PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
LEGACY COMMONS
930 EAST AVENUE Q-9
PALMDALE, CALIFORNIA
REGULAR MEETING
JULY 20, 2026
6:00 P.M.

www.palmdalerwa.org

WELCOME

PLEASE NOTE*:* You can view this agenda and related items on our website at *https://palmdalerwa.org/.* You can request a copy of this agenda or attachments, if any, by contacting the City Clerk's Office at 661-267-5151.

In general, a **three-minute time limit** will be imposed on all speakers other than staff members, although the chair has the authority to change the amount of time allotted.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (661) 267-5151 at least 72 hours prior to the meeting.

If you require oral translation, please contact the City Clerk's Office at (661) 267-5151 at least 72 hours prior to the meeting.

Your courtesy is requested to help our meeting run smoothly. If you will be kind enough to follow these simple rules, we can make the best possible use of your time and ours:

- Please refrain from public displays or outbursts such as unsolicited applause, comments, cheering, foul language, or obscenities.
- Any disruptive activities that substantially interfere with the ability of the Board of Directors to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Please turn off or mute your cell phones and mobile devices.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. **ROLL CALL** **CHAIR AUSTIN BISHOP, DIRECTORS DON WILSON, SCOTT KELLERMAN, LAURA BETTENCOURT, AND VACANT**

4. **PUBLIC COMMENTS** - If you wish to comment on any item(s) listed on this agenda, please come forward to the podium and state the item number(s) and your comments. **PLEASE NOTE**: A three-minute time limit will be imposed on each speaker other than staff members.

NON-AGENDA PUBLIC COMMENTS - Individuals may also address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. **PLEASE NOTE**: A three-minute time limit will be imposed on each speaker other than staff members.

5. **CONSENT CALENDAR: NOTICE -** All matters listed under the Consent Calendar will be enacted by one motion unless an item(s) is pulled by the Board, in which case the item(s) will be removed from the Consent Calendar and will be considered separately following this portion of the agenda.

5.1 Approve the Minutes from the previous meeting held on April 20, 2026. (Staff Reference: Authority Secretary Scott)

5.2 Approve receipt and filing of the Treasurer's Report for month ending June 30, 2026. (Staff Reference: Treasurer-Auditor Iguaran)

5.3 Approve receipt and filing of the Investment Report for the month ending June 30, 2026. (Staff Reference: Treasurer-Auditor Iguaran)

Staff Recommendation: Move to approve the recommendations and findings on all items listed under this Consent Calendar. (Roll Call Vote - Requires a majority to approve.)

6. **ACTION ITEM (S)**

6.1 Approve the basic financial statements with the independent auditors' report and required supplemental information for the year ended December 31, 2025. (Staff Reference: Treasurer-Auditor Iguaran)

Call for Public Comments

Staff Recommendation: This item is at the discretion of the Board, staff makes no recommendation

6.2 Consideration and possible action to fill the public director board position. (Staff Reference: Executive Director LaMoreaux)

Call for Public Comments

Staff Recommendation: This item is at the discretion of the Board, staff makes no recommendation

7. DISCUSSION

7.1 Review and discuss PRWA assets and Section 5.8 of the Joint Exercise Powers Agreement (JPA) regarding the disposition of PRWA assets upon termination of JPA. (Staff Reference: Executive Director LaMoreaux)

Call for Public Comments

Staff Recommendation: This item is at the discretion of the Board, staff makes no recommendation

8. DIRECTOR REQUESTS FOR NEW AGENDA ITEMS

9. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR

10. ADJOURNMENT

PALMDALE RECYCLED WATER AUTHORITY (PRWA)

MINUTES
April 20, 2026
PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
CITY HALL COUNCIL CHAMBER
38300 SIERRA HIGHWAY, SUITE B
6:00 P.M.

1. CALL TO ORDER

Chair Bishop called the meeting to order at 6:04 p.m.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL **CHAIR AUSTIN BISHOP, DIRECTORS DON WILSON, SCOTT KELLERMAN, LAURA BETTENCOURT**

Present: Directors Bishop, Kellerman, Bettencourt
Absent: Wilson
Alternate: MacLaren

Motion to excuse the absence of Director Wilson.
Moved by Director MacLaren, seconded by Director Kellerman
Vote: (4-0)
Yes: Directors Bishop, Kellerman, Bettencourt, and MacLaren

4. PUBLIC COMMENTS

None.

NON-AGENDA PUBLIC COMMENTS

None.

5. CONSENT CALENDAR:

5.1 Approve the Minutes from the previous meeting held on November 17, 2025. (Staff Reference: Authority Secretary Scott)

5.2 Approve receipt and filing of the Treasurer’s Report for month ending February 28, 2026. (Staff Reference: Treasurer-Auditor Iguaran)

5.3 Approve receipt and filing of the Investment Report for the month ending February 28, 2026. (Staff Reference: Treasurer-Auditor Iguaran)

Move to approve the recommendations and findings on all items listed under this Consent Calendar
Moved by Director Bettencourt, seconded by Director Kellerman
Vote: (4-0)
Yes: Directors Bishop, Kellerman, Bettencourt, and MacLaren

6. ACTION ITEM (S)

6.1 Discussion and possible action regarding contracting with a consultant to determine the value and division of Palmdale Recycled Water Authority assets in the event the JPA is terminated.

Executive Director LaMoreaux spoke regarding this matter. He is authorized to contract with a consultant for up to $25,000 to assess splitting the assets in the event that the JPA is disbanded. He received a $55,000 proposal from Carollo, which exceeds his approval authority.

Chair Bishop asked for the reason the proposal is so high.

Discussion ensued among Executive Director LaMoreaux, Chair Bishop, and the Directors regarding the cost estimate, comparing it to other proposals and the RFP process, including opening it to the public and gathering as many details as possible from the proposals. They also discussed in detail following the process properly and holding off on making any decisions until the next meeting to allow for review of all proposals.

Public Comments: None

Move to request a formal proposal.
Moved by Director Maclaren, seconded by Director Kellerman
Vote: (4-0)
Yes: Directors Bishop, Kellerman, Bettencourt, and MacLaren

6.2 Discussion and possible action regarding filling the vacant public member director seat.

Executive Director LaMoreaux spoke about Director Pallon's resignation on 3/20/2026 and discussed the process of filling the position.

There was a discussion among all board members about options to fill the position or leave it as is, given the possible disbandment of the JPA. They discussed possibly appointing an alternate, seeking input from the City Attorney, and speaking with past members.

City Attorney Severino stated that it might not be required to appoint a public member, but wants the bylaws checked to confirm the requirements. She will get together with the City Clerk to discuss it further. She discussed the previous process for filling the vacancy, including placing an ad and interviewing candidates at a meeting. She stated this process might not be necessary, and we may not be required to fill the vacancy.

Chair Bishop spoke about ensuring that we are not legally required to fill the vacancy and the number of meetings that would be required after the decision to terminate the JPA has been made.

Executive Director LaMoreaux stated that the process to disband would take 6 months, and he and Chair Bishop discussed this.

Public Comments: None.

Move to bring back a former member or confirm the legality of disbanding the board with just 4 members.
Moved by Chair Bishop, seconded by Director Bettencourt
Vote: (4-0)
Yes: Directors Bishop, Kellerman, Bettencourt, and MacLaren

7. DIRECTOR REQUESTS FOR NEW AGENDA ITEMS

There were no requests for new agenda items.

8. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR

Executive Director LaMoreaux provided the Board with updates on the following:

The ditch project: the conversion of moving water from Littlerock to Lake Palmdale. The project received $22.6 million in funding through State and Federal grants. He spoke about the funds' allocation and the project's progress.

Director Bettencourt and the other Directors discussed the Joshua Tree removal and the overall costs, including mitigation fees.

9. ADJOURNMENT

Chair Bishop adjourned the meeting at 6:29 pm.

PASSED, APPROVED, and ADOPTED this 20th day of July 2026.

____
Austin Bishop
Chair

ATTEST:

____
Rochelle Scott
Authority Secretary

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE:	July 14, 2026	**July 20, 2026**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Viridiana Iguaran, Treasurer-Auditor, PRWA	
VIA:	Mr. Dennis LaMoreaux, Executive Director, PRWA	

RE: AGENDA ITEM NO 5.2 – TREASURER'S REPORT FOR MONTH ENDING JUNE 30, 2026

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer's Report for the month period ending June 30, 2026.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and the responsibilities of the Treasurer, a Financial Report is prepared and submitted to the Board of Directors who certifies the availability of funds for the reports presented. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of June 30, 2026, PRWA's asset value was $4,153,684. Current assets include $2,754,567 in Cash and Investments, $6,138 in AR-Water (overpayments), $1,490 in Other AR, and $5,546 in Prepaids. Current Liabilities equal $4,000, consisting entirely of customer deposits.

For the month of June, operating revenue totaled $7,694, generated from Water Sales and Meter Fees. Additional non-operating revenue, primarily from interest earnings and other adjustments, totaled $7,329. Monthly expenses consisted of $4,451 in depreciation expense.

