

PALMDALE RECYCLED WATER AUTHORITY (PRWA)

REGULAR MEETING AGENDA NO. 10 OF THE PALMDALE RECYCLED WATER AUTHORITY (PRWA)

to be held at

**CITY OF PALMDALE
38300 SIERRA HIGHWAY
PALMDALE, CALIFORNIA
FEBRUARY 19, 2014
7:00 P.M.**

www.cityofpalmdale.org
www.palmdalewater.org

WELCOME

NOTE: Materials related to an item on this agenda submitted to the Palmdale Recycled Water Authority Board of Directors, or after distribution of the agenda packet, are available for public inspection at the City of Palmdale City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California, and at the Palmdale Water District, located at 2029 East Avenue Q, Palmdale, California, during normal business hours and will also be available at the meeting. Those items provided by others at the meeting will be available at City Hall during normal business hours.

A **three-minute time limit** will be imposed on all speakers other than staff members.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Palmdale Water District at least 48 hours prior to the meeting.

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

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

1. **CALL TO ORDER.**
2. **ADMINISTERING OF OATH OF OFFICE TO APPOINTED DIRECTORS.**
(Staff Reference: Authority Counsel Ciampa)
3. **ROLL CALL:** Directors James C. Ledford, Jr., Laura Bettencourt, Kathy Mac Laren, Robert Alvarado, and Helen Velador
4. **PLEDGE OF ALLEGIANCE.**
5. **WAIVER OF FULL READING OF RESOLUTION(S).**

Motion: Move to waive full reading of the Resolution(s) to be considered and voted on at this meeting. (**Vote by Roll Call** – requires a majority to waive)

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

7. **CONSENT CALENDAR:**

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

- 7.1. Approve Resolution PRWA 2014-001 Amending and Restating the PRWA Conflict of Interest Code. (Staff Reference: Authority Counsel Ciampa)
- 7.2. Approve the minutes from the previous meeting held on November 20, 2013. (Staff Reference: Secretary Deans/Acting Secretary Henry)
- 7.3. Approve receipt and filing of the Treasurer's Report for the year ended December 31, 2013 and for the month ended January 31, 2014. (Staff Reference: Treasurer/Auditor Johnston)

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

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

9. ACTION CALENDAR:

9.1. Consideration and possible action on the Authority's 2014 budget. (Staff Reference: Assistant Executive Director Mischel)

Staff Recommendation: Move to approve the 2014 budget as presented. (**Vote by Roll Call** – requires a majority to approve, and, per Section 4.9(e) of the Authority's Joint Exercise of Powers Agreement, the affirmative vote of at least one director from each member agency)

9.2. Consideration and possible action on proposal received for preparation of 2013, 2014, and 2015 annual audits. (Staff Reference: Treasurer/Auditor Johnston)

Staff Recommendation: Move to approve the auditing services proposal from Vavrinek, Trine, Day & Co., LLP for preparation of 2013, 2014, and 2015 audits in the total not-to-exceed amount of \$26,273. (**Vote by Roll Call** – requires a majority to approve)

10. PUBLIC COMMENTS: This portion of the agenda allows an individual the opportunity to address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

11. SPECIAL REPORT:

11.1. Presentation by Carollo Engineers regarding draft Palmdale Recycled Water Authority Recycled Water Master Plan. (Staff Reference: Executive Director LaMoreaux)

12. INFORMATIONAL REPORTS OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR.

13. ANNOUNCEMENT OF NEXT REGULAR MEETING DATE.

14. ADJOURNMENT.

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**PALMDALE RECYCLED  
WATER AUTHORITY**

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

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**DATE:** February 11, 2014 February 19, 2014  
**TO:** BOARD OF DIRECTORS Board Meeting  
**FROM:** James Ciampa, Authority Counsel, PRWA  
**VIA:** Mr. Dennis LaMoreaux, Executive Director, PRWA  
**RE:** *AGENDA ITEM NO. 7.1 - APPROVE RESOLUTION PRWA 2014-001  
AMENDING AND RESTATING THE PRWA CONFLICT OF INTEREST CODE*

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**Recommendation:**

Palmdale Recycled Water Authority (PRWA) staff recommends adoption of Resolution PRWA 2014-001 amending and restating the PRWA Conflict of Interest Code.

