



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

August 8, 2018

BOARD OF DIRECTORS

ROBERT E. ALVARADO
Division 1

JOE ESTES
Division 2

MARCO HENRIQUEZ
Division 3

KATHY MAC LAREN
Division 4

VINCENT DINO
Division 5

DENNIS LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys



AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT to be held at the District's office at 2029 East Avenue Q, Palmdale

MONDAY, August 13, 2018

6:00 p.m.

NOTES: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Additionally, an interpreter will be made available to assist the public in making **comments** under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Dawn Deans at 661-947-4111 x1003 with your request. (PWD Rules and Regulations Section 4.03.1 (c))

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer **comentarios** bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Dawn Deans al 661-947-4111 x1003 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c))

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

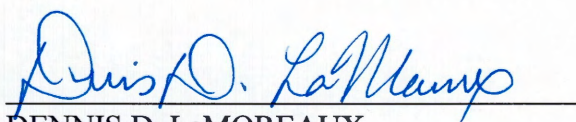
PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

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

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.

- 4) Public comments for non-agenda items.
- 5) Presentations:
 - 5.1) None at this time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
 - 6.1) Approval of minutes of special meeting held July 18, 2018.
 - 6.2) Approval of minutes of regular meeting held July 23, 2018.
 - 6.3) Payment of bills for August 13, 2018.
 - 6.4) Approval of Statement of Work between the District and Ernst & Young for 2018-2019 State Water Project Procedures to be performed related to the Department of Water Resources' 2019 Statement of Charges. (\$8,822.00 – Budgeted – General Manager LaMoreaux)
 - 6.5) Approval of Resolution No. 18-7 Approving Antelope Valley State Water Contractors Association Budget for Fiscal Year 2018/2019. (PWD Deputy Water & Energy Resources Director and AVSWCA Assistant General Manager Thompson II)
 - 6.6) Approve absence of Director Henriquez from July 18, 2018 special meeting due to a work commitment. (General Manager LaMoreaux)
- 7) Action Items - Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 7.1) Consideration and possible action on contribution to the Antelope Valley State Water Contractors Association for the preparation of a Feasibility Study and Environmental Documentation for the implementation of the Big Rock Creek Groundwater Recharge Project. (\$115,975.50 (PWD share) – Non-Budgeted – PWD Deputy Water and Energy Resources Director and AVSWCA Assistant General Manager Thompson II)
 - 7.2) Consideration and possible action on contribution to the Antelope Valley State Water Contractors Association for the preparation of a Financial Analysis associated with the cost of providing replacement water to the Antelope Valley. (\$3,532.00 (PWD share) – Non-Budgeted – PWD Deputy Water and Energy Resources Director and AVSWCA Assistant General Manager Thompson II)
 - 7.3) Consideration and possible action on approval of budgetary adjustments for the purchase of SCADAWatch software. (\$88,860.00 – Budgeted – Project Manager Thompson)
 - 7.4) Consideration and possible action on setting Palmdale Water District's assessment rates for fiscal year 2018-2019 and adoption of Resolution No. 18-8 regarding said rates. (Financial Advisor Egan)

- 7.5) Consideration and possible action on authorization of the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2018 Budget:
 - a) None at this time.
- 8) Information Items:
 - 8.1) Reports of Directors:
 - a) Meetings/General Report.
 - b) Standing Committee/Assignment Reports (Chair):
 - 1) Antelope Valley State Water Contractors Association.
 - 8.2) Report of General Manager.
 - 8.3) Report of General Counsel.
- 9) Public comments on closed session agenda matters.
- 10) Break prior to closed session.
- 11) Closed session under:
 - 11.1) Conference with Legal Counsel – Existing Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing litigation to which the District is a party. The title of such litigation is as follows: *Antelope Valley Ground Water Cases*.
- 12) Public report of any action taken in closed session.
- 13) Board members' requests for future agenda items.
- 14) Adjournment.


DENNIS D. LaMOREAUX,
General Manager

DDL/dd

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: August 7, 2018 August 13, 2018
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 6.4 – APPROVAL OF STATEMENT OF WORK BETWEEN THE DISTRICT AND ERNST & YOUNG FOR 2018-2019 STATE WATER PROJECT PROCEDURES TO BE PERFORMED RELATED TO THE DEPARTMENT OF WATER RESOURCES’ 2019 STATEMENT OF CHARGES. (\$8,822.00 – BUDGETED – GENERAL MANAGER LaMOREAUX)*

Recommendation:

Staff recommends approval of the Statement of Work between the District and Ernst & Young for 2018-2019 State Water Project procedures to be performed related to the Department of Water Resources’ Statement of Charges in the not-to-exceed amount of \$8,822.00.

Alternative Option:

The alternative option would be to not participate in the Ernst & Young contract.

Impact of Taking No Action:

The District will not be involved in auditing activities for State Water Project procedures.

Background:

The Palmdale Water District is a member of the State Water Contractors Independent Audit Association (IAA) and has been involved in these auditing activities for a number of years. The IAA hires an accounting/auditing firm on an annual basis to review the billings and financial statements prepared by the Department of Water Resources for State Water Project costs. The IAA has reviewed Ernst & Young’s audit procedures and recommends IAA members approve the 2018-2019 Statement of Work.

The cost to the District will range from \$6,543.00 to \$8,179.00 depending upon how many members of the IAA approve the Statement of Work for core services (Exhibit “A”). Additional services may be requested for an amount not-to-exceed \$643.00 (Exhibit “B”).

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Dennis D. LaMoreaux, General Manager

August 7, 2018

Strategic Plan Initiative/Mission Statement:

Strategic Initiative No. 1 – Water Resource Reliability

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

Budget:

These services are under Administration budget line item 1-02-4150-000 – Accounting Services.

Supporting Documents:

- June 29, 2018 letter from Ernst & Young regarding Statement of Work.
- July 11, 2018 memorandum from Independent Audit Association recommending approval of Ernst & Young 2018/19 State Water Project Professional Services Contract.
- Ernst & Young Statement of Work for FY 2018-2019.



Ernst & Young LLP
Sacramento Office
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Tel: +1 916 218 1900
Fax: +1 916 218 1999
ey.com

RECEIVED

JUL 24 2018

June 29, 2018

Mr. Dennis Lamoreaux
Palmdale Water District
2029 East Avenue "Q"
Palmdale, California 93550

Dear Mr. Lamoreaux:

In coordination with the Independent Audit Association (IAA), we have developed the Statement of Work (SOW) for the 2018-2019 Procedures to be performed related to the 2019 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and Palmdale Water District dated May 31, 2017, which describes the annual approval process of each SOW performed under the MSA.

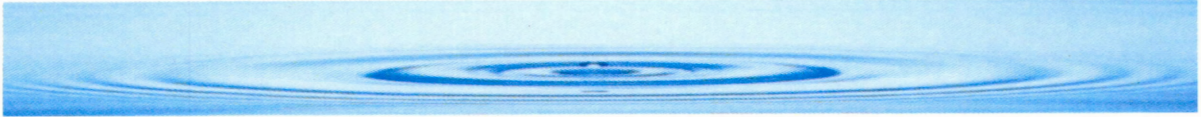
Enclosed are two copies of our SOW, one for your records and another to be signed and returned to EY in the self-addressed, stamped return envelope provided. We have also enclosed your copy of the support letter from Craig Wallace, IAA Secretary, recommending the approval of the SOW by Palmdale Water District.

If you have any questions about the enclosed SOW, please feel free to call me at (916) 218-1960.