As a result, PRWA reported Net Operating Income of $10,573 for June. The Net Position (Fund Balance) as of June 30, 2026, was $4,138,705.

Supporting Documents:

Treasurer's Report for the month ending June 30, 2026.
Balance Sheet for the period ending June 30, 2026.
Income Statement for the period ending June 30, 2026.

Palmdale Recycled Water Authority
Treasurer's Report
Month Ended
June 30, 2026

Cash/Funds Available and held at Bank of America, Citizens Business Bank, & UBS Financial Svcs:

Bank Balance, beginning June 1, 2026	**2,750,519.34**
Add: Deposits Made	29,996.28
Add: Interest Earned & Market Adjustment on Investments	7,329.12
Add: Deposit in Transit	-
	2,787,844.74
Less: Payments made	12,330.00
Less: Bank Fees Paid (Analysis Fees & Credit Card Processing)	-
Less: Outstanding Checks	20,947.44
	33,277.44
Adjusted Bank Balance, ending June 30, 2026	**2,754,567.30**

Outstanding Checks (as of 6/30/26):

Coast Construction Group - CK 1178	6/26/2026	20,947.44
		20,947.44

Palmdale Recycled Water Authority
Balance Sheet

as of 6/30/2026
Period: 6

			Jan '26 Actual	Feb '26 Actual	Mar '26 Actual	Apr '26 Actual	May '26 Actual	Jun '26 Actual
CURRENT ASSETS								
Cash & Equivalents	Bank of America - Checking	1-00-1000-000	41,808	41,822	41,837	41,852	41,867	41,882
Cash & Equivalents	Citizens Business Bank - Checking	1-00-1100-000	77,653	67,163	70,589	97,248	89,245	98,294
Cash & Equivalents	UBS - Investment Account	1-00-1200-000	2,582,016	2,585,410	2,591,934	2,600,130	2,607,077	2,614,392
Receivables	Account Receivable - Water	1-00-1750-100	(13,665)	644	152	(21,692)	(18,789)	(17,654)
Receivables	Account Receivable - Government Agency	1-00-1750-200	-	-	-	-	-	-
Receivables	Account Receivable - Other	1-00-1750-300	1,490	1,490	1,490	1,490	1,490	-
Receivables	Interest Receivable	1-00-1800-000	-	-	-	-	-	-
Receivables	Accrued Interest Receivable-General	1-00-1800-100	-	-	-	-	-	-
Prepaid Expenses	Prepaid - Memberships	1-00-1500-000	-	-	-	-	-	-
Prepaid Expenses	Prepaid - Insurance	1-00-1550-000	2,773	2,773	2,773	2,773	5,856	5,856
	Total Current Assets		**2,692,075**	**2,699,302**	**2,708,776**	**2,721,802**	**2,726,746**	**2,742,770**
NON CURRENT ASSETS								
Capital Assets	General Plant	1-00-1300-100	2,136,283	2,136,283	2,136,283	2,136,283	2,136,283	2,136,283
Capital Assets	Accumulated Depreciation - Plant	1-00-1350-100	(712,094)	(716,545)	(720,996)	(725,446)	(729,897)	(734,347)
	Total Non Current Assets		**1,424,189**	**1,419,738**	**1,415,287**	**1,410,837**	**1,406,386**	**1,401,936**
	Total Assets		**4,116,264**	**4,119,040**	**4,124,063**	**4,132,639**	**4,133,133**	**4,144,705**
Current Liabilities								
Accounts Payable & Accrued Expenses	Accounts Payable	1-00-2000-000	-	-	-	-	-	-
Accounts Payable & Accrued Expenses	Accrued Purchases	1-00-2050-000	-	-	-	-	-	-
Accounts Payable & Accrued Expenses	Accrued Payroll Tax - Federal Taxes	1-00-2100-000	-	-	-	-	-	-
Accounts Payable & Accrued Expenses	Accrued Payroll Tax - State W/H Taxes	1-00-2120-000	-	-	-	-	-	-
Customer Deposits	Deposits - Customer	1-00-2250-100	-	-	-	-	-	-
Customer Deposits	Deposits - Construction	1-00-2250-200	4,000	2,000	2,000	3,000	5,000	6,000
	Total Current Liabilities		**4,000**	**2,000**	**2,000**	**3,000**	**5,000**	**6,000**
	Total Liabilities		**4,000**	**2,000**	**2,000**	**3,000**	**5,000**	**6,000**
Equity								
Retained Earnings	Retained Earnings	1-00-2500-000	4,080,364	4,080,364	4,080,364	4,080,364	4,080,364	4,080,364
Retained Earnings	Retained Earnings - Current		31,900	36,676	41,700	49,275	47,769	58,342
	Total Equity		**4,112,264**	**4,117,040**	**4,122,063**	**4,129,639**	**4,128,133**	**4,138,705**

Palmdale Recycled Water Authority

Income Statement

as of
6/30/2026
Period: 6

		Jan '26 Actual	Feb '26 Actual	Mar '26 Actual	Apr '26 Actual	May '26 Actual	Jun '26 Actual	Jul '26 Actual	Aug '26 Actual	Sep '26 Actual	Oct '26 Actual	Nov '26 Actual	Dec '26 Actual	2026 Actual	2026 Budget	% of exec. Budget
OPERATING REVENUE																
Water Sales	1-00-3000-000	499	1,692	456	1,598	2,405	4,145	-	-	-	-	-	-	10,796	60,000	18%
Meter Fees	1-00-3050-000	3,025	3,069	2,295	2,217	2,825	3,549	-	-	-	-	-	-	16,980	40,000	42%
Misc Fees	1-00-3075-000	-	1,111	183	-	-	-	-	-	-	-	-	-	1,294	1,000	129%
Member Contributions	1-00-3100-100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Member Contributions	1-00-3100-200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Member Contributions	1-00-3100-300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
	Total Operating Revenue	**3,524**	**5,872**	**2,935**	**3,815**	**5,230**	**7,694**	**-**	**-**	**-**	**-**	**-**	**-**	**29,069**	**101,000**	**28.8%**
OTHER REVENUE																
Interest Earnings	1-00-3500-000	4,737	3,838	3,539	3,263	3,615	4,318	-	-	-	-	-	-	23,309	50,000	47%
Market Adjustment on Investments	1-00-3600-000	1,145	(430)	3,000	4,948	3,347	3,012	-	-	-	-	-	-	15,022	-	0%
Grants	1-00-3150-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Capital Contribution	1-00-3200-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Miscellaneous Revenue	1-00-3400-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
	Total Other Revenue	**5,882**	**3,408**	**6,539**	**8,211**	**6,962**	**7,329**	**-**	**-**	**-**	**-**	**-**	**-**	**38,331**	**50,000**	**76.66%**
	Grand Total Revenue	**9,406**	**9,280**	**9,474**	**12,026**	**12,192**	**15,023**	**-**	**-**	**-**	**-**	**-**	**-**	**67,401**	**151,000**	**44.64%**
OPERATING EXPENSES																
Public Representative	1-00-4000-000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,500	0.0%
Public Representative	1-00-4010-000	-	-	-	-	-	-	-	-	-	-	-	-	-	200	0.0%
Bank fees	1-00-5000-000	-	53	-	-	-	-	-	-	-	-	-	-	53	300	17.6%
Insurance Expense	1-00-5100-000	-	-	-	-	9,248	-	-	-	-	-	-	-	9,248	12,000	77.1%
Travel & Meetings	1-00-5500-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Memberships	1-00-5200-000	250	-	-	-	-	-	-	-	-	-	-	-	250	7,000	3.6%
Outreach	1-00-5300-000	-	-	-	-	-	-	-	-	-	-	-	-	-	500	0.0%
Provision for Bad Debt	1-00-5025-000	-	-	-	-	-	-	-	-	-	-	-	-	-	500	0.0%
Purchased Water	1-00-6000-000	(27,195)	-	-	-	-	-	-	-	-	-	-	-	(27,195)	35,000	-77.7%
Utilities	1-00-6100-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Service Costs - Construction	1-00-5010-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Materials, Supplies, & Repairs	1-00-6500-000	-	-	-	-	-	-	-	-	-	-	-	-	-	8,000	0.0%
Materials, Supplies, & Repairs	1-00-6600-000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000	0.0%
Materials, Supplies, & Repairs	1-00-5400-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Permits & Fees	1-00-5600-000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Contract Services	1-00-8000-100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Contract Services	1-00-8000-150	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000	0.0%
Contract Services	1-00-8000-200	-	-	-	-	-	-	-	-	-	-	-	-	-	8,500	0.0%
Depreciation	1-00-4500-100	4,451	4,451	4,451	4,451	4,451	4,451	-	-	-	-	-	-	26,704	53,407	50.0%
Provision for Bad Debt	1-00-5025-000	-	-	-	-	-	-	-	-	-	-	-	-	-	500	0.0%
	Total Operating Expense	**(22,494)**	**4,503**	**4,451**	**4,451**	**13,698**	**4,451**	**-**	**-**	**-**	**-**	**-**	**-**	**9,059**	**158,407**	**6%**
	Grand Total Expenses	**(22,494)**	**4,503**	**4,451**	**4,451**	**13,698**	**4,451**	**-**	**-**	**-**	**-**	**-**	**-**	**9,059**	**158,407**	**6%**
	Net Operating Income	**31,900**	**4,776**	**5,023**	**7,575**	**(1,506)**	**10,573**	**-**	**-**	**-**	**-**	**-**	**-**	**58,342**	**(7,407)**	

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE:	July 14, 2026	**July 20, 2026**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Viridiana Iguaran, Treasurer-Auditor, PRWA	
VIA:	Mr. Dennis LaMoreaux, Executive Director, PRWA	

RE: AGENDA ITEM NO 5.3 – INVESTMENT REPORT FOR THE MONTH ENDING JUNE 30, 2026

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends to the Board of Directors to receive and file the Investment Report for the month ending June 30, 2026.

