x	3.16x
Net Water Revenues after Payment of Senior Debt Service⁽⁹⁾	\$ 5,174,549	\$ 4,473,058	\$ 7,958,401	\$ 9,148,244	\$ 9,496,717
Subordinate Debt Service					
2024A Water Revenue Bonds*	\$ 461,175	\$ 922,350	\$ 922,350	\$ 922,350	\$ 922,350
2024 WIFIA Loan ^{(15)*}	-	-	178,481	713,925	713,925
2025 Water Revenue Bonds ^{(16)*}	-	-	3,927,458	4,579,500	5,099,750
2026 WIFIA Loan ^{(17)*}	-	-	-	-	-
Total Subordinate Debt Service	\$ 461,175	\$ 922,350	\$ 5,028,290	\$ 6,215,775	\$ 6,736,025
All-In Debt (Senior & Subordinate Service Coverage)	2.09x	1.51x	1.23x	1.24x	1.22x
All-In Debt Service Coverage if All Amounts in Rate Stabilization Fund are Used⁽¹⁴⁾	2.29x	1.69x	1.38x	1.41x	1.43x

[FOOTNOTES ON NEXT PAGE]

- (1) Projected Operating Revenues assume no change in consumption from Fiscal Year 2023 levels (~14,700 acre-feet). Fiscal Year 2024 revenues reflect the 8.1% annual rate increase, effective January 1, 2024. Projections also assume the District adopts rate increases of 9.3%, 9%, 8.5%, and 8.5% in each of Fiscal Years 2025-2028, respectively.
 - (2) Projected water purchase costs reflect budgeted amounts for Fiscal Year 2024, \$3.8 million in each of Fiscal Years 2025-2027, and \$4 million in Fiscal Year 2028.
 - (3) Projected costs based on Fiscal Year 2024 Budget, growing at 5% annually in subsequent years.
 - (4) Projected CalPERS UAL payments based on the June 30, 2022 Actuarial Report, published Summer 2023.
 - (5) Projected Sediment Removal costs reflect a decrease in Fiscal Year 2026 due to completion of a ditch enclosure capital project that effectively reduces the amount of annual sediment removal needed annually.
 - (6) Projected overhead absorption offset held constant at approximately 50% of the 5-year historical average
 - (7) Projected State Water Project fixed costs held constant at Fiscal Year 2023 unaudited levels, which is slightly less than the 5-year historical average.
 - (8) Projected Non-cash GASB adjustments of \$1.6M in Fiscal Year 2024, growing at 5% annually through Fiscal Year 2028.
 - (9) Projected additional operating expenses due to the completion of the Demonstration Facility and the future 5 MGD AV Pure Water Facility; actual timing of these expenses will depend on the timing of construction of each facility.
 - (10) Projected property tax revenues based on unaudited revenues for Fiscal Year 2023, growing at 2% annually thereafter.
 - (11) Projected interest income held constant at the 5-year historical average.
 - (12) Projected capital improvement fee revenues held constant at approximately 35% of the 5-year historical average.
 - (13) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds, and other net miscellaneous items.
 - (14) Balance in the Rate Stabilization Fund is legally available for debt service and can be used to help meet debt service coverage in a year where there are insufficient Net Revenues. Projected balance reflects incremental deposits into the Rate Stabilization Fund to bring the total balance up to the target levels adopted by the District's Board in October 2023; actual deposits are expected made out of excess revenue after payment of operating expenses, debt service, and other costs. Timing and amounts of annual deposits into the Rate Stabilization Fund subject to discretion of District staff.
 - (15) Estimated debt service on 2024 WIFIA Loan, assuming a par value of \$14.8 million, closing in June 2024, and commencing repayment in Fiscal Year 2026 and ending repayment in Fiscal Year 2045. Final amortization schedule will be a function of the actual draws and timing of such draws, the interest rate on the 2024 WIFIA Loan, timing of execution of the loan and the timing of construction completion. Subject to change.
 - (16) Estimated debt service on bonds issued in 2025 to fund a portion of the construction of the 5 MGD AV Pure Water Facility project. Estimated debt service assumes issuance in late 2025 in the aggregate principal amount of \$86 million. Actual debt service will be a function of the timing of construction of the AV Pure Water Facility project, the final par value of the bonds, timing of issuance and the interest rate at closing of those bonds. Subject to change.
 - (17) The District anticipates entering into the 2026 WIFIA Loan in Fiscal Year 2026 to fund a portion of the construction of the 5 MGD AV Pure Water Facility project. Current estimates reflect that the 2026 WIFIA Loan will be issued in the amount of approximately \$131 million, commencing repayment in Fiscal Year 2030 after completion of the project, and repayment ending in Fiscal Year 2065. Final amortization schedule will be a function of the actual draws and timing of such draws, the interest rate on the 2026 WIFIA Loan, timing of issuance, and the timing of construction completion. Subject to change.
 - (18) Based on District's 2024 adopted budget.
- * Projected.

Note: Totals may not add due to rounding.

Source: The District.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII A

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that its water charges do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The District will covenant in the Installment Purchase Agreement that it will prescribe rates and charges sufficient to provide for payment of the principal of and interest on the 2024A Bonds in each year.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (“*Bighorn*”), that the initiative power described in Article XIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIC and XIID. Article XIID defines “fee” or “charge” to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership,” including a user fee for a “property related service.” The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute “fees” or “charges” within the meaning of both Article XIID and section 3 of Article XIIC. In accordance with Article XIID and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIID with respect to proposed increases of rates and charges since Fiscal Year 2006-07. See the captions “SYSTEM FINANCIAL INFORMATION – Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“*SJC*”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s tiered water rates are described under the caption “SYSTEM FINANCIAL INFORMATION—Rates and Charges” and “—Operating Revenues – *Water Rates and Sales*.” The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge.” In light of *Bighorn* and as discussed above under the caption “—Article XIID,” the terms “fee” and “charge” as used in Article XIIC include, at a minimum, all of the fees and charges within the “property related” qualification set forth in

Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that the taxation exemption from the State Constitution's referendum process applies to measures setting water rates, and that the initiative power does not subject water rates to challenge by referendum. The District does not believe that Article XIII C grants to the voters within the District the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the beneficial owners of the 2024A Bonds. Remedies that are available to beneficial owners of the 2024A Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2024A Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2024A Bonds and the rights and remedies of the 2024A Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2024A Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 has affected its ability to levy rates and charges for water service.

Proposition 1A

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*” and “—District Assessed Valuation” above.

Proposition 15

On May 29, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “Proposition 15”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses.

The District cannot predict whether Proposition 15 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Proposition 15 will have on District revenues or the assessed valuation of real property in the District.

Future Initiatives

General. Articles XIII A, XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting the District’s revenues or ability to increase revenues.

Initiative 1935. A voter initiative, designated as Initiative 1935 and entitled “The “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”) has been determined to be eligible for the State’s November 5, 2024 statewide general election, and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. If it were to be approved by a majority of voters in the election, Initiative 1935 would amend Article XIII C of the State Constitution to, among other things, provide that charges (or increases in charges) imposed by a local government after January 1, 2022 for services or products provided directly to the payor (including, potentially, fees and charges for water utility services) are “taxes” subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the “actual cost” of providing the service or product to the payor. “Actual cost” is defined in Initiative 1935 to mean “(i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost.” Initiative 1935 further states that “[i]n computing “actual cost” the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” If submitted to, and approved by the voters, Initiative 1935 would be subject to judicial interpretation. The District is unable to predict whether and how Initiative 1935, if approved, would be interpreted or applied. The District is additionally unable to predict whether the approval of Initiative 1935 would further limit future fees and charges or future increases in fees and charges for water service, require stricter standards for the allocation of costs among customer classes and/or otherwise adversely impact Water Revenues.

THE AUTHORITY

The Palmdale Water District Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of April 10, 2013, by and between the District and the California Municipal Finance Authority to assist in financings undertaken by the District. The Board of Directors of the District is appointed as the Governing Board of the Authority.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2024A Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2024A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2024A Bonds.

Accuracy of Assumptions

To estimate the Net Water Revenues which will be available to make the Series 2024A Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Water Revenues available to make the Series 2024A Installment Payments, and thereby pay debt service on the 2024A Bonds, will in all likelihood, be less than those projected herein. See the caption “PALMDALE WATER DISTRICT—Projected Operating Results and Debt Service Coverage.” The District may choose, however, to maintain compliance with the rate covenant set forth in the Installment Purchase Agreement in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Water Revenues may generate amounts which are less than 110% of Debt Service in any given Fiscal Year. See the captions “SECURITY FOR THE 2024A BONDS—Rate Covenant” and “SECURITY FOR THE 2024A BONDS—Rate Stabilization Fund.”

System Demand

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2024A BONDS—Rate Covenant.” Demand for Water Service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

System Expenses

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with groundwater conditions, the cost of imported water and the quality and amount of local supplies, as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors.

Some of the District water supply is sold to the District by other public agencies, and increases in such agencies’ costs or changes in such agencies’ operations over which the District has limited control could impact the District’s cost of water to supply its customers. See the caption “THE WATER SYSTEM.”

Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2024A BONDS—Rate Covenant.”

Limited Obligations

The obligation of the District to make the Series 2024A Installment Payments is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Water Revenues. The obligation of the District to make the Series 2024A Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

Natural Disasters and Seismic Considerations

General. The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Water System.

Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption “PALMDALE WATER DISTRICT—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and valves, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the District.

Seismic Activity. The District is located in a seismically active region. Significant faults are located near the District. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District does not maintain earthquake insurances on Water System facilities. See the caption “PALMDALE WATER DISTRICT—Insurance.”

Fire. The southern portion of the District is located in an area that the California Department of Forestry and Fire Protection has designated to be either a High or Very High Fire Zone. Wildfires have occurred in recent years in different regions of the State, including areas near the District’s service area. In September 2020, the Bobcat wildfire broke out near the District, among other impacts, the Bobcat fire had affected over 52% of the Littlerock Reservoir watershed, which will likely increase water treatment costs in the near future for water taken from the watershed. There can be no assurance that fires will not occur within the boundaries of the District in the future, leading to damage to or decreased usage of the District’s Water System and a decline in Net Water Revenues. The District carries property insurance for fire damage.

Flooding. Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption “PALMDALE WATER DISTRICT—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. See the captions “PALMDALE WATER DISTRICT—Insurance” above and the subheading “—Climate Change” below.

Drought. On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25% and such drought regulations were in effect again in 2021 and 2022. Such restrictions applied to the District, as described under the caption “FACTORS AFFECTING WATER SUPPLY—California Drought and Response.” Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage. There can be no assurance that future drought conditions will not re-appear in the future, leading to decreased usage of the District’s Water System, or that the State’s permanent water usage restrictions will not lead to decreased usage of the District’s Water System.

Climate Change. Climate change caused by human activities is having, and is likely to continue to have, an effect on California and District water resources, as evidenced by a reduction in mountain snowpack, a rise in sea level, and a change in the amount and seasonal timing of river flows. In the foreseeable future, more of the precipitation in California is likely to fall as rain instead of snow. This potential change in weather patterns will exacerbate flood risks and add additional challenges for water supply reliability.

Currently, the Sierra snowpack provides as much as a third of California’s water supply by accumulating snow during winter and releasing it slowly during spring and summer. Warming temperatures will cause the snowpack to melt faster and earlier, making it more difficult to store and use water released by the melting snowpack. The loss of snowpack may curtail SWP deliveries which, on average, account for at least 50% of the District’s water supply. Climate change is also expected to result in more variable weather patterns throughout California. More variability can lead to longer and more severe droughts. In addition, the sea level is expected to continue to rise, potentially threatening the existing channels within the Delta.

The District considers the potential effects of climate change in its planning. Although it is clear that climate change has affected and will continue to affect the District, the District’s ability to support debt service has not been impacted by the effects of climate change. However, there can be no assurance that climate change will not affect the ability of the District to support debt service in the future.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners of the 2024A Bonds and the obligations of the Authority and the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners of the 2024A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinions to be delivered by Bond Counsel concurrently with the issuance of the 2024A Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2024A Bonds will be similarly qualified. See Appendix C – FORM OF BOND COUNSEL

OPINION. In the event that the Authority fails to comply with its covenants under the Indenture or fails to principal of and interest on the 2024A Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2024A Bonds.

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Water Revenues in amounts that are sufficient to make the Series 2024A Installment Payments and thereby pay principal of and interest on the 2024A Bonds.

Future Capital Projects and Additional Obligations

The District issues debt from time to time for the purpose of financing capital projects, and expects to issue debt to finance the proposed Pure Water Antelope Valley Program and may issue debt to finance additional capital projects. See “THE WATER SYSTEM—Future Capital Projects.” The District is required under the Installment Purchase Agreement to 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. In the event the District issues future debt, it is possible that future debt service coverage ratios could approach this minimum threshold rather than the levels shown in Table 19 hereof.

The Installment Purchase Agreement permits the issuance of additional obligations payable from Net Water Revenues on parity with the obligation to make the Series 2024A Installment Payments. See “SECURITY FOR THE 2024A BONDS—Additional Bonds and Contracts.”

Secondary Market

There can be no guarantee that there will be a secondary market for the 2024A Bonds or, if a secondary market exists, that any 2024A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

COVID-19 Pandemic; Infectious Disease Outbreak

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in Los Angeles County. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including in the County. The purpose behind these declarations was to coordinate and formalize emergency actions across

federal, state and local governmental agencies. The state of emergency ended in California on February 28, 2023, and the national state of emergency expired on May 11, 2023. While the states of emergency have been, or will be, lifted, the negative effects of the COVID-19 pandemic, governmental actions in response thereto, and its aftermath on global, national and local economies, including inflation and the threat of recession, are expected to continue at least for the foreseeable future.

Given the uncertainties surrounding the COVID-19 pandemic, its aftermath and the outbreak of infectious disease in general, there can be no assurances that COVID-19, the outbreak of another infectious disease or governmental actions in response thereto will not materially adversely impact the financial condition of the District in the future. To date, the District does not believe that the impacts of COVID-19 or governmental actions in response thereto and its aftermath will have a material adverse effect on its ability to make the Series 2024A Installment Payments.

Property Tax Collections

The District receives a portion of its revenue from the 1% property tax levy under Article XIII A of the State Constitution. It is possible that future downturns in the housing market could cause the District to experience higher delinquency rates and reduced property tax collections in future fiscal years due to foreclosures, delinquencies, natural disasters or other events adversely affecting property values. In past years, the allocation of Article XIII A property taxes to local agencies has been revised such that property tax revenue was diverted away from special districts, such as the District, to school districts. It cannot be predicted if future legislation will be enacted or Constitutional amendments approved to further reduce, or entirely eliminate, the percentage of the 1% Article XIII A levy paid to the District or whether the State will exercise its rights under Proposition 1A to borrow property taxes from the District. See “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*” and “—District Assessed Valuation.” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 1A.”

Environmental Regulation

The kind and degree of drinking water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System, and mandate their use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the District’s expenses could increase accordingly, and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water and wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Limited Recourse on Default; Insurer Right to Control Remedies

Failure by the District to pay the Series 2024A Installment Payments when due constitutes an event of default under the Installment Purchase Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the District’s obligation to pay Series 2024A Installment Payments. There is no assurance that the District will have sufficient funds to pay the Series 2024A Installment Payments when due. See also “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” above.

So long as the Insurer has not defaulted under any obligation of the Insurance Policy or the Reserve Surety Policy, it shall be deemed to be the sole holder of the 2024A Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any

other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Owners shall expressly include mandamus.

Acceleration upon Default

If the District defaults on its obligation to make Senior Payments or Subordinate Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2024A Installment Payments and the accrued interest thereon and the entire principal amount of the unpaid Senior Payments and Subordinate Payments and the accrued interest thereon. However, in the event of a default and such acceleration of the Series 2024A Installment Payments or the Senior Payments and Subordinate Payments there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated Series 2024A Installment Payments or the accelerated Senior Payments and Subordinate Payments.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Series 2024A Installment Payments may only be accelerated with the written approval of the Insurer.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the District to make the Series 2024A Installment Payments, and thereby pay the principal of and interest on the 2024A Bonds, depends on the ability of the District to generate Net Water Revenues in the levels required by the Installment Purchase Agreement. Although, as more particularly described herein, the District expects that sufficient revenues will be generated through the imposition and collection of water charges and fees and other Water System Revenues described herein, there is no assurance that such imposition of water charges, fees, or other Water System Revenues will result in the generation of Net Water Revenues in the amounts required by the Installment Purchase Agreement. As a result, the District's covenant does not constitute a guarantee that sufficient Net Water Revenues will be available to make the Series 2024A Installment Payments and thereby pay debt service on the 2024A Bonds.

In addition, the District's projected operating results are based on a number of assumptions, the capital and operating costs of the capital improvements, and are based on current regulatory requirements. Changes in circumstances, including but not limited to higher than expected capital or operating costs, and increasing regulatory requirements, could have a material adverse impact on the ability of the District to make the Series 2024A Installment Payments and thereby pay the principal of and interest on the 2024A Bonds.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks.

The District employs a multi-level cyber detection and protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection, employee training, network monitoring software and appliances, and domain name filtering software. The District also contracts with third party vendors and consultants to monitor and augment internal monitoring of the District's network and computer systems. To date, the District has not experienced a successful attack on its computer operating systems nor its

network. However, there can be no assurance given that the District's security, and operational control measures, will be successful in safeguarding against all cyber threats and attacks. The results of any attack on the District's network or computer systems could negatively impact the District's operations, and the costs related to such attacks could be substantial, although the District expects such impact to be temporary. In the event of a successful attack the District has several plans in place to limit the disruption to data and services.

Although the District maintains cyber security liability insurance, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2024A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest on the 2024A Bonds (and original issue discount) with might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, the portion of each Series 2023 Installment Payment with respect to the Certificates constituting interest (and original issue discount) is exempt from State personal income tax. In the further opinion of Bond Counsel, interest on the 2024A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2024A Bond (the first price at which a substantial amount of the 2024A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2024A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a beneficial owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a beneficial owner will increase the beneficial owner's basis in the applicable 2024A Bond. In the opinion of 2024A Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the 2024A Bond is excluded from gross income of such beneficial owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the 2024A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2024A Bonds is based upon certain representations of fact and certifications made by the Authority, the District and others and is subject to the condition that the Authority and the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2024A Bonds to assure that interest (and original issue discount) on the 2024A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2024A Bonds. The Authority and the District will covenant to comply with all such requirements.

The amount by which a beneficial owner's original basis for determining loss on sale or exchange in the applicable 2024A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the beneficial owner's basis in the applicable 2024A Bond (and

the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a beneficial owner realizing a taxable gain when a 2024A Bond is sold by the beneficial owner for an amount equal to or less (under certain circumstances) than the original cost of the 2024A Bond to the beneficial owner. Purchasers of the 2024A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2024A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2024A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2024A Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the District continue to comply with certain requirements of the Code, the ownership of the 2024A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2024A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2024A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2024A Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2024A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2024A Bonds might be affected as a result of such an audit of the 2024A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2024A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2024A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2024A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2024A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2024A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2024A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2024A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2024A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2024A BONDS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

The validity of the 2024A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, acting as Bond Counsel. The proposed form of such bond counsel opinion is attached hereto as Appendix C and such legal opinion will be attached to each 2024A Bond.

Stradling Yocca Carlson & Rauth LLP, is serving as Disclosure Counsel to the District with respect to the 2024A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock, LLP (“Underwriter’s Counsel”), for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Trustee by its counsel and for the Insurer by its counsel.

Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon issuance of the 2024A Bonds. Bond Counsel and Disclosure Counsel represent the District in connection with the issuance of the 2024A Bonds. Bond Counsel and Disclosure Counsel represent the Underwriter from time-to-time on matters unrelated to the District or the 2024A Bonds. Bond Counsel and Disclosure Counsel do not represent the Underwriter or any other party in connection with the issuance of the 2024A Bonds.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the Installment Purchase Agreement is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2024A Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2024A Bonds or any action of the Authority contemplated by any of said documents.

The District

To the best knowledge of the District, there is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the issuance of the 2024A Bonds, the Indenture, the Installment Purchase Agreement, or any other document relating to the 2024A Bonds, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, such suits and claims as are presently pending will not have a material adverse effect on the ability of the District to make the Series 2024A Installment Payments.

RATINGS

The Authority expects that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign the 2024A Bonds the rating of "_____" based upon the delivery of the Insurance Policy by the Insurer at the time of issuance of the 2024A Bonds. S&P has assigned the 2024A Bonds the rating "_____" without regard to the delivery of the Insurance Policy. There is no assurance that any credit rating given to the 2024A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024A Bonds. Such ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P.

The District will covenant in the Continuing Disclosure Certificate described below to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") notices of any rating changes on the 2024A Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to rating changes on the 2024A Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2024A Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2024A Bonds after the initial issuance of the 2024A Bonds.

In providing a rating on the 2024A Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Indenture. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

UNDERWRITING

The 2024A Bonds are being purchased for reoffering by Hilltop Securities Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2024A Bonds pursuant to a Bond Purchase Agreement with the Authority (the "Purchase Agreement") at the initial purchase price of \$_____ (being equal to the aggregate principal amount of the 2024A Bonds, less an Underwriter's discount of \$_____, [plus/less] [net] original issue [premium/discount] of \$_____). The Purchase Agreement provides that the Underwriter will purchase all of the 2024A Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter may offer and sell the 2024A Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE UNDERTAKING

The District will covenant in a Continuing Disclosure Certificate to be executed by the District upon the issuance of the 2024A Bonds for the benefit of the Underwriter and the beneficial owners of the 2024A Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (currently its fiscal year ends on the last day of December) (the "Annual Report"), commencing with the report for fiscal year ending December 31, 2023, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of such enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and of the enumerated events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants will

be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended.

In the last five years, the District has not failed to materially comply with its continuing disclosure undertakings. The District has retained the services of an outside consultant to assist with filing all notices and reports due under its continuing disclosure undertakings going forward, including for the 2024A Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2024A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the District.

PALMDALE WATER DISTRICT PUBLIC FINANCING
AUTHORITY

Executive Director

PALMDALE WATER DISTRICT

General Manager

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR YEAR ENDING DECEMBER 31, 2022

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2024A Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

Palmdale Water District Public Financing Authority
Palmdale, CA 93550

Re: \$_____ Palmdale Water District Public Financing Authority
Subordinate Water Revenue Bonds, Series 2024A

Members of the Board of Directors:

We have acted as Bond Counsel to the Palmdale Water District Public Financing Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A (the “2024A Bonds”). The 2024A Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The 2024A Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the “Series 2024A Installment Payments”) to be made by the Palmdale Water District (the “District”) to the Authority pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Authority, and certain other amounts held under the Indenture.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the Authority and the District, and other information submitted to us relating to the 2024A Bonds. We have examined originals, or copies identified to our satisfaction as being true copies, of the Indenture, the Installment Purchase Agreement, the Tax Certificate relating to the 2024A Bonds, the resolutions of the Authority and the District authorizing the issuance of the 2024A Bonds, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraph of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Installment Purchase Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the 2024A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Indenture, the 2024A Bonds and the Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, change of law, choice of forum, penalty or waiver provisions contained in the 2024A Bonds, the Indenture or the Installment Purchase Agreement.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth in the Indenture, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the 2024A Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery of the Indenture by the Trustee, the 2024A Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the 2024A Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. The obligation of the District to make the Series 2024A Installment Payments from Net Water Revenues (as defined in the Installment Purchase Agreement) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Indenture and the Installment Purchase Agreement, interest (and original issue discount) on the 2024A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2024A Bonds (and original issue discount) might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the 2024A Bonds is exempt from State of California personal income tax.

