



# PHWD

PURISSIMA HILLS WATER DISTRICT



# REQUEST FOR PROPOSALS

**INDEPENDENT AUDITING SERVICES**

Fiscal Years Ending June 30, 2027 through June 30, 2031



Purissima Hills Water District  
26375 W Fremont Road  
Los Altos Hills, CA 94022

## **Independent Auditing Services**

### **Request for Proposals**

Purissima Hills Water District (the “District”) is soliciting proposals from qualified certified public accounting firms to provide independent auditing services for a five-year term beginning with the fiscal year ending June 30, 2027.

### **Background and District Overview**

The District provides water service to a population of approximately 6,245 in the Town of Los Altos Hills. The District’s service area covers about two-thirds of Los Altos Hills. PHWD is located approximately 40 miles south of San Francisco in Santa Clara County.

PHWD was formed in 1955 as a County Water District and is governed by a five-member Board of Directors. Day-to-day operations are managed by the General Manager and supported by 8 employees across administration and operations.

The District’s annual operating budget is approximately \$12 million, with capital improvement project expenditures varying by fiscal year.

PHWD currently purchases all of its water from the San Francisco Public Utilities Commission (SFPUC), and is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the collective interests of 26 regional water purveyors receiving water supply from the SFPUC. SFPUC water is treated and delivered to the District’s 2,200 accounts through three service connections. The District owns and operates a water distribution system that includes 4 pressure zones, 5 water pump stations, 10 water storage tanks, 12 pressure regulating valves, and 80 miles of water mains. The District’s mission is to provide a reliable supply of high-quality, safe drinking water for current and future generations cost-effectively and efficiently.

### **District Financial Information**

The following information is provided to assist proposers in preparing their proposals and understanding the context of the scope of work associated with this engagement.

### **Fiscal Year**

The District’s fiscal year runs from July 1 through June 30.

### **Fund Structure**

The District operates primarily as an enterprise fund, providing water distribution services. The District maintains a single fund to support its operations and capital improvement programs.

### **Financial Systems**

The District maintains its accounting records using a computerized financial management system. Supporting schedules and documentation required for the audit are prepared by District staff and the Financial Consultant. ***A new ERP system implementation is anticipated during the term of the services sought.***

## **Board Presentation**

The selected auditor will be expected to present the final audit results to the District's Board of Directors at a regularly scheduled Board meeting, no later than December each year.

## **Project Objectives and Scope of Services**

The objective of this engagement is to obtain independent auditing services from a qualified certified public accounting firm to perform annual financial statement audits for the Purissima Hills Water District for fiscal years ending June 30, 2027, through June 30, 2031. The selected auditor will provide an independent opinion on the fair presentation of the District's financial statements and evaluate the District's internal control environment and compliance with applicable laws, regulations, and policies. The District prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities and follows the pronouncements of the Governmental Accounting Standards Board (GASB).

The selected firm shall perform the services described below.

### **1. Financial Statement Audit**

The auditor shall conduct an annual audit of the District's financial statements and express an opinion as to whether the financial statements are fairly presented in accordance with GAAP and applicable GASB standards.

The audit shall be conducted in accordance with:

- Generally Accepted Auditing Standards (GAAS)
- Government Auditing Standards issued by the Comptroller General of the United States
- Generally Accepted Accounting Principles (GAAP) for government entities
- Applicable Governmental Accounting Standards Board (GASB) pronouncements
- California State Controller reporting requirements for special districts

The audit shall include examination of the following components of the District's financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Required Supplementary Information

### **2. Annual Report of Financial Transactions of Special Districts**

The auditor shall prepare and submit the Annual Report of Financial Transactions of Special Districts to the California State Controller's Office, pursuant to Government Code Section 26909

each year. The report shall be completed within the required statutory deadlines and submitted to the District for review before transmittal.

### **3. Internal Control Evaluation**

As part of the audit process, the auditor shall obtain an understanding of the District's internal control structure and evaluate the design and effectiveness of key internal controls related to financial reporting. The auditor shall identify any material weaknesses, significant deficiencies, or opportunities for improvement.

