PURISSIMA HILLS WATER DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

6:30 P.M. WEDNESDAY, FEBRUARY 14, 2018

26375 FREMONT ROAD, LOS ALTOS HILLS CA 94022

Teleconference:
Robert N. Anderson
27820 Saddle Court,
Los Altos Hills, Ca
650-949-1109

Agenda

6:30 1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

6:35 2. SANTA CLARA VALLEY WATER DISTRICT (SCVWD) (Kremen) UPDATE

6:40 3. SCVWD GRANT STATUS UPDATE

6:45 4. COMMENTS FROM THE PUBLIC

6:50 5. CONSENT CALENDAR
   Items appearing on the Consent Calendar are considered routine and will be adopted in one motion, except for any item removed for separate consideration elsewhere on the agenda. The President will ask the Board and the audience for requests to remove these items.
   A. APPROVAL OF MINUTES: REGULAR MEETING OF THE BOARD JANUARY 10, 2018
   B. APPROVAL AND RATIFICATION OF JANUARY 2018 DISBURSEMENTS PAID IN FEBRUARY 2018 IN ACCORDANCE WITH RESOLUTION 2013-9 (DISBURSEMENTS SIGNED BY DIRECTOR SOLOMON, PATRICK WALTER, AND RAYLENE COLLINS)
   C. FINANCIAL REPORTS FOR: INCOME AND CAPITAL IMPROVEMENT PLANS JANUARY 2018 REVENUES AND EXPENDITURES, BALANCE SHEETS
   D. ADOPTION OF DATA RETENTION POLICY

6:55 6. APPROVAL OF JAMES MARTA & COMPANY LLP PROPOSAL FOR AUDITING SERVICES DISCUSSION/ACTION

7:00 7. AUTHORIZE DIRECTOR JORDAN TO ATTEND THE WATERNOW ALLIANCE ANNUAL SUMMIT MARCH 28-29, 2018, SALT LAKE CITY, UT. AND REIMBURSEMENT FOR ACTUAL AND NECESSARY EXPENSES PER THE DISTRICT’S REIMBURSEMENT POLICY DISCUSSION/ACTION

7:05 8. ENGINEER’S REPORT
   A. CAPITAL IMPROVEMENTS AND PIPELINE RENEWAL RATES UPDATE
ATTORNEY’S REPORT

A. PROPOSED RESTRUCTURING AND INCREASE IN HANSON AND BRIGDETT RATE DISCUSSION/ACTION

MANAGER’S REPORT

A. FIELD REPORT

B. CUSTOMER COMMUNICATIONS

REVISIONS TO THE BILL ADJUSTMENT POLICY (Collins)

DIRECTORS’ REPORT

A. BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA), ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES

B. DIRECTORS’ COMMENTS

AGENDA ITEMS FOR MARCH 14, 2018 BOARD MEETING DISCUSSION

CLOSED SESSION

Pursuant to California Government Code Section 54957 Public Employee Performance Evaluation Title: General Manager Succession Planning

OPEN SESSION ACTION

Public Employee Performance Evaluation Title: General Manager Amendment to General Manager’s Employment Agreement

ADJOURNMENT

ASSISTANCE FOR PERSONS WITH DISABILITIES

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District Secretary at 650-948-1217. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Copies of all agenda reports and supporting data are available for inspection at the District office, 26375 Fremont Road, Los Altos Hills, Ca. A complete agenda and minutes can also be found on the District’s website: http://www.purissimawater.org.
1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE President Holtz called the regular meeting to order at 6:30 p.m. in the District office.


Staff Present: Patrick Walter, General Manager; Phil Witt, General Foreman; David Gehrig, Attorney, Hanson Bridgett; and Ray Collins, Office Manager/District Secretary.

The Pledge of Allegiance was recited.

2. COMMENTS FROM THE PUBLIC None.

3. CONSENT CALENDAR It was moved by Director Anderson, seconded by Director Solomon, to approve the Consent Calendar. Motion approved unanimously – voice vote.

4. APPOINTMENT OF BOARD OF DIRECTORS PRESIDENT AND VICE PRESIDENT 2018 It was moved by Director Anderson, Seconded by Director Holtz, to appoint Director Jordan for President and Director Evans for Vice President of the Board of Directors 2018.

5. FINAL AUDIT REPORT AND PRESENTATION FY 2016-2017 FEDAK AND BROWN Chris Brown, Engagement Partner, presented the District’s Final Audit and Financial Highlights. The Audit Financials FY2016-2017 can be found on the District’s website. It was moved by Director Holtz, seconded by Director Evans, to accept the Final Audit and Management Report. Motion approved unanimously - voice vote.

6. ENGINEER’S REPORT

Water Rate Comparison: The Engineer provided the charts: Comparison of Water Bills using Other Agencies’ Rates in the Area. Director Evans remarked that the charts illustrate that PHWD lowest tier rate (usage up to 10 CCF) is likely below the District’s cost. He also mentioned that the District’s income from cell tower rental on tank sites, and property tax income helps to keep the base rate so low. There seems to be no immediate need to increase rates. Nevertheless, compared to other water retailers’ readiness-to-serve fees, the District’s fees are low and could be raised. The GM said that the SFPUC wholesale rate is projected to be flat for the next year at $4.10/unit. The Board then discussed potential infrastructure improvements and options for funding without a rate increase.

7. ATTORNEY’S REPORT The Attorney reported on a new statutory development, pertaining to construction, that confirms extension of the rule for a 5% cap on a contractor’s retention amount. The rule is extended through 2023.

8. MANAGER’S REPORT

FIELD REPORT

- Chloramine Boost Station: The Hazardous Material permit process continues for the chemicals at Neary. The Santa Clara County Department of Environmental Health has provided approval pending final inspection.
- McCann Tank 1 Hatch: The tank was taken out of service to install a new stainless steel hatch. The hatch was completed in January.
- Zone 4 Calibration: Flow tests were performed on 7 hydrants throughout Zone 4 to calibrate the
hydraulic model. When the flows were correlated with the model, some discrepancies were discovered. Additional flow tests are scheduled for January 18.

- **Page Mill Tank:** A diver for CSI, the District’s painting inspector, performed the two year inspection for the interior paint as part of the seismic improvement project. Minor defects were repaired. Their formal report is forthcoming.
- **Backflow Testing:** Jose Olivera tested over 500 backflows in 2017.
- **McCann Tank 2 Drain:** Work started for a new drain for the newly install flush clean out.
- **Toyon Yard:** McClanahan is scheduled to clean out the brush and blockages in the creek adjacent to Toyon Yard. Last year the yard flooded due to the creek debris. Staff is planning to regrade the yard to prevent the mud hole that normally occurs during the rainy season.
- **Foothill College Meter Resolution Error** An error was made while programming the register resolution for the 6” meters at Foothill College. While the computer program specified a 6” compound meter, Foothill has two turbo meters that require a different resolution than the normal compound meter. The error was discovered when staff was alerted of a leak at Foothill that was reported as 100 times more water than the actual leak. Badger provided a correction factor that was used to correct the meter reads for each account resulting in a $26,937.85 reimbursement to Foothill College.
- **Main Break Page Mill Road:** On December 14th, a leak occurred on the 8” cast iron main on Page Mill Rd. The leak was a full circle crack and was repaired with a full circle clamp. No public or private property damage.

A. **CUSTOMER COMMUNICATIONS** The District Secretary suggested that the Board review the Bill Adjustment Policy and consider amendments or updates that reflect current practices. Some customers complained that the rule of a onetime adjustment per customer is too stringent.

9. **DIRECTORS’ REPORT**

A. **BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA), ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES.** Director Anderson reported on the BAWSCA Directors meeting held on November 16, 2017.

B. **DIRECTORS’ COMMENTS** Director Jordan reported on SCVWD groundwater recharge and reductions in recharge fees to well owners, including those in Los Altos Hills.

10. **AGENDA ITEMS FOR FEBRUARY 14, 2018 BOARD MEETING**

Potential reschedule the May 9, 2018 Board Meeting.

Approval for Director Jordan to attend the WaterNow Alliance Annual Summit March 28-29, 2018.

11. **CLOSED SESSION**

Pursuant to California Government Code Section 54957 Public Employee Performance Evaluation Title: General Manager

The meeting went into closed session at 8:00 pm.

12. **OPEN SESSION**

Public Employee Performance Evaluation Title: General Manager

Amendment to General Manager’s Employment Agreement

The meeting returned to Open Session at 8:30 pm. No action was taken.

13. **ADJOURNMENT** It was moved by Director Holtz, seconded by Director Solomon, to adjourn the meeting at 8:30 pm. Motion approved unanimously – voice vote.
Purissima Hills Water District

Proposal for Audit Services

For the Year Ending

June 30, 2018
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ATTACHMENT A

Peer Review Report
January 22, 2018

Purissima Hills Water District
26375 Fremont Road
Los Altos Hills, California 94022

We are pleased to respond to your request to provide a proposal for audit services of Purissima Hills Water District for the fiscal year ending June 30, 2018. We propose to audit the financial statements of the District in accordance with generally accepted auditing standards; Government Auditing Standards; the State Controller’s Minimum Audit Requirements for California Special Districts; and applicable laws and regulations. If necessary, we will perform single audit procedures in accordance with the OMB Compliance Supplement (Uniform Guidance). In addition, we will submit the District’s Financial Transaction Report to the State Controller.

We have been providing audit and consulting services to special districts since 1988. Our firm is established as a Limited Liability Partnership and we have performed over 300 special district audits and issued 20 CAFRS in the last five years. An extensive background and commitment to the industry allows us to bring to you an audit which goes beyond the minimum statutory requirements. Our depth of experience in this industry means that we bring creative and practical solutions to assist you in meeting the challenges that you face in your day-to-day operations and recommendations that are tailored to your unique needs. We provide hands-on service not only just identifying issues but also in actively assisting you in resolving them. We are committed to assisting the Purissima Hills Water District with any accounting related questions throughout the year. A quick telephone call or email to our office is all that’s needed to receive a timely response, at no additional cost to you. We consider this year-round availability, an important part of our relationship with you.

The following additional services are included at no charge:

- Evaluation and consulting for closing entries
- Assistance in the preparation of Annual Financial Statements
- Assistance in the implementation of new accounting standards
- Assistance with new federal or state compliance standards
- Year-round availability for consultation on accounting and audit topics

Please be assured that if we are accepted for this engagement, we will commit the resources necessary for the successful and timely completion of the work. This proposal is a firm offer for sixty (60) days from the date of this proposal. Please do not hesitate to contact me or James Marta, Partner (jmarta@jpmcpa.com), if we can provide any additional information.