Background:

To comply with provisions of California Government Code 53646, the attached investment report includes a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values, and the current market values of each component of the portfolio, including funds managed for the Authority by third party contracted managers. The report is hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of June 30, 2026, the PRWA had $164,494.72 in Cash, $2,352,434.93 in U.S Government Securities, $249,887.50 in Certificates of Deposits, and accrued interest in the amount of $8,701.21.

Supporting Documents:

Investment Report for the month ending June 30, 2026.

PALMDALE RECYCLED WATER AUTHORITY
INVESTMENT REPORT
June 30, 2026

	Account	
Cash		
Cash	Bank of America	**$41,881.79**
Cash	Citizens Bank	**$119,241.28**
Cash	UBS	**$3.62**
UBS (Money Market)	UBS (SS 30999)	**$3,368.03**

US Government Securities

CUSIP #	Issuer	Maturity Date	Rate	Face Value	Market Value
3135G0Q22	Fannie Mae	09/24/2026	1.875	450,000	447,885.00
912828YQ7	US Treasury Note	10/31/2026	1.625	1,919,000	1,904,549.93
				2,369,000	**$2,352,434.93**

Certificates of Deposit

CUSIP #	Issuer	Maturity Date	Rate	Face Value	Market Value
06051YAC4	Bank of America	11/13/2026	3.900	250,000	249,887.50
				250,000	**$249,887.50**

Total	**$2,766,817.15**
Accrued interest	$8,701.21
TOTAL CASH AND INVESTMENTS	**$2,775,518.36**

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE:	July 14, 2026	**July 20, 2026**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Viridiana Iguaran, Treasurer-Auditor, PRWA	
VIA:	Mr. Dennis LaMoreaux, Executive Director, PRWA	

RE: AGENDA ITEM NO 6.1 – BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT AND REQUIRED SUPPLEMENTAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2025

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the annual basic financial statements with independent auditors' report for year ended December 31, 2025.

Background:

To comply with provisions required by Section 5.4(b) of the Joint Powers of Authority Agreement and responsibilities of the Authority, a certified public accounting firm has completed the annual auditors' report and required supplemental information for the Board. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

None

Discussion:

The Palmdale Recycled Water Authority (PRWA) financial statements for the year ended December 31, 2025, were audited by the Authority's independent auditors, Nigro & Nigro who issued an unmodified opinion, concluding that the financial statements present fairly, in all material respects.

At December 31, 2025, PRWA reported total assets of $4.13 million, liabilities of $50,604, and total net position of $4.08 million. Operating revenues increased to $87,406 due primarily to higher water sales and rate adjustments, and meter fees. While operating expenses decreased to $107,216 as a result of lower material and supply costs. The Authority's net position decreased by $430,330 during the year, primarily due to its $513,147 share of construction costs associated with the Recycled Water Pipeline – Avenue Q Project.

The independent auditors also reported no material weaknesses in internal control over financial reporting and no instances of noncompliance required to be reported under Government Auditing Standards.

Staff recommends the Board receive and file the audited financial statements for the year ended December 31, 2025.

Supporting Documents:

Basic Financial Statements and Independent Auditor’s Report for the year ended December 31, 2025
Report to the Board of Directors for the Year Ended December 31, 2025

PALMDALE RECYCLED WATER AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Years Ended
December 31, 2025 and 2024

NIGRO & NIGRO PC

Table of Contents

FINANCIAL SECTION

OTHER INDEPENDENT AUDITORS' REPORTS

Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Recycled Water Authority
Palmdale, California

Opinion

We have audited the accompanying financial statements of the Palmdale Recycled Water Authority (Authority) as of and for the years ended December 31, 2025, and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2025, and 2024, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated July 20, 2026, on our consideration of the Authority'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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Murrieta, California
July 20, 2026

Management's Discussion and Analysis (MD&A) offers readers of Palmdale Recycled Water Authority's financial statements a narrative overview of the Authority's financial activities for the years ended December 31, 2025, and 2024. 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

- The Authority's net position decreased by approximately 9.54% or $430,330, compared to the prior year.
- The Authority had 2025 operating revenue of $87,406 as compared to 2024 operating revenue of $45,684 primarily due to an increase in water rates and water sales in 2025.
- The Authority's operating expenses for 2025 decreased $12,645, from $119,861 in 2024 to $107,216 in 2025 due primarily to decreases in material and supply expenses. Non-operating expenses increased $513,147 from the Authority's reimbursement of shared projects costs for the construction of a Recycled Water Pipeline.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis serves as an introduction to the Authority's financial statements. The Authority'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 and results of operations during the year ending December 31, 2025, and 2024. 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.

REQUIRED FINANCIAL STATEMENTS

Balance Sheet
The Balance Sheet presents information on the Authority's assets and liabilities 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 Authority 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 exceed liabilities, resulting in a net position of $4,080,364 as of December 31, 2025.

Statement of Revenues, Expenses and Changes in Net Position
The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the year. All of the year's revenues and expenses are accounted for in this statement. This statement measures the results of the Authority's operations for the year and can be used to determine if the Authority has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the Authority's core activities. Non-operating revenues and expenses are not directly related to the core activities of the Authority. For the year ended December 31, 2025 net position decreased by 9.54% or $430,330.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheet

	2025	2024	Change
ASSETS			
Current assets	$ 2,702,328	$ 3,060,691	$ (358,363)
Capital assets, net (note 3)	1,428,640	1,482,047	(53,407)
Total assets	$ 4,130,968	$ 4,542,738	$ (411,770)
LIABILITIES			
Current liabilities	$ 50,604	$ 32,044	$ 18,560
Total liabilities	50,604	32,044	18,560
NET POSITION			
Investment in capital assets	1,428,640	1,482,047	(53,407)
Unrestricted	2,651,724	3,028,647	(376,923)
Total net position	4,080,364	4,510,694	(430,330)
Total liabilities and net position	$ 4,130,968	$ 4,542,738	$ (411,770)

The Authority's net position decreased by approximately 9.54% or $430,330 compared to the prior year.

Analysis of Revenues and Expenses

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

	2025	2024	Change
Operating revenues	$ 87,406	$ 45,684	$ 41,722
Operating expenses	107,216	119,861	(12,645)
Operating income	(19,810)	(74,177)	54,367
Non-operating revenues	102,627	116,043	(13,416)
Non-operating expenses	(513,147)	-	(513,147)
Change in net position	(430,330)	41,866	$ 40,951
Net position			
Beginning of year	4,510,694	4,468,828	
End of year	$ 4,080,364	$ 4,510,694	

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factor in the change in net position is due to the following:

- The Authority had 2025 operating revenue of $87,406 as compared to 2024 operating revenue of $45,684 primarily due to an increase in water rates and water sales in 2025.
- The Authority's operating expenses for 2025 decreased $12,645, from $119,861 in 2024 to $107,216 in 2025 due primarily to decreases in material and supply expenses. Non-operating expenses increased $513,147 from the Authority's reimbursement of shared projects costs for the construction of a Recycled Water Pipeline.

CAPITAL ASSETS

At December 31, 2025, the Authority reported an investment in capital assets of $1,428,640, consisting of recycled water pipeline and pumping facilities. These assets were transferred from the City of Palmdale to the Authority in prior years pursuant to the joint powers agreement.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

The Authority anticipates that operating revenues and operating expenses will increase by approximately 73% and 47%, respectively, in 2026 compared to 2025. These anticipated increases are reflected in the Authority's 2026 calendar-year budget

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with general overview of the Authority's financial operations and condition at the year ended December 31, 2025, and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact Palmdale Water District, Finance Department, at 2029 E Avenue Q, Palmdale, CA 93550 or (661) 947-4111.