6. The difference between the issue price of a 2024A Bond (the first price at which a substantial amount of the 2024A Bonds of the same series and maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2024A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2024A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the 2024A Bond Owner's basis in the applicable 2024A Bond. Original issue discount that accrues for the 2024A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

7. The amount by which a 2024A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2024A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2024A Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2024A Bond premium reduces the 2024A Bond Owner's basis in the applicable 2024A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2024A Bond premium may result in a 2024A Bond Owner realizing a taxable gain when a 2024A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2024A Bond to the Owner. Purchasers of the 2024A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2024A Bonds are based upon certain representations of fact and certifications made by the Authority, the District and others and are subject to the condition that the Authority and the District comply with all requirements of the Code that must be satisfied subsequent to issuance of the 2024A Bonds to assure that interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2024A Bonds. The Authority and the District have covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2024A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the 2024A Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than Stradling Yocca Carlson & Rauth LLP. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2024A Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2024A Bonds or other offering material relating to the 2024A Bonds and expressly disclaim any duty to advise the owners of the 2024A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither of the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2024A Bonds, payment of principal, premium, if any, accreted value and interest with respect to the 2024A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2024A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2024A Bonds. The 2024A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the 2024A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2024A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024A Bonds, except in the event that use of the book-entry system for the 2024A Bonds is discontinued.

To facilitate subsequent transfers, all 2024A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024A Bonds with DTC and their registration in the

name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2024A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024A Bonds, such as prepayments, tenders, defaults, and proposed amendments to the 2024A Bonds documents. For example, Beneficial Owners of 2024A Bonds may wish to ascertain that the nominee holding the 2024A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the 2024A Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2024A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the 2024A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2024A Bond Owner shall give notice to elect to have its 2024A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the 2024A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2024A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2024A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2024A Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the 2024A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2024A BONDS, WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE 2024A BONDS CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE

The information and expressions of opinion set forth in this Appendix F have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the District or in any other information contained herein since the date of the Official Statement.

THE FOLLOWING INFORMATION AND EXPRESSIONS OF OPINION HAVE BEEN PROVIDED AS GENERAL BACKGROUND INFORMATION ONLY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2024A BONDS.

Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2018 through 2022 in the City, the County, the State of California and the United States.

TABLE NO. F-1
City of Palmdale, County of Los Angeles, State of California and United States
Labor Force, Employment and Unemployment
Yearly Average

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2018				
Palmdale	64,400	60,300	4,100	6.3%
Los Angeles County	5,095,500	4,860,300	235,000	4.6
California	19,263,900	18,442,400	821,500	4.3
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
2019				
Palmdale	64,700	60,700	4,000	6.1%
Los Angeles County	5,121,600	4,894,300	227,300	4.4
California	19,353,700	18,550,500	803,200	4.2
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
2020				
Palmdale	62,600	53,100	9,600	15.3%
Los Angeles County	4,921,500	4,291,700	629,800	12.8
California	18,821,200	16,913,100	1,908,100	10.1
United States ⁽⁴⁾	160,742,000	147,795,000	12,947,000	8.1
2021				
Palmdale	62,900	55,100	7,800	12.4%
Los Angeles County	4,993,500	4,547,600	445,900	8.9
California	18,973,400	17,586,300	1,387,100	7.3
United States ⁽⁴⁾	161,204,000	152,581,000	8,623,000	5.3
2022				
Palmdale	61,800	57,400	4,400	7.1%
Los Angeles County	4,984,800	4,739,900	244,900	4.9
California	19,252,000	18,440,900	811,100	4.2
United States ⁽⁴⁾	164,287,000	158,291,000	5,996,000	3.6

Note: Data is not seasonally adjusted.

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the industry employment and the labor force estimates for the years 2018 through 2022 for the Los Angeles-Long Beach-Glendale MD. Annual industry employment information is not compiled by sector for the City.

TABLE F-2
LOS ANGELES-LONG BEACH-GLENDALE MD
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE
2018 through 2022

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Civilian Labor Force	5,094,300	5,122,800	4,921,500	4,993,500	4,984,800
Civilian Employment	4,857,300	4,888,600	4,291,700	4,547,600	4,739,900
Civilian Unemployment	237,000	234,300	629,800	445,900	244,900
Civilian Unemployment Rate	4.7%	4.6%	12.8%	8.9%	4.9%
Total Farm	4,600	4,400	4,400	4,600	4,900
Total Nonfarm	4,516,100	4,561,500	4,146,700	4,304,300	4,538,500
Total Private	3,925,500	3,974,600	3,581,000	3,744,100	3,970,100
Goods Producing	490,800	492,500	460,900	463,800	474,300
Mining & Logging	1,900	1,900	1,700	1,600	1,600
Construction	146,300	149,800	145,500	149,000	150,900
Manufacturing	342,600	340,700	313,800	313,100	321,800
Service Providing	4,025,300	4,069,000	3,685,800	3,840,500	4,064,200
Trade, Transportation & Utilities	851,600	851,400	787,300	814,000	837,400
Wholesale Trade	223,200	220,500	200,100	202,600	204,800
Retail Trade	424,800	417,900	378,600	396,100	407,300
Transportation, Warehousing & Utilities	203,600	213,000	208,600	215,200	225,300
Information	216,400	217,900	185,800	208,800	235,200
Financial Activities	223,200	223,500	211,500	213,200	215,900
Professional & Business Services	630,400	643,900	593,300	630,100	668,900
Educational & Health Services	817,900	839,900	820,900	844,400	873,600
Leisure & Hospitality	536,500	547,200	394,400	434,200	511,300
Other Services	158,800	158,400	127,000	135,700	153,500
Government	<u>590,600</u>	<u>586,900</u>	<u>565,600</u>	<u>560,200</u>	<u>568,500</u>
Total, All Industries	<u>4,520,700</u>	<u>4,565,800</u>	<u>4,151,000</u>	<u>4,308,900</u>	<u>4,543,400</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, Los Angeles-Long Beach-Glendale MD Industry Employment & Labor Force - by Annual Average, March 2022 Benchmark.

The principal employers operating within the City and their respective number of employees as of Fiscal Year 2022-23 are as follows:

**TABLE F-3
PRINCIPAL EMPLOYERS
CITY OF PALMDALE
FISCAL YEAR 2022-2023**

<i>Employer</i>	<i>Number of Employees</i>	<i>Percentage of Total Employment</i>
Northrop Grumman	7,000	8.07%
Lockheed Martin	3,750	4.33
Antelope Valley Union High School District	3,089	3.56
Palmdale School District	2,100	2.42
Antelope Valley Mall	1,800	2.08
Palmdale Regional Medical Center	1,200	1.38
Palmdale Walmart	800	0.92
Robertson's Ready Mix Concrete	500	0.58
Palmdale Auto Mall	410	0.47
Granite Construction	400	0.46

Source: City of Palmdale, Comprehensive Annual Financial Report for the year ending June 30, 2023.

Income

The following table summarizes per capita personal income for Los Angeles County, California and the United States for 2018 through 2022.

**TABLE NO. F-4
LOS ANGELES COUNTY PER CAPITA PERSONAL INCOME
2018 through 2022**

<i>Year</i>	<i>Los Angeles County</i>	<i>State of California</i>	<i>United States</i>
2018	\$59,004	\$60,984	\$53,309
2019	62,573	64,174	55,547
2020	67,383	70,061	59,153
2021	73,385	76,991	64,430
2022	74,142	77,036	65,470

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for Palmdale for 2018 through 2022

**TABLE NO. F-5
CITY OF PALMDALE
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
2018–2022**

<i>Year</i>	<i>Retail Sales \$(000's)</i>	<i>Retail Sales Permits</i>	<i>Total Taxable Transactions \$(000's)</i>	<i>Issued Sales Permits</i>
2018	1,625,004	2,110	1,818,028	3,063
2019	1,643,871	2,215	1,859,138	3,274
2020	1,570,098	2,446	1,791,159	3,681
2021	2,027,552	2,429	2,233,318	3,658
2022	2,057,371	2,504	2,304,831	3,735

Source: California Department of Tax and Fee Administration, *Taxable Sales in California (Sales and Use Tax)*.

Building Activity

As a result of the relatively moderate cost of land in the Antelope Valley, single family detached housing is affordable when compared with most areas of the County. The availability of reasonably affordable housing in the Antelope Valley was an important factor in the District's population growth during the 1980s and early 1990s. Below are valuations of building permits in the City from 2018 through 2022.

**TABLE NO. F-6
CITY OF PALMDALE
BUILDING ACTIVITY VALUATIONS
(Dollars expressed in Thousands)
2018 – 2022**

	2018	2019	2020	2021	2022
<u>Residential</u>					
Single Family	\$ 16,276	\$ 17,560	\$ 57,307	\$ 41,812	\$ 79,980
Multi-Family	0	5,647	6,123	7,737	0
Alteration/Additions	<u>6,315</u>	<u>5,167</u>	<u>4,805</u>	<u>11,510</u>	<u>26,805</u>
Total ⁽³⁾	\$ 22,591	\$ 28,374	\$ 68,235	\$ 61,059	\$ 106,785
<u>Non-Residential</u>					
New Commercial	\$ 7,017	\$ 544	\$ 367	\$ 295	\$ 952
New Industry	92	1,383	12,648	11,793	7,365
Other ⁽¹⁾	5,512	8,684	1,365	1,164	1,012,063
Alteration/Additions	<u>16,442</u>	<u>14,754</u>	<u>32,913</u>	<u>14,172</u>	<u>20,156</u>
Total ⁽³⁾	\$ 29,063	\$ 25,365	\$ 47,293	\$ 27,424	\$ 1,040,536
<u>Total⁽³⁾</u>	<u>\$ 51,654</u>	<u>\$ 53,739</u>	<u>\$ 115,528</u>	<u>\$ 88,483</u>	<u>\$ 1,147,321</u>
Single Family Units ⁽²⁾	64	76	237	177	400
Multi-Family Units ⁽²⁾	<u>0</u>	<u>80</u>	<u>95</u>	<u>101</u>	<u>0</u>
Total	64	156	332	278	400

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

⁽²⁾ Number of units rather than dollars. Not in thousands.

⁽³⁾ Total may not add due to rounding.

Source: Construction Industry Research Board.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



Conference/Training Request

Event Name/Date(s):

EVWD Valve Turning Celebration for Sterling Natural Resource Center/May 3, 2024

REQUESTED BY:

First Name

Last Name

Date

ACCOMMODATION INFORMATION (if applicable)

Rooms and rates are subject to availability. Complete and submit this form as soon as possible as reservation blocks at host hotels book quickly. In the event that the host hotel is full, every effort will be made to secure a room at the nearest hotel within comparable rates.

Arrival Date

Departure Date

No. of
Guests

Room Type

Dietary Restrictions?

If yes, please provide specifics in additional info. box

Yes No

Smoking Room?

Yes No

Flight Needed?

If yes, please provide DL# and D.O.B. in additional info. box

Yes No

Flight Numbers

Departure/Return
Times

ADDITIONAL INFORMATION/ REQUESTS

Supervisor Approval
(If applicable)

Processed By:

Sterling Natural Resource Center

TURNING OF THE VALVE

RIBBON CUTTING EVENT



CELEBRATE WITH US

*May 3, 2024 at 10:00am
25318 5th Street, San Bernardino, CA 92410*

RSVP: eastvalley.org/valveturn

...Sterling Natural Resource Center Valve Turn Celebration

About the Project

The Sterling Natural Resource Center (SNRC) is a state-of-the-art facility in San Bernardino, California, that provides a sustainable new water supply to boost the region's water independence.

Capable of treating up to 8 million gallons a day, the SNRC recharges the local Bunker Hill Groundwater Basin and creates new opportunities for the surrounding community in the form of:



Community Space
with Picnic Area
and Walking Paths



Provide a Drought-
Proof Water Supply



Provide Street
Improvements



Educational and
Training Programs

Learn More:

- [Water Recycling Process \(English\)](#)
- [Community Benefits \(English / Spanish\)](#)
- [About Co-Digestion \(English / Spanish\)](#)

Location

The SNRC was constructed on a 20-acre parcel of land. The Treatment Facility is located on the eastern property while the Administration Center is located on the western parcel.

Sterling Natural Resource Center Address

25318 5th Street
San Bernardino CA 92410





BOARD MEMORANDUM

DATE: March 25, 2024
TO: BOARD OF DIRECTORS
FROM: Mr. Scott Rogers, Engineering Manager
VIA: Mr. Adam Ly, Assistant General Manager
Mr. Dennis D. LaMoreaux, General Manager
RE: *CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 24-2 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE DISTRICT'S APPLICATION TO THE ENVIRONMENTAL PROTECTION AGENCY'S CLIMATE POLLUTION REDUCTION GRANT FOR FEDERAL FISCAL YEAR 2024. (UP TO \$50,000,000 POTENTIAL REVENUE – ENGINEERING MANAGER ROGERS)*

Recommendation:

Staff recommends the Board:

1. Approve a resolution for submitting a grant application to the United States Environmental Protection Agency for funding through the Climate Pollution Reduction Grant Program (CPRG) for Federal Fiscal Year 2024;
2. Approve the grant applications requesting up to \$50 million to complete the design and construction of the Pure Water AV Full Scale Project (Project);
3. Commitment to fund its local share of the engineering and construction cost of the Project; and
4. Authorize the General Manager or his designee to sign and transmit the grant application to the United States Environmental Protection Agency.

Alternative Options:

The Board can choose not to apply for the grant funding.

Impact of Taking No Action:

There will be no potential to receive this grant funding.

Background:

The Inflation Reduction Act established the Environmental Protection Agency's Climate Pollution Reduction Grants (CPRG) program, which provides funds through planning and implementation grants for projects slated to implement greenhouse gas reduction measures and other co-benefits. There is up to \$4.3 billion dollars of funding available through the program that will be allocated to competitive projects chosen across the nation.

Many of the State's existing reservoirs can no longer hold the water needed to meet State-wide needs. California's climate patterns have already shifted to reduce total annual water storage; even while heat, drought, wildfire, and population growth have increased water demand. This past decade, entire California communities have repeatedly been left without adequate fresh water, forcing drastic emergency restrictions and expensive emergency water trucking. Every community has reduced per capita consumption, many to painful levels. Unless we significantly increase water storage capacity, California will lose local communities to a lack of fresh water, and ongoing droughts will deepen social vulnerabilities and income disparities in all our communities. The first and hardest hit populations are always our most socially vulnerable: economically disadvantaged communities, immigrant communities, and communities of color.

This project has components that add new water storage by adding nature-based water storage infrastructure combined with an advanced water purification system to put recycled water to the high beneficial use – for human consumption. CPRG and matching funds will be used to build an advanced water purification facility, injection wells, and related project components. The project will store up to 5,325 acre-feet (AF) of water within the Antelope Valley aquifer.

Capture6 is a technology provider founded in 2021 with a mission to develop scalable and affordable carbon removal technologies that could address historic and current greenhouse gas emissions while delivering co-benefits to vulnerable communities. Their direct air capture (DAC) process will utilize the waste brine from Palmdale Advanced Water Purification Facility as an input to the DAC process. This proprietary process not only reduces emissions associated with brine ponds, but it also recovers additional freshwater and produces decarbonized chemical feedstocks for incorporation into the water facility. Additionally, the carbon removals generated by DAC and storage will serve to address historic GHG emissions in the atmosphere.

The grant application requires that the Board of Directors approve a resolution that the District make a good faith effort to enter into a cooperative agreement for the receipt, and administration of said grant funds and make the commitment of the remaining funding.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 1 – Water Resource Reliability.

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

Budget:

There is no impact on the Budget for preparing the Resolution, and the District has the potential to receive grant funding.

Supporting Documents:

- Resolution No. 24-2

RESOLUTION 24-2

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE DISTRICT'S APPLICATION TO THE ENVIRONMENTAL PROTECTION AGENCY'S CLIMATE POLLUTION REDUCTION GRANT FOR FEDERAL FISCAL YEAR 2024

WHEREAS, Palmdale Water District is a municipal water district established pursuant to Section 71000 et seq. of the California Water Code.

WHEREAS, water supply in the Palmdale area is facing a growing list of challenges associated with regulatory cutbacks on State Water Project deliveries, Bay-Delta instability, climate change, aging infrastructure, and growing population; and

WHEREAS, the United States Environmental Protection Agency under the Climate Pollution Reduction Grant Program (CPRG) makes funding available to qualifying applicants; and

WHEREAS, the Board of Directors of the Palmdale Water District has identified a project that exemplifies the objectives of the CPRG Grant in the construction of Pure Water AV Full Scale; and

WHEREAS, Palmdale Water District agrees to the administration and cost-sharing requirements of the CPRG criteria.

WHEREAS, Palmdale Water District has the financial capacity to provide a commitment of remaining funding as required by the CPRG Grant.

NOW, THEREFORE, LET IT BE RESOLVED by the Board of Directors of the Palmdale Water District as follows:

SECTION 1. Palmdale Water District is hereby authorized to receive if awarded, the United States Environmental Protection Agency under the Climate Pollution Reduction Grant Program (CPRG) for 2024 grant funding in an amount up to \$50,000,000 and will make a good faith effort to enter into a cooperative agreement with the EPA for the receipt and administration of said grant funds.

SECTION 2. The General Manager, Dennis LaMoreaux, or his designee, is hereby authorized to take any and all actions that may be necessary for the completion and execution of the project agreement and to take any and all other actions that may be necessary for the receipt and administration of the grant funding in accordance with the requirements of the Environmental Protection Agency.

SECTION 3. This resolution officially becomes a component part of the Palmdale Water District's grant application.

SECTION 4. The Board of Directors has reviewed and supports the application to be submitted.

SECTION 5. Palmdale Water District has the financial capacity to provide the amount of funding and/or in-kind contributions specified in the grant application funding plan.

SECTION 6. This Resolution shall be effective as of the date of adoption.

CERTIFICATION

PASSED, APPROVED and ADOPTED this 25th day of March 2024.

Kathy Mac Laren-Gomez, President
Board of Directors
Palmdale Water District

Vincent Dino, Secretary
Board of Directors
Palmdale Water District

Approved as to form:

Aleshire & Wynder, LLP
District Legal Counsel

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, FEBRUARY 20, 2024:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, February 20, 2024, at 2029 East Avenue Q, Palmdale, CA 93550. Chair Wilson called the meeting to order at 1:30 p.m.

1) Roll Call.

Attendance:

Committee:
Don Wilson, Chair
Scott Kellerman,
Committee Member

Others Present:

Dennis LaMoreaux, General Manager
Adam Ly, Assistant General Manager
Dennis Hoffmeyer, Finance Manager
Bob Egan, Financial Advisor
Diana Gunn, Accounting Supervisor
Danielle Henry, Executive Assistant
0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Kellerman, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held January 16, 2024.

It was moved by Committee Member Kellerman, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held January 16, 2024, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of January 2024. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the monthly Major Account Activity Report, the Investment Funds Report, and the Cash Flow Statement through January 2024, including account transfers, assessments received, interest and market values, scheduled payments, capital improvement funds and the projected year-end balance followed by a brief discussion of interest rates, of the stock market, of the District's Investment Policy, and of the increased assessments received.

4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for January 2024. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer reviewed in detail the Balance Sheet Report, the Profit and Loss Statement, the departmental budgets versus actual, and individual departmental reports for the period ending January 2024 and stated that operating revenues are above the historical trend average at 7.38%, that expenses are below the historical trend average at 7.32%, and that most departments are above the traditional budgetary percentage due to the annual front loading of employer contributions for Health Spending Accounts followed by a brief discussion of staff overtime and final 2023 audit adjustments.

4.5) Discussion and Overview of Committed Contracts Issued. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer provided an overview of the Contractual Commitments and Needs Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and projects paid out through the 2021A and 2023A Series Water Revenue Bonds through January 2024 and stated that the Well 36 Project will soon be open for rebids.

5) Reports.

5.1) Finance Manager Hoffmeyer:

a) Accounts Receivable Overview.

Finance Manager Hoffmeyer provided a detailed overview of outstanding balances of amounts greater than \$50.00 for each account type at sixty and ninety days past due and stated that as of January 31, there are seventeen payment arrangements totaling \$17,433.36 with \$8,066.54 collected to date.

b) Revenue Projections.

He then stated that based on selling 14,500 AF of water, 2024 revenue is behind projections by approximately \$41,347 as of January 31 followed by a brief discussion of customers' water usage and account types.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan reported that the Debt Service Coverage for February 2023 to January 2024 is 1.50 and that staff has done an excellent job with managing finances.

5.3) Other.

Finance Manager Hoffmeyer stated that staff is preparing for the 2024 Rate Study including Drought Surcharge adjustments and reclassification of Multi-Family fire protection rates.

There were no other items to report.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Date of Next Committee Meeting.

It was determined that the next Finance Committee meeting will be held March 19, 2024 at 1:30 p.m.

8) **Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:19 p.m.



Chair

MINUTES OF MEETING OF THE OUTREACH COMMITTEE OF THE PALMDALE WATER DISTRICT, JULY 25, 2023

A meeting of the Outreach Committee of the Palmdale Water District was held Tuesday, July 25, 2023, at 2029 East Avenue Q, Palmdale, CA 93550. Chair Mac Laren-Gomez called the meeting to order at 4:00 p.m.

1) Roll Call.

Attendance:

Committee:

Kathy Mac Laren-Gomez, Chair

Gloria Dizmang, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Judy Shay, Public Affairs Director

Dennis Hoffmeyer, Finance Manager

Claudia Bolanos, Resource and Analytics Spvsr.

Danielle Henry, Executive Assistant

Patricia Guerrero, Management Analyst

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held June 27, 2023.

It was moved by Committee Member Dizmang, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Outreach Committee meeting held June 27, 2023, as written.

4.2) Discussion of 2023 Outreach Activities. (Public Affairs Director Shay)

a) Outreach Report.

Public Affairs Director Shay provided a detailed overview of the updated written Outreach Report of current events through July 25 including press releases, print publications, customer outreach, social media highlights, and participation in various events including Coffee with Director Dizmang, PWD's Customer Appreciation Day, District donations to Palmdale School District and Sole CommUNITY's Backpack Giveaways, and a meeting with Senator Wilk's Field Representative Jack Danielson and Intern Jowail Mobaraka regarding Pure Water AV including a brief tour of the District's main office building.

b) Upcoming Events/2023 Plans.

She then stated that upcoming events include National Night out on July 25; Let's Talk H2O!: Water Quality on August 3; a Café con Leche Radio Interview on August 21; a Strategic Water Resources Plan Public Meeting on September 7; and Coffee with Director Mac Laren-Gomez on September 14 followed by a brief discussion of the Pure Water AV Project being chosen as a webinar topic by Senator Wilk's Intern Jowail Mobaraka to be presented to the public in September.

4.3) Discussion and Possible Action on a Recommendation to Host a PWD Plant Sale. (Chair Mac Laren-Gomez/Public Affairs Director Shay)

Public Affairs Director Shay stated that staff discussed the December landscape workshop with the featured presenter, Mr. Kimball Goodman, and it was determined to postpone the workshop until March 16 to include a PWD plant sale with native seasonal plants.

Committee Member Dizmang then suggested that a presentation on weeds be provided followed by a brief discussion of featuring invasive plants at a future landscape workshop.

5) Reports.

5.1) Water-Use Efficiency Activities. (Resource and Analytics Supervisor Bolanos)

Resource and Analytics Supervisor Bolanos stated that several rebate applications were received during PWD's Customer Appreciation Day and staff is preparing a flyer featuring drought-tolerant native plants that qualify for the Water-Wise Landscape Conversion Program.

She then provided a brief overview of the Earth Day Water Superheroes Poster Contest and stated that 110 entries were received, and 16 awards were presented.

