Since 1918

PALMDALE WATER DISTRICT

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Board of Directors

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Division 1

JOE ESTES
Division 2

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Division 3

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Division 4

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Division 5

ALESHIRE & WINDER LLP
Attorneys

June 4, 2015

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

Wednesday, June 10, 2015

7:00 p. m.

NOTE: 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.

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 CC, 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.

2) Roll Call.

3) Adoption of Agenda.

4) Public comments for non-agenda items.

5) Presentations:

5.1) None at this time.

6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)

6.1) Approval of minutes of regular meeting held May 27, 2015.

6.2) Payment of bills for June 10, 2015.

6.3) Approval of Statement of Work (SOW) between the District and Ernst & Young for 2015-2016 Procedures to be performed related to Department of Water Resources 2016 Statement of Charges. ($7,489.00 – Budgeted – 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 Palmdale Water District Rebate Programs. (Finance Manager Williams/PIO/Conservation Director McNutt/)

7.2) 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 2015 Budget:

a) None at this time.

8) Information Items:

8) Reports of Directors:

a) Meetings/General Report.

b) Standing Committee/Assignment Reports (Chair):
1) Facilities Committee
2) Personnel Committee

8.2) Report of General Manager.

8.3) Report of General Counsel.

9) Public comments on closed session agenda matters.

10) Closed session under:

10.1) Conference with Legal Counsel – Anticipated Litigation: A closed session will be held, pursuant to Government Code §54956.9(d)(2), because there is a significant exposure to litigation in one case.

10.2) Conference with Legal Counsel – Potential Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(4), to confer with District General Counsel regarding to determine whether to initiate litigation.

11) Public report of any action taken in closed session.

12) Board members' requests for future agenda items.

13) Adjournment.

Dennis D. LaMoreaux

DENNIS. D. LaMOREAUX, General Manager
DDL/dd

P A L M D A L E W A T E R D I S T R I C T

B O A R D M E M O R A N D U M

DATE: June 3, 2015 **June 10, 2015**

TO: BOARD OF DIRECTORS **Board Meeting**

FROM: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 6.3 – APPROVAL OF STATEMENT OF WORK (SOW) BETWEEN THE DISTRICT AND ERNST & YOUNG FOR 2015-2016 PROCEDURES TO BE PERFORMED RELATED TO DEPARTMENT OF WATER RESOURCES 2016 STATEMENT OF CHARGES.***

Recommendation:

Staff recommends approval of the Statement of Work (SOW) between the District and Ernst & Young for 2015-2016 procedures to be performed related to Department of Water Resources 2016 Statement of Charges in the not-to-exceed amount of $7,489.00.

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 2015-2016 SOW.

The cost to the District will range from $5,991.00 to $7,489.00 depending upon how many members of the IAA approve the SOW.

Strategic Plan Initiative:

Strategic Initiative No. 1 – Outstanding Water Management.

Budget:

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

Supporting Documents:

- Ernst & Young Statement of Work for FY 2015-2016

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Sacramento Office
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Roseville, CA 95661

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Fax: +1 916 218 1999
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May 29, 2015

RECEIVED
JUN 01 2015

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 2015-2016 Procedures to be performed related to the 2016 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and Palmdale Water District dated July 27, 2012, 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 Tamara Baptista, 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.

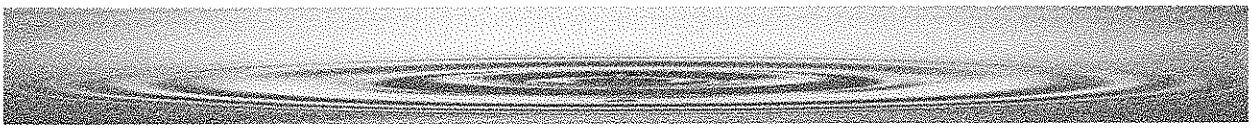
Very truly yours,

Joe Pirnik
Executive Director

Enclosures

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDIT ASSOCIATION



MEMORANDUM

Date: April 29, 2015

To: Members of the Independent Audit Association (IAA)

From: Tamara Baptista, IAA Secretary

Subject: Ernst and Young 2015/2016 State Water Project Professional Services Contract – Recommended Approval and Execution

Enclosed is the 2015/2016 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. In 2012, IAA Members approved the Master Services Agreement (MSA) with Ernst and Young which spans a period of 5 years, although, may be extended if mutually agreed upon. This is the fourth year of the MSA.