**Background:**

PRWA previously adopted its Conflict of Interest Code by adopting Resolution PRWA 2013-001, and amended that Conflict of Interest Code by adoption of Resolution PRWA 2013-016 at the November 20, 2013 PRWA Board of Directors' meeting.

On February 10, 2014, PRWA's counsel received a communication from the Administrative Office of the Los Angeles County Board of Supervisors recommending that a revised Conflict of Interest Code be adopted by PRWA. That revised code is set forth in Appendix 1 to the attached proposed resolution.

The primary difference between PRWA's existing Conflict of Interest Code and the proposed restated code is that disclosure category 4 in Exhibit A of the proposed restated code is newly added. That addition results in two further changes to the designated positions' required disclosure categories set forth in Exhibit B of the proposed restated code. Also, the proposed restated code incorporates the Fair Political Practices Commission's Model Code completely by reference to the applicable regulation and does not require the attachment of that regulation.

**Financial Impact:**

There is no financial impact.

**Supporting Documents:**

Proposed Resolution PRWA 2014-001

## RESOLUTION PRWA 2014-001

### A RESOLUTION OF THE PALMDALE RECYCLED WATER AUTHORITY AMENDING AND RESTATING ITS CONFLICT OF INTEREST CODE

WHEREAS, The Palmdale Recycled Water Authority (“Authority”) has previously adopted a conflict of interest code as required by The Political Reform Act, Government Code Section 81000, et seq.; and

WHEREAS, The Authority has recently received communication from the Administrative Office of the Los Angeles County Board of Supervisors recommending that a revised conflict of interest code be adopted; and

WHEREAS, the Authority has determined that its conflict of interest code requires further amendment to conform to the conflict of interest code recommended by the Administrative Office of the Los Angeles County Board of Supervisors; and

WHEREAS, The Authority desires to amend and restate its conflict of interest code by replacing its current conflict of interest code, adopted by Resolution PRWA 2013-001 and amended by Resolution PRWA 2013-016.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. Resolution PRWA 2013-001 and Resolution PRWA 2013-016 are repealed in their entirety.

Section 2. The Fair Political Practices Commission has adopted a Model Conflict of Interest Code (“Model Code”). As authorized by applicable law, the Model Code, codified at 2 California Code of Regulations Section 18730, is hereby incorporated by reference by the Authority into its conflict of interest code, in the form attached hereto as Appendix 1. That Model Code will be amended by the Fair Political Practices Commission from time to time to conform to amendments to the Political Reform Act.

Section 3. The Authority hereby adopts the conflict of interest code in the form attached hereto as Appendix 1 and fully incorporated by this reference as the Authority’s conflict of interest code.

Section 4. Exhibit “A” to the Authority’s conflict of interest code shall set forth the disclosure categories for the Authority.

Section 5. Exhibit “B” to the Authority’s conflict of interest code shall set forth the designated positions and applicable disclosure categories for each position of the Authority.

Section 6. Persons holding designated positions listed in Exhibit "B" shall file Statements of Economic Interest pursuant to the conflict of interest code with the information required for the disclosure category assigned to them. The Statements of Economic Interest shall be filed with the Clerk of the Authority. The Clerk of the Authority shall retain the original Statements of Economic Interest as required by law, and shall make such documents available for public inspection and reproduction.

Section 7. The Clerk of the Authority shall certify to the passage and adoption of this Resolution and direct this conflict of interest code to the Los Angeles County Board of Supervisors, the Authority's code reviewing body, for review and approval.

PASSED, APPROVED and ADOPTED this 19th day of February, 2014, by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_ ABSTAIN: \_\_\_\_\_

\_\_\_\_\_  
James C. Ledford, Jr.,  
Chair

ATTEST:

\_\_\_\_\_  
Danielle Henry,  
Acting Authority Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
James D. Ciampa,  
Authority Counsel

## **APPENDIX 1**

### Conflict of Interest Code of the

#### **PALMDALE RECYCLED WATER AUTHORITY**

#### Incorporation of FPPC Regulation 18730 (2 California Code of Regulations, Section 18730) by Reference

The Political Reform Act (Government Code Section 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated into the conflict of interest code of this agency by reference. This regulation and the attached Appendices (or Exhibits) designating officials and employees and establishing economic disclosure categories shall constitute the conflict of interest code of this agency.