Very truly yours,

Joe Pirnik
Executive Director

Enclosures



MEMORANDUM

Date: July 11, 2018
To: Members of the Independent Audit Association (IAA)
From: Craig Wallace, IAA Secretary
Subject: Ernst and Young 2018/19 State Water Project Professional Services Contract –

Enclosed is the 2018/19 Statement of Work (SOW) which includes the State Water Project procedures to be performed in relation to the Department of Water Resources' (DWR) Statement of Charges.

The Exhibit B budget limit is only billed by Ernst and Young if additional work is reviewed and approved by the IAA and remains at \$50,000. Exhibit C allows individual IAA Members to request Ernst and Young to undertake additional services beyond those included in Exhibit A of the SOW.

The IAA team has reviewed Ernst and Young's proposed procedures and recommends that IAA Members approve and execute the 2018/19 SOW. If you have any questions, please contact me at (916) 407-7617 or cwallace@kcwa.com.

Sincerely,

Handwritten signature of Craig Wallace in blue ink.

Craig Wallace
Kern County Water Agency

CC: Joe Pirnik, EY



Ernst & Young LLP
Sacramento Office
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Tel: +1 916 218 1900
Fax: +1 916 218 1999
ey.com

Statement of Work

This Statement of Work with the attached Exhibits, dated June 29, 2018 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and Palmdale Water District on behalf of itself (“you” or “Client”), pursuant to the Master Services Agreement, dated May 31, 2017 (MSA), between EY and Palmdale Water District (the Agency).

The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other SOW pursuant to the MSA. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the MSA. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described in Exhibit A (the Services) for Agency, a member of the State Water Contractors (the “Contractors” or “SWC”) Independent Audit Association (IAA), for the twelve months ending June 30, 2019.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA). As part of your review of the terms of this Agreement, please refer to the enclosed letter from Mr. Craig Wallace of the IAA Audit Contract Negotiating Committee.

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.



Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to this SOW. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and



(iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources (the "Department") should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Fees and billing

The General Terms and Conditions of the Agreement address our fees and expenses generally.

The total fees for these Services to be rendered to the Agency, as well as an allocation of the total fees for each member agency of the IAA, appear in Exhibits A and B attached (no procedures or fees have been allocated to Exhibit B in this contract). Our total fees pursuant to Exhibit A to be charged to all members of the IAA entering into agreements with us shall not exceed \$509,000 for the twelve months ending June 30, 2019. This agreement will not be effective unless, in addition to the Agency, a sufficient number of other IAA agencies enter into agreements with us for such Services whose combined allocated fee would represent not less than 80% of \$509,000 based on the 100% participation fee allocation (see column 2 at A-4). If all agencies who are presently participating in the Services rendered by our firm enter into agreements with us for this twelve-month period, the maximum fees for our Services to your Agency will not exceed \$6,543 for Exhibit A. However, if not all of the participating agencies enter into agreements with us for services during the twelve-month period ending June 30, 2019, the maximum fees to your Agency will vary between the above-mentioned amount and \$8,179, which represents the maximum fees should sufficient agencies enter into agreements with us with a combined allocated fee of not less than 80%, as stated above.

In addition to the maximum fees under Exhibit A, maximum fees under Exhibit B shall not exceed a total of \$50,000 or \$643 for the Agency unless agreed to by the IAA. As noted above, no procedures have been allocated to Exhibit B. Prior to any expenditures under Exhibit B, said work must be specifically requested in writing in advance of any work being performed. Areas of potential focus for Exhibit B projects could



include procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A. In prior years Exhibit B special projects have included projects such as assessing implementation and billing issues relating to the new SAP-based Cost Allocation and Repayment Analysis System (CARA), and studies to evaluate a pay-as-you-go system for funding conservation related operating costs incurred by the Department.

We have also included Exhibit C as part of this contract, which provides the opportunity for individual Contractors to enter into separate agreements for additional services with EY. There are currently no fees related to Exhibit C included herein.

The results of our procedures will include a presentation of our findings, observations and recommendations to be held in Sacramento, California for any interested Contractors. Any presentations requested at individual Contractor locations will be negotiated with the individual Contractor under Exhibit C and will be paid for by that Contractor.

Invoices for time and expenses will be billed monthly and are due upon receipt.



In witness whereof, the parties have executed this SOW as of the date set forth above.


Palmdale Water District

Ernst & Young, LLP

Representative

Representative

Signature



Signature

Printed Name

Joe Pirnik

Printed Name

Title

Authorized Signatory

Title

Address

Ernst & Young LLP
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Address

Date

June 29, 2018

Date

EXHIBIT A

I. SCOPE OF ENGAGEMENT

A-1 EY will work with the IAA, the SWC Audit/Finance Committee, and any subcommittees thereof, and the Department during the twelve months ending June 30, 2019 relating to matters currently being discussed between the SWC and the Department.

EY's Services to be rendered as described in this Exhibit shall be determined by the IAA at its discretion. These Services shall include:

1. Completion of the 2018/2019 procedures as outlined further below
2. Participation in all meetings of the SWC Audit/Finance Committee, which is a basic forum for communications between the State Water Project Contractors and the Department's staff on financial and accounting matters.
3. Cooperation with any subcommittees of the IAA assigned to study and resolve specific problem areas, such as the dispute resolution work group.
4. Review of reports and other documents prepared by the Department and disseminated at these meetings.
5. Provide an annual report setting forth the findings, comments, and recommendations related to our Services.

Report definitions

The assessment of risk of future occurrence, included in the findings summary tables in the report, provides the IAA with a meaningful measurement of the likelihood of similar findings in subsequent years if this issue is not addressed by the appropriate parties. This assessment of risk of future occurrence is based on knowledge obtained during discussions with the Department personnel and performance of procedures under this Exhibit A. Below are the definitions used in the report of findings and recommendations for the twelve months ending June 30, 2019 and we concur with these definitions.

Risk of Future Occurrence:

- A. High – it is highly likely (or probable) that the error or process failure will be repeated
- B. Medium – it is more likely than not that the error or process failure will be repeated
- C. Low – it is possible that the error or process failure will be repeated

During the twelve months ending June 30, 2019, the Services will include the following procedures.

2018/2019 Procedures

The procedures for the fiscal year ended June 30, 2019 were designed using estimated budgeted hours of 3,000. We will perform all procedures included in items 1-6 below. We will perform the procedures in items 7-8 if time permits. As a part of these procedures, we will regularly meet with the IAA to discuss the progress under this engagement. We will also submit the Report to each agency setting forth the findings, observations, and recommendations related to our Services.

The following items represent the risks, risk factors, and procedures requested and determined by the IAA for the Contractors to be performed for the 2019 Statement of Charges (SOC) engagement:

Primary Procedures (Items 1-6)

1. Statement of Charges Testing

Risk:

- Incorrect amounts billed to Contractors for each component by the Department.

Risk Factors:

- Manual adjustments made to SAP data to arrive at amounts billed. Manual processes create opportunities for errors.
- High importance of accurate Contractor bills.
- Actual costs reported in the bills can be misstated.

Areas of Focus:

- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-18 for five Contractors selected for testing (to be provided by the IAA).
- Agree the debt service amounts in the SOC Attachments to the appropriate debt service schedule.
- Comparison of the current year SOC Attachments to the prior year SOC Attachments.
- Assessment of manual adjustments.
- Assess the actual costs charged to various areas of the project.
- Assess the factors for distributing reach capital and minimum costs among the Contractors.

