



# PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

## BOARD OF DIRECTORS

ROBERT E. ALVARADO  
Division 1

JOE ESTES  
Division 2

MARCO HENRIQUEZ  
Division 3

KATHY MAC LAREN  
Division 4

VINCENT DINO  
Division 5

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DENNIS LaMOREAUX  
General Manager

ALESHIRE & WYNDER LLP  
Attorneys

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August 22, 2018

## AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT to be held at the District's office at 2029 East Avenue Q, Palmdale MONDAY, AUGUST 27, 2018 6:00 p.m.

**NOTES:** To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 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 Dawn Deans at 661-947-4111 x1003 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 Dawn Deans al 661-947-4111 x1003 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 (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 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 carry out 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 meeting held August 13, 2018.
  - 6.2) Payment of bills for August 27, 2018.
  - 6.3) Receive and file Semi-Annual Employee Reimbursement Report for the period covering January 1, 2018 through June 30, 2018. (Finance Manager Williams)
  - 6.4) Approval of District 2018 membership in the Water Research Foundation. (\$11,101.62 – Budgeted – Operations Manager Masaya)
- 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) Presentation, consideration, and possible action on receiving and filing of 2017 Audit. (Nigro & Nigro/Finance Manager Williams/Finance Committee)
  - 7.2) Consideration and possible action on contribution to the Antelope Valley State Water Contractors Association for the sponsorship of the design, construction, and maintenance of a conservation garden at the Antelope Valley Fair. (\$3,225.00 for 2018 (PWD Share) – Non-Budgeted – Ad Hoc Antelope Valley Fair Committee-Director Mac Laren/Director Estes/PWD Deputy Water and Energy Resources Director and AVSWCA Assistant General Manager Thompson II)
  - 7.3) Consideration and possible action on ratification of the Agreement in Principle (AIP) for the State Water Project (SWP) Supply Contract Amendment for Water Management Tools and California Water Fix. (No Budget Impact – Water and Energy Resources Director Pernula)
  - 7.4) Consideration and possible action on outreach activities for 2018. (Public Affairs Director Shay)
    - a) Outreach plans for remainder of 2018.
    - b) Update on PWD Water Ambassadors Academy.
    - c) Upcoming events.
    - d) Outreach recommendations from Directors.
  - 7.5) Review of Sections 4.08 to 4.14 of the District’s Rules and Regulations including public statements and speaking engagements, the use of District property and materials, and the District logo in regards to political activity and campaigns. (General Counsel Dunn)
  - 7.6) 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 2018 Budget:

- a) None at this time.
- 8) Information Items:
  - 8.1) Finance Reports:
    - a) Status report on Cash Flow Statement and Current Cash Balances as of June 2018. (Financial Advisor Egan/Finance Committee)
    - b) Status report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for June 2018. (Finance Manager Williams/Finance Committee)
    - c) Status report on committed contracts issued. (Finance Manager Williams/Finance Committee)
  - 8.2) Reports of Directors:
    - a) Meetings/General Report.
    - b) Standing Committee/Assignment Reports (Chair):
      - 1) Palmdale Recycled Water Authority
      - 2) Finance Committee
  - 8.3) Report of General Manager.
    - a) August 2018 written report of activities through July 2018.
  - 8.4) Report of General Counsel.
- 9) Public comments on closed session agenda matters.
- 10) Break prior to closed session.
- 11) Closed session under:
  - 11.1) Conference with Legal Counsel – Existing Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing litigation to which the District is a party. The title of such litigation is as follows: *Antelope Valley Ground Water Cases*.
- 12) Public report of any action taken in closed session.
- 13) Board members' requests for future agenda items.
- 14) Adjournment.



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DENNIS D. LaMOREAUX,  
General Manager

DDL/dd

**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** August 20, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Michael Williams, Finance Manager  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 6.3 – RECEIVE AND FILE SEMI-ANNUAL EMPLOYEE REIMBURSEMENT REPORT FOR THE PERIOD COVERING JANUARY 1, 2018 THROUGH JUNE 30, 2018. (FINANCE MANAGER WILLIAMS)***

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**Recommendation:**

Staff recommends the Board receive and file the Semi-Annual Employee Reimbursement Report for the period covering January 1, 2018 through June 30, 2018.

**Background:**

Staff reimbursements are based on the approved budget. It is required that the District report to the governing body Employee Reimbursements in excess of \$100.00 on a semiannual basis.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 4 – Financial Health and Stability.

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

**Budget:**

Receiving and filing the Employee Reimbursement Report will not affect the budget.

**Supporting Documents:**

- Semi-Annual Employee Reimbursement Report for the period covering January 1, 2018 through June 30, 2018.



**PALMDALE WATER DISTRICT**  
**Semi-Annual Employee Reimbursement Report**  
**Period Covering Jan 1, 2018 through July 31, 2018**

<b>Employee ID</b>	<b>Employee Name</b>	<b>Pay Date</b>	<b>Item Description</b>	<b>Amount</b>
2730	Robert Rosati	01/10/18	Educational Reimbursement	135.00
4007	Dan Menko	01/10/18	Educational Reimbursement	131.39
4022	James Hatfield	01/10/18	Educational Reimbursement	158.00
4033	Daniel Maldonado	01/10/18	Educational Reimbursement	2,292.36
3207	Robert Wallace	01/24/18	Educational Reimbursement	158.00
4024	Collin Dranow	01/24/18	Reimbursement for Work Boots	152.93
4042	Bennett Yates	03/07/18	Educational Reimbursement	3,000.00
4035	Frank Aguiar	04/04/18	Reimbursement for Work Boots	164.25
3211	Michael Williamns	04/18/18	Travel Expenses	185.30
1210	Curtis Cobb	04/18/18	Travel Expenses	408.30
2600	Jon Pernula	04/18/18	Travel Expenses	127.04
2600	Jon Pernula	04/18/18	Travel Expenses	104.04
2100	Dennis LaMoreaux	05/16/18	Travel Expenses	234.06
2955	Peter Thompson Jr	05/16/18	Travel Expenses	394.58
4029	Laura Gallegos	05/30/18	Educational Reimbursement	3,000.00
4033	Daniel Maldonado	05/30/18	Travel Expenses	196.20
2955	Peter Thompson Jr	06/13/18	Travel Expenses	394.58
4033	Daniel Maldonado	06/13/18	Educational Reimbursement	2,333.45
1575	Othon C. Espinoza	06/13/18	Travel Expenses	191.84
2695	Dennis Trujillo	06/27/18	Travel Expenses	250.70
1210	Curtis Cobb	06/27/18	Travel Expenses	305.51
1720	Richard Heinonen	06/27/18	Travel Expenses	443.37
1570	Othon V. Espinoza	07/25/18	Reimbursement for Work Boots	175.00
1650	Clay Gibbons	07/25/18	Reimbursement for Work Boots	131.40
1720	Richard Heinonen	07/25/18	Travel Expenses	524.24
				<u>15,591.54</u>

**PALMDALE  
WATER DISTRICT  
BOARD MEMORANDUM**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mynor V. Masaya, Operations Manager  
**VIA:** Mr. Adam Ly, Assistant General Manager  
Mr. Dennis LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 6.4 – APPROVAL OF DISTRICT 2018 MEMBERSHIP IN THE WATER RESEARCH FOUNDATION. (\$11,101.62 – BUDGETED – OPERATIONS MANAGER MASAYA)***

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**Recommendation:**

Staff recommends that the Board consider approving renewal of the District's membership in the Water Research Foundation for 2018.

**Alternative Options:**

The Board cannot approve membership in the Water Research Foundation for 2018.

**Impact of Taking No Action:**

The District will not be a member of the Water Research Foundation and will not be able to obtain reports or participate in research studies.

**Background:**

The District has been an American Water Works Association Research Foundation/Water Research Foundation (AwwaRF/WRF) subscriber for many years. In 2004, the District was able to receive \$100,000.00 in funds to conduct an AwwaRF Tailored Collaboration Study entitled "DBP Control in High Bromide Water While Using Free Chlorine During Distribution" (Project No. 3075). The project was completed by Carollo Engineering in March of 2005, was reviewed by PWD and AwwaRF staff, and the final report became available in August of 2006. The total cost of the project was \$375,392.00.

Information gathered from this study was instrumental to District staff in the decision-making process regarding which technologies would provide the greatest benefit and should be included in upgrades to the District's water treatment plant.

In 2013, the District was a co-funding and participating member in a study to determine the most effective technologies for removing or reducing Chromium VI. The results of this study are helping the water community assess the best available options for treatment in light of the new Chromium VI regulation passed by the California Department of Public Health.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager  
Mr. Dennis LaMoreaux, General Manager

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August 21, 2018

Additionally, between March 2013 and March 2014, District staff utilized a report from WRF to provide guidance on resilient business models for water utilities. The research value of this report was \$564,088.00.

In 2018-2019, staff plans to request and utilize reports and studies from the following areas: asset management, NDMA-N-nitrosodimethylamine, Nitrosamine precursors created in the water treatment process and groundwater recharge projects, Cyanotoxins in drinking water caused by algal blooms in surface waters, the impact of Pre-Chlorination and GAC treatment on DBP formation and Overall toxicity in Drinking water, Quagga mussel treatment and control practices, use of anionic and nonionic polymers, and chromium VI.

It is through the combined support of membership agencies like Palmdale Water District that research on the most important and emerging water issues can be carried out. In addition to contributing to the research effort, membership provides the District with the opportunity to influence the direction of research projects and full access to all reports from past and current studies.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 3 – Systems Efficiency.  
This item directly relates to the District’s Mission Statement.

**Budget:**

The Annual Commitment based on total million gallons delivered and population served in 2017 is \$11,101.07. (Budgeted under Administration, Memberships and Subscriptions, 1-02-4165-000)

**Supporting Documents:**

- Water Research Foundation 2018 Invoice



THE  
Water  
Research  
FOUNDATION

2018

6666 W Quincy Avenue Denver, CO 80235-3098  
P 303.347.6128 F 303.734.0196  
pschrader@waterrf.org

	Date April 25, 2018
Subscriber Number 0003981	Foundation Tax ID 13-6211384
Subscriber Since 1988	Invoice Number 0003981-2018-1

Palmdale Water District  
Dennis LaMoreaux  
General Manager  
2029 East Ave Q  
Palmdale, CA 93550-4038

Order No.	Description	Total Commitment
7000078932	WRFMBR - Utility Membership 01-May-2018 to 30-Apr-2019	\$11,101.62
	<b>Amount Due:</b>	<b>\$11,101.62</b>

*Detach and return with payment and completed worksheet (if not previously submitted)*

Please make check payable to: **The Water Research Foundation**



THE  
Water  
Research  
FOUNDATION

6666 W Quincy Avenue Denver, CO 80235-3098  
P 303.347.6128 F 303.734.0196  
pschrader@waterrf.org

	Date April 25, 2018
Subscriber Number 0003981	Invoice Number 0003981-2018-1

Order No.	Description	Amount Due
7000078932	MBRUTILITY	\$11,101.62
<b>Revised Invoice Requested? Yes</b>		<b>Amount Enclosed</b>

Palmdale Water District  
Dennis LaMoreaux  
General Manager  
2029 East Ave Q  
Palmdale, CA 93550-4038

**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Michael Williams, Finance Manager  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.1- PRESENTATION, CONSIDERATION, AND POSSIBLE ACTION ON RECEIVING AND FILING OF 2017 AUDIT. (NIGRO & NIGRO/ /FINANCE MANAGER WILLIAMS/FINANCE COMMITTEE)***

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**Recommendation:**

Staff recommends the Board receive and file the 2017 Audit and Management Report. This item will be reviewed by the Finance Committee at their August 23, 2018 meeting.

**Alternative Options:**

There are no alternative options. The District is required to conduct an annual audit, and it must be received and filed by the Board.

**Background:**

The District engaged Nigro & Nigro to audit the District's statements of net position as of December 31, 2017 along with related statements of revenues, expenses, changes in net position, cash flows and related notes to financial statements. Their objective in the engagement is to express their opinion as to whether the District's financial statements are fairly presented in conformity with U.S. generally accepted accounting principles.

**Strategic Plan Initiative:**

This work is part of Strategic Initiative No. 4 – Financial Health and Stability. This item directly relates to the District's Mission Statement.

**Budget:**

The cost to prepare the annual audit is \$18,500.

**Supporting Documents:**

- Final 2017 Audit Report

**PALMDALE WATER DISTRICT  
AUDIT REPORT  
For the Years Ended  
December 31, 2017 and 2016**



**PALMDALE WATER DISTRICT**

*For the Years Ended December 31, 2017 and 2016*

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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Palmdale Water District  
Palmdale, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Palmdale Water District, which comprise the balance sheet as of December 31, 2017, and the related statement of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the December 31, 2017 financial statements referred to above present fairly, in all material respects, the financial position of Palmdale Water District as of December 31, 2017, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Palmdale Water District as of December 31, 2016, were audited by other auditors whose report dated May 15, 2017, expressed an unmodified opinion on those statements.

### **Other Matters**

#### *Required Supplementary Information*

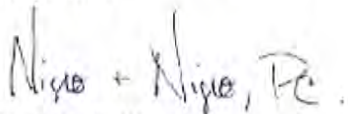
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 10, schedule of funding progress on page 52, schedule of proportionate share of the net pension liability on page 53, and schedule of contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on page 56 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated August 16, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
August 16, 2018



## **PALMDALE WATER DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Years Ended December 31, 2017 and 2016*

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Management's Discussion and Analysis (MD&A) offers readers of Palmdale Water District's financial statements a narrative overview of the District's financial activities for the years ended December 31, 2017 and 2016. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- In 2017, the District's net position decreased (1.15%) or (\$1,100,559) from the prior year's net position of \$96,018,162 to \$94,917,603, as a result of this year's operations.
- In 2016, the District's operating revenues increased by 6.30% or \$1,338,382 from \$21,248,419 to \$22,586,801, from the prior year, primarily due to an increase in water sales – commodity charge of \$1,244,148 and monthly meter service charge of \$517,986.
- In 2017, the District's operating revenues increased by 4.9% or \$1,106,294 from \$22,586,801 to \$23,693,095, from the prior year, primarily due to an increase in water sales and monthly meter service charges.
- In 2016, the District's operating expenses before overhead absorption and depreciation expense increased by 11.74% or \$2,385,023 from \$20,319,286 to \$22,704,309, from the prior year, primarily due to an increase in source of supply – water purchases or \$821,790, facilities expense or \$781,420, and administration or \$523,215.
- In 2017, the District's operating expenses before overhead absorption and depreciation expense increased by 1.54% or \$349,196 from \$22,704,309 to \$23,053,505, from the prior year, primarily due to an increase in source of supply water purchases as a result of the increase in water sales.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position, results of operations, and changes in cash flow during the years ending December 31, 2017 and 2016. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

## **PALMDALE WATER DISTRICT**

*Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2017 and 2016*

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### **REQUIRED FINANCIAL STATEMENTS**

#### **Balance Sheets**

The Balance Sheet presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in a net position of \$94,917,603 as of December 31, 2017.

#### **Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities. Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the year ended December 31, 2017, net position decreased by \$1.1 million.

#### **Statement of Cash Flows**

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

District cash flows for the year have been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. The total of these categories represents a decrease in cash and cash equivalents of \$1,043,260, which is subtracted from beginning cash and cash equivalents of \$4,816,122, to arrive at ending cash and cash equivalents of \$3,772,862. Cash equivalents managed directly by the District consist of investments in the California Local Agency Investment Fund (LAIF).

**PALMDALE WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended December 31, 2017 and 2016*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Statement of Net Position**

	Balance, December 31, 2017	Balance, December 31, 2016	Change	Balance, December 31, 2015	Change
<b>Assets:</b>					
Current assets	\$ 22,153,998	\$ 21,288,561	\$ 865,437	\$ 20,417,825	\$ 870,736
Non-current assets	1,371,868	1,679,251	(307,383)	1,421,189	258,062
Capital assets, net	153,742,324	154,023,911	(281,587)	154,946,564	(922,653)
<b>Total assets</b>	<b>177,268,190</b>	<b>176,991,723</b>	<b>276,467</b>	<b>176,785,578</b>	<b>206,145</b>
Deferred outflows of resources	5,158,974	4,724,093	434,881	3,684,911	1,039,182
<b>Total assets and deferred outflows</b>	<b>\$ 182,427,164</b>	<b>\$ 181,715,816</b>	<b>\$ 711,348</b>	<b>\$ 180,470,489</b>	<b>\$ 1,245,327</b>
<b>Liabilities:</b>					
Current liabilities	8,077,898	7,707,996	369,902	7,732,125	(24,129)
Non-current liabilities	75,438,581	74,031,763	1,406,818	71,738,424	2,293,339
<b>Total liabilities</b>	<b>83,516,479</b>	<b>81,739,759</b>	<b>1,776,720</b>	<b>79,470,549</b>	<b>2,269,210</b>
Deferred inflows of resources	3,993,082	3,957,895	35,187	4,354,840	(396,945)
<b>Net position:</b>					
Net investment in capital assets	103,487,203	103,339,383	147,820	103,361,934	(22,551)
Restricted	1,371,868	1,275,331	96,537	229,923	1,045,408
Unrestricted	(9,941,468)	(8,596,552)	(1,344,916)	(6,946,757)	(1,649,795)
<b>Total net position</b>	<b>94,917,603</b>	<b>96,018,162</b>	<b>(1,100,559)</b>	<b>96,645,100</b>	<b>(626,938)</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 182,427,164</b>	<b>\$ 181,715,816</b>	<b>\$ 711,348</b>	<b>\$ 180,470,489</b>	<b>\$ 1,245,327</b>

The condensed statement above presents a summary of the District's statement of net position. The District's Net Position as of December 31, 2017 totaled \$94,917,603 compared with \$96,018,162 as of December 31, 2016, a decrease of (1.15%). Net position is accumulated from revenues, expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

**PALMDALE WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended December 31, 2017 and 2016*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	Balance, December 31, 2017	Balance, December 31, 2016	Change	Balance, December 31, 2015	Change
Operating revenues	\$ 23,693,095	\$ 22,586,801	\$ 1,106,294	\$ 21,248,419	\$ 1,338,382
Operating expenses	(23,053,505)	(22,704,309)	(349,196)	(20,319,286)	(2,385,023)
Operating income before overhead absorption	639,590	(117,508)	757,098	929,133	(1,046,641)
Overhead absorption	46,276	152,890	(106,614)	26,134	126,756
Operating income before depreciation	685,866	35,382	650,484	955,267	(919,885)
Depreciation expense	(6,113,751)	(5,599,740)	(514,011)	(7,957,867)	2,358,127
Operating (loss) after depreciation	(5,427,885)	(5,564,358)	136,473	(7,002,600)	1,438,242
Non-operating revenues(expenses), net	3,195,252	3,441,106	(245,854)	3,870,448	(429,342)
Net loss before capital contributions	(2,232,633)	(2,123,252)	(109,381)	(3,132,152)	1,008,900
Capital contributions	1,132,074	541,662	590,412	367,481	174,181
Change in net position	(1,100,559)	(1,581,590)	481,031	(2,764,671)	1,183,081
Net position:					
Beginning of year	96,018,162	96,645,100	(626,938)	105,637,337	(8,992,237)
Prior period adjustment	-	954,652	(954,652)	(6,227,566)	7,182,218
End of year	\$ 94,917,603	\$ 96,018,162	\$ (1,100,559)	\$ 96,645,100	\$ (626,938)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased from operations by (\$1,100,599), (\$1,581,590) and (\$2,764,671) for the years ended December 31, 2017, 2016, and 2015 respectively.

**PALMDALE WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended December 31, 2017 and 2016*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Total Revenues**

	Balance, December 31, 2017	Balance, December 31, 2016	Increase (Decrease)	Balance, December 31, 2015	Increase (Decrease)
<b>Operating revenues:</b>					
Water sales – commodity charge	\$ 8,485,152	\$ 8,196,842	\$ 288,310	\$ 6,952,694	\$ 1,244,148
Water sales – wholesale	436,055	229,052	207,003	142,749	86,303
Monthly meter service charge	12,710,214	12,176,890	533,324	11,658,904	517,986
Water quality fees	845,526	861,502	(15,976)	898,134	(36,632)
Elevation fees	365,618	349,673	15,945	369,899	(20,226)
Other charges for services	850,530	772,842	77,688	1,226,039	(453,197)
<b>Total operating revenues</b>	<b>23,693,095</b>	<b>22,586,801</b>	<b>1,106,294</b>	<b>21,248,419</b>	<b>1,338,382</b>
<b>Non-operating:</b>					
Property taxes – ad valorem	1,665,812	1,665,002	810	1,634,459	30,543
Property tax assessment for State Water Project	5,102,773	5,168,663	(65,890)	5,207,003	(38,340)
Successor agency component of property taxes	623,525	524,470	99,055	511,352	13,118
Rental revenue – cellular towers	63,716	120,710	(56,994)	-	120,710
Investment earnings	56,054	42,729	13,325	42,705	24
Change in investment – PRWA	96,536	90,756	5,780	164,503	(73,747)
Legal and insurance refunds/settlements	11,812	-	11,812	198,613	(198,613)
Department of Water Resources – FCR	266,638	285,255	(18,617)	332,957	(47,702)
Other non-operating revenues	84,502	117,632	(33,130)	88,285	29,347
<b>Total non-operating</b>	<b>7,971,368</b>	<b>8,015,217</b>	<b>(43,849)</b>	<b>8,179,877</b>	<b>(164,660)</b>
<b>Total revenues</b>	<b>\$ 31,664,463</b>	<b>\$ 30,602,018</b>	<b>\$ 1,062,445</b>	<b>\$ 29,428,296</b>	<b>\$ 1,173,722</b>

In 2017, the District's operating revenues increased by 4.9% or \$1,106,294 from \$22,586,801 to \$23,693,095, from the prior year, primarily due to an increase in monthly meter service charge of \$533,324.

In 2016, the District's operating revenues increased by 6.30% or \$1,338,382 from \$21,248,419 to \$22,586,801, from the prior year, primarily due to an increase in water sales – commodity charge of \$1,244,148 and monthly meter service charge of \$517,986. Also, non-operating revenues decreased (\$164,660) from the decrease of legal and insurance refunds/settlements of (\$198,613).

**PALMDALE WATER DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Years Ended December 31, 2017 and 2016*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Total Expenses**

	Balance, December 31, 2017	Balance, December 31, 2016	Increase (Decrease)	Balance, December 31, 2015	Increase (Decrease)
<b>Operating expenses:</b>					
Source of supply – water purchases	\$ 3,090,801	\$ 2,464,905	\$ 625,896	\$ 1,643,115	\$ 821,790
Operations and production	3,177,431	3,019,029	158,402	2,767,271	251,758
Facilities	6,580,697	7,347,469	(766,772)	6,566,049	781,420
Engineering	1,632,692	1,523,294	109,398	1,348,743	174,551
Water conservation	343,007	347,909	(4,902)	587,961	(240,052)
Administration	5,280,134	4,738,232	541,902	4,215,017	523,215
Finance and customer care	2,948,743	3,263,471	(314,728)	3,191,130	72,341
<b>Operating expenses before overhead absorption</b>	<b>23,053,505</b>	<b>22,704,309</b>	<b>349,196</b>	<b>20,319,286</b>	<b>2,385,023</b>
Overhead absorption	(46,276)	(152,890)	106,614	(26,134)	(126,756)
<b>Operating expenses before depreciation</b>	<b>23,007,229</b>	<b>22,551,419</b>	<b>455,810</b>	<b>20,293,152</b>	<b>2,258,267</b>
Depreciation	6,113,751	5,599,740	514,011	7,957,867	(2,358,127)
<b>Total operating expenses</b>	<b>29,120,980</b>	<b>28,151,159</b>	<b>969,821</b>	<b>28,251,019</b>	<b>(99,860)</b>
<b>Non-operating expenses:</b>					
State Water Project amortization expense	2,600,856	2,362,788	238,068	2,074,524	288,264
Interest expense – long-term debt	2,175,260	2,211,323	(36,063)	2,234,905	(23,582)
<b>Total non-operating</b>	<b>4,776,116</b>	<b>4,574,111</b>	<b>202,005</b>	<b>4,309,429</b>	<b>264,682</b>
<b>Total expenses</b>	<b>\$ 33,897,096</b>	<b>\$ 32,725,270</b>	<b>\$ 1,171,826</b>	<b>\$ 32,560,448</b>	<b>\$ 164,822</b>

In 2017, the District's operating expenses before overhead absorption and depreciation expense increased by 1.54% or \$349,196 from \$22,704,309 to \$23,053,505, from the prior year, primarily due to an increase in source of supply – water purchases of \$625,896, and administration of \$541,902, while facilities decreased by (\$766,772). Non-operating expenses increased \$202,005 due to an increase in State Water Project amortization expense of \$238,068.

In 2016, the District's operating expenses before overhead absorption and depreciation expense increased by 11.74% or \$2,385,023 from \$20,319,286 to \$22,704,309, from the prior year, primarily due to an increase in source of supply – water purchases of \$821,790, facilities expense of \$781,420, and administration of \$523,215. Non-operating expenses increased \$264,682 due to an increase in State Water Project amortization expense of \$288,264.



## PALMDALE WATER DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2017 and 2016

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#### CAPITAL ASSETS

At the end of 2017, 2016 and 2015, the District's investment in capital assets was \$153,742,324, \$154,023,911 and \$154,946,564 net of accumulated depreciation respectively. Capital asset additions during the years ended December 31, 2017 and 2016 were \$8,433,020 and \$7,039,875 for various projects and equipment. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year exceeded \$6.1 million.

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance, December 31, 2017	Balance, December 31, 2016	Balance, December 31, 2015
Capital assets:			
Non-depreciable assets	\$ 7,996,662	\$ 8,208,610	\$ 7,961,504
Depreciable assets	302,972,181	295,153,330	288,486,356
Accumulated depreciation	(157,226,519)	(149,338,029)	(141,501,296)
<b>Total capital assets, net</b>	<b>\$ 153,742,324</b>	<b>\$ 154,023,911</b>	<b>\$ 154,946,564</b>

#### LONG-TERM DEBT

At year-end the District had \$52.6 million in capital leases, loan payables, and revenue bonds payables - a decrease of (\$990,019) and (\$1,844,141) in 2017 and 2016 respectively - as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

	Balance, December 31, 2017	Balance, December 31, 2016	Balance, December 31, 2015
Long-term debt:			
Capital leases payable	\$ 769,848	\$ 47,286	\$ 231,745
Loan payable - 2012	7,462,288	8,577,741	9,660,294
Revenue bonds payable, net - 2013	44,344,809	44,941,937	45,519,066
<b>Total</b>	<b>\$ 52,576,945</b>	<b>\$ 53,566,964</b>	<b>\$ 55,411,105</b>

## **PALMDALE WATER DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Years Ended December 31, 2017 and 2016*

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#### **CONDITIONS AFFECTING CURRENT FINANCIAL POSITION**

- In March 2017 the District was able to suspend the Stage 1 drought surcharge after the Governor ended the mandatory drought restrictions of 28%.
- The District started to see a slight rebound of water usage over the last eight months of 2017. This signaled District customers were starting to change their water habits after being required to meet the mandatory drought restrictions.
- Billed water consumption for the year ended December 31, 2017 was at 16,176 acre feet compared to 15,213 acre feet for the year ended December 31, 2016.
- The District saw an increase in developers paying capital improvement fees for new development. Total funds received for the year ended December 31, 2017 were \$1,021,406 compared to \$234,747 for the year ended December 31, 2016.
- The District's assessed valuation has increased to \$1.72 billion for FY 2016/2017 from \$1.66 billion for FY 2015/2016.
- The District received \$1.665 million in ad valorem property tax revenue for 2017.
- The District received \$623 thousand in successor agency component property taxes for 2017.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's ratepayer, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact Palmdale Water District, Finance Department, 2029 East Avenue Q, Palmdale, California 93550 or (661) 947-4111.

**PALMDALE WATER DISTRICT***Balance Sheet**December 31, 2017*

ASSETS	2017	2016
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 3,772,862	\$ 4,412,202
Investments (Note 2)	10,554,165	8,441,547
Accrued interest receivable	37,582	29,664
Accounts receivable – water sales and services, net (Note 3)	1,759,209	1,937,314
Accounts receivable – property taxes and assessments	4,628,764	4,750,909
Accounts receivable – other	18,508	93,024
Materials and supplies inventory	815,095	910,548
Prepaid items	567,813	713,353
<b>Total current assets</b>	<u>22,153,998</u>	<u>21,288,561</u>
<b>Non-current assets:</b>		
Restricted – cash and cash equivalents (Note 2)	-	403,920
Investment in Palmdale Recycled Water Authority (Note 4)	1,371,868	1,275,331
Capital assets – not being depreciated (Note 5)	7,996,662	8,208,610
Capital assets – being depreciated, net (Note 5)	145,745,662	145,815,301
<b>Total non-current assets</b>	<u>155,114,192</u>	<u>155,703,162</u>
<b>Total assets</b>	<u>177,268,190</u>	<u>176,991,723</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on debt defeasance, net (Note 7)	2,321,824	2,478,516
Deferred amounts related to net pension liability (Note 10)	2,837,150	2,245,577
<b>Total deferred outflows of resources</b>	<u>5,158,974</u>	<u>4,724,093</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 182,427,164</u>	<u>\$ 181,715,816</u>

**PALMDALE WATER DISTRICT**  
*Balance Sheet (continued)*  
*December 31, 2017*

<b>LIABILITIES</b>	<b>2017</b>	<b>2016</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,136,962	\$ 815,553
Customer deposits for water service	2,872,519	2,968,372
Construction and developer deposits	1,625,816	1,626,017
Accrued interest payable	518,114	530,522
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	108,258	109,793
Capital lease payable (Note 7)	159,145	47,286
Loan payable (Note 7)	1,147,084	1,115,453
Revenue bonds payable (Note 7)	510,000	495,000
<b>Total current liabilities</b>	<b>8,077,898</b>	<b>7,707,996</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	324,774	329,375
Capital lease payable (Note 7)	610,703	-
Loan payable (Note 7)	6,315,204	7,462,288
Revenue bonds payable, net (Note 7)	43,834,809	44,446,937
Net other post-employment benefits obligation (Note 11)	14,271,430	13,107,674
Net pension liability (Note 10)	9,265,615	7,779,823
Pension-related debt – CalPERS side-fund (Note 10)	816,046	905,666
<b>Total non-current liabilities</b>	<b>75,438,581</b>	<b>74,031,763</b>
<b>Total liabilities</b>	<b>83,516,479</b>	<b>81,739,759</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned property taxes and assessments	3,500,000	3,500,000
Deferred amounts related to net pension liability (Note 10)	493,082	457,895
<b>Total deferred inflows of resources</b>	<b>3,993,082</b>	<b>3,957,895</b>
<b>NET POSITION</b>		
Net investment in capital assets	103,487,203	103,339,383
Restricted – Palmdale Recycled Water Authority (Note 4)	1,371,868	1,275,331
Unrestricted (Deficit) (Note 12)	(9,941,468)	(8,596,552)
<b>Total net position</b>	<b>94,917,603</b>	<b>96,018,162</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 182,427,164</b>	<b>\$ 181,715,816</b>

**PALMDALE WATER DISTRICT**

*Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2017*

	<u>2017</u>	<u>2016</u>
<b>Operating revenues:</b>		
Water sales – commodity charge	\$ 8,485,152	\$ 8,196,842
Water sales – wholesale	436,055	229,052
Monthly meter service charge	12,710,214	12,176,890
Water quality fees	845,526	861,502
Elevation fees	365,618	349,673
Other charges for services	850,530	772,842
<b>Total operating revenues</b>	<u>23,693,095</u>	<u>22,586,801</u>
<b>Operating expenses:</b>		
Source of supply – water purchases	3,090,801	2,464,905
Operations and production	3,177,431	3,019,029
Facilities	6,580,697	7,347,469
Engineering	1,632,692	1,523,294
Water conservation	343,007	347,909
Administration	5,280,134	4,738,232
Finance and customer care	2,948,743	3,263,471
<b>Total operating expenses</b>	<u>23,053,505</u>	<u>22,704,309</u>
<b>Operating income(loss) before overhead absorption</b>	639,590	(117,508)
Overhead absorption	46,276	152,890
<b>Operating income before depreciation expense</b>	685,866	35,382
Depreciation expense	(6,113,751)	(5,999,740)
<b>Operating (loss)</b>	<u>(5,427,885)</u>	<u>(5,564,358)</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes – ad valorem	1,665,812	1,665,002
Property tax assessment for State Water Project	5,102,773	5,168,663
Successor agency component of property taxes	623,525	524,470
Rental revenue – cellular towers	63,716	120,710
Investment earnings	56,054	42,729
Changes in investment – Palmdale Recycled Water Authority (Note 4)	96,536	90,756
Legal and insurance refunds/settlements	11,812	-
Department of Water Resources – fixed charge recovery	266,638	285,255
Other non-operating revenues	84,502	117,632
State Water Project amortization expense	(2,600,856)	(2,362,788)
Interest expense – long-term debt	(2,175,260)	(2,211,323)
<b>Total non-operating revenue(expense), net</b>	<u>3,195,252</u>	<u>3,441,106</u>
<b>Net (loss) before capital contributions</b>	<u>(2,232,633)</u>	<u>(2,123,252)</u>
<b>Capital contributions:</b>		
Capital improvement fees	1,021,406	234,747
Federal and state capital grants	110,668	306,915
<b>Total capital contributions</b>	<u>1,132,074</u>	<u>541,662</u>
<b>Change in net position</b>	(1,100,559)	(1,581,590)
<b>Net position:</b>		
Beginning of year, as previously reported	96,018,162	96,645,100
Prior period adjustment (Note 13)	-	954,652
<b>End of year</b>	<u>\$ 94,917,603</u>	<u>\$ 96,018,162</u>

**PALMDALE WATER DISTRICT**  
*Statements of Cash Flows*  
*For the Year Ended December 31, 2017*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from water sales and services	\$ 23,775,146	\$ 22,058,997
Cash receipts from others	501,184	893,066
Cash paid to employees for salaries and wages	(7,411,999)	(7,245,721)
Cash paid to vendors and suppliers for materials and services	<u>(13,081,698)</u>	<u>(13,066,181)</u>
<b>Net cash provided by operating activities</b>	<u>3,782,633</u>	<u>2,640,161</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	2,411,482	2,246,904
Proceeds from property tax assessment for State Water Project	5,102,773	5,168,663
Acquisition of State Water Project participation rights	<u>(4,497,112)</u>	<u>(4,649,693)</u>
<b>Net cash provided by non-capital financing activities</b>	<u>3,017,143</u>	<u>2,765,874</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(3,350,357)	(2,390,182)
Proceeds from capital improvement fees and capital grants	1,132,074	541,662
Principal paid on long-term debt	(1,717,891)	(1,742,012)
Interest paid on long-term debt	<u>(1,932,632)</u>	<u>(2,078,530)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(5,868,806)</u>	<u>(5,669,062)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments, net	(2,112,618)	(4,032,562)
Investment earnings	<u>138,388</u>	<u>85,440</u>
<b>Net cash (used in) investing activities</b>	<u>(1,974,230)</u>	<u>(3,947,122)</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(1,043,260)</u>	<u>(4,210,149)</u>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>4,816,122</u>	<u>9,026,271</u>
End of year	<u>\$ 3,772,862</u>	<u>\$ 4,816,122</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>		
Cash and cash equivalents	\$ 3,772,862	\$ 4,412,202
Restricted assets – cash and cash equivalents	<u>-</u>	<u>403,920</u>
<b>Total cash and cash equivalents</b>	<u>\$ 3,772,862</u>	<u>\$ 4,816,122</u>

**PALMDALE WATER DISTRICT**  
*Statements of Cash Flows*  
*For the Year Ended December 31, 2017*

	<u>2017</u>	<u>2016</u>
<b>Reconciliation of operating (loss) to net cash provided by operating activities:</b>		
Operating (loss)	<u>\$ (5,427,885)</u>	<u>\$ (5,564,358)</u>
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>		
Depreciation	6,113,751	5,599,740
Overhead absorption	(46,276)	(152,890)
Rental revenue – cellular towers	63,716	120,710
Legal and insurance refunds/settlements	11,812	-
Department of Water Resources – fixed charge recovery	266,638	285,255
Other non-operating revenues	84,502	117,632
<b>Change in assets – (increase)decrease:</b>		
Accounts receivable – water sales and services, net	178,105	(528,052)
Accounts receivable – other	74,516	369,469
Materials and supplies inventory	95,453	(87,682)
Prepaid items	145,540	(102,096)
<b>Change in deferred outflows of resources – (increase)decrease</b>		
Deferred amounts related to net pension liability	(591,573)	(1,195,875)
<b>Change in liabilities – increase(decrease):</b>		
Accounts payable and accrued expenses	321,409	280,373
Customer deposits for water service	(95,853)	(72,152)
Construction and developer deposits	(201)	72,400
Compensated absences	(6,136)	14,677
Net other post-employment benefits obligation	1,163,756	1,872,374
Net pension liability	1,485,792	2,036,680
Pension-related debt – CalPERS side-fund	(89,620)	(79,099)
<b>Change in deferred inflows of resources – increase(decrease)</b>		
Deferred amounts related to net pension liability	<u>35,187</u>	<u>(346,945)</u>
<b>Total adjustments</b>	<u>9,210,518</u>	<u>8,204,519</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,782,633</u>	<u>\$ 2,640,161</u>
<b>Non-cash investing, capital and financing transactions:</b>		
Change in fair-value of investments	<u>\$ (90,252)</u>	<u>\$ (62,759)</u>
Amortization of deferred amount on debt defeasance	<u>\$ (156,692)</u>	<u>\$ (156,693)</u>
Amortization of net premium(discount) on revenue bonds	<u>\$ 102,128</u>	<u>\$ 102,129</u>
Changes in investment – Palmdale Recycled Water Authority	<u>\$ 96,536</u>	<u>\$ 90,756</u>



## **PALMDALE WATER DISTRICT**

### *Notes to Financial Statements*

*December 31, 2017 and 2016*

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#### **NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Description of Organization**

The Palmdale Water District (the District) was formed as an Irrigation District under Division 11 of the California Water Code in 1918. The District provides potable water service to a portion of the City of Palmdale, California, and surrounding unincorporated areas of the County of Los Angeles. The District is operated under the direction of a five-member board of directors. The board members are elected by the public for staggered four-year terms.