#### Place of Filing of Statements of Economic Interests

All officials and employees required to submit a statement of economic interests shall file their statements with the agency head; or his or her designee. The agency shall make and retain a copy of all statements filed by its Board of Directors and the Executive Director, and forward the originals of such statements to the Executive Office of the Board of Supervisors of Los Angeles County.

The agency shall retain the originals of statements for all other Designated Positions named in the agency's conflict of interest code. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).

# **PALMDALE RECYCLED WATER AUTHORITY**

## **EXHIBIT "A"**

### **CATEGORY 1**

Persons in this category shall disclose all interest in real property within the jurisdiction of the Palmdale Recycled Water Authority. Real Property shall be deemed to be within the jurisdiction if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction or within two miles of any land owned or used by the Palmdale Recycled Water Authority. Persons are not required to disclose property used primarily as their residence.

### **CATEGORY 2**

Persons in this category shall disclose all investments, and all business positions.

### **CATEGORY 3**

Persons in this category shall disclose all income, (including gifts, loans and travel payments).

### **CATEGORY 4**

Persons in this category shall disclose all business positions, investments in, and income (including gifts, loans and travel payments) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by the agency and associated with the job assignment of designated positions assigned to this disclosure category.

### **CATEGORY 5**

Individuals who perform under contract the duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interest in the categories assigned to that designated position.

In addition, individuals who, under contract, participate in decisions which affect financial interests by providing information, advice, recommendation or counsel to the agency which could affect financial interest shall be required to file Statements of Economic Interests, unless they fall within the Political Reform Act's exceptions to the definition of consultant. The level of disclosure shall be as determined by the executive officer of the agency. (See footnote in Exhibit "B" for clarification.)

**PALMDALE RECYCLED WATER AUTHORITY**

**EXHIBIT "B"**

| <b><u>Designated Positions</u></b> | <b><u>Disclosure Categories</u></b> |
|------------------------------------|-------------------------------------|
| Board of Directors                 | 1, 2, 3                             |
| Executive Director                 | 1, 2, 3                             |
| Assistant Executive Director       | 1, 2, 3                             |
| Authority Attorney                 | 1, 2, 3                             |
| Assistant Authority Attorney       | 1, 2, 3                             |
| Finance Director/Auditor           | 2, 3                                |
| Consultant/New Positions*          | 5                                   |

\*Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitations:

The Executive Director or his or her designee may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. The Executive Director or his or her designee's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Section 81008.)

**EFFECTIVE: February 20, 2014**

**PALMDALE RECYCLED  
WATER AUTHORITY  
BOARD MEMORANDUM**

**DATE:** February 12, 2014 **February 19, 2014**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Karen Johnston, Treasurer-Auditor, PRWA  
**VIA:** Mr. Dennis LaMoreaux, Executive Director, PRWA  
**RE:** **AGENDA ITEM NO. 7.3 – TREASURER’S UNAUDITED ANNUAL  
FINANCIAL REPORT FOR YEAR ENDED DECEMBER 31, 2013**

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**Recommendation:**

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the year ended December 31, 2013.

**Background:**

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

**Financial Impact:**

The PRWA has \$181,184.12 in the bank as of December 2013. During the 2013 year the PRWA earned \$34.81 in interest and paid invoices totaling \$18,850.69 in expenditures. PRWA has unpaid invoices due of \$43,294.60 as of December 31, 2013.

**Supporting Documents:**

Unaudited Financial Reports for year ended December 2013.