5.2) Lobbying Activities. (Assistant General Manager Ly)

General Manager LaMoreaux provided a brief update on water-related bills and stated that the next legislative report will include more activity as the legislative year concludes.

6) Board Members' Requests for Future Agenda Items.

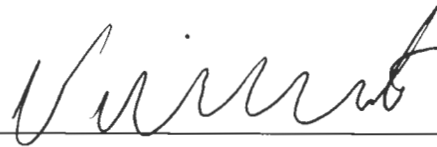
There were no requests for future agenda items.

7) Date of Next Committee Meeting.

It was determined that the next Outreach Committee meeting will be held September 26, 2023, at 3:00 p.m.

8) Adjournment.

There being no further business to come before the Outreach Committee, the meeting was adjourned at 4:27 p.m.



Chair



BOARD MEMORANDUM

DATE: March 25, 2024
TO: BOARD OF DIRECTORS
FROM: Dennis D. LaMoreaux, General Manager
RE: *REPORT OF GENERAL MANAGER.*

The following briefing packet constitutes the March 2024 written report to the Board. It is the information recently provided to City of Palmdale representatives. It provides background information on the District, Palmdale Recycled Water Authority (PRWA), Pure Water AV, recycled water rights and information, and the Littlerock Dam and Reservoir Recreation Area.

The briefing was provided to improve understanding on these subjects and serve as a starting point for potential changes to our working relationship with the City. The briefing, and prior briefings with other City representatives in 2023, is also consistent with the District's 2022 Strategic Plan. Specifically, the following initiatives and specific focus areas:

Water Resource Reliability: *Resilience, Development, Partnership*

Support and participate with local agencies in the development of projects and policies that improve water reliability

Maximize state and federal funding opportunities for Pure Water AV

Regional Leadership: *Engage, Lead, Progress*

Develop strategies, alliances, and funding to make Littlerock Dam and Reservoir recreational again

Customer Care, Advocacy and Outreach: *Promote, Educate, Support*

Engage elected officials and the public on the importance of local and state water reliability issues

Publicize, engage, and educate the community about Pure Water AV

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: March 19, 2024
TO: Palmdale City Mayor, PRWA Chair Austin Bishop
Palmdale Assistant City Manager Sal Mendez
FROM: Mr. Dennis LaMoreaux, PRWA Executive Director, PWD General Manager
RE: PRWA/PWD BRIEFING INFORMATION

1. Background and Overview: PWD Water Ambassador Academy Presentation Excerpt
2. Joint Exercise of Powers Agreement (JPA) creating the Palmdale Recycled Water Authority;
3. The attached information will be used for the briefing and is from the Recycled Water Facilities Master Plan approved in January 2015.
The excerpts are as follows:
 - Report Cover
 - Table of Contents
 - List of Tables
 - List of Figures
 - Pages 3-2 to 3-5 listing potential school and park customers
 - Pages 5-2 to 5-9 describing the phasing (Note: Phase 5 was removed when the Plan was approved)
 - Figure 7 showing future facilities;
4. January 2024 Treasurer's Report
5. "Optimizing the Use of Tertiary Water for Palmdale" flier
6. Pure Water AV Project Summary and Demonstration Facility Renderings
7. Recycled Water Right Summaries:
 - Palmdale Reclamation Plant Summary Palmdale Ag Reuse Sublease Excerpts
 - Sanitation Districts 14 & 20 PWD Tertiary Water Contract Amendment
8. PWD Overview
 - 2012 Los Angeles County LAFCO Municipal Service Review Executive Summary
 - PWD Boundary Map
9. Littlerock Dam and Reservoir Information

Recycled Water



- **Reliable and Drought Proof**
- **Tertiary Recycled Water**
 - Highly treated wastewater
 - Undergoes same process as drinking water, including disinfection
 - Available locally at 30th Street East and Avenue P-8
- **Allowable Uses**
 - Replace or add to water treated for drinking
 - Urban irrigation (parks, landscape districts, athletic fields)
 - Indirect use for drinking water
 - Direct use for drinking water with advanced treatment



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE



1

Two Visions – One Goal

- **GOAL: Use a local, reliable water supply for the public's benefit**
- **City of Palmdale**
 - Use tertiary recycled water to drought-proof parks, landscape districts, etc.
 - Reduce irrigation water costs
- **Palmdale Water District**
 - Use tertiary recycled water as an additional water source for all uses
 - Indirect Potable Use: Mix with State Water Project water, spreading basins, time, distance, soil treatment before pumping as potable groundwater
 - Surface Water Augmentation: California developing rules for advanced treatment, adding to surface reservoir, and treating in potable treatment plant



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE



2

One Goal – United Vision

- **Legal Route: Litigation Costs, Mixed Court Decisions, Unsure Future**
- **Legal Settlement**
 - 2012 agreement using joint powers to create Palmdale Recycled Water Authority (PRWA)
 - Pursue both ways of using tertiary recycled water
- **Initial PRWA Actions**
 - Formed Board with two City Council members, two PWD directors, & an appointed public member
 - Started tertiary recycled water service to irrigate McAdam Park
 - Developed master plan for service area (overlap of PWD and City boundaries)
 - Provided construction water during drought when potable water use was prohibited



3

One Goal – United Vision

Potential PRWA Actions

- Obtain financing and construct tertiary recycled water pipeline extension to Dominic Massari Park
- Provide additional access points for supplying construction water
- Provide public access points for private use of tertiary recycled water
- Serve landscape maintenance districts along new pipeline
- Provide potential irrigation for schools and athletic fields along new pipeline



4

New Direction? - Groundwater Augmentation



Tertiary water must be highly treated



Direct injection of water into the groundwater



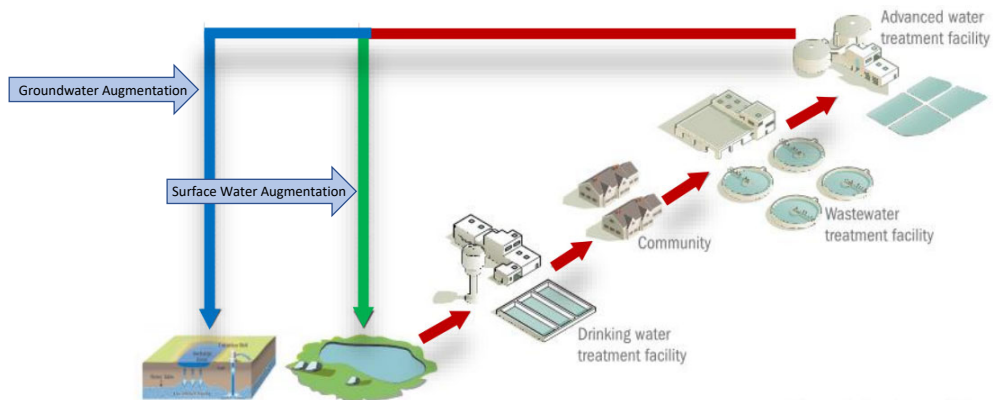
Currently being done in California

- Orange County Water District
- Water Replenishment District of Southern California
- Monterey One Water
- West Basin Municipal Water District
- Las Virgenes Municipal Water District (Planning Stage)



5

Advanced Water Treatment & Water Supply Augmentation



6

Advanced Water Treatment & Water Supply Augmentation

Benefits of Using Advanced-Treated Tertiary Recycled Water



- Larger amount of recycled water can be used
- Less infrastructure needed (No need to build second distribution system)
- Smaller environmental impact
- Less evaporation loss
- No dependence on imported surface water or need for additional SWP purchases
- Drought resilient



7

Relative Costs for Using Tertiary Recycled Water

Optimizing the Use of Tertiary Water for Palmdale

Options for Utilizing Tertiary Water	Advanced Water Treatment Plant and Injection	Irrigation	Recharge and Recovery
Volume (afy)	5,325	1,725	4,000
Cost (\$/afy)	\$1,710	\$2,600	\$3,160

1. Advanced Treatment Facility and injection wells
2. Irrigation or purple pipe system
3. Recharge is a blend of tertiary and imported water that is spread in the basins and extracted using wells



8

**JOINT EXERCISE OF POWERS AGREEMENT CREATING THE
PALMDALE RECYCLED WATER AUTHORITY**

This Agreement is made this 24th day of April, 2012, by and between the City of Palmdale, a California Charter City ("City") and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code ("PWD").

RECITALS

WHEREAS, the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties;

WHEREAS, the City and PWD are each "public agencies" as that term is defined in California Government Code section 6500;

WHEREAS, the City and PWD have each determined that it is in the public interest to create the Palmdale Recycled Water Authority, an entity separate from the City and PWD to, among other things, jointly study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems;

WHEREAS, the City and PWD have entered into a Settlement Agreement dated April 24, 2012, 2012, that calls for the creation of the Authority. Under the Settlement Agreement, the City and PWD agreed to use their best efforts to accomplish a reallocation of the recycled water supply produced by County Sanitation Districts Nos. 14 and 20 such that the effluent generated within the City of Palmdale that is tributary to the Palmdale Treatment Plant (Sanitation District No. 20) and to the Lancaster Treatment Plant (Sanitation District No. 14), less that previously allocated for environmental projects by both Sanitation Districts Nos. 14 and 20 and 4,000 acre-feet for the Palmdale Power Plant, is available to the Authority for purchase.

NOW, therefore, in consideration of the mutual promises, covenants and conditions hereinafter contained, the members and each of them do hereby agree as follows:

Article 1 Definitions

1.1 Definitions. As used herein, the following terms have the meaning ascribed thereto, unless the context requires otherwise.

"Act" means the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*

"Agreement" means this Joint Powers Agreement.

“Authority” means the Palmdale Recycled Water Authority.

“Authority Document(s)” means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions and activities of the Authority, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.

“Board” means the Board of Directors, which is the governing body of the Authority.

“Bonds” means bonds, notes, commercial paper, floating rate, and variable maturity securities, and any other evidences of indebtedness and also includes certificates of participation, lease-purchase agreements or loan agreements.

“Sanitation Districts” means the Los Angeles County Sanitation Districts Nos. 14 and 20.

“Director” means a member of the Board of Directors.

“Effective Date” means the date on which this Agreement shall become effective and the Authority shall exist as a separate public agency.

“Members” means the City and PWD.

“Operating Rules and Regulations” means the rules, regulations, policies, bylaws and procedures governing the operation of the Authority.

“Public Agency” means those public entities set forth in Section 6500 of the Act.

“Public Capital Improvements” mean one or more projects specified in Section 6546 of the Act.

“Waterworks” means the Los Angeles County Waterworks District No. 40.

“Working Capital” means money to be used by, or on behalf of, a Member for any purpose for which a Member may borrow money pursuant to California Government Code Section 53852.

Article 2 Formation and Purpose

- 2.1 Effective Date and Term. This Agreement shall become effective and the Authority will come into existence as a separate public agency on the date this Agreement is executed by the City and PWD. The Authority will continue to exist and this Agreement will remain in effect, until this Agreement is terminated pursuant to Article 8.
- 2.2 Formation. There is formed as of the Effective Date a public agency named the “Palmdale Recycled Water Authority.” Pursuant to Sections 6506 and 6507 of the Act, the Authority is an independent public agency separate from the Members. Unless otherwise agreed by the Members, the debts, liabilities, and obligations of the Authority are not debts, liabilities or obligations of the Members.

- 2.3 Purpose. The purpose of the Agreement is to establish an independent public agency in order to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Sanitation Districts for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems.
- 2.4 Boundary. The boundary of the Authority shall be the jurisdictional boundary of PWD, and shall encompass that portion of the City within the jurisdictional boundary of PWD.

Article 3 Powers

- 3.1 General Powers. The Authority shall have the powers common to the Members and such additional powers set forth in the Act and other statutes applicable to the Authority, and is hereby authorized to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to each of the following:
- a. Distributing recycled water for reasonable and beneficial uses, including irrigation and recharge;
 - b. Charging fees for recycled water;
 - c. Making and entering into contracts;
 - d. Employing employees, agents, consultants, legal counsel and other experts;
 - e. Conducting studies, including but not limited to environmental studies;
 - f. Promoting or advertising the services provided by the Authority;
 - g. Promoting legislation helpful to the goals of the Authority;
 - h. Applying for, receiving and complying with requirements for state or federal grants;
 - i. Acquiring, owning, holding title to, constructing, managing, maintaining, operating, disposing of or donating real or personal property or other assets;
 - j. Incurring debts, liabilities or obligations and issuing Bonds;
 - k. Adopting, levying, collecting and/or administering assessments to the extent allowed by law, or assisting the Members to do so;
 - l. Suing and being sued in its own name, including initiating or otherwise participating in proceedings to validate its actions;

- m. Applying for and executing appropriate grants or contracts of financial assistance.
- n. Applying for, negotiating and obtaining commercial loans as allowed by law;
- o. Administering the funds of the Members for the purposes set out here subject to rules adopted by the Authority for such administration;
- p. Coordinating programs provided by the Members to carry out the goals of the Authority;
- q. Adopting budgets;
- r. Adopting rules, regulations, policies, bylaws and procedures governing the operation of the Authority;
- s. Accepting donations;
- t. Carrying out and enforcing all provisions of this Agreement and any related agreements.
- u. Imposing impact or development fees, including, but not limited to, fees under the Mitigation Fee Act (Government Code sections 66000 *et seq.*)

Article 4 Organization

- 4.1 Board of Directors. The governing body of the Authority shall be the Board, which shall consist of five Directors. The governing body of each Member shall appoint and designate in writing two Directors who shall be authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person appointed and designated as Director shall be a member of the Member's governing body. The fifth Director shall be appointed jointly by both Members.
- 4.2 Powers of the Board. The Board shall conduct or authorize to be conducted all business and activities of the Authority consistent with this Agreement, the Authority Documents, the Operating Rules and Regulations, and applicable law.
- 4.3 Operating Rules and Regulations. The Board may adopt from time to time such Operating Rules and Regulations, including but not limited to policies, procedures, bylaws, rules or regulations, for the conduct of its affairs as deemed necessary by the Board.
- 4.4 Term of Office. Each Director who is a member of the Member's governing body shall serve on the Board for renewable one year terms and shall cease to serve on the Board if such Director ceases to be an elected official of the Member. Vacancies on the Board shall be filled in the same manner as the original appointment. Notwithstanding anything in this Section to the contrary, each Director shall serve at the pleasure of the

Member that the Director is representing and such Member may remove and replace the Director at any time.

- 4.5 Meetings of the Authority. Meetings of the Authority shall be governed by the Ralph M. Brown Act (Govt. Code Section 54950 *et seq*, the "Brown Act"). At its organizational meeting, the Authority shall adopt provide for its regular meetings at dates, times and places set out by resolution. That Resolution shall be provided to all Members. The Board shall hold at least one regular meeting during each fiscal year. Pursuant to the Brown Act, the Secretary of the Authority shall cause minutes to be prepared for all regular and special meetings (but not any closed sessions) and copies of such minutes shall be provided to the Directors as soon as possible.
- 4.6 Conflict of Interest Code. The Authority shall adopt a conflict of interest code.
- 4.7 Quorum. A majority of the Directors shall constitute a quorum.
- 4.8 Voting. Except as otherwise provided by law or in section 4.9 below, any action taken by the Authority shall require the affirmative vote of a majority of the quorum present and voting on the item. A Director who has announced a conflict of interest is not considered a part of the quorum. An abstention for other than conflict reasons shall be considered a no vote. Notwithstanding anything in this paragraph to the contrary, less than a quorum may adjourn from time to time in accordance with law.
- 4.9 Special Voting Situations. The following Board actions require the affirmative vote of at least one Director from the City and one from the PWD:
- a. Agreements to provide recycled water to any person or entity other than the City or PWD.
 - b. Capital expenditures exceeding \$100,000.
 - c. Adoption or modification of any combined recycled water master plan.
 - d. Settlement of lawsuits over \$10,000.
 - e. Adoption of its initial and all annual operating budgets.
 - f. Setting recycled water rates.
 - g. Disposition of assets and funds upon termination, pursuant to section 5.8(d).
- 4.10 Chair and Vice Chair. The Board shall elect from among themselves a Chair and Vice Chair. The Chair shall be the presiding officer of all Board meetings and shall represent the Authority and execute any contracts and other documents when required by the Operating Rules and Regulations. The Vice Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair.

The office of either the Chair or Vice Chair shall be declared vacant and a new election shall be made if the person serving dies, resigns, or the Member that the person represents removes the person as its representative on the Board.

- 4.11 Director Compensation. Compensation for work performed by Directors on behalf of the Authority shall be borne by the Member that appointed the Director. The Board, however, may adopt by resolution a policy relating to the reimbursement of expenses incurred by Directors. Members may provide for compensation and/or reimbursement of expenses to the fifth director, as allowed by law.
- 4.12 Secretary. The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes and other records of the Authority and shall perform such other duties as specified by the Board.
- 4.13 Treasurer and Auditor. The Authority shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom needs to be a member of the Board. If the Board so designates, and in accordance with the provisions of applicable law, a qualified person may hold both the office of Treasurer and Auditor.

A qualified person shall be (i) the treasurer or chief financial officer of one of the Members; (ii) a certified public accountant; or (iii) such other consultant, officer or employee of the Authority or an administrative services provider as the Authority deems qualified to act as Treasurer or Auditor, respectively. The Treasurer shall act as the depositary of the Authority and have custody of all the money of the Authority, from whatever source, and as such, shall have all of the duties and responsibilities specified in Section 6505.5 of the Act.

The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time.

- 4.14 Staff. The Authority may appoint, by contract or otherwise, an Executive Director and other staff as necessary. The Executive Director shall have all powers delegated to the Executive Director by the Authority. In addition the Executive Director shall have the power to appoint and remove all employees of the Authority, except for the Auditor, Treasurer and those providing expert services, such as legal counsel, financing consultants, accountants, engineers, architects and other advisors, who shall be appointed by the Board.
- 4.15 Bonding Persons Having Access to Property. The Members hereby designate the Executive Director and Treasurer, and designee or designees of each of them, as the persons who shall have charge of, handle, or have access to any property of the Authority. Such persons shall file an official bond in an amount to be fixed by the Board.

- 4.16 Provision of Administrative Services Provider. The Board may approve the use of staff of the Members for purposes of planning, implementing, operating and administering any of the programs approved by the Board.
- 4.17 Committees. The Authority may appoint *ad hoc* and standing committees to carry out the business of the Board, as deemed necessary and in the manner determined by the Board.
- 4.18 Technical Advisory Committee. The Board may elect to form a Technical Advisory Committee that will provide assistance and advice to the Board and exercise any powers delegated to it by the Board. The Technical Advisory Committee shall be comprised of three representatives appointed by each Member. The Member's governing body may appoint its representatives to the Technical Advisory Committee, and one alternate representative, in the manner determined to be appropriate by the Member. Such representative or alternate may be any person resident within the jurisdictional boundaries of the Member, or a person possessing knowledge and interests in California water policy.

The Technical Advisory Committee will be subject to the Operating Rules and Regulations established by the Board.

- 4.19 Authority Documents. The Members acknowledge and agree that the affairs of the Authority will be implemented through various documents duly adopted by the Board through Board resolution, including but not necessarily limited to the Operating Rules and Regulations, the annual budget, and specified plans and policies defined as the Authority Documents by this Agreement. The Members agree to abide by and comply with the terms and conditions of all such Authority Documents that may be adopted by the Board.
- 4.20 Authority Legal Counsel. The Board may retain and appoint legal counsel for the Authority.

Article 5 Financial Provisions

- 5.1 Fiscal Year. The Authority's fiscal year shall begin January 1 and shall include the period from then through December 31st. The first year of operation of the Authority shall be a partial year of operation.
- 5.2 Member Contributions. Except as otherwise prohibited, any Member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the Member and approved by the Board and the governing body of the Member.

It is hereby acknowledged that the City, at the time of Authority's formation, has contributed the recycled water infrastructure installed to date known as Phase I which provides recycled water to McAdam Park, Palmdale, CA.

- 5.3 Member Loans. By official action of a Member's governing body, any Member may loan or advance funds to the Authority to meet the Authority's necessary budgeted expenses. Such loans shall bear interest until repaid at a rate agreed upon by the Member and the Authority. All such loans shall be repaid with interest from legally available funds of the Authority. It is anticipated that such funding may continue for an extended period of time. Nothing in this Agreement shall be deemed to obligate or require any of the Members to loan money, advance funds or provide property, assets, staffing or in lieu services to the Authority.
- 5.4 Depository.
- a. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Member or any other person or entity.
 - b. All funds of the Authority shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the Fiscal Year. The books and records of the Authority shall be open to inspection by the Members at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the Authority, which shall be conducted in accordance with the requirements of Section 6505 of the Act.
 - c. All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.
- 5.5 Budget. The Board shall adopt an annual budget for the Authority's activities within ninety (90) days of the effective date of this Agreement and by January 1 of each succeeding year. The Board may revise the budget from time to time as may be necessary to address changed circumstances, contingencies and unexpected expenses.
- Public funds may not be disbursed by the Authority without adoption of the approved budget and all receipts and disbursements shall be in strict accordance with the approved budget. The budget shall identify the programs of the Authority and allocate funds by the program. The budget and accounting system shall account for direct and overhead costs by program. The Board shall allocate these costs for each program with the adoption of the annual budget.
- 5.6 Debts and Liabilities. As permitted under Section 6508.1 of the Act, no debt, liability, or obligation of the Authority shall constitute a debt, liability, or obligation of any Member and each Member's obligation hereunder is expressly limited only to the appropriation

and contribution of such funds as may be levied pursuant to this Agreement or as the Members hereto may agree.

- 5.7 Credit. Notwithstanding the preceding section, the Members agree to pledge their credit as necessary or appropriate to obtain financing for the Authority.
- 5.8 Disposition of Authority Property, Funds and Other Assets Upon Termination.
- a. In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its obligations, Authority property, funds, and other assets, including any interest earned in deposits, remaining upon termination of the Authority and after payment of all obligations, shall be transferred to the successor public entity.
 - b. If there is no successor public entity which would carry on any of the activities of the Authority or assume any of its obligations, Authority property, funds, and other assets, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall first be used to return any unreimbursed contribution of each Member, and the remainder shall be divided equally between the Members.
 - c. If there is a successor public agency which would undertake some of the functions of the Authority and assume some of its obligations, Authority property, funds, and other assets, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall be allocated by the Board between the successor public entity and Members.
 - d. In the event the Authority is terminated and remaining funds must be allocated under the circumstances falling with (b) or (c) above, all decisions of the Board with regard to determination of amounts to be transferred to Members or any successor shall be final.

Article 6 Operations

- 6.1 Recycled Water Contract. Within 65 days after the execution of this Agreement, the City shall assign to the Authority its existing contract with Los Angeles County Sanitation Districts Nos. 14 and 20 to purchase up to 2,000 acre-feet of recycled water, dated July 1, 2009. This shall not be considered to be a Member contribution under section 5.2.
- 6.2 Master Plan. The Authority shall adopt a master plan for recycled water combining the City's and PWD's existing master plans, following environmental review.
- 6.3 Price of Recycled Water. The price of recycled water sold to the City or PWD shall be set to cover the purchase price of the recycled water, operation and maintenance costs of the Authority, and financing costs.

- 6.4 Impact Fee. The Authority shall adopt an impact fee in order to pay capital costs, including reimbursement to the City of the cost of the recycled water infrastructure installed to date known as Phase I, which provides recycled water to McAdam Park.

Article 7 Amendments

- 7.1 Amendments. This Agreement may be amended only upon the affirmative vote of both Members.