### **4. Management Letter**

The auditor shall prepare a separate management letter summarizing observations and recommendations related to:

- Internal control structure
- Accounting policies and procedures
- Financial reporting processes
- Compliance with District policies
- Opportunities for operational improvements

The management letter shall be presented to District management and discussed during the exit conference.

### **5. Compliance Review**

The audit shall include a review of compliance with relevant laws, regulations, and District policies that may have a material effect on the financial statements. This may include review of compliance with the District's investment policy and other financial management policies.

### **6. Audit Conferences**

The selected auditor shall conduct the following meetings with District staff:

- Pre-Audit Conference  
Prior to the start of fieldwork, the auditor shall meet with District staff to discuss the audit plan, timing of fieldwork, required schedules, and responsibilities of both parties.
- Audit Exit Conference  
Upon completion of fieldwork, the auditor shall conduct an exit conference with District management and a potential Board ad hoc committee, to review audit findings, internal control observations, and any recommendations.

### **7. Board of Directors Presentation**

The auditor shall present a summary of the final audit report to the District's Board of Directors at a regularly scheduled Board meeting. The presentation shall include a discussion of the audit

opinion, financial results, internal control observations, and any significant accounting issues identified during the audit.

## **8. Deliverables**

At the conclusion of each annual audit, the auditor shall provide the following deliverables to the District:

- Independent Auditor's Report
- Final audited financial statements
- Management letter
- Required communications with those charged with governance
- Electronic copies of all reports and supporting documents

The auditor shall coordinate closely with District staff to ensure the audit is completed within the required reporting deadlines and presented to the Board of Directors in a timely manner.

## **Anticipated Work Plan and Target Timeline**

The District anticipates that the selected auditor will follow a structured work plan that allows for the timely completion of the annual audit while minimizing disruption to District operations. The following timeline represents the District's preferred schedule for the audit engagement for each fiscal year.

### **Engagement Execution**

Upon selection and approval by the District, the audit engagement will be formally executed. During this phase, the auditor will coordinate with District management to finalize the engagement letter, confirm the audit approach, establish communication protocols, and identify schedules and documentation required from District staff.

Target Timeline: May 2027

### **Interim Fieldwork**

The auditor may conduct interim fieldwork prior to the fiscal year-end. Interim procedures typically include reviewing internal controls, performing preliminary analytical procedures, and testing selected transactions. Conducting interim work improves the efficiency of the year-end audit and allows early identification of potential issues.

Target Timeline: May to June of each year

### **In-Person Year-End Fieldwork**

Year-end audit fieldwork will occur after the close of the fiscal year and completion of the District's preliminary financial close. During this phase, the auditor will test account balances, review financial statement disclosures, evaluate internal controls, and verify supporting documentation for financial statement amounts.

Target Timeline: September of each year

### **Board Presentation**

The auditor shall present the results of the annual audit to the District's Board of Directors at a regularly scheduled meeting. The presentation will summarize the audit opinion, financial results, internal control observations, and any recommendations for improvements.

Target Timeline: November or December of each year

### **Summary of Target Schedule**

| <b>Phase</b>                 | <b>Target Timeline</b> |
|------------------------------|------------------------|
| Engagement Execution         | May 2027               |
| Interim Fieldwork            | May – June             |
| In-Person Year-End Fieldwork | September              |
| Board Presentation           | November or December   |

The District expects the selected auditor to maintain regular communication with District staff throughout the engagement to ensure the audit is completed efficiently and in accordance with all applicable reporting deadlines.

The District is committed to timely reporting of its audited financial statements, within six (6) months of fiscal year-end, and considers it a priority for the next auditor.

### **Audit Assistance Provided by District Staff**

District staff will assist the selected auditor to facilitate the efficient completion of the audit engagement. The District's Administrative Supervisor and Financial Consultant will prepare schedules, reports, and supporting documentation commonly required for governmental audits.