Sincerely,

David Becker, CPA
Partner
dbecker@jpmcpa.com
(916) 993-9494 ext. 20
EXECUTIVE SUMMARY

As a full service audit, accounting, tax and management consulting firm, we pride ourselves in our ability to serve the diverse needs of California Special Districts and other governmental agencies in a rapidly changing environment. We feel our firm is uniquely qualified for the following reasons:

- **Over 29 years of experience auditing and accounting** for California Special Districts and other government agencies.
- Experience with water, drainage, sewer, community service, parks and recreation, fire, and sanitation agencies.
- Experience providing accounting and controller services to a variety of special districts.
- **Experience with debt financing, refinancing, and arbitrage calculations.**
- Specialized training in audits of Special Districts and Governmental Entities.
- Experience in auditing federal programs in accordance with Uniform Guidance.
- Experience in preparing the Comprehensive Annual Financial Report in accordance with GFOA standards.
- Experience preparing, reviewing and submitting the Annual Report of Financial Transactions required by the State Controller’s Office.
- Member and presenter for California Special Districts Association at conferences and webinars throughout the year.
- Experience in calculating Net Pension and Other Postemployment Benefits Liability in accordance with GASB standards.
- **All staff** in the firm are trained, experienced and qualified to audit governmental agencies.
- Experience providing training to California Special Districts on Compliance, Internal Controls, Fraud Prevention and Detection, Accounting, Auditing and Board Governance Responsibility and Accountability.
- Presenter for California Special District’s Association Leadership Academy – Board’s Role in Finance and Fiscal Accountability.
- **Year-round resource to you at no additional cost.**
PROFILE OF
JAMES MARTA & COMPANY LLP
We are a resource to you, answering the questions and meeting the needs of your people. We assist in developing practical solutions by understanding the roles of business, management, technology, accounting, and finance to help meet your needs. We can make a difference.

OUR ADVANTAGE

We specialize in providing high-quality, value-added audit and consulting services to special districts and governmental entities. We are large enough to serve and small enough to provide caring attention.

- **COMMITMENT TO GOVERNMENT AGENCIES**

  We are committed to serving California Special Districts through our direct involvement in the California Special Districts Association (CSDA). Mr. Becker is on the Education and Expert Feedback Team. He also teaches classes for the Special District’s Leadership Academy. Mr. Marta and Mr. Becker also present topics at the annual CSDA conference and other CSDA conferences throughout the year. We have also written various articles on finance and governance related issues for CSDA and other government related agencies.

  Over the past 29 years, we have worked with over three hundred special districts, including special districts in California, Oregon, Washington and Alaska, providing audit, accounting, consulting and tax services.

  We are the leader in California Special Districts for many reasons:

  - Experience with **debt financing**, accretion calculations, refunding, bond performance audits and arbitrage.
  - Experience with complex investment instruments including derivative valuation.
  - Developed and taught courses for **CSDA’s Leadership Academy**.
  - Current committee member for **CSDA’s Education and Expert Feedback Team**.
  - Assisted CSDA in developing **special district reserve guidelines**.
  - **Presented courses** for CSDA and have written various **articles** for industry publications.
  - For special districts in pursuit of the highest excellence, our firm has assisted clients in the Government Finance Officer Association’s (GFOA) **Certificate of Excellence in Financial Reporting**.
  - All firm staff are trained and experienced in auditing special districts.
  - **Our experience and understanding of a variety of special districts allows us to be a year-round resource to you**.

We have long been the trusted business advisers for our clients, providing services to meet a wide range of business needs. We don’t simply deliver these services, we provide the kinds of customized, hands-on advice and insights that you need to achieve your business goals.
OUR SERVICES

We are a regional firm with an office located in Sacramento that is comprised of two partners, two managers, two supervisors, five seniors and five professional staff. The firm has six CPAs. While we are a full-service firm offering assurance, tax, financial advisory and consulting services, government and special district audits continue to be the dominant aspect of our practice. All our personnel are trained and experienced in auditing governmental entities. The professionals on our team combine the competence with judgment, maturity, and creativity – all prerequisites for a quality audit.

In addition to these services, we also offer the following:

- CAFR Compliance
- Federal Compliance Audits
- Budget Analysis
- Specialized Compliance Reviews
- Temporary Controllership
- Cash Forecasting
- Compiled Financial Statements
- Lease/Purchase Calculations
- Accounting Policies and Procedures
- Litigation Support Services
- Fraud Investigation
- GASB 68 Pension Calculations
- Fraud Risk Assessment
- Internal Control Design and Assessment
- Self-Insurance Program Analysis
- Customized Seminars
- Performance Audits
- Strategic Planning
- Year-End Closing Assistance
- Bond Defeasance Feasibility
- Arbitrage Calculations
- Mello-Roos Bonding Calculations
- OPEB Liability Calculations

PROFESSIONAL INTEGRITY

Integrity is at the very core of our practice. By consistently performing our duties with the highest sense of integrity and within the framework of applicable professional standards as well as our firm’s code of conduct, we can provide tough and relevant advice for you while maintaining our independence. This serves to uphold the public’s trust on our profession.

PEER REVIEW

We are committed to the highest standards in performing quality audits. We are proud to be one of the firms nationwide that volunteered for membership in the American Institute of Certified Public Accountants (AICPA) Peer Review Program in which an independent review of our accounting and auditing practice is performed by our peers every three years. The peer review program offers clients tangible, objective information about the quality controls of a CPA firm and, thus, about the quality of the documents prepared by that firm. A copy of the peer review report is presented in Attachment A for your review.
ASSURANCES

We affirm that we meet the independence requirement of the Government Auditing Standards published by the United States General Accounting Office. In addition, we affirm that we do not have any record of substandard audit work and we meet all specific requirements imposed by state or local law or rules or regulations. We are not aware of any relationship with Purissima Hills Water District that results in a conflict of interest.

We will provide adequate supervision on a day-to-day basis and the resulting work papers shall be adequate and available for routine review by appropriate auditors of the federal and state governments.

We certify that staff assigned to the audit have met the continuing education requirements required by Government Auditing Standards issued by the Comptroller General of the United States and the California Board of Accountancy.

We certify that the Audit Partners are licensed by the State of California to practice as Certified Public Accountants.

We affirm that the firm is an Equal Opportunity Employer, and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and other applicable Federal and State laws and regulations relating to equal opportunity employment.
EXPERIENCE

We have extensive experience in preparing the accounting for and auditing of special districts. We also have assisted in the preparation of numerous Comprehensive Annual Financial Reports.

Special Districts (partial list)

Northstar Community Services District  Nevada Irrigation District
Mid-Peninsula Water District  Livermore Area Recreation & Park District
Lathrop-Manteca Fire Protection District  Southgate Recreation & Park District
Truckee Tahoe Airport District  McKinney Water District
California Pollution Control Financing Authority  California Enterprise Development Authority
Municipal Pooling Authority  Public Entity Risk Management Authority
California Mental Health Services Authority  Association of Oregon Counties Trust
California Sanitation Risk Management  Special District Risk Management Authority
Auburn Area Recreation and Park District  San Mateo County Schools Insurance Group
Special Districts Association of Oregon  Sacramento Transportation Authority
Monterey Peninsula Airport District  Contra Costa Schools Insurance Group
Sacramento Metropolitan Air Quality District  Sacramento LAFCO
California Housing Authority Risk Management Agency  Alaska Municipal League JIA
Sacramento Municipal Utility District  City County Insurance Services
California Metropolitan Air Quality District  California Transit Finance Authority
Sacramento Pacific Area Housing Authority  Peninsula Drainage Districts No. 1 and No. 2
Monterey Peninsula Airport District  Multnomah County Drainage District

Other Government and Non-Profit Agencies (partial list)

California Health Advocates  California Special Districts Association
First 5 Colusa County  Special District Leadership Foundation
Health Officers Association of California  Mental Health America of California
Mid-Placer Public Schools Transportation  Community College League of California
Eureka City Schools  Crossroads Treatment Center, Inc.
Yolo Hospice, Inc.  Summer House, Inc.
REFERENCES

We work hard to earn the trust of our clients and strive to develop a partnership with our clients. Please call our references to find out what difference we can make for our clients. If you speak to our references we are confident you will understand how we are different and can be a valuable part of your team and that we truly enjoy working in this industry and being a resource to our clients.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Contact</th>
<th>Type of Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northstar Community Services District</td>
<td>Mike Staudenmayer</td>
<td>Audit</td>
</tr>
<tr>
<td>908 Northstar Drive</td>
<td>General Manager</td>
<td>2010 to present</td>
</tr>
<tr>
<td>Truckee, CA 96161</td>
<td>(530) 562-0747</td>
<td>David Becker</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:mikes@northstarcsd.org">mikes@northstarcsd.org</a></td>
<td>250 Hours</td>
</tr>
<tr>
<td>Mid-Peninsula Water District 3 Dairy Lane,</td>
<td>Tammy Rudock</td>
<td>Audit</td>
</tr>
<tr>
<td>Belmont, CA 94002</td>
<td>General Manager</td>
<td>2012 to present</td>
</tr>
<tr>
<td></td>
<td>(650) 591-8941</td>
<td>David Becker</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:tammyr@midpeninsulawater.org">tammyr@midpeninsulawater.org</a></td>
<td>200 Hours</td>
</tr>
<tr>
<td>Lathrop-Manteca Fire Protection District 800 J Street</td>
<td>Gene Neely</td>
<td>Audit/Single Audit</td>
</tr>
<tr>
<td>Lathrop, CA 95330</td>
<td>Fire Chief</td>
<td>2013 to present</td>
</tr>
<tr>
<td></td>
<td>(209) 858-2331</td>
<td>David Becker</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:gneely@lmfire.org">gneely@lmfire.org</a></td>
<td>200 Hours</td>
</tr>
<tr>
<td>Multnomah County Drainage District 1880 NE Elrod Drive</td>
<td>Janet Olson</td>
<td>Audit</td>
</tr>
<tr>
<td>Portland, OR 97211</td>
<td>Finance Manager</td>
<td>2016 to present</td>
</tr>
<tr>
<td></td>
<td>(503) 281-5675</td>
<td>David Becker</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:jolson@mcdd.org">jolson@mcdd.org</a></td>
<td>250 Hours</td>
</tr>
<tr>
<td>Southgate Recreation &amp; Park District 6000 Orange Avenue</td>
<td>Paula Hanson</td>
<td>Audit, OPEB and Consulting</td>
</tr>
<tr>
<td>Sacramento, CA 95823</td>
<td>Administration Manager</td>
<td>2013 to present</td>
</tr>
<tr>
<td></td>
<td>(916) 428-1171 ext. 12</td>
<td>David Becker</td>
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<tr>
<td></td>
<td><a href="mailto:phanson@southgaterecandpark.net">phanson@southgaterecandpark.net</a></td>
<td>300 Hours</td>
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<tr>
<td>Truckee-Tahoe Airport District 10356 Truckee Airport Road</td>
<td>Kevin Smith</td>
<td>Single Audit</td>
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<tr>
<td>Truckee, CA 96161</td>
<td>General Manager</td>
<td>2010 to present</td>
</tr>
<tr>
<td></td>
<td>(530) 587-7692</td>
<td>David Becker</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:Kevin.smith@truckeetahoeairport.com">Kevin.smith@truckeetahoeairport.com</a></td>
<td>240 Hours</td>
</tr>
</tbody>
</table>

If needed, we can provide you with additional references.
AUDIT METHODOLOGY

AUDIT CHECKLIST

- Audit Satisfactory
- Nonconformances Found
- Observations Made
Our firm’s commitment to excellence has always motivated us to continuously assess the integrity of our audit process and ensure that they are responsive to the changing environment and comply with evolving standards.

