

**PALMDALE WATER DISTRICT
RESOLUTION NO. 24-12**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT ADOPTING A WATER RATE
ADJUSTMENT OF 11% FOR EACH CALENDAR YEAR 2025 AND 2026,
9% FOR EACH CALENDAR YEAR 2027 AND 2028, AND 8% FOR CALENDAR YEAR
2029, AMENDING APPENDIX C TO THE RULES AND REGULATIONS OF THE
PALMDALE WATER DISTRICT, AND ESTABLISHING PRUDENT PARAMETERS
TO CONSIDER FUTURE WATER RATE ADJUSTMENT REDUCTIONS**

WHEREAS, the Palmdale Water District (the "District") is authorized to collect charges and set rates for water service pursuant to the Irrigation District Law, codified at Division 11 of the Water Code, specifically at Sections 22280 through 22284; and

WHEREAS, the Board of Directors of the Palmdale Water District has developed and adopted several water supply and infrastructure plans outlining long range water supply projects to meet the water supply needs of the community's growing population and the future growth of Palmdale, and long-range financial planning to finance these projects is required; and

WHEREAS, the Board of Directors of Palmdale Water District unanimously adopted an updated Strategic Plan in 2022, which includes, among others, Initiative 4 — Financial Health and Stability that has a goal to conduct and adopt a 2024 five-year Water Rate Plan; and

WHEREAS, District staff has searched, and will continue to search, for cost saving measures including the active pursuit of grant funding; and

WHEREAS, the Board of Directors of the Palmdale Water District previously approved a 5-Year Water Rate Plan on October 28, 2019 authorizing annual water rate adjustments up to 8.1% through calendar year 2024; and

WHEREAS, the Board of Directors of the Palmdale Water District now desires to meet the Strategic goal of sustainable and balanced water rates by providing customers predictable and stable water rate adjustments for each calendar year 2025, 2026, 2027, 2028, and 2029 to ensure adequate funds to meet current and future water demands; to continue to maintain the Rate Assistance Program, the Internship Program, and water use efficiency Rebate Programs; to continue to provide high quality water through innovative treatment technologies; and to construct long range water supply projects, including the Pure Water Antelope Valley Advanced Water Treatment Project and the necessary removal of sediment from Littlerock Reservoir to maintain water storage capacity; and

WHEREAS, the benefits of the Pure Water Antelope Valley Advanced Water Treatment Project include meeting the water supply needs of the community's growing population and the water supplies required for growth within the City of Palmdale; utilizing local recycled water; diversifying the District's water supply portfolio; maximizing the State Water Project supply and additional State Water Project supplies acquired through water transfer options; preparing to meet water supply needs during a natural disaster; reducing the impact to the District and to its customers from groundwater adjudication and droughts; and being the most cost effective long-term water supply strategy, which can potentially reduce future water rate adjustments; and

WHEREAS, the benefits of the Littlerock Reservoir Sediment Removal Project include maximizing the water supply from Littlerock Reservoir; maintaining this critical and cost-effective water resource; diversifying the District's water supply portfolio; and preserving a recreational opportunity for the residents of Palmdale and the Antelope Valley; and

WHEREAS, the Board of Directors desires to create clear parameters to monitor and assess the District's financial position for District staff to evaluate and report on; and

WHEREAS, these parameters will be assessed and reported on annually, along with proposed projects and expenditures, to the Board of Directors during annual budget discussions for each calendar year 2025 through 2029; and

WHEREAS, if circumstances allow a water rate reduction in the future, said reduction will be presented to the Board of Directors for consideration, provided that the adjusted revenues will be sufficient to meet all District operations, expenses, projects, and current and future water demands; and

WHEREAS, the adoption of this resolution is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines codified at 14 CCR §15273 because the resolution pertains to the adoption of charges necessary to maintain services within the District's existing service area.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Palmdale Water District as follows:

Section 1. The Board of Directors of the District does hereby:

1) Approve a water revenue adjustment of 11% for each calendar year 2025 and 2026, 9% for each calendar year 2027 and 2028, and 8% for calendar year 2029, effective January 1, 2025 (collectively, "Adjustments").

2) Revise Appendix "C" of the Palmdale Water District's Rules and Regulations, attached as part of this Resolution, to reflect the Adjustments.

3) Direct District staff to continue researching cost-saving measures, including grants, to help reduce approved revenue increases in the 2024 Water Rate Plan.

4) Direct District staff to assess and report on the following parameters using actuals through August 31st and projecting through December 31st of each year as part of the annual budget process for the subject years. A "Yes" answer from the District staff analysis for any four (4) parameters will allow for the consideration of a reduced water rate adjustment, provided the reduced water rate adjustment continues to satisfy the same "Yes" parameters:

a. Do the District's projected reserves at the end of each year in 2025-2029 meet or exceed the target reserve level of \$39,436,945, as stated in the 2024 Water Rate Plan for the end of calendar year 2029?

b. Are projects funded at a level that is equal to the year's depreciation while maintaining the reserve levels for each year in 2025-2029, as presented in the 2024 Water Rate Plan?

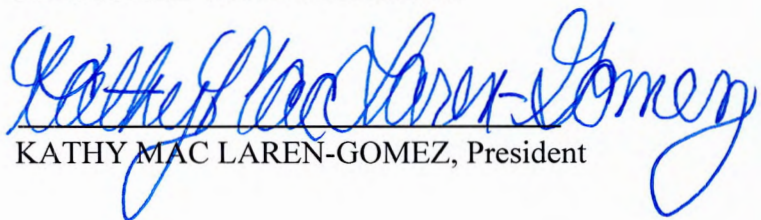
- c. Has an annual Rate Stabilization Fund contribution been made, as shown in the 2024 Water Rate Plan?
- d. Is the projected Debt Coverage Ratio for the subject year and each of the remaining years adequate to meet current and proposed bond covenants?
- e. Has the District's bond rating been re-evaluated to and maintained at AA or higher by either Standard & Poor's or Fitch rating agencies, which are currently A- Stable and A+, respectively?
- f. Does the proposed water rate adjustment change from the 2024 Water Rate Plan meet the minimum water rate adjustment required by the WIFIA loan agreement approved by the Board and signed on June 17, 2024? The required minimum water rate adjustment as set forth by the Environmental Protection Agency (EPA) is 9.3% in 2025, 9.0% in 2026, 8.5% in 2027, and 8.5% in 2028. The EPA did not set a minimum rate for 2029.

Section 2. If any provision in this Resolution, or the application thereof to any person or circumstances, is for any reason held invalid, the validity of the remainder of this Resolution, or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board of Directors hereby declares that it would have passed this Resolution, and each provision thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

Section 3. This Resolution shall become effective upon the date of adoption as set forth herein.

PASSED AND ADOPTED this 4th day of November, 2024 by the Board of Directors, the governing body of the Palmdale Water District.

PALMDALE WATER DISTRICT


KATHY MAC LAREN-GOMEZ, President

ATTEST:



VINCENT DINO, Secretary

APPROVED AS TO FORM:

By: 
PAM K. LEE, General Counsel