##### **B. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Palmdale Water District, this includes general operations, security, and wastewater treatment of the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity* (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Palmdale Water District Public Facilities Corporation (the Corporation) was organized on August 22, 1991, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code), solely for the purpose of acquiring and or constructing various public facilities and providing financial assistance to the District. Accordingly, this component unit is included within the financial statements of the District.

##### **C. Basis of Presentation, Basis of Accounting**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.



## **PALMDALE WATER DISTRICT**

### *Notes to Financial Statements*

*December 31, 2017 and 2016*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **C. Basis of Presentation, Basis of Accounting (continued)**

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entity's ongoing operations. The principle operating revenues of the District are charges to customers for water sales. Operating expenses include cost of sales, water operations and maintenance expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of Los Angeles.

##### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

###### **1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

###### **2. Investments**

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**3. Allowance for Doubtful Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**4. Prepaids**

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets**

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and wells	50 years
General plant and infrastructure	40 years
Machinery and equipment	3-10 years

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second item is unearned property taxes and assessments, which represents advanced payments which have not yet been earned.

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

## **PALMDALE WATER DISTRICT**

### *Notes to Financial Statements*

*December 31, 2017 and 2016*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

###### **8. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

###### **9. Net Position**

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.



## **PALMDALE WATER DISTRICT**

### *Notes to Financial Statements*

*December 31, 2017 and 2016*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **F. Property Taxes**

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. The County of Los Angeles bills and collects property taxes on behalf of the District. The County's tax year is July 1, to December 31. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and March 1, and become delinquent after December 10, and April 10.

##### **G. Materials and Supplies Inventory**

Materials and supplies consist primarily of water meters, pipe, and pipefittings for construction and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method. Materials and supplies are charged to expense at the time that individual items are consumed.

##### **H. State Water Project – Participation Rights**

The District participates in the State Water Project (the Project) entitling it to certain participation rights. The District's participation in the Project is through payments to the California Department of Water Resources from tax assessments collected from within the District's service area. Monies used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are recorded as participation rights and amortized over the life of the agreements. Certain projects also require payments for on-going maintenance; those payments are charged to expense as incurred.

##### **I. Customer Deposits for Water Service**

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

##### **J. Water Sales**

Most water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through year-end has been accrued.

##### **K. Capital Improvement Fees**

Capital improvement fees represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that required capital expenditures or capacity commitment.

##### **L. New GASB Pronouncements**

During the 2017 year, the following GASB Pronouncements became effective:

##### **1. Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)***

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. New GASB Pronouncements (continued)**

**2. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)***

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be implemented in 2018, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

**3. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)***

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

**4. Statement No. 81, *Irrevocable Split-Interest Agreements*.**

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. New GASB Pronouncements (continued)**

**5. Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)***

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments were classified in the accompanying financial statements as follows:

Description	Balance, December 31, 2017	Balance, December 31, 2016
Cash and cash equivalents	\$ 3,772,862	\$ 4,412,202
Investments	10,554,165	8,441,547
Restricted – cash and cash equivalents	-	403,920
Total	\$ 14,327,027	\$ 13,257,669

Cash and investments consisted of the following:

Description	Balance, December 31, 2017	Balance, December 31, 2016
Cash on hand	\$ 5,700	\$ 5,700
Demand deposits held with financial institutions	553,511	438,359
Investments	13,767,816	12,813,610
Total	\$ 14,327,027	\$ 13,257,669

## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

The table below identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Negotiable certificates-of-deposit	5-years	35%	None
Money market mutual funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by maintaining excess cash reserves in the California Local Agency Investment Fund (L.A.I.F.) that mature on a daily basis as to provide the cash flow and liquidity needed for debt service requirements. At December 31, 2017, the District had \$11,927 on deposit with the California Local Agency Investment Fund.

#### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuation

The District's did not hold any investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

#### Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions if these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment contracts	None	None	None
Money market mutual funds	N/A	None	None



**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Concentration of Credit Risk**

The investment policy of the District limits the amount that can be invested in an external investment pool (LAIF). A maximum limit has been set at \$500,000 that can be invested in LAIF at any point in time. All other authorized investments contain limitations stipulated by the California Government Code. The following is a list of the District's investments in a governmental issuer that represent 5% or more of the total District's investments.

Investments as of December 31, 2017, were as follows:

<u>Investments with Maturity Dates</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Treasury note – June 15, 2018	\$ 998,440	6.97%
U.S. Treasury note - December 15, 2018	994,770	6.94%
U.S. Treasury note - February 15, 2019	1,514,940	10.57%
U.S. Treasury note - February 15, 2019	987,890	6.90%
U.S. Treasury note - February 28, 2019	996,020	6.96%
U.S. Treasury note - March 15, 2019	1,344,366	9.38%
<b>Total</b>	<b>\$ 6,836,426</b>	<b>47.72%</b>

Investments as of December 31, 2016, were as follows:

<u>Investments with Maturity Dates</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Treasury note - February 28, 2017	\$ 1,000,670	7.55%
U.S. Treasury note - June 15, 2018	1,000,980	7.55%
U.S. Treasury note - February 15, 2019	1,547,115	11.67%
U.S. Treasury note - February 15, 2019	990,040	7.47%
<b>Total</b>	<b>\$ 4,538,805</b>	<b>34.24%</b>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.



**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk (continued)**

As of December 31, 2017, all of the District's deposits with financial institutions were being held in collateralized accounts.

Investments for the year ended December 31, 2017, were as follows:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury notes	Level 1	AAA	\$ 6,836,426	\$ 1,993,210	\$ 4,843,216	\$ -
Local Agency Investment Fund (LAIF)	Level 2	Exempt	11,927	11,927	-	-
Money market mutual funds	Level 2	Not Rated	3,213,651	3,213,651	-	-
Negotiable certificates-of-deposit	Level 2	Not Rated	3,705,812	1,599,319	1,393,836	712,657
<b>Total Investments</b>			<b>\$ 13,767,816</b>	<b>\$ 6,818,107</b>	<b>\$ 6,237,052</b>	<b>\$ 712,657</b>

Investments for the year ended December 31, 2016, were as follows:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury notes	Level 1	AAA	\$ 4,538,805	\$ 1,000,670	\$ 1,000,980	\$ 2,537,155
Local Agency Investment Fund (LAIF)	Level 2	Exempt	11,824	11,824	-	-
Money market mutual funds	Level 2	Not Rated	4,372,063	4,372,063	-	-
Negotiable certificates-of-deposit	Level 2	Not Rated	3,890,918	1,964,900	964,700	961,318
<b>Total Investments</b>			<b>\$ 12,813,610</b>	<b>\$ 7,349,457</b>	<b>\$ 1,965,680</b>	<b>\$ 3,498,473</b>

**NOTE 3 – ACCOUNTS RECEIVABLE – WATER SALES AND SERVICES, NET**

The balances consisted of the following;

Description	Balance, December 31, 2017	Balance, December 31, 2016
Accounts receivable – water sales and services	\$ 1,912,877	\$ 2,093,125
Allowance for doubtful accounts	(153,668)	(155,811)
Accounts receivable – water sales and services, net	<b>\$ 1,759,209</b>	<b>\$ 1,937,314</b>

## **PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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### **NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY**

The Palmdale Recycled Water Authority (the Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Section(s) 6506 and 6507 of the Exercise of Powers Act, codified by California Government Code section(s) 6500, which authorizes public agencies by agreement to exercise jointly any power common to the contracting parties. The Authority was formed between the City of Palmdale, a California Charter City (the City) and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (the District). The Authority is an independent public agency separate from its Members.

The purpose of the Authority is to establish an independent public agency to 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.

The governing body of the Authority is a Board of Directors, which consists of five directors. The governing body of each Member appoints and designates in writing two Directors who are authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person(s) appointed and designated as Director(s) are member(s) of the Member's governing board. The fifth director is appointed jointly by both Members.

The Members share in the revenues and expenses of the Authority on a 50/50 pro-rata share basis. Therefore, the District accounts for its investment in the Authority as an equity interest on the statement of net position. The District reports its equity interest as of the date of the most audited financial statements of the Authority as of December 31, 2017 and 2016, which was audited by other auditors, whose report dated August 7, 2018 and April 15, 2017, respectively, expressed an unmodified opinion on those financial statements.

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

**NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)**

The following is the condensed financial statement of the Authority for the year ended December 31, 2017:

**Palmdale Recycled Water Authority**  
**Condensed Statement of Financial Position**  
**December 31, 2017**

	Audited Total	City of Palmdale 50% Share	District 50% Share
<b>Assets:</b>			
Total assets	\$ 2,785,867	\$ 1,392,934	\$ 1,392,934
<b>Liabilities:</b>			
Total liabilities	42,132	21,066	21,066
<b>Net position:</b>			
Total net position	2,743,735	1,371,868	1,371,868
Total liabilities and net position	\$ 2,785,867	\$ 1,392,934	\$ 1,392,934

**Palmdale Recycled Water Authority**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2017**

	Audited Total	City of Palmdale 50% Share	District 50% Share
<b>Operating revenues:</b>			
Total operating revenues	\$ 250,865	\$ 125,433	\$ 125,432
<b>Operating expenses:</b>			
Total operating expenses	115,041	57,521	57,520
Operating income	135,824	67,912	67,912
<b>Non-operating revenues:</b>			
Total non-operating revenue	57,249	28,625	28,624
Change in net position	193,073	96,537	96,536
<b>Net position:</b>			
Beginning of year, restated	2,550,662	1,275,331	1,275,331
End of year	\$ 2,743,735	\$ 1,371,868	\$ 1,371,867

**Palmdale Recycled Water Authority**  
**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

	Audited Total	City of Palmdale 50% Share	District 50% Share
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	\$ 152,018	\$ 76,009	\$ 76,009
<b>Cash flows from investing activities:</b>			
Net cash provided by investing activities	57,249	28,625	28,624
Net increase in cash and cash equivalents	209,267	104,634	104,633
<b>Cash and cash equivalents:</b>			
Beginning of year	717,540	358,770	358,770
End of year	\$ 926,807	\$ 463,404	\$ 463,403
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 135,824	\$ 67,912	\$ 67,912
Depreciation	53,407	26,703	26,704
Change in assets	3,251	1,626	1,625
Change in liabilities	(40,464)	(20,232)	(20,232)
Net cash provided by operating activities	\$ 152,018	\$ 76,009	\$ 76,009

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

**NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)**

The following is the condensed financial statement of the Authority for the year ended December 31, 2016:

**Palmdale Recycled Water Authority**  
**Condensed Statement of Net Position**  
**December 31, 2016**

	Audited Total*	City of Palmdale 50% Share	District 50% Share
<b>Assets:</b>			
Total assets	\$ 2,630,262	\$ 1,315,131	\$ 1,315,131
<b>Liabilities:</b>			
Total liabilities	79,600	39,800	39,800
<b>Net position:</b>			
Total net position	2,550,662	1,275,331	1,275,331
Total liabilities and net position	\$ 2,630,262	\$ 1,315,131	\$ 1,315,131

\*As restated

**Palmdale Recycled Water Authority**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2016**

	Audited Total	City of Palmdale 50% Share	District 50% Share
<b>Operating revenues:</b>			
Total operating revenues	\$ 291,359	\$ 145,680	\$ 145,679
<b>Operating expenses:</b>			
Total operating expenses	130,316	65,158	65,158
Operating income	161,043	80,522	80,521
<b>Non-operating revenues:</b>			
Total non-operating revenue	20,469	10,234	10,235
Change in net position	181,512	90,756	90,756
<b>Net position:</b>			
Beginning of year	459,847	229,924	229,923
Prior period adjustment	1,909,303	954,651	954,652
End of year	\$ 2,550,662	\$ 1,275,331	\$ 1,275,331

**Palmdale Recycled Water Authority**  
**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	Audited Total	City of Palmdale 50% Share	District 50% Share
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	\$ 225,706	\$ 112,853	\$ 112,853
<b>Cash flows from investing activities:</b>			
Net cash provided by investing activities	1,051	525	526
Net increase in cash and cash equivalents	226,757	113,378	113,379
<b>Cash and cash equivalents:</b>			
Beginning of year	490,783	245,392	245,392
End of year	\$ 717,540	\$ 358,770	\$ 358,771
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 161,043	\$ 80,522	\$ 80,521
Change in assets	51,488	25,744	25,744
Change in liabilities	13,175	6,587	6,588
Net cash provided by operating activities	\$ 225,706	\$ 112,853	\$ 112,853

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2017, was as follows:

Description	Balance, January 1, 2017	Additions	Deletions/ Transfers	Balance, December 31, 2017
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 1,784,357	\$ -	\$ -	\$ 1,784,357
Construction-in-process	6,424,253	2,636,767	(2,848,715)	6,212,305
<b>Total non-depreciable assets</b>	<b>8,208,610</b>	<b>2,636,767</b>	<b>(2,848,715)</b>	<b>7,996,662</b>
<b>Depreciable assets:</b>				
Buildings, wells and distribution system	212,937,794	3,032,400	(585,551)	215,384,643
SWP - participation rights	71,484,666	4,497,112	-	75,981,778
Machinery and equipment	10,730,870	1,115,456	(240,566)	11,605,760
<b>Total depreciable assets</b>	<b>295,153,330</b>	<b>8,644,968</b>	<b>(826,117)</b>	<b>302,972,181</b>
<b>Accumulated depreciation:</b>				
Buildings, wells and distribution system	(112,826,930)	(5,579,141)	585,551	(117,820,520)
SWP - participation rights	(26,518,289)	(2,600,856)	-	(29,119,145)
Machinery and equipment	(9,992,810)	(534,610)	240,566	(10,286,854)
<b>Total accumulated depreciation</b>	<b>(149,338,029)</b>	<b>(8,714,607)</b>	<b>826,117</b>	<b>(157,226,519)</b>
<b>Total depreciable assets, net</b>	<b>145,815,301</b>	<b>(69,639)</b>	<b>-</b>	<b>145,745,662</b>
<b>Total capital assets, net</b>	<b>\$ 154,023,911</b>	<b>\$ 2,567,128</b>	<b>\$ (2,848,715)</b>	<b>\$ 153,742,324</b>

Capital asset activity for the year ended December 31, 2016, was as follows:

Description	Balance, January 1, 2016	Additions	Deletions/ Transfers	Balance, December 31, 2016
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 1,784,357	\$ -	\$ -	\$ 1,784,357
Construction-in-process	6,177,147	2,339,995	(2,092,889)	6,424,253
<b>Total non-depreciable assets</b>	<b>7,961,504</b>	<b>2,339,995</b>	<b>(2,092,889)</b>	<b>8,208,610</b>
<b>Depreciable assets:</b>				
Buildings, wells and distribution system	210,967,182	1,970,612	-	212,937,794
SWP - participation rights	66,834,973	4,649,693	-	71,484,666
Machinery and equipment	10,684,201	172,464	(125,795)	10,730,870
<b>Total depreciable assets</b>	<b>288,486,356</b>	<b>6,792,769</b>	<b>(125,795)</b>	<b>295,153,330</b>
<b>Accumulated depreciation:</b>				
Buildings, wells and distribution system	(107,639,534)	(5,187,396)	-	(112,826,930)
SWP - participation rights	(24,155,501)	(2,362,788)	-	(26,518,289)
Machinery and equipment	(9,706,261)	(412,344)	125,795	(9,992,810)
<b>Total accumulated depreciation</b>	<b>(141,501,296)</b>	<b>(7,962,528)</b>	<b>125,795</b>	<b>(149,338,029)</b>
<b>Total depreciable assets, net</b>	<b>146,985,060</b>	<b>(1,169,759)</b>	<b>-</b>	<b>145,815,301</b>
<b>Total capital assets, net</b>	<b>\$ 154,946,564</b>	<b>\$ 1,170,236</b>	<b>\$ (2,092,889)</b>	<b>\$ 154,023,911</b>



## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

#### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

##### Construction-In-Process

The balance consists of the following projects:

Project Description	Balance	Balance	Balance
	December 31, 2015	December 31, 2016	December 31, 2017
Sediment removal - Littlerock Dam	\$ 1,615,733	\$ 1,807,482	\$ 2,222,266
Palmdale Regional Groundwater Recharge Project	1,728,372	2,274,315	3,074,489
Clearwell - Booster #2 Replacement	-	-	119,224
Frontier/31st/32nd waterline replacement	1,615,167	-	-
Tierra Subida Ave. waterline replacement	314,929	447,920	-
Replacement Salt Silos - various sites	136,727	-	-
Armagosa Creek project	93,380	129,215	136,561
El Camino Dr. - mainline replacement	16,324	385,798	-
Well 15 - inspection and replacement	18,389	197,014	-
Various other minor projects <\$100,000	638,126	1,182,509	659,765
Total construction-in-process	\$ 6,177,147	\$ 6,424,253	\$ 6,212,305

##### State Water Project – Participation Rights

In 1963, the District contracted with the State of California (the State) for 1,620 acre-feet per year of water from the State Water Project (SWP). In subsequent years, the annual entitlement increased to 21,300 acre-feet. The SWP distributes water from Northern California to Southern California through a system of reservoirs, canals, pumps stations, and power generation facilities.

The District is one of many participants contracting with the State of California Department of Water Resources (DWR) for a system to provide water throughout California. Under the terms of the State Water Contract, as amended, the District is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project. The District and the other contractors may also be responsible to the State for certain obligations by any contractor who defaults on its payments to the State.

Management's present intention is to exercise the District's option to extend the contractual period to at least 2052, under substantially comparable terms. This corresponds to an estimated 80-year service life for the original facilities. The State is obligated to provide specific quantities of water throughout the life of the contract, subject to certain conditions.

In addition to system on-aqueduct power facilities, the State has, either on their own or through joint ventures financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation and distribution purposes. Power generated in excess of system needs is marked to various utilities and California's power market.

The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water providers are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

The District capitalizes its share of system construction costs as participation rights in the State water facilities when such costs are billed by the DWR. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State system. The District's share of system operations and maintenance costs is charged to expenses as incurred.

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)**

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California. The participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

**NOTE 6 – COMPENSATED ABSENCES**

Summary changes to compensated absences balances for the year ended December 31, 2017, were as follows:

Balance, January 1, 2017	Additions	Deletions	Balance, December 31, 2017	Due Within One Year	Due in More Than One Year
\$ 439,168	\$ 498,806	\$ (504,942)	\$ 433,032	\$ 108,258	\$ 324,774

Summary changes to compensated absences balances for the year ended December 31, 2016, were as follows:

Balance, January 1, 2016	Additions	Deletions	Balance, December 31, 2016	Due Within One Year	Due in More Than One Year
\$ 424,491	\$ 533,037	\$ (518,360)	\$ 439,168	\$ 109,793	\$ 329,375

**NOTE 7 – LONG-TERM DEBT**

Changes in long-term debt for the year ended December 31, 2017, were as follows:

Long-Term Debt	Balance, January 1, 2017	Additions/ Adjustments	Payments/ Amortization	Balance, December 31, 2017	Current Portion	Non-Current Portion
Capital lease payable – 2013	\$ 47,286	\$ -	\$ (47,286)	\$ -	\$ -	\$ -
Capital lease payable – 2017	-	830,000	(60,152)	769,848	159,145	610,703
Loan payable – 2012	8,577,741	-	(1,115,453)	7,462,288	1,147,084	6,315,204
Revenue bonds payable – 2013	42,210,000	-	(495,000)	41,715,000	510,000	41,205,000
Revenue bonds payable – discount	(115,045)	-	4,301	(110,744)	-	(110,744)
Revenue bonds payable – premium	2,846,982	-	(106,429)	2,740,553	-	2,740,553
Revenue bonds payable, net – 2013	44,941,937	-	(597,128)	44,344,809	510,000	43,834,809
Total long-term debt	\$ 53,566,964	\$ 830,000	\$ (1,820,019)	\$ 52,576,945	\$ 1,816,229	\$ 50,150,013

Changes in long-term debt for the year ended December 31, 2016, were as follows:

Long-Term Debt	Balance, January 1, 2016	Additions/ Adjustments	Payments/ Amortization	Balance, December 31, 2016	Current Portion	Non-Current Portion
Capital lease payable – 2013	\$ 231,745	\$ -	\$ (184,459)	\$ 47,286	\$ 47,286	\$ -
Loan payable – 2012	9,660,294	-	(1,082,553)	8,577,741	1,115,453	7,462,288
Revenue bonds payable – 2013	42,685,000	-	(475,000)	42,210,000	495,000	41,715,000
Revenue bonds payable – discount	(119,346)	-	4,301	(115,045)	-	(115,045)
Revenue bonds payable – premium	2,953,412	-	(106,430)	2,846,982	-	2,846,982
Revenue bonds payable, net – 2013	45,519,066	-	(577,129)	44,941,937	495,000	44,446,937
Total long-term debt	\$ 55,411,105	\$ -	\$ (1,844,141)	\$ 53,566,964	\$ 1,657,739	\$ 51,909,225

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

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**NOTE 7 – LONG-TERM DEBT (continued)**

**A. Capital Leases Payable**

**Capital Lease Payable–2013**

The District had leased \$863,876 in equipment under a capital lease agreement, upon which the District took ownership of the equipment at the end of the lease-term. Capital lease payments of \$15,868 were due on a monthly-basis from April 2013 to March 2017 at an annual interest rate of 4.030%.

As of December 31, 2017, there is no balance owed on the lease.

**Capital Lease Payable–2017**

On January 18, 2017, the District entered into an \$830,000 installment purchase agreement in order to acquire, construct, equip, and furnish certain improvements to its facilities. Capital lease payments consisting of principal and interest in the amount of \$89,476.70 are due every six months beginning in July, 2017 until January, 2022 at an annual interest rate of 2.78%.

Annual debt service requirements for the capital lease payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 159,145	\$ 19,809
2019	163,599	15,354
2020	168,179	10,774
2021	172,887	6,066
2022	106,038	1,227
Total	<u>\$ 769,848</u>	<u>\$ 53,230</u>

**B. Loan Payable–2012**

In November 2012, the District issued \$12,765,208 in a private-placement Loan Payable-2012, with maturities from 2013 through 2023 and an interest rate of 3.10%. The net proceeds of the issuance were used to advance refund (an in-substance defeasance) \$12,505,000 of aggregate principal amount of the District's COPs-1998 with an average interest rate of 4.73%.

The initial escrow deposit was used to purchase government sponsored agency obligation securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the COPs-1998.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$846,845. This difference is being amortized through 2023 (the life of the debt) using the straight-line method as a deferred loss on debt defeasance. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$1.293 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$1.154 million.



**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

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**NOTE 7 – LONG-TERM DEBT (continued)**

**B. Loan Payable-2012 (continued)**

Annual debt service requirements for the refunding certificates of participation are as follows:

Year	Principal	Interest	Total
2018	\$ 1,147,084	\$ 222,509	\$ 1,369,593
2019	1,186,595	186,646	1,373,241
2020	1,224,583	149,569	1,374,152
2021	1,261,008	111,327	1,372,335
2022	1,300,396	71,933	1,372,329
2023	1,342,622	31,296	1,373,918
Total	7,462,288	\$ 773,280	\$ 8,235,568
Less: current	(1,147,084)		
Total non-current	\$ 6,315,204		

**C. Revenue Bonds Payable**

**Certificates of Participation-2004**

In August 2004, the District issued \$38,285,000 of Certificates of Participation-2004 (COPs-2004), with maturities from 2008 through 2034 and an average interest rate of 4.90%. The net proceeds are to be used to finance the acquisition, construction, and improvement of certain water facilities and to pay issuance costs of the debt. Issuance of the COPs-2004 resulted in a premium of \$328,767 which was being amortized over the life of the issue using the straight-line method. In 2013, the District advance refunded the remaining \$35,560,000 of the COPs-2004 into the revenue bonds payable issuance.

**Revenue Bonds Payable-2013**

The Palmdale Water District Public Facilities Corporation (the Corporation) issued \$44,350,000 in Revenue Bonds Payable-2013 (Bonds-2013) with maturities from 2013 through 2043 with an interest rate range between 2.00% and 5.00% pursuant to an Indenture of Trust, dated as of May 1, 2013, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds-2013 were issued: (i) to prepay the District's outstanding Certificates of Participation-2004; (ii) to finance certain improvements to the District's Water System; (iii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds-2013; (iv) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (v) to pay the costs of issuing the Bonds-2013. The refunding resulted in a premium on the issuance of \$3,228,354 and a discount of (\$130,456) which are being amortized over the remaining debt service years. Principal and interest payments are due in April and October of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$2,278,663. This difference is being amortized through 2043 (the life of the debt) using the straight-line method as a deferred amount on debt defeasance.

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 7 - LONG-TERM DEBT (continued)**

**D. Revenue Bonds Payable (continued)**

Annual debt service requirements for the revenue bonds payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 510,000	\$ 1,841,125	\$ 2,351,125
2019	520,000	1,825,825	2,345,825
2020	535,000	1,810,225	2,345,225
2021	565,000	1,783,475	2,348,475
2022	595,000	1,755,225	2,350,225
2023-2027	9,735,000	8,017,675	17,752,675
2028-2032	13,935,000	5,329,225	19,264,225
2033-2037	9,105,000	2,153,250	11,258,250
2038-2042	5,075,000	853,000	5,928,000
2043	1,140,000	45,600	1,185,600
Total	41,715,000	\$ 25,414,625	\$ 67,129,625
Less: current	(510,000)		
Total non-current	\$ 41,205,000		

**Deferred Amount on Debt Defeasance, Net**

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2017, was as follows:

	<u>Balance, January 1, 2017</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, December 31, 2017</u>
Deferred amount on debt defeasance, net	\$ 2,478,516	\$ -	\$ (156,692)	\$ 2,321,824

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2016, was as follows:

	<u>Balance, January 1, 2016</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, December 31, 2016</u>
Deferred amount on debt defeasance, net	\$ 2,635,209	\$ -	\$ (156,693)	\$ 2,478,516

## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

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#### NOTE 8 – COMMITMENTS AND CONTINGENCIES

##### State Water Contract

Estimates of the District's share of the project fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 6,403,865
2018	6,964,246
2019	7,054,106
2020	7,119,107
2021	7,048,728

As of December 31, 2017, the District has expended approximately \$107,717,328 since the District started participating in the State Water Contract.

According to the State's latest estimates, the District's long-term obligations under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$ 95,610,745
Delta water charges	26,407,278
Off-aqueduct power facilities	75,251
Revenue bond surcharge	5,233,106
Total	<u>\$ 127,326,380</u>

##### Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to the District and other water users by means of public proceedings leading to regulations and decisions. In 1995, the State Board adopted a Water Quality Control Plan establishing water quality standards and flow improvements in the Bay/Delta watershed. In August 2000, the California Federal (CALFED) Bay/Delta Program Record of Decision (the Decision) was approved with mandates to improve water quality, enhance water supply reliability, augment ecosystem restoration, and assure long-term protection for Delta levees. During its first three years, CALFED has invested more than \$2.0 billion in hundreds of local and regional projects to meet these program goals. In May 2004, a Delta Improvement Package was proposed to facilitate implementation of the Decision. Funding is expected to be provided by state and federal appropriations and contributions from local users, including the District. CALFED's objective is to allocate project costs based on beneficiaries pay policy, that is new costs commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

##### Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

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#### NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)

The District has committed to approximately \$10,021,439 to complete the open construction contracts as of December 31, 2017. These include the following:

<u>Project Description</u>	<u>Cost of Project to Date</u>	<u>Estimated Costs to Complete</u>	<u>Total Expected Project Cost</u>
Sediment removal - Littlerock Dam	\$ 2,222,231	\$ 248,000	\$ 2,470,231
Grade Control Structure - Littlerock Dam	-	8,160,000	8,160,000
Palmdale Regional Groundwater Recharge Project	3,074,489	500,000	3,574,489
Upper Armargosa Recharge Project	136,561	1,113,439	1,250,000
Total	<u>\$ 5,433,281</u>	<u>\$ 10,021,439</u>	<u>\$ 15,454,720</u>

#### Other Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the District believes that these actions, when finally concluded and determined are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

#### NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2017 and 2016, the District participated in the self-insured liability, property, and worker's compensation insurance programs provided by ACWA/JPIA through AON Risk Insurance Services West, Inc. as follows:

#### General and Auto Liability

Each member limits of \$60 million per occurrence for auto and general liability coverage. The program protects the member agencies against third-party claims for bodily injury and property damage. The following coverages are also included:

- Personal Injury
- Errors and Omissions
- Products Hazard
- Inverse Condemnation
- Employment Practices
- Broadened Pollution
- Failure to Supply Water
- Care, Custody, & Control

#### Property

Each member Special Form Property Coverage including coverage for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles. Member agencies have various deductible selections. Boiler and Machinery Coverage is also included.



## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

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#### NOTE 9 – RISK MANAGEMENT (continued)

The following is an overview of the program:

- Real Property, Fixed Equipment, Personal Property at replacement cost
- Crime Coverage – up to \$100,000 Public Employee Dishonesty and Computer Fraud
- Terrorism Coverage – up to \$100 million per occurrence for property damage caused by an act declared to involve terrorism
- \$10 million Accounts Receivables for the amount of accounts uncollectible due to a covered loss
- \$100,000 Catastrophic coverage for vehicles

#### Workers' Compensation

Each member is covered for bodily injury by accident, \$2 million each accident, or bodily injury by disease, \$2 million each employee, including death, of employee arising out of and in the course of employment.

In addition, the District since August 2014 continued a separate policy with underwriters at Landmark American Insurance Company for commercial earthquake/business income interruption insurance. This insurance was purchased to safeguard the District in case of a major earthquake until disaster relief funds are made available by state and federal agencies. This policy has provisions as follows:

- The loss limit is \$9,284,980 per occurrence and in the annual aggregate.
- Deductible is 5% of values per unit of insurance subject to \$25,000 minimum per occurrence.
- Coverage for 2029 East Avenue Q location is \$2.891 million building limit and \$393,120 contents, including \$6 million business income.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2017, 2016, and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2017, 2016, and 2015.

#### NOTE 10 – PENSION PLAN

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

The net pension liability balances have a Measurement Date of June 30, 2017 and June 30, 2016, respectively, which are rolled-forward for the District's fiscal years ended December 31, 2017 and December 31, 2016.

The District's Net Pension Liability CalPERS – Miscellaneous Plan is comprised of a net pension liability balance and the balance of the District's pension-related debt – CalPERS side-fund as follows:

Description	Balance, December 31, 2017	Balance, December 31, 2016
Net pension liability	\$ 9,265,615	\$ 7,779,823
Pension-related debt – CalPERS side-fund	816,046	905,666
Total Net Pension Liability CalPERS – Miscellaneous Plan	\$ 10,081,661	\$ 8,685,489



**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 10 – PENSION PLAN (continued)**

**Pension-Related Debt – CalPERS Side-Fund**

As of June 30, 2003, CalPERS implemented risk-pooling for the District's agent multiple-employer public employee defined benefit pension plan. As a result, the District's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension-related debt and recorded as liability on the District's financial statements.

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related debt. Debt principal and interest expense is blended into the CalPERS pension benefit rate by individual class of District employee and repaid to CalPERS each payroll period throughout the fiscal year. The following is a pay-down schedule of the remaining payments of the District's CalPERS Side-Fund at a 7.50% interest rate, which was reduced by CalPERS in fiscal year 2012, for fiscal years 2012 and beyond as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 1, 2017 to June 30, 2018	\$ 101,068	\$ 55,441	\$ 156,509
July 1, 2018 to June 30, 2019	113,517	47,688	161,205
July 1, 2019 to June 30, 2020	127,045	38,966	166,011
July 1, 2020 to June 30, 2021	141,736	29,284	171,020
July 1, 2021 to June 30, 2022	157,688	18,465	176,153
July 1, 2022 to June 30, 2023	174,992	6,562	181,554
Total	<u>\$ 816,046</u>	<u>\$ 196,406</u>	<u>\$ 1,012,452</u>

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

**NOTE 10 – PENSION PLAN (continued)**

**A. General Information about the Pension Plan**

**The Plan**

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	8.000%	6.500%
Required employer contribution rates – FY 2017	8.901%	6.544%
Required employer contribution rates – FY 2016	8.512%	6.237%

**Plan Description, Benefits Provided and Employees Covered**

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA's adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the "classic" plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the "PEPRA/new" plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2016 Annual Actuarial Valuation Reports.

At June 30, 2017, the following members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	65	17	82
Transferred and terminated members	41	2	43
Retired members and beneficiaries	52	-	52
<b>Total plan members</b>	<b>158</b>	<b>19</b>	<b>177</b>

**PALMDALE WATER DISTRICT**  
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**NOTE 10 – PENSION PLAN (continued)**

**A. General Information about the Pension Plan (continued)**

**Plan Description, Benefits Provided and Employees Covered (continued)**

At June 30, 2016, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	72	12	84
Transferred and terminated members	45	1	46
Retired members and beneficiaries	43	-	43
<b>Total plan members</b>	<b>160</b>	<b>13</b>	<b>173</b>

**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended December 31, 2017, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 435,010	\$ 75,037	\$ 510,047
Contributions – members	245,166	69,780	314,946
<b>Total contributions</b>	<b>\$ 680,176</b>	<b>\$ 144,817</b>	<b>\$ 824,993</b>

Contributions for the year ended December 31, 2016, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 474,105	\$ 27,847	\$ 501,952
Contributions – members	212,930	28,055	240,985
<b>Total contributions</b>	<b>\$ 687,035</b>	<b>\$ 55,902</b>	<b>\$ 742,937</b>

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the year ended December 31, 2017, the contributions recognized as part of pension expense for the Plan were \$1,828,199.