Article 8 Termination

- 8.1 Termination. This Agreement may be terminated by the mutual agreement of both Members at any time, or by one Member after the tenth anniversary of the execution of this Agreement; provided, however, that prior to any termination by one Member, the Members agree to engage in the dispute resolution procedure under section 9.10, and such termination shall not be effective until six months after the completion of that procedure. Upon termination, payment of the obligations and division of the property of the Authority shall be conducted pursuant to this Agreement.

Article 9 Miscellaneous Provisions

- 9.1 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Section 995 *et seq.* Nothing in this section shall be construed to limit the defenses available under the law, to the Members, the Authority, or its Directors, officers, or employees.
- 9.2 Indemnification of Members. The Authority shall acquire such insurance coverage as is necessary to protect the interests of the Authority, the Members and the public. The Authority shall defend, indemnify and hold harmless the Members and each of their respective Board or Council members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.
- 9.3 Severability. If one or more clauses, sentences, paragraphs, or provisions of this Agreement or its application to any person or circumstances shall be held invalid, unlawful or unenforceable, the remainder of this Agreement and the application of the provision to other persons or circumstances shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

- 9.4 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Members may not be assigned or delegated without the advance written consent of all of the other Members, and any attempt to assign or delegate such rights or duties in contravention of this Section is null and void. This Agreement inures to the benefit of, and be binding upon, the successors and assigns of the Members.
- 9.5 No Rights In Third Parties. All of the terms, conditions, rights and duties provided for in this Agreement are, and will always be, solely for the benefit of the Members. It is the intent of the Members that no third party shall ever be the intended beneficiary of any performance, duty or right created or required pursuant to the terms and conditions of this Agreement.
- 9.6 Agreement Complete. The foregoing constitutes the full and complete Agreement of the Members. There are no oral understandings or agreements not set forth in writing herein.
- 9.7 Further Assurances. Each Member agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.
- 9.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Members, each executed counterpart shall have the same force and effect as an original instrument and as if all Members had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.
- 9.9 Members to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Member, as the case may be, or such other person designated in writing by the Authority or Member. Notices given to one Member shall be copied to all other Members. Notices given to the Authority shall be copied to all Members.
- 9.10 Dispute Resolution. Representatives of the Members shall meet and use their best efforts to settle any dispute, claim, question or disagreement ("a Dispute") arising from or relating to this Agreement or to the interpretation of this Agreement. To that end, representatives of the Parties shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both Parties. If the Parties do not reach such a solution within a period of thirty (30) days after the first meeting regarding a Dispute, then the Parties shall convene a meeting of the Board within sixty (60) days after the first meeting of the Party

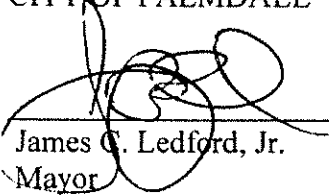
representatives regarding a Dispute and attempt to settle the Dispute before the Board meeting. If the Parties do not settle the Dispute within five (5) calendar days after the Board meeting, the Parties shall submit to mediation of the Dispute to be held within thirty (30) days of the request for mediation. If mediation is not successful, any Party may pursue any and all legal and equitable remedies that may be available. Any Party with a Dispute over the amount of money to be paid to the Authority or a Party shall first pay the disputed amount to the Authority or other Party under protest before commencing dispute resolution under this section.

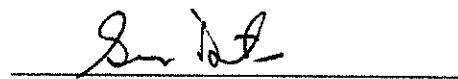
9.11 Governing Law. This Agreement is to be governed by and construed according to the laws of California.

IN WITNESS WHEREOF, the Members hereto have caused this Agreement to be executed by their proper officers thereunder duly authorized and effective as of the date of execution of all Members hereto.

CITY OF PALMDALE


PALMDALE WATER DISTRICT


James C. Ledford, Jr.
Mayor


Gordon Dexter
President

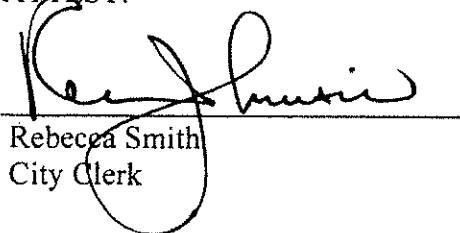
APPROVED AS TO FORM:

APPROVED AS TO FORM:


Wm. Matthew Ditzhazy
City Attorney



ATTEST:


Rebecca Smith
City Clerk

**FIRST AMENDMENT TO THE
JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE
RECYCLED WATER AUTHORITY
DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)**

Dated March 6, 2013

This First Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 6 day of March 2013, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement provides for a five-member Authority Board wherein each of the two Members appoint two members from their respective governing boards to serve on the Authority Board and jointly appoint the "Fifth Director", and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to clarify the conditions under which the Fifth Director may be removed from the Authority Board.

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.4 of the Agreement, is amended to add the following paragraph to read as follows:

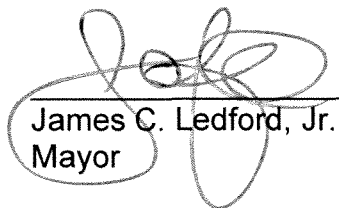
"The fifth Director shall serve for renewable one-year terms at the pleasure of both Members. In the case of removal of the fifth Director before the expiration of his or her term, both Members would be required to adopt resolutions for removing said director. Cause for removal need not be stated in the resolutions as the fifth Director serves at the joint pleasure of both Members."


SECTION 2. EFFECTIVE DATE. This First Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

IN WITNESS WHEREOF, each of the parties have caused this "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

PALMDALE WATER DISTRICT



James C. Ledford, Jr.
Mayor


Kathryn Mac Laren
President

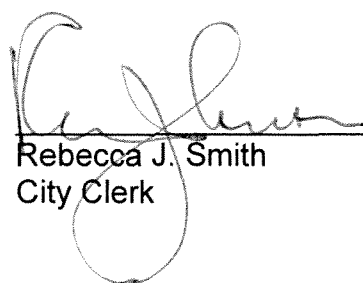
APPROVED AS TO FORM:

APPROVED AS TO FORM:


Wm. Matthew Ditzhazy
City Attorney


Thomas S. Bunn, III
District Counsel

ATTEST:


Rebecca J. Smith
City Clerk

**SECOND AMENDMENT TO THE
JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE
RECYCLED WATER AUTHORITY
DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)**

Dated October 2, 2013

This Second Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 2nd day of October, 2013, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement Section 4.19 "Authority Documents", the affairs of the Authority must be implemented through duly adopted resolutions approved by the Authority Board, and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to simplify the adoption of general and routine items of the Authority by eliminating the need for a formal resolution except in more extraordinary matters..

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.19 of the Agreement, is amended to add on the following paragraph as follows:

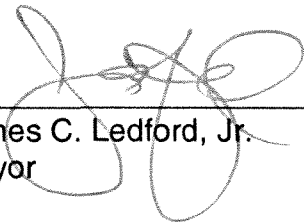
"All actions of the Authority Board pursuant to Section 4.9 "Special Voting Situations" shall be via written resolution formally adopted at a regular or adjourned regular meeting of the Authority. All other Authority Board matters may be adopted via motion and vote and so noted in the minutes."

SECTION 2. EFFECTIVE DATE. This Second Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

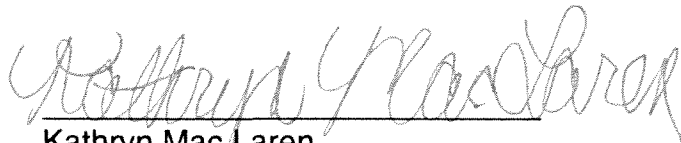
IN WITNESS WHEREOF, each of the parties have caused this "2nd Amendment to the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

PALMDALE WATER DISTRICT



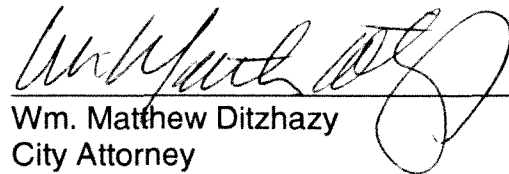
James C. Ledford, Jr.
Mayor



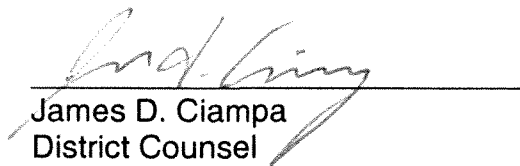
Kathryn MacLaren
President

APPROVED AS TO FORM:

APPROVED AS TO FORM:

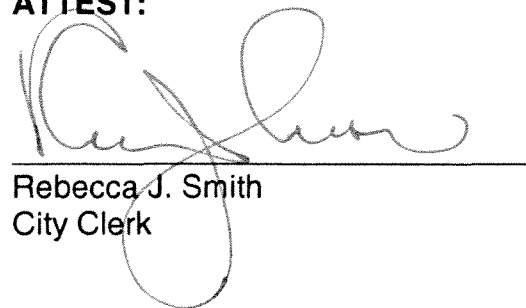


Wm. Matthew Ditzhazy
City Attorney



James D. Ciampa
District Counsel

ATTEST:



Rebecca J. Smith
City Clerk



**PALMDALE RECYCLED WATER AUTHORITY
RECYCLED WATER FACILITIES MASTER PLAN**

January 2015

PALMDALE RECYCLED WATER AUTHORITY
RECYCLED WATER FACILITIES MASTER PLAN

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**Table 6 Customer List – Schools
Recycled Water Facilities Master Plan
Palmdale Recycled Water Authority**

Customer Name	Account Number	Site ID	Irrigated Area (acres)	Annual Demand (afy)	Max Day Demand (mgd)	Peak Hour Demand (gpm)
Manzanita Elementary School	42961620	S1	3.8	27.0	0.05	100.6
Tumbleweed Elementary School	43662101	S10	5.6	29.6	0.05	110.1
Yucca Elementary School	42662450	S11	3.2	19.0	0.03	70.9
Cactus K-8	33061060	S12	4.5	37.9	0.07	140.8
Mesa Intermediate School	43261101	S13	9.1	47.7	0.09	177.5
Los Amigos School	23561917	S14	1.7	35.3	0.06	131.3
Pete Knight High School	23561001	S15	20	243.9	0.44	907.5
Shadow Hills Intermediate School	23461001	S16	7.0	98.6	0.18	367.0
Yellen Learning Center School	40481015	S17	2.1	16.1	0.03	60.0
Oak Tree Learning Center	23261001	S18	7.1	40.9	0.07	152.2
Mesquite Elementary School	43361101	S2	3.4	28.7	0.05	106.7
R. Rex Parris High School	22362903	S20	1.7	16.6	0.03	61.9
Buena Vista Elementary School	40451001	S22	7.1	53.2	0.10	198.1
Cimmaron Elementary School	10551004	S23	2.8	28.1	0.05	104.5
Golden Poppy Elementary School	43561001	S24	2.3	29.3	0.05	109.1
Chaparral Elementary School	33461101	S26	2.5	16.3	0.03	60.5

Table 6 Customer List – Schools Recycled Water Facilities Master Plan Palmdale Recycled Water Authority						
Customer Name	Account Number	Site ID	Irrigated Area (acres)	Annual Demand (afy)	Max Day Demand (mgd)	Peak Hour Demand (gpm)
Palmtree Elementary School	60794001	S3	3.3	32.1	0.06	119.6
Tamarisk Elementary School	12562700	S5	3.3	24.4	0.04	90.7
Wildflower Elementary School	32971136	S6	3.8	30.4	0.05	113.0
Palmdale Learning Plaza	22762900	S7	6.6	52.3	0.09	194.7
Palmdale High School	33061061	S8	5.6	82.1	0.15	305.5
Desert Rose Elementary School	23161801	S9	4.4	26.2	0.05	97.3
High School (47th & Pearblossom)	n/a	S27	6.8	26.2	0.05	97.5
Phoenix High School	n/a	S4	4.4	11.7	0.02	43.5
Barrel Springs Elementary School	n/a	S19	9.7	58.0	0.10	215.8
Desert Willow Intermediate School	n/a	S21	10.2	36.8	0.07	136.9
Joshua Hills Elementary School	n/a	S25	9.3	22.9	0.04	85.2
Total	-	-	151	1,172	2.09	4,358

Table 7 Customer List – Parks Recycled Water Facilities Master Plan Palmdale Recycled Water Authority						
Customer Name	Account Number	Site ID	Irrigated Area (acres)	Annual Demand (afy)	Max Day Demand (mgd)	Peak Hour Demand (gpm)
Dr. Robert C. St. Clair Parkway	12662405	P1	2.8	31.9	0.06	118.5
Pelona Vista Park	43462001	P10	26.2	116.6	0.21	434.0
Dry Town Water Park	40551905	P11	7.1	68.4	0.12	254.5
McAdam Park	23271901	P2	15.3	64.1	0.11	238.6
Courson Park	32562226	P3	4.0	35.1	0.06	130.7
Desert Sands Park	76700008	P4	11.3	53.7	0.10	199.7
Domenic Massari Park	01762991	P7	30	150.6	0.27	560.2
60th St E/Ave S-8 Park	n/a	P12	19.2	84	0.15	312.5
72nd St E/Ave R-8 Park	n/a	P13	10.4	42	0.07	156.3
70th St E/Ave R Park	n/a	P14	10.4	42.0	0.07	156.3
Sam Yellen Park	n/a	P15	0.8	105.0	0.19	390.6
Sierra Hwy Green Belt	n/a	P16	0.2	16.0	0.03	59.5
Palmdale Park	n/a	P17	0.3	11.0	0.02	40.9
Desert Sands Expansion	n/a	P5	4.0	29.0	0.05	107.9
Desert Lawn Memorial Park	n/a	P6	47	32.3	0.06	120.2
Joshua Hills Park	n/a	P8	3.6	16.3	0.03	60.6
Total	-	-	142	849	1.6	3,160

Table 8 Customer List – Others Recycled Water Facilities Master Plan Palmdale Recycled Water Authority						
Customer Name	Account Number	Site ID	Irrigated Area (acres)	Annual Demand (afy)	Max Day Demand (mgd)	Peak Hour Demand (gpm)
American Indian Little League	76700006	O1	4.5	10.5	0.02	39.0
Ponciltan Square	22662991	O2	1.5	0.0	0.00	-
Ponciltan Square (New Mtr-A)	69400291	O2	1.5	8.9	0.02	32.9
Ponciltan Square (New Mtr-B)	69400292	O2	1.5	7.6	0.01	28.1
Palmdale Pony League	33061000	O3	21.4	19.9	0.04	74.0
Trailer Shay	20351003	O4	14.1	3.7	0.01	13.8
Palmdale City Library	22662701	O5	0.2	5.0	0.01	18.6
Palmdale Parks & Rec Office	32562260	O6	0.3	3.5	0.01	12.9
Palmdale Playhouse	32562334	O7	0.1	2.8	0.01	10.5
Total⁽¹⁾	-	-	42	62	0.11	230
Note:						
(1) Ponciltan Square area only counted once						

As shown on Table 6, Table 7, and Table 8, schools represent the largest group of recycled customers within the PRWA service area with more than 1,100 afy of annual demand. Parks are the second largest group, with 850 afy of annual demand, and roughly 60 afy of annual demand used by the Other category.

3.1.2 Landscape Maintenance Districts (LMDs)

In addition to the Schools, Parks, and Others list of customers, the PRWA could provide water to a second group, the Landscape Maintenance Districts (LMDs), which represent residential areas similar to homeowners associations. These areas are within residential neighborhoods and typically consist of communal landscape areas such as street medians or sidewalk shoulders. One hundred sixty-six (166) LMDs have been identified by the PWRA. Where available, consumption data from 2012 was used to predict future demands. Using 2012 consumption data for 133 of the identified LMDs, an average LMD demand of 31 HCF per acre per year was developed. This water demand factor was assigned to the

- The slight increase provides PRWA with the flexibility to serve potential customers in the future that do not yet exist in or around the service area.

The Project will most effectively be implemented in multiple, manageable, phases. Six such phases have been identified. Rather than prioritizing these six recommended phases sequentially, they are each identified by an anchor customer. Three of the phases can proceed all the way to construction, regardless of the status of the other phases, which provides the PRWA with options based on the availability of grant funds and local support from the community.

The recycled water system conveyance components (i.e., pumping and piping) will be able to supply the peak hour demand of the recycled water system. The necessary pressure will be supplied by the recommended variable head pump station at the Palmdale Water Reclamation Plant (PWRP).

5.1.2 Project Costs

A full list of the assumptions used to generate the project costs, including O&M estimates, contingency markups, and facility costs, is presented in Chapter 4. The phasing specific data presented in this chapter uses the same data.

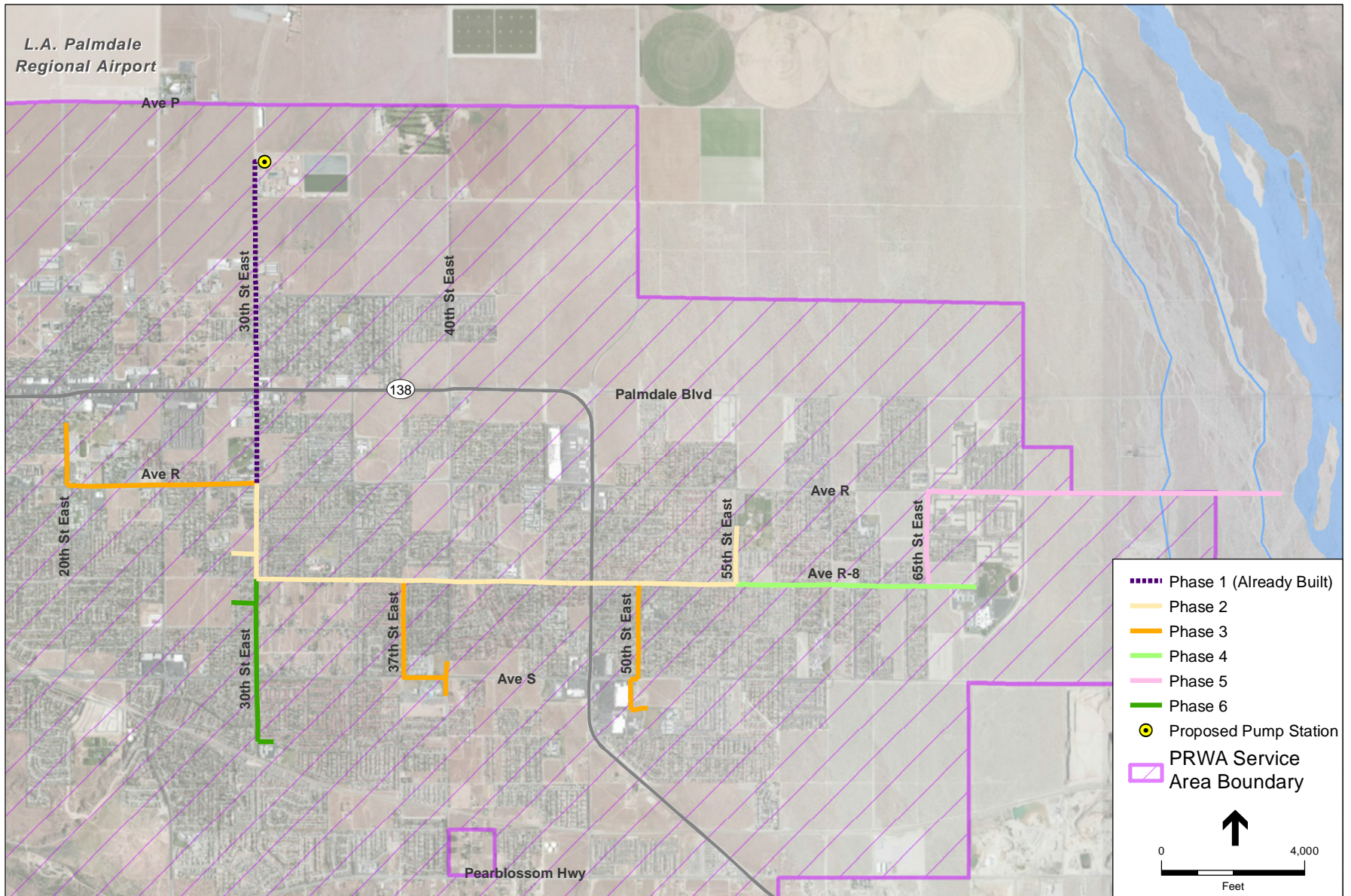
The majority of the Project costs will be upfront costs in the form of construction, engineering, construction management, environmental, legal, and contingency. In total, the entire recycled water system is projected to cost roughly \$30 million. A full list of costs, by phase and facility is presented in the following section in Table 24 and Table 25.

5.2 IMPLEMENTATION

This section gives an overview of project implementation. Individual pipe segment phasing is considered foremost. Schedule, finance, permitting, and agreements are all also included in the discussion.

5.2.1 Phasing

The Project will most effectively be implemented in multiple, manageable, phases as demonstrated on Figure 8. As there are currently minimal existing revenue streams available to the PRWA for designing or constructing the Project, it is anticipated that the Project will likely proceed only after PRWA secures grant funds for individual phases of the Project. As such, the phases need to be sized such that they can be packaged as standalone projects, meet typical grant requirements, and have an overall budget that includes a realistic amount of matching funds from the PRWA. Rather than prioritizing the six recommended phases sequentially, they are each identified by an anchor customer. Three of the phases can proceed all the way to construction, regardless of the status of the other phases, which provides the PRWA with options based on the availability of grant funds and local support from the community.



SOURCE: ESRI

PRWA Recycled Water Facilities Plan IS/MND . 130096

Figure 4
Proposed Construction Phases

Finally, the appropriate next steps for each Phase are identified, again providing the PRWA with options.

Prior to the use of recycled water within the PRWA service area, a pump station must be built at the PWRP in order to provide sufficient pressure so that recycled water can be supplied to customers.

The total system peak hour demand at build out is estimated to be about 6,700 gpm. Given the total dynamic head requirement of 335 ft and average pump efficiency, the pump station should have a net capacity of about 800 hp, and be variable speed, in order to meet shifting and expanding system demands.

Palmdale High School Phase

The Palmdale High School Phase will connect to the existing recycled water pipeline on 30th Street East and transport this water west along Avenue R to 20th Street East. This will allow PRWA to serve Palmdale High School, located at 2137 Avenue R. Because this phase is an offshoot of the main trunk line, it can be constructed independent of the other phases. Other customers met by this phase include the Cactus School and Palmdale Pony League. In total, this phase will be used to meet approximately 140 afy of recycled water demand.

Domenic Masari Park Phase

The Domenic Masari Park Phase will extend the existing recycled water pipeline south along 30th Street East then continue east along Avenue R-8 to 55th Street East via a 24" line. This phase will allow PRWA to serve Mesa Intermediate School, Mesquite Elementary School, Desert Rose Elementary School, and finally Domenic Masari Park. Similar to the Palmdale High School Phase, this section of pipe can be constructed independent of other phases. In total, this phase will be used to meet approximately 290 afy of recycled water demand.

Dry Town Laterals Phase

The Dry Town Laterals Phase does not include the installation of any trunk line to transport PRWA recycled water supplies eastward. Instead, this phase focuses on extending smaller distribution laterals south from the mainline along Avenue R-8. These laterals will be located on 30th Street East, 40th Street East, and 50th Street East, and will serve demand at four parks and five schools. The largest of these customers are Dry Town Water Park and Sam Yellow Park. In total, this phase will be used to meet approximately 350 afy of recycled water demand.

Implementing this phase requires the completion of the Domenic Masari Park Phase.