The District will provide, at a minimum, the following information and assistance:

- Trial balances and general ledger reports
- Financial statement schedules and supporting documentation
- Bank reconciliations and investment schedules
- Capital asset listings and depreciation schedules
- Debt schedules and supporting documentation
- Pension and OPEB reporting schedules and actuarial reports
- Budget and financial reports
- Copies of Board resolutions, agreements, and other relevant documents

District staff will also make available personnel, as necessary, to respond to audit inquiries and provide clarification regarding financial transactions or operational processes.

The District's Administrative Department operates with a small staffing structure, consisting of two accounting staff members and one financial consultant responsible for financial reporting, accounting operations, and support of other District financial functions. Due to the limited size of the accounting team, the District will rely on the selected auditor to perform the majority of the audit procedures independently and to provide clear guidance regarding required documentation and audit schedules.

Effective coordination, planning, and scheduling will be essential to ensure the audit is completed efficiently and within the established timeline. The District expects the selected auditor to provide a Prepared by Client (PBC) request list well in advance of fieldwork so that staff can prepare required documentation in a timely manner.

In addition, District staff currently operate under a hybrid work schedule, with some employees working remotely on designated days. The selected auditor should plan audit coordination and meetings accordingly and be prepared to conduct portions of the audit remotely using secure electronic document exchange and virtual meetings when appropriate. The District will provide suitable workspace for audit staff during on-site fieldwork if required and will coordinate scheduling to ensure timely access to records and staff.

## **Proposal Requirements**

The proposal should include the following sections for easy reference. At the consultant's discretion, additional sections deemed necessary for a complete proposal may be added. The proposal shall include a detailed explanation of the audit engagement from the proposer's perspective. The proposer should not simply reiterate the contents of this Request for Proposals. The information should demonstrate the firm's understanding of governmental auditing standards, financial reporting requirements for special districts, and relevant industry practices.

If the proposer recommends an audit approach that differs from the anticipated work plan and project timeline outlined in this Request for Proposals, those recommendations should be presented within this section.

1. **Project Approach:** The proposal shall describe the management approach and logistics necessary to accomplish the work described in the Scope of Services. This section should include a description of the firm's audit methodology, planning procedures, and coordination with District staff.
2. **Detailed Scope of Work:** The proposal shall be responsive to the Scope of Services provided and contain sufficient detail to demonstrate that the work can be accomplished efficiently and in a timely manner.

- a. Describe the work activities and audit procedures to be performed, including timelines, milestones, and key deliverables.
- b. Provide a description of the information, schedules, and support expected from District staff during the audit process.
- c. Identify the principal or engagement partner who will serve as the Project Manager and have direct continuing responsibility for the engagement.
- d. Project Schedule: The proposal shall include a schedule aligned with the Scope of Services and anticipated completion dates for each phase of the audit.

### **Qualifications of the Auditor and Project Team**

To be considered for this engagement, the proposing firm must meet the following minimum qualifications.

#### **Firm Overview**

Provide a description of the auditing firm, including organizational structure, location of principal offices, number of professional personnel, and other relevant information, including the following:

- **Licensing:** The proposer must be a firm of Certified Public Accountants licensed to practice in the State of California. The firm must also be authorized to perform governmental auditing services.
- **Government Auditing Standards:** The firm must have experience conducting audits in accordance with Government Auditing Standards (Yellow Book) issued by the Comptroller General of the United States.
- **Peer Review:** The firm must have undergone a peer review within the past three years as required by Government Auditing Standards. A copy of the most recent peer review report and letter of comments, if any, must be included with the proposal.
- **Independence:** The proposing firm must be independent of the District as defined by generally accepted auditing standards and Government Auditing Standards. The firm must disclose any potential conflicts of interest that may affect its independence.
- **Governmental Audit Experience:** The firm must demonstrate substantial experience auditing local government entities, including special districts, municipal utilities, or enterprise funds. Experience auditing water utilities will be considered advantageous.

#### **Professional Staff**

The engagement partner and key personnel assigned to the audit must possess appropriate professional qualifications and experience in governmental accounting and auditing. The proposal shall include the identification and background of the project team members, including the following information:

- **Professional Qualifications of the Project Team:** Provide a summary of each team member's qualifications and certifications for the engagement. The project team shall include the engagement partner, audit manager, and other staff with significant involvement in the audit. For each team member, describe their level of responsibility, scope of work, and relevant experience with governmental audits.