PALMDALE RECYCLED WATER AUTHORITY
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents (note 2)	$ 2,197,830	$ 1,110,393
Investments (note 2)	496,052	1,922,690
Interest receivable	632	21,890
Accounts receivable	5,041	3,238
Prepaid expenses	2,773	2,480
Capital assets, net (note 3)	1,428,640	1,482,047
Total assets	$ 4,130,968	$ 4,542,738
LIABILITIES		
Accounts payable	$ 27,195	$ 27,044
Customer deposits	23,409	5,000
Total liabilities	50,604	32,044
NET POSITION		
Investment in capital assets	1,428,640	1,482,047
Unrestricted	2,651,724	3,028,647
Total net position	4,080,364	4,510,694
Total liabilities and net position	$ 4,130,968	$ 4,542,738

PALMDALE RECYCLED WATER AUTHORITY

Statements of Revenues Expenses and Changes in Net Position

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Water sales	$ 55,124	$ 20,560
Meter and other revenue	32,282	25,124
Total operating revenues	87,406	45,684
Operating expenses		
Source of supply	29,236	28,228
General and administrative	24,573	38,226
Depreciation	53,407	53,407
Total operating expenses	107,216	119,861
Operating income(loss)	(19,810)	(74,177)
Non-operating revenues(expenses)		
Investment earnings	102,627	116,043
Construction service costs – PWD (note 4)	(513,147)	-
Total non-operating revenues, net	(410,520)	116,043
Change in net position	(430,330)	41,866
Net position		
Beginning of year	4,510,694	4,468,828
End of year	$ 4,080,364	$ 4,510,694

PALMDALE RECYCLED WATER AUTHORITY
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from water and other revenue	$ 103,719	$ 46,720
Cash payments for operating expenses	(566,805)	(72,448)
Net cash provided by (used in) operating activities	(463,086)	(25,728)
Cash flows from investing activities:		
Purchases of investments	(3,488,390)	(3,046,915)
Sales of investments	4,939,624	3,498,999
Investment earnings	99,289	76,531
Net cash provided by (used in) investing activities	1,550,523	528,615
Net increase (decrease) in cash and cash equivalents	1,087,437	502,887
Cash and cash equivalents:		
Beginning of year	1,110,393	607,506
End of year	$ 2,197,830	$ 1,110,393
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Change in unrealized gains/(losses) of investments	$ 23,964	$ 41,387

	2025	2024
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	$ (19,810)	$ (74,177)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	53,407	53,407
Construction service costs – PWD	(513,147)	-
(Increase) decrease in assets:		
Accounts receivable	(1,803)	1,369
Prepaid expenses	(293)	(333)
Increase (decrease) in liabilities:		
Accounts payable	151	(5,994)
Customer deposits	18,409	-
Net cash provided by (used in) operating activities	$ (463,086)	$ (25,728)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Palmdale Recycled Water Authority (Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Sections 6506 and 6507 of the Exercise of Powers Act, codified at California Government Code sections 6500, 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 (City) and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (PWD). The Authority is an independent public agency separate from the Members. The Authority's board consists of two members each from the City and PWD and one public member appointed by the other four 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.

Basis of Accounting and Measurement Focus

The Authority 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 Authority is that the costs of providing services be financed or recovered primarily through user (member) charges, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (GAAP), as applied to enterprise funds, The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)
In accordance with fair value measurements, the Authority 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 Authority 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 Authority'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.

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

Capital Assets
Capital assets are stated at cost or at their estimated fair value at date of donation. It is the Authority'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 life for the Authority's recycled water distribution system is 40-years.

Net Position
The financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.

Unrestricted – This component of net position is the net amount of the assets less liabilities that are not included in the determination of the investment in capital assets component of net position.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Agency Contributions

The Authority's joint exercise of powers agreement provides that any member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the member and approved by the board and the governing body of the member. There were no contributions made in 2025 or 2024.

Grants

Grant revenues are recorded when earned on grants that have been approved and funded by the grantor.

Member's Equity

In the event of a member withdrawal, member termination, or dissolution of the Authority, any property interest remaining in the Authority, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31, 2025 and 2024, are classified on the balance sheet as follows:

Description	2025	2024
Cash and cash equivalents	$ 2,197,830	$ 1,110,393
Investments	496,052	1,922,690
Total cash and investments	$ 2,693,882	$ 3,033,083

Cash and investments at December 31, 2025 and 2024, are reported at fair value and consisted of the following:

Description	2025	2024
Demand deposits with financial institutions	$ 568,366	$ 874,399
Money-market funds	1,629,464	235,994
Investments	496,052	1,922,690
Total cash and investments	$ 2,693,882	$ 3,033,083

Demand Deposits with Financial Institutions

At December 31, 2025 and 2024, the carrying amount of the Authority's demand deposits were $568,366 and $874,399, respectively, and the financial institution's balance were $568,366 and $875,590, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Authority's balance for each year.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Money-Market Funds
Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of $1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the Authority considers money-market funds a cash equivalent due to their highly liquid nature and NAV of $1 per share. As of December 31, 2025 and 2024, the Authority held $1,629,464 and $235,994 in money-market funds, respectively.

Authorized Investments and Investment Policy
The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase of reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. The Authority does not have a formal policy for investments that is more restrictive than the noted Government Code.

Maturities and credit ratings of investments held at December 31, 2025, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	2025 Fair Value	Maturity 12 Months or Less
U.S. Treasury notes	Level 1	Exempt	$ 496,052	$ 496,052
Total investments			$ 496,052	$ 496,052

NOTE 2 – CASH AND INVESTMENTS (continued)

Maturities and credit ratings of investments held at December 31, 2024, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	2024 Fair Value	Maturity 12 Months or Less
U.S. Treasury notes	Level 1	Exempt	$ 1,537,550	$ 1,537,550
Certificates-of-deposit	Level 1	Not Rated	385,140	385,140
Total investments			$ 1,922,690	$ 1,922,690

Investments - Interest Rate Risk
The Authority's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investment policy limits investment purchases to investments with a term not to exceed five-years.

Investments - Credit Risk
The Authority's investment policy limits investment choices to investment securities allowed by the California Government Code. At December 31, 2025 and 2024, all investments represented investment securities which were issued, registered and held by the Authority's agent in the Authority's name.

Investments - Concentration of Credit Risk
The Authority does not place limits on the amount it may invest in any one issuer.

At December 31, 2025, the Authority had the following investments that represented more than five percent of the Authority's net investment balance.

Investments with Maturity Dates	2025 Balance	Percentage of Investments
U.S. Treasury note – April 30, 2026	$ 496,052	100.00%
Total	$ 496,052	100.00%

NOTE 2 – CASH AND INVESTMENTS (continued)

At December 31, 2024, the Authority had the following investments that represented more than five percent of the Authority's net investment balance.

Investments with Maturity Dates	2024 Balance	Percentage of Investments
U.S. Treasury note – February 28, 2025	$ 413,954	21.53%
U.S. Treasury note – August 31, 2025	623,820	32.45%
U.S. Treasury note – November 30, 2025	499,776	25.99%
Certificate-of-deposit – January 10, 2025	135,030	7.02%
Certificate-of-deposit – January 21, 2025	250,110	13.01%
Total	$ 1,922,690	100.00%

NOTE 3 – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Capital asset activity for the year ended December 31, 2025, was as follows:

Description	Balance Jan 1, 2025	Additions	Deletions/ Transfers	Balance Dec 31, 2025
Depreciable assets:				
Recycled water distribution system	$ 2,136,283	$ -	$ -	$ 2,136,283
Accumulated depreciation:				
Recycled water distribution system	(654,236)	(53,407)	-	(707,643)
Total capital assets, net	$ 1,482,047	$ (53,407)	$ -	$ 1,428,640

Capital asset activity for the year ended December 31, 2024, was as follows:

Description	Balance Jan 1, 2024	Additions	Deletions/ Transfers	Balance Dec 31, 2024
Depreciable assets:				
Recycled water distribution system	$ 2,136,283	$ -	$ -	$ 2,136,283
Accumulated depreciation:				
Recycled water distribution system	(600,829)	(53,407)	-	(654,236)
Total capital assets, net	$ 1,535,454	$ (53,407)	$ -	$ 1,482,047

NOTE 4 – RELATED PARTY TRANSACTIONS

The board of the Authority has assigned staff from the Palmdale Water District and the City of Palmdale to serve in various administrative duties of the Authority. All payroll costs related to staff time while serving the Authority are incurred by the respective agencies and none of the payroll costs are incurred by the Authority nor are they charged to the Authority for such services. Other transactions with the member agencies are accounted for as exchange-like transactions between the parties involved.

The Authority participates in the planning, financing, construction, and operation of recycled water infrastructure projects with its member agencies. During fiscal year 2025, the Authority continued participation in the Recycled Water Pipeline – Avenue Q Project. Through November 6, 2025, total project costs incurred by the administering agency, the Palmdale Water District, were approximately $1.55 million. After consideration of grant reimbursements received from the California Department of Water Resources totaling approximately $587,600, the Authority's allocated share of eligible of reimbursed project costs was $513,147. The Authority is responsible for 50 percent of eligible project costs under the cost-sharing provisions of the Joint Exercise of Powers Agreement.