Pete Knight High School Phase

The Pete Knight High School Phase will move recycled water supplies from the intersection of 55th Street East and Avenue R-8 north to Avenue R, and then directly east along Avenue R until reaching 70th Street East. This will allow PRWA to serve Pete Knight High School, Shadow Hills Intermediate School, and Los Amigos School. As with the Dry Town Laterals phase, implementing this phase requires the completion of the Domenic Masari Park Phase. In total, this phase will be used to meet approximately 390 afy of recycled water demand.

Littlerock Creek Phase

The Littlerock Creek Phase will move recycled water from the intersection of 70th St and Avenue R to the future Littlerock Creek recharge site. As the terminus of the system, this location will serve as a groundwater recharge site where recycled water may be supplemented with imported water resources for the purposes of recharging the groundwater basin. In addition to groundwater recharge, this phase will also serve a new park at 70th Street East. The park will use approximately 40 afy while recharge is anticipated to utilize 9,450 afy.

Implementing this phase requires the completion of the Domenic Masari Park Phase and Pete Knight High School Phase

Before this phase may be undertaken, PRWA must complete the Feasibility Study for the Littlerock Creek Recharge Project. This will involve initiating communication with LCID, Waterworks No. 40, and AVEK, as well as meeting with the Regional Water Quality Control Board and the California Department for Public.

Amargosa Creek Phase

Groundwater recharge at Amargosa Creek does not rely on the recycled water transmission lines described in the other phases. Rather, the Amargosa Phase would use currently planned infrastructure to move recycled water supplies to the Upper Amargosa Creek Recharge Project site or another potential recharge area along the Amargosa Creek.

As shown in the Alternatives Evaluation in Section 4, the effective unit cost for reuse of the available recycled water is dramatically reduced when groundwater recharge is included as part of the Project. In order for the PRWA to use recycled water for recharge, it will likely occur in locations outside of PRWA's service area and require collaboration with neighboring agencies such as AVEK, Waterworks No. 40, and others. This will be the case for recharge occurring in either Littlerock or Amargosa Creeks.

While the entire Amargosa Creek is located outside of the PRWA service area, preliminary studies by the USGS for the Upper Amargosa Creek Recharge Project have predicted that water that infiltrates into the ground from the creek serves to recharge the groundwater basin underlying the PRWA service area. Once the Upper Amargosa Creek Recharge

Project is operational and shown to be functional, the initial results can be used to determine if recycled water could be used to supplement imported and storm water supplies. Ultimately, the ability to use Amargosa Creek as a site for groundwater recharge and indirect potable reuse hinges on the success of the Upper Amargosa Creek Recharge Project.

The City has partnered with Waterworks No. 40 to design and construct a 24-inch recycled water pipeline from the PWRP to the City of Palmdale Hybrid Power Plant Project. A portion of this pipeline runs adjacent to Amargosa Creek and terminates approximately two miles north of the Upper Amargosa Creek Recharge Project. Independent of the design and construction of all other phases of the Project, the PRWA should partner in any effort to extend a recycled water pipeline to the Upper Amargosa Creek Recharge Project

Total Project Phasing

The completed recycled water system will require approximately 70,000 linear feet of pipe to be installed, along with a variable horsepower pump station. These facilities are presented by phase in Table 23.

Table 23 Summary of Proposed Facilities by Phase Recycled Water Facilities Master Plan Palmdale Recycled Water Authority								
		Palmdale High School (Feet)	Domenic Masari (Feet)	Dry Town Laterals (Feet)	Pete Knight High School (Feet)	Littlerock Creek (Feet)	Total (Feet)	Capital Cost (\$ M)
Pipelines								
6-inch Pipeline	-	2,450	700	10,450	-	-	13,600	\$2.9 M
8-inch Pipeline	-	7,800	1,650	1,850	-	-	11,300	\$3.0 M
12-inch Pipeline	-	-	750	3,550	1,350	-	5,650	\$1.8 M
24-inch Pipeline	-	-	21,400	-	5,400	12,600	39,400	\$19.2 M
Pump Station	PWRP Pump Station	-	-	-	-	-		\$3.0 M

As shown in Table 23, the largest facility expansion will occur in the Domenic Masari Phase of the project. Other phases either focus more on transmission or distribution. While the pump station Phase is shown separately in this table, it is anticipated that it will be constructed simultaneously with either the Palmdale High School Phase or Domenic Masari

Phase. Below, Table 24 shows all the stages of project phasing along with demand and unit costs. Again, the pump station construction is separated into its own phase for cost presentation purposes, but will be constructed simultaneously with either the Palmdale High School Phase or Domenic Masari Phase.

Table 24 Project Costs by Phase Recycled Water Facilities Master Plan Palmdale Recycled Water Authority						
Phase	Prerequisite⁽¹⁾	Total Annual Demand (afy)	Annual Demand per Phase (afy)	Total Capital Cost (\$ M)	Capital Cost per Phase (\$ M)	Unit Cost⁽²⁾ (\$/af)
Pump Station	n/a	n/a	n/a	\$3.0 M	\$3.0 M	n/a
Palmdale High School	Pump Station	145	145	\$5.6 M	\$2.6 M	\$3,425
Domenic Masari Park	Pump Station	295	295	\$14.3 M	\$11.3 M	\$4,275
Dry Town Laterals	Domenic Masari Park	645	350	\$18.1 M	\$3.9 M	\$2,550
Pete Knight High School	Domenic Masari Park	685	390	\$17.3 M	\$3.1 M	\$2,300
Littlerock ⁽³⁾	Peter Knight High School	10,200	9,500	\$23.5 M	\$6.1 M	\$350
Complete System	All	10,700	n/a	\$29.9 M	n/a	\$400
Note:						
(1) Total capital costs and unit costs are calculated with the assumption that phases are completed with minimum number of prerequisites (e.g. Pete Knight phase assumes Palmdale High School and Dry Town Lateral phases have <i>not</i> been built)						
(2) Unit cost is derived by amortizing capital costs over a 30 year payback period, and includes O&M (2% of capital cost, annually)						
(3) The Littlerock phase annual demand is composed of roughly 50 afy of direct non-potable reuse, and roughly 9,450 afy of groundwater recharge						

As shown in Table 24, the unit cost to deliver recycled water to direct non-potable customers within the PRWA is expected to range from \$350 per afy to over \$4,000 per afy. Once recycled water can be delivered to the groundwater recharge site planned for Littlerock Creek, utilization of the system will increase by roughly 9,500 afy.

It is also important to note that after the Domenic Masari Phase is complete, further expansion of the system leads to a decrease in unit cost. This is because the majority of

potential customers are in the eastern half of the PRWA service area and once that area is reached, recycled water utilization should significantly increase, relative to the cost of the system. As shown, the majority of project costs are due to installation of nearly 40,000 linear feet of the 24-inch pipeline.

It should be noted that following installation of the pump station, the phasing costs will be determined by pipeline construction. The project costs presented in Table 23 and Table 24 assume a 30-year payback period on all project capital costs.

5.3 SCHEDULE

A tentative project schedule is presented below in Figure 9.

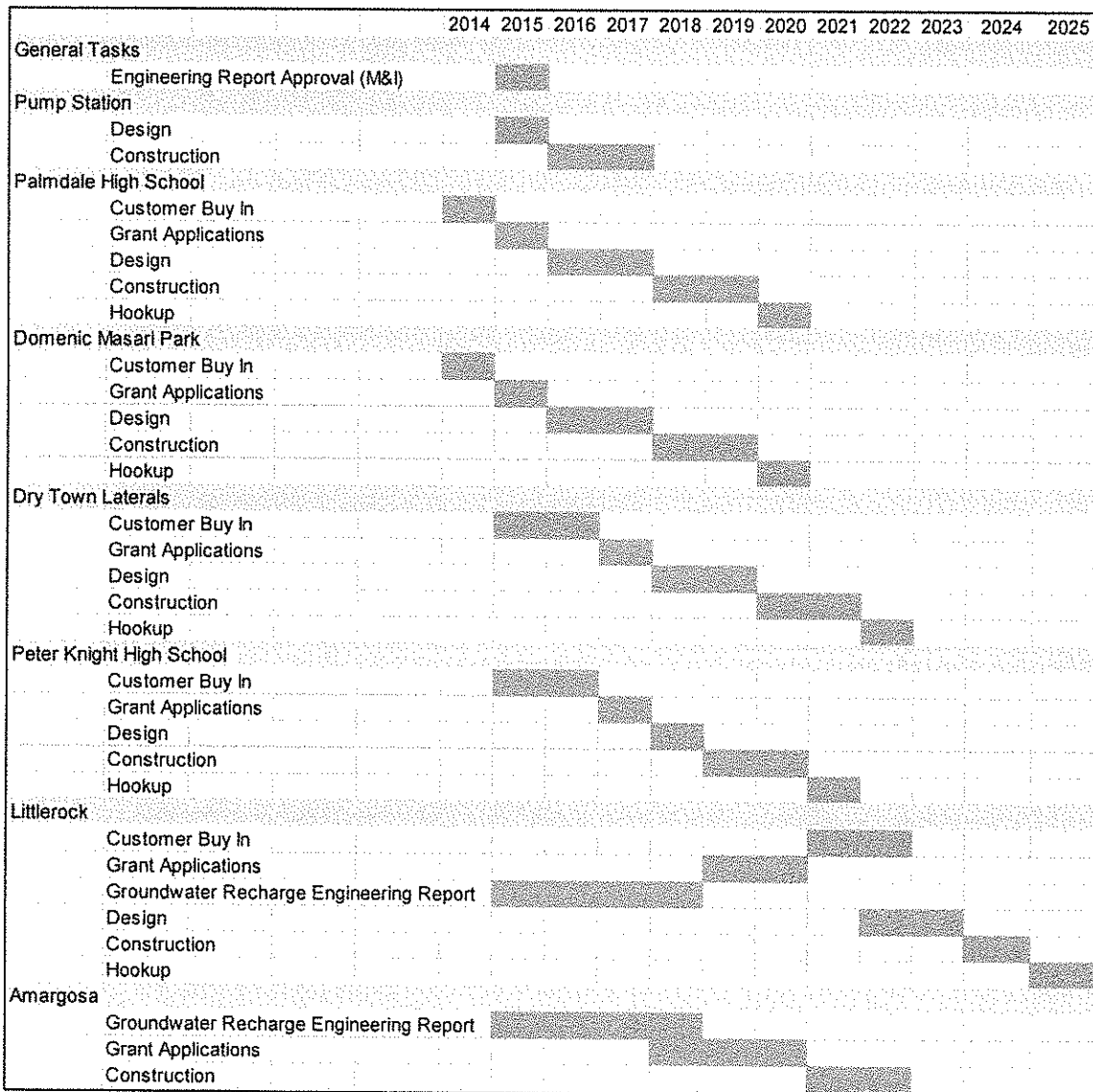


Figure 9 Project Schedule

As shown in Figure 9, the Project is anticipated to require over 10 years to complete. The direct non-potable use stages of the project have the potential to be completed much earlier.

5.4 FINANCE

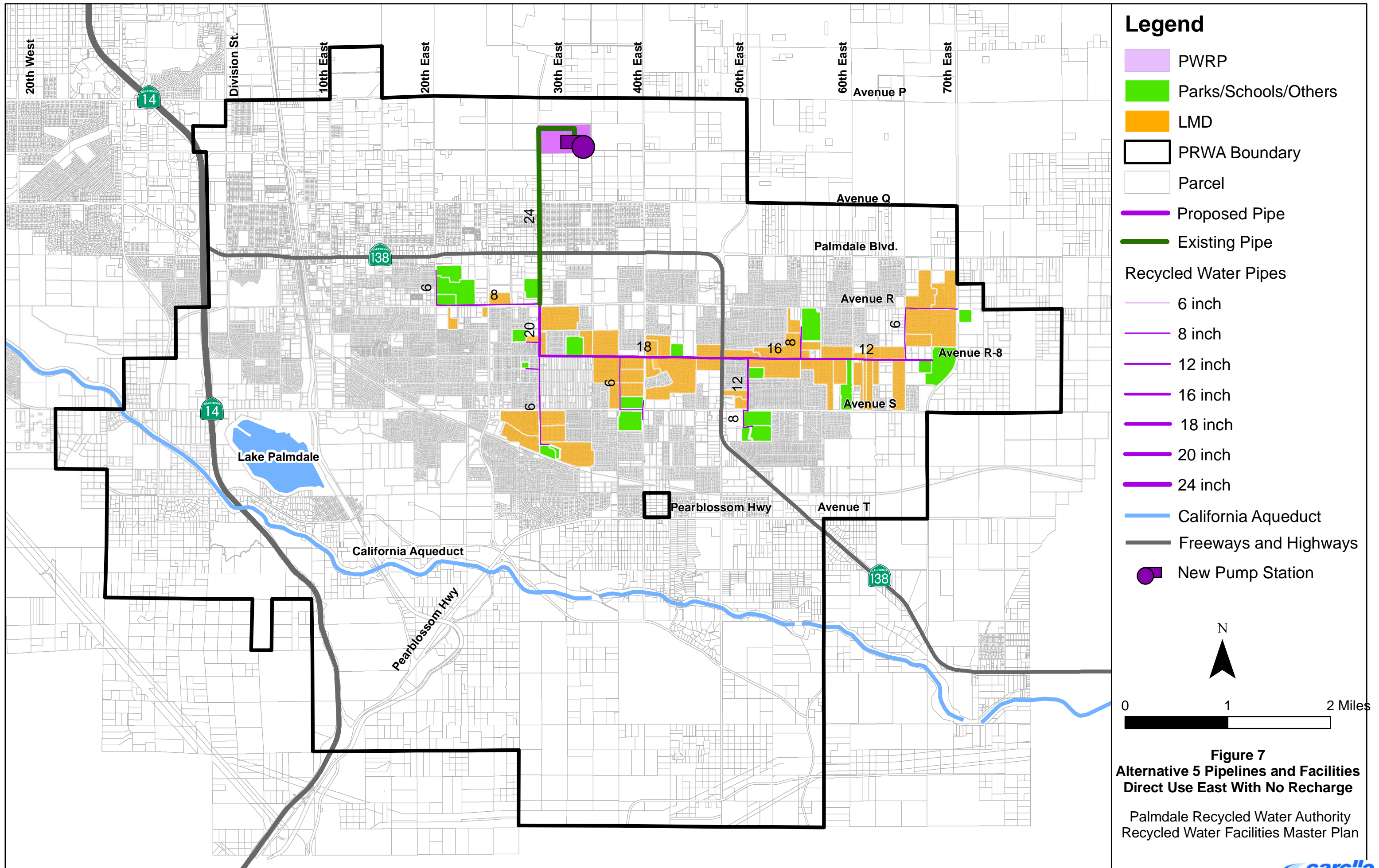
This section describes how the recycled water project will generate funds for the PRWA, as well as how different elements of the project will be financed.

5.4.1 Rates

Based on the assumption that Alternative 3 is selected at the estimated total capital cost of \$30 million (Table 24), a *Preliminary Recycled Water Financial Plan* (Carollo, 2014) was prepared to assess the PRWA recycled water rates, primarily the City and PWD. The City will purchase recycled water for its parks and landscape maintenance districts, while PWD will use recycled water for groundwater recharge. Recycled water will also be sold to private customers, mostly in the form of schools, which use recycled water for irrigation purposes.

To develop recycled water rate unit costs, three methodologies were evaluated: (1) Straight Unit Cost; (2) Rate Smoothing; (3) Percent of Potable. Under the first rate alternative, Straight Unit Cost, a unit cost is calculated by dividing that year's assumed expenditures by assumed recycled water deliveries. As costs relative to deliveries are higher for the earlier phases, the unit cost is highest in the first few years and drops as expected recycled water deliveries expand. As such, this approach requires the least amount of funding commitments from the City and PWD. Since the system is projected to take nearly 10 years to expand projected deliveries, normalizing the short-term marginal cost of recycled water would be advantageous to prevent the system's initial users from paying a higher rate than users later in the development phase.

Conceptualizing the recycled water system as a complete system involves allocating upfront costs of the system (e.g. pump stations) to all users based on full utilization, rather than to existing usage. As the second alternative, a rate smoothing approach was evaluated to guard initial users (first connectors) from large fluctuations in unit costs over the initial phases of the project. This approach further provides a mechanism to smooth upfront costs to future users. For example, given the financial assumptions, the pump station unit cost for initial users is \$541 per af (pump station debt service / 2020 demand). Spreading this fixed cost over the full demand of the system reduces the unit cost to \$195 per af (pump station debt service / 2025 demand). A rate smoothing approach calculates the revenue difference between the two prices and amortizes that lost revenue (expense) over a set number of years for repayment (recovery). However, this methodology would require either adequate reserves or an outside funding source to fund the impact of the rate normalization. The rate smoothing approach results in a lower cost in the short term, but higher in the long term as the reserves are replenished or outside funding commitments are repaid.



Legend

- PWRP
- Parks/Schools/Others
- LMD
- PRWA Boundary
- Parcel
- Proposed Pipe
- Existing Pipe
- Recycled Water Pipes
- 6 inch
- 8 inch
- 12 inch
- 16 inch
- 18 inch
- 20 inch
- 24 inch
- California Aqueduct
- Freeways and Highways
- New Pump Station

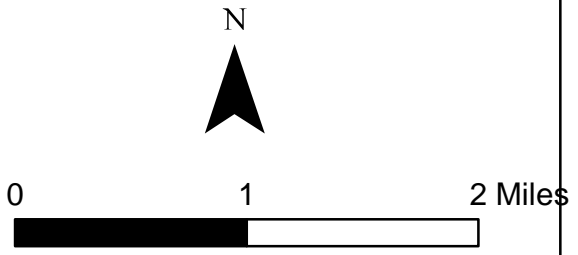


Figure 7
Alternative 5 Pipelines and Facilities
Direct Use East With No Recharge
 Palmdale Recycled Water Authority
 Recycled Water Facilities Master Plan

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: January 9, 2024 **January 16, 2024**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Dennis J. Hoffmeyer, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO 7.2 – TREASURER’S REPORT FOR DECEMBER 2023

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the twelve months ending December 31, 2023.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and the responsibilities of the Treasurer, a Financial Report is prepared and submitted to the Board of Directors who certifies the availability of funds for the reports presented. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of December 31, 2023, the PRWA has \$ 2,964,658.66 in cash and investments. PRWA had interest and market adjustment of \$10,719.57, received \$672.54 in receivables, and there were no expenses and fees paid for the month.

Supporting Documents:

Treasurer’s Report for the month ending December 31, 2023.
Balance Sheet for the period ending December 31, 2023.
Income Statement for the period ending December 31, 2023.

**Palmdale Recycled Water Authority
Treasurer's Report
Month Ended December 31, 2023**

Cash/Funds Available and held at Bank of America, Citizens Business Bank, & UBS Financial Svcs:

Bank Balance, beginning December 1, 2023	2,953,266.55
Less: Expenses Paid	-
Less: Bank Fees Paid (Analysis Fees & Credit Card Processing)	-
Add: Deposits Made	672.54
Add: Interest Earned & Market Adjustment on Investments	10,719.57
Add: Deposit in Transit	-
Less: Outstanding Check (Ledger Tie-Out)	-
Bank Balance, ending December 31, 2023	2,964,658.66
Less: Accounts Payable	(1,688.85)
Less: Accrued Purchases	(1,383.11)
Less: Accrued Payroll Taxes	-
Less: Deposits - Customer	(4,000.00)
Add: Accounts Receivable	6,448.38
Add: Interest Receivable	-
Adjusted Bank Balance, ending December 31, 2023	2,964,035.08

Outstanding Checks (Prior Month(s)):

December Checks Issued:

Total Checks Issued

-

Palmdale Recycled Water Authority
Balance Sheet
For the Twelve Months Ending 12/31/2023

	YTD
ASSETS	
UBS- Investment Funds	\$2,357,999
Bank of America - Checking	\$41,273
Citizens Business Bank - Checking	\$565,386
Prepaid Memberships	
Prepaid Insurance	4,294
Accounts Receivable	
- Water	6,448
- Government Agency	
Interest Receivable	
Property, Plant and Equipment, net	1,535,453
Total Assets	\$4,510,854
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$1,689
Accrued Expense	1,383
Deposits - Customer	4,000
Total Liabilities	7,072
FUND BALANCE	
Unassigned	4,503,782
Total Fund Balance	4,503,782
 Total Liabilities and Fund Balance	 \$4,510,854

Palmdale Recycled Water Authority
Income Statement - Current and YTD
For the Twelve Months Ending 12/31/2023

	December	YTD
REVENUES:		
Contributions - Palmdale Water District		
Contributions - City of Palmdale		
Grant Funds		
Water Sales	2,110.76	61,899.42
Interest Earnings	6,259.01	47,735.95
Market Adjustment on Investments	4,460.56	58,724.89
Total Revenue	\$12,830.33	\$168,360.26
 EXPEDITURES:		
General Government		
Public Representative - Payroll Tax Expense (Employer)		
Public Representative - Travel & Meeting	645.90	645.90
Banking Fees		157.95
Provision for Bad Debt		
Insurance		6,255.01
Memberships		5,657.50
Operating Supplies		
Marketing & Outreach		
Travel & Meeting		
Permits & Fees		2,921.60
Utilities - Purchased Water		
Materials & Supplies	597.31	597.31
Maint. & Repair - Water System		
	\$1,243.21	\$16,235.27
 Public Resource		
Contracted Services - Professional Svcs		
Contracted Services - Audit		8,500.00
		8,500.00
	\$1,243.21	\$24,735.27
 Non-Cash Operating Expense		
Depreciation	4,450.59	53,407.08
Non-Operating Revenue		
Capital Contribution		
	(\$4,450.59)	(\$53,407.08)
 Change in Net Position	\$7,136.53	\$90,217.91
 Net Position - Beginning of Year		4,413,564.07
 Net Position - End of Year	\$7,136.53	\$4,503,781.98



Optimizing the Use of Tertiary Water for Palmdale

Options for Utilizing Tertiary Water	Advanced Water Treatment Plant and Injection	Irrigation	Recharge and Recovery
Volume (afy)	5,325	1,725	4,000
Cost (\$/afy)	\$1,710	\$2,600	\$3,160

1. Advanced Treatment Facility and injection wells
2. Irrigation or purple pipe system
3. Recharge is a blend of tertiary and imported water that is spread in the basins and extracted using wells

BENEFITS OF ADVANCED TREATED TERTIARY WATER

- **Larger volume of recycled water used**
- **Improve basin water quality and help with basin health**
- **Less infrastructure required**
- **Smaller environmental impact**
- **Less loss from evaporation**
- **No required imported water for blending**
- **No additional imported water purchase costs**
- **More drought resilient**



Photo courtesy of the City of Rio Rancho



“Our Long-Term Water Solution”

Learn more about Pure Water Antelope Valley at PureWaterAV.org

Pure Water Antelope Valley (AV) will help secure the future of our water by using proven water purification technology to clean recycled water to produce safe, high-quality drinking water to boost our local water supply.



ABOUT PURE WATER ANTELOPE VALLEY



The Palmdale Water District (PWD) provides water to approximately **127,000 people** throughout its **40 square mile service area**. PWD relies on three water sources: **1) imported water from the State Water Project 2) natural runoff from snowpack in the local mountains and from rainfall captured behind Littlerock Dam; and 3) natural groundwater aquifer for well extraction**. Each of these supplies

has challenges and constraints that have led PWD to evaluate new, locally controlled water supply opportunities. PWD has identified advanced water purification as the preferred way to meet the current and future water demands for its customers.