2. System Power Costs – Variable Transportation

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- Calculation of the allocation factors is a manual process. Manual processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$250 million net system power costs in 2016).

Areas of Focus:

- Vouch power costs and power revenues from SAP greater than \$500 thousand and assess the classification of costs.
- Reconcile the 2017 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2017 PALPOC (e.g., Value of Recovery Generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2017 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost component for 2017 for the five Contractors selected (to be provided by the IAA).

3. Delta Water Charge

Risk:

- Incorrect amounts charged to Contractors for conservation based on actual and estimated costs.

Risk Factors:

- Calculation of Delta Water Charge is a manual process.
- New rate reduction measures and elimination of future estimates beyond 2022 create opportunities for errors.
- Potential for high dollar impact (\$298 million in Delta Water Charges in 2016).

Areas of Focus:

- Recalculate the Delta Water Charge used in the SOC.
- For prior year actual costs included in the calculation, compare costs in SAP to the Department's calculation and investigate variances over \$100 thousand.
- Obtain an understanding of future estimates included in the calculation and perform appropriate procedures to assess such estimates.
- Test the Hyatt-Thermalito credit to the Delta Water Charge.

4. Alpha Allocation Cycles

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- The F-series and SAA/SAE alpha allocation cycles update performed on an annual basis is a manual process. Manual processes create opportunities for errors.
- New alpha allocation cycles are created each year.
- Potential for high dollar impact (\$263 million allocated by alpha allocation cycles in 2016).

Areas of Focus:

- Examine all cost centers from SAP to determine which cost centers represent alpha cost centers.
- Select alpha cost centers with the largest total annual costs.
- Review costs being posted to selected alpha cost centers based on activities charged to the alpha cost center through examination of invoices posted and discussions with the project managers, as necessary.
- Review the current year alpha standardization activity performed by the Department.
- Review the current year alpha update performed by the Department.
- Review the F-series and S-series updates performed by the Department.

5. New and Changed Master Data

Risk:

- Incorrect allocation of costs (based on functional area selected).
- Incorrect recovery of costs (recovery determines SOC component).
- Incorrect funding source is used (capital fund versus operating funds).

Risk Factors:

- New paperless process of setting up master data creates opportunities for errors.
- Potential impact (initial setup of master data determines posting of costs in future periods).
- Project Managers' possible lack of understanding of allocation cycle when allocating costs.

Areas of Focus:

- Use SAP to determine functional areas created and changed in the current year.
- Determine how costs are being allocated among and recovered from Contractors.
- Based on activities being performed and the analysis of costs posted to Internal Orders or Work Breakdown Structures, assess functional area, recovery, and funding.

6. Rate Management Calculation Including Revenue and Cost Data

Risk:

- Rate Management Credits are improperly allocated among the Contractors.
- Rate Management Credits are improperly calculated based on the revenue and expenditure data in the funds available for rate management credits statement prepared by the Department.

Risk Factors:

- Calculation of Rate Management Credits is a manual process.
- Lack of review and approval process for the Rate Management Credit calculation.
- Outdated information used to calculate credits due to the Contractors.

Areas of Focus:

- Obtain the rate management allocation schedule used for the 2019 SOC and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and assess a sample of the largest balances.
- Compare the figures selected to the future forecasts, and investigate any significant differences.
- Perform a review of revenues including systems revenue and 51e (amount in excess of Rate Management Credits).
- Perform a review of revenues and related cash funds.

Other Procedures (Items 7-8)

These procedures will only be performed as time permits after completion of items 1-6 above and consideration of the estimated 3,000 hour time budget.

7. Conservation and Transportation Future Estimates

Risk:

- Incorrect amounts charged to Contractors for conservation and transportation costs based on estimates.

Risk Factors:

- Budgeted amounts reflected in the future estimates may differ materially from actual charges.
- Calculation is a manual process. Manual processes create opportunities for errors.
- Questionable budgeting process.

Areas of Focus:

- Gain an understanding from the Department of the process for calculating the future estimates.
- Obtain support for the future estimates and reconcile support to the SOC.
- Recalculate the component using the future estimates.
- Assess the future estimates by agreeing the estimates to supporting schedules, budgets, etc.
- Obtain support for any extraordinary projects included in the future estimates.

8. Debt Service Procedures

Risk:

- Incorrect bond debt service charged to the Contractors.

Risk Factors:

- Water System Revenue Bond Surcharge calculation is a manual process. Manual processes create opportunities for errors.
- Cost/debt reconciliation project ongoing adjustments to the calculation creates opportunities for errors.
- Water System Revenue Bond Surcharge currently does not reflect the results of the cost/debt reconciliation project.

Areas of Focus:

- Reconcile any new bond offerings to the debt service schedules.
- Assess changes made to the cost/debt reconciliation project from previous versions.

II. FEES FOR EY SERVICES

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$509,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

III. ALLOCATION OF FEES

- A-3. The maximum aggregate fee set forth in paragraph A-2 shall be apportioned among the agencies named in paragraph A-4 based on a basis consistent with prior years.

IV. MAXIMUM AGGREGATE FEE FOR EACH AGENCY

A-4. The portion of the maximum aggregate fee set forth in paragraph A-2 applicable to each agency in conformity with the methodology set forth in paragraph A-3 is shown below:

| <u>Agency</u> | <u>Maximum fee for each agency, provided all agencies listed below enter into agreements with EY</u> | <u>Maximum fee for each agency, provided 80% of agencies listed below enter into agreements with EY</u> | <u>Percent of total</u> |
|--|--|---|-------------------------|
| Alameda County Flood Control and Water Conservation District, Zone No. 7 | \$ 24,767 | \$ 30,959 | 4.9% |
| Alameda County Water District | 12,902 | 16,127 | 2.5 |
| Antelope Valley-East Kern Water Agency | 44,496 | 55,620 | 8.7 |
| Casitas Municipal Water District | 6,143 | 7,679 | 1.2 |
| Castaic Lake Water Agency | 29,245 | 36,556 | 5.7 |
| Central Coast Water Authority | 13,974 | 17,467 | 2.7 |
| City of Yuba City | 2,949 | 3,686 | 0.6 |
| Coachella Valley Water District | 42,502 | 53,127 | 8.4 |
| County of Kings | 2,859 | 3,574 | 0.6 |
| Crestline-Lake Arrowhead Water Agency | 1,782 | 2,228 | 0.4 |
| Desert Water Agency | 17,127 | 21,409 | 3.4 |
| Dudley Ridge Water District | 13,932 | 17,415 | 2.7 |
| Empire West Side Irrigation District | 922 | 1,153 | 0.2 |
| Kern County Water Agency | 127,250 | 159,062 | 25.0 |
| Littlerock Creek Irrigation District | 707 | 884 | 0.1 |
| Mojave Water Agency | 26,358 | 32,947 | 5.2 |
| Napa County Flood Control and Water Conservation District | 8,917 | 11,146 | 1.8 |
| Palmdale Water District | 6,543 | 8,179 | 1.3 |
| San Bernardino Valley Municipal Water District | 31,519 | 39,399 | 6.2 |
| San Gabriel Valley Municipal Water District | 8,848 | 11,060 | 1.7 |
| San Geronio Pass Water Agency | 5,315 | 6,644 | 1.0 |
| San Luis Obispo County Flood Control and Water Conservation District | 7,680 | 9,600 | 1.5 |
| Santa Clara Valley Water District | 30,720 | 38,400 | 6.0 |
| Solano County Water Agency | 14,671 | 18,339 | 2.9 |
| Tulare Lake Basin Water Storage District | <u>26,872</u> | 33,590 | <u>5.3</u> |
| Total | <u>\$ 509,000</u> | | <u>100.0%</u> |

V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

| <u>August 10, 2018 Billing</u> | <u>September 10, 2018 Billing</u> | <u>October 10, 2018 Billing</u> | <u>November 12, 2018 Billing</u> | <u>December 10, 2018 Billing</u> | <u>Total Billing</u> |
|--|---|---|--|--|--------------------------|
| \$1,962 | \$1,309 | \$1,309 | \$1,309 | \$654 | \$6,543 |

EXHIBIT B

I. OTHER CONSULTING SERVICES

EY shall, during the twelve months ending June 30, 2019, perform other services if requested by the IAA. No such work shall be performed unless specifically authorized by the IAA in writing. Areas of potential focus for Exhibit B projects could include in depth procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A.