Each year the IAA coordinates with Ernst and Young to develop a SOW for professional services to be provided in that year per the MSA. The SOW is included by reference in the MSA, but it does not constitute an amendment to the MSA. To provide a more efficient annual approval process only the SOW will be addressed for approval each year.

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 2015/2016 SOW. If you have any questions, please contact me at (925) 454-5011 or tbaptista@zone7water.com.

Sincerely,

Tamara Baptista

Tamara Baptista
Zone 7 Water Agency

CC: Joe Pirnik, EY

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Statement of Work

This Statement of Work with the attached Exhibits, dated May 29, 2015 (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 July 27, 2012 (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 Statement of Work pursuant to the MSA. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings in the MSA, and references in the Agreement to "you" or "Client" shall be deemed references to you.

Scope of services

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 Independent Audit Association (IAA), for the twelve months ending June 30, 2016. With the exception of paragraph 25 of the MSA, which is replaced in its entirety by the following:

Unless prohibited by applicable law, we may provide Client Information to other EY Firms (which are listed at www.ey.com) and EY Persons, as well as external third parties providing services on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "Process") it in various jurisdictions in which they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative support services or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is processed on our behalf.

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 Ms. Tamara Baptista of the IAA Audit Contract Negotiating Committee dated April 29, 2015.

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)

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.

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 $466,000 for the twelve months ending June 30, 2016. 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 $466,000 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 $5,991 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, 2016, the maximum fees to your Agency will vary between the above-mentioned amount and

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$7,489, 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.

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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**
Dennis D. LaMoreaux	Joe Pirnik
Printed Name	**Printed Name**
General Manager	Executive Director
Title	**Title**
2029 E. Ave. Q Palmdale, CA 93550	Ernst & Young LLP Suite 300 2901 Douglas Boulevard Roseville, CA 95661
Address	**Address**
	May 29, 2015
Date	**Date**

Confidential - Ernst & Young Restricted

EXHIBIT A

I. SCOPE OF ENGAGEMENT

A-1 EY will work with the IAA, the State Water Contractors (SWC) Audit/Finance Committee, and any subcommittees thereof, and the Department of Water Resources (the Department) during the twelve months ending June 30, 2016 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 2015/2016 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.

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 Department of Water Resources 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, 2016 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, 2016, the Services will include the following procedures.

2015/2016 Procedures

The procedures for the fiscal year ended June 30, 2016 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 Independent Audit Association (IAA) for the State Water Contractors (the Contractors) to be performed for the 2016 Statement of Charges (SOC) engagement:

Primary Procedures (Items 1-6)

1. Alpha Allocation Cycles

Risk:

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

Risk Factors:

- Potential for outdated alpha allocation cycles and/or project activities have changed.
- Project Managers possible lack of understanding of alpha allocation cycle when choosing how project costs will be allocated.
- Lack of communication between Project Managers and SWPAO.
- Current changes/updates that are being made by the Department.

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 for testing.
- Review costs being posted to selected alpha cost centers for reasonableness 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.

2. Delta Water Charge

Risk:

- Costs or credits in the Delta Water Charge may be inappropriate, incomplete or miscalculated.

Risk Factors:

- Calculation of the Delta Water Charge is a manual process.
- Reclassifications that occur can lead to double counting of costs.
- Charge represents large portion of costs.
- Charges highly impacted by future estimates which are subjective and judgmental.
- Misallocation of costs/credits between the Delta Water Charge and the Variable OMP&R.

Areas of Focus:

- Recalculate the Delta Water Charge used in the Statement of Charges.
- For prior year actual costs included in the calculation, compare costs in SAP to the Department's calculation and investigate variances over $100K.
- Obtain an understanding of future estimates included in the calculation and perform appropriate procedures to test the reasonableness of such estimates.
- Test the Hyatt-Thermalito credit to the Delta Water Charge to ensure it is appropriate.

3. System Power Costs – Variable Transportation

Risk:

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

Risk Factors:

- Calculation of power allocation factors is a manual process.
- Contractors' total water deliveries, which are the basis of power usage, are preliminary amounts.
- Invoices are improperly allocated to system power costs.
- Lack of controls in reconciling information to SAP.
- Prior/current year costs are not "settled" until current/subsequent year(s).