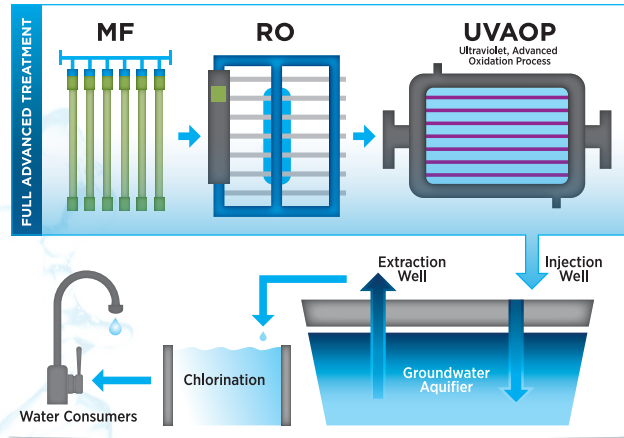
Advanced purified recycled water is proven to produce clean, safe, reliable drinking water and is used by many agencies throughout California.





ADVANCED PURIFIED WATER PROCESS

Through an advanced process of micro-filtration filters, reverse osmosis and ultraviolet light with advanced oxidation, recycled water will be cleaned to meet all state and federal drinking water standards and regulations. The water will be added to our existing water supplies to provide safe, reliable drinking water for Antelope Valley.



CONSTRUCTION AND COMMISSIONING

Pure Water AV will build a demonstration facility for testing and public tours before constructing the full-scale facility and supporting infrastructure. Current schedules estimate the demonstration facility will be completed in Summer 2025 and construction of the full-scale facility will be completed in Spring 2029, with the startup of the system beginning by 2029. Estimated construction costs for the demonstration facility are \$15 million and the full-scale facility and supporting infrastructure are \$200 million.

CONSTRUCTION TIMELINE



Palmdale Water Reclamation Plant (WRP) - The Palmdale Water Reclamation Plant has a capacity to clean wastewater to recycled water standards and distribute for non-potable uses such as irrigation and some industrial applications like cooling towers. The recycled water produced at this facility would be available as source water for the Pure Water AV Advanced Water Purification Facility.

Demonstration Facility - The demonstration facility will provide the public with the opportunity to tour the plant and conduct testing of the advanced purified water to ensure it meets all health and safety requirements.

Advance Water Purification Facility (AWPF) - The full-scale facility will utilize the methods shown in the demonstration facility to provide 5,000 acre-feet, or about 1.8 billion gallons of new, locally-created water per year. The project will also construct pipelines necessary to move recycled and advanced purified water to and from facilities and build injection wells to store the advanced purified water in an underground water aquifer before adding to the Palmdale water system.

CONTACT:

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srogers@palmdalewater.org





Pure Water AV Demonstration Facility – Rendered View from Southwest



Pure Water AV Demonstration Facility – Rendered View from Southeast

Potable Reuse Projects

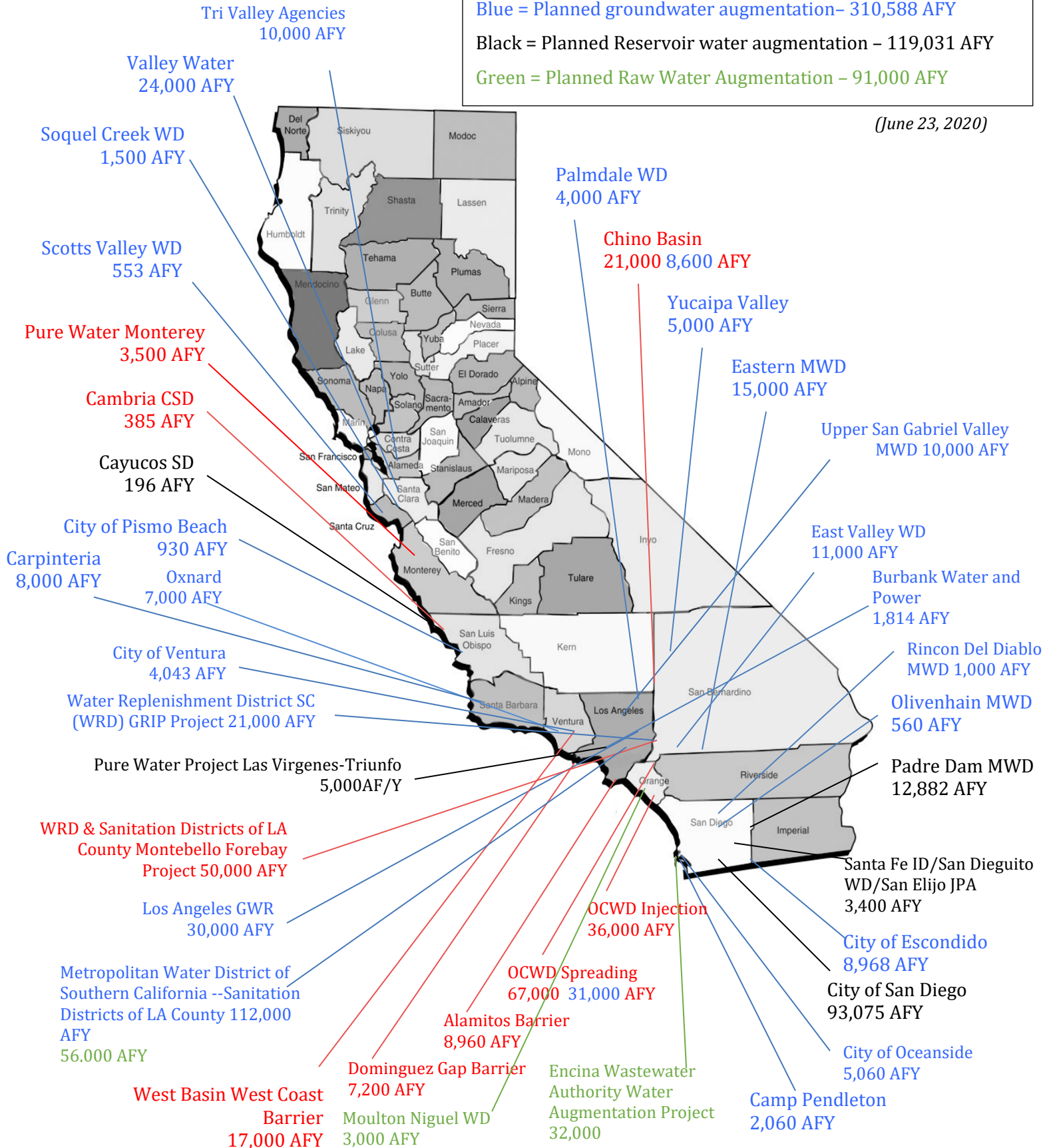
Red = Permitted groundwater augmentation— 207,545 AFY

Blue = Planned groundwater augmentation— 310,588 AFY

Black = Planned Reservoir water augmentation - 119,031 AFY

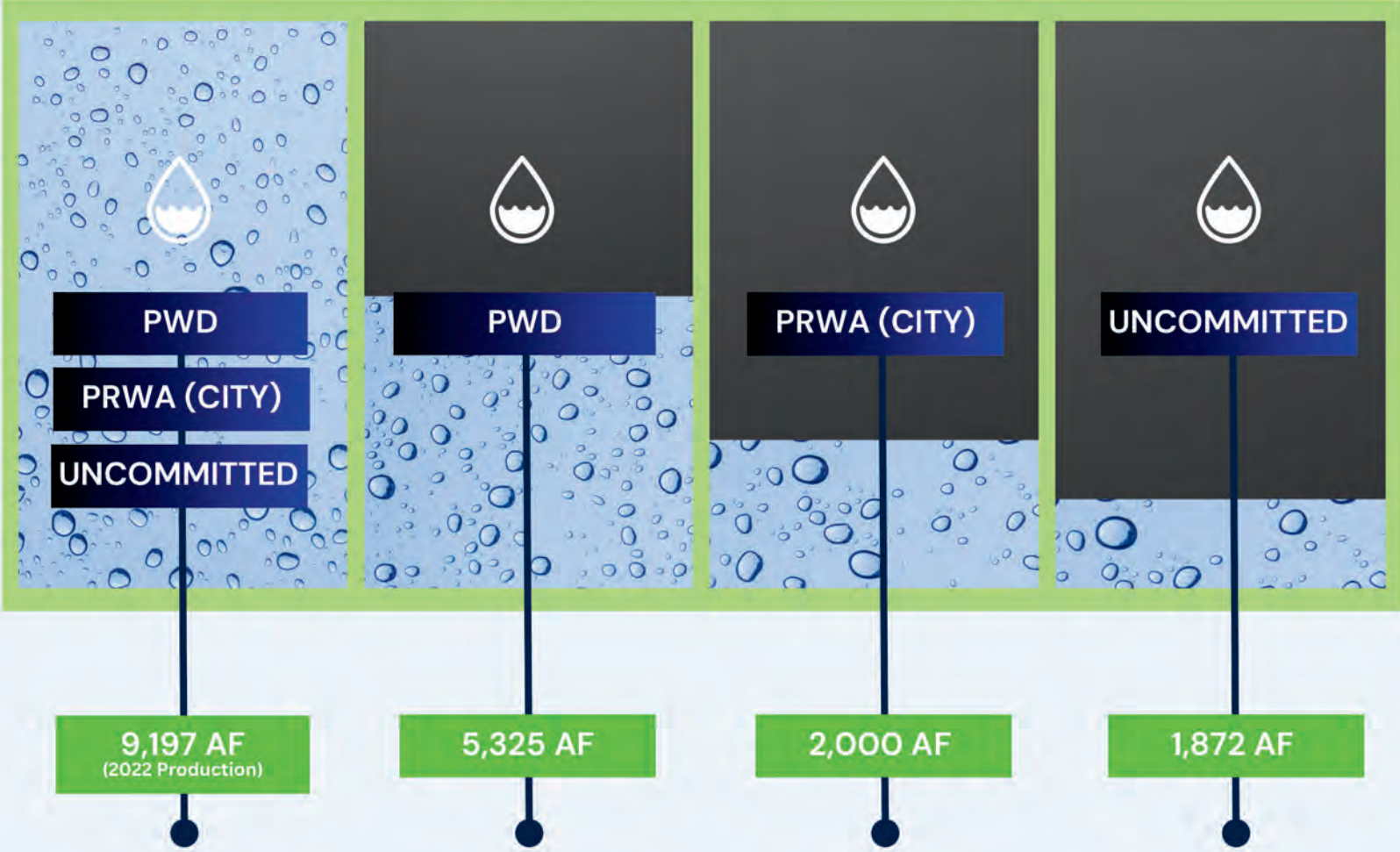
Green = Planned Raw Water Augmentation - 91,000 AFY

(June 23, 2020)



TERTIARY WATER

Palmdale Reclamation Plant



Groundwater Rights Summary

City of Palmdale

- No production rights
- Ability to store and recover
 - * Leased Nichols water
 - * Pure Water AV (TBD)
 - * Upper Amargosa Recharge Project

PWD

- Native production rights
- Unused federal rights
- Imported water return flows
- Ability to store and recover
 - * Pure Water AV
 - * Upper Amargosa Recharge Project

Palmdale's Long Term Water Supply Solution

- 5,325 ac-ft of recycled water put to beneficial use.
- Ensures long-term supply to support future development within the City
- PWD has a long history of proactively pursuing water supply without City investment
- Drought-proof Palmdale's parks



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

2

Agreement History

- Initially Executed in October 2016
 - 4,000 ac-ft for Palmdale Regional Groundwater Recharge and Recovery Project
 - 1,325 ac-ft for recycled water system existing and future expansion
- First Amendment in September 2019 and Second Amendment in October 2021
 - Updated agreement duration, milestones, and payment schedule



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

3

No Material Changes to Agreement with Third Amendment

- Takes PRWA volume 1,325 acre-feet and PWD 4,000 acre-feet and combines them into a single volume.
- Retains the total volume at 5,325 acre-feet
- Revise milestones to accommodate the use of recycled water for potable water through the Pure Water AV project
- Maintains the duration of the agreement through 2048.



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

4

Outcomes

- Puts recycled water to its highest beneficial use
- Offsets the need to build additional recycled water storage facilities
- Achieves the Sanitation District's Guiding Principles



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

5

SECOND AMENDED AND RESTATED RECYCLED WATER AND SUBLEASE AGREEMENT

This Second Amended and Restated Recycled Water and Sublease Agreement ("Agreement") is dated April 17, 2014 and is between **COUNTY SANITATION DISTRICT NO. 20 OF LOS ANGELES COUNTY**, a county sanitation district organized and existing under the County Sanitation District Act, Health and Safety Code Section 4700 *et seq.*, (the "District") and **ANTELOPE VALLEY FARMING, LLC**, a California Limited Liability Corporation, ("AVF"). The District and AVF are collectively referred to in this Agreement as the "Parties."

The District owns and operates the Palmdale Water Reclamation Plant ("Palmdale WRP") located at 39300 30th Street East, Palmdale, California, 93550. The Palmdale WRP treats wastewater and discharges effluent known as "recycled water." The District is authorized to sell or otherwise put to beneficial use any recycled water produced at the Palmdale WRP subject to applicable regulations.

The District has entered into recycled water agreements for the sale of all recycled water produced from the Palmdale WRP. The District owns and operates recycled water storage facilities including geomembrane-lined storage reservoirs, pump stations, and transmission pipelines. **The recycled water from the Palmdale WRP that is not reused in accordance with the recycled water agreements must be stored in lined reservoirs and beneficially used for irrigation of fodder crops.**

In 2002, the District entered into a twenty (20) year lease agreement ("Lease") for 2,680 acres of land owned by the City of Los Angeles and located adjacent to the Palmdale WRP ("Leased Premises"). The District currently conveys recycled water produced at the Palmdale WRP to the Leased Premises. The recycled water produced at the Palmdale WRP is suitable for non-potable uses including, but not limited to, irrigation of alfalfa and other fodder crops. In order to protect groundwater quality, the California Regional Water Quality Control Board, Lahontan Region ("Regional Board") has prescribed waste discharge requirements that require the District to operate its agricultural site so that any irrigation of crops with recycled water does not exceed the crops' water or nutrient agronomic utilization rates.

Under the terms of the Lease, which is attached as Exhibit "A", the District is authorized to sublease portions of the Leased Premises with the written consent of the City of Los Angeles. The District and AVF have entered into an Amended and Restated Recycled Water and Sublease Agreement, a "Sublease Agreement," ("District Contract No. 4356A" executed on June 23, 2011). The Sublease Agreement provides for the District to supply recycled water from the Palmdale WRP to AVF and include

the sublease of portions of the Leased Premises to AVF for purposes of managing recycled water through irrigation of fodder crops. The District and AVF desire to extend the term of the Sublease Agreement.

The "Subleased Premises" for this Agreement are the cumulative areas of Project Sites A and B, which are shown on the attached Exhibit "B". Project Site A is legally described as:

A parcel of land consisting of approximately 1,445 acres comprised of the following three areas: Area 1 is a 320-acre area comprised of the southwest quarter of Section 11 and the southeast quarter of Section 10 of Township 6 North, Range 11 West, of the San Bernardino Baseline and Meridian; Area 2 is a 485-acre area comprised of the northwest quarter of Section 11, the northeast quarter of Section 10, and the southwest quarter of Section 10 of Township 6 North, Range 11 West, of the San Bernardino Baseline and Meridian, and the area enclosed by the following description: beginning at the southeast corner of the northwest quarter of Section 10, Township 6 North, Range 11 West, of the San Bernardino Baseline and Meridian, thence west a distance of 545 feet to the beginning of a non-tangent 545-foot radius curve concave to the southeast, said course also being a radial for said curve, thence northerly along said curve through a central angle of 90 degrees an arc distance of 856 feet to its intersection with a non-tangent line, thence south a distance of 545 feet to the Point of Beginning; and Area 3 is a 640-acre area comprised of Section 15 of Township 6 North, Range 11 West, of the San Bernardino Baseline and Meridian, and

Project Site B is legally described as:

A parcel of land consisting of approximately 1,073 acres comprised of portions of Sections 9, 10, 14, 15 and 16, Township 6 North, Range 11 West, San Bernardino Baseline and Meridian.

The District must continue to beneficially use on the Subleased Premises all recycled water produced by the Palmdale WRP that is not used by municipal users by permitting a qualified farming entity to conduct agricultural recycled water reuse operations at agronomic rates for water and nutrients. AVF has purchased and installed twelve (12) center pivot irrigation systems at Project Site A to irrigate fodder crops with recycled water at agronomic rates on Project Site A.

The District has purchased and installed fifteen (15) center pivot irrigation systems at Project Site B to irrigate fodder crops with recycled water at agronomic rates on Project Site B. AVF desires to use the District's center pivot irrigation equipment to irrigate fodder crops approved by the District at Project Site B.

AVF recognizes that the District has an interest in protecting groundwater quality at the Leased Premises, and AVF plans to run its operation to not only be profitable, but to also protect the groundwater at the Leased Premises. AVF has improved the Subleased Premises by establishing storage and loading areas for harvested crops, by investing in wheel tracks, buried and above-ground piping, filters, pumps, and associated electrical instrumentation and controls, and cultivating and establishing approximately 1,030 acres of alfalfa crops and 900 acres of other fodder crops.

An established alfalfa crop has a stand life of approximately 5 years before a 1-year crop rotation or fallow period is required, and alfalfa stands are staggered to limit the number of fields that reach the maximum stand life in any one year.

AVF and the District desire to maintain the current health and value of alfalfa crops on the Subleased Premises by judicious application of pesticides and herbicides and by fallowing and planting new stands of alfalfa within the term of this Agreement.

The Parties therefore agree, as follows:

ARTICLE 1
PREMISES AND DURATION

1.1 Cultivation of Subleased Premises. Commencing on January 1, 2015, AVF shall cultivate the Subleased Premises in accordance with the provisions of Article 4 of this Agreement. AVF shall cultivate and raise authorized crops on the Subleased Premises to the maximum extent consistent with good farming practices including but not limited to irrigation at agronomic rates for water and nutrients. Upon agreement by the District's Chief Engineer and General Manager ("Chief Engineer") and AVF, the Parties may increase the Subleased Premises to include additional acreage within the Leased Premises.

1.2 Duration and Periods of Operation. The duration of this Agreement commences on January 1, 2015 (the "Effective Date") and expires on December 31, 2017. The Chief Engineer may extend the duration of this Agreement five times, each for one year. The Chief Engineer in his or her sole

and absolute discretion shall provide AVF with no less than six-months' written notice prior to the start of each extension.

1.3 Holding Over. In the event that AVF continues in possession of the Subleased Premises after the duration of this Agreement is complete, such possession will not be considered a renewal of this Agreement but a tenancy from month to month and will be governed by the conditions and covenants contained in this Agreement, except that any holdover tenancy may be terminated by the District on 30 days' prior written notice to AVF.

1.4 Condition of Subleased Premises. AVF accepts the Subleased Premises "as is" and "where is" subject to any and all existing zoning requirements, easements, and encumbrances. The District may grant rights of way and permits in, over, upon, through, across, and along any and all portions of the Subleased Premises, as long as the grant does not unreasonably interfere with AVF's operations on the Subleased Premises. In the event that the District grants any such rights to third parties, the District shall require the grantees to restore the surface of the land as nearly as practicable to its original condition upon the completion of any construction. In the event that the grant of any such rights temporarily interferes with AVF's use of any or all of the Subleased Premises, the payment provided for in Article 2 will be reduced in proportion to the amount of the interference with AVF's use of the Subleased Premises.

1.5 Ownership. Upon expiration of the duration of the Sublease Agreement, effective through December 31, 2014, the District shall take ownership of permanent irrigation and cropping infrastructure, including concrete slabs, wheel tracks, hay storage and loading areas, buried irrigation piping, booster pumps, and electrical service panels and controls located on all of the Subleased Premises.

On January 1, 2018, the District shall take ownership of the water filter station, all irrigation pivots, and associated piping and instrumentation at Project Site A; all perimeter fences (approximately 3 miles); and the metal parts shed. AVF shall continue to maintain these facilities after the District takes ownership, except that the District will be responsible for major repairs.

ARTICLE 2 PAYMENT

2.1 Payment. AVF shall pay a Dry Land Lease, "User's Fee," quarterly to the District starting with the first quarter of the first year of the duration of this Agreement and for each successive quarter. AVF shall pay the User's Fee in advance, starting on January 1, 2015 and continuing, on the first

day of each quarter of each year through the duration of the Agreement.. The amount of the User's Fee is \$60/acre per year, for a total of \$151,080 per year, which is \$37,770 per quarter.

AVF shall also pay in advance a quarterly "Access Fee" for access to recycled water from the District's facilities starting on January 1, 2015 and again on the first day of each quarter of each year through the duration of the Agreement. The amount of the Access Fee is \$60/acre per year, for a total of \$151,080 per year, which is \$37,770 per quarter.

The User's Fee and Access Fee are collectively referred to in this Agreement as "Fees." AVF shall make all payments of Fees to the District and shall mail the payments to the address provided in Article 12 of this Agreement.

2.2 Charge for Late Payment of Fees. If AVF does not make the payments required by Article 2.1 when due, the District will incur costs not contemplated by this Agreement, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, administrative processing of notices of delinquency, increased accounting costs, loss of use of the value of the payment. Accordingly, if the payments specified in Article 2.1 of this Agreement, or any other sum due to the District under the provisions of this Agreement, is not received by the District by the due date, AVF shall pay to the District a late charge in the amount of five hundred dollars (\$500), which sum will be added to the payment, and the total sum will become immediately due and payable to the District. AVF shall pay an additional charge of five hundred dollars (\$500) for each additional month that the payment remains unpaid. Acceptance of late charges (or any portion of an overdue payment) by the District will not constitute a waiver of AVF's obligations in regard to the overdue payment, or prevent the District from exercising any of the other rights and remedies granted under this Agreement.

ARTICLE 3

DELIVERY AND USE OF RECYCLED WATER

3.1 Recycled Water Quantity and Conveyance. The District shall provide tertiary-treated recycled water from the Palmdale WRP for the irrigation of the crops at the Subleased Premises. AVF recognizes that its use of recycled water at the Subleased Premises is subordinate to all other users, existing and future, of recycled water, when available, from the Palmdale WRP. The District may deliver recycled water to the Subleased Premises through the existing pipeline on Avenue O. The "Predetermined Annual Volume of Recycled Water" to be provided to AVF by the District for AVF's farming operations during the calendar year is 8,410 acre-feet, based on usage from 2013. This

Predetermined Annual Volume of Recycled Water is estimated and is NOT guaranteed. The District may supply less than the Predetermined Annual Volume of Recycled Water to AVF as provided below.

If less than eighty-five percent (85%) of the Predetermined Annual Volume of Recycled Water (7,148.5 acre-feet) is available to AVF during any calendar year, the Fees will be reduced in proportion to the amount supplied below 85%. For example, if, on an annual basis, 80% of 8,410 acre-feet of recycled water is available to AVF, AVF shall be entitled to a 5% reduction in Fees. AVF will not be entitled to a reduction in Fees for any reduction in availability of recycled water that leaves the annual volume available greater than 7,148.5 acre-feet.

AVF shall utilize all available recycled water each year no later than October 31st, so that the storage reservoirs are emptied to their lowest possible levels unless otherwise agreed between AVF and the Chief Engineer. AVF's failure to utilize the recycled water according to this schedule will result in costs to the District. Therefore, AVF shall be solely responsible for any costs incurred by the District resulting from AVF's failure to empty the storage reservoirs each year no later than October 31st.