**Palmdale Recycled Water Authority**  
Statement of Net Position  
For the Year Ended December 31, 2013

**ASSETS**

|                 |                      |
|-----------------|----------------------|
| Current Assets: |                      |
| Cash in Bank    | <u>\$ 181,184.12</u> |
| Total Assets    | <u>181,184.12</u>    |

**LIABILITIES**

|                      |                  |
|----------------------|------------------|
| Current Liabilities: |                  |
| Accounts payable     | <u>43,294.60</u> |
| Total Liabilities    | <u>43,294.60</u> |

**NET POSITION**

|                                    |                      |
|------------------------------------|----------------------|
| Unrestricted                       | <u>137,889.52</u>    |
| Total Net Position                 | <u>137,889.52</u>    |
| Total Liabilities and Net Position | <u>\$ 181,184.12</u> |

**Palmdale Recycled Water Authority**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2013

**OPERATING REVENUES**

|                                       |                   |
|---------------------------------------|-------------------|
| Palmdale Water District Contributions | \$ 100,000.00     |
| City of Palmdale Contributions        | 100,000.00        |
| Water Sales                           | -                 |
| Meter Fees                            | -                 |
| Developer/Capacity Fees               | -                 |
| Grants                                | -                 |
|                                       | <hr/>             |
| Total Operating Revenues              | <u>200,000.00</u> |

**OPERATING EXPENSES**

|                                        |                  |
|----------------------------------------|------------------|
| Contract Services-Engineering Services | 51,596.73        |
| Marketing and Outreach                 | 1,496.39         |
| Utilities-Water                        | 9,052.17         |
|                                        | <hr/>            |
| Total Operating Expenses               | <u>62,145.29</u> |

**NON-OPERATING REVENUE**

|                                |                             |
|--------------------------------|-----------------------------|
| Interest Earnings              | <u>34.81</u>                |
| Total Non-Operating Revenue    | <u>34.81</u>                |
| Net Income                     | 137,889.52                  |
| Net Position-Beginning of Year | <hr/> -                     |
| Net Position-End of Year       | <u><u>\$ 137,889.52</u></u> |

# PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

**DATE:** February 12, 2014 **February 19, 2014**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Karen Johnston, Treasurer-Auditor, PRWA  
**VIA:** Mr. Dennis LaMoreaux, Executive Director, PRWA  
**RE: AGENDA ITEM NO. 7.3 – TREASURER’S REPORT FOR JANUARY 2014**

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## **Recommendation:**

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the month ended January 30, 2014.

## **Background:**

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

## **Financial Impact:**

The PRWA has \$142,003.60 in the bank as of January 2014. During the month of January the PRWA paid invoices totaling \$3,155.42 in expenditures. PRWA has unpaid invoices due of \$7,269.50 as of January 30, 2013.

## **Supporting Documents:**

January 2014 Treasurer’s Report.

**Palmdale Recycled Water Authority  
Treasurer's Report  
Month Ended January 30, 2014**

**Cash/Funds Available and held at Bank of America:**

|                    |                   |                            |
|--------------------|-------------------|----------------------------|
| Balance, beginning |                   | \$145,159.02               |
| Deposits:          | Interest Earnings | 0.00                       |
| Expenditures       |                   | 3,155.42                   |
| Balance, ending    |                   | <u><u>\$142,003.60</u></u> |

**Expenditures:**

|                                                    |                        |
|----------------------------------------------------|------------------------|
| Wateruse Association, 2014 Membership Dues         | 2,552.37               |
| Rackspace, Hosting Service (Monitoring & Firewall) | 603.05                 |
| Total Expenditures                                 | <u><u>3,155.42</u></u> |

**Accounts Payable:**

|                                                                 |                        |
|-----------------------------------------------------------------|------------------------|
| Carollo Engineers, Professional Services from July to Sept 2013 | 7,269.50               |
| Total Accounts Payable                                          | <u><u>7,269.50</u></u> |

**PALMDALE RECYCLED  
WATER AUTHORITY  
BOARD MEMORANDUM**

**DATE:** February 12, 2014 **February 19, 2014**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Michael Mischel, Assistant Executive Director, PRWA  
**VIA:** Mr. Dennis LaMoreaux, Executive Director, PRWA

**RE: AGENDA ITEM NO. 9.1 – CONSIDERATION AND POSSIBLE ACTION ON THE  
AUTHORITY’S 2014 BUDGET**

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**Recommendation:**

Palmdale Recycled Water Authority (PRWA) staff recommends approving the proposed 2014 budget as presented in the 2014 Budget Document.