Total fees for such other consulting services shall 1) be agreed to prior to commencement of work, 2) be allocated among the agencies based on the same procedures included in the Exhibit A allocation, and 3) shall not exceed \$50,000, which represents an estimated 295 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2019. Any part of the \$50,000 which is unused shall not be billed.

| <u>Agency</u> | <u>Maximum fee for each agency, provided all agencies listed below enter into agreements with EY</u> | <u>Percent of total</u> |
|--|--|-----------------------------|
| Alameda County Flood Control and Water Conservation District, Zone No.7 | \$ 2,433 | 4.9% |
| Alameda County Water District | 1,267 | 2.5 |
| Antelope Valley-East Kern Water Agency | 4,371 | 8.7 |
| Casitas Municipal Water District | 604 | 1.2 |
| Castaic Lake Water Agency | 2,873 | 5.7 |
| Central Coast Water Authority | 1,373 | 2.7 |
| City of Yuba City | 290 | 0.6 |
| Coachella Valley Water District | 4,175 | 8.4 |
| County of Kings | 281 | 0.6 |
| Crestline-Lake Arrowhead Water Agency | 175 | 0.4 |
| Desert Water Agency | 1,681 | 3.4 |
| Dudley Ridge Water District | 1,369 | 2.7 |
| Empire West Side Irrigation District | 91 | 0.2 |
| Kern County Water Agency | 12,500 | 25.0 |
| Littlerock Creek Irrigation District | 69 | 0.1 |
| Mojave Water Agency | 2,589 | 5.2 |
| Napa County Flood Control and Water Conservation District | 876 | 1.8 |
| Palmdale Water District | 643 | 1.3 |
| San Bernardino Valley Municipal Water District | 3,096 | 6.2 |
| San Gabriel Valley Municipal Water District | 869 | 1.7 |
| San Geronio Pass Water Agency | 522 | 1.0 |
| San Luis Obispo County Flood Control and Water Conservation District | 754 | 1.5 |
| Santa Clara Valley Water District | 3,018 | 6.0 |
| Solano County Water Agency | 1,441 | 2.9 |
| Tulare Lake Basin Water Storage District | <u>2,640</u> | <u>5.3</u> |
| Total | <u>\$ 50,000</u> | <u>100%</u> |

EXHIBIT C

I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2019, perform other consulting services as requested by individual Contractors. These services will be performed and billed separately from the services outlined in Exhibits A and B.

The terms and conditions of any procedures performed under Exhibit C, including payment terms, will be outlined in a separate Statement of Work (SOW). These services, which will be agreed to by EY and the requesting Contractor in advance, will be documented in the example SOW attached to herein as Exhibit C-1. An Exhibit C-1 statement of work will be made available to any Contractor upon request. All other provisions of the Contractor's signed contract with EY for the twelve months ending June 30, 2019 will continue to be in effect.

Total fees for such other consulting services shall be agreed to with the individual Contractor prior to commencement of work. The fees for services provided under Exhibit C will be outside of those referenced in Exhibits A and B, and will be paid for directly by the requesting Contractor.

EXHIBIT C-1

Statement of Work

This Statement of Work with the attached Exhibit, dated June 29, 2018 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and Palmdale Water District on behalf of itself (“you” or “Client”), pursuant to the Agreement, dated June 29, 2018 (the Agreement), between EY and Palmdale Water District (the Agency).

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other Statement of Work pursuant to the Master Services Agreement (MSA) by and between EY and the Agency dated May 31, 2017. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described [INSERT DEFINITION OF SERVICES] (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2019.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA).

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to the Agreement. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Project deliverables

The matrix below lists the specific deliverables and related timelines that EY will provide to **(insert Contractor)**.

| Deliverable | Timeline | Comments |
|-------------|----------|----------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Additional responsibilities

EY will provide **(insert Contractor)** with a timeline/schedule related to all project deliverables prior to the start of work on the project.

EY will notify **(insert Contractor)** in writing of any incremental changes to the original project estimate.

Production of all elements described in the "Project deliverables" section of this SOW is to be included in the cost breakdown under the "Pricing and payment terms" section below, agreed upon by **(insert Contractor)** and EY for this project.

Fees and billing

Below is a summary of the current cost estimates for this SOW. Due to the complexities and variable nature of this project, actual costs could vary from these estimates. In the event costs are expected to exceed the estimate, EY will contact **(insert Contractor)** before performing any additional work.

Out-of-pocket expenses incurred during this contract are not included in the above SOW estimated cost. Expenses include such items as travel, meals, accommodations, and other administrative expenses based on actual amounts incurred.

Invoices for time and expenses will be billed monthly and are due upon receipt.

IN WITNESS WHEREOF, the parties hereto have executed this SOW as of the day and year written below.

Palmdale Water District

Ernst & Young, LLP

Representative

Representative

Signature

Signature

Printed Name

Printed Name

Title

Title

Address

Address

Date

Date

EXHIBIT D
FORM OF ACCESS LETTER

[Letterhead of EY]

[Addressee (e.g., third party seeking access to EY Report)]
[Street Address]
[City, State Zip]

[Month XX, 20XX]

Dear []:

[Client] (the "Client") has informed Ernst & Young LLP ("EY") that it wishes to disclose to [party seeking access] (the "Recipient") EY's [describe report(s)], dated [], relating to [describe subject] (the "Report(s)"). EY has not placed any limitations on the Client's ability to disclose any contents of the Report relating to the tax aspects or structure of any transaction proposed by the Client.

EY performed Services only for the Client. EY did not undertake the Services on behalf of, or to serve the needs of, the Recipient or any other third party. As part of such services, EY did not audit the Client's financial statements, subsequent to the date(s) of the Report(s).

EY prepared the Report(s) solely for the Client. The Report(s) address[es] only the issues identified by the Client, and [is/are] based solely on information obtained by EY using the procedures specified by the Client or otherwise provided by or on behalf of the Client. The Report(s) [is/are] subject to many limitations and [do/does] not provide any form of assurance with respect to any of the information referred to therein. The Recipient understands and accepts the scope and limitations of the Report(s).

Except (1) where compelled by legal process (of which the Recipient will immediately notify EY and tender to EY, if it so elects, the defense thereof), (2) with respect to any contents of the Report relating to the tax treatment and tax structure of the proposed transaction (including any facts that may be relevant to understanding the proposed tax treatment of the proposed transaction), or (3) with EY's prior written consent, the Recipient will not, circulate, quote, disclose or distribute any of the Report(s) or any information contained therein, or any summary or abstract thereof, or make any reference thereto or to EY, to anyone other than the Recipient's directors, officers or employees or legal advisors who, in each case, need to know its contents in order to _____, and who have agreed to be bound by the terms and conditions of this agreement to the same extent as the Recipient.