3.2 Irrigation Systems. On Project Site A, AVF has installed nine quarter-mile and three tenth-mile radius center pivot irrigation systems (Pivot Nos. 1-7, 9-13), along with all pertinent piping and equipment. On Project Site B, the District has installed four quarter-mile, ten tenth-mile, and one 0.125-mile radius center-pivot irrigation systems (Pivot Nos. 8, 14-27), along with all pertinent piping and equipment. The use of these irrigation systems is included as part of the property that is subleased to AVF. AVF shall pay all electrical costs for the operation of all irrigation systems and associated booster pumps on the Subleased Premises. AVF shall also operate and perform preventative maintenance on all irrigation systems in accordance with manufacturers' operating and maintenance recommendations. AVF's maintenance obligations include, but are not limited to:

- Perform preventative maintenance and minor repair work on all installed irrigation system infrastructure
- Drain off accumulated water and top off gearboxes with the proper lubricant
- Check U-joints for wear
- Grease, check control tabs, alignment, and general condition of pivot points
- Check alignment switches for secure mounting and electrical connection, and good switch action
- Check tire air pressure and tire integrity
- Maintain wheel tracks
- Inspect and replace hoses and clamps

Attachment A

September 2005 Palmdale Water Reclamation Plant 2025 Facilities Plan Excerpts

Project Description

The proposed project is the implementation of the Final Plan, which was completed by the District in September 2005. The main objective of the Final Plan is to provide for the wastewater treatment and effluent management needs of the District through the year 2025 in a cost-effective and environmentally sound manner. The major components of the proposed project are wastewater treatment facilities, effluent management facilities, and agricultural and municipal reuse with the potential for integration of groundwater recharge. Some processes of the wastewater treatment and effluent management facilities will be constructed to upgrade the treatment and effluent management level currently provided at the Palmdale Water Reclamation Plant (PWRP).

Municipal Reuse

Municipal reuse of recycled water consists of utilizing recycled water in place of potable water for a variety of purposes. Most municipal reuse applications include irrigation of large landscaped areas such as parks, median strips, schools, golf courses, and business centers. Recycled water treatment and quality requirements for municipal reuse, as defined in Title 22, are similar to agricultural irrigation of food crops destined for human consumption, including edible root crops. Storage reservoirs are critical to the success of this method since water for landscape irrigation, like agricultural irrigation, is in much greater demand during the summer than the winter. The District will construct the facilities to treat effluent to the tertiary level, as required for municipal reuse. The responsibility for the installation of all other facilities required to distribute the recycled water to the end user will be determined by an agreement between the District and another agency, or agencies, since the District is required to enter into partnerships with water purveyors in the distribution and sale of recycled water to the end user. Municipal agencies such as the Los Angeles County Waterworks District No. 40, or privately owned water purveyors such as PWD, could legally obtain recycled water from the District and distribute it to interested buyers and users. The PWD has expressed a strong interest in initiating a municipal recycled water reuse program in cooperation with the District in meetings held between staff members from both organizations. The District fully supports the use of recycled water for beneficial reuse and will continue to work with the PWD and the Los Angeles County Waterworks District No. 40 to develop future reuse opportunities.

Board Action (from Minutes October 26, 2005 Board meeting)

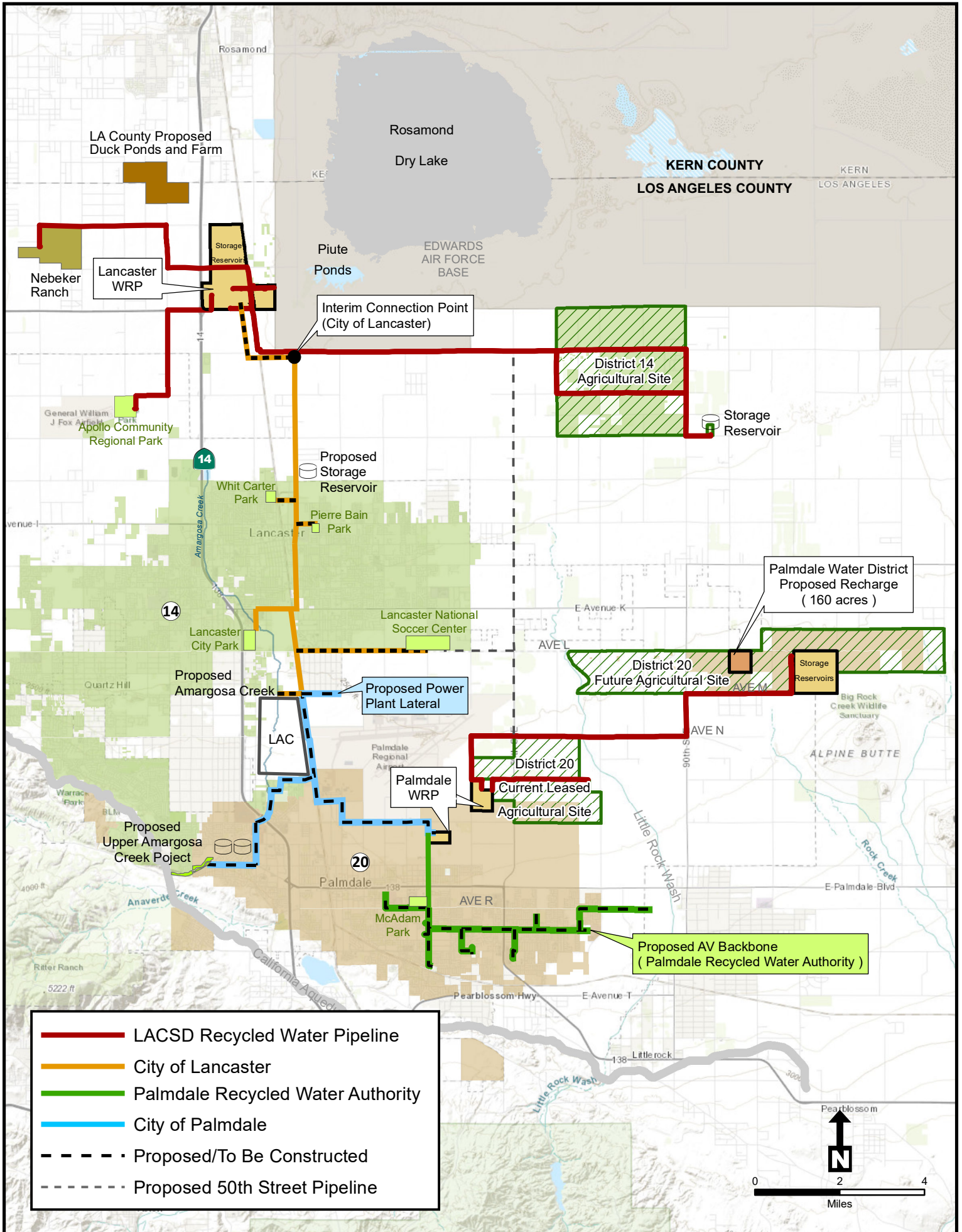
Board approved the Final Plan and directed staff to carry out the plan.

Attachment B

Palmdale Water Reclamation Plant Recycled Water Planning Timeline

- 2005 Facilities Plan – investment in tertiary treatment, municipal reuse preferred use, interim only agriculture
- 2006 Antelope Valley Recycled Water Project approved by Cities and Water agencies – calls for construction of regional recycled water infrastructure linking Palmdale and Lancaster WRPs, led by LA County Waterworks District No. 40
- 2008 D20+D14 Recycled Water Agreement with LA County Waterworks District No. 40 to supply Antelope Valley Recycled Water Project
- 2009 D20 + D14 Recycled Water Agreement with City of Palmdale Recycled Water agreements with City of Palmdale and Waterworks District 40
- 2012 City of Palmdale and PWD form Palmdale Recycled Water Authority JPA “to manage recycled water resources created by the Sanitation Districts”
- 2016 D20 Recycled Water Agreement with PWD, amended in 2019 and 2021 to provide extensions to PWD.
- 2019 Rob Paris (AVEK, State Water Contractors Association, Watermaster Board member) proposed recycled water for groundwater exchange with local farmers. No city or water agency interest.

Attachment C Potential Antelope Valley Recycled Water Projects



Attachment D

Sanitation District Nos. 14 and 20 Recycled Water Contract Summary

2022 Production	AFY
District 14 - Lancaster WRP	15,621
District 20 - Palmdale WRP	9,197
Total	24,818

Current Demands & Contracts	<i>Agreement Date</i>	<i>Allotment (AFY)</i>	<i>2022 Usage (AFY)</i>	<i>Recycled Water Producer</i>
Piute Ponds*	2017**	4,500	4,206	Lancaster WRP
City of Lancaster	2008	950	261	Lancaster WRP
PRWA (City of Palmdale)	2009	2,000	93	Palmdale WRP
PWD (groundwater recharge)	2016	4,000	-	Palmdale WRP
PWD (purple pipe)	2016	1,325	-	Palmdale WRP
LA County Waterworks (serves Apollo Park ~250 AFY)	2008	13,500	233	Lancaster WRP
Total		26,275	4,794	

*Estimated demand

**Terminated agreements from 1981 & 1991

Palmdale Water District Municipal Service Review

Prepared for:



Local Agency Formation Commission for the County of Los Angeles
80 South Lake Avenue, Suite 870
Pasadena, CA 91101

Prepared by:



Hogle-Ireland, Inc.
2860 Michelle Drive, Suite 100
Irvine, CA 92606

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1. Executive Summary

A Municipal Service Review (MSR) is a comprehensive study to determine the adequacy of governmental services being provided by the local agencies under the Local Agency Formation Commission (LAFCO). The MSR is used by LAFCO, other governmental agencies, and the public to better understand and improve the provision of services and to identify opportunities for greater cooperation between service providers. The purpose of this MSR is to evaluate the Palmdale Water District (District) for Local Agency Formation Commission for the County of Los Angeles (LAFCO).

An MSR allows the LAFCO to evaluate how agencies currently provide municipal services within the MSR study area and to evaluate the impacts on those services from future growth and other changes that may occur in the study area over the next 10 to 20 years. The MSR report is also required to identify potential opportunities to address any shortfalls, gaps, opportunities for increased efficiency and/or impacts on services and governmental structure that may currently exist or are anticipated in the future. MSRs are also required to be conducted prior to, or concurrent with, sphere of influence (SOI) updates.

Beginning in 2001, Local Agency Formation Commissions (LAFCOs) were mandated to review and, as necessary, update the SOI of each city and special district. SOIs are boundaries, determined by LAFCO, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless the LAFCO first conducts a MSR. The mandate to conduct MSRs is part of the Cortese-Knox-Hertzberg (CKH) Act of 2000. Per Section 56425 of the CKH Act, LAFCO must review and if necessary, update each SOI at least every five years.

The MSR and SOI update are one of many LAFCO responsibilities, but is often considered the most important as it provides the mechanism to shape the orderly and logical development of the local government agencies. The MSR process consists of three primary processes:

- ▶ **The Municipal Service Review Report** reviews the agency/focus area of service delivery. Additionally, the agency's infrastructure, governance functions, and capacity based on projected growth in the area are evaluated along with any identified issues, needs and/or deficiencies. The MSR process then requires responses to specific questions or "determinations" as described below:

- ▶ Growth and population projections for the affected area.
 - ▶ Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
 - ▶ Financial ability of agencies to provide services.
 - ▶ Status of, and opportunities for, shared facilities.
 - ▶ Accountability for community service needs, including governmental structure and operational efficiencies.
 - ▶ Any other matter related to effective or efficient service delivery, as required by the LAFCO Commission.
 - ▶ The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- ▶ **The Stakeholder Input Process** provides a forum for representatives from the stakeholder agencies, to provide information in preparation of the MSR and to identify issues gaps or opportunities for efficiencies not otherwise reflected in this report. A summary of the stakeholder input and comments are included in **Section 3: Key Findings and Research**.
- ▶ **The Sphere of Influence Update** is the third part of the MSR process. Based on the information in the MSR report, LAFCO Staff's recommendation, and stakeholder input the LAFCO Commission will make a decision to retract, expand, or maintain the existing SOI boundaries.

1.1 Palmdale Water District MSR Summary

This MSR evaluates the study area defined by the jurisdictional boundary of the District.

The District is located within the Antelope Valley in Los Angeles County, approximately 60 miles north of the City of Los Angeles and 50 miles west of the City of Victorville.

The entire District encompasses an area of approximately 140 square miles overlying more than thirty non-contiguous areas scattered throughout the southern Antelope Valley. In addition to the Primary Service Area, there is a federal land area of approximately 65 square miles upstream of Littlerock Dam in the Angeles National Forest. The District's Sphere of Influence (SOI) is coterminous with the District's service boundary.

The District currently receives water from three sources including: groundwater, Littlerock Dam Reservoir, and imported water from the State Water Project (SWP). Groundwater is obtained from the

Antelope Valley Groundwater Basin via 25 active wells scattered throughout the District. The District's local surface water supply is from Littlerock Dam Reservoir. This water is transferred from the reservoir to Lake Palmdale for treatment and distribution. The District's imported water is provided by the SWP and is conveyed to Lake Palmdale, which acts as a fore bay for the District's 35 million gallon per day (mgd) water treatment plant. Lake Palmdale can store approximately 4,250 acre-feet (AF) of SWP and Littlerock Dam Reservoir water.

The Antelope Valley Groundwater Basin is currently in an overdraft situation and is in the process of adjudication, which will limit and possibly decrease the allowable annual extraction of groundwater for the District and all other groundwater pumpers. The adjudication is still pending in Superior Court. Since the adjudication has not yet been completed, each groundwater pumper currently has an un-quantified right to pump water for beneficial use. At some future time, however, the court will determine all the water rights in the basin, and will order either the reduction of groundwater extractions to levels that will stabilize or reverse groundwater level declines, or the purchase of imported water to replace over extraction of groundwater, or both. Such adjudication proceedings can take from 10 to 15 years, or longer, to resolve.

Given the ongoing water adjudication process and the analysis provided below, a recommendation has been made to maintain the District's existing SOI and Service boundary. Please refer to **Section 10.1: Sphere of Influence (SOI) and District Recommendation.**

Growth and population projections

The District's service area population is expected to more than double over the next 25 years, which is expected to more than double the District's water demands. However, the District has developed a Strategic Water Resources Plan, which takes into consideration the projected future population, anticipated water demand, and anticipated future water supplies to ensure that the District is able to continue to provide a safe and reliable source of water.

Present and planned capacity of public facilities including infrastructure needs or deficiencies

The District is currently able to meet its water demands through a combination of groundwater, water obtained from the Littlerock Dam Reservoir, and imported water from the State Water Project.

The District currently does not have recycled water supplies, but is in the process of developing the use of non-potable water to offset potable water demand and to diversify its water supply options. Additionally, the District is developing new sources of supply via groundwater banking and anticipated new supplies from transfer and exchange opportunities, please refer to **Section 5: Infrastructure Needs and Deficiencies**.

The ongoing Antelope Valley Groundwater Basin adjudication is expected to result in a reduction in the District's ground water extractions or the purchase of imported water to replace groundwater level declines.

Financial ability of agencies to provide services

The District has the financial capacity to continue to provide services to its service area.

Status of, and opportunities for, shared facilities

The District currently has an emergency water interconnection with Antelope Valley East Kern (AVEK) and an agreement with Littlerock Creek Irrigation District (LCID) to provide water treatment to water that LCID receives from the SWP. The District was also a participant in the preparation of the "Antelope Valley Integrated Regional Water Management Plan" (AVIRWMP), which was a study that sought to identify how agencies in the Antelope Valley Groundwater Basin could achieve savings by using a basin-wide approach to water planning and facilities construction.

Water supply is the only significant constraint to cost avoidance and financing opportunities. The supply issue is the paramount concern of the region, and this issue is greatly exacerbated by the fact that the groundwater basin is not adjudicated.

Accountability of community service needs

The District is governed by a five-member Board of Directors, each elected by voters within five separate voting divisions within the District. The governing board meets on the second and fourth Wednesday evenings of each month. The District's board meetings are publicly notified through newspaper publications and the District's Web site, and are open to the public.

The District is proactive in ensuring that its operations and finances are made easily available to the public through its website (www.palmdalewater.org). The website is well designed making it easy to find information regarding the District's board,

water rates, upcoming events, water conservation measures and tips, development projects, planning reports, financial reports including past and present fiscal budgets and financial audits, and general contact information.

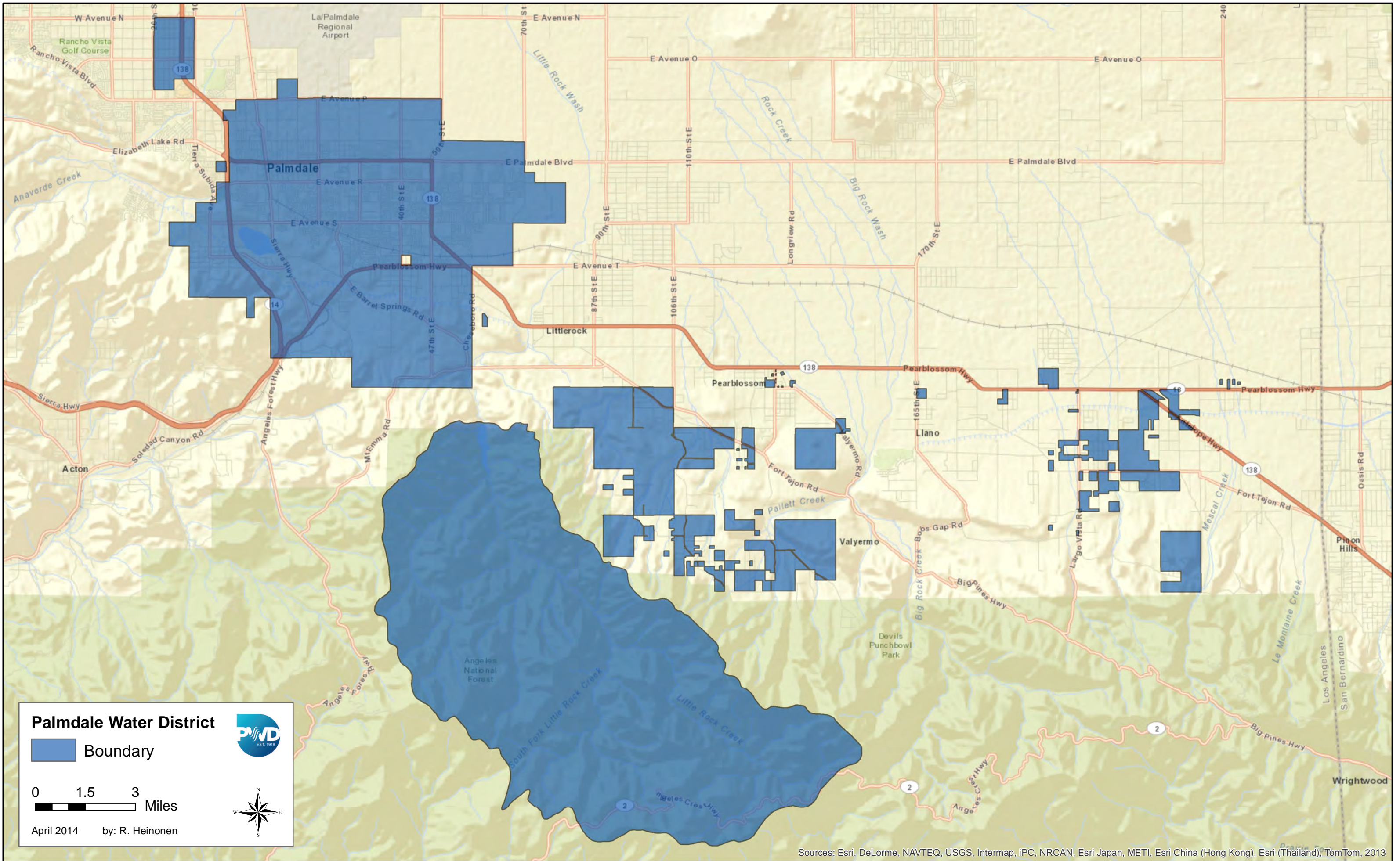
Any other matter related to effective or efficient service delivery

Based on the analysis provided in this report, the District appears to be well-regulated and an active and effective partner with other agencies in planning for the many challenges of this complex area. It is recommended that LAFCO take no action other than affirming the present SOI of the District, which is coterminous with the District's service boundaries.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Senate Bill 244, recently enacted on February 10, 2011, imposed state mandates on local governments, including cities, counties and LAFCOs. This bill requires LAFCO to make determinations regarding "disadvantaged unincorporated communities." A "disadvantaged community" is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with a median household income less than 60 percent of the statewide average (Water Code Section 79505.5).

The District's Primary Service Area is generally located within 27 census tracts six of which are considered to be disadvantaged communities while five are considered to be severely disadvantaged communities. Please refer to **Section 10: Determinations and Findings**.



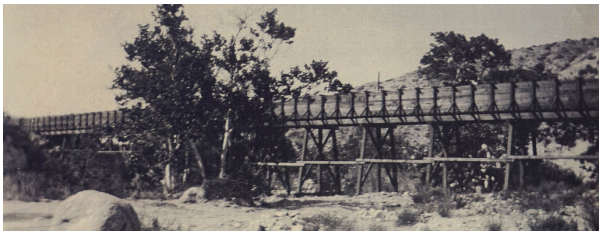
Sources: Esri, DeLorme, NAVTEQ, USGS, Intermap, iPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2013

PALMDALE WATER DISTRICT BOUNDARY MAP

LITTLEROCK DAM & RESERVOIR

- DID YOU KNOW?

- To gravity-feed water from Little Rock Creek to Lake Palmdale, an 8.6-mile-long earthen ditch, including a flume and wooden trestle, was constructed by South Antelope Valley Irrigation Company in 1895.



- It was determined that forming a public irrigation district was the best way to finance construction of a dam on Little Rock Creek. So by a vote of the public, Palmdale Irrigation District was formed in 1918.
- The original multiple-arch Dam was completed in 1924.



- The structure was ordered to be renovated in 1932 to better accommodate floods and to better withstand stress.
- In 1938, rains over-topped the entire Dam.
- In 1966, a study performed for the State Division of Safety of Dams concluded that the Dam was not capable of withstanding a large earthquake on the San Andreas fault, which sits only three miles away.
- The state of California issued an order in 1966 restricting the amount of water that could be stored in the Reservoir pending further evaluation.

- The State Division of Safety of Dams ordered the Dam be renovated to provide seismic safety and reinforce its ability to withstand a large flood.
- During the 1970s and early 1980s, funding for improvements to the Dam were discussed.
- In 1987, Palmdale Water District (PWD) and Littlerock Creek Irrigation District (LCID) voted to renovate and enlarge the Dam to meet the needs of the growing area and to satisfy seismic concerns.



- PWD, in conjunction with LCID, funded the project through \$16.1 million in Certificates of Participation, along with \$3 million in Davis-Grunsky Act funds and \$750,000 in Department of Boating and Waterways funds.
- In 1995, the renovation of the Dam was completed and consisted mainly of a large roller-compacted concrete buttress covering the original Dam, giving the appearance of a large stairway.



- The renovation of the Dam in 1995 included the following:
 1. Approximately 110,000 cubic yards of roller-compacted concrete were used on the downstream face of the Dam.
 2. The spillway height of the Dam was raised 12 feet, which doubled the water storage capacity of the Reservoir to approximately 3,500 acre-feet, or 1.1 billion gallons of water.
 3. A new outlet pipe, controls and an application of shotcrete and steel reinforcement to the upstream surface of the Dam were also added.
 4. New recreational facilities were constructed in the area, including a boat-launching facility, day use areas, and new campgrounds.