**Steps in the Audit Cycle**

1. **Obtain understanding**
   - Review your documents
   - Interview personnel
   - Rely on industry knowledge

2. **Perform Risk Assessment**
   - Consider inherent risk
   - Consider control risk
   - Consider detection risk
   - Consider fraud risk

3. **Evaluate internal controls**
   - Cycles of transactions
   - Document and test controls for reliance

4. **Gather Audit Evidence**
   - Validation procedures
   - Analytical review
   - Confirmations

5. **Financial Reporting**
   - Opinion
   - Financial statements and notes
   - Supplementary information
   - Other reports

**AUDIT APPROACH**

Our audit approach has a strong emphasis on early planning and is designed to gain a thorough understanding of your organization and the environment in which it operates, including internal control. We work with management to identify these risks and perform a high quality detailed review of financial operations. With the knowledge of how your organization functions combined with our expertise in the industry, we can tailor our approach by focusing our audit testing to the areas of highest risk. Advance planning typically results in an effective, cost efficient and timely audit which will ultimately benefit you. Our approach involves:

- **Risk assessment.** We identify and assess the risk of material misstatements at different levels through interviews with management, analytical procedures, observations, and inspection. Based on our assessment, we will plan and perform procedures that are responsive to risks identified. This will cover the following areas:
  - Financial reporting framework
  - Business and industry
  - Accounting policies and practices
  - Financial performance
  - Internal controls

- **Process of Review.** Our process includes a corresponding review of all work performed, management letters, and reports to assure that all appropriate professional and technical standards are maintained. With this process, we also assess new standards and their potential impact on the audit process and its resulting report.

- **Use of various audit tools.** We use audit software programs designed to work on a paperless environment and simplify the routine aspects of audit work. In addition, we use computer assisted auditing techniques which gives us the ability to analyze large amounts of data and efficiently select risky items.
Open communication. Throughout the audit, we provide explanations regarding our procedures so you’re not left in the dark. More importantly, we make every attempt to keep the audit liaison informed and appraised of our findings and the status of our work from the preliminary audit work through the delivery of the report and other required audit communications. When you receive your draft report, there shouldn’t be any surprises. An audit status report is provided with our audit which highlights the following:

- Summary of the audit report
- Financial position and results of operations
- Current issues and significant Trends

AUDIT SCOPE

We will audit the financial statements of the District for the year ending June 30, 2018. Our audit will be in accordance with generally accepted auditing standards; US Accounting Office’s Government Auditing Standards; the State Controller’s Minimum Audit Requirements for California Special Districts; and applicable laws and regulations. If necessary, we will perform single audit procedures in accordance with the OMB Compliance Supplement (Uniform Guidance). We will issue a SAS 114 letter on internal control over financial reporting and compliance. A management letter will be also be prepared, if necessary.

AUDIT PROCESS

Once appointed the auditor of your organization, we will promptly agree on the dates of the interim and year-end fieldwork and the corresponding deliverables and answer questions concerning your industry, your organization’s business activities, operations and accounting, and the preparation of the financial statements. The following are the key phases (segments) of our audit process:

<table>
<thead>
<tr>
<th>Number</th>
<th>Task</th>
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<tbody>
<tr>
<td>1</td>
<td>Discussions with management and Board on accounting and reporting issues - ongoing and available throughout the year</td>
</tr>
<tr>
<td>2</td>
<td>Meeting with management and Board to review audit risks, issues and year end planning.</td>
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<td>3</td>
<td>Perform interim fieldwork and control testing.</td>
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<td>4</td>
<td>Meet with management to discuss results of control and compliance testing.</td>
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<td>5</td>
<td>Prepare list of items needed for audit.</td>
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<tr>
<td>6</td>
<td>Management provides final trial balance and supporting schedules</td>
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<tr>
<td>7</td>
<td>Audit fieldwork</td>
</tr>
<tr>
<td>8</td>
<td>Provide draft reports for discussion with management</td>
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<tr>
<td>9</td>
<td>Review draft with management</td>
</tr>
<tr>
<td>10</td>
<td>Quality control review</td>
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<tr>
<td>11</td>
<td>Issue final report</td>
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<tr>
<td>12</td>
<td>Present audit report to the Board</td>
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**PHASE I - AUDIT PLANNING**

**SPECIFIC PROCEDURES**

<table>
<thead>
<tr>
<th>Introduction of Staff</th>
<th>Staff</th>
<th>Month</th>
<th>Complete</th>
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</thead>
<tbody>
<tr>
<td>&gt; Meet with representatives to discuss:</td>
<td>Partner</td>
<td>May</td>
<td></td>
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<tr>
<td>- Approach to the audit</td>
<td>Manager</td>
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<tr>
<td>- Client assistance checklist</td>
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<td>- Timelines</td>
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| Review of Prior Year’s Audit Work                                                   |        |       |          |
| > Review of prior year’s work papers (this step is coordinated with the prior year’s auditors) | Partner| May   |          |
|                                                                                      | Manager|       |          |

| Risk Assessment Procedures                                                         |        |       |          |
| > Obtain an understanding of the external and internal factors affecting the organization | Partner| May   |          |
| > Review and evaluate the design of internal controls including district policy and procedure manuals. | Manager| Senior|          |
| > Review of the significant transaction cycles                                     |        |       |          |
| > Assess the risk of material misstatements                                         |        |       |          |

| Audit Planning                                                                     |        |       |          |
| > Develop the individual plan for the audit (based on the internal control review, risks identified, and our understanding of the client and the industry) | Partner| May   |          |
| > Establish materiality                                                             | Manager| Senior|          |
| > Perform preliminary analytical procedures                                        |        |       |          |
| > Plan audit procedures in response to assessed risks                               |        |       |          |
### PHASE II – INTERIM FIELD WORK
### SPECIFIC PROCEDURES

**Internal Controls Testing**
- > Test of controls.  
  > Tests performed on transactions from significant transaction cycles and systems.  
  - **Senior**  
  - **June**

**Interim Exit Conference**
- > Meeting with business manager to discuss results of interim work  
  - **Partner**  
  - **Manager**  
  - **June**

**Interim Management Letter (If necessary)**
- > Preliminary management comments are drafted into a letter and issued to the chief business official.  
  - **Partner**  
  - **June**
**PHASE III- YEAR-END FIELDWORK AND AUDIT COMPLETION**

**SPECIFIC PROCEDURE**

- Obtain financial statements and enter them into financial statement program  
  - Senior  
  - September  
  - Staff
- Federal and State Compliance (as applicable)  
  - Complete any general federal compliance, compliance in major programs, and state compliance.

**Substantive Testing and Analytical Procedures**

- Perform analytical procedures as necessary  
  - Partner  
  - September
- Verify account balances for the relevant financial statement assertions  
  - Manager
- Perform substantive testing  
  - Senior
- Evaluation of evidence obtained  
  - Staff

**Operations**

- Evaluate opportunities for improvements  
  - Partner  
  - September

**Draft Audit Report**

- Prepare audit report based on audit work and evidence obtained  
  - Manager  
  - September
- Prepare all related disclosures  
  - Senior

**Exit Conference**

- Meet with management/audit committee to discuss results of audit  
  - Partner  
  - October
- Review draft audit report  
  - Manager

**Final Audit Report**

- Issue report  
  - Partner  
  - October

**Governing Board Meeting**

- Presentation of report to the board  
  - Partner  
  - October

*Making the audit as easy as possible.* We will make every effort to use schedules and analyses already prepared for internal purposes to eliminate unnecessary duplication of effort between our staff and yours. Because we are experienced in working with organizations like yours, we have prepared customized forms and procedural checklists to streamline our process. You will receive, in advance, a listing of the items we will need from you such as:

- Completion of transaction testing schedules (supplied by the auditor).
- Completion of questionnaires (provided to you in electronic form)
- Completion of various account schedules and analyses
- Preparing bank statement reconciliations and confirmation letters
- Providing other information to be used in the notes to the financial statements

The completion of these schedules by management before the start of the actual fieldwork will produce a smoother engagement, with fewer interruptions to you. This will benefit you by keeping your audit costs down and ensuring the performance of a timely audit.
PAPERLESS FIRM – Paperless Audit

Our firm is completely paperless. We provide you with access via Suralink, a secure exchange portal to upload all the documents we need for the audit. Simply drag and drop items so you can avoid numerous emails with large attachments. We can even grant access to multiple users from the District so they can address appropriate audit requests that are applicable to them. Access and communication are immediate, which creates a seamless audit process that keeps resources free for your day to day operation.

BENEFITS OF OUR PROCESS

Ultimately, an audit should not be just checking if the numbers agree to some backup documentation. One of our goals is to help you better understand and control your business. We bring our considerable experience into your process to broaden the support of your business and operations.

- *We provide an analysis of your operations.* We review for you significant relationships between revenues, expenditures, and service levels. This is an important step because it helps identify trends and areas for you to focus your management control and assures that customers receive a precious resource at a fair and reasonable price. Other important benefits include:
  - Opportunities to identify training needs for personnel
  - Recognition of growing costs and potential effect on future budgets
  - Identification of opportunities to improve procedures and training

- *We understand the pressures facing special districts in these challenging economic times.* We give management practical advice on what role a board should be playing in promoting the special district. We have helped our special district clients develop accounting systems that ensure accountability and full utilization of the district’s resources.

Our goal is to help you better understand and control your organization.
AUDIT TEAM
The quality of our audit work depends on our ability to assemble an effective team with the right combination of technical skills and self-insurance experience. We invest in our professional staff by providing them with the best training and tools to achieve excellence in every engagement and assure compliance with professional standards.

Our approach involves a high-level of participation from the firm’s principals. From the outset, our principals are involved in the engagement planning and audit fieldwork all through the completion of the audit. Our experienced team will always be available to address issues and concerns you may have relating to your audit. This increased level of involvement results in a superior level of audit quality.

Each of our staff is experienced in auditing California Special Districts and governmental agencies and undergoes a rigorous professional development program designed to ensure that each member of the audit team can carry out his or her responsibilities according the exacting standards set by our profession. We also have specific expertise in accounting and reporting for bonds and other long-term obligations.

In every audit engagement, we ensure that the principal, supervisor, and the senior will always be the same. Any changes to the assigned staff will depend on our scheduling availability but will be of equally qualified personnel.

Your audit team will be comprised of the following individuals:

James P. Marta CPA, ARPM  Technical Review Partner
David Becker, CPA                 Lead Partner
Alan Theiss, CPA                  Manager
Jefferson Gamir                   Senior
Cristina Patlan                   Staff

Resumes for each key member of your audit team are included for your review.

Our experienced team will always be available to address issues and concerns you may have relating to your audit.
### Overview
James has over 29 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies & non-profits. Prior to opening James Marta & Company, he spent 1 year with Moss Adams and 10 years with Gilbert Accountancy Corp. where he was a partner.

Partner with mid-sized CPA firm specializing in government and non-profit audits. Primary focus has been on special districts and Joint Powers Authority audits, consulting and accounting.

Organizational wide audits and specialized compliance reviews for special districts and state departments.

Member of Governor’s team to improve the efficiency of government for the California Department of Motor Vehicles and the State Assembly.

Consultant to governments, non-profits and small business in the areas of accounting, implementation of accounting and internal control recommendations, budget forecasts and projections, client training seminars, federal and state compliance, and development of interim reporting formats.

### Role and Responsibilities
- Overall responsibility for the audit and all services.
- Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit.
- Technical resource; available throughout the year for issues, questions, and additional services.

### Teaching & Industry Leadership
James is a regular speaker at the CAJPA annual and Spring Technical Conference and risk financing, accounting, management and technical topics. He has worked with the GASB on standards related to risk pools and addresses industry technical issues.