**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

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**NOTE 10 - PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

Summary of the pension plan for the year ended December 31, 2017, is as follows:

Type of Account	Balance as of January 1, 2017	Additions	Deletions	Balance as of December 31, 2017
<b>Deferred Outflows of Resources:</b>				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 501,952	\$ 502,091	\$ (501,952)	\$ 502,091
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	1,600,390	-	(1,224,616)	375,774
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	14,255	-	(14,255)	-
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	103,926	180,418	-	284,344
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	25,054	-	(11,663)	13,391
Change in assumptions	-	1,661,550	-	1,661,550
<b>Total deferred outflows of resources</b>	<b>\$ 2,245,577</b>	<b>\$ 2,344,059</b>	<b>\$ (1,752,486)</b>	<b>\$ 2,837,150</b>
<b>Net Pension Liability:</b>				
CalPERS – Miscellaneous Plan	<b>\$ 8,685,489</b>	<b>\$ 1,898,124</b>	<b>\$ (501,952)</b>	<b>\$ 10,081,661</b>
<b>Deferred Inflows of Resources:</b>				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ -	\$ -	\$ -	\$ -
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	128,388	46,143	-	174,531
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	22,016	-	(22,016)	-
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	191,856	-	191,856
Changes in assumptions:				
CalPERS – Miscellaneous Plan	307,491	-	(180,796)	126,695
<b>Total deferred inflows of resources</b>	<b>\$ 457,895</b>	<b>\$ 237,999</b>	<b>\$ (202,812)</b>	<b>\$ 493,082</b>



**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
*December 31, 2017 and 2016*

**NOTE 10 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

Summary of the pension plan for the year ended December 31, 2016, is as follows:

<u>Type of Account</u>	<u>Balance as of January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of December 31, 2016</u>
<b>Deferred Outflows of Resources:</b>				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 996,550	\$ 501,952	\$ (996,550)	\$ 501,952
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan		1,600,390		1,600,390
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	-	32,075	(17,820)	14,255
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	145,716	(41,790)	103,926
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	53,152	-	(28,098)	25,054
<b>Total deferred outflows of resources</b>	<b>\$ 1,049,702</b>	<b>\$ 2,280,133</b>	<b>\$ (1,084,258)</b>	<b>\$ 2,245,577</b>
<b>Net Pension Liability:</b>				
CalPERS – Miscellaneous Plan	<b>\$ 6,727,908</b>	<b>\$ 2,954,131</b>	<b>\$ (996,550)</b>	<b>\$ 8,685,489</b>
<b>Deferred Inflows of Resources:</b>				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 252,092	-	\$ (252,092)	-
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	28,055	155,043	(54,710)	128,388
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	21,824	27,708	(27,516)	22,016
Changes in assumptions:				
CalPERS – Miscellaneous Plan	502,869	-	(195,378)	307,491
<b>Total deferred inflows of resources</b>	<b>\$ 804,840</b>	<b>\$ 182,751</b>	<b>\$ (529,696)</b>	<b>\$ 457,895</b>



**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 10 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Proportionate Share of Net Pension Liability and Pension Expense***

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

Changes in the net pension liability for the year ended June 30, 2017, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2016 (Measurement Date)	\$ 35,580,180	\$ 26,894,691	\$ 8,685,489
Balance as of June 30, 2017 (Measurement Date)	\$ 39,818,738	\$ 29,737,077	\$ 10,081,661
<b>Change in Plan Net Pension Liability</b>	<b>\$ 4,238,558</b>	<b>\$ 2,842,386</b>	<b>\$ 1,396,172</b>

Changes in the net pension liability for the year ended June 30, 2016, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2015 (Measurement Date)	\$ 33,061,883	\$ 26,333,975	\$ 6,727,908
Balance as of June 30, 2016 (Measurement Date)	\$ 35,580,180	\$ 26,894,691	\$ 8,685,489
<b>Change in Plan Net Pension Liability</b>	<b>\$ 2,518,297</b>	<b>\$ 560,716</b>	<b>\$ 1,957,581</b>

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2016 and 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017 and 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2017 and 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2016-2017 and FY 2015-2016).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

**NOTE 10 – PENSION PLAN (continued)**

**C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

*Proportionate Share of Net Pension Liability and Pension Expense (continued)*

- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

As of December 31, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,081,661.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the June 30, 2017, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending December 31, 2017</u>	<u>Fiscal Year Ending December 31, 2016</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Measurement Date	June 30, 2017	June 30, 2016	
Percentage of Risk Pool Net Pension Liability	0.248610%	0.250020%	-0.001410%
Percentage of Plan (PERF C) Net Pension Liability	0.101658%	0.100374%	0.001284%

The District’s proportionate share of the net pension liability for the June 30, 2016, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending December 31, 2016</u>	<u>Fiscal Year Ending December 31, 2015</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.250020%	0.245234%	0.004786%
Percentage of Plan (PERF C) Net Pension Liability	0.100374%	0.098019%	0.002355%

**PALMDALE WATER DISTRICT***Notes to Financial Statements**December 31, 2017 and 2016***NOTE 10 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The total amount of \$502,091 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Pension contributions made after the measurement date	\$ 502,091	\$ -
Difference between actual and proportionate share of employer contributions	-	(174,531)
Adjustment due to differences in proportions	284,344	-
Differences between expected and actual experience	13,391	(191,856)
Differences between projected and actual earnings on pension plan investments	375,774	-
Changes in assumptions	1,661,550	(126,695)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 2,837,150</b>	<b>\$ (493,082)</b>

The total amount of \$501,952 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended December 31, 2017. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Pension contributions made after the measurement date	\$ 501,952	\$ -
Difference between actual and proportionate share of employer contributions	14,255	(128,388)
Adjustment due to differences in proportions	103,926	(22,016)
Differences between expected and actual experience	25,054	-
Differences between projected and actual earnings on pension plan investments	1,600,390	-
Changes in assumptions	-	(307,491)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 2,245,577</b>	<b>\$ (457,895)</b>

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

**NOTE 10 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2017, will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended December 31	Deferred Outflows/(Inflows) of Resources
2018	\$ 435,685
2019	1,012,387
2020	617,008
2021	(223,104)
2022	-
<b>Total</b>	<b>\$ 1,841,976</b>

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2016, will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended December 31	Deferred Outflows/(Inflows) of Resources
2017	\$ 56,213
2018	96,842
2019	718,159
2020	414,516
2021	-
<b>Total</b>	<b>\$ 1,285,730</b>

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017, total pension liability. The December 31, 2016, total pension liability and the December 31, 2017, total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	<b>2017</b> Entry age normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter



**PALMDALE WATER DISTRICT**  
*Notes to Financial Statements*  
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**NOTE 10 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

Actuarial Cost Method	2016 Entry age normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the years 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

<sup>1</sup> An expected inflation rate-of-return of 2.5% is used for years 1-10.

<sup>2</sup> An expected inflation rate-of-return of 3.0% is used for years 11+.



**PALMDALE WATER DISTRICT**  
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**NOTE 10 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Changes in the discount rate for the year ended June 30, 2017, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	\$ 15,558,604	\$ 10,081,661	\$ 5,545,557

Changes in the discount rate for the year ended June 30, 2016, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	\$ 13,475,689	\$ 8,685,489	\$ 4,726,626

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

**C. Payable to the Pension Plans**

At December 31, 2017, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended December 31, 2017.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description - Eligibility**

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the Plan). The following requirements must be satisfied in order to be eligible for post-employment medical, dental, and vision benefits: (1) Attainment of age 55, and 20 years for full-time service, and (2) retirement from the District (the District must be the last employer prior to retirement).

**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 ACWA-JPIA medical, dental, and vision programs. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors.

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Funding Policy**

The District contributes the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the Plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description	2017	2016	2015
<b>Annual OPEB cost:</b>			
Annual required contribution (ARC)	\$ 1,682,759	\$ 2,350,322	\$ 2,350,322
Interest on net OPEB obligation	327,692	224,706	186,660
Adjustment to annual required contribution	(477,929)	(380,233)	(315,850)
<b>Total annual OPEB cost</b>	<u>1,532,522</u>	<u>2,194,795</u>	<u>2,221,132</u>
<b>Contributions made</b>	<u>(368,766)</u>	<u>(322,421)</u>	<u>(318,694)</u>
<b>Total contributions made</b>	<u>(368,766)</u>	<u>(322,421)</u>	<u>(318,694)</u>
<b>Total change in net OPEB obligation</b>	1,163,756	1,872,374	1,902,438
<b>Net OPEB obligation:</b>			
Beginning of year	13,107,674	11,235,300	9,332,862
End of year	<u>\$ 14,271,430</u>	<u>\$ 13,107,674</u>	<u>\$ 11,235,300</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable(Asset)
December 31, 2017	\$ 1,532,522	\$ 368,766	24.06%	\$ 14,271,430
December 31, 2016	\$ 2,194,795	\$ 322,421	14.69%	\$ 13,107,674
December 31, 2015	\$ 2,221,132	\$ 318,694	14.35%	\$ 11,235,300

**PALMDALE WATER DISTRICT**

*Notes to Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress – OPEB Plans**

As of December 31, 2017, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$20.2 million and the unfunded actuarial accrued liability (UAAL) was \$20.2 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2017
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% - Current LAIF rating (rounded)
Projected salary increase	2.00%
Inflation - discount rate	2.50%
Health care trend rate	3.00%

**NOTE 12 – UNRESTRICTED (DEFICIT) NET POSITION**

As of December 31, 2017 and 2016, the District has an unrestricted net position deficit of (\$9,941,468) and (\$8,596,552). Due to the nature of the deficit from the implementation of GASB No. 68/71 in fiscal year 2015, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension obligation funding requirements for future periods to reduce the deficit position.

## PALMDALE WATER DISTRICT

### Notes to Financial Statements

December 31, 2017 and 2016

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#### NOTE 13 – PRIOR PERIOD ADJUSTMENT

The Palmdale Recycled Water Authority (Authority) required a prior period adjustment to be made on their financials to account for transferred asset rights on a recycled water pipeline and pumping facilities. This transaction occurred because the City of Palmdale had not transferred the asset as part of the original formation of the joint powers agreement from 2012. To become in compliance with the agreement, the Authority has made the prior period adjustment as part of the 2017 audit. In order for the District to realize its 50% portion of the Authority the following adjustment has been made.

Description	Balance
<b>Net position as of January 1, 2016 – as previously reported</b>	\$ 95,063,510
Investment in Palmdale Recycled Water Authority	954,652
<b>Net position as of January 1, 2016 – as restated</b>	<u>\$ 96,018,162</u>

#### NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

#### NOTE 15 – SUBSEQUENT EVENT

The District issued \$12,805,000 in revenue bonds on June 28, 2018. The bonds are being issued to finance improvements to the District water system, pay for insurance policies for principal and interest, and to pay the costs of issuing the bonds.

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*Required Supplementary Information*

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**PALMDALE WATER DISTRICT**  
*Schedule of Funding Progress*  
*For the Year Ended December 31, 2017*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2017	\$ -	\$ 20,240,870	\$ 20,240,870	0.00%	\$ 7,388,637	273.95%
December 31, 2014	\$ -	\$ 25,778,850	\$ 25,778,850	0.00%	\$ 7,010,439	367.72%
December 31, 2010	\$ -	\$ 16,234,820	\$ 16,234,820	0.00%	\$ 6,547,188	247.97%

**PALMDALE WATER DISTRICT***Schedule of Proportionate Share of the Net Pension Liability  
For the Year Ended December 31, 2017 and 2016*

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	Last Ten Fiscal Years*		
	California Public Employees' Retirement System (CalPERS) Miscellaneous Plan		
Measurement Date:	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.101658%	0.100374%	0.098019%
District's proportionate share of the net pension liability	\$ 10,081,661	\$ 8,685,489	\$ 6,727,907
District's covered-employee payroll	\$ 6,482,822	\$ 6,778,010	\$ 6,377,315
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	155.51%	128.14%	105.50%
Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**PALMDALE WATER DISTRICT**  
*Schedule of Contributions*  
*For the Year Ended December 31, 2017 and 2016*

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Last Ten Fiscal Years*				
California Public Employees' Retirement System (CalPERS) Miscellaneous Plan				
Contributions for the years ending	2017	2016	2015	2014
Actuarially required contribution	988,410	\$ 914,747	\$ 819,205	\$ 805,370
Contributions in relation to the contractually required contribution	(988,410)	(914,747)	(819,205)	(805,370)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	6,482,822	\$ 6,589,909	\$ 6,497,710	\$ 5,907,552
Contributions as a Percentage of Covered-Employee Payroll	15.25%	13.88%	12.610%	13.630%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

<sup>1</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to the Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

## **PALMDALE WATER DISTRICT**

*Notes to the Required Supplementary Information  
For the Year Ended December 31, 2017*

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### **NOTE 1 – PURPOSE OF SCHEDULES**

#### **Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

#### **Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

#### **Schedule of Pension Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

### **NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS**

#### **Benefit Changes**

There were no changes to benefit terms that applied to all members of the Miscellaneous Risk Pool.

#### **Changes of Assumptions**

There were no changes of assumptions.

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*Supplementary Information*

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**PALMDALE WATER DISTRICT**

*Schedules of Debt Service Net Revenues Coverage  
For the Year Ended December 31, 2017 and 2016*

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	<u>2017</u>	<u>2016</u>
<b>Total revenues:</b>		
Operating revenues	\$ 23,693,095	\$ 22,586,801
Non-operating revenues	7,971,368	7,894,507
Capital contributions – capital improvement fees and grants	1,132,074	541,662
<b>Total revenues</b>	<u>32,796,537</u>	<u>31,022,970</u>
<b>Total expenses:</b>		
Operating expenses before depreciation expense	23,053,505	22,704,309
Non-operating expenses	4,776,116	4,574,111
Less debt service items:		
Interest expense – long-term debt	<u>(2,175,260)</u>	<u>(2,211,323)</u>
<b>Total non-operating expenses adjusted for debt service items</b>	<u>2,600,856</u>	<u>2,362,788</u>
	<u>25,654,361</u>	<u>25,067,097</u>
<b>Net revenues available for debt service</b>	<u>\$ 7,142,176</u>	<u>\$ 5,955,873</u>
<b>Debt service for the fiscal year</b>	<u>\$ 3,995,279</u>	<u>\$ 3,909,338</u>
<b>Debt service net revenues coverage ratio</b>	<u>179%</u>	<u>152%</u>

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*Other Independent Auditors' Report*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Palmdale Water District  
Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palmdale Water District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Palmdale Water District's basic financial statements, and have issued our report thereon dated August 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Palmdale Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Palmdale Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Palmdale Water District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

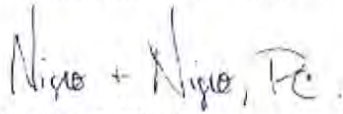
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Palmdale Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California  
August 16, 2018

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*Findings and Recommendations*

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**PALMDALE WATER DISTRICT**  
*Schedule of Audit Findings and Recommendations*  
*For the Year Ended December 31, 2017 and 2016*

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

*There were no audit findings or recommendations in 2017.*

**PALMDALE WATER DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Year Ended December 31, 2017*

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*There were no findings or recommendations in 2016.*

**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Peter Thompson II, Deputy Water and Energy Res. Dir.  
**VIA:** Mr. Jon Pernula, Water and Energy Res. Dir.  
Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION ON CONTRIBUTION TO THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION FOR THE SPONSORSHIP OF THE DESIGN, CONSTRUCTION, AND MAINTENANCE OF A CONSERVATION GARDEN AT THE ANTELOPE VALLEY FAIR. (\$3,225.00 (PWD SHARE) – NON-BUDGETED – AD HOC ANTELOPE VALLEY FAIR COMMITTEE-DIRECTOR MAC LAREN/DIRECTOR ESTES/PWD DEPUTY WATER AND ENERGY RESOURCES DIRECTOR AND AVSWCA ASSISTANT GENERAL MANAGER THOMPSON II)***

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**Recommendation:**

Staff recommends that the Board authorize the contribution of \$3,225.00 to the Antelope Valley State Water Contractors Association (AVSWCA) for the sponsorship of the design, construction, and maintenance of a conservation garden at the Antelope Valley Fair.

**Alternative Options:**

The Board can choose not to authorize a contribution.

**Impact of Taking No Action:**

The District will have no participation in the Antelope Valley Fair conservation garden.

**Background:**

At their regular meeting held August 9, 2018, the Commissioners for the AVSWCA approved a Sponsorship Agreement with the Antelope Valley Fair for the design, construction, and maintenance of a Conservation Garden at the Antelope Valley Fairgrounds (copy attached). The amount approved by the AVSWCA is \$25,000 for each of the years 2018, 2019, and 2020 and \$5,000 for each of the years 2021 and 2022. These amounts are to be divided among the AVSWCA member agencies according to State Water Project Table A allocations with the District's portion for 2018 being \$3,225.00 per the attached invoice. In addition, at their July 19, 2018 meeting, the AVSWCA Commissioners also discussed sponsorship of the Conservation Garden in lieu of funding future Smart Water Expos.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Jon Pernula, Water and Energy Res. Dir.  
Mr. Dennis D. LaMoreaux, General Manager

-2-

August 21, 2018

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 5 – Regional Leadership.

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

**Budget:**

This project is not budgeted.

**Supporting Documents:**

- Antelope Valley Fair Association Standard Agreement approved August 10, 2018.
- AVSWCA invoice for \$3,225.00.



ANTELOPE VALLEY  
FAIR ASSOCIATION

Antelope Valley Fair Association  
2551 W. Avenue H, Suite 102  
Lancaster, CA 93536  
661-948-6060 Fax 661-942-2135

STANDARD AGREEMENT#: SP18-39

CONTRACTOR EIN (Fed. ID#): \_\_\_\_\_

This agreement is entered into between the A.V. Fair Association and the Contractor named below:

CONTRACTOR (BUSINESS NAME):

CONTRACTOR CONTACT (NAME):

*Antelope Valley State Water Contractors Association*

*Matthew Knudson*

The term of this Agreement is: 07/31/18 through 12/31/22

The Maximum amount of this Agreement is: \$75,000.00 (\$25,000 per year in 2018, 2019, & 2020) and \$5,000.00 in 2021 and 2022 for maintenance of the project and continued sponsorship. The Antelope Valley State Water Contractors Association shall have the first right of refusal to continue sponsorship for an additional 5-years in the amount of \$5,000 per year.

The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement:

EXHIBIT A- Scope of Work

EXHIBIT B - Budget Detail and Payment Provisions- N/A

In WITNESS WHEREOF, this agreement has been executed by the parties hereto:

CONTRACTOR'S NAME (If other than an individual, state whether a corporation, partnership, etc.):

*Antelope Valley State Water Contractors Association*

*Matthew Knudson* General Manager  
BY (Authorized Signature): TITLE:

8/10/18  
DATE SIGNED (Do not type):

PRINTED NAME & ADDRESS OF PERSON SIGNING:

*Matthew Knudson  
C/O Palmdale Water District  
2029 East Ave. Q  
Palmdale, CA 93550*

661-943-3201  
PHONE NUMBER:  
*mknudson@avek.org*  
EMAIL:

AGENCY NAME:

Antelope Valley Fair Association

*debbie@avfair.com*  
EMAIL:

BY: Debbie Smith Deputy Manager

DATE SIGNED (Do not type):





ANTELOPE VALLEY  
FAIR ASSOCIATION

Antelope Valley Fair Association

2551 W. Avenue H, Suite 102

Lancaster, CA 93536

661-948-6060 Fax 661-942-2135

Exhibit A

Work Statement

Antelope Valley Fair Association

SP18-39

Antelope Valley State Water Contractors Association

**CONTRACTOR AGREES:**

- 1. To fund the water conservation project located at the Antelope Valley Fair and Event Center.*
- 2. The project will be constructed in three (3) phases, one (1) phase each year of the contract.*
- 3. To fund the regular maintenance of the water conservation project upon completion.*

**AVFA AGREES:**

- 1. To oversee the construction and regular maintenance of the project located at the Antelope Valley Fair and Event Center.*
- 2. To install and maintain educational signage for each phase of the project that will include the plot plan with plant location and name.*
- 3. To install and maintain signage at the annual Antelope Valley Fair identifying the Antelope Valley State Water Contractors Association sponsorship (AVEK, LCID, and PWD).*



ANTELOPE VALLEY  
FAIR ASSOCIATION

Antelope Valley Fair Association

2551 W. Avenue H, Suite 102

Lancaster, CA 93536

661-948-6060 Fax 661-942-2135

Exhibit B

Payment Schedule

Antelope Valley Fair Association

SP18-39

Antelope Valley State Water Contractors Association

**CONTRACTOR AGREES:**

1. *To pay the AVFA Twenty-Five Thousand Dollars (\$25,000.00) per each year of the contract totaling the full amount of Seventy-Five Thousand Dollars (75,000.00).*

*Payment Schedule:*

*First Phase in the amount of \$25,000.00 due on or before 15-Aug-2018*

*Second Phase in the amount of \$25,000.00 due on or before 1-Jun-2019*

*Third Phase in the amount of \$25,000.00 due on or before 1-Jun-2020*

2. *To pay the AVFA Five Thousand Dollars (\$5,000.00) in 2021 and 2022 after the project completion year for the regular maintenance and sponsorship of the project. The Antelope Valley State Water Contractors Association shall have the first right of refusal to continue sponsorship for an additional 5-years in the amount of \$5,000 per year.*



### **COMMISSIONERS**

ROBERT PARRIS, *Chair*  
 BARBARA HOGAN, *Vice Chair*  
 LEO THIBAULT, *Treasurer-Auditor*  
 KATHY MAC LAREN, *Secretary*  
 KEITH DYAS, *Commissioner*  
 MARCO HENRIQUEZ, *Commissioner*

### **OFFICERS**

MATTHEW R. KNUDSON, *General Manager*  
 PETER THOMPSON II, *Asst. General Manager*  
 TOM BARNES, *Resources Manager*  
 DENNIS HOFFMEYER, *Controller*  
 DANIELLE HENRY, *Administrative Assistant*

INVOICE NUMBER: 19-014			
ACCOUNT NUMBER	BILL DATE	DUE DATE	PAY THIS AMOUNT
PWD001	08/13/2018	09/14/2018	\$3,225.00

CONTRIBUTING AGENCY:  
 Palmdale Water District  
 2029 East Avenue Q  
 Palmdale, CA 93550  
 ATTN: Dennis D. LaMoreaux

DESCRIPTION	AMOUNT
Sponsorship Agreement for the design, construction and maintenance of a Conservation Garden at the Antelope Valley Fairgrounds for 2018	\$3,225.00

***As approved at the Regular Meeting of the Commissioners of the Antelope Valley State Water Contractors Association on August 9, 2018 in the amount of \$25,000.00/year for 2018, 2019 and 2020 followed by \$5,000.00/year for 2021 and 2022 divided according to State Water Project Table A Allocations.***

TOTAL DUE	\$3,225.00
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REMIT TO:

Antelope Valley State Water  
 Contractors Association  
 2029 East Avenue Q  
 Palmdale, CA 93550

**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** August 22, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Jon M Pernula, Water and Energy Resources Director  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.3 – CONSIDERATION AND POSSIBLE ACTION ON RATIFICATION OF THE AGREEMENT IN PRINCIPLE (AIP) FOR THE STATE WATER PROJECT (SWP) WATER SUPPLY CONTRACT AMENDMENT FOR WATER MANAGEMENT TOOLS AND CALIFORNIA WATER FIX. (NO BUDGET IMPACT – WATER AND ENERGY RESOURCES DIRECTOR PERNULA)***

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**Recommendation:**

Staff recommends that the Board review and consider endorsing a provisional ratification of the State Water Project water supply contract amendment for water management provisions and California Water Fix.

**Alternative Options:**

The Board could choose not to endorse the contract amendment principles and subsequently deny participation in the contract amendment which would allow District participation in the better water management tools provided in the amendment.

**Impact of Taking No Action:**

The impact from no action could jeopardize current SWP water supply resource levels wherein the District would be accepting the continuing rapid decline in State Water Project long term reliability and reductions in future essential water supplies.

**Background:**

The State Water Contractors (SWC's) have been negotiating terms and conditions for an amendment to the proposed State Water Project (SWP) contract extension. These negotiations have been ongoing since August of 2016. As part and parcel to the California Water Fix, it was determined early on that the limitations under the current contract language impeded the SWC's ability to facilitate full utilization of declining resources being provided by the Department of Water Resources (DWR). As a lead negotiator, PWD has helped shape and develop some key elements now being proposed for the amendment. PWD, through necessity, created several "outside of the box" configurations for exchanges and water acquisitions, which are now widely used by other SWC's. Some of the operative models developed and utilized by PWD are included in the amendment as effective management tools that would benefit all contractors involved in the various exchanges and water transfers.

August 22, 2018

The problem of attaining uniform application of these methods has been compounded by the fact that the SWP contract was virtually silent on these certain exchange/transfer terms and configurations. The codification of same and other proposed management tools through contract amendment was determined to be necessary to insure the success of both the California Water Fix and the recovery of long term reliability.

This draft final Agreement in Principle (AIP) is the result of many hours of painstaking negotiations between DWR and SWC's and has been acknowledged by all participants as an acceptable solution to the various concerns held by both entities. The AIP is a "stepping stone" non-binding agreement expressing the basic principles from which DWR and the SWC's will hammer out the specific details in the definitive contract language for amendment.

**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:**

This project has no Budget effect.

**Supporting Documents:**

- AIP Final Draft Water supply contract amendment
- Notice 17-11



# DRAFT WORKING DOCUMENT FOR PUBLIC DISCUSSION

Draft 3 – June 27, 2018 Doc

# 00115

## Draft Agreement in Principle for the SWP Water Supply Contract Amendment for Water Management and California WaterFix

This straw proposal for a draft Agreement in Principle (AIP) is from the Consolidated Talking Points as of May 30, 2018 from the contract amendment negotiations. Many provisions are under discussion and the workgroup will update the Draft AIP after future public negotiations. [Format used in this document is preliminary and is subject to revision.]

### DRAFT Proposed Project Objectives

The California Department of Water Resources and the PWAs have agreed to the following proposed project objectives for amending the SWP water supply contract:

- 1) Supplement and clarify terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area;
- 2) Provide a fair and equitable approach for cost allocation of California WaterFix facilities to maintain the SWP financial integrity.

### I. PRINCIPLES TO ACHIEVE DRAFT PROPOSED OBJECTIVE FOR WATER MANAGEMENT TOOLS AND ACTIONS

#### 1. Water Transfers.

- 1.1. **Terms of a Transfer Agreement:** The PWAs shall determine duration and compensation for all transfers; this includes allowing single, Transfer Packages and multi-year transfers to be as long as the remainder of the term of the contract.
- 1.2. **Transfer Package Definition:** A Transfer Package is comprised of two or more transfer agreements between the same PWAs. If a transfer package is presented to DWR for approval, DWR shall consider each proposed transfer within the package at the same time and shall apply the transfer criteria listed

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below in the review of each transfer. DWR shall not reclassify a Transfer Package or Transfer as an exchange.

- 1.3. All contract language in Article 56(d) and language related to the Turnback Pool shall be removed.

### **2. Water Exchanges.**

- 2.1. Article 56(f) will be revised to include language permitting consideration of hydrology under a bona fide exchange and will include the following criteria for return ratios:

For SWP allocations  $\geq 50\%$ , return ratio is up to 2: 1

For SWP allocations  $> 25$  and  $< 50\%$ , return ratio is up to 3: 1

For SWP allocations  $>15\%$  and  $\leq 25\%$ , return ratio is up to 4: 1

For SWP allocations  $\leq 15\%$ , return ratio is up to 5:1

- 2.2. The PWAs shall use the applicable return ratio using the SWP allocation at the time the exchange transaction is executed between the PWAs.
- 2.3. Notice to Contractors 17-11 Attachment A, Section A, Bona Fide Exchanges, Item 4 Cost compensation reads as follows: Maximum cost compensation for a bona fide exchange may not exceed the exchanging PWAs combined conservation facilities, transportation facilities, and CWF facilities' fixed charges (capital and minimum charges including capital surcharges). The allocation percentage in the denominator of the compensation calculation will be set by the SWP allocation which has incorporated the May 1 monthly Bulletin 120 runoff forecasts. If exchanges are requested prior to the allocation identified above, DWR will provide timely approval with the obligation of the PWAs to meet the requirement of the maximum compensation – if the compensation exceeds the maximum, the PWAs will re-visit the agreement and adjust the compensation. If a cost adjustment is made, the PWA must notify DWR.

### **3. Transfers and Exchanges, including Transfers and Exchanges using Carryover Water in San Luis Reservoir (SLR).**

- 3.1. **Buyers and Sellers in Same Year.** PWAs may be both buyers and sellers in the same year and enter into multiple transfers and/or exchanges in the same year.

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### 3.2. Basic Criteria Required for Proposed Transfers and Exchanges.

- 3.2.1 Transfers and exchanges must be transparent.
- 3.2.2 Transfers and exchanges must not harm non-participating PWAs.
- 3.2.3 Transfers and exchanges must not create significant adverse impacts in a PWA service area.
- 3.2.4 Transfers and exchanges shall comply with all applicable laws and regulations.
- 3.2.5 Transfers and exchanges shall be scheduled only if they do not impact normal SWP operations.
- 3.2.6 Transfers and exchanges shall not impact the financial integrity of the SWP.
- 3.2.7 A PWA may petition the Director for an exception in the following cases. In each case, the PWA must provide explanatory information to the Director.
  - A transfer or exchange does not meet the basic criteria, but the PWA feels that there is compelling need to proceed with the transfer or exchange.
  - A PWA that has received water in a transfer or exchange cannot deliver all of the water from the transaction in the same calendar year, and wishes to carry over the water in its name.

The Director shall have discretion to approve exceptions.

- 3.3. **Dispute Resolution Process, Prior to Executing an Agreement.** PWAs and DWR shall comply with the following process to resolve disputes if a PWA that is not participating in the transfer or exchange claims that the proposed transfer and/or exchange has a significant adverse impact.

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- 3.3.1 Any claim to a significant adverse impact may only be made after the submittal of a term sheet to DWR and before DWR approves a transfer/exchange agreement.
- 3.3.2 In the event that any dispute can't be resolved among the PWAs, DWR will convene a group including DWR (the Chiefs of SWPAO, Legal, and Operations or their designees) and the PWA parties involved (PWA representatives to be chosen by each PWA party). Any PWA claiming an adverse impact must submit written documentation to support this claim and identify a proposed solution. This documentation must be provided 2 weeks in advance of a meeting of the group that includes SWPAO, Legal, Operations and the involved PWA representatives.
- 3.3.3 If this group can't resolve the dispute, the issue will be taken to the Director of DWR.
- 3.3.4 The Director's decision will be the final.
- 3.4. **Water Delivery Priorities:** Exchange and transfer water shall be scheduled in accordance with Article 12 (f) priorities retaining the associated priority level. The transfer water will not have the protection of Article 14(b) and the delivery cannot impact any other PWAs.
- 3.5. Although DWR will not be a party to any transfer or exchange agreement between the PWA's, DWR and the PWAs shall enter into an agreement to address DWR's role in effectuating the transfer or exchange. Such agreement shall include certain standardized provisions designed to protect SWP operations, finances and liability, along with other provisions tailored to the particular transaction or as otherwise agreed among DWR and the PWAs.
- 3.6. **Timely Processing.** DWR will timely process requests to be incorporated into the schedule to deliver water that given year.
- 3.7. **Shortages:** In regards to shortages, DWR retains authority as set forth in Article 18(a).
- 3.8. **Article 21.**

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- 3.8.1 Tulare Lake Basin Water Storage District, Empire Westside Irrigation District, Oak Flat Water District, and Kings County may transfer a portion of their Article 21 water to another PWA.
- 3.8.2 The Director, in his or her discretion, may approve the transfer of a portion of other PWA's allocation of Article 21 water to another PWA where there is a special need for the transfer. The Department will prepare criteria to be applied for the review of a PWA request to transfer Article 21 water. This will not impact the Department's process for allocating Article 21 water.

#### 4. PWA Due Diligence.

- 4.1 Each PWA participating in an exchange or transfer shall confirm the following in a resolution or other appropriate document approving the transfer or exchange, including the use of stored water/carryover water, if applicable, provided to DWR as follows:
  - 4.1.1 That the PWA has complied with all applicable laws for this transfer/exchange and shall specify the notices that were provided to the public agencies and the public regarding the proposed transfer or exchange.
  - 4.1.2. That the relevant terms of the transfer/exchange have been provided to all State Water Project PWAs and the SWC Water Transfer Committee;
  - 4.1.3. That the PWA is informed and believes that this transfer/exchange will not harm other SWP PWAs, or impact SWP operations.
  - 4.1.4. That the PWA is informed and believes that the transfer/exchange will not affect its ability to make all payments, including payments for its share of the financing costs of DWR's Central Valley Project Revenue Bonds, when due, under its water supply contract.
  - 4.1.5. That the PWA has considered the potential impacts of the transfer/exchange within the PWA's service area.
- 4.2. Add language to the contract that requires PWAs parties to an exchange or transfer to publicly post and provide information to non-party PWAs. The



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PWAs and DWR agree that DWR will send a Notice to Contractors to outline the following process related to transparency for transfers and exchanges:

At the time the PWA parties submit the Contract Information Form to DWR, they will provide the Contract Information Form to the non-party PWAs. During the time period beginning with the PWA parties submitting the Contract Information Form to DWR and the time before there is a final agreement with DWR for storage or conveyance, the PWA parties will publicly post information regarding the transfer or exchange. If applicable, the PWA parties will request the State Water Contractor Board to support the water transfer. If the State Water Contractor board votes to support the transfer or exchange, the General Manager will send a letter of support to DWR and to the non-party PWAs. Once a storage or conveyance agreement is completed it will be provided to the non-party PWAs.

- 4.3. If requested by the DWR Director with respect to any confirmation of Basic Criteria for Transfers, Exchanges and Carryover Water, the PWA shall cooperate with DWR in providing DWR with information supporting the basis for the confirmation or basic criteria.

### 5. **Stored Water/Carryover Water.**

- 5.1. **Store and Transfer SWP Water in the Same Year.** Modify Article 56(c)(4) and any other applicable sections to allow PWAs to store and transfer Table A water in the same year and modify Article 56(c) and any other applicable sections to allow a PWA to transfer Table A water to another PWA's service area. DWR will continue to coordinate through the PWAs under the existing SWP contracts.
- 5.2. **Carryover Water Program:** Carryover Water Program shall require transfers and/or exchanges of carryover water in years of need, as confirmed by the receiving PWA, to meet the following criteria:
  - 5.2.1 Carryover water available for transfer or exchange in this amendment is defined only as stored water described in Article 56(c)(1) and 56(c)(2) and not 12(e).
  - 5.2.2 Carryover water may only be exchanged or used in single-year transfers.

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- 5.2.3 The PWA purchasing the carryover water must take delivery, in its service areas, unless an exemption is granted under 5.2.8.
- 5.2.4 A PWA may transfer or exchange up to 50% of its carryover water.
- 5.2.5 A PWA may transfer/exchange greater than 50% of its carryover water, if the PWA demonstrate that the transfer or exchange of carryover water will not prevent it from meeting critical water needs in the current year or the following year and obtain approval by DWR Director.
- 5.2.6 All transfer and exchange of carryover water are subject to section 4.2.
- 5.2.7 The PWA receiving the water must confirm that the PWA has a need for that water for use within its service area during the current year unless an exception is granted under 5.2.8.
- 5.2.8 A PWA may request an exception for the following, but not limited to, from the DWR Director:
  - 5.2.8.1 For any exceptions to the criteria listed above;
  - 5.2.8.2 Requests for the transfer and exchange of stored (or carryover) water prior to this water being displaced; and
  - 5.2.8.3 Using San Luis Reservoir as the transfer/exchange point.

## II. PRINCIPLES TO ACHIEVE OBJECTIVE FOR CWF COST ALLOCATION

1. These costs would be billed to and collected from SWP PWAs participating in the SWP portion of CWF (Participating PWAs), except those SWP PWAs situated north of the Delta (Non-Participating PWAs), through their annual Statement of Charges (SOC).
2. **CWF Facilities Definition:** CWF Facilities shall mean those facilities that are constructed to convey water from the north Delta to the south Delta through facilities as described in the California Water Fix Final EIR/EIS SCH #2008032062. In general, CWF Facilities will divert water from the Sacramento River through three intakes on the east bank of the Sacramento River, through pipelines and tunnels to the south Delta, to new forebay located northwest of the existing Clifton Court Forebay, and finally to connections with the California Aqueduct north of the Jones and Banks pumping plants.

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**3. CWF Facilities Charge Components:** The purpose of the CWF Facilities is water conservation and/or transportation. Accordingly, all capital and minimum operations, maintenance, power and replacement (OMP&R) costs associated with the CWF Facilities are 100% reimbursable and shall be recovered by the DWR from Participating PWAs through their annual SOC's. These costs shall be allocated to and billed under two new charges as follows:

(1) CWF Facilities Capital Charge Component

(2) CWF Facilities Minimum OMP&R Component

### **4. CWF Facilities Capital Charge Component Method of Computation**

4.1 This computation will recover actual annual debt service created by financing activities (Financing Method) for CWF Facilities.

4.2 Each Financing Method shall provide an annual repayment schedule, which includes all Financing Costs.

4.3 Financing Costs shall mean the following:

4.3.1 Principal of and interest on Revenue Bonds,

4.3.2 Debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,

4.3.3 Deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and

4.3.4 Premiums for insurance or other security obtained in relation to such Revenue Bonds.

4.4 Financing Method shall be divided into four categories:

4.4.1 CWF Facilities Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

4.4.2 CWF Facilities Capital Costs paid with amounts in the State Water Resources Development System Reinvestment Account,

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4.4.3 CWF Facilities Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

4.4.4 CWF Facilities Capital Costs prepaid by the Participating PWAs.

4.5 CWF Facilities Capital Charge Component should be allocated to the Participating PWAs in proportion to the CWF Facilities Allocation Factors for each calendar year.

**5. CWF Facilities Minimum OMP&R Charge Component Method of Computation**

5.1 Recovery will be estimated and/or actual annual OMP&R costs determined for the CWF Facilities each year.

5.2 CWF Facilities Minimum OMP&R Charge Component shall be allocated to the Participating PWAs in proportion to the CWF Facilities Allocation Factors for each calendar year.

**6. CWF Facilities Energy Charges** – The CWF energy costs are 100% reimbursable by the PWAs and the methodology will be determined by the interim SWRDS Finance Committee.

**7. CWF Facilities Allocation Factors** – The following table is a preliminary allocation of CWF Facilities participation percentages for the Non-Participating PWAs and the Participating PWAs. Only Participating PWAs would be billed for CWF Facilities Charge Components through their annual SOC, using the CWF Facility Allocation Factors described in the table. Non-Participating PWAs would not be billed for repayment of costs for construction, operation and maintenance of facilities associated with CWF, except to the extent there is a permanent transfer of Table A from a Participating PWA to a Non-Participating PWA as set forth in principle 11.