NOTE 5 – RISK MANAGEMENT

The Authority 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 Authority has purchased various commercial insurance policies to manage the potential liabilities that may occur from the previously named sources.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Authority does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

The Authority is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 7 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through July 20, 2026, the date on which the financial statements were available to be issued.

Other Independent Auditors' Reports

NIGRO & NIGRO PC

A Professional Accountancy Corporation

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 Recycled Water Authority
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 the Palmdale Recycled Water Authority (Authority) which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 20, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 or significant deficiencies may exist that have not been identified.

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
July 20, 2026

PALMDALE RECYCLED WATER AUTHORITY

Report to the Board of Directors

For the Fiscal Year Ended
December 31, 2025

PALMDALE RECYCLED WATER AUTHORITY
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For the Fiscal Year Ended December 31, 2025

Page

NIGRO & NIGRO PC

A Professional Accountancy Corporation

Governing Board
Palmdale Recycled Water Authority
Palmdale, California

We are pleased to present this report related to our audit of the financial statements of the Palmdale Recycled Water Authority (Authority) as of and for the year ended December 31, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority' financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

Very truly yours,

Nigro & Nigro, PC

Nigro & Nigro, PC
Murrieta, California
July 20, 2026

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area		Comments
Our Responsibilities with Regard to the Financial Statement Audit		Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated December 15, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit		An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.
Accounting Policies and Practices		**Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted. **Adoption of, or Change in, Significant Accounting Polies or Their Application** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.
Audit Adjustments		Audit adjustments are summarized in the attached **Summary of Adjusting Journal Entries**.
Uncorrected Misstatements		We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Area		Comments
Discussions With Management		We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management		We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants		We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management		No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit		No significant difficulties were encountered in performing our audit.

This information is intended solely for the information and use of Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Our Audit Methodology

As part of our firm's standard audit methodology, once our Audit Team has uploaded management's trial balance into our audit software, we are required to report to the Governance Board and Management all adjustments made to the trial balance during the audit process. This includes any proposed audit adjustments identified by our auditors as well as any adjustments provided by management. Our policy is designed to ensure full transparency and to give the Governance Board and Management a clear understanding of the nature and extent of changes considered during the audit, thereby reinforcing the integrity and depth of the audit procedures performed.

Disclosure of Audit Adjustments and Reclassifications

As part of our external audit engagement, we operate under the presumption that the Authority's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the Authority's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Board of Directors with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the Authority's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

Management Override of Controls

Professional auditing standards require auditors to consider the risk that management may override established internal controls, regardless of the perceived effectiveness of those controls. During our audit, we identified management override of controls as a significant risk due to the inherent ability of management to initiate, authorize, record, or adjust transactions and financial records. Such override could occur through inappropriate journal entries, management bias in accounting estimates, or the circumvention of established approval and review processes, potentially resulting in material misstatement of the financial statements, whether due to error or fraud.

While our audit procedures did not identify any instances of inappropriate management override, the presence of this risk is inherent in all organizations and warrants continued attention. We recommend that the Committee continue to strengthen governance and oversight practices, including active involvement by the Governance Board, consistent monitoring of journal entries and significant estimates, segregation of duties where feasible, and periodic independent reviews of key financial processes. These measures help mitigate the risk of management override and support the integrity and reliability of the Committee's financial reporting.

Summary of Adjusting Journal Entries

PALMDALE RECYCLED WATER AUTHORITY
Summary of Adjusting Journal Entries
For the Fiscal Year Ended December 31, 2025

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To rollforward retained earnings			
2500-000	Retained Earnings	1,000.00	
5200-000	Memberships		1,000.00
Total		**1,000.00**	**1,000.00**
Adjusting Journal Entries JE # 2			
DO NOT POST - FOR FINANCIAL REPORTING			
1750-100	Account Receivable - Water	19,408.89	
2250-100	Deposits - Customer		19,408.89
Total		**19,408.89**	**19,408.89**
	Total Adjusting Journal Entries	**20,408.89**	**20,408.89**

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: July 14, 2026 **July 20, 2026**

TO: BOARD OF DIRECTORS **Board Meeting**

FROM: Mr. Dennis D. LaMoreaux, Executive Director

RE: AGENDA ITEM NO. 6.2 – CONSIDERATION AND POSSIBLE ACTION TO FILL PUBLIC DIRECTOR BOARD POSITION

The Board raised questions about the public director position at the April 20, 2026 meeting. Specifically, if the Board needed to fill the position and what process would be needed if the Board wanted to fill it. PRWA's 2026 general counsel provided the following opinion on those questions.

> The JPA states that the fifth Director, "shall be appointed jointly by both members." JPA Amendment #1 further states that the Director services at the pleasure of Members.
>
> Section 4.9 (g) states that the disposition of assets and funds upon termination requires an affirmative vote of at least one Director from City and one from PWD. Amendment # 2 to the JPA further clarifies that this vote shall be via written resolution formally adopted at a regular meeting of the authority.
>
> This Agreement may be terminated by the mutual agreement of both Members at any time (by resolution).
>
> All this to say, City and Water District Directors appear to have ultimate discretion in appointing the fifth public member director however they see fit in their joint capacity. The board can direct staff to reach out to previous members to solicit applications. If there are no viable options and the Board does not want to recruit applications due to the possible impending termination of the Authority, there is no requirement to fill the vacant position. The public member's vote is not required for dissolution and the member serves at the pleasure of the Board.

Based on the opinion, the Board must first decide if the public director position will be filled. If that decision is "Yes", then the Board can proceed with filling it. Staff did contact the former directors Velador and Anson to determine their interest in returning to the public director position. Both are interested and have been invited to the meeting. The Board can interview both candidates and then make a recommendation on filling the position. The recommendation must then be acted on by both member agencies to become final.

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: July 14, 2026 **July 20, 2026**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, Executive Director

RE: AGENDA ITEM NO. 7.1 – REVIEW AND DISCUSS PRWA ASSETS AND SECTION 5.8 OF THE JPA REGARDING THE DISPOSITION OF PRWA ASSETS UPON TERMINATION OF THE JPA

PRWA was formed as part of a legal settlement between PWD and the City of Palmdale and the execution of a Joint Exercise of Powers Agreement (JPA). It allowed the agencies to work cooperatively on recycled water project in the area overlapped by the two entities' boundaries. Some of the more notable activities related to recycled water sales, "purple pipe" construction, and PWAV by the PRWA Board are as follows:

January 2015: Approved Master Plan

August 19, 2015: Resolution No. 2015-006 – Sets recycled water rates at 75% of potable water rates.

April 19, 2021: Approved suspension of Phase II Recycled Water Pipeline from McAdam Park to Massari Park.

June 21, 2021: PWAV presentation by PWD

April 18, 2022: Las Virgenes MWD presentation on its pure water project.

July 18, 2022; October 17, 2022; and March 20, 2023: PWAV project updates.

October 16, 2023: Approval to share cost of Avenue Q recycled pipeline.

October 21, 2024: Approved 2025 Budget with estimated Avenue Q recycled water pipeline contribution of $550,000.

Based on PRWA's actions and PWAV, the Avenue Q recycled water pipeline will likely be the last "purple pipe" project. PRWA has accomplished what it was formed to do. Specifically, the two agencies have successfully worked together

on recycled water issues for the good of our community. This cooperation is now built into the relationship between our agencies outside of PRWA.
This subject has been discussed by the Board several times for over a year. The Board felt that a third party should help determine the value and fate of PRWA assets if the JPA is terminated. A proposal was brought to the Board in April. However, the more proposals were requested before awarding the work.

I prepared the enclosed “PRWA Disposition of Assets RFP Background” to provide information to interested firms as part of a Request for Proposals. It was circulated to both member agency staffs and attorneys. It will need to be updated based on financials through June 30, 2026 when approved by the Board.

I also reviewed the JPA, copy enclosed, provisions for termination and the disposition of assets if terminated. The JPA is actually very clear on this subject. “Section 5.8 – Disposition of Authority Property, Funds and Other Assets Upon Termination” offers three options related determining the successor agency. Briefly, they are:

a. A successor agency is determined and receives all assets;

b. No successor agency is determined and recycled water service ends with assets going back to member agencies;

c. Successor agency duties are divided and assets are divided accordingly.

This information changes the need for a consultant until the Board determines how recycled water service will continue for the community when the JPA is terminated. The majority of current recycled water operations are handled by PWD and the City handles its administration and the use of recycled water within McAdam Park. Based on this, my recommendation is proceeding with 5.8.c. as follows:

1. The Board designates PWD as the successor agency for all the public recycled water system and operations;

2. The Board acknowledges the City’s use of recycled water at McAdam Park and provides a portion of PRWA’s assets for that purpose.