- Board Fiscal Oversight, Risk Financing – CSDA / CAJPA
- Accreditation Manager for CAJPA
- Single Audit Act – California State Auditors
- Self-Insurance Issues – CAJPA/CSDA
- Fraud Prevention and Detection - CASBO
- Management and Finance – Insurance Education Association
- Author of the IEA Pool Manager Course
- Taught the IEA ARM Risk Management and Risk Financing courses.

### Professional Affiliations
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CSCPA)
- California Association of Joint Power Authorities (CAJPA)
- California Special Districts Association (CSDA)

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**James P. Marta CPA, CGMA, ARPM**

**Technical Reviewer**

Education
- Portland State University
  - B.S., Accounting & B.S. Finance-Law
- Insurance Institute of America
  - Associate in Risk Pool Management

Certifications
- CPA, CGMA, ARPM

Select Clients Served

JPA’s and Risk Cooperatives

<table>
<thead>
<tr>
<th>Accounting/Finance/Consulting</th>
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<tr>
<td>Northern California Cities Self-Insurance Fund</td>
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<tr>
<td>San Mateo County Schools Insurance Group</td>
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<tr>
<td>Schools Excess Liability Fund</td>
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<tr>
<td>Schools Insurance Authority</td>
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<tr>
<td>Washington Schools Risk Management Authority</td>
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<tr>
<td>Independent Cities Risk Management Authority</td>
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<tr>
<td>Beverage Distributors of California</td>
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<tr>
<td>Credit Union Self Insurance Group</td>
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<tr>
<td>Credit Union Health Benefits of America</td>
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<tr>
<td>Plastics-manufactures Self Insurance Program</td>
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<tr>
<td>Preferred Auto Dealers Self Insurance Program</td>
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<tr>
<td>Western Independent Banks Self Insurance Program</td>
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<tr>
<td>State of Colorado Risk Management Department</td>
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<tr>
<td>California Self Insurance Guarantee Association</td>
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<tr>
<td>North Dakota Workers’ Safety &amp; Insurance</td>
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<tr>
<td>Alpha Fund</td>
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<tr>
<td>Washington State Risk Manager</td>
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Audit

City County Insurance Services Trust
- Alaska Municipal Pool JIA
- California Joint Powers Insurance Authority
- North Bay Schools Insurance Authority
- Statewide Educational Wrap Up Program
- CSAC - Excess Insurance Authority
- Central Valley Schools JPA
- North Valley Schools Insurance Group
- Santa Cruz –San Benito SIG
- California Joint Powers Insurance Authority
- SIGNAL I, SIGNAL II
- Bay Area Schools Insurance Cooperative
- Golden State Risk Management Authority
- Bay Area Housing Authority Risk Management Group
- Schools Self Insurance of Contra Costa County
- Santa Cruz County Schools Health Insurance Group
- South Bay Area Schools Insurance Authority
- West San Gabriel Workers’ Compensation JPA
- West San Gabriel Liability/Property JPA
- Southwest Washington Unemployment Compensation Pool
- Southwest Washington Risk Management Insurance Cooperative
- Municipal Pooling Authority
- Special Districts of Oregon
- North Coast Schools Insurance Group
- OABA Property and Casualty Coverage for Education Trust

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**Quality, Value, Service**

**Solutions**
<table>
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<tr>
<th>Engagement Partner</th>
<th>Overview</th>
<th>Role and Responsibilities</th>
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<tr>
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<td>David has over 30 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies &amp; non-profits. Prior to joining James Marta &amp; Company LLP he spent 13 years as a partner with Perry-Smith LLP. Partner with mid-sized CPA firm specializing in government and non-profit audits. Primary focus has been on special districts and Joint Powers Authority audits, consulting and accounting. Organization-wide audits and specialized compliance reviews for special districts and other government agencies. Member of CAJPA’s finance and technology committee and CSDA’s expert feedback team. Consultant to governments, non-profits and small business in the areas of accounting system design and needs analysis, implementation of accounting and internal control recommendations, budget forecasts and projections, client training seminars, federal and state compliance, and development of internal reporting.</td>
<td>• Overall responsibility for the audit and all services. • Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit. • Available throughout the year for issues, questions, and additional services.</td>
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<td>California State University, Sacramento B.S. Accounting Insurance Institute of America CPA</td>
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<td><strong>Teaching &amp; Industry Leadership</strong></td>
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<td>• Internal Controls and Emerging Technology – CAJPA • Board’s Role in Finance and Fiscal Accountability - California Special Districts Association • Other Post-Employment Benefits – California Association of School Business Officials • Management and Finance – Insurance Education Association • Fraud and Fraud Prevention—California Special Districts Association.</td>
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<td>Benicia Unified School District Brentwood Unified School District Colusa Unified School District Colusa County Office of Education Contra Costa Community College District Eureka City Unified School District Humboldt County Office of Education</td>
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Alana Theiss, CPA

Manager

Education
University of Phoenix
B.S. Accounting

Certifications
CPA

Select Clients Served

Special Districts
Auburn Area Recreation and Park District
California Pollution Control Financing Authority
Livermore Area Recreation and Park District
Mid-Placer Schools Transportation Agency
Nevada Irrigation District
Sacramento Transportation Authority

Joint Powers Authorities
Alaska Municipal League Joint Insurance Assoc.
Bay Area Schools Insurance Cooperative
Central Region School Insurance Group
Golden State Risk Management Authority
Housing Authorities Risk Retention Pool
North Bay Schools Insurance Authority
Northern California Cities Self Insurance Fund
Schools Insurance Group
Schools Insurance Group, Northern Alliance
Special Districts Risk Management Authority

Nonprofit Organizations
California Association for Nurse Practitioners
California Health Advocates
California Hotel & Lodging Association
California Special Districts Association
California Transit Association
CALmatters
Coalition of California Welfare Rights Orgs.
Community College League of California
Contra Costa College Foundation
Elk Grove Benefits Employee Trust
Health Officers Association of California
Martins’ Achievement Place
Mental Health America of California
Sierra Sacramento Valley Medical Society
State Association of County Retirement Systems
Summer House Inc.
Urban Counties of California
Women’s Health Specialists
Yolo Hospice

School Districts
Acalanes Union High School District
Ackerman Charter School District
Esparto Unified School District
Maria Montessori Charter Academy
Pacific Charter Institute
Rocklin Academy Family of Schools
Winters Joint Unified School District

Overview
Alana has over 11 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies and nonprofits.
Manager with mid-sized CPA firm specializing in value-added audit, accounting and consulting for local government agencies and nonprofits.
Primary focus has been on audits and complex tax preparation for nonprofits (including charter schools), full-cycle accounting for insurance JPAs, and attestation work for government agencies.
Some tasks include preparing and reconciling data for compiled financial statements; working with actuaries and claims adjusters to periodically evaluate reserves; periodic presentation of financials to governing boards; reviewing of workpapers and supporting schedules; performing test of details and analytical reviews; auditing all areas of section work; preparing closing and adjusting entries; and performing compliance testing.
She works closely with the partners to ensure the firm policies, procedures and documentation meet professional standards.

Role and Responsibilities
- Responsible for assisting the Engagement Partner in performing the audit risk assessment and design of the audit, planning, controlling, reviewing and evaluating fieldwork
- Reviews financial statements to ensure conformance with Generally Accepted Accounting Principles in the United States of America and Government Finance Officers Association requirements
- Consults with audit team on issues and progress of fieldwork
- Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit.
- Manages the day-to-day execution of the audit activities and directs task accomplishments, monitors progress, and ensures schedule compliance
- Oversees timely and accurate completion of client tax returns
- Available throughout the year for issues, questions, and additional services

Continuing Professional Education
Total CPE hours were 153 in the last three calendar years (2016, 2015, and 2014) of which 93 were in accounting and auditing subjects and 30 were in taxation. Alana met the Government Auditing Standard requirement for governmental CPE.

Teaching & Industry Leadership
- Audit risk assessment (internal)
- Fraud in nonprofits and governments (internal)
- Preparation of nonprofit tax filings, including reporting of lobbying and UBIT activities

Professional Affiliations
- American Institute of Certified Public Accountants (AICPA)
Jefferson Gamir

**Overview**

Jeff has 2 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies and nonprofits.

Senior with mid-sized CPA firm, specializing in value-added audit, accounting and consulting for local government agencies and nonprofits.

Primary focus has been on audits – including single audits, full-cycle accounting for nonprofit insurance cooperatives, and attestation work for government agencies.

Tasks include (but are not limited to): preparing and reconciling data for audited financial statements; reviewing of workpapers and supporting schedules; performing test of details and analytical reviews; auditing all areas of section work; preparing closing and adjusting entries; and performing compliance testing.

Works closely with the partners to ensure the firm policies, procedures and documentation meet professional standards.

**Role and Responsibilities**

- Responsible for supporting the supervisor and engagement partner during audit planning, risk assessment and management.
- Performs audit fieldwork, including testing of internal controls and compliance.
- Prepares financial statements in conformance with Generally Accepted Accounting Principles in the United States of America and Government Finance Officers Association requirements.
- Executes audit activities and task accomplishments, monitors progress, ensures schedule compliance and supervises staff accountants.
- Available throughout the year for issues, questions, and additional services.

**Continuing Professional Education**

- Total CPE hours were 100 in the last two calendar years of which 80 were in accounting and auditing subjects and 20 were in other areas.
- Met the Government Auditing Standard requirement for governmental CPE.

**Teaching & Industry Leadership**

- Audit risk assessment (internal)
- State compliance training for LEAs (internal)
- Federal compliance testing (internal)
Cristina Patlan

**Overview**

Cristina has 2 years of experience in auditing and accounting for Joint Powers Authorities, special districts, employee benefit plans, local government agencies, non-profits, corporations, partnerships, and sole proprietors.

Staff with mid-sized CPA firm, specializing in value-added audit, accounting and consulting for local government agencies and nonprofits.

Primary focus has been on audits – including single audits, full-cycle accounting for nonprofit insurance cooperatives, and attestation work for government agencies.

Tasks include (but are not limited to): preparing and reconciling data for audited financial statements; reviewing of workpapers and supporting schedules; performing test of details and analytical reviews; auditing all areas of section work; preparing closing and adjusting entries; and performing compliance testing.

Works closely with the partners to ensure the firm policies, procedures and documentation meet professional standards.

**Role and Responsibilities**

- Responsible for supporting the senior and engagement partner during audit planning, risk assessment and management.
- Performs audit fieldwork, including testing of internal controls and compliance.
- Prepares financial statements in conformance with Generally Accepted Accounting Principles in the United States of America and Government Finance Officers Association requirements.
- Conducts monthly accounting duties for 3 separate entities. Performs bank reconciliation, investment reconciliation, claims reconciliation, monthly and quarterly amortizations and fund allocations, and prepares monthly and quarterly reports.
- Prepares and reviews tax returns for multiple types of clients and industries.
- Available throughout the year for issues, questions, and additional services.

**Continuing Professional Education**

- Total CPE hours were 64 in the last calendar year of which 50 were in accounting and auditing subjects and 14 were in other areas.
- Met the Government Auditing Standard requirement for governmental CPE.