<b>Non-Participating PWA</b>	<b>CWF Facilities Allocation Factors</b>
City of Yuba City	exempt
County of Butte	exempt
Plumas County FC&WCD	exempt
Napa County FC&WCD	exempt



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Solano County Water Agency	exempt
<b>Participating PWA</b>	<b>CWF Facilities Allocation Factors</b>
Alameda County FC&WCD, Zone 7	1.9875%
Alameda County Water District	1.0355%
Santa Clara Valley Water District	2.4654%
Dudley Ridge Water District	1.0194%
Empire-West Side Irrigation District	0.0740%
Kern County Water Agency-Total	24.2278%
County of Kings	0.2294%
Oak Flat Water District	0.1405%
Tulare Lake Basin Water Storage District	2.1565%
San Luis Obispo County FC&WCD	0.6163%
Santa Barbara County FC&WCD	1.1214%
Antelope Valley-East Kern Water Agency	3.5709%
Santa Clarita Valley Water Agency	2.3470%
Coachella Valley Water District	3.4108%
Crestline-Lake Arrowhead Water Agency	0.1430%
Desert Water Agency	1.3744%
Littlerock Creek Irrigation District	0.0567%
Mojave Water Agency	2.2139%
Palmdale Water District	0.5251%
San Bernardino Valley Municipal Water District	2.5295%
San Gabriel Valley Municipal Water District	0.7100%
San Geronio Pass Water Agency	0.4265%
The Metropolitan Water District of Southern California	47.1253%
Ventura County Watershed Protection District	0.4931%
Total	100.000%

**8. Repayment Schedule Table** – The amount to be paid by the Participating PWAs for each year under the CWF Facilities Capital and Minimum OMP&R charge Components shall be set forth in a Repayment Schedule Table.

**9. Charge Redetermination** – The CWF Facilities Capital and Minimum OMP&R Charge Components shall be subject to Charge Redetermination.



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- 10. Annual Statement of Charges** – The CWF Facilities Capital and Minimum OMP&R Charge Components shall be included in a separate invoice that is included in the annual SOC and shall be subject to the time and method of payment for Capitol and Minimum OMP&R Components.
- 11. Permanent Transfer of Contract Rights** – Any permanent transfer of Table A contract rights of a Participating PWA shall be accompanied by a pro-rata transfer of that PWAs rights and responsibilities with respect to CWF.
- 12. CWF Facilities Use Of Facilities Charge** – If a Non-Participating PWA transfers allocated Table A to a Participating PWA, then no fee will be charged to the PWAs involved in the transaction. Other transactions may result in a fee sufficient to cover all (1) capital, (2) minimum operations, maintenance, power and replacement (OMP&R) costs, and (3) variable OMP&R costs, associated with this usage.
- 13. Water Delivery Principles** – Participating PWAs moving water in excess of their CWF Facilities Allocation Factor shall schedule deliveries in a manner that does not harm other participating PWAs and shall be subject to the delivery priorities set forth in Article 12(f) of the Contract.
- 14. Power Cost Incurred During Construction:** Per the DWR capitalization policy, any power costs (for example, power supply, grid connections, transmission) incurred to construct the CWF facilities shall be capitalized during Construction Work in Progress, as used in DWR's financial statements, and costs are 100% reimbursable recovered through the CWF Facilities Capital Charge Component.

### III. ENVIRONMENTAL REVIEW PROCESS

1. DWR and the PWAs agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the SWP water supply contract amendment process, including scoping and the preparation of the EIR. The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the PWAs to approve any proposed project or to sign contract amendments. By concurring with the AIP, DWR and the PWAs express their intent to move forward with the CEQA process with DWR as lead agency and the PWAs as responsible agencies, and ultimately develop a proposed project


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consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the PWAs.

2. At the end of the CEQA process and in compliance with CEQA, DWR and the PWAs will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendments or to approve an alternative project. Consequently, even though DWR and the PWAs have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each PWA retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.

**NOTICE TO STATE WATER PROJECT CONTRACTORS****Date:** DEC 18 2017**Number:** 17- 11**Subject:** Water Management and the Existing Long-Term Water Supply Contracts**From:**  
\_\_\_\_\_  
**Grant Davis, Director**  
Department of Water Resources

The recent drought in California has highlighted the importance and need for flexibility in managing the State's limited water resources. To that end, the Department encourages the State Water Project Contractors to pursue water management actions that ensure supplies from the State Water Project (SWP) are used effectively.

In particular, the existing Long-Term Water Supply Contracts (Contracts) provide flexibility as to how SWP supplies are transferred, exchanged, and managed over extended periods of time. Accordingly, Attachment A is intended to clarify the Department's considerations and objectives with respect to bona fide exchanges and multi-year water transfers. In reviewing SWP Contractor requests for water management actions, the Department will follow a similar approach it has used in past years. That is, the Department will review requests on an individual, case-by-case basis and will examine:

1. any adverse impact on the ability of the SWP Contractor to continue to make payments under its Contract;
2. any adverse effect the action may have on the water rights permits granted to the Department for the operation of the SWP;
3. any adverse impact on the ability of the Department to make deliveries to other SWP Contractors or to meet other obligations of the SWP; and
4. consideration of any issues identified by and compliance with the California Environmental Quality Act.

Furthermore, although the Department believes that the water management actions listed in Attachment A already are available under the terms of the existing Contracts, the Department intends to confirm and supplement its position in the public process that was initially noticed on November 21, 2014. The Department intends to resume this process to include discussion of the water management actions specified above. The Department will issue a public notice for these negotiations.

If you have any questions or need additional information, please contact Joel Ledesma at (916) 653-8043.

Attachment



## Attachment A

### Department Considerations Related to Bona Fide Exchanges and Multi-Year Water Transfers Under the Water Supply Contracts

In reviewing and approving any proposed bona fide exchanges or multi-year transfers, the Department will apply the following considerations:

- A. Bona Fide Exchanges: In the review of bona fide exchanges, the Department will apply Article 56(f) of the Contracts, which provides that “an exchange of water involving a contractor and another party where the primary consideration for one party furnishing water to another is the return of a substantially similar amount of water, after giving due consideration to the timing or other nonfinancial considerations of the return.”
1. Return Period: Flexibility is provided under the existing Contracts regarding the return period, provided the return period is not greater than 10 years or does not extend beyond the expiration date of the current Contract.  
  
If the return for the exchange cannot be completed within 10 years, the Department may approve an extension for an additional 10 years or to the end of the current Contract, whichever is shorter. The exchange parties shall provide adequate justification for the extension of the exchange agreement. Adequate justification may include reasons such as hydrologic conditions, allocation percentages, capacity/conveyance limitations, economic hardships, health and safety issues, etc.
  2. Return Ratio: Flexibility is provided under the existing Contracts regarding the exchange ratio, provided the amount of water returned is of a “substantially similar amount” and considering timing and other non-financial considerations. The following ratios are consistent with the above considerations, including differing hydraulic conditions, subject to review under the Department’s existing authority:  
  
For allocations  $\geq 50\%$ , return ratio is up to 2 : 1  
For allocations  $>25\%$  &  $<50\%$ , return ratio is up to 3 : 1  
For allocations  $<25\%$ , return ratio is up to 4 : 1
  3. Time of Delivery: If an exchange agreement is executed in the latter half of the calendar year, capacity limitations may prohibit delivery in the year the exchange agreement is executed. To allow for delivery in the following year, the Department will allow reclassification of exchange water so long as it complies with Article 56 of the Contracts.



4. Cost Compensation: Maximum cost compensation for a bona fide exchange may not exceed the exchanging SWP Contractor's transportation capital charges.

B. Multi-year Transfers:

1. All multi-year transfers must be consistent with the existing Contracts.
2. Multi-year transfers pertain only to SWP Table A water (not Articles 21, 55, or 56 and area of origin supplies) in the year in which the water moves from one SWP Contractor to another for compensation, which does not need to include the return of water.
3. SWP Contractors can be engaged in multiple multi-year temporary transfers as a buyer or seller, provided that a Contractor cannot be both a buyer or seller in the same year.
4. Compensation for multi-year transfers will be determined by the transfer proponents.
5. Proponents of multi-year transfers must comply with all existing environmental (including CEQA compliance) and regulatory requirements. The Department will serve as a lead or responsible agency where applicable.
6. The term of each multi-year transfer must be at least two years.
7. A multi-year transfer cannot be used to pay back any existing water exchange obligation.
8. The Department will review and approve multi-year transfers consistent with the terms of the Contracts, including but not limited to, assuring that: (1) the terms of multi-year temporary transfer comply with the existing SWP Contracts; (2) the delivery of the water is possible/feasible considering the hydrologic conditions and delivery capacity of the SWP; and (3) the financial and operational integrity of the SWP is not impaired.
9. The Department retains its right to review and reconsider at any time a multi-year transfer agreement if it determines that delivery under the agreement is impairing the financial feasibility of project facilities or is impacting any other SWP Contractor's ability to deliver/store its SWP Table A.



**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Ms. Judy Shay, Public Affairs Director  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION  
ON OUTREACH ACTIVITIES FOR 2018. (PUBLIC AFFAIRS  
DIRECTOR SHAY)***

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A detailed report on the Outreach activities listed below will be provided at the Board meeting.

- b) Outreach plans for 2018.
- c) Update on PWD Water Ambassadors Academy.
- d) Upcoming events.
- e) Outreach recommendations from Directors.

**PALMDALE WATER DISTRICT  
BOARD MEMORANDUM**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Regular Board Meeting**  
**FROM:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.5 – REVIEW OF SECTIONS 4.08 TO 4.14 OF THE DISTRICT’S RULES AND REGULATIONS INCLUDING PUBLIC STATEMENTS AND SPEAKING ENGAGEMENTS, THE USE OF DISTRICT PROPERTY AND MATERIALS, AND THE DISTRICT LOGO IN REGARDS TO POLITICAL ACTIVITY AND CAMPAIGNS. (GENERAL COUNSEL DUNN)***

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General Counsel Dunn will provide a detailed overview of Sections 4.08 to 4.14 of the District’s Rules and Regulations at the Board meeting.

**Supporting Documents:**

- August 15, 2018 Board Memorandum to Mr. Vincent Dino, Division 5, and Mr. Joe Estes, Division 2, regarding PWD Rules and Regulations Relating to Campaigns
- Palmdale Water District Rules and Regulations Sections 4.08 to 4.14

**PALMDALE WATER DISTRICT**  
**BOARD MEMORANDUM**

**DATE:** August 15, 2018

**TO:** Mr. Vincent Dino, Division 5  
Mr. Joe Estes, Division 2

**CC:** Ms. Kathy Mac Laren, Division 4  
Mr. Marco Henriquez, Division 3  
Mr. Robert Alvarado, Division 1  
Mr. Eric Dunn, General Counsel

**FROM:** Mr. Dennis D. LaMoreaux, General Manager

**RE:** *PWD RULES AND REGULATIONS RELATING TO CAMPAIGNS*

---

Due to the upcoming election, it is appropriate to remind the current directors involved in the election of Palmdale Water District's Rules and Regulations Section 4.11 "USE OF DISTRICT PROPERTY AND EQUIPMENT" and Section 4.13 "CAMPAIGNING RESTRICTIONS."

It has been brought to my attention that the District office address has been used in a candidate filing for Division 2 in the election. This is not permitted under the District's Rules and Regulations. Specifically, Section 4.11 states in part, "...A Director shall not use or permit the use of District equipment, telephones, materials or property for personal gain or profit, including for use in connection with any campaign or election..." The District office address is District property.

Additionally, Section 4.13.2 further states, "Directors shall not use, or permit any other person to use, the District's seal, trademark, stationery, or other indicia of the District's identity, or facsimile thereof, in any solicitation for political contributions contrary to state or federal law. Directors shall not use, or permit any other person to use, District equipment, facilities, materials, or any other property for any solicitation for political contributions to any campaign."

These Rules and Regulations were adopted by the District to ensure the District remains neutral during an election process. Using the District's address improperly involves the District in the election. Please review the paperwork for your candidacy, revise the displayed address to a non-District address (if needed), and notify the Los Angeles County Register-Recorder to change the election information.

**Palmdale Water District**  
**Rules and Regulations**

organizations, businesses, agencies or associations who share in the mission and strategic vision of the District to provide water within its service area. Accordingly, the Board authorizes and encourages its individual Directors, subject to the approval by the Outreach Committee, to recognize such efforts that are consistent with the Irrigation District Law, under which the District is formed, to “furnish sufficient water in the District for any beneficial use.” (Water Code 22075.)

(b) The awards and recognitions authorized herein shall be in the form of a Certificate of Appreciation or Certificate of Recognition, collectively attached hereto in Appendix EE, Exhibit 2, recognizing the recipient’s efforts in water conservation and efficiency, water resource management, water education, interagency cooperation, and other areas that relate to the District’s purpose.

(c) The awards and recognitions authorized herein shall not be given in connection with any personal matters, political campaigns of the Director or others, or any legislative matters.

**4.11: USE OF DISTRICT PROPERTY AND EQUIPMENT**

A Director can be assigned selected District equipment for use on District business. A Director shall not use or permit the use of District equipment, telephones, materials or property for personal gain or profit, including for use in connection with any campaign or election. Each Director must protect and properly use any District asset within his or her own control, including information recorded on paper or in electronic form. A Director shall not request a District employee to perform services for their personal gain or profit, including in connection with any campaign or election. Requests for assistance in connection with the official business of the District are not considered requests made for a Director’s personal gain or profit.



(iii) Distribution of official District material at events approved by the Board, including events listed at Appendix V;

(iv) Distribution of awards or recognitions on behalf of the District pursuant to Section 4.10;

**(d) Publication or Reproduction of the District's Seal/Logo.** Publication or reproduction of the District's seal/logo not expressly authorized in these Rules and Regulations must be approved by the Board in advance. The seal/logo is a trademark of the District. It cannot be used to imply endorsement of any event, position, or action of any other group, agency, association, or business, unless approved by the Board.

**(e) Business Cards, Clothing and Other Items Distributed to Directors by the District.** This Section does not apply to a Director's distribution of his/her business cards provided to the Director by the District, which identify the Director as an elected official of the District. This Section does apply, however, to the publication of a Director's business cards, which must also comply with Section 4.08(c) (2). Additionally, this Section does not apply to the use of shirts or other items containing the District's Logo, which have been distributed to the Director by the District. Use of such items, however, is subject to the laws and regulations of the State.

#### **4.13: CAMPAIGNING RESTRICTIONS**

##### **4.13.1 SOLICITING POLITICAL CONTRIBUTIONS**

Directors are prohibited from soliciting, or permitting others to solicit on his/her behalf, political funds or contributions at District facilities for the benefit of his/her own campaign for any office or the campaign of any other person for any other office.

**4.13.2 USE OF DISTRICT PROPERTY, EQUIPMENT OR FACILITIES FOR CAMPAIGNING**

Directors shall not use, or permit any other person to use, the District's seal, trademark, stationery, or other indicia of the District's identity, or facsimile thereof, in any solicitation for political contributions contrary to state or federal law. Directors shall not use, or permit any other person to use, District equipment, facilities, materials, or any other property for any solicitation for political contributions to any campaign.

**4.14: WEBSITE AND SOCIAL MEDIA**

The District has an interest in disseminating information useful to customers and others interested in the operations, goals, and objectives of the District. The District encourages the use of the internet, through its website or social media pages, to further the goals of the District, subject to the terms and conditions of the rules set forth herein. The use of such websites or social media pages by Directors, however, raises legal issues which are unique to government agencies. As such, these rules establish procedures for use of the website and social media by Directors.

**4.14.1 DISTRICT WEBSITE**

The District owns and maintains a website at [www.palmdalewater.org](http://www.palmdalewater.org) for the purpose of conducting the official business of the District. The General Manager has the authority to manage the website, including the contents of the website, as part of the District's day-to-day operations. The General Manager, however, does not have the authority to post any material or content in connection with the political campaign of any Director of the District, in connection with the political campaign of any candidate for any other office, or in connection with his/her own performance evaluation.

**4.14.2 DIRECTOR BIOGRAPHIES ON DISTRICT WEBSITE**

Each Director shall submit to the General Manager a biography for publication on the District's website at [www.palmdalewater.org](http://www.palmdalewater.org). The

**Palmdale Water District**

**Rules and Regulations**

documents as may be required under Government Code Section 53065.5 and Government Code 53232.3.

**4.07.5 REPORTS TO GOVERNING BOARD**

At the regular meeting of the Board following any meeting, conference, educational activity or other authorized event for which compensation for a day of services or reimbursement of expenses is requested, the Director attending the event shall give a brief report on the meeting or event. If more than one Director of the District attended the same meeting, a joint report may be made. Reports may be written or oral.

**4.08: SPEAKING ENGAGEMENTS AND/OR PRESENTATIONS BY DIRECTORS**

The District recognizes the importance of interaction with the community it serves and encourages opportunities for interaction that provides the most accurate information available. This often takes the form of speaking and giving presentations to community and other groups on behalf of the District. Community groups, whether formal or informal, are likely to focus on particular areas of the District's operations and policies. These include topics such as water rates and structure, water quality, state and local water conditions, water conservation and efficiency, and business and infrastructure planning.

The District therefore establishes these rules to ensure the community's needs are met and that the District is accurately represented. Members of the Board of Directors shall not make any presentation on behalf of the District, without the prior approval of the Board, as provided herein. Presentations made on behalf of the District, and therefore governed by these rules, include any speaking engagement or public presentation at any event to any group, entity, or association, related to any matter that relates to the business of the District, unless the Director makes the disclaimers required in these rules.

**(a) Speaking Engagements and/or Presentations Made Pursuant to Requests from the Public.**

1. All requests from any person other than a Director or District Staff for a speaking engagement or presentation by any Director shall be submitted to the District office with as much notice as possible before the event (Form attached as Appendix BB of Rules and Regulations);
2. Topic appropriate District staff will be assigned to prepare, or update, information for the presentation, and attend the presentation;
3. The General Manager shall inform all Directors of the public request;
4. The President shall determine whether the topic in the request relates to any matter within the purview of any standing committee. If so, the President shall refer the request to that committee to allow that committee to respond and designate a speaker, if approved.
5. If the topic or issue in the request does not relate to any matter within the purview of any standing committee, the President shall recommend to the Board of Directors whether to respond, approve, or disapprove a request. The Board shall approve the request by 3/5 majority vote and also approve a speaker by 3/5 majority vote.

**(b) Speaking Engagements and/or Presentations Made Pursuant to Requests From Directors.**

1. Directors must request prior approval from the Board before making any presentations on behalf of the District. Directors may request approval to speak on behalf of the District by submitting an approval request to the President, and notifying the General Manager of that request, with as much notice as possible before the event (Form attached as Appendix BB of Rules and Regulations).



2. Topic appropriate District staff will be assigned to prepare, or update, information for the presentation, and attend the presentation;

3. The President shall determine whether the topic or issue in the request relates to any matter within the purview of any standing committee. If so, the President shall refer the request to that committee to allow that committee to respond. If the committee does not approve the request, the Board may then consider and approve the request by a 3/5 majority vote.

**(c) Speaking Engagement and/or Presentations by Directors on Their Own Behalf.**

1. Nothing herein prohibits or forbids a Director from making public presentations on his/her own behalf, so long as the Director clearly states orally at the beginning of that presentation, in any written or electronic material published in connection with that presentation, and in any written or electronic material distributed at the presentation, that the presentation is from the individual Director, not the District. The disclosure statement by the individual Director shall be substantially in the form provided herein:

“, I make this presentation/speech on my own behalf as an individual, and not on behalf of the Palmdale Water District or its Board.”

Any disclosure statement made in good faith that informs the public that the Director is not purporting to act “on behalf” of the District or its Board shall be deemed to in compliance with this Section.

2. If a Director makes a presentation/speech on his/her own behalf pursuant to this Subsection, the Director may not distribute any official District material at such presentation that has not otherwise been made generally available to the public by the District, may not use the District’s Logo, or allow the use of the Logo, in any material published, distributed, or

displayed in connection with that presentation/speech. A Director may distribute his/her business card in which he/she is identified as a Director of the District and may allow for the publication of his/her business card in any material published, distributed, or displayed in connection with that presentation/speech, so long as:

A. The business card is published by itself and without any revisions or additional content; or

B. In the event the business card is published with any additional content, then the publication shall also include a disclosure statement providing that:

“the Director sponsors/supports the [event/group/association] as an individual, and not on behalf of the Palmdale Water District or its Board.”

Any disclosure statement made in good faith that informs the public that the Director is not purporting to act “on behalf” of the District or its Board shall be deemed to in compliance with this Section.

**4.09: PUBLIC STATEMENTS ON BEHALF OF THE DISTRICT**

The District is not represented by any one individual Director and is instead represented by action of the Board (through a 3/5 majority). Therefore, public statements can only be made on behalf of the District as authorized by the Board. The Board designates the President, General Manager, and Public Information Officers as the persons authorized to make public statements on behalf of the District. Any other public statements shall not be attributable to the District or the Board.

**4.10: PRESENTATION OF AWARDS AND RECOGNITIONS**  
(Appendix Revised 2-8-17)

(a) The District recognizes the importance of interaction with the community it serves and encourages opportunities for recognition of individuals,

organizations, businesses, agencies or associations who share in the mission and strategic vision of the District to provide water within its service area. Accordingly, the Board authorizes and encourages its individual Directors, subject to the approval by the Outreach Committee, to recognize such efforts that are consistent with the Irrigation District Law, under which the District is formed, to “furnish sufficient water in the District for any beneficial use.” (Water Code 22075.)

(b) The awards and recognitions authorized herein shall be in the form of a Certificate of Appreciation or Certificate of Recognition, collectively attached hereto in Appendix EE, Exhibit 2, recognizing the recipient’s efforts in water conservation and efficiency, water resource management, water education, interagency cooperation, and other areas that relate to the District’s purpose.

(c) The awards and recognitions authorized herein shall not be given in connection with any personal matters, political campaigns of the Director or others, or any legislative matters.

**4.11: USE OF DISTRICT PROPERTY AND EQUIPMENT**

A Director can be assigned selected District equipment for use on District business. A Director shall not use or permit the use of District equipment, telephones, materials or property for personal gain or profit, including for use in connection with any campaign or election. Each Director must protect and properly use any District asset within his or her own control, including information recorded on paper or in electronic form. A Director shall not request a District employee to perform services for their personal gain or profit, including in connection with any campaign or election. Requests for assistance in connection with the official business of the District are not considered requests made for a Director’s personal gain or profit.

4.12: **USE OF DISTRICT MATERIAL CONTAINING DISTRICT SEAL/LOGO BY DIRECTORS** (New logo adopted for use beginning 12-11-17)

(a) **Purpose of the Seal/Logo.** The District has adopted the following seal, also referred to as its “logo,” as the official seal of the Palmdale Water District, pursuant to the Irrigation District Law (Water Code, § 21404):



The seal has been adopted for purposes of identifying official communications, actions, and positions of the District. Therefore, the Board has approved use of the seal by individual Directors as provided herein to maintain uniformity in the representation of the District.

(b) **Use of District Seal/Logo.** Material containing the District seal, including District letterhead, shall only be used by Directors for District business and may not be used for any personal matters including political campaign materials or in connection with any political events or activities. Use or display of the District seal/logo at any political event or activity, whether it is in connection with District elections or unrelated elections, is not permitted. Any written or electronic communication or presentation by a Director that is not approved as District business herein or approved separately by Board action, shall not contain the District seal/logo.

(c) **District Business.** District business includes:

(i) Correspondence approved by the Board, such as communications to the Association of California Water Agencies and other governmental agencies, which shall thereafter be distributed to all Directors;

(ii) Distribution of any District promotional and informational material generally available to the public;

- (iii) Distribution of official District material at events approved by the Board, including events listed at Appendix V;
- (iv) Distribution of awards or recognitions on behalf of the District pursuant to Section 4.10;

**(d) Publication or Reproduction of the District's Seal/Logo.** Publication or reproduction of the District's seal/logo not expressly authorized in these Rules and Regulations must be approved by the Board in advance. The seal/logo is a trademark of the District. It cannot be used to imply endorsement of any event, position, or action of any other group, agency, association, or business, unless approved by the Board.

**(e) Business Cards, Clothing and Other Items Distributed to Directors by the District.** This Section does not apply to a Director's distribution of his/her business cards provided to the Director by the District, which identify the Director as an elected official of the District. This Section does apply, however, to the publication of a Director's business cards, which must also comply with Section 4.08(c) (2). Additionally, this Section does not apply to the use of shirts or other items containing the District's Logo, which have been distributed to the Director by the District. Use of such items, however, is subject to the laws and regulations of the State.

#### **4.13: CAMPAIGNING RESTRICTIONS**

##### **4.13.1 SOLICITING POLITICAL CONTRIBUTIONS**

Directors are prohibited from soliciting, or permitting others to solicit on his/her behalf, political funds or contributions at District facilities for the benefit of his/her own campaign for any office or the campaign of any other person for any other office.



**4.13.2 USE OF DISTRICT PROPERTY, EQUIPMENT OR FACILITIES FOR CAMPAIGNING**

Directors shall not use, or permit any other person to use, the District's seal, trademark, stationery, or other indicia of the District's identity, or facsimile thereof, in any solicitation for political contributions contrary to state or federal law. Directors shall not use, or permit any other person to use, District equipment, facilities, materials, or any other property for any solicitation for political contributions to any campaign.

**4.14: WEBSITE AND SOCIAL MEDIA**

The District has an interest in disseminating information useful to customers and others interested in the operations, goals, and objectives of the District. The District encourages the use of the internet, through its website or social media pages, to further the goals of the District, subject to the terms and conditions of the rules set forth herein. The use of such websites or social media pages by Directors, however, raises legal issues which are unique to government agencies. As such, these rules establish procedures for use of the website and social media by Directors.

**4.14.1 DISTRICT WEBSITE**

The District owns and maintains a website at [www.palmdalewater.org](http://www.palmdalewater.org) for the purpose of conducting the official business of the District. The General Manager has the authority to manage the website, including the contents of the website, as part of the District's day-to-day operations. The General Manager, however, does not have the authority to post any material or content in connection with the political campaign of any Director of the District, in connection with the political campaign of any candidate for any other office, or in connection with his/her own performance evaluation.

**4.14.2 DIRECTOR BIOGRAPHIES ON DISTRICT WEBSITE**

Each Director shall submit to the General Manager a biography for publication on the District's website at [www.palmdalewater.org](http://www.palmdalewater.org). The

biography of a Director shall be limited to the Director's own qualifications and experience, and shall not include language that in any way makes reference to other Directors or their qualifications, character or activities.

#### **4.14.3 DIRECTORS' SOCIAL MEDIA COMMUNICATIONS POLICY**

**(a) Introduction/Purpose:** In light of advances in information and communications technology, the Board has adopted this policy to ensure continued compliance with the Brown Act in connection with the District's social media and other electronic communications, including the District's Facebook and Twitter pages, while respecting a Director's right to express himself or herself on issues within the District's subject matter jurisdiction, and to enhance Directors' communications with their constituents.

#### **(b) Creation and Maintenance of District Social Media Pages:**

1. The District Public Information Officer, under the supervision of the General Manager, shall create and maintain an official District social media page, including the existing Facebook and Twitter Palmdale Water District pages. The content posted on the District's social media pages shall be consistent with the policy and direction provided by the Board for District matters.

2. Directors are not authorized to post content to any District social media page on behalf of the District. Only the District Public Information Officer shall post content to any District social media page on behalf of the District. Directors shall not create or maintain any social media page on behalf of the District, nor shall Directors create any social media page containing the seal or logo of the District.

#### **(c) "Comments," "Likes," or "Sharing" on District Social Media Pages:**

In order to avoid any violation of the still unclear applicability of the Ralph M. Brown Act to social media, Directors may not comment or "like" any post

on the District social media pages. Nothing herein prohibits a Director from “sharing” a District post to his/her own social media page, or any other social media page.

**(d) Other Social Media Sites or Blogs, not maintained by the District:**

The District is not responsible for the content, comments, “likes”, or any other communication occurring on websites, blogs, or social media sites not maintained by the District. Nevertheless, Directors must exercise the same guidelines on non-District websites, blogs, or social media sites to avoid any implication of the Brown Act or other applicable laws.

**4.15: RESPONSIBILITIES AND AUTHORITY OF THE BOARD AND GENERAL MANAGER**

**(a)** The Board of Directors has the power and it shall be its duty to manage and conduct the business and affairs of the District. **(Water Code, §21385.) To that end, the Board “shall: (a) Employ agents, officers, and employees as required,” and “(b) prescribe their duties and fix their salaries.” (Water Code, §21185.) Accordingly, the Board employs a General Manager to carry out Board policies, direct District operations, and provide day-to-day supervision of District employees and control of District expenditures. However, the Board does not relinquish its obligation or authority to establish an organizational chart and fix salaries for positions in accordance with Water Code, Section 21185.**

It is the judgment of the Board and the General Manager that clear delineation of their respective responsibilities and authority is essential to effective District management. Said authority and responsibilities are set out herein and in the General Manager Employment Agreement.

**(b)** Board communications to District staff shall be made through the office of the General Manager to ensure staff’s time and resources are most efficient used and ensure compliance with budget restrictions.

**PALMDALE  
WATER DISTRICT  
BOARD MEMORANDUM**

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**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Bob Egan, Financial Advisor  
**RE:** ***AGENDA ITEM NO. 8.1.a – STATUS REPORT ON CASH FLOW STATEMENT  
AND CURRENT CASH BALANCES AS OF JUNE 2018.***

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Attached is the Investment Funds Report and current cash balance as of June 2018. The reports will be reviewed in detail at the Board meeting.



**PALMDALE WATER DISTRICT  
INVESTMENT FUNDS REPORT  
June 30, 2018**

		<u>June 2018</u>	<u>May 2018</u>
<b>CASH</b>			
1-00-0103-100	Citizens - Checking	(22,827.71)	140,493.28
1-00-0103-200	Citizens - Refund	(1,297.78)	(366.63)
1-00-0103-300	Citizens - Merchant	148,488.93	203,681.04
	<b>Bank Total</b>	<b>124,363.44</b>	<b>343,807.69</b>
1-00-0110-000	PETTY CASH	300.00	300.00
1-00-0115-000	CASH ON HAND	5,400.00	5,400.00
	<b>TOTAL CASH</b>	<b>130,063.44</b>	<b>349,507.69</b>
<b>INVESTMENTS</b>			
1-00-0135-000	Local Agency Investment Fund	<b>Acct. Total 12,007.38</b>	<b>12,007.38</b>
1-00-0120-000	<b>UBS Money Market Account General (SS 11469)</b>		
	UBS RMA Government Portfolio	2,472,764.83	3,536,759.16
	UBS Bank USA Dep acct	250,000.00	250,000.00
	Accrued interest	12,958.82	16,686.23
		<b>2,735,723.65</b>	<b>3,803,445.39</b>
	<b>US Government Securities</b>		
	<b>CUSIP #</b>	<b>Issuer</b>	<b>Maturity Date</b>
		<b>Rate</b>	<b>PAR</b>
		<b>Market Value</b>	<b>Market Value</b>
	912828N22	US Treasury Note	12/15/2018
			1.250
			1,000,000
			996,090.00
	912828C24	US Treasury Note	02/28/2019
			1.490
			1,000,000
			995,120.00
			<b>2,000,000</b>
			<b>1,991,210.00</b>
			<b>1,990,080.00</b>
	<b>Certificates of Deposit</b>		
		<b>Issuer</b>	<b>Maturity Date</b>
		<b>Rate</b>	<b>Face Value</b>
	1	Sallie Mae Bank	09/04/2018
			1.800
			200,000
			199,856.00
			199,870.00
	2	Medallion Bank	09/07/2018
			1.750
			200,000
			199,924.00
			199,968.00
	3	Midland States Bank	02/28/2019
			1.400
			240,000
			238,694.40
			238,706.40
	4	Key Bank	03/29/2019
			1.500
			240,000
			238,612.80
			238,656.00
	5	Safra National Bank	04/30/2019
			1.850
			240,000
			239,088.00
			239,172.00
	6	Wells Fargo	05/20/2019
			1.250
			240,000
			237,871.20
			237,842.40
	7	Capital Bank	06/17/2019
			1.850
			200,000
			198,588.00
			198,610.00
	8	Discover Bank	07/24/2019
			1.850
			200,000
			198,820.00
			198,862.00
	9	BMO Harris Bank	08/26/2019
			2.350
			240,000
			239,724.00
			239,868.00
			<b>2,000,000</b>
			<b>1,991,178.40</b>
			<b>1,991,554.80</b>
	<b>Acct. Total</b>		<b>6,718,112.05</b>
			<b>7,785,080.19</b>
1-00-1110-000	<b>UBS Money Market Account Capital (SS 11475)</b>		
	UBS Bank USA Dep acct	50,712.55	48,686.11
	UBS RMA Government Portfolio	-	-
	<b>Acct. Total</b>	<b>50,712.55</b>	<b>48,686.11</b>
1-00-0125-000	<b>UBS Access Account General (SS 11432)</b>		
	UBS Bank USA Dep acct	60,156.82	57,565.51
	UBS RMA Government Portfolio	-	-
	Accrued interest	34,230.26	23,709.75
		<b>94,387.08</b>	<b>81,275.26</b>
	<b>US Government Securities</b>		
	<b>CUSIP #</b>	<b>Issuer</b>	<b>Maturity Date</b>
		<b>Rate</b>	<b>PAR</b>
		<b>Market Value</b>	<b>Market Value</b>
	912828XF2	US Treasury Note	06/15/2018
			1.125
			1,000,000
			-
	912828KD1	US Treasury Note	02/15/2019
			2.610
			1,500,000
			1,504,635.00
	912828P53	US Treasury Note	02/15/2019
			0.750
			1,000,000
			990,940.00
	912828P95	US Treasury Note	03/15/2019
			1.000
			1,358,000
			1,346,171.82
	9128283N8	US Treasury Note	12/31/2019
			1.875
			1,000,000
			991,060.00
			-
			<b>5,858,000</b>
			<b>4,832,806.82</b>
			<b>4,840,247.58</b>
	<b>Certificates of Deposit</b>		
		<b>Issuer</b>	<b>Maturity Date</b>
		<b>Rate</b>	<b>Face Value</b>
	1	BMW Bank	11/15/2018
			1.960
			240,000
			239,947.20
			240,021.60
	2	La Salle Bank	03/01/2019
			1.350
			240,000
			238,608.00
			238,610.40
	3	American Express	04/29/2019
			1.440
			240,000
			238,744.80
			238,800.00
	4	Synchrony Bank	04/14/2020
			1.850
			240,000
			236,940.00
			236,930.40
	5	JP Morgan Chase Bank	11/18/2020
			1.600
			240,000
			231,180.00
			231,057.60
	6	Bank of Baroda NY	11/23/2020
			1.600
			77,000
			74,187.19
			74,147.92
	7	Comenity Cap Bank	01/19/2021
			1.900
			163,000
			160,714.74
			160,744.08
			<b>1,440,000</b>
			<b>1,420,321.93</b>
			<b>1,420,312.00</b>
	<b>Acct. Total</b>		<b>6,347,515.83</b>
			<b>6,341,834.84</b>
	<b>Total Managed Accounts</b>		<b>13,128,347.81</b>
			<b>14,187,608.52</b>
1-00-1121-000	<b>UBS Rate Stabilization Fund (SS 24016) - District Restricted</b>		
	UBS Bank USA Dep acct	10,679.70	8,597.09
	UBS RMA Government Portfolio	-	-
	Accrued interest	161.10	1,688.54
		<b>10,840.80</b>	<b>10,285.63</b>
	<b>Certificates of Deposit</b>		
		<b>Issuer</b>	<b>Maturity Date</b>
		<b>Rate</b>	<b>Face Value</b>
	1	Webbank UT US	12/19/2018
			1.400
			240,000
			239,208.00
	2	Ally Bank UT US	12/24/2018
			1.500
			240,000
			239,282.40
			239,268.00
			<b>480,000</b>
			<b>478,490.40</b>
			<b>478,428.00</b>
	<b>Acct. Total</b>		<b>489,331.20</b>
			<b>488,713.63</b>
	<b>GRAND TOTAL CASH AND INVESTMENTS</b>		<b>13,747,742.45</b>
			<b>15,025,829.84</b>
	<b>Increase (Decrease) in Funds</b>		<b>(1,278,087.39)</b>