- PWD and LCID, along with the designer and project contractor, received the 1995 Southern California Chapter of the American Concrete Institutes's "Charles Pankow Award," which recognizes creative, innovative, or unique methods in the use of concrete in the construction industry.

- A very small amount of water is released from the Dam into Little Rock Creek to maintain vegetation and animal life downstream of the Dam.

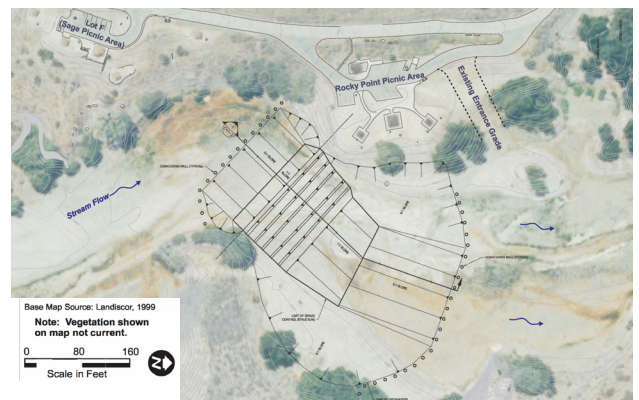
- The discovery of an endangered toad species, the arroyo toad, at Littlerock Dam in 1996 by the U.S. Fish and Wildlife Service prompted the emergency closure of a portion of the area upstream of the Dam.



- Environmental studies began in 2004 to remove 1.165 million cubic yards of sediment from Littlerock Reservoir to restore its capacity.



- The U.S. Forest Service closed the Littlerock Dam area to the public in 2015 due to health and safety concerns.
- In 2017, rain filled Littlerock Reservoir, and water topped the spillway for the first time in six years.
- Permits for the Littlerock Reservoir Sediment Removal Project were finalized in 2018 and include the requirement to construct a grade-control structure to protect the endangered arroyo toad prior to the removal of any sediment.
- In June 2018, the area was opened to the public for recreation for two weekends. PWD continues to work with the U.S. Forest Service and Friends of the Littlerock Dam to open the Dam for recreation.
- Approximately 120,000 cubic yards of sediment will be removed annually beginning in 2020 and will continue on an annual basis for seven to 12 years.



Grade-Control Structure Plan



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

Final Environmental Impact Report

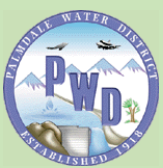
Littlerock Reservoir Sediment Removal Project

[SCH No. 2005061171]

Volume 1



Prepared for:



Palmdale Water District

March 2017

San Gabriel Mountains National Monument. On October 10, 2014, the San Gabriel Mountains National Monument was established under the President’s Antiquities Act authority. The portion of the Study Area that is located on NFS lands is entirely within this National Monument.

Littlerock Reservoir Recreation Facilities. While the primary purpose of Littlerock Dam is to provide a water source to PWD, recreation facilities have been developed at the Reservoir and the surrounding area. Many of these facilities were built pursuant to the Davis-Grunsky Act Grant Contract between PWD and DWR (No. D-GGR35) as part of the Littlerock Dam and Reservoir Restoration Project implemented in the mid-1990s. This 1994 Davis-Grunsky Contract was originally established for the purpose of strengthening and enlarging Littlerock Dam, as well as restoring the Reservoir’s water storage benefits (DWR, 1994). A subsequent agreement between PWD and the Forest Service was executed in August 1994 regarding the construction, operation, maintenance, and replacement of the recreation facilities required as a component of Phase II of the Davis-Grunsky Contract (PWD, LRCID and USFS, 1994). Figure C.9-4 shows the Reservoir area that is within the Davis-Grunsky contract boundary, and Table C.9-1 lists the recreation facilities at the Reservoir that were constructed within the Davis-Grunsky contract boundary.

ID No. for Figure C.9-4	Recreation Facility	General Description/ Designation¹	Existing Conditions	Davis-Grunsky Contract Requirements²
1	Littlerock Dam Interpretive Site	Includes a Littlerock Reservoir interpretive display and covered shelter with 2 benches.	Shelter and benches are usable. Graffiti on interpretive display sign.	<ul style="list-style-type: none"> ▪ Recreation Area signage on regulations for use of roads, parking areas, and other facilities
2	The Cove Fishing Site	A designated fishing site. Does not include developed recreational facilities.	No parking on road shoulder due to placement of large boulders.	<ul style="list-style-type: none"> ▪ No applicable Davis-Grunsky recreation facility requirements
3	Fisherman’s Point Fishing Site	A designated site for fishing access. Includes 42 parking spaces (1 accessible parking space: i.e., handicap parking) and a restroom facility.	Vandalism to restroom building has caused damage; building is currently chained and boarded and does not have a roof. Paved parking lot is usable.	<ul style="list-style-type: none"> ▪ Paved day-use parking facilities located adjacent to designated public use areas throughout the facility (min. 125 spaces for recreation area), with at least one space per area designated for handicapped use ▪ Installation of potable water and sanitary facilities
4	Boat Launch Ramp	Paved ramp approximately 40 ft. width and 350 ft. length.	Includes signage regarding the ban of outside watercraft. Paved boat ramp is usable.	<ul style="list-style-type: none"> ▪ Paved 2-lane boat launching ramp for use by cartop and low-powered boats
5	Littlerock Boating Site	Served by a concessionaire, and is closed to all outside watercraft/toys. Includes a restroom facility.	Restrooms and water pipe are present. Paved parking lot is usable.	<ul style="list-style-type: none"> ▪ Installation of potable water and sanitary facilities
6	Parking Lot	Approximately 65 vehicle parking spaces (3 accessible parking spaces) and 27 trailer parking spaces.	Paved parking lot is usable.	<ul style="list-style-type: none"> ▪ Paved day-use parking facilities located adjacent to designated public use areas throughout the facility (min. 125 spaces for recreation area), with at least one space per area designated for handicapped use

Table C.9-1. Existing Recreation Facilities within the Davis-Grunsky Contract Boundary

ID No. for Figure C.9-4	Recreation Facility	General Description/ Designation ¹	Existing Conditions	Davis-Grunsky Contract Requirements ²
7	Juniper Picnic Site	A designated picnic area. Includes 5 covered picnic sites, 36 parking spaces (2 accessible parking spaces), and a restroom facility.	Restrooms and water pipe are present. Paved parking lot and picnic shelters are usable. Some picnic tables and grills require repairs.	<ul style="list-style-type: none"> ▪ Family and small group picnic sites (min. 20 sites for recreation area) ▪ Paved day-use parking facilities located adjacent to designated public use areas throughout the facility (min. 125 spaces for recreation area), with at least one space per area designated for handicapped use ▪ Installation of potable water and sanitary facilities
8	Rocky Point Picnic Site	A designated picnic area. Includes 3 covered picnic sites, 13 parking spaces (1 accessible parking space), and a restroom facility.	Restrooms and water pipe are present. Paved parking lot and picnic shelters are usable. Some picnic tables and grills require repairs.	<ul style="list-style-type: none"> ▪ Family and small group picnic sites (min. 20 sites for recreation area) ▪ Paved day-use parking facilities located adjacent to designated public use areas throughout the facility (min. 125 spaces for recreation area), with at least one space per area designated for handicapped use ▪ Installation of potable water and sanitary facilities
9	Sage Picnic Site	A designated picnic area. Includes 4 covered picnic sites, 11 parking spaces (1 accessible parking space), and a restroom facility.	Restrooms and water pipe are present. Includes picnic shelters and fire pits. Paved parking lot is usable.	<ul style="list-style-type: none"> ▪ Family and small group picnic sites (min. 20 sites for recreation area) ▪ Paved day-use parking facilities located adjacent to designated public use areas throughout the facility (min. 125 spaces for recreation area), with at least one space per area designated for handicapped use ▪ Installation of potable water and sanitary facilities
NA	Campgrounds	4 USFS campgrounds with a total of 38 campsites adjacent to Littlerock Reservoir. 1 USFS campground with 24 campsites approximately 1 mile south of Littlerock Dam.	The Forest Service closed 1 campground in 1988 for rehabilitation, and closed the remaining campgrounds in 2001 to reduce vandalism and/or due to the presence of endangered species.	<ul style="list-style-type: none"> ▪ Minimum of 7 family campsites that include a grill, table, tent pad, and parking for 1 vehicle

1 - Site designation refers to the Forest Service's map markers for the Littlerock Reservoir Recreation Map (USFS, 2016a).

2 - Required recreation facilities are listed in Davis-Grunsky Act Contract No. D-GGR35 (1994), Contract Amendment No. D-GGR35-A1 (1998), and DWR, 2001. Listed recreation facilities include all applicable requirements identified by DWR in the 1994 Davis-Grunsky Contract Exhibit B, Article B-2.

Sources: Google Earth, 2016; USFS, 2016a; PWD, 2016 and 2001; PWD, LRCID and USFS, 1991; DWR, 2001.

■

In addition to the Davis-Grunsky recreation facilities identified in Table C.9-1, OHV roads and trails are located east and south of the Reservoir. The Reservoir basin has also been permitted for OHV use between the dam and Rocky Point when water levels are lowered by PWD. The Reservoir is currently closed to OHV use due to the presence of endangered species.

Historically, Little Rock Reservoir and the surrounding area have provided a diversity of recreational uses and opportunities. The 1997 Recreation Area Guidelines adopted by the Forest Service estimated a design capacity of 489 vehicles, or 1,252 people at one time in the developed recreation area.

There is currently little to no recreational use or potential at Little Rock Reservoir, and a number of factors have contributed to the area's current state. Impacts to Arroyo Toads required closure of Forest Road 5N04 and the campgrounds south of the Reservoir. The ongoing drought has caused PWD to virtually empty the Reservoir as early as April, leaving no "minimum pool" for water-based recreation. In non-drought years the minimum pool is maintained until Labor Day. Declining budgets and fee revenue to the Forest Service have substantially reduced available enforcement personnel and facility maintenance funds. The threat of Quagga mussels has caused the Forest Service to limit boating activities in 2011. The Forest Service has the option to permit a concessionaire to operate the resort facilities, but due to limited economic potential, no permit has been offered since the last one expired in 2013. The State of California Department of Fish and Wildlife (CDFW) no longer stocks trout due to a lawsuit over endangered species impacts, and the California Office of Environmental Health Hazard Assessment has issued a fish consumption advisory due to presence of mercury in fish tissues (LRWQCB, 2014), both limiting a once popular angling destination. One of the recreational opportunities historically available is OHV use within the Reservoir, which was last authorized in 2013. The Forest Service annually assesses OHV use at the Reservoir based on weather and water levels, and therefore it is not consistently available as an OHV area. In some years, OHV use is permitted within the Reservoir for one to two months beginning in September. In other years, the Reservoir has not been lowered to a sufficient degree to allow for OHV use. The Reservoir is currently closed to public access to protect public health and safety, but no official Forest Service Closure Order has been issued. This means the entry gate is closed and locked, but it is not illegal to enter the area.

Current management of recreation at the Reservoir faces challenges such as drought and ongoing closure to OHV use. In determining potential future recreational use, the Forest Plan specifies that existing facilities and recreational opportunities would either be maintained or would be the subject of site-specific analysis to determine future management. It is reasonably foreseeable that the Forest Service would undertake a project to restore the recreational use and opportunities at Little Rock Reservoir over the life of the Project.

Alternative Recreation Facilities. The following recreational resources are located within 35 miles of the Reservoir, and include facilities for boating, fishing, swimming, camping, hiking, and OHV use.

- **Chilao Campground-** Approximately 11 miles south of Little Rock Reservoir, this campground is located within the ANF and includes 84 campsites (USFS, 2016b).
- **Soledad Canyon RV and Camping Resort-** Approximately 11 miles southwest of Little Rock Reservoir, this facility offers camping, swimming, sports courts, bike trails, and a miniature golf course (Thousand Trails, 2016).
- **Acton/ Los Angeles North KOA-** Approximately 14 miles southwest of Little Rock Reservoir, this facility offers camping, swimming, and sports courts (KOA, 2016).
- **Rowher Flat OHV Recreation Area-** Approximately 20 miles west of Little Rock Reservoir, this 10,000-acre recreation area is managed by the Forest Service and is open year-round. It includes 60-miles of trails and areas for camping (USFS, 2011; RiderPlanet, 2015).
- **El Mirage Dry Lake Off-Highway Vehicle Recreation Area-** Approximately 28 miles northeast of Little Rock Reservoir, this recreation area is managed by the Bureau of Land Management and is open year-

C.9.4 Environmental Consequences

Significance Criteria. The following significance criteria for Recreation and Land Use were derived from previous environmental impact assessments for similar projects, agency thresholds, and from the CEQA Guidelines (Appendix G, Environmental Checklist Form, Section IX). Impacts of the Project or alternatives would be considered significant and would require mitigation if they:

- Criterion LU1: Conflict with applicable adopted local, State, or federal land use or recreation plans, goals, policies, or regulations.
- Criterion LU2: Preclude a permitted use on nearby property or create a disturbance that would diminish the function of a particular land use.
- Criterion LU3: Contribute to the long-term loss or degradation of the recreational value of an established, designated, or planned recreational use area.

Impact Assessment Methodology. The impact analysis for Recreation and Land Use begins with a survey of existing land uses and recreational resources within the Project area through the use of site visits, aerial maps, discussions with jurisdictional agencies (i.e., Palmdale Water District, Forest Service, City of Palmdale, and County of Los Angeles), and review of applicable planning and policy documents. These baseline conditions for the Project area are described in Sections C.9.1 (Affected Environment) and C.9.2 (Regulatory Framework).

C.9.4.1 Proposed Action/Project

Direct and Indirect Effects Analysis

Conflict with applicable adopted local, State or federal land use or recreation plans, goals, policies, or regulations (Criterion LU1)

The implementation of the Project is consistent with the Land Use Zones, Strategies, and Desired Conditions in the 2005 Forest Service's Land Management Plan. The Project complies with all applicable Forest Plan Standards listed in Table C.9-2. As described in Section C.9.2, the Project is consistent with Forest Plan program strategies for Special Use Administration, Watershed Function, and Air Quality, and will help accomplish the Desired Conditions for Natural Areas in an Urban Context by using and restoring an existing facility instead of constructing a new one.

The proposed Project is subject to the terms and conditions of the Davis-Grunsky Act Grant Contract (No. D-GGR35), which was entered into between DWR, PWD, and Littlerock Creek Irrigation District in 1994. The proposed Project has been designed to meet the Phase 2 objectives of this Contract by restoring the storage capacity of the Reservoir. The Contract's Phase 2 objectives also include improvements to recreation facilities that are identified in Table C.9-1. The majority of these facilities would not be affected by the proposed construction and sediment removal activities at the Reservoir, as discussed under Impact L-1, below. With the incorporation of SPC LAND-3 (Long-Term Recreation Management Plan), PWD and the Forest Service (i.e., the land manager of the lands and facilities surrounding the Reservoir) would jointly identify measures for future management of recreation facilities and activities at the Reservoir and adjacent NFS lands, thereby ensuring compliance with Phase 2 of the Davis-Grunsky Contract. See Appendix A for the full text of SPC LAND-3.

As a State water agency, PWD has pre-emptive jurisdiction over local plans, policies, and regulations. However, the Project is anticipated to comply with the plans and policies of the City of Palmdale and the County of Los Angeles. Appendix A describes the SPCs that would limit noise and emissions from construction equipment and dump trucks, and Sections C.2 (Air Quality and Climate Change) and C.8 (Noise)

include additional mitigation measures to ensure that Project-related noise and emissions are within acceptable levels to local jurisdictions.

The Project would also comply with local zoning requirements regarding sediment disposal. Prior to any movement of excavated sediment, PWD would either: (1) work with the County of Los Angeles to obtain a CUP for sediment storage at the property on 47th Street East; and/or (2) coordinate with participating quarry operators in the City of Palmdale to ensure that sediment disposal occurs only at sites that have been granted a new CUP or a modification to an existing CUP. This commitment to comply with local zoning requirements at the sediment storage and disposal sites has been incorporated into the Project as SPC LAND-1 (Obtain Necessary Conditional Use Permits). See Appendix A for the full text of the Project's SPCs.

The Project would be consistent with applicable plans, policies, and regulations given that the Project is subject to the discretionary review and approval of the Forest Service, and would meet the terms and conditions of the Davis-Grunsky Act Grant Contract. Further, PWD is coordinating with the County of Los Angeles and the City of Palmdale to meet their permitting and zoning requirements.

Preclude a permitted use on nearby property or create a disturbance that would diminish the function of a particular land use (Criterion LU2)

PWD is working jointly with the Forest Service to restore the flood control and water storage capacity of the Reservoir. These proposed restoration activities would neither expand existing facilities nor convert NFS lands outside of the Study Area. The existing designation and use of NFS lands would not be affected by the Project.

Outside of NFS lands, no existing recreation facilities, parks, or trails were identified along the proposed truck routes that would be disrupted by sediment hauling activities. The truck routes would utilize existing roadways that would not affect adjacent trail facilities or trail use in Los Angeles County or City of Palmdale.

As discussed in Section C.9.1.1, the Reservoir and surrounding area is currently closed to physical entry. However, this closure is not permanent and the Forest Service may decide to allow recreational use of the Reservoir at any time during the life of the Project. The Forest Plan specifies that the primary recreational facilities and uses be retained or studied on a site-specific basis for retention. Recreational opportunities are currently very limited, but may be adversely affected if the Project were to reduce future recreational opportunities and/or conflict with the ability of the Forest Service to implement the Forest Plan.

If the Reservoir were to be re-opened to public use, Project activities (i.e., construction and excavation) would continue to temporarily preclude the recreational use of the Reservoir and surrounding area (Impact L-1). Sediment storage and disposal may also preclude future land use at the proposed disposal sites (Impact L-2). The following discussion describes these potential impacts and the mitigation measures that are proposed to minimize these impacts to the degree feasible.

Impact L-1: Project construction and excavation would preclude or disturb existing recreational resources.

Grade Control Structure

Construction of the grade control structure and the initial excavation and removal of sediment from the Reservoir bottom at the Project site would begin in July 2017 and extend until seasonal water refill of the Reservoir (between mid-November to January). Historically the Reservoir has provided recreational opportunities, primarily in the form of water-based recreation (i.e., boating and fishing). However, this recreational resource has been affected by the current drought, which has caused PWD to virtually empty



Photo 1: Littlerock Dam Interpretive Site
Photo 2: The Cove Fishing Site
Photo 3: Fisherman's Point Fishing Site

Davis-Grunsky Area and Recreational Facilities

**Littlerock Reservoir
Sediment Removal Project**

Figure C.9-4b



Photo 4: Boat Launch Ramp
Photo 5: Littlerock Boating Site
Photo 6: Parking Lot

Davis-Grunsky Area and Recreational Facilities

**Littlerock Reservoir
Sediment Removal Project**

Figure C.9-4c

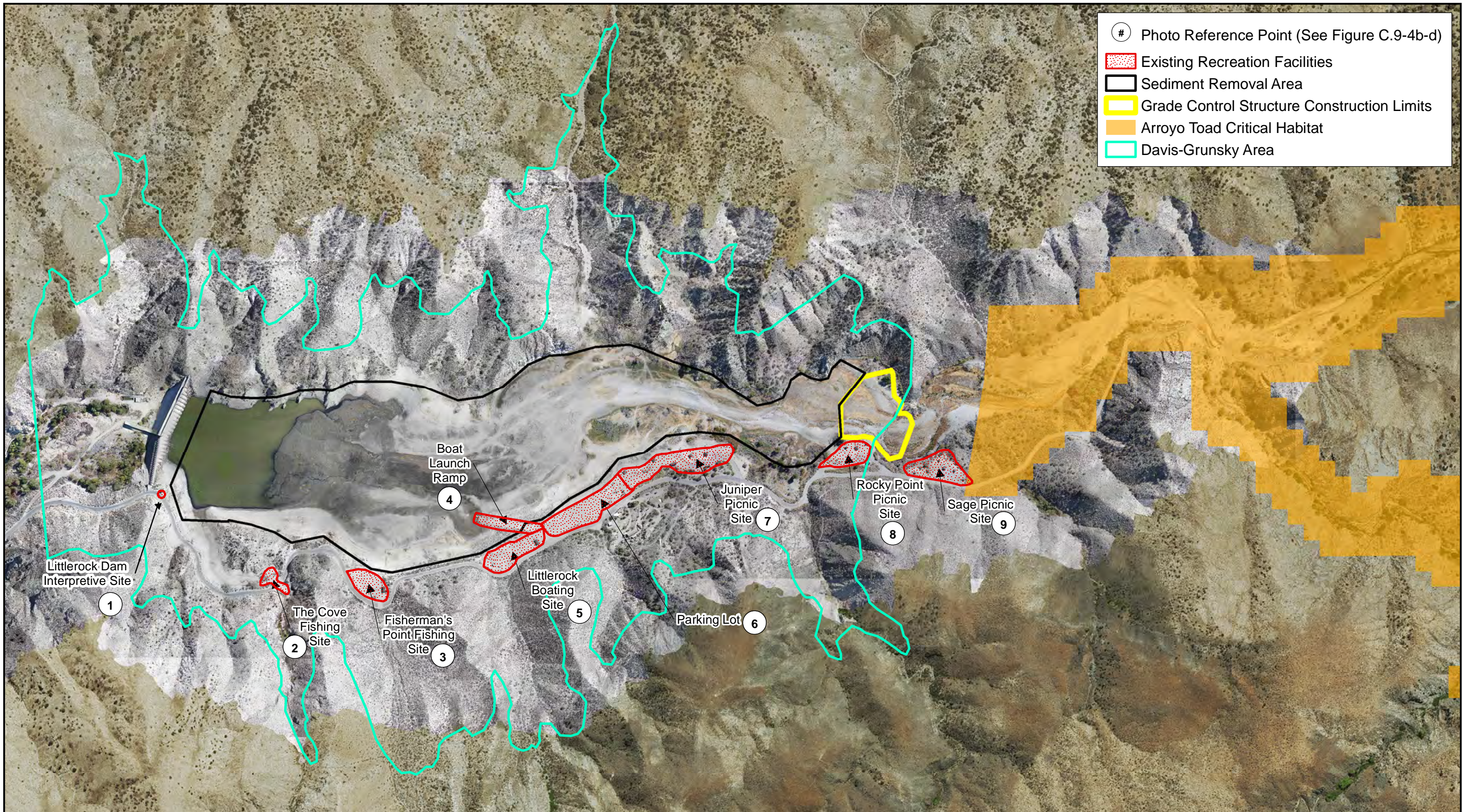


Photo 7: Juniper Picnic Site
Photo 8: Rocky Point Picnic Site
Photo 9: Sage Picnic Site

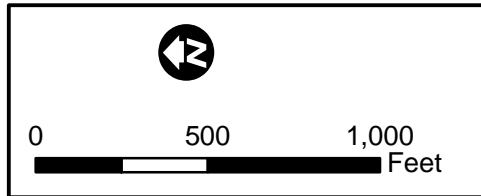
Davis-Grunsky Area and Recreational Facilities

**Little Rock Reservoir
Sediment Removal Project**

Figure C.9-4d



- ⊕ Photo Reference Point (See Figure C.9-4b-d)
- ▨ Existing Recreation Facilities
- ▭ Sediment Removal Area
- ▭ Grade Control Structure Construction Limits
- ▭ Arroyo Toad Critical Habitat
- ▭ Davis-Grunsky Area



* High-resolution imagery was acquired with an unmanned aerial vehicle August 2013 (Airframe). Other background imagery courtesy of Bing 2012.

**Davis-Grunsky Area
and
Recreational Facilities**

**Littlerock Reservoir
Sediment Removal Project**

Figure C.9-4a