**Staff**

**Education**
California State University, Sacramento
B.S. in Accountancy

**Select Clients Served**

**Joint Powers Agencies**
Bay Area Schools Insurance Cooperative
Burlington National Insurance Company
California Health Advocates
California Housing Workers’ Compensation Authority
City County Insurance Services
Coalition of California Welfare Rights Organizations, Inc.
Contra Costa County Schools Insurance Group
Credit Union Self Insurance Group
Finish Line Self Insurance Group
Independent Cities Risk Management Authority
Local and Regional Government Service Authority
Municipal Pool Authority
Non Profits United
Northern California Cities Self Insurance Fund

**School Districts**
Ackerman Elementary School District
Benicia Unified School District
Brentwood Unified School District
Colusa Unified School District
Maria Montessori Charter Academy
Pacific Charter Institute
Pierce Joint Unified School District
Sacramento County Office of Education
Thermalito Unified School District
Vacaville Unified School District
Winters Joint Unified School District
Williams Unified School District

**NonProfits**
Davis Summer House
Mental Health America of California
Shelter Inc.
Summer House Inc.
Yolo Hospice

**Special Districts**
Livermore Area Recreation & Park District
Northstar Community Services District
Sacramento Metropolitan Air Quality Management District
Southgate Recreation & Park District
Truckee Donner Recreation & Park District
AUDIT FEES
Below is a summary of our proposed fees for each fiscal year:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total Hours</th>
<th>Hourly Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>40</td>
<td>$275</td>
<td>$11,000</td>
</tr>
<tr>
<td>Manager</td>
<td>40</td>
<td>160</td>
<td>6,400</td>
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<tr>
<td>Senior</td>
<td>70</td>
<td>135</td>
<td>9,450</td>
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<tr>
<td>Staff</td>
<td>70</td>
<td>115</td>
<td>8,050</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>220</strong></td>
<td></td>
<td><strong>34,900</strong></td>
</tr>
<tr>
<td>Professional discount</td>
<td></td>
<td></td>
<td>$(8,000)</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td></td>
<td></td>
<td><strong>$26,900</strong></td>
</tr>
</tbody>
</table>

For the Year Ended June 30, 2018 $26,900
For the Year Ended June 30, 2019 27,600
For the Year Ended June 30, 2020 28,300

We will assist you with your net pension liability calculation and provide you the tools and education you need to complete this calculation and reconciliation annually, on your own, going forward.

The fees quoted are based upon several assumptions about the adequacy of the accounting records, the degree of assistance to be provided by your personnel, and current auditing and accounting standards. Our fees do not include any accounting services such as closing year-end accounts or account reconciliation. If, at any time during our engagement, extraordinary matters come to our attention (i.e. changes in your operations, material weakness in your internal controls) that requires an extension of our services, we will consult with you concerning additional work to be done by you or an adjustment to our fees. We will submit monthly progress billings during the audit process.

In the event that the GASB, FASB, AICPA, GAO, or the State issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be our standard hourly rates for each person involved in the additional work.

**Our efficiency allows us to provide a low-cost alternative for our high quality, value-added service.**
ATTACHMENT A

PEER REVIEW REPORT
SYSTEM REVIEW REPORT

February 29, 2016

To James Marta & Company, LLP and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of James Marta & Company, LLP (the firm) in effect for the year ended May 31, 2015. 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. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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.

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

We noted the following deficiencies during our review:

Deficiency - The prior Peer Review Report was recalled due to a material departure from peer review standards as an omission that resulted in a change in the must-select category was present. Such a departure results in a peer review that is not properly performed or reported on in all material respects thus necessitating a significant change in the peer review report.

“A hearing panel of the AICPA Peer Review Board was convened on December 15, 2015, under its Rules of Procedures for the Termination of a Firm from the AICPA Peer Review Program. After careful consideration of the materials submitted, the panel concluded that the firm of James Marta & Company was not guilty of violating paragraphs 11 and 5h of the Standards for Performing and Reporting on Peer Reviews by failing to cooperate by withholding information significant to the peer review through omitting or misrepresenting information relating to its accounting and auditing practice, and will not be terminated from the Program.”
The engagement was not intentionally excluded from the proper must select category. However, the partners did not comply with the firms’ quality control document, in that they did not comply with professional standards and regulatory and legal requirements relating to the prior peer review, by improperly identifying the engagement’s category.

**Recommendation** – We recommend the firm follow its quality control policies and procedures to require that all engagements are identified properly in conformity with peer review standards. Specifically, we recommend the firm review all of their engagements on an annual basis to ensure all engagements are properly identified as to the proper industry category.

**Deficiency** –

The Firm's quality control document requires the use of industry specific audit programs and forms. The audit programs and forms used during the audit were for a non-profit audit, when the audit being performed was an employee benefit plan audit. The engagement partner did not comply with the firms’ quality control document, in that he misidentified the type of audit engagement, however, this was not done intentionally. All of the critical procedures required to be performed in an employee benefit plan audit were performed. On an ongoing basis, the managing partner will review all clients to ensure they are properly classified by industry type.

**Recommendation** –

The firm should have an educational session to discuss the critical nature of properly identifying the type of client so appropriately tailored audit programs can be created for the engagement.

In our opinion, except for the deficiencies described above, the system of quality control for the accounting and auditing practice of James Marta & Company, LLP in effect for the year ended May 31, 2015, 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*. James Marta & Company, LLP received a peer review rating of *pass with deficiency*.
November 29, 2016

To the Peer Review Committee of the California Society of Certified Public Accountants
1800 Gateway Dr., Ste 200
San Mateo, CA 94404

Dear Committee Members:

This letter is written to assist James Marta & Company, LLP in complying with certain actions the firm voluntarily agreed to take in connection with the Committee’s consideration of acceptance of its peer review report for the year ended May 31, 2015, and response thereto.

The Peer Review Committee of the California Society of Certified Public Accountants accepted the firm's 2015 peer review documents with the understanding that the firm agreed to permit an outside party, acceptable to the Committee chair, to review the report, financial statements, and working papers of an ERISA audit engagement issued subsequent to the firm's peer review, and communicate to the Committee in writing on the results of that review by November 30, 2016.

I performed the following procedures ——

a. Reviewed a copy of the firm's 2015 peer review report, the firm's letter of response, and the acceptance letter describing the required corrective actions.

b. Reviewed the report, financial statements, and working papers for an ERISA audit engagement issued subsequent to the peer review to determine whether the engagement was performed in accordance with professional standards in all material respects. I documented my review using the AICPA "Employee Benefit Plan Engagement Checklist."

c. Discussed with the firm the review results and the corrective action plan, and evaluated the feasibility of the firm achieving its plan.

While performing the above procedures, I noted that while the firm had used some practice aides specific to an employee benefit plan, they were not specific to a Health & Welfare plan. As a result, I noted several minor disclosure, reporting, and documentation deficiencies including the following: The report was for a defined contribution plan when the plan was a defined benefit plan, thus it did not refer to “financial status”, there were incomplete disclosures in the area of party-in-interest transactions, and the workpapers did not include a list of participating employers. I suggested that the firm take continuing professional education in Health & Welfare plans. The firm represented that it is no longer performing this engagement or any other ERISA engagements.
To the Peer Review Committee of the California Society of Certified Public Accountants
November 29, 2016

Page 2

Because only minor matters were found on the engagement I reviewed and the firm is no longer performing ERISA engagements, I believe no further monitoring of the firm by the Peer Review Committee of the California Society of Certified Public Accountants is necessary at this time.

This letter is intended solely for the information and use of the Peer Review Committee of the California Society of Certified Public Accountants and the owner of James Marta & Company LLP, and is not intended as a substitute or replacement for the peer review documents issued on the firm's 2015 peer review.

Sincerely,

Debbie M. Ask, CPA
Director

DMA:asd

cc: James Marta & Company, LLP
## Summary

<table>
<thead>
<tr>
<th>Material</th>
<th>Percentage of Total System</th>
<th>Linear Feet</th>
<th>Avg Installed Date</th>
<th>Avg Age (Y)</th>
<th>Avg Life Remaining (Y)</th>
<th>Annual Replacement Length (ft)</th>
<th>Annual Replacement Cost</th>
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<td>1961</td>
<td>55</td>
<td>20</td>
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<td>52</td>
<td>13</td>
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<tr>
<td>DIP / PVC</td>
<td>46.2%</td>
<td>198,059</td>
<td>1987</td>
<td>29</td>
<td>71</td>
<td>2,810</td>
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<tr>
<td></td>
<td>100.0%</td>
<td>428,641</td>
<td>1974</td>
<td>42</td>
<td>41</td>
<td>19,790</td>
<td>$5,610,000</td>
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### Detail

<table>
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<tr>
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<th>Avg Installed Date</th>
<th>Avg Age (Y)</th>
<th>Avg Life Remaining (Y)</th>
<th>Annual Replacement Length (ft)</th>
<th>Annual Replacement Cost</th>
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<td>1961</td>
<td>55</td>
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<td>190</td>
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<tr>
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<td>0.3%</td>
<td>1,130</td>
<td>1975</td>
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<td>24</td>
<td>50</td>
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<td>0.3%</td>
<td>1,320</td>
<td>1978</td>
<td>38</td>
<td>62</td>
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<td>Total 2&quot; &amp; 4&quot;</td>
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<td>6,300</td>
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<td>49</td>
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<tr>
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<td>15.8%</td>
<td>67,681</td>
<td>1980</td>
<td>36</td>
<td>64</td>
<td>1,050</td>
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<tr>
<td>Total 6&quot;</td>
<td>44.5%</td>
<td>190,563</td>
<td>1970</td>
<td>46</td>
<td>33</td>
<td>9,250</td>
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<td>8&quot; AC</td>
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<td>1960</td>
<td>56</td>
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<td>Total 8&quot;</td>
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<td>43</td>
<td>38</td>
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<td>10&quot; CI / Steel</td>
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<td>12,023</td>
<td>1959</td>
<td>57</td>
<td>8</td>
<td>1,500</td>
<td>$450,000</td>
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<tr>
<td>10&quot; DIP / PVC</td>
<td>3.5%</td>
<td>14,916</td>
<td>2000</td>
<td>16</td>
<td>84</td>
<td>180</td>
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<tr>
<td>Total 10&quot;</td>
<td>6.3%</td>
<td>26,939</td>
<td>1982</td>
<td>34</td>
<td>50</td>
<td>1,680</td>
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<td>12&quot; AC</td>
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<tr>
<td>12&quot; CI / Steel</td>
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<td>40,598</td>
<td>1999</td>
<td>17</td>
<td>83</td>
<td>490</td>
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<td>Total 12&quot;</td>
<td>10.9%</td>
<td>46,642</td>
<td>1994</td>
<td>22</td>
<td>74</td>
<td>1,110</td>
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<td>4,564</td>
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<td>370</td>
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<td>16&quot; &amp; 18&quot; DIP / PVC</td>
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<td>64</td>
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<td>3.6%</td>
<td>15,422</td>
<td>1975</td>
<td>41</td>
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<td>Totals:</td>
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<td>428,641</td>
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<td>19,790</td>
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<td>5,610,000</td>
<td>$5,610,000</td>
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</table>