Enclosures: PRWA Disposition of Assets RFP Background

Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority with Amendments 1 and 2

PRWA Disposition of Assets RFP Background

PRWA Asset Summary as of February 28, 2026

Physical Assets:

30th Street East Recycled Water Main
Temporary Booster Station at PRP $2,136,283

Cash Assets: $2,707,245

Recycled Water Contract with LACSD District No. 20: 2,000 AF/Y*

Existing Customers

Palmdale Water District: Pure Water Antelope Valley Demonstration Facility
Recycled Water Bulk Water Dispenser
Construction Meters

City of Palmdale: McAdam Park for Irrigation

Antelope Valley United High School District: SOAR High School, Palmdale for Irrigation

"Together California" for Irrigation

Future Customer: Zenith Apartment Complex at 25th Street East and Avenue Q for Irrigation

Member Agency Financial Contributions

Year	City of Palmdale	Palmdale Water District
2013	$100,000	$100,000
2014	$100,000	$100,000
2015	$100,000	$100,000
2016	$100,000	$100,000
2017	$100,000	$100,000
2018	$300,000	$300,000
2019	$300,000	$300,000
2020	$300,000	$300,000
2021	$0	$0
2022	$0	$0
2023	$0	$0
2024	$0	$0
2025	$0	$0
2026	$0	$0
Totals:	$1,400,000	$1,400,000

Other Member Agency Contributions

City of Palmdale: Physical Assets per JPA Section 5.2

*Note: 1,600 AF/Y Recycled Water Contract transferred to PRWA December 2, 2015 and pending transfer of the remaining 400 AF/Y, from terminated power plant project, is not a City contribution per JPA Section 6.1.

Existing Division of Operations

Palmdale Water District

- Treasurer
- Website Management
- Distribution System Operations and Maintenance
- Recycled Water Meter Reading and Billing
- Management of Recycled Water for Construction
- Recycled Water System Improvement Plan Review and Approval
- Recycled Water System Construction Inspection
- Health Permit Coordination for New Recycled Water Services

City of Palmdale

- Administration of Meetings
- Form 700 Compliance
- Holder of Records
- Hosts Board Meetings in City Hall

JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE RECYCLED WATER AUTHORITY

This Agreement is made this ________ day of ______, 2012, by and between the City of Palmdale, a California Charter City ("City") and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code ("PWD").

RECITALS

WHEREAS, the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties;

WHEREAS, the City and PWD are each "public agencies" as that term is defined in California Government Code section 6500;

WHEREAS, the City and PWD have each determined that it is in the public interest to create the Palmdale Recycled Water Authority, an entity separate from the City and PWD to, among other things, jointly study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems;

WHEREAS, the City and PWD have entered into a Settlement Agreement dated ____________________, 2012, that calls for the creation of the Authority. Under the Settlement Agreement, the City and PWD agreed to use their best efforts to accomplish a reallocation of the recycled water supply produced by County Sanitation Districts Nos. 14 and 20 such that the effluent generated within the City of Palmdale that is tributary to the Palmdale Treatment Plant (Sanitation District No. 20) and to the Lancaster Treatment Plant (Sanitation District No. 14), less that previously allocated for environmental projects by both Sanitation Districts Nos. 14 and 20 and 4,000 acre-feet for the Palmdale Power Plant, is available to the Authority for purchase.

NOW, therefore, in consideration of the mutual promises, covenants and conditions hereinafter contained, the members and each of them do hereby agree as follows:

Article 1 Definitions

1.1 Definitions. As used herein, the following terms have the meaning ascribed thereto, unless the context requires otherwise.

"Act" means the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*

"Agreement" means this Joint Powers Agreement.

"Authority" means the Palmdale Recycled Water Authority.

"Authority Document(s)" means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions and activities of the Authority, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.

"Board" means the Board of Directors, which is the governing body of the Authority.

"Bonds" means bonds, notes, commercial paper, floating rate, and variable maturity securities, and any other evidences of indebtedness and also includes certificates of participation, lease-purchase agreements or loan agreements.

"Sanitation Districts" means the Los Angeles County Sanitation Districts Nos. 14 and 20.

"Director" means a member of the Board of Directors.

"Effective Date" means the date on which this Agreement shall become effective and the Authority shall exist as a separate public agency.

"Members" means the City and PWD.

"Operating Rules and Regulations" means the rules, regulations, policies, bylaws and procedures governing the operation of the Authority.

"Public Agency" means those public entities set forth in Section 6500 of the Act.

"Public Capital Improvements" mean one or more projects specified in Section 6546 of the Act.

"Waterworks" means the Los Angeles County Waterworks District No. 40.

"Working Capital" means money to be used by, or on behalf of, a Member for any purpose for which a Member may borrow money pursuant to California Government Code Section 53852.

Article 2 Formation and Purpose

2.1 Effective Date and Term. This Agreement shall become effective and the Authority will come into existence as a separate public agency on the date this Agreement is executed by the City and PWD. The Authority will continue to exist and this Agreement will remain in effect, until this Agreement is terminated pursuant to Article 8.

2.2 Formation. There is formed as of the Effective Date a public agency named the "Palmdale Recycled Water Authority." Pursuant to Sections 6506 and 6507 of the Act, the Authority is an independent public agency separate from the Members. Unless otherwise agreed by the Members, the debts, liabilities, and obligations of the Authority are not debts, liabilities or obligations of the Members.

2.3 Purpose. The purpose of the Agreement is to establish an independent public agency in order to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Sanitation Districts for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems.

2.4 Boundary. The boundary of the Authority shall be the jurisdictional boundary of PWD, and shall encompass that portion of the City within the jurisdictional boundary of PWD.

Article 3 Powers

3.1 General Powers. The Authority shall have the powers common to the Members and such additional powers set forth in the Act and other statutes applicable to the Authority, and is hereby authorized to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to each of the following:

a. Distributing recycled water for reasonable and beneficial uses, including irrigation and recharge;

b. Charging fees for recycled water;

c. Making and entering into contracts;

d. Employing employees, agents, consultants, legal counsel and other experts;

e. Conducting studies, including but not limited to environmental studies;

f. Promoting or advertising the services provided by the Authority;

g. Promoting legislation helpful to the goals of the Authority;

h. Applying for, receiving and complying with requirements for state or federal grants;

i. Acquiring, owning, holding title to, constructing, managing, maintaining, operating, disposing of or donating real or personal property or other assets;

j. Incurring debts, liabilities or obligations and issuing Bonds;

k. Adopting, levying, collecting and/or administering assessments to the extent allowed by law, or assisting the Members to do so;

l. Suing and being sued in its own name, including initiating or otherwise participating in proceedings to validate its actions;

m. Applying for and executing appropriate grants or contracts of financial assistance.

n. Applying for, negotiating and obtaining commercial loans as allowed by law;

o. Administering the funds of the Members for the purposes set out here subject to rules adopted by the Authority for such administration;

p. Coordinating programs provided by the Members to carry out the goals of the Authority;

q. Adopting budgets;

r. Adopting rules, regulations, policies, bylaws and procedures governing the operation of the Authority;

s. Accepting donations;

t. Carrying out and enforcing all provisions of this Agreement and any related agreements.

u. Imposing impact or development fees, including, but not limited to, fees under the Mitigation Fee Act (Government Code sections 66000 *et seq.*)

Article 4 Organization

4.1 Board of Directors. The governing body of the Authority shall be the Board, which shall consist of five Directors. The governing body of each Member shall appoint and designate in writing two Directors who shall be authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person appointed and designated as Director shall be a member of the Member's governing body. The fifth Director shall be appointed jointly by both Members.

4.2 Powers of the Board. The Board shall conduct or authorize to be conducted all business and activities of the Authority consistent with this Agreement, the Authority Documents, the Operating Rules and Regulations, and applicable law.

4.3 Operating Rules and Regulations. The Board may adopt from time to time such Operating Rules and Regulations, including but not limited to policies, procedures, bylaws, rules or regulations, for the conduct of its affairs as deemed necessary by the Board.

4.4 Term of Office. Each Director who is a member of the Member's governing body shall serve on the Board for renewable one year terms and shall cease to serve on the Board if such Director ceases to be an elected official of the Member. Vacancies on the Board shall be filled in the same manner as the original appointment. Notwithstanding anything in this Section to the contrary, each Director shall serve at the pleasure of the

Member that the Director is representing and such Member may remove and replace the Director at any time.

4.5 Meetings of the Authority. Meetings of the Authority shall be governed by the Ralph M. Brown Act (Govt. Code Section 54950 *et seq*, the "Brown Act"). At its organizational meeting, the Authority shall adopt provide for its regular meetings at dates, times and places set out by resolution. That Resolution shall be provided to all Members. The Board shall hold at least one regular meeting during each fiscal year. Pursuant to the Brown Act, the Secretary of the Authority shall cause minutes to be prepared for all regular and special meetings (but not any closed sessions) and copies of such minutes shall be provided to the Directors as soon as possible.