The Recipient further agrees that it will not, and will not permit others to, quote or refer to the Report, any portion, summary or abstract thereof, or to EY, in any document filed or distributed in connection with (a) a purchase or sale of securities to which the United States or state securities laws ("Securities Laws") are applicable or (b) periodic reporting obligations under Securities Laws. The Recipient will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

In further consideration of EY allowing the Recipient access to the Report(s) and the information contained therein, the Recipient agrees that:

1. It does not acquire any rights against EY, and EY does not assume any duties or obligations to the Recipient or otherwise, as a result of such access.
2. It will not rely on the Report(s) or any portion thereof and will make no claim that it has done so.
3. It will make no claim against EY, its partners, employees or affiliates, or other members of the global Ernst & Young network (collectively, the "EY Parties" that relates in any way to the Report(s), any information contained therein, or the Recipient's access to the Report(s).
4. To the fullest extent permitted by applicable law, it will indemnify, defend and hold harmless the EY Parties from and against any claim or expense, including reasonable attorneys' fees, suffered or incurred by any EY Party relating to any breach by the Recipient of any of its representations or agreements contained herein or the use or disclosure of the Report(s) or any portion thereof by anyone who received it directly or indirectly from or at the request of the Recipient.

Very truly yours,

Ernst & Young LLP

Accepted by:

[Addressee]

By: _____

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: August 7, 2018 August 13, 2018
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Peter Thompson II, Deputy Water & Energy Resources Dir.
VIA: Mr. Jon Pernula, Water & Energy Resources Director
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.5 – APPROVAL OF RESOLUTION NO. 18-7
APPROVING ANTELOPE VALLEY STATE WATER CONTRACTORS
ASSOCIATION BUDGET FOR FISCAL YEAR 2018/2019. (DEPUTY
WATER & ENERGY RESOURCES DIRECTOR AND AVSWCA
ASSISTANT GENERAL MANAGER THOMPSON II)***

Recommendation:

Staff recommends the Board approve Resolution No. 18-7 Approving the Antelope Valley State Water Contractors Association (AVSWCA) Budget for Fiscal Year 2018/2019.

Alternative Options:

There are no alternative options.

Impact of Taking No Action:

The AVSWCA budget will not be approved.

Background:

The Commissioners for the AVSWCA approved the budget for fiscal year 2018/2019 at their July 19, 2018 meeting. Per the Joint Powers Agreement that created the AVSWCA, the governing body of each member agency must also approve the budget. The budget is then deemed effective upon receipt by the AVSWCA of certified copies of the approving resolution from each member agency.

The proposed budget has been broken into two categories: General Operating Funds and Restricted Funds (USGS Groundwater Monitoring Program and the Antelope Valley Integrated Regional Water Management Plan).

On the Expenditure side for the General Operating Funds, the categories include:

- Insurance: Liability insurance for the Association obtained through ACWA/JPIA
- Memberships: Membership in ACWA

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Jon Pernula, Water & Energy Resources Director
Mr. Dennis D. LaMoreaux, General Manager

August 1, 2018

- Miscellaneous: Includes all miscellaneous expenses not covered in other Association accounts (bank fees, refreshments, etc.)
- Outreach: Includes the website, community activities
- Contract Services – Administration: Services provided by AVEK and PWD
- Contract Services – Financial Audit
- Landscaping Expo – Program Expense

On the Expenditure side for Restricted Funds, the categories include:

- Contract Services (AVIRWMP): Consulting engineering services for work related to the Antelope Valley Integrated Regional Water Management Plan (on behalf of the Regional Water Management Team of the AVIRWMP).
- Contract Services (USGS): Consulting engineering services for a Joint Funding Agreement for groundwater monitoring within the Antelope Valley.

The AVSWCA is proposing the General Operating Funds based on the following contributions:

| | |
|---------|-----------------|
| AVEK: | \$10,000 |
| PWD: | \$10,000 |
| LCID: | <u>\$10,000</u> |
| Total = | \$30,000 |

The AVSWCA's share of the remaining commitment of the USGS Groundwater Monitoring Program is \$31,800. The AVSWCA's current policy for funding this Program is to use State Water Project Table A amounts to determine the split among the member agencies. Based on this policy, the \$31,800 would be split among the member agencies as follows:

| | |
|---------|-------------------------|
| AVEK: | \$27,253.00 (85.7%) |
| PWD: | \$ 4,102.00 (12.9%) |
| LCID: | <u>\$ 445.00 (1.4%)</u> |
| Total = | \$31,800.00 |

- The total contribution for AVEK in 2018/19 will be \$37,253.00.
- The total contribution for PWD in 2018/19 will be \$14,102.00.
- The total contribution for LCID in 2018/19 will be \$10,445.00.

Strategic Plan Initiative:

The District's involvement in the AVSWCA is part of Strategic Initiative No. 5 – Regional Leadership

Supporting Documents:

- Resolution No. 18-7

RESOLUTION NO. 18-7

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE PALMDALE WATER DISTRICT
APPROVING ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
BUDGET FOR FISCAL YEAR 2018/2019**

WHEREAS, the Palmdale Water District, along with the Antelope Valley-East Kern Water Agency and the Littlerock Creek Irrigation District, is a member agency of the Antelope Valley State Water Contractors Association formed by a Joint Powers Agreement dated May 26, 1999; and

WHEREAS, said Joint Powers Agreement provides for the formulation and adoption of a budget for the Antelope Valley State Water Contractors Association and approval of said budget by its members; and

WHEREAS, the Antelope Valley State Water Contractors Association unanimously adopted a budget for fiscal year 2018/19 at their regular meeting held July 19, 2018 which included an allocation among the member agencies.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Palmdale Water District hereby approves the 2018/19 budget and allocation of budgeted funds adopted by the Antelope Valley State Water Contractors Association.

I certify that this is a true copy of Resolution No. 18-7 as passed by the Board of Directors of the Palmdale Water District at its meeting held August 13, 2018 in Palmdale, California.

Date: August 13, 2018

Vincent Dino, President,
Board of Directors

ATTEST:

Joe Estes, Secretary, Board of Directors

APPROVED AS TO FORM:

BY:

Aleshire & Wynder, LLP, General Counsel

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: July 31, 2018 **August 13, 2018**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 6.6 – APPROVE ABSENCE OF DIRECTOR HENRIQUEZ FROM JULY 18, 2018 SPECIAL MEETING DUE TO A WORK COMMITMENT. (GENERAL MANAGER LaMOREAUX)*

Director Henriquez was absent from the July 18, 2018 Special Board Meeting. Agenda Item No. 6.6 has been placed on the Consent Calendar to excuse this absence pursuant to Section 4.07.2 of the District’s Rules and Regulations which states, “The Board shall excuse absences by approving such absences pursuant to the Consent Calendar at the next regular Board meeting.”

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: August 7, 2018 August 13, 2018
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Peter Thompson II, Deputy Water and Energy Res. Dir.
VIA: Mr. Jon Pernula, Water and Energy Res. Dir.
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.1 – CONSIDERATION AND POSSIBLE ACTION ON CONTRIBUTION TO THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION FOR THE PREPARATION OF A FEASIBILITY STUDY AND ENVIRONMENTAL DOCUMENTATION FOR THE IMPLEMENTATION OF THE BIG ROCK CREEK GROUNDWATER RECHARGE PROJECT. (\$115,875.50 (PWD SHARE) – NON-BUDGETED – PWD DEPUTY WATER AND ENERGY RESOURCES DIRECTOR AND AVSWCA ASSISTANT GENERAL MANAGER THOMPSON II)***

Recommendation:

Staff recommends that the Board authorize the contribution of \$115,975.50 to the Antelope Valley State Water Contractors Association (AVSWCA) for the preparation of a Feasibility Study and Environmental Documentation for the implementation of the Big Rock Creek Groundwater Recharge Project.