Miles: 81
## PURISSIMA HILLS WATER DISTRICT
### CAPITAL PROJECT SUMMARY
#### 2016 UPDATE

<table>
<thead>
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<th>DESCRIPTION</th>
<th>PROJECT#</th>
<th>PAGE#</th>
</tr>
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<tbody>
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<td>--</td>
<td>1</td>
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<tr>
<td>SUMMARY</td>
<td>--</td>
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<tr>
<td>HYDRAULIC MODEL CALIBRATION</td>
<td>07-08</td>
<td>3</td>
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<tr>
<td>ELENA / TAAFFE ROAD INTERTIE</td>
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</tr>
<tr>
<td>TAAFFE ROAD WATER MAIN REPLACEMENT</td>
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<td>5</td>
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<td>ELENA ROAD WATER MAIN REPLACEMENT</td>
<td>13-09</td>
<td>6</td>
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<td>DUVAL WAY IMPROVEMENT</td>
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<td>HUNGRY HORSE SEISMIC EVALUATION</td>
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<td>JULIETTA LANE &amp; DEER SPRINGS WAY INTERCONNECT</td>
<td>09-01</td>
<td>10</td>
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<td>ALTAMONT ROAD ZONE 4 IMPROVEMENTS</td>
<td>09-03</td>
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<td>LIDDICOAT IMPROVEMENT</td>
<td>13-01</td>
<td>13</td>
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<tr>
<td>LA CRESTA TANK TO ANACAPA DRIVE WATER MAIN</td>
<td>13-08</td>
<td>14</td>
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<td>DEER CREEK PUMP STATION FIRE SUPPRESSION</td>
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<td>BUENA VISTA &amp; SHERLOCK ROAD UPGRADE</td>
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<td>NEW ZONE 3 PUMPS AT ELENA PUMP STATION</td>
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<td>STONEBROOK IMPROVEMENT</td>
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<td>QUARRY LAKE EMERGENCY WATER SUPPLY</td>
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<tr>
<td>PALO ALTO / GERTH LANE INTERCONNECTION</td>
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<td>24</td>
</tr>
</tbody>
</table>

**LEGEND**
- AC: Asbestos Cement
- CI: Cast Iron
- CKD: Checked
- CM: Construction Management
- CY: Cubic Yard
- DIP: Ductile Iron Pipe
- DISTRICT: Purissima Hills Water District
- FT: Feet
- GAL: Gallon
- GPM: Gallon per Minutes
- HP: Horse Power
- J: Junction
- LF: Linear Feet
- MG: Million Gallon
- NO.: Number
- SFPUC: San Francisco Public Utilities Commission
- W: Water

---

**Title Sheet**

PURISSIMA HILLS WATER DISTRICT
SANTA CLARA COUNTY, CALIFORNIA
26375 FREMONT ROAD
LOS ALTO HILLS, CA 94022-0264

Pakpour Consulting Group, Inc.
5776 Stoneridge Mall Road, Suite 320
Pleasanton, CA 94588
925.224.7717 Fax 925.224.7726
www.pcgengr.com

PAGE 1 OF 24
## Capital Projects Summary

### 2016 Update

<table>
<thead>
<tr>
<th>Priority</th>
<th>Project Number</th>
<th>Page Number</th>
<th>Project Name</th>
<th>Quantity</th>
<th>Construction LF ($'000)</th>
<th>SRV ($'000)</th>
<th>Planning, Design &amp; CM ($'000)</th>
<th>Contingency ($'000)</th>
<th>2016 Dollars ($'000)</th>
<th>Running Total ($'000)</th>
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</thead>
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<tr>
<td>1</td>
<td>07-08</td>
<td>3</td>
<td>Hydraulic Model Calibration and District Wide Water Main Evaluation</td>
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<td>15</td>
<td>$165,000</td>
<td>$100,000</td>
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<tr>
<td>1</td>
<td>07-09</td>
<td>4</td>
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<td>18</td>
<td>$165,000</td>
<td>$130,000</td>
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<td>13-03</td>
<td>5</td>
<td>Taaffe Road Water Main Replacement Project (12&quot; DIP)</td>
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<td>$105,000</td>
<td>$65,000</td>
<td>$680,000</td>
<td>$3,220,000</td>
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<tr>
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<td>Duval Way Improvement Project (8&quot; DIP)</td>
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<td>$605,000</td>
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<td>2</td>
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<td>Elena Road Water Main Replacement Project (8&quot; DIP)</td>
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<td>07-10</td>
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<td>09-03</td>
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<td>Altamont Road Zone 4 Improvements (8&quot; DIP)</td>
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<td>$360,000</td>
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<td>Deer Creek Pump Station Fire Suppression Project</td>
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<td>Buena Vista and Sherlock Road Upgrade Project</td>
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<td>New Zone 3 Pumps at Elena Pump Station</td>
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<td>-</td>
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### Total
$14,105,000

### Assumptions
- Linear foot Cost for 8" DIP: $275
- Linear foot Cost for 10" DIP: $300
- Linear foot Cost for 12" DIP: $325
- Cost per Service: $3,500

### Capital Backlog
- 2016 Capital Total: $14,105,000
- 2014 Capital Total: $11,518,000
- 2013 Capital Total: $10,040,000

### % Increase
- 2016 Capital Total: 22%
- 2014 Capital Total: 15%
- 2013 Capital Total: 37%
HYDRAULIC MODEL CALIBRATION AND DISTRICT WIDE WATER MAIN EVALUATION

PROJECT BACKGROUND

The District's hydraulic model was first developed in the late 1990s and has since gone through several revisions and updates. Throughout the years the hydraulic model has been spot calibrated but has not gone through a comprehensive zone by zone calibration. This project entails a detailed calibration of the model, including field flow tests and adjustments of pipe "c" factors.

In 1999, the District completed a District wide evaluation of all of its water mains in the distribution system. Five criteria were used to rate and rank each water main. They included: capacity, system benefits, water main location, maintenance history and pipe material. In 2004, the distribution system was re-evaluated to account for the two million dollars spent in capital improvements since 1999. Two other criteria were added to water main evaluation: number of low flow hydrants and paving history. With the Districts aggressive capital improvement program, most of the water mains designated for replacement were replaced. This study will update previous studies and evaluate the entire distribution system using existing and new criteria developed as a result of the capital improvement program. The Districts hydraulic model will be used to model year 2035 demands to locate distribution and pumping system restrictions. The new ranking of water mains will help in development of future capital improvement programs.

PROJECT BENEFITS

Hydraulic Model Calibration and the District Wide Water Main Evaluation Project will update the distribution system model and allow the District to model 2035 demands to locate distribution and pumping system restrictions.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Zone</th>
<th>Budget ($)</th>
</tr>
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<tbody>
<tr>
<td>Zone 2</td>
<td>20,000</td>
</tr>
<tr>
<td>Zone 3</td>
<td>20,000</td>
</tr>
<tr>
<td>Zone 4</td>
<td>15,000</td>
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<td>Contingency (±10%)</td>
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</tr>
<tr>
<td>Project Budget</td>
<td>$ 60,000</td>
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</table>
ELENA / TAAFFE ROAD INTERTIE PROJECT

PROJECT BACKGROUND
The Elena Tank and Pump Station is physically located in middle of the District's distribution system making it an ideal location for distribution of water to both Zone 2 and Zone 3. Ultimately two additional Zone 3 pumps will be installed at the Elena Pump Station for a total of three pumps, two of which could operate at one time for a total pumping discharge of approximately 1,700 gpm. The District is also pursuing purchasing or transferring water from Calwater which would enter the distribution system along Robleda Road. The Elena Tank and Pump Station is the closest storage and pumping facility to this intertie making it an ideal location to distribute the new water. In anticipation of the upgrades to the Elena Pump Station, the District performed an extensive hydraulic analysis to locate bottlenecks in the distribution system leading out of the pump station. The Elena / Taafe Road Intertie Project consists of installing approximately 1,800 LF of 8" DIP which would connect to an existing 10" DIP leading out of the pump station at Vista Del Valle (J-574) and a 10" DIP on Elena Road (J-437). Distribution System Analysis No. 70

PROPOSED IMPROVEMENTS
Install 1,900 LF of 8" DIP
Replace 550 LF of 10" CI with 12" DIP
Replace 200 LF of 8" CI with 12" DIP
Abandon 250 LF of 6" AC
Abandon 250 LF of 6" CI

PROJECT BENEFITS
The Elena / Taafe Road Intertie Project would allow two pumps to operate at the Elena Pump Station simultaneously along with allowing the abandonment of a high risk cross country 6" AC between Vista Del Valle and Elena Road. Hydraulic modeling has also indicated that there would be improved water movement from the Elena Pump Station to Neary Tank decreasing pump cycling times under both current (one pump) and ultimate built out (three pump) conditions.

PROJECT BUDGET
1,900 LF - 8" DIP @ $275 per LF $ 525,000
750 LF - 12" DIP @ $325 per LF $ 245,000
Service Connections - 15 @ $3,500 $ 50,000
Subtotal Construction $ 820,000
Planning, Design & Construction Support $ 165,000
Contingency (+10%) $ 100,000
Project Budget $1,085,000
TAAFFE ROAD WATER MAIN REPLACEMENT

PROJECT BACKGROUND
The water main along Taaffe Road from Vista Del Valle (J-574) to Dezahara Way (J-726) consists of 8" AC water main. AC water main is brittle and subject to severe damage during seismic events. There have been several leaks along this stretch of water main. Taaffe Road is located in the hills west of Interstate 280 which is subject to movement during seismic events. The upgraded water main along Taaffe Road will serve as part of the District backbone infrastructure leading from Elena Pump Station to the Altamont Tank Site. The project consists of replacing 3,200 LF of 8" AC with 12" DIP. Distribution System Analysis No. 70.

PROPOSED IMPROVEMENTS
Replace 3,200 LF of 8" AC water main with 3,200 LF of 12" DIP

PROJECT BENEFITS
The new DIP water main will serve as back bone infrastructure in the central part of the District increasing fire flow and reliability and will replace one of the last sections of AC water main in the hills west of Interstate 280 will be replaced. There will also be increased water movement from Elena Pump Station to Altamont Tank. There is a slight increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
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<td>3,200 LF - 12&quot; DIP @ $325 per LF</td>
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<td>Project Budget</td>
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TAAFFE ROAD WATER MAIN REPLACEMENT PROJECT
PROJECT 11-03
CAPITAL PROJECT SUMMARY - 2016 UPDATE

PURISSIMA HILLS WATER DISTRICT
SANTA CLARA COUNTY, CALIFORNIA
26375 FREMONT ROAD
LOS ALTOS HILLS, CA 94022-0264
ELENA ROAD WATER MAIN REPLACEMENT PROJECT

PROJECT BACKGROUND

This project replaces approximately 1,500 LF of 8" CI with 10" or 12" DIP water main in the heart of the District. The current water main is over seven feet deep in certain areas and crosses a culvert on Elena Road which is susceptible to movement. This project starts at the newly constructed Zone 2.5 project and continues the District's backbone infrastructure south to the Elena Tanks and Pump Station. Distribution System Analysis No. 70.

PROPOSED IMPROVEMENTS

Replace 1,500 LF of 8" CI with 10" or 12" DIP

PROJECT BENEFITS

This project replaces a deep 8" CI water main crossing a culvert on Elena Road with a new 10" or 12" DIP water main while at the same time extending the District's backbone infrastructure south to the Elena Tank and Pump Station. There is a slight increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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DUVAL WAY IMPROVEMENT PROJECT

PROJECT BACKGROUND
The existing 6" CI water main along Duval Way has had several leaks over the past five years. The water main is located behind the curb line and not very accessible. The services are direct tap without service saddles. The Duval Way Improvement Project consists of replacing approximately 300 LF of 6" CIP with 8" DIP between Robleda Road (J-XXX) and Josefa Lane (J-48). This project is consistent with the goals of the District to replace older CI water mains with DI water mains in better locations.