**Background:**

A part of the Palmdale Recycled Water Authority’s duties is to create an annual operating budget. The proposed 2014 Budget highlights revenue from water sales, member contributions, and interest. The budget also outlines expenditures such as consultant services, training, and recycled water purchases.

Due to the possibility of state and federal grants for the current state of drought, staff recommends preparing for the design of the second phase of the Authority’s backbone system by hiring a consultant to provide preliminary engineering reports/designs after the master plan is complete and adopted. This preliminary design will enable the Authority to advance to the final design stage of the second phase of the backbone.

**Financial Impact:**

Transfers from the member agencies of \$100,000 each will provide for reserves for the Authority for future studies and preliminary engineering reports. As set forth in the attached budget document, the 2014 budget indicates proposed 2013 carryover of \$129,324, 2013 water sales revenue of \$15,500, \$200,000 in contributions, and expenditures of \$120,268, results in a budget balance of \$216,556.

**Supporting Documents:**

Proposed 2014 Budget.

# Palmdale Recycled Water Authority

## Proposed Budget

Palmdale Recycled Water Authority

| Date Modified             | 02/12/2014    | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2014<br/>Proposed</b> | <b>2015<br/>Projected</b> |
|---------------------------|---------------|------------------------|------------------------|--------------------------|---------------------------|
| <b>Org</b>                | <b>Object</b> | <b>Revenues:</b>       |                        |                          |                           |
|                           |               |                        |                        | \$ 129,324               | \$ 216,556                |
|                           |               | Carryover              |                        |                          |                           |
| 7151595                   | 499400        | \$ 100,000             | \$ 100,000             | \$ 100,000               | \$ -                      |
| 7151595                   | 499401        | \$ 100,000             | \$ 100,000             | \$ 100,000               | \$ -                      |
| 7151595                   | 451110        | \$ -                   | \$ 20                  | \$ -                     | \$ -                      |
| 7151595                   | 499402        | \$ 17,000              | \$ -                   | \$ 15,500                | \$ -                      |
| 7151595                   | 499403        | \$ 3,000               | \$ -                   | \$ -                     | \$ -                      |
| 7151595                   | 499404        | \$ 60,000              | \$ -                   | \$ -                     | \$ -                      |
| <b>Total Revenue</b>      |               | <u>\$ 280,000</u>      | <u>\$ 200,020</u>      | <u>\$ 344,824</u>        | <u>\$ 216,556</u>         |
| <b>Expenditures:</b>      |               |                        |                        |                          |                           |
| 7151595                   | 721410        | \$ -                   | \$ -                   | \$ 8,500                 | \$ -                      |
| 7151595                   | 711000        | \$ 5,000               | \$ -                   | \$ 3,000                 | \$ -                      |
| 7151595                   | 735100        | \$ 1,000               | \$ -                   | \$ 500                   | \$ -                      |
| 7151595                   | 710000        | \$ 10,000              | \$ -                   | \$ 5,000                 | \$ -                      |
| 7151595                   | 725200        | \$ 6,000               | \$ 2,552               | \$ 5,000                 | \$ -                      |
| 7151595                   | 722345        | \$ 1,000               | \$ 1,496               | \$ 6,000                 | \$ -                      |
| 7151595                   | 721960        | \$ 140,000             | \$ 51,399              | \$ 75,268                | \$ -                      |
| 7151595                   | 721960        | \$ -                   | \$ -                   | \$ -                     | \$ -                      |
| 7151595                   | 729100        | \$ 15,000              | \$ 15,248              | \$ 25,000                | \$ -                      |
| 7151595                   | 731700        | \$ 8,000               | \$ -                   | \$ -                     | \$ -                      |
| <b>Total Expenditures</b> |               | <u>\$ 186,000</u>      | <u>\$ 70,696</u>       | <u>\$ 128,268</u>        | <u>\$ -</u>               |
| <b>Net Income (Loss)</b>  |               | <u>\$ 94,000</u>       | <u>\$ 129,324</u>      | <u>\$ 216,556</u>        | <u>\$ 216,556</u>         |