Alternative Options:

The Board can choose not to authorize a contribution.

Impact of Taking No Action:

The District will have no participation in the Big Rock Creek Groundwater Recharge Project.

Background:

AVSWCA staff distributed a Request for Proposals (RFP) on May 12, 2018 to a total of six qualified engineering firms to prepare a Feasibility Study and Environmental Documentation for the implementation of the Big Rock Creek Groundwater Recharge Project. At the July 19, 2018 AVSWCA meeting, the Commissioners approved the proposal for this work received from Kennedy/Jenks Consultants in the not-to-exceed amount of \$236,951.00 based on their extensive knowledge and understanding of the Antelope Valley groundwater basin, groundwater modeling experience, proven project delivery track record, and their proposal included a “Demonstration Project” component.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

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

-2-

August 7, 2018

Per the approved MOU for this project, the total project feasibility and CEQA phase costs shall be borne by the agencies according to the following amounts:

- Antelope Valley-East Kern Water Agency: \$115,975.50
- Littlerock Creek Irrigation District: \$ 5,000.00
- Palmdale Water District: \$115,975.50

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 1 – Water Resource Reliability and Strategic Initiative No. 5 – Regional Leadership.

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

Budget:

This project is not budgeted.

Supporting Documents:

- AVSWCA invoice for \$115,975.50.



COMMISSIONERS

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

OFFICERS

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

| | | | |
|-----------------|------------|------------|-----------------|
| INVOICE NUMBER: | 19-011 | | |
| ACCOUNT NUMBER | BILL DATE | DUE DATE | PAY THIS AMOUNT |
| PWD001 | 07/25/2018 | 08/31/2018 | \$115,975.50 |

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

| DESCRIPTION | AMOUNT |
|--|--------------|
| Professional Services Agreement with Kennedy/Jenks Consultants – Big Rock Creek Groundwater Recharge Project Feasibility Study and Environmental Documentation | \$115,975.50 |

As approved at the Regular Meeting of the Commissioners of the Antelope Valley State Water Contractors Association on July 19, 2018 in the total not-to-exceed amount of \$236,951.00.

| | |
|-----------|--------------|
| TOTAL DUE | \$115,975.50 |
|-----------|--------------|

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

If you should have any questions please contact Dennis Hoffmeyer at (661) 456-1021.

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: August 7, 2018 August 13, 2018
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Peter Thompson II, Deputy Water and Energy Res. Dir.
VIA: Mr. Jon Pernula, Water and Energy Res. Dir.
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION ON CONTRIBUTION TO THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION FOR THE PREPARATION OF A FINANCIAL ANALYSIS ASSOCIATED WITH THE COST OF PROVIDING REPLACEMENT WATER TO THE ANTELOPE VALLEY. (\$3,532.00 (PWD SHARE) – NON-BUDGETED–PWD DEPUTY WATER AND ENERGY RESOURCES DIRECTOR AND AVSWCA ASSISTANT GENERAL MANAGER THOMPSON II)***

Recommendation:

Staff recommends that the Board authorize the contribution of \$3,532.00 to the Antelope Valley State Water Contractors Association (AVSWCA) for the preparation of a financial analysis associated with the cost of providing replacement water to the Antelope Valley.

Alternative Options:

The Board can choose not to authorize a contribution.

Impact of Taking No Action:

The District will not be involved in the financial analysis regarding replacement water in the Antelope Valley.

Background:

AVSWCA staff distributed a Request for Proposals (RFP) on May 25, 2018 to a total of three qualified financial firms to perform an analysis and determine the cost of importing State Water Project water to the Antelope Valley for recharge into the groundwater basin. The final report prepared under this agreement will be used to establish a Replacement Water Assessment associated with the Antelope Valley Watermaster. At the July 19, 2018 AVSWCA meeting, the Commissioners approved the proposal for this work received from Raftelis Financial Consultants in the not-to-exceed amount of \$27,377.00 based on their experience, straight forward approach to the project, familiarity with other adjudicated groundwater basins (watermasters), and having worked with AVEK, PWD, and our neighboring State Water Project contractor (Mojave Water Agency).

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

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

-2-

August 7, 2018

The AVSWCA's current policy for funding various programs is to use State Water Project Table A amounts to determine the split among the member agencies. Based on this policy, the \$27,377.00 would be split among the member agencies as follows:

- Antelope Valley-East Kern Water Agency: \$23,462.00 (85.7%)
- Littlerock Creek Irrigation District: \$ 383.00 (1.4%)
- Palmdale Water District: \$ 3,532.00 (12.9%)

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. No. 1 – Water Resource Reliability and Strategic Initiative No. 5 – Regional Leadership.

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

Budget:

This project is not budgeted.

Supporting Documents:

- AVSWCA invoice for \$3,532.00.



COMMISSIONERS

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

OFFICERS

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

| | | | |
|-----------------|------------|------------|-----------------|
| INVOICE NUMBER: | 19-008 | | |
| ACCOUNT NUMBER | BILL DATE | DUE DATE | PAY THIS AMOUNT |
| PWD001 | 07/25/2018 | 08/31/2018 | \$3,532.00 |

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

| DESCRIPTION | AMOUNT |
|---|------------|
| Professional Services Agreement with Raftelis Financial Consultants, Inc. – Financial Analysis for Providing Replacement Water to the Antelope Valley | \$3,532.00 |

As approved at the Regular Meeting of the Commissioners of the Antelope Valley State Water Contractors Association on July 19, 2018 in the total not-to-exceed amount of \$27,377.00.

| | |
|------------------|-------------------|
| TOTAL DUE | \$3,532.00 |
|------------------|-------------------|

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

If you should have any questions please contact Dennis Hoffmeyer at (661) 456-1021.

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: August 7, 2018 August 13, 2018
TO: BOARD OF DIRECTORS Regular Board Meeting
FROM: Mr. Peter Thompson, Project Manager
VIA: Mr. Jim Riley, Engineering/Grant Manager
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.3 – CONSIDERATION AND POSSIBLE ACTION ON APPROVAL OF BUDGETARY ADJUSTMENTS FOR THE PURCHASE OF SCADAWATCH SOFTWARE. (\$88,860.00 – BUDGETED – PROJECT MANAGER THOMPSON)***

Recommendation:

Staff recommends the Board approve the budgetary adjustments being made by Facilities, Operations and Engineering Departments for the purchase of the SCADAWatch Software in the not-to-exceed amount of \$88,860.00.

Alternative Options:

The alternative option would be to not purchase the software.

Impact of Taking No Action:

SCADAWatch will not be purchased during this budget year.

Background:

The District's operation is monitored and controlled by a robust and complex SCADA system. This system takes in thousands of inputs and makes adjustments possible to pumps, wells, treatment plant, generators, and many other processes. SCADAWatch is a program that would allow multiple departments and users to quickly and easily pull valuable data from all of the inputs to the SCADA system. This would provide the following benefits:

- Improved analysis of equipment lifecycles
- Quicker assessment and tracking of system upsets and anomalies
- Improved distribution and treatment plant operational analysis
- Integration with the District's Hydraulic Model
- Improved data mining for reporting purposes

This program will provide direct benefits to Engineering, Facilities, Operations, Water and Energy Resources, and Conservation.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Jim Riley, Engineering/Grant Manager
Mr. Dennis D. LaMoreaux, General Manager

August 7, 2018

Strategic Plan Initiative/Mission Statement:

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

Budget:

\$88,860.00; however, approval of this item makes minor adjustments to departmental budgets resulting in no overall impact on the District’s Budget.