Areas of Focus:

- Vouch power costs and power revenues from SAP greater than $500K and test the appropriate classification of costs.
- Reconcile the 2014 PALPOC to UCABS (SAP). Recalculate appropriate inputs to the 2014 PALPOC (e.g., VORG credits, direct-to-plant transmission, etc.).
- Recalculate the 2014 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost components for 2014 for the five Contractors selected (to be provided by the IAA).

4. Statement of Charges (SOC) Testing

Risk:

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

Risk Factor:

- Statement of Charges do not reflect amounts billed by the Department causing incorrect billings during the charge year.

Areas of Focus:

- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-15 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.
- Test the BDCP charges added to the Contractors' minimum components.
- Comparison of the current year SOC Attachments to the prior year SOC Attachments.
- Reasonableness of manual adjustments.
- Testing appropriateness of actual costs charged to various areas of the project.
- Test factors for distributing reach capital and minimum costs amount Contractors.

5. Debt Service Procedures

Risk:

- Incorrect bond debt service charged to the Contractors.

Risk Factor:

- Amount billed could be different than amount due for principal and interest.
- WSRB Surcharge calculation is a manual process.

Areas of Focus:

- Reconcile any new bond offerings to the Debt Service Schedules
- Review the reconciliation of bond debt service costs
- Obtain the 2015 WSRB rebill and 2016 WSRB calculations and review that calculations were performed in accordance with the agreed upon method between the Contractors and the Department.

6. Transportation Minimum Future Estimates

Risk:

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

Risk Factor:

- Budgeted amounts may differ materially from the costs actually charged.
- Estimated amounts may not reflect updates of State Water Project facility changes.

Areas of Focus:

- Gain an understanding from the Department of the new process for calculating the transportation minimum future estimates.
- Obtain support for the transportation minimum future estimates and reconcile support to the SOC.
- Recalculate the transportation minimum component using the future estimates tested.
- Test the future estimates by agreeing the estimates to supporting schedules, budgets, etc.
- Obtain support for any extraordinary projects included in the future estimates and assess their appropriateness.
- Understand the Department's method for incorporating identified variances in prior period's budget vs. actual costs into the current year estimates.

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. New and Changed Master Data

Risk:

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

Risk Factors:

- Lack of review by SWPAO
- 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.
- Lack of communication between Project Manager and SWPAO.

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, determine if functional area, recovery, and funding are appropriate.

8. Rate Management Credits:

Risk:

- 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 Factor:

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

Areas of Focus:

- Obtain the rate management allocation schedule used for the 2015 Statement of Charges Rebill and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and perform detailed testing of a sample of the largest amounts.
- Compare the figures selected for testing to the future forecasts, and investigate any significant differences.

II. FEES FOR EY SERVICES

A-2. Total fees for Exhibit A services performed by EY will not exceed $466,000 (or 3,000 hours), 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:

Agency	Maximum fee for each agency, provided all agencies listed below enter into agreements with EY	Maximum fee for each agency, provided 80% of agencies listed below enter into agreements with EY	Percent of total
Alameda County Flood Control and Water Conservation District, Zone No. 7	$ 22,673	$ 28,341	4.9%
Alameda County Water District	11,813	14,766	2.5
Antelope Valley-East Kern Water Agency	40,738	50,923	8.7
Casitas Municipal Water District	5,625	7,031	1.2
Castaic Lake Water Agency	26,775	33,469	5.7
Central Coast Water Authority	12,793	15,991	2.7
City of Yuba City	2,700	3,375	0.6
Coachella Valley Water District	38,911	48,639	8.4
County of Kings	2,617	3,270	0.6
Crestline-Lake Arrowhead Water Agency	1,631	2,038	0.4
Desert Water Agency	15,680	19,600	3.4
Dudley Ridge Water District	12,755	15,944	2.7
Empire West Side Irrigation District	844	1,055	0.2
Kern County Water Agency	116,500	145,625	25.0
Littlerock Creek Irrigation District	647	809	0.1
Mojave Water Agency	24,131	30,164	5.2
Napa County Flood Control and Water Conservation District	8,163	10,204	1.8
Palmdale Water District	5,991	7,489	1.3
San Bernardino Valley Municipal Water District	28,857	36,071	6.2
San Gabriel Valley Municipal Water District	8,100	10,125	1.7
San Gorgonio Pass Water Agency	4,866	6,083	1.0
San Luis Obispo County Flood Control and Water Conservation District	7,031	8,789	1.5
Santa Clara Valley Water District	28,125	35,156	6.0
Solano County Water Agency	13,432	16,790	2.9
Tulare Lake Basin Water Storage District	24,602	30,753	5.3
Total	$ 466,000		100%