**PALMDALE WATER DISTRICT**  
**2018 Cash Flow Report** (Based on Nov. 8, 2017 Approved Budget)

	January	February	March	April	May	June	July	August	September	October	November	December	YTD	Budget 2019 Carryover Information
<b>Total Cash Beginning Balance (BUDGET)</b>	14,278,355	12,591,298	12,125,487	9,811,099	10,852,433	11,101,609	10,602,468	10,269,501	10,564,441	8,273,846	8,294,757	8,535,850		
<b>Total Cash Beginning Balance</b>	14,278,355	14,185,206	14,474,248	13,088,750	14,753,769	15,025,830	13,747,742	12,517,801	12,885,879	10,176,547	10,486,368	10,927,772		
<b>Budgeted Water Receipts</b>	1,670,000	1,520,000	1,595,000	1,740,000	1,800,000	1,967,500	2,390,000	2,400,000	2,450,000	2,260,000	2,005,000	1,790,000	23,587,500	
Water Receipts	2,116,603	1,774,995	1,931,155	1,961,685	1,876,558	1,910,375	2,390,000	2,400,000	2,450,000	2,260,000	2,005,000	1,790,000	24,866,371	
DWR Refund (Operational Related)				3,133			5,148						8,281	
Other													-	
<b>Total Operating Revenue (BUDGET)</b>													-	
<b>Total Operating Revenue (ACTUAL)</b>	2,116,603	1,774,995	1,931,155	1,964,818	1,876,558	1,910,375	2,395,148	2,400,000	2,450,000	2,260,000	2,005,000	1,790,000	24,874,652	
<b>Total Operating Expenses excl GAC (BUDGET)</b>	(1,718,376)	(1,415,195)	(1,718,255)	(1,670,308)	(1,740,651)	(1,641,522)	(1,935,060)	(1,855,136)	(1,964,289)	(1,653,641)	(1,539,559)	(1,669,723)	(20,521,714)	
GAC (BUDGET)	(169,500)			(169,500)		(169,500)		(169,500)		(169,500)		(162,000)	(1,009,500)	
<b>Operating Expenses excl GAC (ACTUAL)</b>	(1,769,807)	(1,433,115)	(1,387,688)	(1,747,506)	(1,976,442)	(2,041,400)	(1,935,060)	(1,855,136)	(1,964,289)	(1,653,641)	(1,539,559)	(1,669,723)	(20,973,365)	
GAC		(169,477)				(169,477)		(169,477)	(169,500)	(169,500)		(162,000)	(1,009,431)	
Prepaid Insurance (paid)/refunded			(62,653)					(33,363)					(96,016)	
<b>Total Operating Expense (ACTUAL)</b>	(1,769,807)	(1,602,592)	(1,450,341)	(1,747,506)	(1,976,442)	(2,210,877)	(1,935,060)	(2,057,976)	(2,133,789)	(1,823,141)	(1,539,559)	(1,831,723)	(22,078,812)	
<b>Non-Operating Revenue Expenses:</b>														
Assessments, net (BUDGET)	696,050	264,605	18,650	2,197,790	760,795	13,325	86,225	134,500	-	-	137,500	2,640,560	6,950,000	
Actual/Projected Assessments, net	701,263	620,847	9,652	1,846,539	694,915	19,792	202,238	134,500	-	-	137,500	2,640,560	7,007,807	
Asset Sale/Unencumbered Money (Taxes)				7,346	10,182	2,401							19,929	
RDA Pass-through (Successor Agency)						403,992.27						250,000	653,992	
Interest	15,415	14,909	15,158	16,980	15,691	16,922	7,500	7,500	7,500	7,500	7,500	7,500	140,074	
Market Adjustment	(10,587)	(9,273)	(1,384)	(3,365)	2,993	(1,366)							(22,982)	
Grant Re-imbursement		18,520				29,147				178,000			225,667	
Capital Improvement Fees - Infrastructure				288	8,806	4,277		8,223		12,500		12,500	46,595	
Capital Improvement Fees - Water Supply					20,295			50,000		50,000		50,000	170,295	
DWR Refund (Capital Related)				102,567	63,603				43,750			43,750	253,670	
Other	0	22	-	-	-	(1)	5,000	5,000	5,000	5,000	5,000	5,000	30,022	
<b>Total Non-Operating Revenues (BUDGET)</b>													-	
<b>Total Non-Operating Revenues (ACTUAL)</b>	706,091	645,025	23,426	1,970,356	816,485	472,763	217,138	205,223	56,250	253,000	150,000	3,009,310	8,525,067	
<b>Non-Operating Expenses:</b>														
Budgeted Capital Expenditures	(238,494)	(214,207)	(166,000)	(246,000)	(560,041)	(315,000)	(195,000)	(120,000)	(145,000)	(328,000)	(90,000)	-	(2,617,742)	
Budgeted Capital Expenditures (Committed During Year)					(78,440)	(115,485)	(110,000)	(110,000)	(137,490)	(10,000)	(10,000)		(571,415)	
Actual/Projected Capital Expenditures	(212,684)	(206,512)	(25,461)	(150,188)	(113,469)	(198,789)	(945,211)		(316,122)			(1,300,000)	(3,468,435)	(892,378)
WRB Capital Expenditures									(300,000)			(300,000)	(600,000)	(513,500)
Const. of Monitoring Wells/Test Basin (Water Supply)	(112,490)	(115,024)	(26,385)	(138,979)	(104,239)	(28,083)	(102,917)		(131,000)		(4,378)	(4,378)	(763,496)	(127,490)
Grade Control Structure (Water Supply)	(33,598)	(32,887)	(36,486)	(58,809)	(52,790)		(75,000)		(75,000)			(107,000)	(471,570)	(231,750)
SWP Capitalized	(686,846)	(167,019)	(189,997)	(167,019)	(167,019)	(167,019)	(686,843)	(167,018)	(196,327)	(167,018)	(167,018)	(167,018)	(3,096,161)	
Investment in PRWA						(300,000)								
Butte County Water Transfer						(747,466)						(751,304)	(1,498,771)	
Bond Payments - Interest			(1,036,228)						(1,174,371)				(2,210,599)	
Principal			(569,131)						(1,087,953)				(1,657,084)	
Capital leases - Holman Capital (2017 Lease)	(89,477)						(89,477)						(178,953)	
Capital leases - Enterprise FM Trust (Vehicles)	(2,678)	(2,678)	(1,918)	(3,326)	(2,696)	(4,664)	(3,393)	(7,824)	(2,693)	(2,693)	(2,693)	(2,693)	(39,946)	
Capital leases - Wells Fargo (Printers)	(8,265)	(4,266)	(4,132)	(4,327)	(4,327)	(4,327)	(4,327)	(4,327)	(4,327)	(4,327)	(4,327)	(4,327)	(55,610)	
<b>Total Non-Operating Expenses (ACTUAL)</b>	(1,146,037)	(528,385)	(1,889,738)	(522,648)	(444,540)	(1,450,349)	(1,907,168)	(179,169)	(3,081,793)	(380,038)	(174,038)	(2,636,720)	(14,040,625)	
<b>Total Cash Ending Balance (BUDGET)</b>	12,591,298	12,125,487	9,811,099	10,852,433	11,101,609	10,602,468	10,269,501	10,564,441	8,273,846	8,294,757	8,535,850	11,703,986		
<b>Total Cash Ending Balance (ACTUAL)</b>	14,185,206	14,474,248	13,088,750	14,753,769	15,025,830	13,747,742	12,517,801	12,885,879	10,176,547	10,486,368	10,927,772	11,258,638		
														Budget
														11,703,986
														Carryover
														(1,765,118)
														Difference
														(445,348.04)
														Adj. Difference
														(2,210,466)
<b>2017 Cash Ending Balance (ACTUAL)</b>	13,217,019	13,413,293	11,445,512	13,404,252	14,487,121	13,647,746	13,715,473	14,093,379	12,241,820	12,375,922	12,406,841	14,456,175		

Indicates actual expenditures/revenues:   
Indicates anticipated expenditures/revenues:

**PALMDALE  
WATER DISTRICT  
BOARD MEMORANDUM**

**DATE:** August 21, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Michael Williams, Finance Manager/CFO  
**VIA:** Mr. Dennis LaMoreaux, General Manager  
**RE:** *AGENDA ITEM 8.1.b – STATUS REPORT ON FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR JUNE 2018. (FINANCE MANAGER WILLIAMS)*

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**Discussion:**

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending June 30, 2018. Also included are Year-To-Year Comparisons and Month-To-Month Comparisons for both revenue and expense. Finally, I have provided individual departmental budget reports for the month of June 2018.

This is the sixth month of the District's Budget Year 2018. The target percentage is 50%. Revenues ideally are at or above, and expenditures ideally are below.

**Balance Sheet:**

- Page 1 is our balance sheet on June 30, 2018.
- The significant change here is our reduction in investments of approximately \$1MM due to making our Butte payment.

**Profit/Loss Statement:**

- Page 3 is our profit/loss statement on June 30, 2018.
- Operating revenue is at 47% of budget.
- Cash operating expense is at 46% of budget.
- All departmental budgets are at or below the target percentage, except for Operations and that has to do with the overtime back pay issue.
- Expenses have exceeded revenues for the month by \$81K, and year-to-date revenues have exceeded expenditures by \$9K.
- Page 6 is showing the distribution of expense between labor and operations. Labor costs are currently at 54% of total expenses with salaries making up 36% of that.

**Year-To-Year Comparison P&L:**

- Page 7 is our comparison of June 2017 to June 2018.
- Total operating revenue is up \$41K, or 2%.
- Operating expenditures are up \$555K, or 34%.
- Page 7-1 is our comparison of June 2016 to June 2018.
- Total operating revenue was up \$238K, or 13%.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

August 21, 2018

- Total operating expenses were up \$44K, or 2%.
- Page 8 and 8-1 is a graphic presentation of the water consumption comparison for 2017 and 2016, respectively.
  - Units billed in acre feet for 2017 comparison were down by 27, or 2%.
  - Total revenue per unit sold was up \$0.10, or 3.6%.
  - Total revenue per connection was up \$1.39, or 2%.
  - Units billed per connection was down .50, or 2%.
  
  - Units billed in acre feet for 2016 comparison were up by 276, or 20%.
  - Total revenue per unit sold was down \$0.19, or 6%.
  - Total revenue per connection was up \$8.70, or 12%.
  - Units billed per connection is up 4.43, or 20%.

**Revenue Analysis Year-To-Date:**

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through June 2018 is up \$756K, or 7%.
- Retail water revenue from all areas are up by \$636K from last year. That's shown by the combined green highlighted area.
- Retail water sales, including the drought surcharge but excluding meter fees, is up \$341K.
- Total revenue is up \$341K.
- Operating revenue is at 47% of budget, last year was at 45% of budget.

**Expense Analysis Year-To-Date:**

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through June 2018 are up \$953K, or 8.5%, compared to 2017.
- Total Expenses are up \$85K, or .5% The small increase is due primarily to reduced water purchases and depreciation expense year-to-date.

**Departments:**

- Pages 14 through 24 are detailed individual departmental budgets for your review.

**Non-Cash Definitions:**

**Depreciation:** This is the spreading of the total expense of a capital asset over the expected life of that asset.

**OPEB Accrual Expense:** Other Post Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year.

**Bad Debt:** The uncollectible accounts receivable that has been written off.

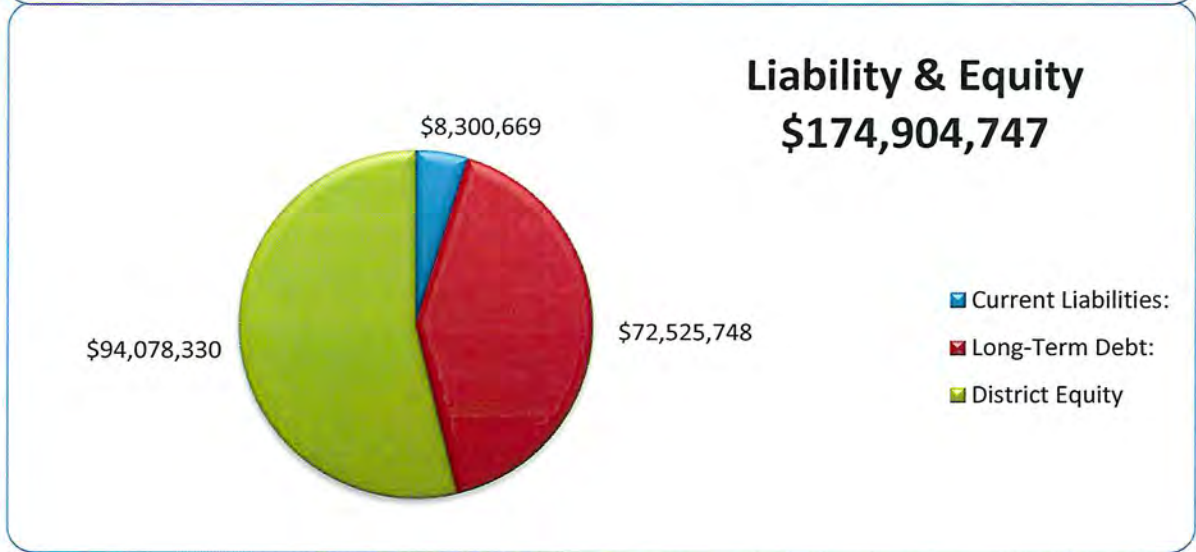
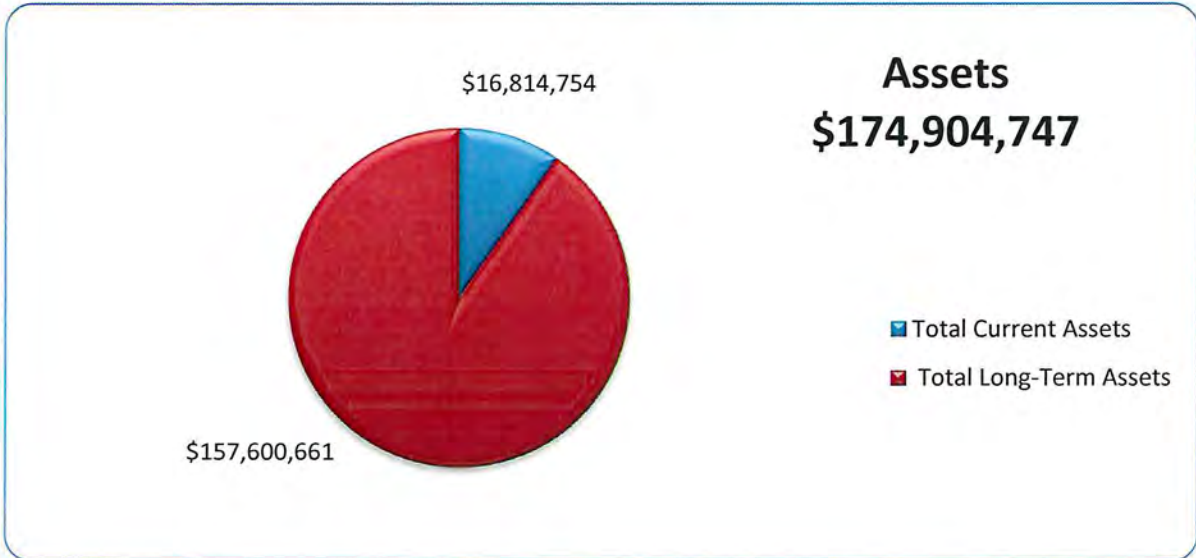
**Service Cost Construction:** The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

**Capitalized Construction:** The value of our labor force used to construct our asset infrastructure.

**Palmdale Water District**  
**Balance Sheet Report**  
**For the Six Months Ending 6/30/2018**

	<u>June 2018</u>	<u>May 2018</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 130,063	\$ 378,343
Investments	13,128,348	14,187,609
	\$ 13,258,411	\$ 14,565,952
<b>Receivables:</b>		
Accounts Receivables - Water Sales	\$ 1,846,410	\$ 1,616,589
Accounts Receivables - Miscellaneous	39,829	41,863
Allowance for Uncollected Accounts	(153,668)	(153,668)
	\$ 1,732,570	\$ 1,504,784
Assessments Receivables	\$ 735,755	\$ 755,547
Meters, Materials and Supplies	1,002,403	1,014,863
Prepaid Expenses	85,615	105,564
<b>Total Current Assets</b>	<b>\$ 16,814,754</b>	<b>\$ 17,946,710</b>
<b>Long-Term Assets:</b>		
Property, Plant, and Equipment, net	\$ 105,846,125	\$ 105,972,592
Participation Rights in State Water Project, net	47,914,126	47,216,379
Investment in PRWA	1,392,933	1,652,962
2013A Bonds - Insurance & Surety Bond	201,901	202,567
CalPERS Contributions	2,245,577	2,245,577
	<b>\$ 157,600,661</b>	<b>\$ 157,290,076</b>
<b>Restricted Cash:</b>		
Rate Stabilization Fund	489,331	488,714
<b>Total Long-Term Assets &amp; Restricted Cash</b>	<b>\$ 158,089,992</b>	<b>\$ 157,778,790</b>
<b>Total Assets</b>	<b>\$ 174,904,747</b>	<b>\$ 175,725,500</b>
<b>LIABILITIES AND DISTRICT EQUITY</b>		
<b>Current Liabilities:</b>		
Current Interest Installment of Long-term Debt	\$ 513,705	\$ 342,470
Current Principal Installment of Long-term Debt	1,087,953	1,168,074
Accounts Payable and Accrued Expenses	6,699,011	6,568,278
Deferred Assessments	0	583,333
<b>Total Current Liabilities</b>	<b>\$ 8,300,669</b>	<b>\$ 8,662,156</b>
<b>Long-Term Debt:</b>		
Pension-Related Debt	\$ 9,143,384	\$ 9,143,384
OPEB Liability	14,916,190	14,808,580
2013A Water Revenue Bonds	41,886,946	41,889,197
2012 - Certificates of Participation	5,968,525	5,961,727
2017 - Capital Lease Payable	610,703	610,703
<b>Total Long-Term Liabilities</b>	<b>\$ 72,525,748</b>	<b>\$ 72,413,591</b>
<b>Total Liabilities</b>	<b>\$ 80,826,416</b>	<b>\$ 81,075,747</b>
<b>District Equity</b>		
Revenue from Operations	\$ (1,700,122)	\$ (1,388,728)
Retained Earnings	95,778,452	96,038,481
<b>Total Liabilities and District Equity</b>	<b>\$ 174,904,747</b>	<b>\$ 175,725,500</b>

# BALANCE SHEET AS OF JUNE 2018



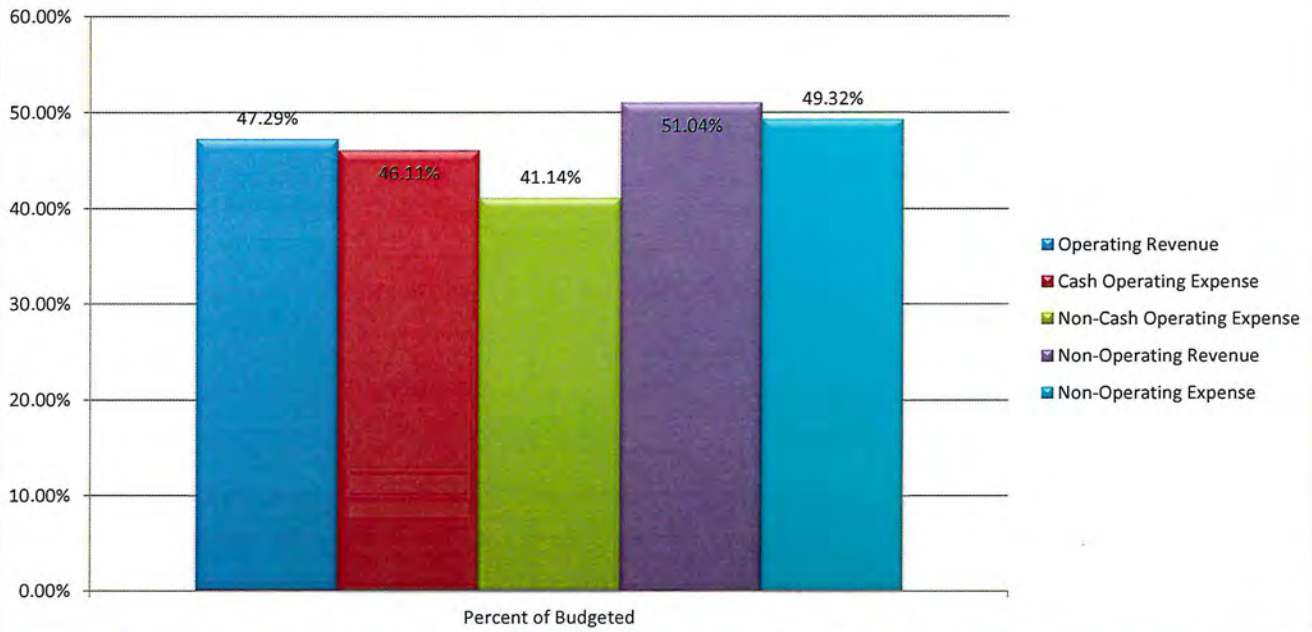


**Palmdale Water District**  
**Consolidated Profit and Loss Statement**  
**For the Six Months Ending 6/30/2018**

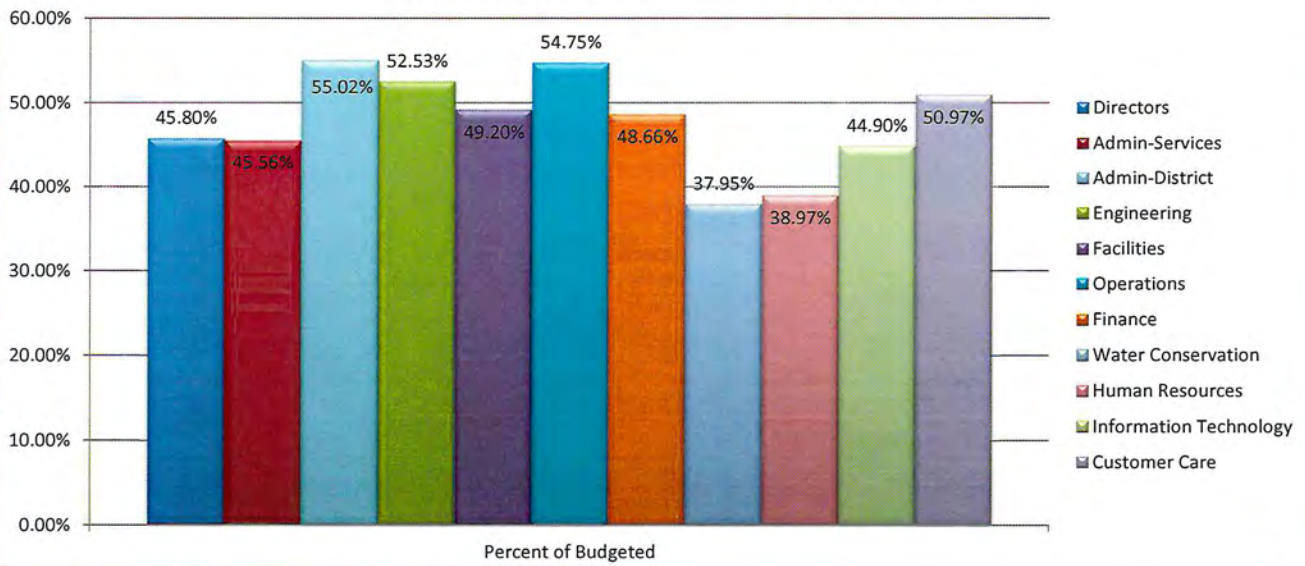
	Thru May	June	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
<b>Operating Revenue:</b>						
Wholesale Water	\$ 91,528	\$ 3,810	\$ 95,338		\$ 160,000	59.59%
Water Sales	2,627,230	817,891	3,445,121		8,320,000	41.41%
Meter Fees	5,484,993	1,098,935	6,583,928		13,006,500	50.62%
Water Quality Fees	249,842	79,315	329,156		941,000	34.98%
Elevation Fees	109,549	39,047	148,596		360,000	41.28%
Other	478,052	75,373	553,426		800,000	69.18%
<b>Total Operating Revenue</b>	<b>\$ 9,041,194</b>	<b>\$ 2,114,370</b>	<b>\$ 11,155,564</b>	<b>\$ -</b>	<b>\$ 23,587,500</b>	<b>47.29%</b>
<b>Cash Operating Expenses:</b>						
Directors	\$ 52,259	\$ 12,094	\$ 64,353		\$ 140,500	45.80%
Administration-Services	761,533	130,231	891,764		1,957,200	45.56%
Administration-District*	704,822	210,022	914,844	40,000	1,770,000	51.69%
Engineering	755,853	117,690	873,543		1,662,900	52.53%
Facilities	2,938,555	550,421	3,488,976		7,091,750	49.20%
Operations	1,301,625	358,332	1,659,957		3,032,007	54.75%
Finance	510,463	117,840	628,303		1,291,250	48.66%
Water Conservation	96,876	16,972	113,848		300,000	37.95%
Human Resources	229,342	18,859	248,201		636,850	38.97%
Information Technology	346,161	56,311	402,472		896,350	44.90%
Customer Care	572,396	96,627	669,023		1,312,700	50.97%
Source of Supply-Purchased Water	285,093	287,791	572,884		2,100,000	27.28%
Plant Expenditures	216,747	52,530	269,277		1,144,000	23.54%
GAC Filter Media Replacement	179,669	169,477	349,146		840,000	41.57%
<b>Total Cash Operating Expenses</b>	<b>\$ 8,951,394</b>	<b>\$ 2,195,197</b>	<b>\$ 11,146,591</b>	<b>\$ 40,000</b>	<b>\$ 24,175,507</b>	<b>46.11%</b>
<b>Net Cash Operating Profit/(Loss)</b>	<b>\$ 89,800</b>	<b>\$ (80,827)</b>	<b>\$ 8,974</b>	<b>\$ (40,000)</b>	<b>\$ (588,007)</b>	<b>-1.53%</b>
<b>Non-Cash Operating Expenses:</b>						
Depreciation	\$ 2,234,910	\$ 446,497	\$ 2,681,407		\$ 6,000,000	44.69%
OPEB Accrual Expense	638,550	127,710	766,260		2,300,000	33.32%
Bad Debts	82,529	660	83,189		50,000	166.38%
Service Costs Construction	70,531	(4,510)	66,022		125,000	52.82%
Capitalized Construction	(257,124)	(99,718)	(356,842)		(600,000)	59.47%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 2,769,397</b>	<b>\$ 470,639</b>	<b>\$ 3,240,037</b>	<b>\$ -</b>	<b>\$ 7,875,000</b>	<b>41.14%</b>
<b>Net Operating Profit/(Loss)</b>	<b>\$ (2,679,597)</b>	<b>\$ (551,466)</b>	<b>\$ (3,231,063)</b>	<b>\$ (40,000)</b>	<b>\$ (8,463,007)</b>	<b>38.18%</b>
<b>Non-Operating Revenues:</b>						
Assessments (Debt Service)	\$ 2,202,083	\$ 440,417	\$ 2,642,500		\$ 5,125,000	51.56%
Assessments (1%)	732,112	546,909	1,279,021		2,375,000	53.85%
DWR Fixed Charge Recovery	166,170	-	166,170		175,000	94.95%
Interest	56,537	15,555	72,092		90,000	80.10%
CIF - Infrastructure	9,094	4,277	13,372		62,500	21.39%
CIF - Water Supply	20,295	-	20,295		187,500	10.82%
Grants - State and Federal	18,520	-	18,520		178,000	10.40%
Other	22	(1)	22		60,000	0.04%
<b>Total Non-Operating Revenues</b>	<b>\$ 3,204,833</b>	<b>\$ 1,007,157</b>	<b>\$ 4,211,990</b>	<b>\$ -</b>	<b>\$ 8,253,000</b>	<b>51.04%</b>
<b>Non-Operating Expenses:</b>						
Interest on Long-Term Debt	\$ 897,104	\$ 185,803	\$ 1,082,908		\$ 2,063,500	52.48%
Amortization of SWP	1,024,154	216,738	1,240,892		2,851,000	43.52%
Change in Investments in PRWA	302,008	-	302,008		300,000	100.67%
Water Conservation Programs	46,247	8,995	55,242		221,000	25.00%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,269,513</b>	<b>\$ 411,537</b>	<b>\$ 2,681,049</b>	<b>\$ -</b>	<b>\$ 5,435,500</b>	<b>49.32%</b>
<b>Net Earnings</b>	<b>\$ (1,744,277)</b>	<b>\$ 44,155</b>	<b>\$ (1,700,122)</b>	<b>\$ (40,000)</b>	<b>\$ (5,645,507)</b>	<b>30.11%</b>