Supporting Documents:

- SCADAWatch budget transfer spread sheet

SCADA WATCH BUDGET TRANSFERS
PALMDALE WATER DISTRICT BUDGET ACCOUNTS

| DEPARTMENT | | BUDGET NO. | DESCRIPTIONS | BUDGETED | AMOUNT |
|-----------------|--|---------------|--|--------------|-------------|
| ENGINEERING | | 1-03-4060-001 | STAFF TRAINING - AUTOCAD CIVIL 3D | \$13,000.00 | \$11,212.17 |
| ENGINEERING | | 1-03-4155-310 | CONTRACTED SERVICES - REPRODUCTION OF WATER SERVICE MAPS AND ATLAS BOOKS | \$20,000.00 | \$20,000.00 |
| IT | | 1-09-8100-200 | SOFTWARE - SOFTWARE & UPGRADES | \$20,000.00 | \$10,000.00 |
| FACILITIES | | 1-04-4235-420 | MAINT. & REPAIR WATER LINES | \$300,000.00 | \$13,000.00 |
| OPERATIONS | | 1-05-6500-000 | CHEMICALS | \$22,000.00 | \$22,000.00 |
| HUMAN RESOURCES | | 1-08-4080-000 | SUCCESSION PLANNING | | |
| TOTAL: | | | | \$200,000.00 | \$12,647.83 |
| | | | | | \$88,860.00 |

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2018 **August 13, 2018**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION ON
SETTING PALMDALE WATER DISTRICT’S ASSESSMENT RATES FOR
FISCAL YEAR 2018-2019 AND ADOPTION OF RESOLUTION NO. 18-8
REGARDING SAID RATES.*

Information on this item will be distributed and reviewed at the Board meeting.

MINUTES OF REGULAR MEETING OF THE COMMISSIONERS OF THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION, APRIL 12, 2018.

A regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was held Thursday, April 12, 2018, at the Palmdale Water District at 2029 East Avenue Q, Palmdale. Chair Parris called the meeting to order at 6:00 p.m.

1) Pledge of Allegiance.

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

2) Roll Call.

Attendance:

Robert Parris, Chair
Kathy Mac Laren, Secretary
Leo Thibault, Treasurer-Auditor
Keith Dyas, Commissioner
Marco Henriquez, Commissioner
John Tenerelli, Alt. Commissioner

Others Present:

Matt Knudson, General Mngr.
Peter Thompson II, Asst. General Mngr.
Dennis Hoffmeyer, Controller
Dwayne Chisam, AVEK General Mngr.
James Chaisson, LCID General Mngr.
Vincent Dino, PWD Director
Danielle Henry, Administrative Assistant
3 members of the public

EXCUSED ABSENCE--

Barbara Hogan, Vice Chair

3) Adoption of Agenda.

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

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Consideration and Possible Action on Minutes of Regular Meeting Held February 15, 2018.

It was moved by Commissioner Thibault, seconded by Commissioner Henriquez, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve the minutes of the regular meeting held February 15, 2018, as written.

6) Payment of Bills.

Commissioner Thibault stated that AVEK requested to withdraw their invoice from the payment of bills, after which he reviewed and then moved to approve payment of the bills received as presented from PWD in the amount of \$930.63 for staff services and from AV Web Designs in the total amount of \$399.90 for the recurring monthly AVSavesWater.com website charge for March and April, 2018. The motion was seconded by Commissioner Mac Laren, and after a brief discussion on the status of the AVSavesWater.com content migration, Assistant General Manager Thompson II requested to withdraw PWD's invoice from the payment of bills.

After a brief discussion of staff time for the 2018 Home Show and Smart Water Expo, Commissioner Thibault amended his motion to withdraw PWD's invoice from the payment of bills and approve payment of AV Web Designs invoices as presented. Commissioner Mac Laren amended her second, and the motion was unanimously carried by all members of the Board of Commissioners present at the meeting.

Commissioner Thibault then reviewed and moved to approve payment of the invoice received from the United States Geological Survey (U.S.G.S.) in the amount of \$15,275.00 for the quarterly billing for cooperative water resources investigations per the Joint Funding Agreement between the Association and U.S.G.S. for the period of August 1, 2017 through October 31, 2017. The motion was seconded by Commissioner Mac Laren and unanimously carried by all members of the Board of Commissioners present at the meeting.

7) Presentation on the 2018 Home Show and SMART Water Expo. (Resources Manager Barnes)

Due to the absence of Resources Manager Barnes, it was determined to table this item to the next regular meeting.

8) Consideration and Possible Action on Memorandum of Understanding for the Big Rock Creek Joint Groundwater Recharge Project between the AVSWCA Member Agencies. (General Manager Knudson/Assistant General Manager Thompson II)

General Manager Knudson stated that AVEK and PWD's Boards have reviewed and approved the Memorandum of Understanding (MOU) for the Big Rock Creek Joint Recharge Project and that staff recommends approval of the MOU including the feasibility and CEQA phase of developing the groundwater recharge project within Big Rock Creek.

After a brief discussion of the Project's proposed cost sharing, of LCID's support of the Project and financial position; and of AVEK and PWD's flexibility to contribute up to 50% each for Project costs, it was moved by Commissioner Dyas, seconded by Commissioner Henriquez, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve the MOU for the Big Rock Creek Joint Groundwater Recharge Project between the AVSWCA Member Agencies.

9) Consideration and Possible Action on Issuing a Request for Proposal for the Preparation of the Feasibility Study and CEQA Document Related to the Big Rock Creek Joint Groundwater Recharge Project. (General Manager Knudson/Assistant General Manager Thompson II)

General Manager Knudson stated that staff recommends approval to prepare and distribute a Request for Proposal (RFP) for the Feasibility Study and CEQA Document related to the Big Rock Creek Joint Groundwater Recharge Project after which it was moved by Commissioner Mac Laren, seconded by Commissioner Henriquez, and unanimously carried by all members of the Board of Commissioners present at the meeting to direct staff to prepare and distribute an RFP for the Feasibility Study and CEQA Document related to the Big Rock Creek Joint Groundwater Recharge Project.

10) Consideration and Possible Action on Issuing a Request for Proposal for the Preparation of a Financial Analysis Associated with the Cost of Providing Replacement Water to the Antelope Valley. (General Manager Knudson/Assistant General Manager Thompson II)

General Manager Knudson stated that the General Managers of the member agencies met and discussed the Association taking the lead on developing and issuing a

Request for Proposal (RFP) for the preparation of a financial analysis associated with the cost of providing replacement water to the Antelope Valley, and after a brief discussion of the Antelope Valley Watermaster, of replacement water boundaries and costs, of imported water, and of the Phelan Piñon Hills well location and water rights, it was moved by Commissioner Thibault, seconded by Commissioner Mac Laren, and unanimously carried by all members of the Board of Commissioners present at the meeting to direct staff to prepare and issue an RFP for a Financial Analysis Associated with the Cost of Providing Replacement Water to the Antelope Valley.