V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

August 1, 2015 Billing	September 1, 2015 Billing	October 1, 2015 Billing	November 1, 2015 Billing	December 1, 2015 Billing	Total Billing
$1,797	$1,198	$1,198	$1,198	$600	$5,991

EXHIBIT B

I. OTHER CONSULTING SERVICES

EY shall, during the twelve months ending June 30, 2016, 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 325 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2016. Any part of the $50,000 which is unused shall not be billed.

Agency	Maximum fee for each agency, provided all agencies listed below enter into agreements with EY	Percent of total
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 Gorgonio 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	2,640	5.3
Total	$ 50,000	100%

EXHIBIT C

I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2016, 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, 2016 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 May 29, 2015 (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 May 29, 2015 (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 July 27, 2012. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings in the MSA, and references in the Agreement to "you" or "Client" shall be deemed references to you.

Scope of services

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, 2016. With the exception of paragraph 25 of the MSA, which is replaced in its entirety by the following:

Unless prohibited by applicable law, we may provide Client Information to other EY Firms (which are listed at www.ey.com) and EY Persons, as well as external third parties providing services on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "Process") it in various jurisdictions in which they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative support services or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is processed on our behalf.

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: _____

P A L M D A L E W A T E R D I S T R I C T

B O A R D M E M O R A N D U M

DATE:	June 3, 2015	**June 10, 2015**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Mike McNutt, PIO/Conservation Director	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 7.1 – CONSIDERATION AND POSSIBLE ACTION ON PALMDALE WATER DISTRICT REBATE PROGRAMS***	

Recommendation:

Staff recommends the Board of Directors consider altering the District's current rebate programs and options to better suit the current needs of the community and to strengthen water conservation initiatives. This includes restructuring the Cash for Grass Program to promote an incentive based approach to reducing water consumption. Additionally, the interior Rebate options should continue to be available to our customers (i.e. low-flow toilets, high efficiency washing machines) if funding can be found to continue the promotion of these customer options.

Alternative Options:

Not supporting this initiative and staying with the status quo.

Impact of Taking No Action:

Creating a negative public image demonstrating an abandonment of the community during a crisis due to lack of funds in the 2015 budget and the inability to transfer funds from another under-budgeted account line item. Cash for Grass applications ceased to be accepted May 31, 2015 due to a lack of adequate funding for the program.

Background:

The restructuring of the Cash for Grass (C4G) Program to an incentive based approach would promote water conservation while eliminating continued watering during summer months when outdoor watering is at its peak. While we have no funding to continue the program at this time, the possible restructuring of the C4G Program would allow for residents who want to take part in the program to submit a new application based on the "new" criteria and discontinue water usage on their lawns now.

The new criteria could be as follows:

The District would take the average of the highest water usage months from the years 2013-2014 (June – September) and compare that average to the reduction found from the same months in the year 2015. Currently, the C4G Program has a sliding scale of $0.50 - $2.00 per sq./ft. depending on the quality of the lawn. The new plan criteria could incentivize the customer in a similar fashion but use a percentage in water consumption reduction as the criteria for the rebate. A 10% reduction = $0.50, 20% = $1.00, 30% = $1.50, and 40% = $2.00.

The District could accept new applications with the understanding that the Program will stay in a state of paralysis until funding becomes available. The applications will be recorded and filed in the order they are received so as to be fair when the Program can begin again.

Additional rebate options should still be made available from the District with the exception of the Smart Controllers and MP Rotators. We are asking the community to stop watering, or severely limit, outdoor landscaping, so it is best to discontinue the promotion of outside watering mechanisms. The District may also want to consider adding additional items, such as pool covers and instant hot water tanks, to the rebate program as they promote water savings.