**PALMDALE RECYCLED  
WATER AUTHORITY  
BOARD MEMORANDUM**

**DATE:** February 12, 2014 **February 19, 2014**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Karen Johnston, Treasurer-Auditor, PRWA  
**VIA:** Mr. Dennis LaMoreaux, Executive Director, PRWA  
**RE:** **AGENDA ITEM NO. 9.2 CONSIDERATION AND POSSIBLE ACTION ON PROPOSAL RECEIVED FOR PREPARATION OF 2013, 2014, AND 2015 ANNUAL AUDITS.**

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**Recommendation:**

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to consider and approve auditing services proposal by and between PRWA and Vavrinek, Trine, Day & Co., LLP for the audit of the PRWA and annual filing of the State Controllers Special Districts Financial Transactions Report and authorize the Executive Director to execute an agreement for the service.

**Background:**

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and Government Code Section 6505, the Treasurer shall contract with a certified public accountant to make an annual audit of the records of the PRWA and the minimum requirements of the audit shall be those prescribed by the Controller for special districts under Section 26909 and conform to generally accepted auditing standards.

**Financial Impact:**

The three-year proposal shall not exceed \$26,273, as follows: 2013 Annual Audit, \$8,500, 2014 Annual Audit, \$8,755, and 2015 Annual Audit, \$9,018. These fees are for the Palmdale Recycled Water Authority annual audit report and annual filing of the State Controllers Special Districts Financial Transactions Report. The fees are in-line with the cost of audit services, are included with the normal budget process.

**Supporting Documents:**

Vavrinek, Trine, Day & Co. audit services proposal.

# Palmdale Recycled Water Authority, California

Proposal to Provide Independent  
Auditing Services for the  
Years Ending December 31, 2013, 2014 and 2015

Submitted by:

VAVRINEK, TRINE, DAY & CO., LLP

8270 Aspen Street  
Rancho Cucamonga, CA 91730  
(909) 466-4410 Fax: (909) 466-4431

Contact:

Roger Alfaro, Partner  
ralfaro@vtdcpa.com

or

Kevin Pulliam, Partner  
kpulliam@vtdcpa.com

February 11, 2014



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*



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February 11, 2014

Karen Johnston  
City of Palmdale  
38300 North Sierra Highway, Suite D  
Palmdale, CA 93550-4798

Dear Ms. Johnston:

We are pleased to respond to the Request for Proposal to provide audit services for the Palmdale Recycled Water Authority (Authority). We have addressed each of the specifications in this proposal. We believe that Vavrinek, Trine, Day & Co., LLP is the best selection for the Authority. This proposal demonstrates our capability and commitment to serve.

Vavrinek, Trine, Day & Co., LLP provides governmental auditing services to over 300 governmental agencies in California. We currently provide auditing services to numerous governments including cities, water agencies, special districts, redevelopment successor agencies, public financing authorities, and counties throughout California. We understand your requirements, and understand that the Authority desires a timely audit conducted in a professional manner. We are committed to perform our audit within the Authority's strict timelines. Our governmental clients are provided with efficient and timely audits.

Vavrinek, Trine, Day & Co., LLP has devoted a substantial amount of time and resources developing our governmental audit practice. Our expertise in this industry has positioned us to be one of the leading firms in governmental auditing throughout California. This investment of time and resources includes:

- Providing in excess of 40 hours per year of governmental continuing professional education (CPE) to our staff working on governmental audits.
- Participating in national sessions lead by the AICPA, OMB, GAO, and OIG relating to all areas of governmental auditing.
- Investing a significant amount of time in developing our understanding of new audit requirements.
- Providing several training sessions to industry groups and clients regarding GASB pronouncements and single audit reporting requirements including GASB 68, *Accounting and Financial Reporting for Pensions*.
- We retain key staff; as a result, we are able to provide our clients with unmatched staffing consistency and well trained personnel.
- Researching new professional pronouncements so that we are at the leading edge in preparing our clients to respond to all new requirements.
- Devoting resources to a strict quality control program including a quality control department.