\* Budget adjustment by Board action 05/29/18

### P & L BUDGET vs. ACTUAL

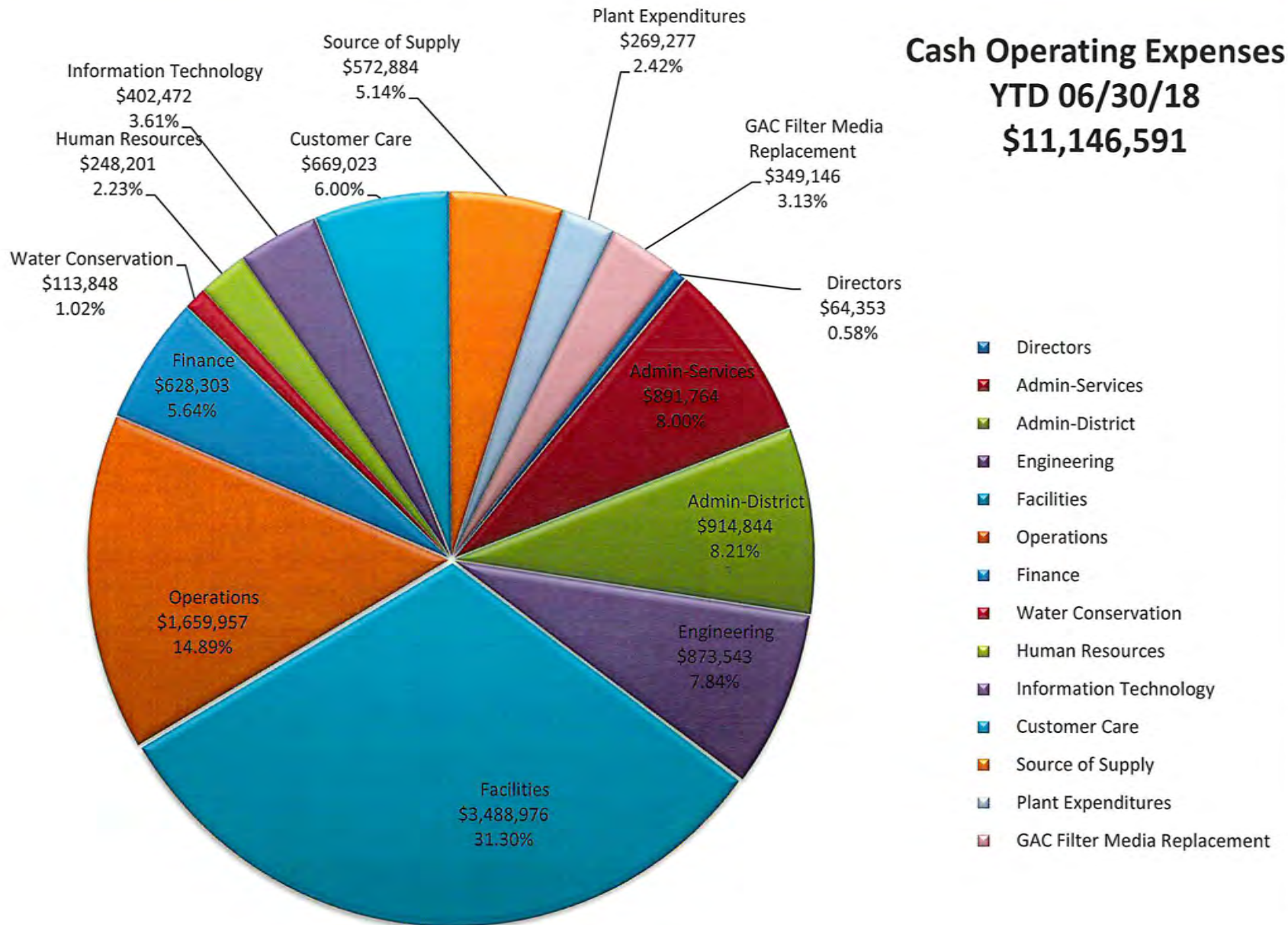


### DEPARTMENTAL - BUDGET vs. ACTUAL

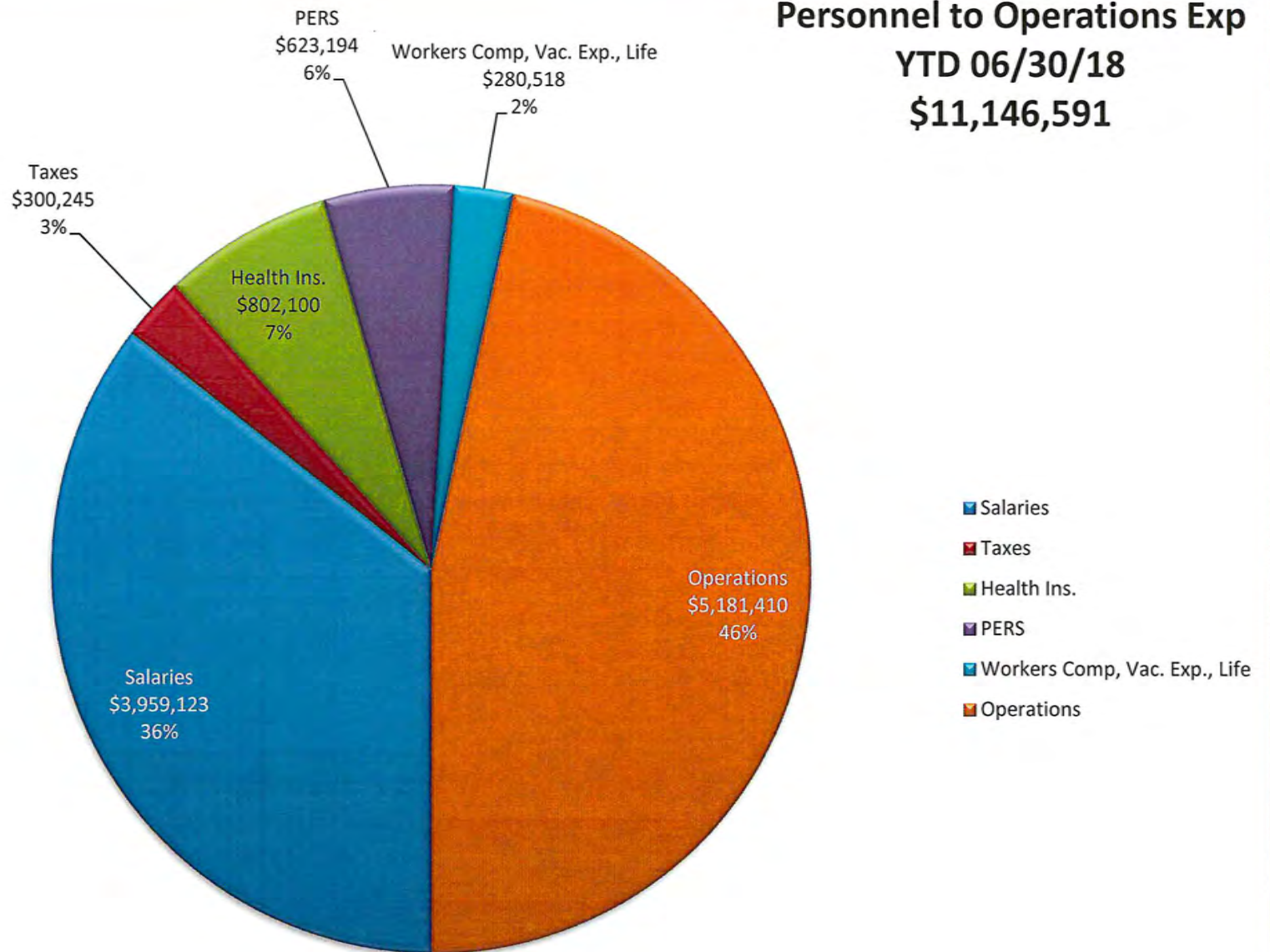




## Cash Operating Expenses YTD 06/30/18 \$11,146,591



# Personnel to Operations Exp YTD 06/30/18 \$11,146,591





**Palmdale Water District**  
**Profit and Loss Statement**  
**Year-To-Year Comparison - June**

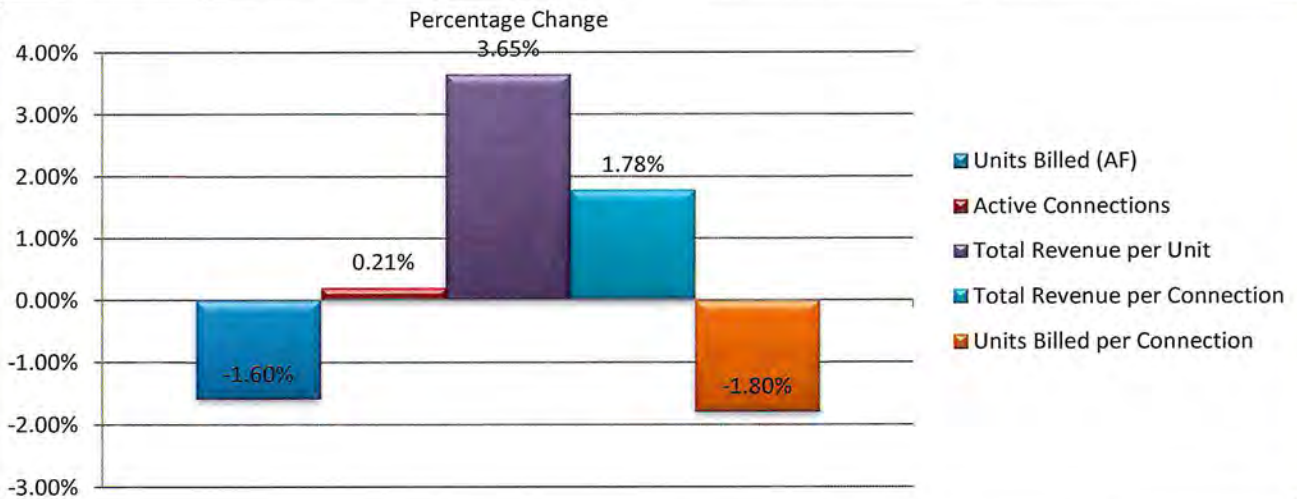
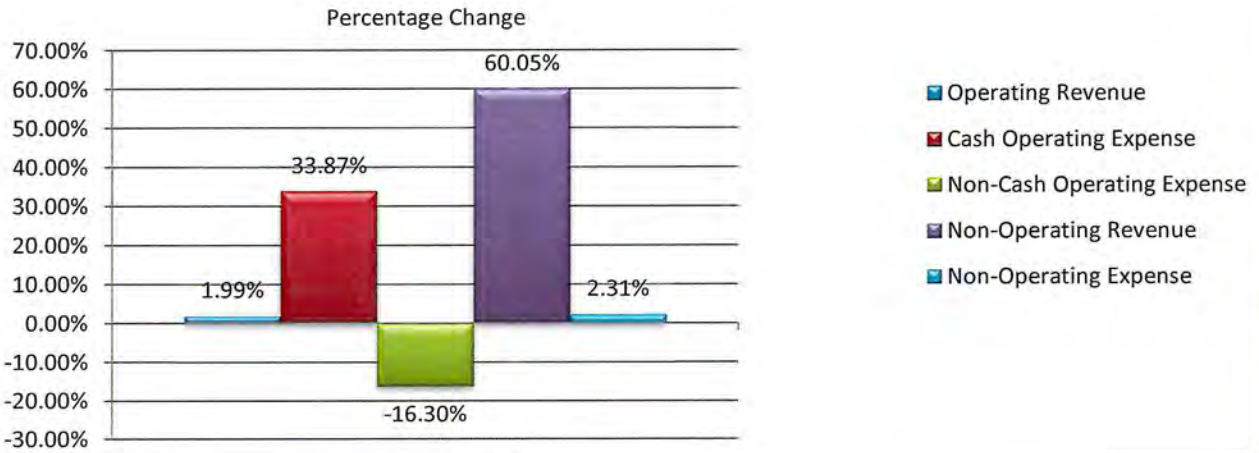
	2017		2018		Consumption Comparison	
	June	June	Change	% Change	2017	2018
<b>Operating Revenue:</b>					Units Billed	732,765 721,065
Wholesale Water	\$ 171	\$ 3,810	\$ 3,639	2126.58%	Active	26,631 26,686
Water Sales	820,965	817,891	(3,074)	-0.37%	Vacant	787 711
Meter Fees	1,061,105	1,098,935	37,830	3.57%		
Water Quality Fees	87,932	79,315	(8,617)	-9.80%	Rev/unit	\$ 2.83 \$ 2.93
Elevation Fees	39,260	39,047	(214)	-0.54%	Rev/con	\$ 77.84 \$ 79.23
Other	63,611	75,373	11,762	18.49%	Unit/con	27.52 27.02
Drought Surcharge	-	-	-			
<b>Total Operating Revenue</b>	<b>\$ 2,073,044</b>	<b>\$ 2,114,370</b>	<b>\$ 41,326</b>	<b>1.99%</b>		
<b>Cash Operating Expenses:</b>						
Directors	\$ 7,838	\$ 12,094	\$ 4,256	54.30%		
Administration-Services	124,329	130,231	5,902	4.75%		
Administration-District	212,448	210,022	(2,426)	-1.14%		
Engineering	108,833	117,690	8,856	8.14%		
Facilities	462,127	550,421	88,294	19.11%		
Operations	209,637	358,332	148,695	70.93%		
Finance	87,515	117,840	30,324	34.65%		
Water Conservation	16,024	16,972	948	5.91%		
Human Resources	30,959	18,859	(12,100)	-39.08%		
Information Technology	43,233	56,311	13,077	30.25%		
Customer Care	93,867	96,627	2,760	2.94%		
Source of Supply-Purchased Water	257,588	287,791	30,203	11.73%		
Plant Expenditures	(14,653)	52,530	67,184	-458.49%		
GAC Filter Media Replacement	-	169,477	169,477			
<b>Total Cash Operating Expenses</b>	<b>\$ 1,639,747</b>	<b>\$ 2,195,197</b>	<b>\$ 555,450</b>	<b>33.87%</b>		
<b>Non-Cash Operating Expenses:</b>						
Depreciation	\$ 465,041	\$ 446,497	\$ (18,544)	-3.99%		
OPEB Accrual Expense	182,900	127,710	(55,189)	-30.17%		
Bad Debts	-	660	660			
Service Costs Construction	(21,602)	(4,510)	17,092	-79.12%		
Capitalized Construction	(64,064)	(99,718)	(35,654)	55.65%		
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 562,275</b>	<b>\$ 470,639</b>	<b>\$ (91,635)</b>	<b>-16.30%</b>		
<b>Net Operating Profit/(Loss)</b>	<b>\$ (128,977)</b>	<b>\$ (551,466)</b>	<b>\$ (422,489)</b>	<b>327.57%</b>		
<b>Non-Operating Revenues:</b>						
Assessments (Debt Service)	\$ 440,417	\$ 440,417	\$ (0)	0.00%		
Assessments (1%)	142,917	546,909	403,992	282.68%		
DWR Fixed Charge Recovery	46,158	-	(46,158)	-100.00%		
Interest	(250)	15,555	15,805	-6328.30%		
CIF - Infrastructure	-	4,277	4,277			
CIF - Water Supply	-	-	-			
Grants - State and Federal	-	-	-			
Other	21	(1)	(21)	-102.71%		
<b>Total Non-Operating Revenues</b>	<b>\$ 629,262</b>	<b>\$ 1,007,157</b>	<b>\$ 377,895</b>	<b>60.05%</b>		
<b>Non-Operating Expenses:</b>						
Interest on Long-Term Debt	\$ 180,607	\$ 185,803	\$ 5,196	2.88%		
Amortization of SWP	216,738	216,738	-	0.00%		
Change in Investments in PRWA	-	-	-			
Water Conservation Programs	4,912	8,995	4,083	83.11%		
<b>Total Non-Operating Expenses</b>	<b>\$ 402,258</b>	<b>\$ 411,537</b>	<b>\$ 9,279</b>	<b>2.31%</b>		
<b>Net Earnings</b>	<b>\$ 98,027</b>	<b>\$ 44,155</b>	<b>\$ (53,872)</b>	<b>-54.96%</b>		



**Palmdale Water District**  
**Profit and Loss Statement**  
**Year-To-Year Comparison-2 Years - June**

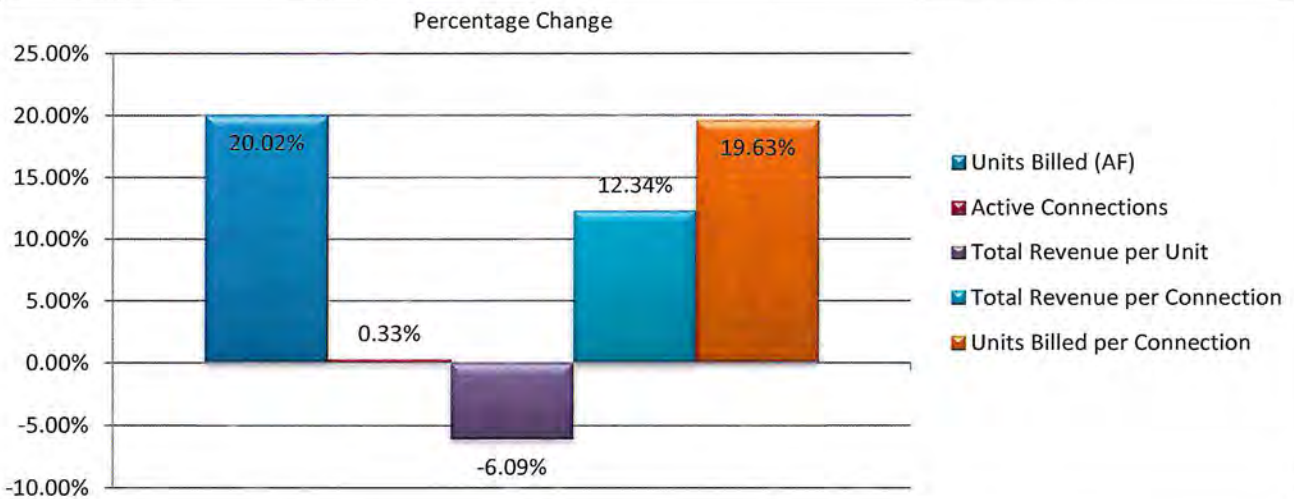
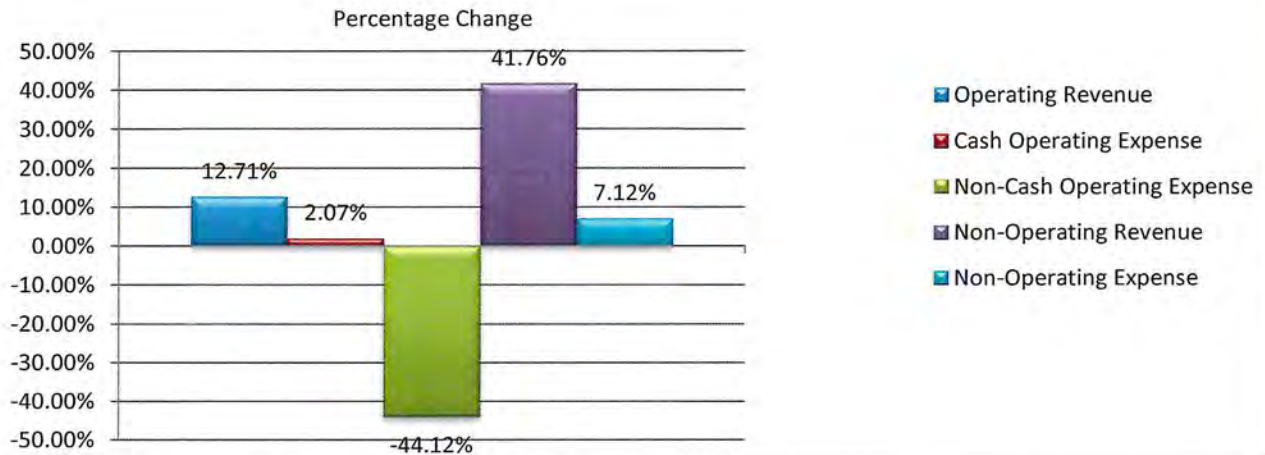
	2016	2018	Change	% Change	Consumption Comparison		
	June	June			2016	2018	Units Billed
<b>Operating Revenue:</b>						600,775	721,065
Wholesale Water	\$ -	\$ 3,810	\$ 3,810		Active	26,598	26,686
Water Sales	565,747	817,891	252,144	44.57%	Vacant	806	711
Meter Fees	1,013,844	1,098,935	85,091	8.39%			
Water Quality Fees	78,101	79,315	1,214	1.55%			
Elevation Fees	32,504	39,047	6,543	20.13%	Rev/unit	\$ 3.12	\$ 2.93
Other	61,316	75,373	14,057	22.93%	Rev/con	\$ 70.53	\$ 79.23
Drought Surcharge	124,462	-	(124,462)	-100.00%	Unit/con	22.59	27.02
<b>Total Operating Revenue</b>	<b>\$ 1,875,973</b>	<b>\$ 2,114,370</b>	<b>\$ 238,397</b>	<b>12.71%</b>			
<b>Cash Operating Expenses:</b>							
Directors	\$ 19,381	\$ 12,094	\$ (7,286)	-37.60%			
Administration-Services	148,962	130,231	(18,731)	-12.57%			
Administration-District	157,679	210,022	52,343	33.20%			
Engineering	131,846	117,690	(14,157)	-10.74%			
Facilities	645,748	550,421	(95,327)	-14.76%			
Operations	300,558	358,332	57,774	19.22%			
Finance	123,268	117,840	(5,428)	-4.40%			
Water Conservation	34,679	16,972	(17,707)	-51.06%			
Human Resources	30,014	18,859	(11,155)	-37.17%			
Information Technology	89,287	56,311	(32,976)	-36.93%			
Customer Care	158,868	96,627	(62,241)	-39.18%			
Source of Supply-Purchased Water	274,216	287,791	13,574	4.95%			
Plant Expenditures	36,208	52,530	16,322	45.08%			
GAC Filter Media Replacement	-	169,477	169,477				
<b>Total Cash Operating Expenses</b>	<b>\$ 2,150,713</b>	<b>\$ 2,195,197</b>	<b>\$ 44,484</b>	<b>2.07%</b>			
<b>Non-Cash Operating Expenses:</b>							
Depreciation	\$ 456,295	\$ 446,497	\$ (9,798)	-2.15%			
OPEB Accrual Expense	391,720	127,710	(264,010)	-67.40%			
Bad Debts	14,197	660	(13,537)	-95.35%			
Service Costs Construction	20,308	(4,510)	(24,818)	-122.21%			
Capitalized Construction	(40,358)	(99,718)	(59,360)	147.08%			
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 842,162</b>	<b>\$ 470,639</b>	<b>\$ (371,523)</b>	<b>-44.12%</b>			
<b>Net Operating Profit/(Loss)</b>	<b>\$ (1,116,902)</b>	<b>\$ (551,466)</b>	<b>\$ 565,436</b>	<b>-50.63%</b>			
<b>Non-Operating Revenues:</b>							
Assessments (Debt Service)	\$ 446,708	\$ 440,417	\$ (6,292)	-1.41%			
Assessments (1%)	144,958	546,909	401,951	277.29%			
DWR Fixed Charge Recovery	-	-	-				
Interest	28,323	15,555	(12,768)	-45.08%			
CIF - Infrastructure	-	4,277	4,277				
CIF - Water Supply	-	-	-				
Grants - State and Federal	306,915	-	-				
Other	69	(1)	(69)	-100.82%			
<b>Total Non-Operating Revenues</b>	<b>\$ 926,974</b>	<b>\$ 1,007,157</b>	<b>\$ 387,099</b>	<b>41.76%</b>			
<b>Non-Operating Expenses:</b>							
Interest on Long-Term Debt	\$ 185,631	\$ 185,803	\$ 172	0.09%			
Amortization of SWP	196,899	216,738	19,839	10.08%			
Change in Investments in PRWA	-	-	-				
Water Conservation Programs	1,660	8,995	7,335	441.88%			
<b>Total Non-Operating Expenses</b>	<b>\$ 384,191</b>	<b>\$ 411,537</b>	<b>\$ 27,346</b>	<b>7.12%</b>			
<b>Net Earnings</b>	<b>\$ (574,119)</b>	<b>\$ 44,155</b>	<b>\$ 925,189</b>	<b>-161.15%</b>			

# YEAR-TO-YEAR COMPARISON June 2017 -To - June 2018



	2017	2018	Change	
Units Billed (AF)	1,682	1,655	-27	-1.60%
Active Connections	26,631	26,686	55	0.21%
Non-Active	787	711	-76	-9.66%
Total Revenue per Unit	\$2.83	\$2.93	\$0.10	3.65%
Total Revenue per Connection	\$77.84	\$79.23	\$1.39	1.78%
Units Billed per Connection	27.52	27.02	-0.50	-1.80%

# YEAR-TO-YEAR COMPARISON June 2016 -To -June 2018



	2016	2018	Change	
Units Billed (AF)	1,379	1,655	276	20.02%
Active Connections	26,598	26,686	88	0.33%
Non-Active	806	711	-95	-11.79%
Total Revenue per Unit	\$3.12	\$2.93	-\$0.19	-6.09%
Total Revenue per Connection	\$70.53	\$79.23	\$8.70	12.34%
Units Billed per Connection	22.59	27.02	4.43	19.63%



**Palmdale Water District**  
**Revenue Analysis**  
**For the Six Months Ending 6/30/2018**

2018

2017 to 2018 Comparison

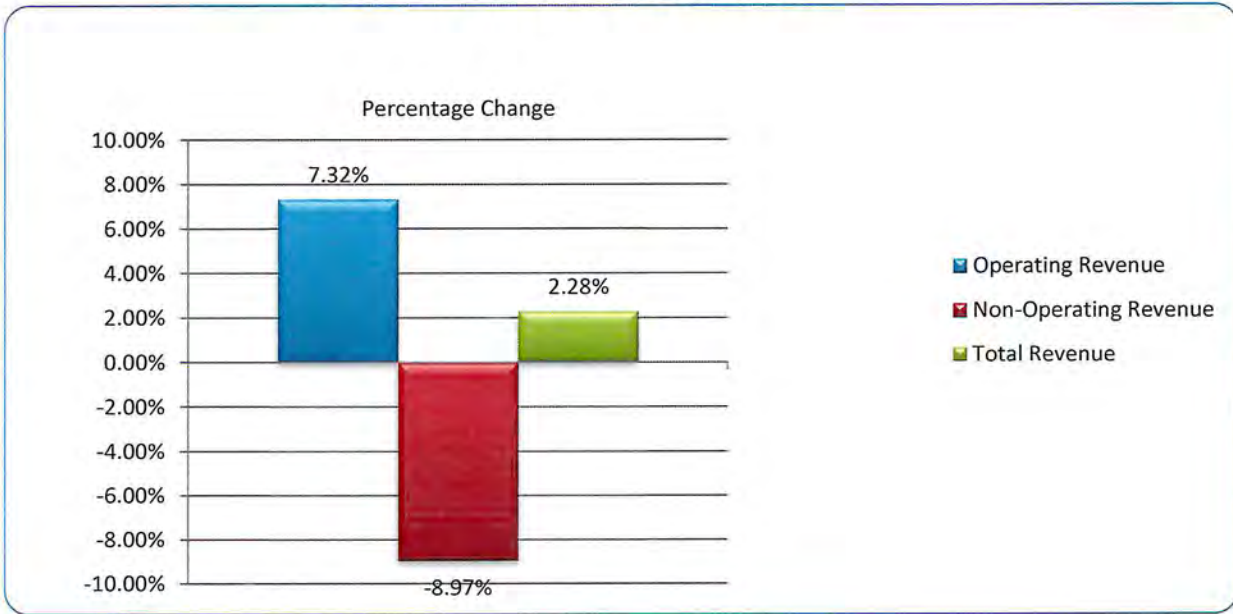
	2018					2017 to 2018 Comparison			
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget	Thru May	June	Year-to-Date	% Change
<b>Operating Revenue:</b>									
Wholesale Water	\$ 91,528	\$ 3,810	\$ 95,338	\$ 160,000	59.59%	\$ 38,726	\$ 3,639	\$ 42,365	79.97%
Water Sales	2,627,230	817,891	3,445,121	8,320,000	41.41%	405,582	(3,074)	402,508	13.23%
Meter Fees	5,484,993	1,098,935	6,583,928	13,006,500	50.62%	190,309	37,830	228,139	3.59%
Water Quality Fees	249,842	79,315	329,156	941,000	34.98%	3,779	(8,617)	(4,838)	-1.45%
Elevation Fees	109,549	39,047	148,596	360,000	41.28%	10,519	(214)	10,305	7.45%
Other	478,052	75,373	553,426	800,000	69.18%	132,824	11,762	144,586	35.37%
Drought Surcharge	-	-	-	-	-	(66,226)	-	(66,226)	-100.00%
<b>Total Water Sales</b>	<b>\$ 9,041,194</b>	<b>\$ 2,114,370</b>	<b>\$ 11,155,564</b>	<b>\$ 23,587,500</b>	<b>47.29%</b>	<b>\$ 715,514</b>	<b>\$ 41,326</b>	<b>\$ 756,839</b>	<b>7.32%</b>
<b>Non-Operating Revenues:</b>									
Assessments (Debt Service)	\$ 2,202,083	\$ 440,417	\$ 2,642,500	\$ 5,125,000	51.56%	\$ -	\$ (0)	\$ (0)	0.00%
Assessments (1%)	732,112	546,909	1,279,021	2,375,000	53.85%	(400,225)	403,992	3,767	0.30%
DWR Fixed Charge Recovery	166,170	-	166,170	175,000	94.95%	52,532	(46,158)	6,374	3.99%
Interest	56,537	15,555	72,092	90,000	80.10%	27,069	15,805	42,874	146.74%
CIF - Infrastructure	9,094	4,277	13,372	62,500	21.39%	(102,832)	4,277	(98,554)	-88.05%
CIF - Water Supply	20,295	-	20,295	187,500	10.82%	(316,483)	-	(316,483)	-93.97%
Grants - State and Federal	18,520	-	18,520	178,000	10.40%	18,520	-	18,520	
Other	22	(1)	22	60,000	0.04%	(71,423)	(21)	(71,444)	-99.97%
<b>Total Non-Operating Revenues</b>	<b>\$ 3,204,833</b>	<b>\$ 1,007,167</b>	<b>\$ 4,211,990</b>	<b>\$ 8,253,000</b>	<b>51.04%</b>	<b>\$ (792,841)</b>	<b>\$ 377,895</b>	<b>\$ (414,946)</b>	<b>-8.97%</b>
<b>Total Revenue</b>	<b>\$ 12,246,027</b>	<b>\$ 3,121,527</b>	<b>\$ 15,367,555</b>	<b>\$ 31,840,500</b>	<b>48.26%</b>	<b>\$ (77,328)</b>	<b>\$ 419,221</b>	<b>\$ 341,893</b>	<b>2.28%</b>

2017

	2017				
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget
<b>Operating Revenue:</b>					
Wholesale Water	\$ 52,802	\$ 171	\$ 52,973	\$ 160,000	33.11%
Water Sales	2,221,648	820,965	3,042,613	8,002,000	38.02%
Meter Fees	5,294,684	1,061,105	6,355,789	12,475,500	50.95%
Water Quality Fees	246,063	87,932	333,995	862,500	38.72%
Elevation Fees	99,030	39,260	138,291	340,000	40.67%
Other	345,228	63,611	408,839	960,000	42.59%
Drought Surcharge	66,226	-	66,226	-	-
<b>Total Water Sales</b>	<b>\$ 8,272,879</b>	<b>\$ 2,072,873</b>	<b>\$ 10,345,752</b>	<b>\$ 22,800,000</b>	<b>45.38%</b>
<b>Non-Operating Revenues:</b>					
Assessments (Debt Service)	\$ 2,202,083	\$ 440,417	\$ 2,642,500	\$ 5,000,000	52.85%
Assessments (1%)	1,132,337	142,917	1,275,254	1,957,500	65.15%
DWR Fixed Charge Recovery	113,638	46,158	159,796	200,000	79.90%
Interest	29,468	(250)	29,218	60,000	48.70%
CIF - Infrastructure	111,926	-	111,926	57,500	194.65%
CIF - Water Supply	336,778	-	336,778	192,500	174.95%
Grants - State and Federal	-	-	-	178,000	0.00%
Other	71,445	21	71,465	60,000	119.11%
<b>Total Non-Operating Revenues</b>	<b>\$ 3,997,674</b>	<b>\$ 629,262</b>	<b>\$ 4,626,936</b>	<b>\$ 7,705,500</b>	<b>60.05%</b>
<b>Total Revenue</b>	<b>\$ 12,270,553</b>	<b>\$ 2,702,135</b>	<b>\$ 14,972,689</b>	<b>\$ 30,505,500</b>	<b>49.08%</b>

# REVENUE COMPARISON YEAR-TO-DATE

June 2017-To- June 2018





**Palmdale Water District  
Operating Expense Analysis  
For the Six Months Ending 6/30/2018**

2017 to 2018 Comparison

	2018					2017 to 2018 Comparison			
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget	Thru May	June	Year-to-Date	% Change
<b>Cash Operating Expenses:</b>									
Directors	\$ 52,259	\$ 12,094	\$ 64,353	\$ 140,500	45.80%	\$ 4,820	\$ 4,256	\$ 9,076	16.42%
Administration-Services	761,533	130,231	891,764	1,957,200	45.56%	(26,313)	5,902	(20,411)	-2.24%
Administration-District	704,822	210,022	914,844	1,730,000	52.88%	223,019	(2,426)	220,593	31.77%
Engineering	755,853	117,690	873,543	1,662,900	52.53%	139,790	8,856	148,647	20.51%
Facilities	2,938,555	550,421	3,488,976	7,091,750	49.20%	304,972	88,294	393,266	12.70%
Operations	1,301,625	358,332	1,659,957	3,032,007	54.75%	64,043	148,695	212,738	14.70%
Finance	510,463	117,840	628,303	1,291,250	48.66%	(13,579)	30,324	16,745	-2.74%
Water Conservation	96,876	16,972	113,848	300,000	37.95%	4,516	948	5,464	5.04%
Human Resources	229,342	18,859	248,201	636,850	38.97%	99,963	(12,100)	87,863	54.80%
Information Technology	346,161	56,311	402,472	896,350	44.90%	52,968	13,077	66,045	19.63%
Customer Care	572,396	96,627	669,023	1,312,700	50.97%	64,425	2,760	67,185	11.16%
Source of Supply-Purchased Water	285,093	287,791	572,884	2,100,000	27.28%	(389,584)	30,203	(359,381)	-38.55%
Plant Expenditures	216,747	52,530	269,277	1,144,000	23.54%	41,107	67,184	108,291	67.27%
GAC Filter Media Replacement	179,669	169,477	349,146	840,000	41.57%	(172,679)	169,477	(3,202)	-0.91%
<b>Total Cash Operating Expenses</b>	<b>\$ 8,951,394</b>	<b>\$ 2,195,197</b>	<b>\$ 11,146,591</b>	<b>\$ 24,135,507</b>	<b>46.18%</b>	<b>\$ 397,467</b>	<b>\$ 555,450</b>	<b>\$ 952,917</b>	<b>8.55%</b>
<b>Non-Cash Operating Expenses:</b>									
Depreciation	\$ 2,234,910	\$ 446,497	\$ 2,681,407	\$ 6,000,000	44.69%	\$ (649,950)	\$ (18,544)	\$ (668,494)	-19.96%
OPEB Accrual Expense	638,550	127,710	766,260	2,300,000	33.32%	(275,947)	(55,189)	(331,137)	-30.17%
Bad Debts	82,529	660	83,189	50,000	166.38%	33,055	660	33,715	68.15%
Service Costs Construction	70,531	(4,510)	66,022	125,000	52.82%	(16,813)	17,092	279	0.42%
Capitalized Construction	(257,124)	(99,718)	(356,842)	(600,000)	59.47%	(11,859)	(35,654)	(47,513)	15.36%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 2,769,397</b>	<b>\$ 470,639</b>	<b>\$ 3,240,037</b>	<b>\$ 7,875,000</b>	<b>41.14%</b>	<b>\$ (921,513)</b>	<b>\$ (91,635)</b>	<b>\$ (1,013,149)</b>	<b>-31.27%</b>
<b>Non-Operating Expenses:</b>									
Interest on Long-Term Debt	\$ 897,104	\$ 185,803	\$ 1,082,908	\$ 2,063,500	52.48%	\$ (10,436)	\$ 5,196	\$ (5,240)	-0.48%
Amortization of SWP	1,024,154	216,738	1,240,892	2,851,000	43.52%	(59,521)	-	(59,521)	-4.58%
Change in Investments in PRWA	302,008	-	302,008	300,000	100.67%	195,845	-	195,845	184.48%
Water Conservation Programs	46,247	8,995	55,242	221,000	25.00%	9,994	4,083	14,077	34.20%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,269,513</b>	<b>\$ 411,537</b>	<b>\$ 2,681,049</b>	<b>\$ 5,435,500</b>	<b>49.32%</b>	<b>\$ 135,883</b>	<b>\$ 9,279</b>	<b>\$ 145,161</b>	<b>5.72%</b>
<b>Total Expenses</b>	<b>\$ 13,990,304</b>	<b>\$ 3,077,373</b>	<b>\$ 17,067,677</b>	<b>\$ 37,446,007</b>	<b>45.58%</b>	<b>\$ (388,164)</b>	<b>\$ 473,093</b>	<b>\$ 84,929</b>	<b>0.50%</b>

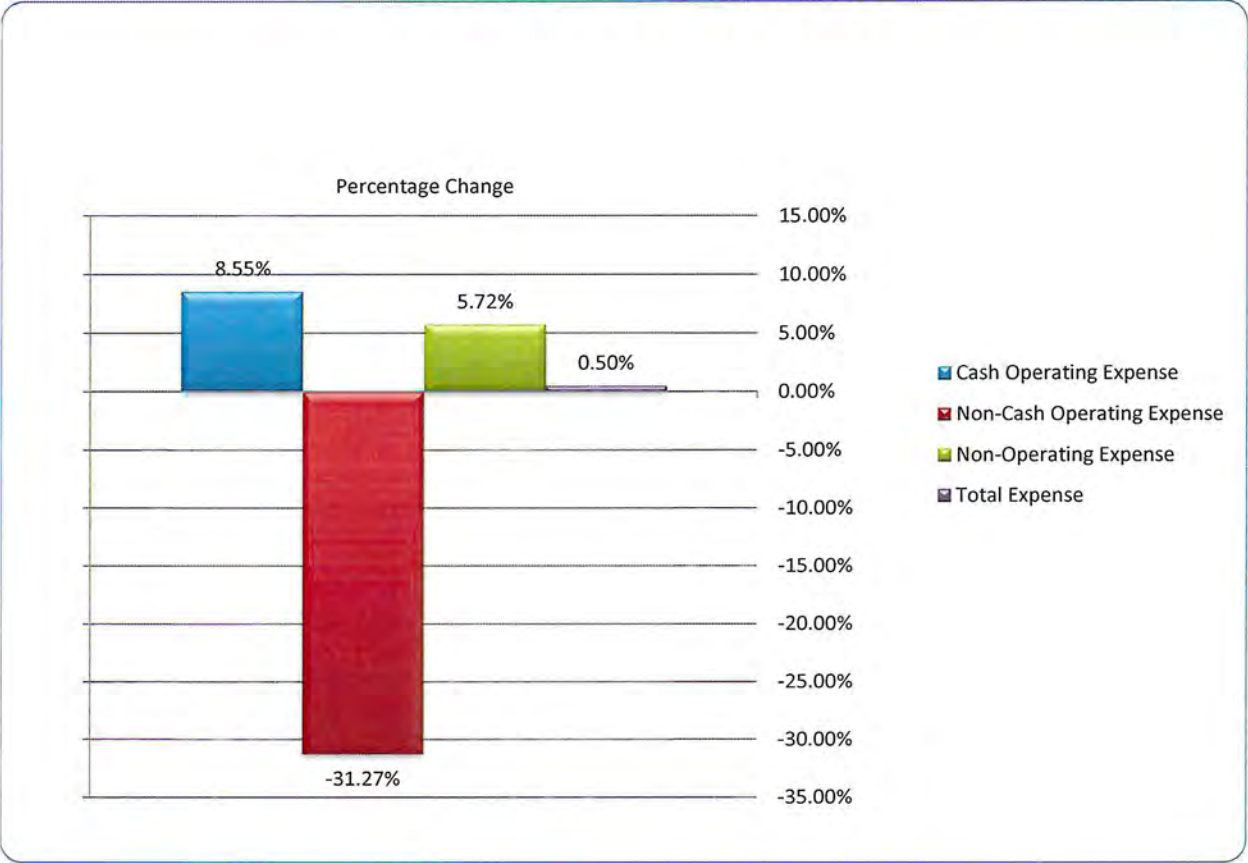
**Palmdale Water District  
Operating Expense Analysis  
For the Six Months Ending 6/30/2018**

2017 to 2018 Comparison

	2017			Adjusted Budget	% of Budget
	Thru May	June	Year-to-Date		
<b>Cash Operating Expenses:</b>					
Directors	\$ 47,439	\$ 7,838	\$ 55,278	\$ 115,500	47.86%
Administration-Services	787,845	124,329	912,175	1,925,000	47.39%
Administration-District	481,804	212,448	694,252	1,509,500	45.99%
Engineering	616,063	108,833	724,896	1,451,500	49.94%
Facilities	2,633,582	462,127	3,095,709	6,626,000	46.72%
Operations	1,237,583	209,637	1,447,219	2,546,250	56.84%
Finance	524,042	87,515	611,558	1,246,500	49.06%
Water Conservation	92,360	16,024	108,385	230,000	47.12%
Human Resources	129,379	30,959	160,338	313,100	51.21%
Information Technology	293,193	43,233	336,426	804,750	41.81%
Customer Care	507,971	93,867	601,838	1,278,000	47.09%
Source of Supply-Purchased Water	674,677	257,588	932,265	2,190,000	42.57%
Plant Expenditures	175,640	(14,653)	160,987	574,292	28.03%
GAC Filter Media Replacement	352,349	-	352,349	862,500	40.85%
<b>Total Cash Operating Expenses</b>	<b>\$ 8,553,927</b>	<b>\$ 1,639,747</b>	<b>\$ 10,193,674</b>	<b>\$ 21,672,892</b>	<b>47.03%</b>
<b>Non-Cash Operating Expenses:</b>					
Depreciation	\$ 2,884,860	\$ 465,041	\$ 3,349,901	\$ 6,000,000	55.83%
OPEB Accrual Expense	914,498	182,900	1,097,397	2,350,000	46.70%
Bad Debts	49,474	-	49,474	50,000	98.95%
Service Costs Construction	87,344	(21,602)	65,743	125,000	52.59%
Capitalized Construction	(245,265)	(64,064)	(309,329)	(750,000)	41.24%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 3,690,911</b>	<b>\$ 562,275</b>	<b>\$ 4,253,185</b>	<b>\$ 7,775,000</b>	<b>54.70%</b>
<b>Non-Operating Expenses:</b>					
Interest on Long-Term Debt	\$ 907,540	\$ 180,607	\$ 1,088,147	\$ 2,228,000	48.84%
Amortization of SWP	1,083,675	216,738	1,300,413	2,238,000	58.11%
Change in Investments in PRWA	106,162	-	106,162	100,000	106.16%
Water Conservation Programs	36,253	4,912	41,165	135,500	30.38%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,133,630</b>	<b>\$ 402,258</b>	<b>\$ 2,535,888</b>	<b>\$ 4,701,500</b>	<b>53.94%</b>
<b>Total Expenses</b>	<b>\$ 14,378,468</b>	<b>\$ 2,604,279</b>	<b>\$ 16,982,747</b>	<b>\$ 34,149,392</b>	<b>49.73%</b>

# EXPENSE COMPARISON YEAR-TO-DATE

## June 2017-To-June 2018





**Palmdale Water District  
Operating Expense Analysis  
For the Six Months Ending 6/30/2018  
2018**

**2017 to 2018 Comparison**

	2018					2017 to 2018 Comparison			
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget	Thru May	June	Year-to-Date	% Change
<b>Cash Operating Expenses:</b>									
Directors	\$ 52,259	\$ 12,094	\$ 64,353	\$ 140,500	45.80%	\$ 4,820	\$ 4,256	\$ 9,076	16.42%
Administration-Services	761,533	130,231	891,764	1,957,200	45.56%	(26,313)	5,902	(20,411)	-2.24%
Administration-District	704,822	210,022	914,844	1,730,000	52.88%	223,019	(2,426)	220,593	31.77%
Engineering	755,853	117,690	873,543	1,662,900	52.53%	139,790	8,856	148,647	20.51%
Facilities	2,938,555	550,421	3,488,976	7,091,750	49.20%	304,972	88,294	393,266	12.70%
Operations	1,301,625	358,332	1,659,957	3,032,007	54.75%	64,043	148,695	212,738	14.70%
Finance	510,463	117,840	628,303	1,291,250	48.66%	(13,579)	30,324	16,745	2.74%
Water Conservation	96,876	16,972	113,848	300,000	37.95%	4,516	948	5,464	5.04%
Human Resources	229,342	18,859	248,201	636,850	38.97%	99,963	(12,100)	87,863	54.80%
Information Technology	346,161	56,311	402,472	896,350	44.90%	52,968	13,077	66,045	19.63%
Customer Care	572,396	96,627	669,023	1,312,700	50.97%	64,425	2,760	67,185	11.16%
Source of Supply-Purchased Water	285,093	287,791	572,884	2,100,000	27.28%	(389,584)	30,203	(359,381)	-38.55%
Plant Expenditures	216,747	52,530	269,277	1,144,000	23.54%	41,107	67,184	108,291	67.27%
GAC Filter Media Replacement	179,669	169,477	349,146	840,000	41.57%	(172,679)	169,477	(3,202)	-0.91%
<b>Total Cash Operating Expenses</b>	<b>\$ 8,951,394</b>	<b>\$ 2,195,197</b>	<b>\$ 11,146,591</b>	<b>\$ 24,135,507</b>	<b>46.18%</b>	<b>\$ 397,467</b>	<b>\$ 555,450</b>	<b>\$ 952,917</b>	<b>8.55%</b>
<b>Non-Cash Operating Expenses:</b>									
Depreciation	\$ 2,234,910	\$ 446,497	\$ 2,681,407	\$ 6,000,000	44.69%	\$ (649,950)	\$ (18,544)	\$ (668,494)	-19.96%
OPEB Accrual Expense	638,550	127,710	766,260	2,300,000	33.32%	(275,947)	(55,189)	(331,137)	-30.17%
Bad Debts	82,529	660	83,189	50,000	166.38%	33,055	660	33,715	68.15%
Service Costs Construction	70,531	(4,510)	66,022	125,000	52.82%	(16,813)	17,092	279	0.42%
Capitalized Construction	(257,124)	(99,718)	(356,842)	(600,000)	59.47%	(11,859)	(35,654)	(47,513)	15.36%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 2,769,397</b>	<b>\$ 470,639</b>	<b>\$ 3,240,037</b>	<b>\$ 7,875,000</b>	<b>41.14%</b>	<b>\$ (921,513)</b>	<b>\$ (91,635)</b>	<b>\$ (1,013,149)</b>	<b>-31.27%</b>
<b>Non-Operating Expenses:</b>									
Interest on Long-Term Debt	\$ 897,104	\$ 185,803	\$ 1,082,908	\$ 2,063,500	52.48%	\$ (10,436)	\$ 5,196	\$ (5,240)	-0.48%
Amortization of SWP	1,024,154	216,738	1,240,892	2,851,000	43.52%	(59,521)	-	(59,521)	-4.58%
Change in Investments in PRWA	302,008	-	302,008	300,000	100.67%	195,845	-	195,845	184.48%
Water Conservation Programs	46,247	8,995	55,242	221,000	25.00%	9,994	4,083	14,077	34.20%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,269,513</b>	<b>\$ 411,537</b>	<b>\$ 2,681,049</b>	<b>\$ 5,435,500</b>	<b>49.32%</b>	<b>\$ 135,883</b>	<b>\$ 9,279</b>	<b>\$ 145,161</b>	<b>5.72%</b>
<b>Total Expenses</b>	<b>\$ 13,990,304</b>	<b>\$ 3,077,373</b>	<b>\$ 17,067,677</b>	<b>\$ 37,446,007</b>	<b>45.58%</b>	<b>\$ (388,164)</b>	<b>\$ 473,093</b>	<b>\$ 84,929</b>	<b>0.50%</b>