### **Estimated Project Costs**

The District requests that proposers provide a clear and transparent fee structure for the audit services described in this RFP. Proposals should include a total all-inclusive annual fee for each fiscal year of the engagement covering fiscal years ending June 30, 2027, through June 30, 2031. The proposed fee should include all direct and indirect costs associated with the engagement, including travel, administrative costs, and out-of-pocket expenses.

The fee proposal should include:

1. Annual Financial Statement Audit
  - a. Estimated personnel hours by staff classification
  - b. Hourly billing rates by staff level
  - c. Total annual audit fee
2. Preparation of the Annual Report of Financial Transactions
  - a. Estimated cost associated with preparing and filing the report with the California State Controller's Office
3. Management Letter and Internal Control Review
  - a. Costs associated with internal control review and preparation of the management letter
4. Board Presentation
  - a. Costs associated with preparing and presenting the audit results to the District's Board of Directors
5. Optional Services (if applicable)
  - a. Additional advisory services
  - b. Implementation guidance related to new GASB pronouncements
  - c. Other audit-related consulting services requested by the District

The District encourages proposers to provide a multi-year pricing schedule showing the proposed fee for each fiscal year of the engagement.

### **List of Client References**

Please provide a list of clients for whom your firm has performed similar governmental auditing services within the last five years. Include:

- Client Names
- Project descriptions
- Contact information for references

### **Proposal Formatting**

Proposals shall be concise, well-organized, and free of errors. Proposals should clearly demonstrate the proposer's qualifications and experience performing governmental audit services. Each proposal shall be signed by an individual authorized to execute the legal document on behalf of the proposing firm.

Questions concerning this RFP should be submitted in writing by email with the subject line "Audit Services RFP" to [samv@purissimawater.org](mailto:samv@purissimawater.org);

Purissima Hills Water District  
Attn: Samantha Vu, Administrative Supervisor  
26375 W Fremont Road  
Los Altos Hills, CA 94022

### **Proposal Submission Requirements**

Interested consultants should submit their proposals electronically by 12:00 PM on September 25, 2026, to [trudock@purissimawater.org](mailto:trudock@purissimawater.org) and cc [samv@purissimawater.org](mailto:samv@purissimawater.org). Proposals must be submitted in PDF format and include all sections this RFP outlines. It is recommended to call 650-948-1217 to confirm receipt of emailed proposals.

### **Evaluation Criteria**

Proposals will be evaluated based on the following criteria:

| <b>Criteria</b>             | <b>Points</b> |
|-----------------------------|---------------|
| Government Audit Experience | 25            |
| Project Team                | 25            |
| Audit Approach              | 25            |
| Cost                        | 15            |
| References                  | 10            |

The District anticipates selecting a firm based on the proposals received, but reserves the right to interview selected firms. If necessary, the District will negotiate final terms with the selected firm. If the District cannot reach an agreement with the highest-ranked firm, negotiations may be terminated and initiated with the next-ranked firm.

After negotiating a fair and reasonable agreement, the General Manager will make a recommendation to the District's Board of Directors for final approval.

### **District Rights**

This RFP does not commit the District to awarding a contract, defraying any costs incurred in preparing a proposal under this RFP, or procuring or contracting for work. All proposals submitted in response to this RFP become the property of the District, are public records, and may, as such, be subject to public review.

The District reserves the right to cancel, modify, withdraw, extend, in part or in its entirety, this RFP, including, but not limited to, the selection schedule, submittal date, and submittal requirements. The District reserves the right to reject all proposals and terminate the project. If the District cancels or revises the RFP, rejects all proposals, or terminates the project, all proposers will be notified in writing by the District.

The selected consultant will be required to sign a Professional Services Agreement (Exhibit A) and to provide the insurance certificates and all other required documentation within ten (10) calendar days of notification of selection.