Vavrinek, Trine, Day & Co., LLP places within the top 90 public accounting firms in the United States. We employ over 200 professionals in our seven offices located in California. Our offices are located in Sacramento, Pleasanton, Palo Alto, Fresno, Rancho Cucamonga, Riverside, and Laguna Hills.

Vavrinek, Trine, Day & Co., LLP has a local presence to ensure our clients are served with the highest level of service. Our focus on client service and commitment to quality has made Vavrinek, Trine, Day & Co., LLP the firm of choice for local governments. Our staff in the Rancho Cucamonga office will have the responsibility in servicing the Authority.

Quality service begins with professionals who anticipate issues, listen to your needs, and deliver what they promise. Our successful delivery of audit services to the Authority depends on the people chosen to execute our audit plan. The team we have organized has extensive experience working with local governments and understands its methods of operations.

We believe that this client service team will provide the most efficient and cost-effective service to the Authority and are committed to providing effective audits, quality management letters, and proactive advice to deal with issues facing the Authority.

Partner involvement is also a key to the audit's success. Your partner will spend time on-site during the audit and will meet with management and the Authority's Governing Board as necessary to ensure communication lines remain open, that any outstanding issues are resolved timely, and that all needs are met.

The choice of an audit firm should be primarily based upon several factors including but not limited to:

- Proactively addressing industry changes at the Federal, State, and local levels
- Adherence to a strict quality control program

We experience a low percentage of employee turnover and we are confident that we will provide the Authority with consistent staff over the contract period. We are committed to the Authority and believe that our audit team is the best selection for the Authority. Vavrinek, Trine, Day & Co, LLP is an Equal Opportunity Employer.

Thank you for providing us the opportunity to present our proposal. Should you have any questions, please feel free to contact Roger Alfaro, Partner or Kevin Pulliam, Partner, who is authorized to make representations on behalf of the firm at (909) 466-4410, email at ralfaro@vtdcpa.com or kpulliam@vtdcpa.com, or the mailing address detailed on the cover page.

Sincerely,



Vavrinek, Trine, Day & Co., LLP  
Kevin T. Pulliam  
Partner



## Section 1 – Fees, Independence and License

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### A. Fee Proposal

Our estimated fees are:

|                                   |         |
|-----------------------------------|---------|
| Palmdale Recycled Water Authority | \$7,500 |
| State Controllers Report          | \$1,000 |

These fees are for the year ending December 31, 2013 with three percent increases for the years ending 2014 and 2015. The fee proposal also assumes that the City of Palmdale will prepare the annual financial statements.

### B. Vavrinek, Trine, Day & Co., LLP meets the independence standards of the GAO

Vavrinek, Trine, Day & Co., LLP is independent of the Palmdale Recycled Water Authority as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Governmental Auditing Standards*.

### C. Licensed Certified Public Accountant Affirmation

Vavrinek, Trine, Day & Co., LLP is licensed to practice public accounting in the State of California and has complied with all applicable California State Board of Accountancy requirements. In addition, all of the key professional staff that will be assigned to the audit are also licensed to practice in the State of California and have complied with all applicable State Board of Accountancy standards.

A copy of our most recent peer review has been included in Appendix A of the proposal. This quality control review included a review of specific government engagements.

### D. Insurance

VTD maintains applicable insurance policies.



## Section 2 – Firm's Qualifications and Experience

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### A. Firm's Qualifications

#### *Vavrinek, Trine, Day & Co., LLP – VTD*

VTD was established in 1948. Our firm offers a full range of services for several different lines of businesses throughout California. Proudly, our governmental practice is key to our firm's success. VTD has experienced more than 60 years of growth and commitment to client service. Now with over 30 partners and over 200 professional staff, VTD is one of California's top CPA firms.

VTD is ranked within the "top 100" CPA firms in the United States with a significant percentage of our practice devoted to the governmental audit and consulting practice. VTD is a leader in providing audit, consulting, and tax services to various industries including, but not limited to, large municipal and regional governments, financial institutions, manufacturing, and retail enterprises, and not-for-profit corporations. As governmental auditing is our primary practice, we do not use governmental clients to fill our down time. Our governmental audit and governmental consulting practices provide a year-round client base for VTD.