4.6 Conflict of Interest Code. The Authority shall adopt a conflict of interest code.

4.7 Quorum. A majority of the Directors shall constitute a quorum.

4.8 Voting. Except as otherwise provided by law or in section 4.9 below, any action taken by the Authority shall require the affirmative vote of a majority of the quorum present and voting on the item. A Director who has announced a conflict of interest is not considered a part of the quorum. An abstention for other than conflict reasons shall be considered a no vote. Notwithstanding anything in this paragraph to the contrary, less than a quorum may adjourn from time to time in accordance with law.

4.9 Special Voting Situations. The following Board actions require the affirmative vote of at least one Director from the City and one from the PWD:

a. Agreements to provide recycled water to any person or entity other than the City or PWD.

b. Capital expenditures exceeding $100,000.

c. Adoption or modification of any combined recycled water master plan.

d. Settlement of lawsuits over $10,000.

e. Adoption of its initial and all annual operating budgets.

f. Setting recycled water rates.

g. Disposition of assets and funds upon termination, pursuant to section 5.8(d).

4.10 Chair and Vice Chair. The Board shall elect from among themselves a Chair and Vice Chair. The Chair shall be the presiding officer of all Board meetings and shall represent the Authority and execute any contracts and other documents when required by the Operating Rules and Regulations. The Vice Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair.

The office of either the Chair or Vice Chair shall be declared vacant and a new election shall be made if the person serving dies, resigns, or the Member that the person represents removes the person as its representative on the Board.

4.11 Director Compensation. Compensation for work performed by Directors on behalf of the Authority shall be borne by the Member that appointed the Director. The Board, however, may adopt by resolution a policy relating to the reimbursement of expenses incurred by Directors. Members may provide for compensation and/or reimbursement of expenses to the fifth director, as allowed by law.

4.12 Secretary. The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes and other records of the Authority and shall perform such other duties as specified by the Board.

4.13 Treasurer and Auditor. The Authority shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom needs to be a member of the Board. If the Board so designates, and in accordance with the provisions of applicable law, a qualified person may hold both the office of Treasurer and Auditor.

A qualified person shall be (i) the treasurer or chief financial officer of one of the Members; (ii) a certified public accountant; or (iii) such other consultant, officer or employee of the Authority or an administrative services provider as the Authority deems qualified to act as Treasurer or Auditor, respectively. The Treasurer shall act as the depositary of the Authority and have custody of all the money of the Authority, from whatever source, and as such, shall have all of the duties and responsibilities specified in Section 6505.5 of the Act.

The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time.

4.14 Staff. The Authority may appoint, by contract or otherwise, an Executive Director and other staff as necessary. The Executive Director shall have all powers delegated to the Executive Director by the Authority. In addition the Executive Director shall have the power to appoint and remove all employees of the Authority, except for the Auditor, Treasurer and those providing expert services, such as legal counsel, financing consultants, accountants, engineers, architects and other advisors, who shall be appointed by the Board.

4.15 Bonding Persons Having Access to Property. The Members hereby designate the Executive Director and Treasurer, and designee or designees of each of them, as the persons who shall have charge of, handle, or have access to any property of the Authority. Such persons shall file an official bond in an amount to be fixed by the Board.

4.16 Provision of Administrative Services Provider. The Board may approve the use of staff of the Members for purposes of planning, implementing, operating and administering any of the programs approved by the Board.

4.17 Committees. The Authority may appoint *ad hoc* and standing committees to carry out the business of the Board, as deemed necessary and in the manner determined by the Board.

4.18 Technical Advisory Committee. The Board may elect to form a Technical Advisory Committee that will provide assistance and advice to the Board and exercise any powers delegated to it by the Board. The Technical Advisory Committee shall be comprised of three representatives appointed by each Member. The Member's governing body may appoint its representatives to the Technical Advisory Committee, and one alternate representative, in the manner determined to be appropriate by the Member. Such representative or alternate may be any person resident within the jurisdictional boundaries of the Member, or a person possessing knowledge and interests in California water policy.

The Technical Advisory Committee will be subject to the Operating Rules and Regulations established by the Board.

4.19 Authority Documents. The Members acknowledge and agree that the affairs of the Authority will be implemented through various documents duly adopted by the Board through Board resolution, including but not necessarily limited to the Operating Rules and Regulations, the annual budget, and specified plans and policies defined as the Authority Documents by this Agreement. The Members agree to abide by and comply with the terms and conditions of all such Authority Documents that may be adopted by the Board.

4.20 Authority Legal Counsel. The Board may retain and appoint legal counsel for the Authority.

Article 5 Financial Provisions

5.1 Fiscal Year. The Authority's fiscal year shall begin January 1 and shall include the period from then through December 31st. The first year of operation of the Authority shall be a partial year of operation.

5.2 Member Contributions. Except as otherwise prohibited, any Member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the Member and approved by the Board and the governing body of the Member.

It is hereby acknowledged that the City, at the time of Authority's formation, has contributed the recycled water infrastructure installed to date known as Phase I which provides recycled water to McAdam Park, Palmdale, CA.

5.3 Member Loans. By official action of a Member's governing body, any Member may loan or advance funds to the Authority to meet the Authority's necessary budgeted expenses. Such loans shall bear interest until repaid at a rate agreed upon by the Member and the Authority. All such loans shall be repaid with interest from legally available funds of the Authority. It is anticipated that such funding may continue for an extended period of time. Nothing in this Agreement shall be deemed to obligate or require any of the Members to loan money, advance funds or provide property, assets, staffing or in lieu services to the Authority.

5.4 Depository.

a. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Member or any other person or entity.

b. All funds of the Authority shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the Fiscal Year. The books and records of the Authority shall be open to inspection by the Members at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the Authority, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

c. All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.

5.5 Budget. The Board shall adopt an annual budget for the Authority's activities within ninety (90) days of the effective date of this Agreement and by January 1 of each succeeding year. The Board may revise the budget from time to time as may be necessary to address changed circumstances, contingencies and unexpected expenses.

Public funds may not be disbursed by the Authority without adoption of the approved budget and all receipts and disbursements shall be in strict accordance with the approved budget. The budget shall identify the programs of the Authority and allocate funds by the program. The budget and accounting system shall account for direct and overhead costs by program. The Board shall allocate these costs for each program with the adoption of the annual budget.

5.6 Debts and Liabilities. As permitted under Section 6508.1 of the Act, no debt, liability, or obligation of the Authority shall constitute a debt, liability, or obligation of any Member and each Member's obligation hereunder is expressly limited only to the appropriation and contribution of such funds as may be levied pursuant to this Agreement or as the Members hereto may agree.

5.7 Credit. Notwithstanding the preceding section, the Members agree to pledge their credit as necessary or appropriate to obtain financing for the Authority.

5.8 Disposition of Authority Property, Funds and Other Assets Upon Termination.

a. In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its obligations, Authority property, funds, and other assets, including any interest earned in deposits, remaining upon termination of the Authority and after payment of all obligations, shall be transferred to the successor public entity.

b. If there is no successor public entity which would carry on any of the activities of the Authority or assume any of its obligations, Authority property, funds, and other assets,, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall first be used to return any unreimbursed contribution of each Member, and the remainder shall be divided equally between the Members.

c. If there is a successor public agency which would undertake some of the functions of the Authority and assume some of its obligations, Authority property, funds, and other assets, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall be allocated by the Board between the successor public entity and Members.

d. In the event the Authority is terminated and remaining funds must be allocated under the circumstances falling with (b) or (c) above, all decisions of the Board with regard to determination of amounts to be transferred to Members or any successor shall be final.

Article 6 Operations

6.1 Recycled Water Contract. Within 65 days after the execution of this Agreement, the City shall assign to the Authority its existing contract with Los Angeles County Sanitation Districts Nos. 14 and 20 to purchase up to 2,000 acre-feet of recycled water, dated July 1, 2009. This shall not be considered to be a Member contribution under section 5.2.

6.2 Master Plan. The Authority shall adopt a master plan for recycled water combining the City's and PWD's existing master plans, following environmental review.

6.3 Price of Recycled Water. The price of recycled water sold to the City or PWD shall be set to cover the purchase price of the recycled water, operation and maintenance costs of the Authority, and financing costs.

6.4 Impact Fee. The Authority shall adopt an impact fee in order to pay capital costs, including reimbursement to the City of the cost of the recycled water infrastructure installed to date known as Phase I, which provides recycled water to McAdam Park.

Article 7 Amendments

7.1 Amendments. This Agreement may be amended only upon the affirmative vote of both Members.

Article 8 Termination

8.1 Termination. This Agreement may be terminated by the mutual agreement of both Members at any time, or by one Member after the tenth anniversary of the execution of this Agreement; provided, however, that prior to any termination by one Member, the Members agree to engage in the dispute resolution procedure under section 9.10, and such termination shall not be effective until six months after the completion of that procedure. Upon termination, payment of the obligations and division of the property of the Authority shall be conducted pursuant to this Agreement.