PROPOSED IMPROVEMENTS
Install 300 LF of 8" DIP

PROJECT BENEFITS
The Duval Way Improvement Project will replace old infrastructure and improve fire flows in the area. There is a slight increase in fire protection upon completion of this project.

PROJECT BUDGET

300 LF - 8" DIP @ $275 per LF $ 80,000
Service Connections - 5 @ $3,500 $ 20,000
Subtotal Construction $ 100,000
Planning, Design & Construction Support $ 35,000
Contingency (+10%) $ 15,000
Project Budget $ 150,000
**PROJECT BACKGROUND**

In 2012, the structural engineering firm of G&E Engineering Systems performed a seismic vulnerability assessment of the District. This assessment considered the combined effects of large earthquakes on the San Andreas and Hayward faults on SFPUC and District systems as they existed in 2012.

The 3,000,000-gallon Hungry Horse tank is one of the largest storage facilities in the District. It is a buried concrete tank serving zone 2 and was designated by the District Board of Directors as a critical facility. G&E's report found the tank capable of withstanding a 475-year earthquake; however, further investigation is needed to ensure the tank can survive a 975-year earthquake.

**PROPOSED IMPROVEMENTS**

Comprehensive soil analysis to ensure the Hungry Horse Tank is capable of withstanding a 975-year earthquake.

**PROJECT BENEFITS**

The Hungry Horse Tank will remain operational after a 975-year earthquake.

**PROJECT BUDGET**

<table>
<thead>
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<th>Description</th>
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REPLACE 1,350 LF OF 8" CI WITH DIP FROM J-367 TO J-808

ABANDON 1,500 LF OF 6" CI FROM J-801 TO J-xxx

SCALE: 1" = 400'
MAINTENANCE BUILDING SEISMIC UPGRADE

PROJECT BACKGROUND
The McCann Corporation Yard Maintenance Building is located at 26451 Ascension Drive and was constructed in 1970. It consists of a 2,500 square foot single story wood framed Building. The building houses the Districts maintenance staff, parts inventory and vehicles. In 2013 the District retained a licensed structural engineer to complete a general structural conditional and seismic assessment of the building. An ASCE 31 Tier 1 seismic evaluation of the building was performed using the Life Safety performance level. The building was evaluated for Basic Structural (Sec. 3.7), Supplemental Structural (Sec. 3.7) and Geologic Site Hazard and Foundation (Sec. 3.8) checklists.

The evaluation concluded the building does not meet full compliance for ASCE 31 Tier 1 Life Safety performance criteria. It is expected the building will perform below average in comparison to buildings of similar construction when subjected to a design level earthquake. Due to the buildings importance in day to day operations of the District, it was designated as an essential facility (I=1.5), capable of being operational after a major earthquake.

PROPOSED IMPROVEMENTS
This project adds shear walls and two seismic collectors to restrain the roof diaphragm along with a new foundation under the new shear wall.

PROJECT BENEFITS
Ensures the maintenance building is operational after a major earthquake.

PROJECT BUDGET
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<tr>
<td>Project Budget</td>
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JOSEFA LANE
VINEDO LANE
ROBLEDA ROAD
INSTALL 450 LF
OF 8" DIP FROM
J-256 TO J-XXX
INSTALL 750 LF
OF 8" DIP FROM
J-436 TO J-256
PROJECT BACKGROUND
The existing 6" CI water main along Elena Road between Vinedo and Robleda Lane has experienced several leaks over the past 10 years. Part of this water main was replaced in 2007. This project replaces the remaining 450 LF of 6" CI and 750 LF of 8" CI with 8" DIP.

PROPOSED IMPROVEMENTS
Replace 450 LF of 6" CI with 8" DIP
Replace 750 LF of 8" CI with 8" DIP

PROJECT BENEFITS
The Elena Road Water Main Replacement Project replaces old infrastructure, with a history of leaks, with new DIP water main. There is a slight increase in fire protection upon completion of this project.

PROJECT BUDGET
450 LF - 8" DIP @ $275 per LF $120,000
750 LF - 8" DIP @ $275 per LF $210,000
Service Connections - 9 @ $3,500 $30,000
Subtotal Construction $360,000
Planning, Design & Construction Support $90,000
Contingency (+10%) $45,000
Project Budget $495,000
The District's two Altamont Tanks are located in the middle of Zone 3 and have a combined total storage of 450,000 gallons serving Zone 3. One of the tanks is constructed of redwood with steel bands. The three pumps in the Altamont Pump Station pump out of the Altamont Tanks and into the District's Zone 4. Due to their location, the Altamont tanks are heavily used in the daily operation of the District and ideally they should be replaced with larger tank(s).

In 2012, the structural engineering firm of G&E Engineering Systems performed a seismic vulnerability assessment of the District. This assessment considered the combined effects of large earthquakes on the San Andreas and Hayward faults on the San Francisco Public Utilities Commission (SFPUC) and District systems as they existed in 2012. Due to its location the District's Board of Directors designated the Altamont Tanks as a critical facilities. G&E’s report found the tanks unable to withstand a 475 year earthquake. It is recommended Altamont No. 1 (redwood tank) be demolished and reconstructed as a larger seismically retrofitted tank capable of withstanding a 975 year earthquake. Altamont No. 2 requires a new foundation and extensive seismic upgrades to withstand a 975 year earthquake. It may be more cost effective to construct a new tank in its place.

This project consists a feasibility study on construction of larger tank(s). The entire District property will be analyzed for maximum utilization. The scope of work includes a topographic survey of the District property including easement and property line data.

PROPOSED IMPROVEMENTS

Feasibility Report

PROJECT BENEFITS

The Altamont Tanks Assessment & Feasibility Study will provide insight on potential replacement with larger tanks for increased storage.

PROJECT BUDGET

<table>
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<td>Project Budget</td>
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JULIETTA LANE & DEER SPRINGS WAY

PROJECT BACKGROUND
The existing 8" CI cross-country water main between fire hydrants 31.40 (end of Deer Springs Way cul-de-sac) and 32.40 (end of Julietta Lane) was taken out of service due to several leaks in 2008. The Julietta Lane and Deer Springs Way Improvement Project consists of replacing approximately 750 LF of 8" CI located along the fire service roads between Deer Springs Way and Julietta Lane, installing approximately 500 LF of 8" DIP connecting to Chaparral Way, and installing approximately 300 LF of 6" DIP to relocate Fire Hydrant 32.40 at the end of Julietta Lane. This project is consistent with the goals of the District to replace older CI water mains with DIP water mains in better locations. Distribution System Analysis No. 164.

PROPOSED IMPROVEMENTS
Replace 750 LF of 8" CI with 8" DIP
Install 500 LF of 8" DIP
Install 300 LF of 6" DIP
Relocate Fire Hydrant 32.40

PROJECT BENEFITS
The Julietta Lane and Deer Springs Way Improvement Project will replace old infrastructure and improve fire flows in the area. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET

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<tr>
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ALTAMONT ROAD ZONE 4 IMPROVEMENTS

PROJECT BACKGROUND
The existing 6" CI water main along Altamont Road has had several leaks over the past five years. The water main is located behind the curb line, encumbered by several existing Oak trees, and not very accessible. The services are direct tap without service saddles. The Altamont Road Zone 4 Improvement Project consists of replacing approximately 1,200 L.F. of 6" CI water main with 8" DI water main between Julietta Lane (J-39) and south of Appaloosa Way (south of J-839). This project is consistent with the goals of the District to replace older CI water mains with DI water mains in better locations.

PROPOSED IMPROVEMENTS
Replace 1,200 LF of 6" CI with 8" DIP

PROJECT BENEFITS
The Altamont Road Zone 4 Improvement Project replaces old infrastructure, with a history of leaks, with new water main. There is a slight increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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</thead>
<tbody>
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<tr>
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<td>Contingency (+10%)</td>
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<tr>
<td>Project Budget</td>
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TOTAL: $495,000
PROJECT BACKGROUND
Currently, the Liddicoat subdivision has 6" CI and AC water main throughout with three water mains feeding it, two cross country (P-158 and P-181) and one along Liddicoat Drive (P-169). P-158, a 6" CI, feeds the subdivision from Christopher's Lane to the east running cross country under Interstate 280. P-181, a 6" AC water main, feeds the subdivision from Arastradero Road to the west running cross country through multiple properties. Both cross country water mains will be abandoned due to their proximity to residences, a potential catastrophic event for Interstate 280 and potential repair costs in the event of a water main failure. There will be minimal impact to fire flows and water age within the subdivision. During the investigation for this project, the As-Built drawings for P-158 crossing Interstate 280 were located which showed a 16" steel casing around the 6" CI water main. Distribution System Analysis No. 197.

PROPOSED IMPROVEMENTS
Abandon 1,600 LF of 6" AC cross country water main
Replace 1,280 LF of 6" AC with 1,280 LF of 12" DIP
Replace 480 LF of 8" CI with 480 LF of 12" DIP (Phase I)

PROJECT BENEFITS
The Liddicoat Improvement Project allows the abandonment of two cross country water mains currently feeding the Liddicoat subdivision from the north and south. Leaks or water main breaks along these water mains could possibly cause catastrophic damage to both I-280 and resident properties. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET
1,760 LF - 12" DIP @ $325 per LF $570,000
Service Connections - 6 @ $3,500 $20,000
Subtotal Construction $590,000
Planning, Design & Construction Support $120,000
Contingency (+10%) $75,000
Project Budget $785,000
PROJECT BACKGROUND

The cross country 8” CI water main from Anacapa Court to La Cresta Tank site is located between several newly remodeled homes. The water main serves as a vital link between the McCann Pump Station and La Cresta Tanks and has to remain in operation in its current cross country location. It was installed in 1959 as part of the original District distribution system. A leak on this water main could cause catastrophic damage to surrounding homes. This project replaces the existing 55 year old CI water main with a new 8” DI water main in the same location. Due to the topography, alternative construction methods such as slip lining or horizontal directional boring will be considered for this project. Distribution System Analysis No. 65.

PROPOSED IMPROVEMENTS

Replace 770 LF of 6” CI with 8” DI

PROJECT BENEFITS

The cross country 12” and 8” CI water main from Anacapa Court to La Cresta Tank will be replaced by a 8” DI water main. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET

770 LF - 8” DI @ $520 per LF  $400,000
Subtotal Construction  $400,000
Planning, Design & Construction Support  $100,000
Contingency (±10%)  $50,000
Project Budget  $550,000
PROJECT BACKGROUND

In 2012, the structural engineering firm of G&E Engineering Systems performed a seismic vulnerability assessment of the District. This assessment considered the combined effects of large earthquakes on the San Andreas and Hayward faults on SFPUC and District systems as they existed in 2012.

Due to a lack of an adequate foundation the current 500,000 gallon Elena Tank does not meet minimum seismic standards of a 475 year earthquake. This project involves constructing a new foundation and hold-down anchors for the existing tank along with minor other seismic upgrades.