**Palmdale Water District  
Operating Expense Analysis  
For the Six Months Ending 6/30/2018  
2017**

2017 to 2018 Comparison

	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget
<b>Cash Operating Expenses:</b>					
Directors	\$ 47,439	\$ 7,838	\$ 55,278	\$ 115,500	47.86%
Administration-Services	787,845	124,329	912,175	1,925,000	47.39%
Administration-District	481,804	212,448	694,252	1,509,500	45.99%
Engineering	616,063	108,833	724,896	1,451,500	49.94%
Facilities	2,633,582	462,127	3,095,709	6,626,000	46.72%
Operations	1,237,583	209,637	1,447,219	2,546,250	56.84%
Finance	524,042	87,515	611,558	1,246,500	49.06%
Water Conservation	92,360	16,024	108,385	230,000	47.12%
Human Resources	129,379	30,959	160,338	313,100	51.21%
Information Technology	293,193	43,233	336,426	804,750	41.81%
Customer Care	507,971	93,867	601,838	1,278,000	47.09%
Source of Supply-Purchased Water	674,677	257,588	932,265	2,190,000	42.57%
Plant Expenditures	175,640	(14,653)	160,987	574,292	28.03%
GAC Filter Media Replacement	352,349	-	352,349	862,500	40.85%
<b>Total Cash Operating Expenses</b>	<b>\$ 8,553,927</b>	<b>\$ 1,639,747</b>	<b>\$ 10,193,674</b>	<b>\$ 21,672,892</b>	<b>47.03%</b>
<b>Non-Cash Operating Expenses:</b>					
Depreciation	\$ 2,884,860	\$ 465,041	\$ 3,349,901	\$ 6,000,000	55.83%
OPEB Accrual Expense	914,498	182,900	1,097,397	2,350,000	46.70%
Bad Debts	49,474	-	49,474	50,000	98.95%
Service Costs Construction	87,344	(21,602)	65,743	125,000	52.59%
Capitalized Construction	(245,265)	(64,064)	(309,329)	(750,000)	41.24%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 3,690,911</b>	<b>\$ 562,275</b>	<b>\$ 4,253,185</b>	<b>\$ 7,775,000</b>	<b>54.70%</b>
<b>Non-Operating Expenses:</b>					
Interest on Long-Term Debt	\$ 907,540	\$ 180,607	\$ 1,088,147	\$ 2,228,000	48.84%
Amortization of SWP	1,083,675	216,738	1,300,413	2,238,000	58.11%
Change in Investments in PRWA	106,162	-	106,162	100,000	106.16%
Water Conservation Programs	36,253	4,912	41,165	135,500	30.38%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,133,630</b>	<b>\$ 402,258</b>	<b>\$ 2,535,888</b>	<b>\$ 4,701,500</b>	<b>53.94%</b>
<b>Total Expenses</b>	<b>\$ 14,378,468</b>	<b>\$ 2,604,279</b>	<b>\$ 16,982,747</b>	<b>\$ 34,149,392</b>	<b>49.73%</b>



**Palmdale Water District  
2018 Directors Budget  
For the Six Months Ending Saturday, June 30, 2018**

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-01-4000-000 Directors Pay	\$ -	\$ -	\$ -	\$ -	
<b>Employee Benefits</b>					
1-01-4005-000 Payroll Taxes	2,020	5,500		3,480	36.72%
Subtotal (Benefits)	<u>2,020</u>	<u>5,500</u>	-	3,480	36.72%
 Total Personnel Expenses	 <u>\$ 2,020</u>	 <u>\$ 5,500</u>	 \$ -	 <u>\$ 3,480</u>	 <u>36.72%</u>
 <b>OPERATING EXPENSES:</b>					
1-01-xxxx-007 Director Share - Alvarado, Robert	\$ 15,900	\$ 27,000		\$ 11,100	58.89%
1-01-xxxx-008 Director Share - Mac Laren, Kathy	7,608	27,000		19,392	28.18%
1-01-xxxx-009 Director Share - Estes, Joe	15,353	27,000		11,647	56.86%
1-01-xxxx-010 Director Share - Dino, Vincent	9,713	27,000		17,287	35.97%
1-01-xxxx-011 Director Share - Henriquez, Marco	13,760	27,000		13,240	50.96%
Subtotal Operating Expenses	<u>62,334</u>	<u>135,000</u>	-	13,240	46.17%
 Total O & M Expenses	 <u>\$ 64,353</u>	 <u>\$ 140,500</u>	 \$ -	 <u>\$ 16,721</u>	 <u>45.80%</u>

**Palmdale Water District**  
**2018 Administration District Wide Budget**  
**For the Six Months Ending Saturday, June 30, 2018**

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	\$ 35,750	\$ 90,000		\$ 54,250	39.72%
Subtotal (Salaries)	\$ 35,750	\$ 90,000	\$ -	\$ 54,250	39.72%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	\$ 256,356	\$ 568,500		312,144	45.09%
1-02-5070-003 Workers Compensation	244,545	280,000		35,455	87.34%
1-02-5070-004 Vacation Benefit Expense	32,798	25,000		(7,798)	131.19%
1-02-5070-005 Life Insurance	3,176	6,500		3,324	48.86%
Subtotal (Benefits)	\$ 536,874	\$ 880,000	\$ -	\$ 343,126	61.01%
Total Personnel Expenses	\$ 572,625	\$ 970,000	\$ -	\$ 397,375	59.03%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	\$ 3,294	\$ 20,000		16,706	16.47%
1-02-5070-007 Consultants	70,655	70,000		(655)	100.94%
1-02-5070-008 Insurance	120,834	305,000		184,166	39.62%
1-02-5070-009 Groundwater Adjudication	23,006	50,000		26,994	46.01%
1-02-5070-010 Legal Services	42,768	150,000		107,232	28.51%
1-02-5070-011 Memberships/Subscriptions	10,934	125,000		114,066	8.75%
1-02-5070-099 100th Anniversary*	70,730	40,000	40,000	9,270	88.41%
Subtotal Operating Expenses	\$ 342,220	\$ 760,000	\$ 40,000	\$ 457,780	42.78%
Total Departmental Expenses	\$ 914,844	\$ 1,730,000	\$ 40,000	\$ 855,156	51.69%

\* Budget adjustment by Board action 05/29/18

**Palmdale Water District**  
**2018 Administration Services Budget**  
**For the Six Months Ending Saturday, June 30, 2018**

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-02-4000-000 Salaries	\$ 543,793	\$ 1,215,500		\$ 671,707	44.74%
1-02-4000-100 Overtime	2,858	9,000		6,142	31.76%
Subtotal (Salaries)	<u>\$ 546,651</u>	<u>\$ 1,224,500</u>	<u>\$ -</u>	<u>\$ 677,849</u>	<u>44.64%</u>
<b>Employee Benefits</b>					
1-02-4005-000 Payroll Taxes	\$ 41,200	\$ 86,500		45,300	47.63%
1-02-4010-000 Health Insurance	80,826	171,500		90,674	47.13%
1-02-4015-000 PERS	53,437	141,000		87,563	37.90%
Subtotal (Benefits)	<u>\$ 175,463</u>	<u>\$ 399,000</u>	<u>\$ -</u>	<u>\$ 223,537</u>	<u>43.98%</u>
Total Personnel Expenses	<u><u>\$ 722,114</u></u>	<u><u>\$ 1,623,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 901,386</u></u>	<u><u>44.48%</u></u>
<b>OPERATING EXPENSES:</b>					
1-02-4050-000 Staff Travel	\$ 9,942	\$ 14,000	\$ -	\$ 4,058	71.02%
1-02-4050-100 General Manager Travel	4,721	5,000		279	94.42%
1-02-4060-000 Staff Conferences & Seminars	1,050	6,000		4,950	17.50%
1-02-4060-100 General Manager Conferences & Seminars	2,499	4,000		1,501	62.48%
1-02-4130-000 Bank Charges	88,080	140,000		51,920	62.91%
1-02-4150-000 Accounting Services	9,250	27,500		18,250	33.64%
1-02-4175-000 Permits	1,400	17,500		16,100	8.00%
1-02-4180-000 Postage	8,818	25,000		16,182	35.27%
1-02-4190-100 Public Relations - Publications	20,626	30,000		9,374	68.75%
1-02-4190-700 Public Affairs - Marketing/Outreach	7,747	25,000		17,253	30.99%
1-02-4190-710 Public Affairs -Advertising	45	4,000		3,955	1.13%
1-02-4190-730 Public Affairs -Conference/Seminar/Travel	1,025	2,500		1,475	41.00%
1-02-4190-750 Public Affairs - Membership	450	700		250	64.29%
1-02-4200-000 Advertising	1,510	4,000		2,490	37.76%
1-02-4205-000 Office Supplies	12,485	18,000		5,515	69.36%
1-02-4210-000 Office Furniture	-	5,000		5,000	0.00%
Subtotal Operating Expenses	<u>\$ 169,649</u>	<u>\$ 328,200</u>	<u>\$ -</u>	<u>\$ 158,551</u>	<u>51.69%</u>
Total Departmental Expenses	<u><u>\$ 891,764</u></u>	<u><u>\$ 1,951,700</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,059,936</u></u>	<u><u>45.69%</u></u>

**Palmdale Water District**  
**2018 Engineering Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-03-4000-000 Salaries	\$ 535,823	\$ 1,058,750		\$ 522,927	50.61%
1-03-4000-100 Overtime	21,603	9,000		(12,603)	240.03%
Subtotal (Salaries)	<u>\$ 557,426</u>	<u>\$ 1,067,750</u>	\$ -	<u>\$ 510,324</u>	<u>52.21%</u>
<b>Employee Benefits</b>					
1-03-4005-000 Payroll Taxes	42,296	78,750		36,454	53.71%
1-03-4010-000 Health Insurance	115,984	209,750		93,766	55.30%
1-03-4015-000 PERS**	54,558	132,750		78,192	41.10%
Subtotal (Benefits)	<u>\$ 212,837</u>	<u>\$ 421,250</u>	\$ -	<u>\$ 208,413</u>	<u>50.53%</u>
Total Personnel Expenses	<u><u>\$ 770,263</u></u>	<u><u>\$ 1,489,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 718,737</u></u>	<u><u>51.73%</u></u>
<b>OPERATING EXPENSES:</b>					
1-03-4050-000 Staff Travel	\$ 2,529	\$ 3,000		\$ 471	84.29%
1-03-4060-000 Staff Conferences & Seminars	3,210	3,000		(210)	107.00%
1-03-4060-001 Staff Training - Auto CAD Civil 3D	1,879	13,000		11,121	14.45%
1-03-4155-000 Contracted Services	27,140	40,000		12,860	67.85%
1-03-4165-000 Memberships/Subscriptions	1,687	2,500		813	67.47%
1-03-4250-000 General Materials & Supplies	7,940	10,400		2,460	76.34%
1-03-8100-100 Computer Software - Maint. & Support	58,896	102,000		43,104	57.74%
Subtotal Operating Expenses	<u>\$ 103,280</u>	<u>\$ 173,900</u>	\$ -	<u>\$ 70,620</u>	<u>59.39%</u>
Total Departmental Expenses	<u><u>\$ 873,543</u></u>	<u><u>\$ 1,662,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 789,357</u></u>	<u><u>52.53%</u></u>

**Palmdale Water District**  
**2018 Facilities Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-04-4000-000 Salaries	\$ 1,044,480	\$ 2,134,500		\$ 1,090,020	48.93%
1-04-4000-100 Overtime	79,296	115,000		35,704	68.95%
Subtotal (Salaries)	\$ 1,123,776	\$ 2,249,500	\$ -	\$ 1,125,724	49.96%
<b>Employee Benefits</b>					
1-04-4005-000 Payroll Taxes	87,565	178,000		90,435	49.19%
1-04-4010-000 Health Insurance	292,732	491,750		199,018	59.53%
1-04-4015-000 PERS	99,974	260,000		160,026	38.45%
Subtotal (Benefits)	\$ 480,272	\$ 929,750	\$ -	\$ 449,478	51.66%
<b>Total Personnel Expenses</b>	<b>\$ 1,604,049</b>	<b>\$ 3,179,250</b>	<b>\$ -</b>	<b>\$ 1,575,201</b>	<b>50.45%</b>
<b>OPERATING EXPENSES:</b>					
1-04-4050-000 Staff Travel	\$ 3,137	\$ 3,000		\$ (137)	104.55%
1-04-4060-000 Staff Conferences & Seminars	1,050	13,000		11,950	8.08%
1-04-4155-000 Contracted Services	393,708	530,000		136,292	74.28%
1-04-4175-000 Permits-Dams	50,951	25,000		(25,951)	203.80%
1-04-4215-100 Natural Gas - Wells & Boosters	107,834	225,000		117,166	47.93%
1-04-4215-200 Natural Gas - Buildings	3,996	9,000		5,004	44.40%
1-04-4220-100 Electricity - Wells & Boosters	566,757	1,320,000		753,243	42.94%
1-04-4220-200 Electricity - Buildings	34,899	88,000		53,101	39.66%
1-04-4225-000 Maint. & Repair - Vehicles	12,796	35,000		22,204	36.56%
1-04-4230-100 Maint. & Rep. Office Building	6,224	25,000		18,776	24.89%
1-04-4235-110 Maint. & Rep. Equipment	1,542	12,000		10,458	12.85%
1-04-4235-400 Maint. & Rep. Operations - Wells	40,578	100,000		59,422	40.58%
1-04-4235-405 Maint. & Rep. Operations - Boosters	11,348	80,000		68,652	14.19%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	12,787	25,000		12,213	51.15%
1-04-4235-415 Maint. & Rep. Operations - Facilities	11,950	50,000		38,050	23.90%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	143,581	300,000		156,419	47.86%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	487	15,000		14,513	3.25%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	550	7,500		6,950	7.33%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	1,110	10,000		8,890	11.10%
1-04-4235-440 Maint. & Rep. Operations - Large Meters	5,393	35,000		29,607	15.41%
1-04-4235-445 Maint. & Rep. Operations - Telemetry	275	5,000		4,725	5.50%
1-04-4235-450 Maint. & Rep. Operations - Hypo Generators	727	10,000		9,273	7.27%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	16,581	45,000		28,419	36.85%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	11,532	5,000		(6,532)	230.64%
1-04-4235-461 Maint. & Rep. Operations - Air Vac	58,927	28,000		(30,927)	210.46%
1-04-4235-470 Maint. & Rep. Operations - Meters Exchanges	93,941	250,000		156,059	37.58%
1-04-4270-300 Telecommunication - Other	3,425	4,000		575	85.62%
1-04-4300-100 Testing - Regulatory Compliance	407	20,000		19,594	2.03%
1-04-4300-200 Testing - Large Meters	8,719	12,500		3,781	69.75%
1-04-4300-300 Testing - Edison Testing	7,900	30,000		22,100	26.33%
1-04-5070-009 Groundwater Adjudication-Pumping Assessment	13,848	50,000		36,152	27.70%
1-04-6000-000 Waste Disposal	7,377	20,000		12,623	36.88%
1-04-6100-100 Fuel and Lube - Vehicle	58,560	105,000		46,440	55.77%
1-04-6100-200 Fuel and Lube - Machinery	10,739	40,000		29,261	26.85%
1-04-6200-000 Uniforms	10,737	28,000		17,263	38.35%
1-04-6300-100 Supplies - General	47,529	47,500		(29)	100.06%
1-04-6300-200 Supplies - Hypo Generators	2,440	7,500		5,060	32.53%
1-04-6300-300 Supplies - Electrical	-	3,000		3,000	0.00%
1-04-6300-400 Supplies - Telemetry	309	5,000		4,691	6.19%
1-04-6300-800 Supplies - Construction Materials	19,522	35,000		15,478	55.78%
1-04-6400-000 Tools	33,354	52,000		18,646	64.14%
1-04-6450-000 Equipment	27,169	117,500		90,331	23.12%
1-04-7000-100 Leases -Equipment	7,058	15,000		7,942	47.05%
1-04-7000-100 Leases -Vehicles	33,172	70,000		36,828	47.39%
Subtotal Operating Expenses	\$ 1,884,927	\$ 3,912,500	\$ -	\$ 2,027,573	48.18%
<b>Total Departmental Expenses</b>	<b>\$ 3,488,976</b>	<b>\$ 7,091,750</b>	<b>\$ -</b>	<b>\$ 3,602,774</b>	<b>49.20%</b>



**Palmdale Water District**  
**2018 Operation Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-05-4000-000 Salaries	\$ 578,536	\$ 937,750		\$ 359,214	61.69%
1-05-4000-100 Overtime	50,570	60,000		9,430	84.28%
Subtotal (Salaries)	<u>\$ 629,107</u>	<u>\$ 997,750</u>	<u>\$ -</u>	<u>\$ 368,643</u>	<u>63.05%</u>
<b>Employee Benefits</b>					
1-05-4005-000 Payroll Taxes	48,738	68,750		20,012	70.89%
1-05-4010-000 Health Insurance	87,352	159,250		71,898	54.85%
1-05-4015-000 PERS	50,565	121,500		70,935	41.62%
Subtotal (Benefits)	<u>\$ 186,656</u>	<u>\$ 349,500</u>	<u>\$ -</u>	<u>\$ 162,844</u>	<u>53.41%</u>
Total Personnel Expenses	<u><u>\$ 815,763</u></u>	<u><u>\$ 1,347,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 531,487</u></u>	<u><u>60.55%</u></u>
<b>OPERATING EXPENSES:</b>					
1-05-4050-000 Staff Travel	\$ 1,742	\$ 2,500		\$ 758	69.69%
1-05-4060-000 Staff Conferences & Seminars	-	2,500		2,500	0.00%
1-05-4155-000 Contracted Services	70,987	89,970		18,983	78.90%
1-05-4175-000 Permits	60,928	66,287		5,359	91.92%
1-05-4215-200 Natural Gas - WTP	730	3,000		2,270	24.33%
1-05-4220-200 Electricity - WTP	70,476	290,000		219,524	24.30%
1-05-4230-110 Maint. & Rep. - Office Equipment*	312	500	5,000	5,188	5.67%
1-05-4235-110 Maint. & Rep. Operations - Equipment	10,466	20,000		9,534	52.33%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	558	6,000		5,443	9.29%
1-05-4235-415 Maint. & Rep. Operations - Facilities*	15,467	86,000	(5,000)	65,533	19.09%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	52,795	65,000		12,205	81.22%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	-	10,000		10,000	0.00%
1-05-4236-000 Palmdale Lake Management	5,400	100,000		94,600	5.40%
1-05-6000-000 Waste Disposal	1,752	20,000		18,248	8.76%
1-05-6200-000 Uniforms	7,034	16,000		8,966	43.96%
1-05-6300-100 Supplies - General	9,179	15,000		5,821	61.19%
1-05-6300-600 Supplies - Lab	26,660	52,000		25,340	51.27%
1-05-6300-700 Outside Lab Work	36,405	71,000		34,595	51.27%
1-05-6400-000 Tools	2,691	6,000		3,309	44.84%
1-05-6500-000 Chemicals	468,172	760,000		291,828	61.60%
1-05-7000-100 Leases -Equipment	2,442	3,000		558	81.40%
Subtotal Operating Expenses	<u>\$ 844,195</u>	<u>\$ 1,684,757</u>	<u>\$ -</u>	<u>\$ 840,562</u>	<u>50.11%</u>
Total Departmental Expenses	<u><u>\$ 1,659,957</u></u>	<u><u>\$ 3,032,007</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,372,050</u></u>	<u><u>54.75%</u></u>

\* Budget adjustments by General Manager per Appendix A

**Palmdale Water District**  
**2018 Finance Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-06-4000-000 Salaries	\$ 338,704	\$ 697,500		\$ 358,796	48.56%
1-06-4000-100 Overtime	362	3,000		2,638	12.06%
Subtotal (Salaries)	<u>\$ 339,065</u>	<u>\$ 700,500</u>	<u>\$ -</u>	<u>\$ 361,435</u>	<u>48.40%</u>
<b>Employee Benefits</b>					
1-06-4005-000 Payroll Taxes	23,594	53,250		29,656	44.31%
1-06-4010-000 Health Insurance	59,089	99,250		40,161	59.54%
1-06-4015-000 PERS	35,169	94,750		59,581	37.12%
Subtotal (Benefits)	<u>\$ 117,851</u>	<u>\$ 247,250</u>	<u>\$ -</u>	<u>\$ 129,399</u>	<u>47.66%</u>
Total Personnel Expenses	<u>\$ 456,916</u>	<u>\$ 947,750</u>	<u>\$ -</u>	<u>\$ 490,834</u>	<u>48.21%</u>
<b>OPERATING EXPENSES:</b>					
1-06-4050-000 Staff Travel	\$ 724	\$ -			
1-06-4155-000 Contracted Services	4,350	7,500		\$ 3,150	58.00%
1-06-4155-100 Contracted Services - Infosend	137,727	280,000		142,273	49.19%
1-06-4165-000 Memberships/Subscriptions	110	500		390	22.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	500		500	0.00%
1-06-4250-000 General Material & Supplies	-	3,000		3,000	0.00%
1-06-4260-000 Business Forms	421	4,000		3,579	10.53%
1-06-4270-100 Telecommunication - Office	16,999	25,000		8,001	67.99%
1-06-4270-200 Telecommunication - Cellular Stipend	9,805	20,000		10,195	49.03%
1-06-7000-100 Leases - Equipment	1,251	3,000		1,749	41.69%
Subtotal Operating Expenses	<u>\$ 171,386</u>	<u>\$ 343,500</u>	<u>\$ -</u>	<u>\$ 172,838</u>	<u>49.89%</u>
Total Departmental Expenses	<u>\$ 628,303</u>	<u>\$ 1,291,250</u>	<u>\$ -</u>	<u>\$ 663,671</u>	<u>48.66%</u>

**Palmdale Water District**  
**2018 Water Conservation Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-07-4000-000 Salaries	\$ 74,073	\$ 148,000		\$ 73,927	50.05%
1-07-4000-100 Overtime	1,143	2,500		1,357	45.71%
Subtotal (Salaries)	<u>\$ 75,216</u>	<u>\$ 150,500</u>		<u>\$ 75,284</u>	<u>49.98%</u>
<b>Employee Benefits</b>					
1-07-4005-000 Payroll Taxes	6,047	12,250		6,203	49.36%
1-07-4010-000 Health Insurance	20,061	40,250		20,189	49.84%
1-07-4015-000 PERS	8,369	20,000		11,631	41.85%
Subtotal (Benefits)	<u>\$ 34,478</u>	<u>\$ 72,500</u>	<u>\$ -</u>	<u>\$ 38,022</u>	<u>47.56%</u>
Total Personnel Expenses	<u><u>\$ 109,693</u></u>	<u><u>\$ 223,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 111,949</u></u>	<u><u>49.19%</u></u>
<b>OPERATING EXPENSES:</b>					
1-07-4050-000 Staff Travel	\$ 752	\$ 2,000		\$ 1,248	37.60%
1-07-4060-000 Staff Confrences & Seminar	-	3,000		3,000	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	31	5,000		4,969	0.61%
1-07-4190-400 Public Relations - Contests	536	2,000		1,464	26.82%
1-07-4190-500 Public Relations - Education Programs	351	53,000		52,649	0.66%
1-07-4190-900 Public Relations - Other	2,312	5,000		2,688	46.23%
1-07-6300-100 Supplies - Misc.	174	7,000		6,826	2.48%
Subtotal Operating Expenses	<u>\$ 4,155</u>	<u>\$ 77,000</u>	<u>\$ -</u>	<u>\$ 72,845</u>	<u>5.40%</u>
Total Departmental Expenses	<u><u>\$ 113,848</u></u>	<u><u>\$ 300,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 184,794</u></u>	<u><u>37.95%</u></u>

**Palmdale Water District**  
**2018 Human Resources Budget**  
**For the Six Months Ending Saturday, June 30, 2018**

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-08-4000-000 Salaries	\$ 101,606	\$ 220,000		\$ 118,394	46.18%
Subtotal (Salaries)	\$ 101,606	\$ 220,000	\$ -	\$ 118,394	46.18%
<b>Employee Benefits</b>					
1-08-4005-000 Payroll Taxes	7,912	16,750		8,838	47.24%
1-08-4010-000 Health Insurance	12,965	21,000		8,035	61.74%
1-08-4015-000 PERS	8,549	21,000		12,451	40.71%
Subtotal (Benefits)	\$ 29,426	\$ 58,750	\$ -	\$ 29,324	50.09%
<b>Total Personnel Expenses</b>	<b>\$ 131,032</b>	<b>\$ 278,750</b>	<b>\$ -</b>	<b>\$ 147,718</b>	<b>47.01%</b>
<b>OPERATING EXPENSES:</b>					
1-08-4050-000 Staff Travel	\$ 95	\$ 1,500		\$ 1,405	6.31%
1-08-4060-000 Staff Conferences & Seminars	-	1,500		1,500	0.00%
1-08-4070-000 Employee Expense	43,936	50,000		6,064	87.87%
1-08-4080-000 Succession Planning	-	200,000		200,000	0.00%
1-08-4090-000 Temporary Staffing	-	-		-	
1-08-4095-000 Employee Recruitment	9,059	3,000		(6,059)	301.97%
1-08-4100-000 Employee Retention	3,165	5,000		1,835	63.30%
1-08-4105-000 Employee Relations	1,970	3,500		1,530	56.29%
1-08-4120-100 Training-Safety	28,803	35,000		6,197	82.30%
1-08-4120-200 Training-Speciality	9,895	15,000		5,105	65.97%
1-08-4121-000 Safety Program	785	1,000		215	78.50%
1-08-4165-000 Membership/Subscriptions	854	1,600		746	53.38%
1-08-4165-100 HR/Safety Publications	263	1,000		737	26.35%
1-08-6300-500 Supplies - Safety	18,343	40,000		21,657	45.86%
Subtotal Operating Expenses	\$ 117,168	\$ 358,100	\$ -	\$ 240,932	32.72%
<b>Total Departmental Expenses</b>	<b>\$ 248,201</b>	<b>\$ 636,850</b>	<b>\$ -</b>	<b>\$ 388,649</b>	<b>38.97%</b>

**Palmdale Water District**  
**2018 Information Technology Budget**  
**For the Six Months Ending Saturday, June 30, 2018**

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-09-4000-000 Salaries	\$ 93,582	\$ 180,000		\$ 86,418	51.99%
1-09-4000-100 Overtime	327	2,500		2,173	13.07%
Subtotal (Salaries)	\$ 93,909	\$ 182,500		\$ 88,591	51.46%
<b>Employee Benefits</b>					
1-09-4005-000 Payroll Taxes	7,142	13,750		6,608	51.95%
1-09-4010-000 Health Insurance	15,346	30,250		14,904	50.73%
1-09-4015-000 PERS	9,199	23,250		14,051	39.57%
Subtotal (Benefits)	\$ 31,688	\$ 67,250	\$ -	\$ 35,562	47.12%
Total Personnel Expenses	\$ 125,597	\$ 249,750	\$ -	\$ 121,980	50.29%
<b>OPERATING EXPENSES:</b>					
1-09-4050-000 Staff Travel	\$ 1,323	\$ 3,000		\$ 1,677	44.11%
1-09-4060-000 Staff Conferences & Seminars	5,500	10,000		4,500	55.00%
1-09-4155-000 Contracted Services	92,283	165,000		72,717	55.93%
1-09-4165-000 Memberships/Subscriptions	200	2,500		2,300	8.00%
1-09-4270-000 Telecommunications	50,187	98,500		48,313	50.95%
1-09-8000-100 Computer Equipment - Computers	33,373	45,000		11,627	74.16%
1-09-8000-200 Computer Equipment - Laptops	8,927	45,000		36,073	19.84%
1-09-8000-300 Computer Equipment - Monitors	2,130	2,000		(130)	106.51%
1-09-8000-500 Computer Equipment - Toner Cartridges	1,981	3,000		1,019	66.03%
1-09-8000-550 Computer Equipment - Telephony	-	3,000		3,000	0.00%
1-09-8000-600 Computer Equipment - Other	6,907	40,000		33,093	17.27%
1-09-8000-650 Computer Equipment - Warranty & Support	7,555	10,000		2,445	75.55%
1-09-8100-100 Computer Software - Maint. and Support	58,869	139,600		80,731	42.17%
1-09-8100-150 Computer Software - Dynamics GP Support	1,587	60,000		58,413	2.64%
1-09-8100-200 Computer Software - Software and Upgrades	6,053	20,000		13,947	30.27%
Subtotal Operating Expenses	\$ 276,875	\$ 646,600	\$ -	\$ 369,725	42.82%
Total Departmental Expenses	\$ 402,472	\$ 896,350	\$ -	\$ 491,705	44.90%



**Palmdale Water District**  
**2018 Customer Care Budget**  
For the Six Months Ending Saturday, June 30, 2018

	YTD ACTUAL 2018	ORIGINAL BUDGET 2018	ADJUSTMENTS 2018	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-10-4000-000 Salaries	\$ 452,800	\$ 897,000		\$ 444,200	50.48%
1-10-4000-100 Overtime	3,816	7,500		3,684	50.88%
Subtotal (Salaries)	<u>\$ 456,616</u>	<u>\$ 904,500</u>	<u>\$ -</u>	<u>\$ 447,884</u>	<u>50.48%</u>
<b>Employee Benefits</b>					
1-10-4005-000 Payroll Taxes	33,731	68,500		34,769	49.24%
1-10-4010-000 Health Insurance	117,745	181,500		63,755	64.87%
1-10-4015-000 PERS	47,017	121,500		74,483	38.70%
Subtotal (Benefits)	<u>\$ 198,493</u>	<u>\$ 371,500</u>	<u>\$ -</u>	<u>\$ 173,007</u>	<u>53.43%</u>
Total Personnel Expenses	<u><u>\$ 655,109</u></u>	<u><u>\$ 1,276,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 620,891</u></u>	<u><u>51.34%</u></u>
<b>OPERATING EXPENSES:</b>					
1-10-4050-000 Staff Travel	\$ 231	\$ 2,000		\$ 1,769	11.55%
1-10-4060-000 Staff Conferences & Seminars	-	3,000		3,000	0.00%
1-10-4155-000 Contracted Services	8,951	22,000		13,049	40.69%
1-10-4230-110 Maintenance & Repair-Office Equipment	-	200		200	0.00%
1-10-4250-000 General Material & Supplies	4,733	7,000		2,267	67.61%
1-10-4260-000 Business Forms	-	2,500		2,500	0.00%
Subtotal Operating Expenses	<u>\$ 13,915</u>	<u>\$ 36,700</u>	<u>\$ -</u>	<u>\$ 22,785</u>	<u>37.91%</u>
Total Departmental Expenses	<u><u>\$ 669,023</u></u>	<u><u>\$ 1,312,700</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 643,677</u></u>	<u><u>50.97%</u></u>





**MINUTES OF REGULAR MEETING OF THE COMMISSIONERS OF THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION, JULY 19, 2018.**

*A regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was held Thursday, July 19, 2018, at the Palmdale Water District at 2029 East Avenue Q, Palmdale. Chair Parris called the meeting to order at 6:00 p.m.*

**1) Pledge of Allegiance.**

At the request of Chair Parris, Commissioner Henriquez led the pledge of allegiance.

**2) Roll Call.**

**Attendance:**

Robert Parris, Chair  
Barbara Hogan, Vice Chair  
Kathy Mac Laren, Secretary  
Keith Dyas, Commissioner  
Marco Henriquez, Commissioner  
John Tenerelli, Alt. Commissioner

**Others Present:**

Matt Knudson, General Mngr.  
Dennis Hoffmeyer, Controller  
Dennis LaMoreaux, PWD General Mngr.  
Vincent Dino, PWD Director  
Robert Alvarado, PWD Director  
Danielle Henry, Administrative Assistant  
6 members of the public

**EXCUSED ABSENCE--**

Leo Thibault, Secretary

**3) Adoption of Agenda.**

It was moved by Commissioner Mac Laren, seconded by Commissioner Henriquez, and unanimously carried by all members of the Board of Commissioners present at the meeting to adopt the agenda, as written.

**4) Public Comments for Non-Agenda Items.**

There were no public comments.

**5) Consideration and Possible Action on Minutes of Regular Meeting Held April 12, 2018.**

It was moved by Commissioner Mac Laren, seconded by Commissioner Dyas, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve the minutes of the regular meeting held April 12, 2018, as written.

**6) Payment of Bills.**

General Manager Knudson reviewed the bills received for payment after which it was moved by Commissioner Henriquez, seconded by Commissioner Mac Laren, and unanimously carried by all members of the Board of Commissioners present at the meeting to pay the bills received as presented from PWD in the total amount of \$2,017.11 for staff services, from AVEK in the total amount of \$2,560.68 for staff services, from AV Web Designs in the total amount of \$599.85 for the recurring monthly AVSavesWater.com website charge for May, June and July of 2018, from Interactive Educational Services, Inc. in the amount of \$294.00 for the recurring monthly AVSWCA.org website charge for July through December, 2018, from the United States Geological Survey (U.S.G.S.) in the amount of \$31,800.00 for quarterly billing for cooperative water resources investigations per the Joint Funding Agreement between the Association and U.S.G.S. for the period of November 1, 2017 through April 30, 2018, and from Nigro & Nigro, PC in the amount of \$2,000.00 for the financial statement and audit preparation for year ended June 30, 2017.

**7) Presentation on the Status of the Upper Amargosa Creek Recharge Project.  
(Chuck Heffernan, City of Palmdale, Public Works Director)**

Mr. Chuck Heffernan, City of Palmdale Public Works Director, stated that he and Mr. Mike Shahbakhti, City of Palmdale Senior Civil Engineer, have been working on the Upper Amargosa Creek Flood Control, Recharge, and Habitat Restoration Project since joining the City in March of 2018 after which Mr. Shahbakhti provided a detailed update on the Project including the background, the partners, the location, the construction design, the 2018 timeline, and the estimated costs and grant funding.

Chair Parris then thanked Mr. Shahbakhti for the presentation.

**8) Consideration and Possible Action on Acceptance and Filing of Audit for Year Ended June 30, 2017. (Controller Hoffmeyer)**

Controller Hoffmeyer provided a detailed overview of the Association's audit for year ended June 30, 2017 after which it was moved by Commissioner Mac Laren,



seconded by Commissioner Hogan, and unanimously carried by all members of the Board of Commissioners present at the meeting to accept and file the Association's audit for year ended June 30, 2017.

**9) Consideration and Possible Action on Ratification of U.S.G.S Agreement for Cooperative Water Resources Investigations for 2017/2018. (General Manager Knudson)**

General Manager Knudson provided a brief overview of the 2017/2018 Joint Funding Agreement with U.S.G.S. for cooperative water resources investigations and the cost sharing breakdown of 50/25/25 between the Association, the Antelope Valley Watermaster and the Integrated Regional Water Management Group previously agreed upon by the Commission after which it was moved by Commissioner Henriquez, seconded by Alternate Commissioner Tenerelli, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve ratification of the Joint Funding Agreement with U.S.G.S. for Cooperative Water Resources Investigations for 2017/2018.