Article 9 Miscellaneous Provisions

9.1 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Section 995 *et seq.* Nothing in this section shall be construed to limit the defenses available under the law, to the Members, the Authority, or its Directors, officers, or employees.

9.2 Indemnification of Members. The Authority shall acquire such insurance coverage as is necessary to protect the interests of the Authority, the Members and the public. The Authority shall defend, indemnify and hold harmless the Members and each of their respective Board or Council members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

9.3 Severability. If one or more clauses, sentences, paragraphs, or provisions of this Agreement or its application to any person or circumstances shall be held invalid, unlawful or unenforceable, the remainder of this Agreement and the application of the provision to other persons or circumstances shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

9.4 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Members may not be assigned or delegated without the advance written consent of all of the other Members, and any attempt to assign or delegate such rights or duties in contravention of this Section is null and void. This Agreement inures to the benefit of, and be binding upon, the successors and assigns of the Members.

9.5 No Rights In Third Parties. All of the terms, conditions, rights and duties provided for in this Agreement are, and will always be, solely for the benefit of the Members. It is the intent of the Members that no third party shall ever be the intended beneficiary of any performance, duty or right created or required pursuant to the terms and conditions of this Agreement.

9.6 Agreement Complete. The foregoing constitutes the full and complete Agreement of the Members. There are no oral understandings or agreements not set forth in writing herein.

9.7 Further Assurances. Each Member agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.

9.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Members, each executed counterpart shall have the same force and effect as an original instrument and as if all Members had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

9.9 Members to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Member, as the case may be, or such other person designated in writing by the Authority or Member. Notices given to one Member shall be copied to all other Members. Notices given to the Authority shall be copied to all Members.

9.10 Dispute Resolution. Representatives of the Members shall meet and use their best efforts to settle any dispute, claim, question or disagreement ("a Dispute") arising from or relating to this Agreement or to the interpretation of this Agreement. To that end, representatives of the Parties shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both Parties. If the Parties do not reach such a solution within a period of thirty (30) days after the first meeting regarding a Dispute, then the Parties shall convene a meeting of the Board within sixty (60) days after the first meeting of the Party representatives regarding a Dispute and attempt to settle the Dispute before the Board meeting. If the Parties do not settle the Dispute within five (5) calendar days after the Board meeting, the Parties shall submit to mediation of the Dispute to be held within thirty (30) days of the request for mediation. If mediation is not successful, any Party may pursue any and all legal and equitable remedies that may be available. Any Party with a Dispute over the amount of money to be paid to the Authority or a Party shall first pay the disputed amount to the Authority or other Party under protest before commencing dispute resolution under this section.

9.11 Governing Law. This Agreement is to be governed by and construed according to the laws of California.

IN WITNESS WHEREOF, the Members hereto have caused this Agreement to be executed by their proper officers thereunder duly authorized and effective as of the date of execution of all Members hereto.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

ATTEST:

Rebecca Smith
City Clerk

PALMDALE WATER DISTRICT

Gordon Dexter
President

APPROVED AS TO FORM:

Thomas S. B— III

FIRST AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE RECYCLED WATER AUTHORITY DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)

Dated March 6, 2013

This First Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 6 day of March 2012, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement provides for a five-member Authority Board wherein each of the two Members appoint two members from their respective governing boards to serve on the Authority Board and jointly appoint the "Fifth Director", and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to clarify the conditions under which the Fifth Director may be removed from the Authority Board.

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.4 of the Agreement, is amended to add the following paragraph to read as follows:

"The fifth Director shall serve for renewable one-year terms at the pleasure of both Members. In the case of removal of the fifth Director before the expiration of his or her term, both Members would be required to adopt resolutions for removing said director. Cause for removal need not be stated in the resolutions as the fifth Director serves at the joint pleasure of both Members."

SECTION 2. EFFECTIVE DATE. This First Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

IN WITNESS WHEREOF, each of the parties have caused this "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

PALMDALE WATER DISTRICT

Kathryn Mac Laren
President

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM:

Thomas S. Bunn, III
District Counsel

ATTEST:

Rebecca J. Smith
City Clerk

**SECOND AMENDMENT TO THE
JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE
RECYCLED WATER AUTHORITY
DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)**

Dated October 2, 2013

This Second Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 2nd day of October, 2013, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement Section 4.19 "Authority Documents", the affairs of the Authority must be implemented through duly adopted resolutions approved by the Authority Board, and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to simplify the adoption of general and routine items of the Authority by eliminating the need for a formal resolution except in more extraordinary matters..

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.19 of the Agreement, is amended to add on the following paragraph as follows:

"All actions of the Authority Board pursuant to Section 4.9 "Special Voting Situations" shall be via written resolution formally adopted at a regular or adjourned regular meeting of the Authority. All other Authority Board matters may be adopted via motion and vote and so noted in the minutes."

SECTION 2. **EFFECTIVE DATE**. This Second Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

IN WITNESS WHEREOF, each of the parties have caused this "2nd Amendment to the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

PALMDALE WATER DISTRICT

Kathryn Mac Laren
President

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM:

James D. Ciampa
District Counsel

ATTEST:

Rebecca J. Smith
City Clerk

PALMDALE

a place to call home

JAMES C. LEDFORD, JR.
Mayor

MIKE DISPENZA
Mayor Pro Tem

STEVEN D. HOFBAUER
Councilmember

ROXANA MARTINEZ
Councilmember

FREDERICK THOMPSON
Councilmember

38300 Sierra Highway

Palmdale, CA 93550-4798

Tel: 661/267-5100

Fax: 661/267-5122

TDD: 661/267-5167

CITY COUNCIL

CLERK'S CERTIFICATE

I, Rebecca J. Smith, City Clerk of the City of Palmdale, State of California, do hereby certify as follows:

The attached is a full, true, and correct copy of Resolution No. CC 2015-145 adopted at the Regular Meeting of the City Council of the City of Palmdale duly held at the regular meeting place thereof, on December 2, 2015, at which meeting all of the members of said City Council had due notice and at which a majority thereof was present.

I further certify that I have carefully compared the same with the original Resolution No. CC 2015-145 on file and of record in my office and that said Resolution No. CC 2015-145 is a full, true, and correct copy of the original Resolution No. CC 2015-145 adopted at said meeting.

At said meeting, Resolution No. CC 2015-145 was adopted by the following vote:

AYES:	Mayor Ledford, Mayor Pro Tem Dispenza, and Councilmembers Hofbauer, Thompson, and Martinez
NOES:	None
ABSTAIN:	None
ABSENT:	None

WITNESS my hand and the seal of the City of Palmdale this 9th day of December 2015.

Rebecca J. Smith
City Clerk

CITY COUNCIL

CITY OF PALMDALE, CALIFORNIA

RESOLUTION NO. CC 2015 -145

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALMDALE AUTHORIZING THE TRANSFER OF A PORTION OF THE CITY OF PALMDALE'S CONTRACTED RECYCLED WATER ALLOTMENT FROM THE SANITATION DISTRICT OF LOS ANGELES COUNTY TO THE PALMDALE RECYCLED WATER AUTHORITY.

WHEREAS, the City of Palmdale entered into an agreement to purchase recycled water for use by the City and its residents and is the owner of rights to recycled water produced by Sanitation Districts Nos. 14 and 20; and

WHEREAS, as a part of the Settlement Agreement between the City of Palmdale and the Palmdale Water District, the City agreed to transfer a portion of its recycled water allotment from the Sanitation Districts, and

WHEREAS, The Palmdale Recycled Water Authority was created to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources, created by the Los Angeles County Sanitation Districts No. 14 and No. 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, and

WHEREAS, the City of Palmdale agreed via the Settlement Agreement between the City of Palmdale and Palmdale Water District to reassign its rights to the recycled water from the Sanitation Districts Nos. 14 and 20 to the Palmdale Recycled Water Authority, and

WHEREAS, the City of Palmdale has entered into agreement to supply the Palmdale Energy Plant with 400 acre-feet per year of recycled water, and

WHEREAS, providing recycled water is a high priority due to the current drought restrictions imposed by the State of California.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALMDALE DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. The City Council of the City of Palmdale hereby approves the transfer of 1,600 acre-feet per year of the 2,000 acre-feet per year recycled water contracted from the Sanitation Districts Nos. 14 and 20 of Los Angeles County.

Section 2. The City Council of the City of Palmdale hereby authorizes the City Manager, in cooperation with the City Attorney, to execute all documents and agreements necessary to effectuate the transfer of 1,600 acre-feet of recycled water to the Palmdale Recycled Water Authority.

Section 3. The City Clerk shall certify to the passage and adoption of this Resolution.

PASSED, APPROVED and ADOPTED this 2nd day of December, 2015 by the following vote:

AYES: Ledford, Dispenza, Hofbauer, Thompson, Martinez

NOES: None

ABSTAIN: None ABSENT: None

James C. Ledford, Jr., Mayor

ATTEST:

Rebecca J. Smith, City Clerk

Approved as to form:

Wm. Matthew Ditzhazy
City Attorney