PROPOSED IMPROVEMENTS

Install a new foundation for the existing Elena Tank

PROJECT BENEFITS

The Elena Tank will remain operational after a 475 year earthquake. There is a significant increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$400,000</td>
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<tr>
<td>Planning, Design &amp; Construction Support</td>
<td>$100,000</td>
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<td>Contingency (+10%)</td>
<td>$50,000</td>
</tr>
<tr>
<td>Project Budget</td>
<td>$550,000</td>
</tr>
</tbody>
</table>
PROJECT BACKGROUND

The outcome of the Altamont Tanks Feasibility Study (project no. 07-10) will determine the exact size, location and number of tanks which will be replaced at the Altamont Tank site. This project sets an approximately rough budgetary number to replace Tank No.1 with a larger tank and seismically retrofit Tank No.2.

PROPOSED IMPROVEMENTS

Replacement of Altamont Tank No.1
Seismic Retrofit of Altamont Tank No.2

PROJECT BENEFITS

The Altamont Tanks will remain operational after a 975 year earthquake. There is a significant increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Replacement of Tank No. 1</td>
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<tr>
<td>Seismic Retrofit of Tank No. 2</td>
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<tr>
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</table>
PROJECT BACKGROUND
The Deer Creek Pump Station was constructed in 1986, in 2009 the station went through a comprehensive seismic upgrade along with the installation of an emergency generator. The pump station has five pumps distributing water to both zone 2 and zone 3. Due to its location and pumping capacity the Deer Creek Pump Station is designated as a critical facility which will need to remain operational after an emergency event. The pump station does not have a fire suppression system. This project consists of installation of a non-liquid fire suppression system.

PROPOSED IMPROVEMENTS
Installation of a non-liquid fire suppression system throughout the pump station

PROJECT BENEFITS
Any fire at the pump station will be quickly extinguished by an automatic fire suppression system. There is a significant increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Fire Suppression System</td>
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<td>Project Budget</td>
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</tbody>
</table>
PROJECT BACKGROUND

In 2013 a 50 year old 6” CI cross country water main, P-806, experienced a catastrophic leak. P-806 is 620 LF in length and connects Buena Vista Drive and Sherlock Road through a steep, hard to access canyon the middle of the District’s Zone 4. Several different scenarios were analyzed during the development of this project, including rehabilitation, replacement or complete abandonment of P-806. After extensive hydraulic modeling it was determined P-806 can be abandoned with minimal impact to water quality and fire flows.

This project includes abandonment of P-806 and adding 600 LF of 8” DIP water main (P-1009) in a driveway starting at 27863 Moody Road to J-854. With this improvement fire flows in the vicinity of Sherlock Road are equal to or exceed existing conditions. The fire flows on Buena Vista are reduced by approximately 75 gpm at nodes J-807 and J-468, representing an 8% reduction in available fire flows. The cost of replacing the water main on Buena Vista with an 8” DIP is approximately $300,000. We believe the high cost of replacing the water main on Buena Vista justifies the minor reduction in fire flows. The project does require easement acquisition for the new water main.

Distribution System Analysis No. 274.

PROPOSED IMPROVEMENTS

Abandon 620 LF 6” CI
Install 600 LF of 8” DIP

PROJECT BENEFITS

This project abandons a high risk cross country water main. There is a slight decrease in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
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<td>500 LF -8” DIP @ $275 per LF</td>
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<td>Project Budget</td>
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</table>
PROJECT BACKGROUND

The Elena Tank and Pump Station is located directly in the middle of the District making an ideal location to move water from Zone 2 to Zone 3. The potential of purchasing or transferring water from Calwater at a new intertie at the intersection of Robleda and Alta Tierra increase the critical nature of the Elena Tank and Pump Station in the storage and distribution of this new water. The Elena Pump Station was designed to house three Zone 3 pumps, with two operating at one time. Currently there is one Zone 3 pump at the pump station. This project consists of designing and installing two new 1,000 gallon per minute Zone 3 pumps, replacement of the existing wood pump building with a new larger masonry building, and installation of a fire suppression system.

PROPOSED IMPROVEMENTS

Install 100 LF - 8" DIP
Install 2 New Zone 3 Pumps and Controls
Install New Pump Barrels
Construct a New Pump Building

PROJECT BENEFITS

The New Zone 3 Pumps at Elena Pump Station Project will maximize the pump stations efficiency in moving water from Zone 2 to Zone 3 and improve the existing pump station building against potential earthquakes and fire. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 LF - 8&quot; DIP @ $800 per LF</td>
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<tr>
<td>2 new Zone 3 Pumps and Controls</td>
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<tr>
<td>Installation of New Pump Barrels</td>
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<td>New Pump Building</td>
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</tbody>
</table>

NEW ZONE 3 PUMPS AT ELENA PUMP STATION

PROJECT 07-12

CAPITAL PROJECT SUMMARY - 2016 UPDATE
STONEBROOK IMPROVEMENT PROJECT

PROJECT BACKGROUND

In 1999, as part of the Quarry Hills Subdivision, the developer installed approximately 6,100 LF of 10" DIP from the Neary Tank Driveway on La Loma Drive to Prospect Avenue. In 2001 Foothill College approached the District requesting additional flows through the campus as part of its overall campus improvements. In 2004 the District and Foothill College installed approximately 7,000 LF of 10" DIP along Adobe, Priscilla Lanes, El Monte Road and through Foothill College. The project greatly increased available pressures and flows on the campus and surrounding neighborhoods along with increasing utilization of the Neary Tanks. Distribution System Analysis No. 82.

PROPOSED IMPROVEMENTS

Install 1,800 LF of 10" DIP

PROJECT BENEFITS

PROJECT BUDGET

1,800 LF - 10" DIP @ $300 per LF $540,000
Service Connections - 4 @ $3,500 $10,000
Subtotal Construction $550,000
Planning, Design & Construction Support $110,000
Contingency (±10%) $70,000
Project Budget $730,000
PROJECT BACKGROUND

PHWD currently purchases all of its water from SFPUC's Hetch Hetchy system. SFPUC is currently implementing its Water Supply Improvement Program ("WSIP") to improve the reliability of the Hetch Hetchy system, especially in the case of a major seismic event. One of the WSIP's design criteria is that Hetch Hetchy will endeavor to serve winter day water demands to a large portion of its customers within 24 hours of a major seismic event. Therefore, even after the WSIP is completed, the PHWD can expect to be without water for at least 24 hours after a major seismic event, and potentially for a much longer period. PHWD has identified Quarry Lake as a potential source of emergency water supply in the event of extended unavailability of the Hetch Hetchy system. PHWD retained Armand Ruby Consulting ("ARC") to perform a water quality analysis of Quarry Lake. ARC concluded in its Report of Quarry Lake Water Quality Analysis, dated December 2008 (ARC, 2008), that water quality in Quarry Lake meets most drinking water regulatory limits.

This project involves purchasing a mobile pump, tank and chlorine injection equipment along with the installation of permanent piping and intake facilities to utilize Quarry Lake for an emergency water source after a major disaster. The water will be designated as non potable and will require a boil order for residents. The District's distribution system will require flushing once the Hetch Hetchy System is restored.

PROPOSED IMPROVEMENTS

Purchase of a mobile pump, tank and chlorine injection equipment along with the installation of permanent piping and intake facilities along Quarry Lake.

PROJECT BENEFITS

The District will have a reliable source of water for emergency usage after an earthquake. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
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<td>Project Budget</td>
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</table>
The District is evaluating a third intertie with the City of Palo Alto in the Vicinity of Gerth Lane and Page Mill Road, where the two agency mains are adjacent. The District and City of Palo Alto have two interties, one on Page Mill Road at the Tank serving Zone 4 and an intertie on Arastradero Road serving our Zone 2. This location is the most northerly subdivision served by the District and the intertie could provide an additional source to Zone 2 to provide redundancy to the system in the case of a SFPUC emergency outage. The City of Palo Alto maintains a pressure of 150 to 160 psi in this location, the District's pressure is approximately 130 psi. Due to the pressure differential the intertie will most likely be one way (from City of Palo Alto to the District).

PROPOSED IMPROVEMENTS

100 LF of 12" DIP
A metered connection with the City of Palo Alto

PROJECT BENEFITS

The project will benefit District's customers by allowing water to be available from the City of Palo Alto during an emergency outage. There is a moderate increase in fire protection upon completion of this project.

PROJECT BUDGET

$35,000
$115,000
$150,000
$45,000
$20,000
$215,000

100 LF - 12" DIP @ $325 per LF
Meter, PRV, and Backflow Vault
Subtotal Construction
Planning, Design & Construction Support
Contingency (+10%)
Billing adjustments may be made for water lost as a result of a leak in a line on the customer’s side of the meter and/or a malfunctioning irrigation controller. Leaking faucets, toilets, hoses or sprinklers Water lost from leaking irrigation systems, service lines, and toilets, or from a malfunctioning irrigation controller will not qualify for a billing credit unless a upon determination has been made by District personnel that the customer had no control over the circumstances of the lost water.

The District will not grant a billing credit to a customer when the facts indicate that a customer had knowledge of a water leak but failed to take corrective action in a timely manner or contributed in any way to the leak problem. It is the customer’s responsibility to maintain the line and equipment on the customer’s property in a reasonable condition such that leaks do not occur.

Qualifications:

Leak adjustments are granted for no more than a two month period.

Leak adjustments are granted not more than every 7 years per customer. Customers with a Beacon AMI device installed, but who did not register for an on-line account to monitor usage and receive leak notifications, do not qualify for multiple adjustments.

Leak adjustments are granted for malfunctioning controllers after the customer provides proof of purchase of a new climate-sensitive controller to replace the malfunctioning one, and participation in the SCVWD controller rebate program.

No leak adjustment is granted when customer fails to take corrective action in a timely manner or contributes in any way to the leak problem. It is the customer’s responsibility to maintain the line and equipment on the customer’s property in a reasonable condition such that leaks do not occur.

No leak adjustments are granted for pressure related issues. It is the customer’s responsibility to maintain a pressure regulator valve (PRV) on their side of meter, as needed. (Locations with over 70 psi measured at the meter should have a PRV installed).

No leak adjustments are granted for customers who refuse installation of the Beacon AMI, a devise that enables customers to monitor hourly usage on-line, and receive leak notifications.

Procedures:

The procedures governing billing adjustments for water lost due to leaks are as follows:

1. The request for billing adjustment must be submitted on the form provided by the District. The customer should be prepared to provide necessary information if the District personnel require additional information about the cause of the above normal water use.
2. To qualify for the water leak credit, the customer must provide sufficient information to enable the District to make the requisite determination that the customer had no control over the circumstances of the leak and responded in a timely reasonable manner upon notice of the problem. This will include evidence of having repaired the leak in a timely manner. Such evidence may consist of a plumber’s repair bill or verification by district field personnel. Customers who are negligent or tardy in repairing a leak do not qualify for a leak credit.

3. To arrive at the corrected bill amount which reflects the leak credit, the District will estimate what would have been the normal consumption (average monthly consumption for the month in which the adjustment is sought) and calculate a normal bill based on that consumption. To this amount, the actual consumption is excess of the normal figure will be billed at the rate of $1.00/unit (ccf). Read the customer’s usage data using Beacon AMI on-line reporting, or take an Orion meter reading to determine the units leaked. Leaked units are then billed at the wholesale rate. The charge for leaked water plus the charge for normal usage is a revised billing amount. The leak credit is the difference between the revised billing amount and the original bill.

4. Generally, a leak credit will only be granted for a one-month billing cycle. Depending on the circumstances, a two month billing cycle may be granted by the General Manager. Leak credits will not be provided beyond a two-month billing cycle and will be made only once per owner of the property.