11) Consideration and Possible Action on Amendment to the Association's Joint Powers Agreement for Office and Administrative Services Provided by the Member Agencies. (General Manager Knudson/Assistant General Manager Thompson II)

General Manager Knudson stated that an amendment to the Association's Joint Powers Agreement for office and administrative services will be presented for consideration at the next regular meeting.

12) Status Update on AVSWCA Strategic Water Plan Ad Hoc Committee Meetings. (Chair Parris)

Chair Parris stated that the approval of the MOU for the Big Rock Creek Joint Recharge Project is a big milestone to come from the Strategic Water Plan Ad Hoc Committee meetings, as well as the first joint member agency meeting that was held on February 15, 2018, and then recommended that the Ad Hoc Committee meet after every other Watermaster meeting beginning in June, 2018.

13) Report of General Manager.

a) Update on Antelope Valley Watermaster Meetings.

General Manager Knudson stated that the next Watermaster meeting will be held on April 25, 2018 at 10 a.m. at AVEK and that discussions will include approval of water transfers, order of water use, and pre-ramp down production for public water suppliers.

b) Update on Antelope Valley IRWMP Stakeholder Meetings.

General Manager Knudson stated that the Association should consider including the Big Rock Creek Joint Groundwater Recharge Project with the IRWMP update as a regional project to pursue Prop. 1 grant funding, and after a brief discussion, it was determined to include this item on the next regular meeting agenda for consideration.

c) Update on Fremont Basin IRWMP Stakeholder Meetings.

General Manager Knudson stated that the Fremont Basin IRWMP Project is in the final draft stage under review by the Stakeholders and the next meeting is scheduled for May 17, 2018.

14) Report of Controller.

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

Controller Hoffmeyer stated that Nigro & Nigro's final Audit Report for the Association's 2016/2017 audit will be presented at the next regular meeting for consideration of acceptance and filing; that the Association's bank account may be close to incurring monthly bank fees after payment of the U.S.G.S. invoice approved this evening; and that staff will present the draft 2018/2019 General Administrative Budget at a future meeting.

15) Reports of Commissioners.

Commissioner Thibault stated that he hopes the other member agencies understand LCID's financial position with the Big Rock Creek Joint Recharge Project and that LCID will support the Project in every way they can.

Chair Parris welcomed new LCID Alternate Commissioner Tenerelli.

Commissioner Mac Laren reported that she and local legislators recently took a trip to the Netherlands with the California Foundation on the Environment and she was able to discuss the impact that Senate Bill 998 would have on local water agencies, alternative ways of helping low income agencies and other political issues.

There were no further reports.

16) Report of Attorney.

There was no report.

17) Commission Members' Requests for Future Agenda Items.

It was determined that "Presentation on 2018 Home Show and SMART Water Expo," "Consideration and Possible Action on Amendment to the Association's Joint Powers Agreement for Office and Administrative Services Provided by the Member Agencies" and "Status Update on AVSWCA Strategic Water Plan Ad Hoc Committee Meetings" will remain on the next meeting agenda and that "Presentation on the Community Work Force Program," "Consideration and Possible Action on Acceptance and Filing of Audit for Year Ended June 30, 2017" and "Consideration and Possible Action on including the Big Rock Creek Joint Groundwater Recharge Project with the IRWMP Update" will be added to the next meeting agenda.

There were no further requests for future agenda items.

18) Consideration and Possible Action on Scheduling the Next Association Meeting.

After a brief discussion of the ACWA Spring Conference dates and of staff time cost savings with an earlier meeting start time, it was determined that the next regular meeting of the Association will be held on May 24, 2018 at 6:00 p.m. at Palmdale Water District.

19) Adjournment.

There being no further business to come before the Commissioners, the regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was adjourned at 6:50 p.m.


Secretary

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, MAY 24, 2018:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, May 24, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:30 p.m.

1) Roll Call.

Attendance:

Finance Committee:
Marco Henriquez, Chair
Robert Alvarado, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Bob Egan, Financial Advisor via Skype
Laura Gallegos, Public Affairs Specialist
Dawn Deans, Executive Assistant
0 members of the public

2) Adoption of Agenda.

Chair Henriquez requested Agenda Item No. 5.3 be tabled to the next Finance Committee meeting after which it was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as amended, removing Agenda Item No. 5.3.

3) Public Comments on Non-Agenda Items.

There were no public comments on non-agenda items.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held April 26, 2018.

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held April 26, 2018, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of April 2018. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of April 2018, including the balance increase due to assessments and interest income and then reviewed maturing CDs, the Rate Stabilization Fund, and the cash flow statement, including assessments received, a Department of Water Resources refund, and the projected year-end balance.

Chair Henriquez then requested the prior year's balances be shown on the investment funds report for future Board presentations.

Chair Henriquez then stated that Agenda Item No. 5.1 will now be considered.

5) Information Items.

5.1) Status of Debt Service Coverage. (Financial Advisor Egan)

Financial Advisor Egan stated that the Debt Service Coverage for the period of May 2017 through April 2018 is 1.83 and meets the required Debt Service Coverage.

Chair Henriquez then stated that Agenda Item No. 5.2 will now be considered.

5.2) Status on 2018 Water Revenue Bonds for Construction of Grade Control Structure for the Littlerock Sediment Removal Project and Other Capital Projects. (Finance Manager Williams/Financial Advisor Egan)

Finance Manager Williams stated that recent ratings calls were held to increase the District's bond ratings with S & P and Fitch; that legal documents for the 2018 Water Revenue Bonds are included in the agenda packet for the May 29, 2018 Regular Board Meeting; and that the District's issuance cost for the bonds is \$380,000.00 followed by discussion of the professionalism of the District's bond team, the final audit, the potential interest rate for the bonds, and the upcoming bid conference and bid date for construction of the grade control structure.

Chair Henriquez then stated that Agenda Item No. 4.3 will now be considered.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for April 2018. (Finance Manager Williams)

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending April 2018 and stated that most departments are operating at or below the targeted expenditure percentage of 33% and then provided an overview of the improved bad debt collection process available through the District's new billing software.

4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2018 Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and available funding sources.

4.5) Discussion of Increasing Deposits to the District's Rate Stabilization Fund. (Chair Henriquez/Finance Manager Williams)

Finance Manager Williams reviewed the District's Rate Stabilization Fund balance and the purpose of this Fund and stated that there is no benefit from increasing deposits to this Fund followed by discussion of considering this item later in the year for an update.

4.6) Consideration and Possible Action to Treat Littlerock Creek Irrigation District Emergency Repair Consistent With Billing Agreement With Antelope Valley State Water Contractors Association. (General Manager LaMoreaux)

General Manager LaMoreaux recommended that a future Mutual Aid Agreement be developed and circulated among the local water agencies and that the District charge Littlerock Creek Irrigation District only for time and materials for the District's assistance with their recent emergency repair consistent with the billing agreement with the Antelope Valley State Water Contractors Association, and after a further discussion of this option, it was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to charge Littlerock Creek Irrigation District for time and materials only for the District's assistance with their recent emergency repair in the amount of \$17,700.00.

General Manager LaMoreaux then recommended that the Antelope Valley State Water Contractors Association consider the development of a Mutual Aid Agreement or amend the existing Billing Agreement at a future meeting.

5) Information Items.

5.3) Other.

There were no further information items.

6) Board Members' Requests for Future Agenda Items.

Agenda Item No. 5.3) Sections 10.02: Application for Service and 10.03: Establishment of Credit of the District's Rules and Regulations. (Chair Henriquez/Finance Manager Williams) was tabled to the next Finance Committee meeting.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held June 21, 2018 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:20 p.m.


Chair