**10) Consideration and Possible Action on Approval of Professional Services Agreement with Kennedy/Jenks Consultants for the Preparation of the Feasibility Study and Environmental Documentation for the Implementation of the Big Rock Creek Joint Groundwater Recharge Project in the Not-To-Exceed Amount of \$236,951.00. (General Manager Knudson/Assistant General Manager Thompson II)**

General Manager Knudson provided an overview of the proposals received for the Big Rock Creek Joint Groundwater Recharge Project Feasibility Study and Environmental Documentation and staff's recommendation to approve a Professional Services Agreement with Kennedy/Jenks Consultants for this work, and after a brief discussion of the Big Rock Creek Joint Groundwater Recharge Project Memorandum of Understanding and of LCID's maximum contribution to this Project of \$5,000.00, it was moved by Commissioner Henriquez, seconded by Commissioner Mac Laren, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve a Professional Services Agreement with Kennedy/Jenks Consultants for the Preparation of the Feasibility Study and Environmental Documentation for the Implementation of the Big Rock Creek Joint Groundwater Recharge Project in the not-to-exceed amount of \$236,951.00, with LCID contributing \$5,000.00 of this cost and the balance equally divided between AVEK and PWD, and the

General Manager is hereby authorized to execute said Agreement upon review and approval by legal counsel.

**11) Consideration and Possible Action on Approval of Professional Services Agreement with Raftelis Financial Consultants for the Preparation of a Financial Analysis Associated with the Cost of Providing Replacement Water to the Antelope Valley in the Not-To-Exceed Amount of \$27,377.00. (General Manager Knudson/Assistant General Manager Thompson II)**

General Manager Knudson provided an overview of the proposals received for the preparation of a financial analysis associated with the cost of providing replacement water to the Antelope Valley and staff's recommendation to approve of a Professional Services Agreement with Raftelis Financial Consultants for this work, and after a brief discussion of the member agency cost breakdown according to State Water Project Table A allocations, it was moved by Commissioner Mac Laren, seconded by Commissioner Dyas, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve a Professional Services Agreement with Raftelis Financial Consultants for the Preparation of a Financial Analysis Associated with the Cost of Providing Replacement Water to the Antelope Valley in the not-to-exceed amount of \$27,377.00; the General Manager is hereby authorized to execute said Agreement upon review and approval by legal counsel; and cost sharing for this work shall be in accordance with State Water Project Table A Allocations.

**12) Consideration and Possible Action on Budget for Fiscal Year 2018/2019. (General Manager Knudson/Controller Hoffmeyer)**

Controller Hoffmeyer provided a detailed overview of the proposed budget for fiscal year 2018/2019, including the General Program Funds and the Restricted Funds for the Antelope Valley Integrated Regional Water Management Plan (IRWMP) Program and the U.S.G.S/CASGEM Program, and after a brief discussion of adding additional budgets for the Big Rock Creek Joint Groundwater Recharge Project and the Antelope Valley Replacement Water Analysis approved this evening, of the IRWMP's approved funding and replenishment of funds to the Association, and of the Association's procedure for covering potential deficits, it was moved by Commissioner Dyas, seconded by Commissioner Henriquez, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve the budget for fiscal year 2018/2019 with the addition of the Big Rock Creek Joint Groundwater Recharge Project and the Antelope Valley Replacement Water Analysis.

**13) Discussion on Concepts of Maximizing the Use of Available Recycled Water in the Antelope Valley. (Chair Parris/General Manager Knudson)**

Chair Parris stated that an AVEK Ad Hoc Committee, including the Watermaster Engineer and representatives from the Sanitation District and Lahontan Region, met and discussed potential solutions for aquifer areas of depression and nitrate plumes and that it was suggested that the Association explore the possibility of bringing recycled water to agricultural land within the affected vicinities and production wells be moved to healthier basin areas.

Mr. Gailen Kyle, an agricultural famer in the Antelope Valley, stated that Valley Fever is another large concern for idle farm land and that recycled water could be a solution to keep the lands cultivated.

After discussions of the effects of the adjudication ramp down, of the importance of keeping the farming community in the Antelope Valley, of the existing recycled water line to Los Angeles County World Airports, and of the potential for grant funding through the Integrated Regional Water Management Plan update, it was moved by Commissioner Dyas, seconded by Commissioner Mac Laren, and unanimously carried by all members of the Board of Commissioners present at the meeting to direct staff to prepare a feasibility study and funding options for the construction of a recycled water line in 50<sup>th</sup> Street East for agriculture purposes as an option for maximizing the use of available recycled water in the Antelope Valley.

**14) Report of General Manager.**

**a) Update on Antelope Valley Watermaster Meetings.**

General Manager Knudson stated that the next Watermaster meeting will be held on July 25, 2018 at 10 a.m. at AVEK and that discussions will include approval and filing of the 2017 annual report.

**b) Update on Antelope Valley IRWMP Stakeholder Meetings.**

General Manager Knudson stated that the IRWMP Stakeholders met earlier this week and discussed the development of an MOU including a Stakeholders cost sharing of approximately \$345,000.00 of which \$45,000.00 would be allocated for the next three years of U.S.G.S. Joint Funding Agreement contributions.

**c) Update on Fremont Basin IRWMP Stakeholder Meetings.**

General Manager Knudson stated that the Salt & Nutrient Management Plan for the Fremont Basin IRWMP update is available for public review.

**15) Report of Controller.**

**a) Update on Revenue, Expenses and Change in Net Position.**

Controller Hoffmeyer provided a brief update of the Association's revenue, expenses, and change in net position for year ending June 30, 2018.

**16) Reports of Commissioners.**

**a) Status Update on AVSWCA Strategic Water Plan Ad Hoc Committee Meetings.**

Chair Parris stated that the Ad Hoc Committee has not recently met and then proposed to schedule the next meeting immediately following the August Watermaster meeting with discussions to include the agriculture recycled water line discussed this evening and the possibility of an east side feeder.

Chair Parris and Commissioner Mac Laren provided a brief presentation on the sponsorship opportunity of a conservation garden with the Antelope Valley Fair in lieu of funding future Smart Water Expos, and after a brief discussion of the initial sponsorship cost of \$20-25,000.00, of future maintenance costs, of the garden design, of the constant marketing it would provide, and of the quick approval needed to participate this year, it was determined that this sponsorship opportunity be presented to the member agencies respective Boards for consideration before the next regular meeting of the Association.

There were no further reports.

**17) Report of Attorney.**

There was no report.



**18) Commission Members' Requests for Future Agenda Items.**

It was determined that "Discussion on Concepts of Maximizing the Use of Available Recycled Water in the Antelope Valley" will remain on the next meeting agenda and that "Presentation on the Association's Participation in the 2018 Home Show and SMART Water Expo," "Consideration and Possible Action on the Development of a Mutual Aide Agreement," "Status Update on the Big Rock Creek Joint Groundwater Recharge Project," "Status Update on the Financial Analysis Associated with the Cost of Providing Replacement Water to the Antelope Valley," and "Status Update on the AVSavesWater.com and AVSWCA.org website merge" will be added to the next meeting agenda.

There were no further requests for future agenda items.

**19) Consideration and Possible Action on Scheduling the Next Association Meeting August 9, 2018.**

It was determined that the next regular meeting of the Association will be held on August 9, 2018 at 6:00 p.m. at Palmdale Water District.

**20) Adjournment.**

There being no further business to come before the Commissioners, the regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was adjourned at 7:24 p.m.

  
Secretary



**PALMDALE WATER DISTRICT  
BOARD MEMORANDUM**

**DATE:** August 22, 2018 **August 27, 2018**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** *AGENDA ITEM NO. 8.3.a – AUGUST 2018 GENERAL MANAGER REPORT*

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The following is the August report to the Board of activities through July 2018. It is organized to follow the District's six strategic initiatives adopted in January 2018 and is intended to provide a general update on the month's activities. A summary of the initiatives is as follows:



**Water Resource Reliability**

Complete the 2018 phase of the Upper Armagosa Creek Recharge Project  
Ensure Palmdale Recycled Water Authority (PRWA) to be fully operational by year 2020  
Adopt new state-of-the-art water treatment technologies  
Implement the Antelope Valley Groundwater Adjudication agreement  
Complete the grade-control structure for the Littlerock Reservoir Sediment Removal Project  
Continue the next phase towards the completion of Palmdale Regional Groundwater Recharge and Recovery Project  
Identify and pursue opportunities to increase the reliability of water supply



**Organizational Excellence**

Offer competitive compensation and benefits package to promote employee retention  
Focus Succession Planning Program on ensuring an overlap of training for key positions  
Continue providing transparency to our ratepayers  
Promote and support leadership training and professional development programs to enhance the District's customers' experience



**Systems Efficiency**

Implement 2016 Water System Master Plan  
Develop a five-year Infrastructure Revitalization Plan to continue the reinvestment and preventative maintenance for aging infrastructure  
Explore energy independence  
Continue being the industry's leader on the use of Granular Activated Carbon (GAC)  
Research and test new technologies to increase efficiencies  
Improve safety and training for Directors, employees and customers  
Develop a crisis communications plan



### **Financial Health and Stability**

- Pursue additional grant funding for all District projects**
- Adopt a sustainable and balanced rate structure to meet short and long-term needs**
- Create a five-year financial plan in conjunction with the 2019 Water Rate Plan**
- Maintain adequate reserve levels, high-level bond rating, and financial stability**



### **Regional Leadership**

- Enhance relationships with Antelope Valley partnerships, including local water agencies, Antelope Valley State Water Contractors Association and the Palmdale Recycled Water Authority**
- Expand school water education programs**
- Engage elected officials in water-related issues**
- Continue offering career opportunities through the Internship Program**
- Provide opportunities for local businesses to contract with the District**



### **Customer Care, Advocacy and Outreach**

- Increase Customer Care accessibility through communication and feedback to enhance customers' experience**
- Evaluate, develop, and market additional payment options**
- Be point of communication for customers' water-related public health concerns**
- Develop the District's Public Outreach Plan**
- Increase public awareness of the District's history and promote centennial anniversary**

This report also includes charts that show the effects of the District's efforts in several areas. They are organized within each strategic initiative and include status of the State Water Resources Control Board's (SWRCB) long-term conservation orders, 20 x 2020 status, the District's total per capita water use trends, 2018 water production and customer use graph, mainline leaks, and the water loss trends for both 12 and 24 month running averages.



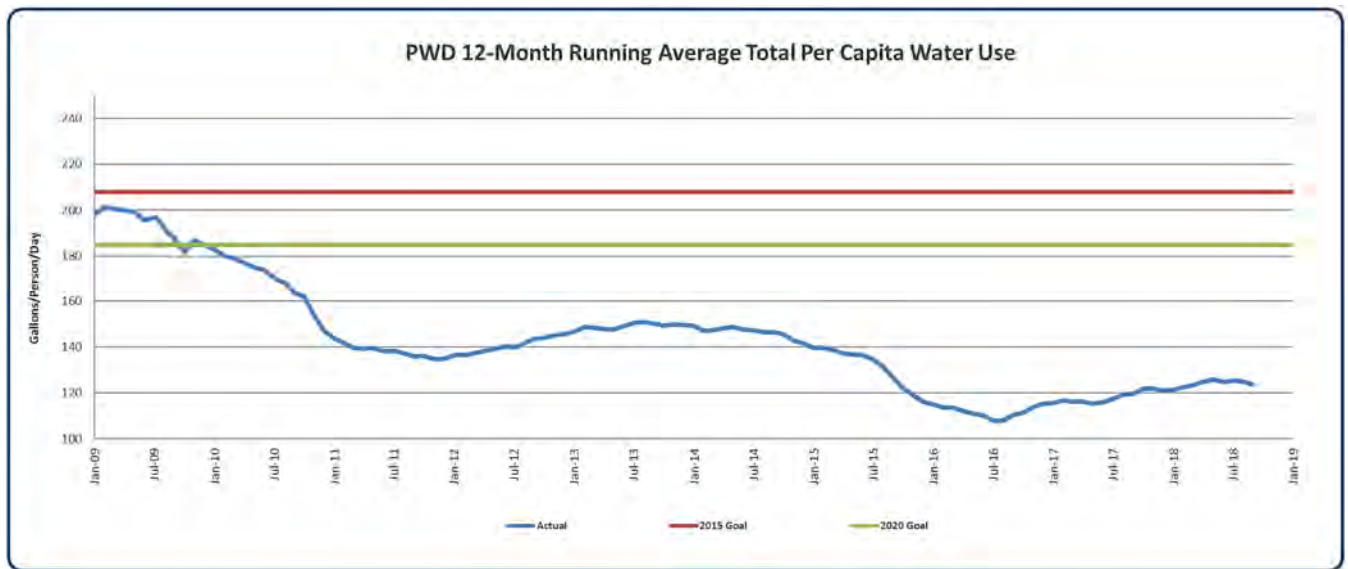
### **Water Resource Reliability**

This initiative includes conservation efforts, water supply projects, and water planning. Recent highlights are as follows:

State Water Resources Control Board (SWRCB) Activities

- The 20 x 2020 per capita reduction goals passed by the legislature in 2009 with new long-term water budgeting requirements have now been replaced with new requirements and water agency water budgets. These follow through on the “Making Water Conservation a California Way of Life” plan. The District expects to easily comply with the new requirements as they are based on the same philosophy as the District water budget rate structure.

The District’s compliance with the 20 x 2020 law is evident from the chart titled “PWD 12-Month Running Average Total Per Capita Water Use.”:

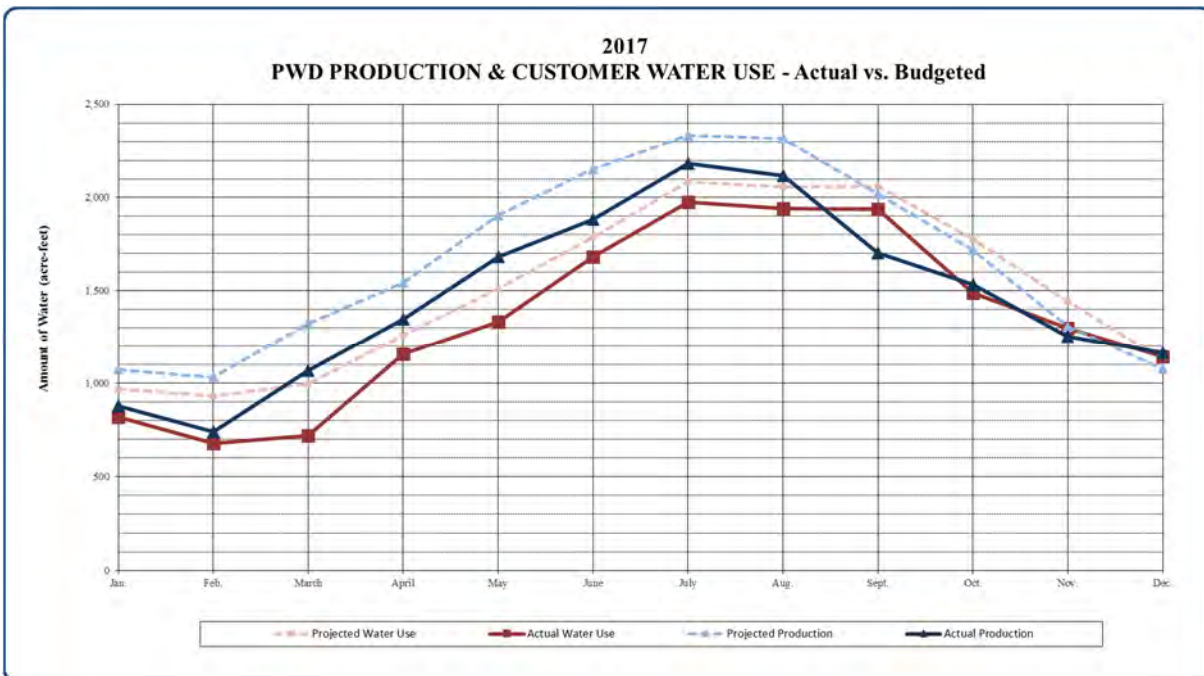
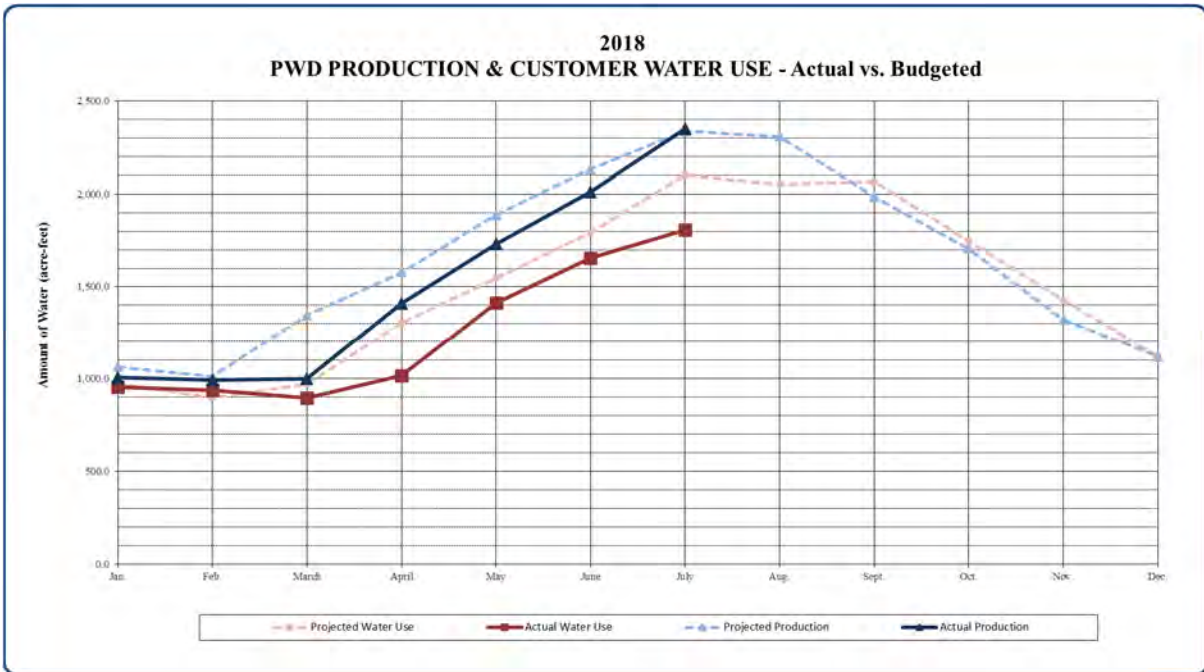


The District’s customers have cut their water use by **46.3%** from the baseline number of 231 and met the 2020 Goal in early 2010. The current Total-GPCD is 124.

Water Supply Information

- The staff plan for water resources in 2017 was based on the allocation of 85%. The 2018 State Water Project allocation is 35%. The AV Adjudication is now in its third year and the rampdown to the native safe yield has begun. The District’s native groundwater rights rampdown is now 2,769.63 AF. Other groundwater rights for 2018 are 1,452.27 AF of unused Federal Reserve Rights, 3,828.41 AF of Return Flow Rights, and 3,911.94 AF of Carryover Rights. These groundwater rights total 11,962.55 AF. However, the District only plans to use approximately 8,000 AF and will carryover the remaining rights.

- Water and Energy Resources staff has planned for 2018. The plan incorporates available water with the anticipated water usage. The following graph shows actual amounts through July and monthly projections for both production and consumption, based on the prior five years of actual monthly information, for the entire year. It is anticipated that this year's consumption and production pattern will be similar to 2017. The production numbers are 7.4% and consumption numbers 3.8% higher this year than in 2017. The 2017 chart is added in this report for comparison.



Other Items

- The Littlerock Reservoir Sediment Removal Project Environmental Impact Report/Environmental Impact Statement (EIR/EIS) was fully approved in 2017. All required permits have been obtained except for the 401 from Lahontan Regional Water Quality Control Board. It is expected within the next few weeks. The Grade Control Structure design and contract documents were completed in May.

The District awarded the construction contract to ASI Construction, LLC of Colorado Springs. They are preparing the initial submittals and plans. A preconstruction meeting is anticipated in the next few weeks.

A citizen's committee, Friends of Littlerock Dam (FOLD), was formed in the Littlerock, Pearblossom, and Juniper Hills area to find a way to reopen the Littlerock Reservoir Recreation area. They worked with the District and the USFS on this issue. The result was having the area open to the public June 9, 10, 16, and 17. Attendance for these days was preliminarily reported as approximately 4,000 visitors. This is viewed as a success by FOLD and has provided good information for the Forest Service. They will issue a request for proposals for a recreational operator. This process is expected to take 9 to 12-months.

- The public review of the Draft California Environmental Quality Act (CEQA) EIR for the Palmdale Regional Groundwater Recharge and Recovery Project is complete. The Final EIR was certified by the Board on July 13, 2016, and the Notice of Determination was filed on July 14, 2016. The comments from the SWRCB Recycled Water Division on the Title 22 Engineering Report were addressed and returned for further review. Another set of comments was recently received and are being reviewed.

Construction of monitoring wells is complete, and the initial water quality sampling has been done. The pilot spreading basin was constructed, the 28-day recharge test, and dry/wet cycling is complete. The soil column tests are ongoing. The information from this project is now being assessed by Kennedy/Jenks.

- California Water Fix: There have been recent regulatory approvals moving this project forward. The State Water Contractors and the Department of Water Resources are continuing discussions about the Project's financing and operations. These discussions will result in a clearer picture of the effect on individual contractors. Staff is directly involved in these discussions and will be able to update the Board in the future.





### **Organizational Excellence**

This initiative includes efforts to restructure staff duties and activities to more efficiently provide service to our customers. Recent highlights are as follows:

- The electronic time keeping software was used by staff during most of 2017 and is now our standard practice.
- The 2018 Strategic Plan Update is now published in brochures and on the District's website. The board room posters have been redesigned, printed, and mounted in the board room. A Spanish translation has been printed and is also posted in the Board room.
- The District is working with other members of the Public Water Agencies Group (PWAG) to hire and share the services of an Emergency Preparedness Coordinator. The MOU was approved by the Board, the action of other agencies is complete, a person has been hired, and the initial meeting has been held.
- A new logo for the District as part of the 100-year anniversary was approved by the Board at the October 11, 2017 Board meeting. The transition to the new logo is essentially complete and is on District vehicles.



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE

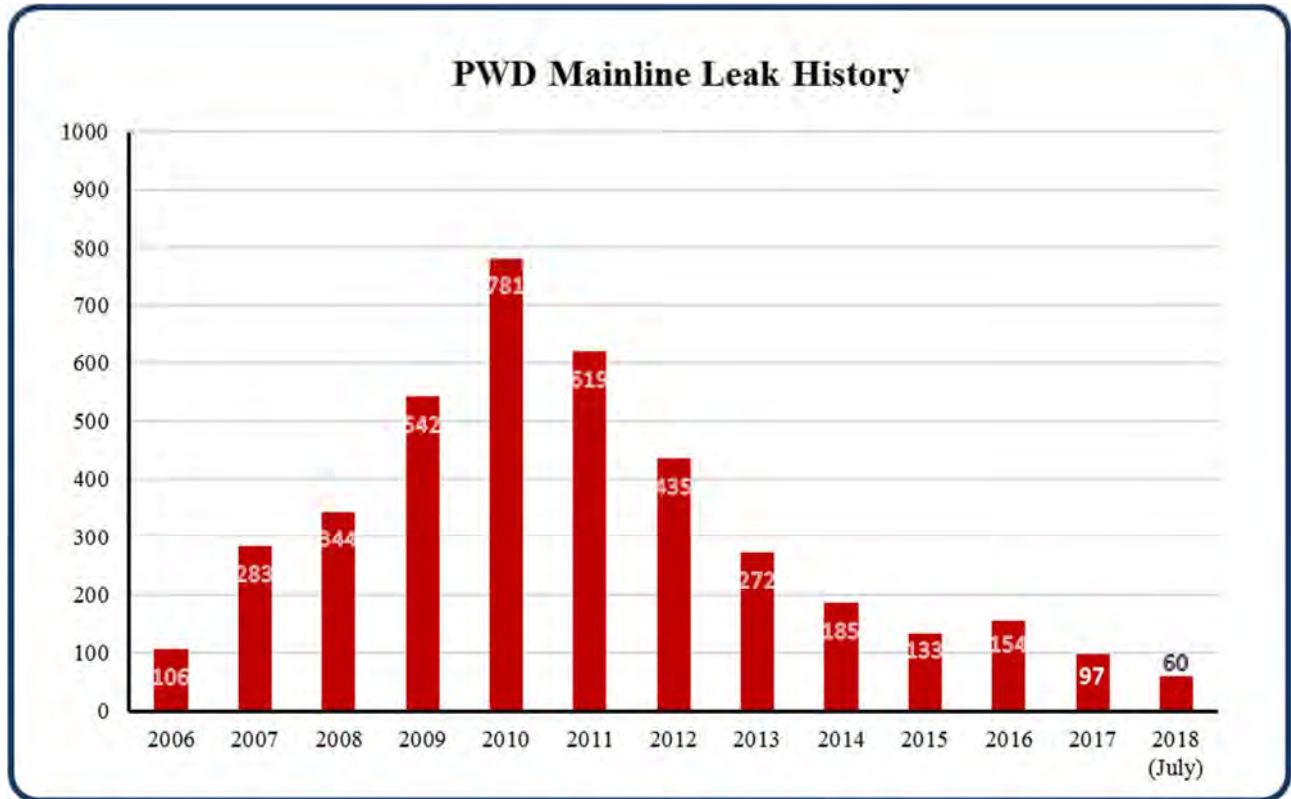


### **Systems Efficiency**

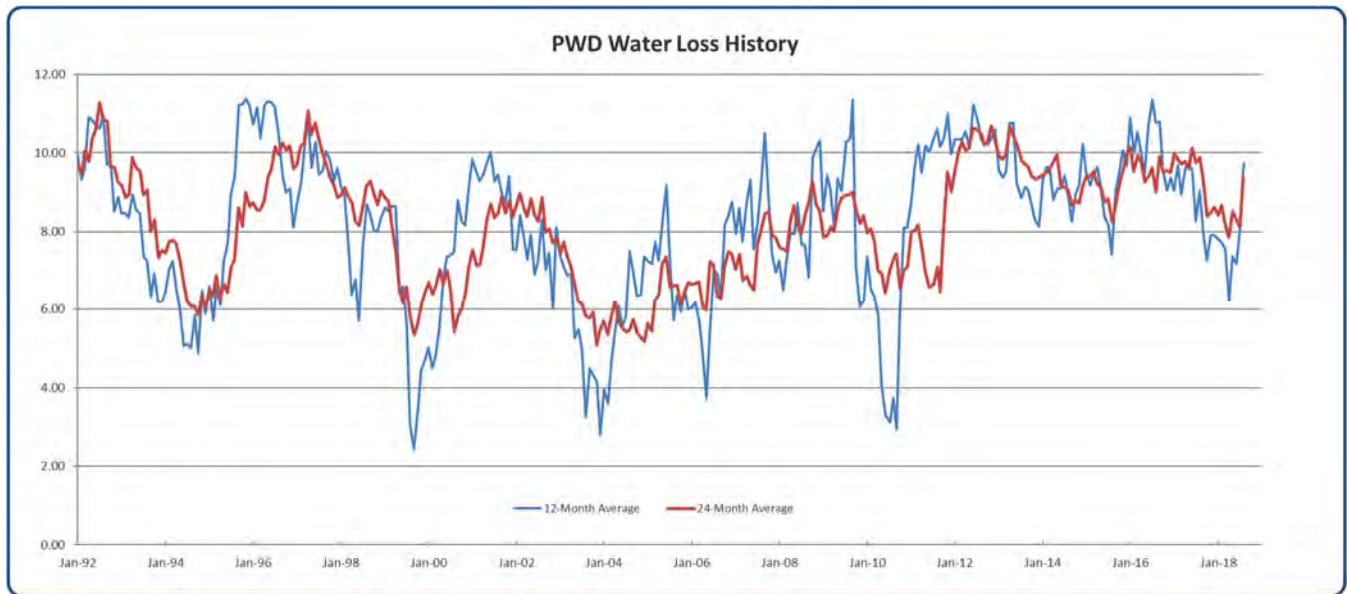
This initiative largely focuses on the state of the District's infrastructure. Recent highlights are as follows:

- Installation of security upgrades for the Leslie O. Carter Water Treatment Plant is operational and complete. Additional cameras are being planned for the two access gates.
- The effects of the District's past efforts in replacing failing water mains and meters can be seen in the reduced number of mainline leaks. This is illustrated in the chart titled "Mainline Leak History." The mainline leaks through July 2018 are 60, and there were

54 service line leaks. The 2017 mainline leak total was 97. This was the first time they were under 100 in over ten years.



- The budgeted meter replacement project of approximately 3,300 meters is being planned for 2018. Staff is now treating meter replacements similar to how the District contracts for pavement patching with annual bids to perform the work.
- Facilities staff is focusing on maintenance activities to incorporate pressure reducing valves and other facilities as their efforts can continue to be more preventative due to a lower number of emergency repairs. A detailed presentation was given to the Board on September 13, 2017 explaining the importance of these activities. The 2018 Budget approved by the Board supports these activities.
- District staff completed the water main replacement on Avenue S-14 in the Ana Verde Hills area. Upcoming projects include 13<sup>th</sup> Street East north of Avenue R, Camares Drive south of Barrel Springs Road, and Avenue V-5 west of 47<sup>th</sup> Street East.
- The positive effect of both water main and water meter replacement programs is shown on the chart titled “PWD Water Loss History.” Water losses are now near 9%.



### **Financial Health and Stability**

- Engineering staff has successfully applied for planning grant funding for the Palmdale Regional Groundwater Recharge and Recovery Project and for the Phase II pipeline for the Palmdale Recycled Water Authority. Application packages for further funding have been determined to be complete by the State. A comment letter was also submitted to raise the priority of both projects in the State's funding plan for 2017/2018.

The State is satisfied with resolutions from the City and the District related to the PRWA Phase II funding application for compliance with their repayment requirements. An amendment to the JPA will also be completed to tie these into PRWA. The only outstanding issue is the State's approach to determining the District's Debt Coverage Ratio. They continue to include non-operating expenses into the calculation. Staff and our financial advisor are still working on this issue.

- Water rate changes of 4.25% for 2017, 2018, and 2019 were approved at a Board meeting held November 9, 2016. The resolution is also unique in that it included criteria that, if met, would allow for lesser changes.
- Engineering/Grant Manager Riley has worked with the Bureau of Reclamation for the acceptance of a Feasibility Report for the Palmdale Regional Groundwater Recharge and Recovery Project and having it eligible for funding. Mr. Riley and I visited the Bureau in Denver to discuss future funding opportunities. The Bureau staff was very receptive to

the project. Our project is one of 30 from across the country that is eligible to compete for a portion of \$10M in this year's Federal budget due to the approved Feasibility Report. The 2017 competition effort did not result in an award of funds from the Bureau. However, lessons from this submittal will be used in future funding competitions.

- The 2018 Budget was approved by the Board in November 2017. The 2018 Budget was published in January 2018. Work on the 2019 Budget will begin in August.
- Water-Wise Landscape Conversion Program (Cash-for-Grass Program): The District received a \$75,000 Grant from the Bureau of Reclamation in 2017 to assist in funding the Program. The Board approved changes to the program at the October 25, 2017 meeting that are now in effect.
- The 2018A Series Revenue Bonds closed as expected. This issue includes funds for the Littlerock Reservoir Sediment Removal Project – Grade Control Structure construction, work on the 6 MG Clearwell, and work on the sediment basin at the Leslie O. Carter Water Treatment Plant.



### **Regional Leadership**

This initiative includes efforts to involve the community, be involved in regional activities, and be a resource for other agencies in the area. Recent highlights are as follows:

- Activities of the Palmdale Recycled Water Authority (PRWA) and Antelope Valley State Water Contractors Association have continued.
- The District staff continues to be active in the Antelope Valley Watermaster Board (AVWB) and related meetings.
- District staff is active in the local chambers and is on the board of the Palmdale Chamber and GAVEA.
- The District developed a plan and budget for a year-long celebration of the District's 100<sup>th</sup> Anniversary on July 22, 2018. These included an Open House on August 5, 2017, the 2017 AV Fair parade, monthly public tours of Littlerock Dam and the Leslie O. Carter Water Treatment Plant, and a book documenting our first 100 years.

Historic displays were also in the District lobby and at the Palmdale City Library. These are changed monthly to reflect a new decade as we move closer to the 100<sup>th</sup> Anniversary Celebration on July 22, 2018.

- Staff has worked with the Ad-Hoc Committee on a method to better communicate with and involve our customers in the District’s activities. A proposal to create a “PWD Water Ambassador Academy” was approved by the Committee and is scheduled for September this year.
- The District has expressed its concerns with the proposed Statewide water tax under SB 623 (now SB 845) and SB 998 which would affect how delinquent accounts are handled.
- There are two bond measures with water-related funds this year. Proposition 68 was on the June 2018 ballot and passed. The “Water Supply and Water Quality Act of 2018” will be Proposition 3 on the November 2018 ballot. It totals \$8.9 B and is much more focused on water.



### **Customer Care and Advocacy**

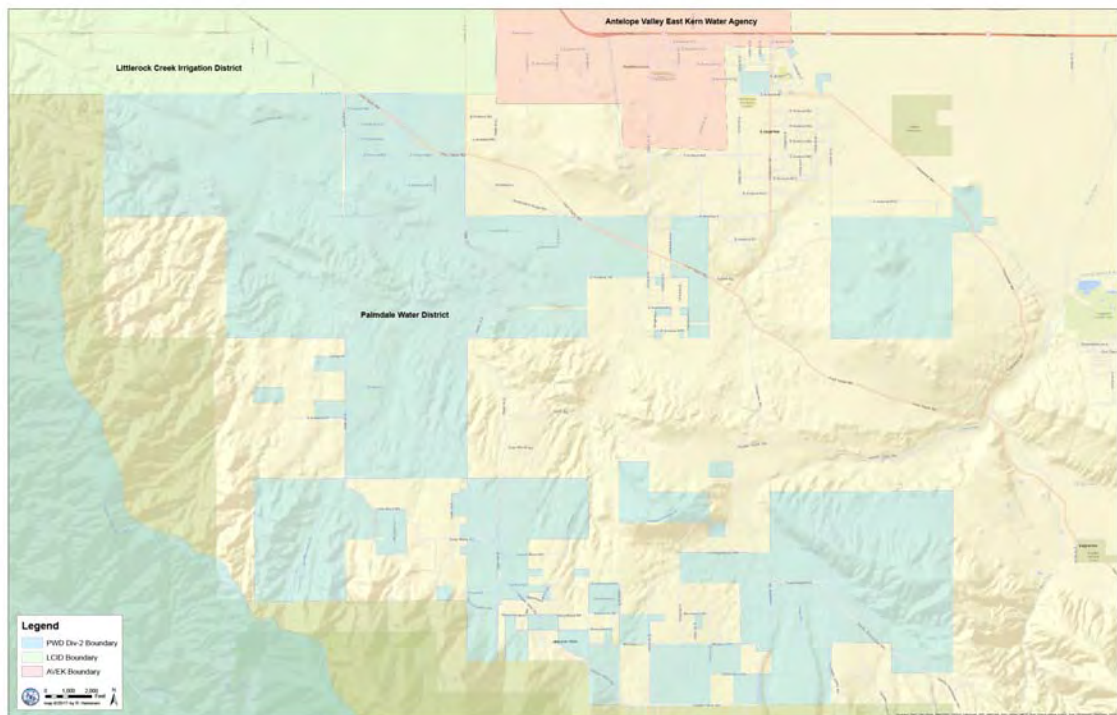
This initiative includes efforts to better serve our customers. Recent highlights are as follows:

- The ability to make payments at 7-Eleven and Family Dollar Store is also continuing to grow.
- A plan to update and improve the front entrance and lobby was approved by the Facilities Committee in March, and work is complete. The kiosk is now installed and functioning in the lobby. It hosts service ticketing for customers, a directory of the office, and displays associated with the 100<sup>th</sup> Year celebration.
- Customer Care and Finance staff are now exclusively using TruePoint software. TruePoint has continued to provide solid support and programming changes for any needed adjustments. Staff is continuing to recognize and correct transition issues that arise to minimize any effect on customers and other District departments.
- Many residents in the Juniper Hills area rely on water hauling companies for their water. A major local source for these companies is no longer available and more distant water sources increase water costs for the residents.



Numerous properties in the Juniper Hills area annexed to PWD in the early 1960's for access to the State Water Project (SWP) and pay the annual assessment for SWP fixed costs. To date, there has not been a way to use the SWP water due to the lack of a water system. However, this allows PWD to act as a water source for water hauling companies for properties within PWD's boundaries in the Juniper Hills area.

The following map was provided for water hauling companies and residents to help them understand who PWD can help serve.



The District is requiring submittals documenting a water hauling company's status as part of setting a water meter for their use. We are also using copies of property tax bills to verify the water hauling customers are within PWD's boundaries. Staff reviews the tax bill copies for that verification. Aleshire & Wynder also drafted an agreement for water hauling companies that is intended to protect the District and the water hauling customers. There are currently seven (7) residents verified for water deliveries.

Staff attended the Juniper Hills Town Council meeting on November 1, 2017 to explain this approach and answer other questions from the residents. This is an unusual situation and shows the District's commitment to serve all customers within its boundaries, even in the absence of a water distribution system.

Staff is also now working with Littlerock Creek Irrigation District (LCID) as an alternate provider of the District's water to these residents. LCID facilities are closer and may be easier for potential water haulers to use.