VTD is organized into industry practice groups. In today's regulatory environment it is necessary to specialize in specific industry practice areas so that our clients are provided with the highest quality service. In order to accomplish this we have structured our firm with the following industry practice groups:

- State and Local Government
- K-12 School Authorities
- Higher Education
- Healthcare
- Not-for-Profit
- SEC/PCAOB
- Tax Compliance
- Manufacturing, Retail, and Distribution
- Financial Services

Our staff in the Rancho Cucamonga office will have the primary responsibility in servicing the Authority.



## Section 2 – Firm's Qualifications and Experience

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### A. Firm's Qualifications, (Continued)

#### *Professional Associations*

We are members of the American Institute of Certified Public Accountants (AICPA), the California Society of Certified Public Accountants (CalCPA), and we have registered with the Public Companies Accounting Oversight Board (PCAOB). In addition, our firm is a member of the AICPA's Governmental Audit Quality Center. Several of the firm's partners serve on several Audit and Accounting subcommittees for CalCPA.

We are active members in the Governmental Finance Officers Association (GFOA) and attend training seminars provided by GFOA. Several of our partners serve on the GFOA CAFR Special Review Committee. We are also active members of the California Society of Municipal Finance Officers (CSMFO).

All staff that will be assigned to serve the Authority will be full-time VTD employees. We will not use part-time employees or sub-contractors for your audit. The proposal is neither a joint venture nor a consortium.

The ranges of activities performed by our firm include:

- *Governmental auditing and consulting* – VTD currently provides services to more than 300 governmental agencies throughout California.
- *Financial Institutions* – VTD currently provides auditing services to more than 70 independent banks throughout California. Our financial institutional clients have assets ranging from \$50 million to in excess of \$3 billion dollars.
- *Manufacturing, Retail, and Distribution* – VTD currently provides auditing services to many commercial companies in California, Nevada, and Arizona.
- *Tax Compliance* – Our commitment to our clients includes offering professional tax preparation and planning services. Each of our offices has tax partners with a complete tax practice to meet the needs of our clients.
- *Not-for-Profit* – VTD provides services to over one hundred not-for-profit entities.
- *Healthcare* – VTD provides auditing services to large governmental and not-for-profit healthcare providers.



## Section 2 – Firm's Qualifications and Experience

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### A. Firm's Qualifications, (Continued)

#### *Quality Control*

Our firm has a program of quality control to ensure that our engagements meet the standards of the AICPA and Yellow Book, including qualifications, independence, due professional care, and quality control. *VTD has a full-time Quality Control Partner* delegated the responsibility of implementing and monitoring the firm's quality control policies and procedures. VTD also has a quality control committee that meets regularly to discuss emerging issues and new professional pronouncements, which are then communicated to our professional staff to ensure the firm has a working knowledge of professional standards.

We have undergone voluntary, independent, external quality reviews (peer reviews). We received our most recent peer review in 2012 for the 2011 year, at which time we received an unqualified opinion regarding our audit and accounting practice.

A copy of the report is included in Appendix A of this proposal. As part of our peer review, governmental engagements including Single Audits were reviewed.

We also undergo periodic inspections by the PCAOB.

We ensure that our professional staff obtains the required continuing professional education. As part of VTD's quality control program, all members of the firm, including our governmental sector team, must complete a minimum of 40 hours of continuing professional education every two years. Additionally, our professionals devoted to audits of governmental entities are required to obtain 24 hours directly related to government audits. We provide our staff in-house training, as well as provide access to external CPE conferences and updates. Additionally, our firm requires each professional staff to attend eight hours of Single Audit training and eight hours of fraud risk training.



## Appendix A

Our most recent peer review letter:

### YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2004) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY  
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

#### System Review Report

May 25, 2012

To the Partners of  
Vavrinek, Trine, Day & Co., LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to non-SEC issuers in effect for the year ended December 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to non-SEC issuers in effect for the year ended December 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.

*Yanari Watson McGaughey P.C.*  
Yanari Watson McGaughey P.C.

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