Strategic Plan Initiative:

This work is part of Strategic Initiative #1 by encouraging the maintenance of reserves and encourage conservation through education and Strategic Initiative #5 by implementing best management practices to conserve water.

Budget:

This is under Budget Item No. 1-07-4190-400. The budget line item began with $236,569.95 in 2015. To date, this line item has committed -$7,285.61 over the original budget allocation.

MINUTES OF MEETING OF THE FACILITIES COMMITTEE OF THE PALMDALE WATER DISTRICT, MAY 7, 2015:

A meeting of the Facilities Committee of the Palmdale Water District was held Thursday, May 7, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Estes called the meeting to order at 8:22 a.m.

1) Roll Call.

Attendance:	**Others Present:**
Facilities Committee:	Matt Knudson, Assistant General Manager
Joe Estes, Chair	Mike Williams, Finance Manager
Vincent Dino, Committee Member	Tim Moore, Facilities Manager
	Kelly Jeters, Systems Supervisor
	Dawn Deans, Executive Assistant
	0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dino, seconded by Chair Estes, and unanimously carried to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Regular Meeting Held April 6, 2015.

It was moved by Committee Member Dino, seconded by Chair Estes, and unanimously carried to approve the minutes of the Facilities Committee meeting held April 6, 2015, as written.

4.2) Discussion and Possible Action on Proposal Received From Itzen Architects for Next Phase of Office Remodel. (Itzen Architects/General Manager LaMoreaux)

Assistant General Manager Knudson reviewed the proposal received from Itzen Architects to develop a detailed design and construction cost estimate for the next phase of the office remodel in the amount of $22,000.00, and after a brief discussion of additional engineering services and of the 2015 Budget, it was moved by Committee Member Dino, seconded by Chair Estes, and unanimously carried that the Committee concurs with staff's recommendation to develop an amendment to the existing agreement with Itzen Architects for the next phase of the office remodel and that this amendment be presented to the full Board for consideration.

4.3) Discussion of Automobile Charging Station. (Assistant General Manager Knudson)

Assistant General Manager Knudson stated that grant funding for automobile charging stations from the Air Quality Management District will not be available until the end of 2015 and that a grant program application will be submitted for this funding followed by a brief discussion of grant funding, options, costs, electricity charges, and security for automobile charging stations and discussion of the District's wind and solar facilities and future wind and solar projects.

5) Information Items.

5.1) Status Report on All 2015 Budgeted Projects Including Timelines, Milestones, Project Manager, and if the Project is on Schedule. (Chair Estes)

Assistant General Manager Knudson stated that a detailed review of the 2015 Project Schedule for all budgeted projects and annual tasks was presented at the last Committee meeting and then provided a brief update on several projects after which Facilities Manager Moore stated that the valve truck will be under budget, new trucks have been received, and it was determined to view the new trucks after the meeting; Finance Manager Williams stated that the kiosk has been received and will be installed after testing; and Systems Supervisor Jeters stated that the new SCADA system is fully functional.

5.2) Status on Area-wide Wi-Fi System in Conjunction With Other Local Agencies. (General Manager LaMoreaux)

Assistant General Manager Knudson stated that a meeting regarding an area-wide Wi-Fi system was held between the District, the City of Palmdale, the Palmdale School

District, the Antelope Valley Union High School District, the Palmdale Sheriff's Department, and IBEW Local Union 11; that the Palmdale School District Superintendent provided an overview of their vision for this system; and that concerns regarding existing Wi-Fi contracts and carriers were discussed and tasks assigned for discussion at the next meeting.

5.3) Other.

Assistant General Manager Knudson stated that periodically the District needs electrical engineering assistance and has contacted Carollo Engineers, who have provided this assistance at no charge; that staff proposes an agreement be entered into with Carollo Engineers for this assistance in the not-to-exceed amount of $10,000.00 for a twelve-month period; and that if the Committee concurs, this agreement will be presented to the Committee at a future date for consideration, and after a further discussion, the Committee concurred with staff's recommendation.

There were no additional information items.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

It was stated that the next Facilities Committee meeting will be held June 4, 2015 at 8:15 a.m.

7) Adjournment.

There being no further business to come before the Facilities Committee, the meeting was adjourned at 9:02 a.m.

Chair