The District reserves the right to investigate the qualifications of any proposer, verify the information provided, and request additional evidence of qualifications to perform the work outlined in this RFP. At its sole discretion, the District may:

- Appoint a selection committee and evaluation teams, and consult external experts to review proposals.
- Approve or deny the use of specific subcontractors or changes in proposals.
- Revise evaluation criteria or methods before the proposal deadline and notify all registered proposers of any changes. If these changes are significant, the District may extend the deadline.
- Hold meetings or exchange correspondence with proposers to clarify or improve proposal evaluations. If individual meetings are held, all responsive proposers will have the same opportunity.
- Gather additional data from any source to improve the understanding and evaluation of proposals.
- Disqualify proposals that fail to meet RFP requirements, but may waive minor omissions or irregularities at its discretion.
- Reject proposals from teams that alter their submissions after the deadline without following proper procedures or obtaining written approval.
- Reject proposals.

A. WITHDRAWAL OF PROPOSAL

Submission of a proposal shall constitute a firm offer to PHWD for ninety (90) days from the deadline for receipt of proposals. A proposer may withdraw its proposal any time before the date and time when proposals are due, without prejudice, by submitting a written request for its withdrawal to the PHWD General Manager, Tammy Rudock, at [trudock@purissimawater.org](mailto:trudock@purissimawater.org). A telephone request is not acceptable.

B. AGREEMENT FOR PROFESSIONAL SERVICES

The consulting firm selected by PHWD to provide the services outline in this RFP will be required to execute an Agreement for Professional Services with PHWD. A template form of this Agreement is attached hereto as Exhibit "B" so that proposers will have an opportunity to review the terms and conditions that will be included in the final contractual agreement. If a proposer desires any additions, deletions, or modifications to the template form Agreement, they must submit a request for such additions, deletions, or modifications with their proposal on Form 2, Exceptions Form. With the exception of any requests for such additions, deletions, or modifications, the proposer will, by making a proposal, be deemed to have accepted the template form Agreement.

C. CONFIDENTIALITY OF PROPOSALS

The California Public Records Act (*California Government Code Sections 7920.000, et seq.*) mandates public access to government records. Therefore, unless the information is exempt from disclosure by law, the content of any request for explanation, exception or substitution, response to these specifications, protest, or any other written communications between PHWD and the proposer shall be available to the public.

If the proposer believes any communication contains trade secrets or other proprietary information would cause substantial injury to the proposer's competitive position if disclosed, the proposer shall request that PHWD withhold from disclosure the proprietary or other confidential information by marking each page containing such information as confidential. The proposer may not designate its entire proposal or bid as confidential. Additionally, proposer may not designate its cost proposal or any required bid forms or certifications as confidential.

If proposer requests that PHWD withhold from disclosure information identified as confidential, and PHWD complies with the proposer's request, proposer shall assume all responsibility for any challenge resulting from the non-disclosure, indemnify and hold harmless PHWD from and against all damages

(including, but not limited to, attorney's fees that may be awarded to the party requesting the proposer information), and pay any and all costs and expenses related to the withholding of proposer information. Proposer shall not make a claim, sue, or maintain any legal action against PHWD or its directors, officers, employees, or agents in connection with the withholding from disclosure of proposer information.

If proposer does not request that PHWD withhold from disclosure information identified as confidential, PHWD shall have no obligation to withhold the information from disclosure and may release the information sought without any liability to PHWD.

#### D. CONFLICT OF INTEREST

Proposer represents and warrants that it presently has no interest and agrees that it will not acquire any interest that would present a conflict of interest under *California Government Code Sections 1090, et seq. or Sections 87100 et seq.*, during the performance of services under the Agreement. Proposer shall promptly disclose any actual or potential conflict of interest to the PHWD as soon as proposer becomes aware of such conflict. Proposer further covenants that it will not knowingly employ any person having such an interest in the performance of the Agreement. Violation of this provision may result in the Agreement being deemed void and unenforceable.

Depending on the nature of the work performed, proposer may be required to publicly disclose financial interests under PHWD's Conflict of Interest Code. Proposer agrees to promptly submit a Statement of Economic Interest on the form provided by PHWD upon receipt. No member, officer, or employee of the PHWD, or any of its member jurisdictions during their tenure of office, or for one year thereafter, shall have any interest therefrom, direct or indirect, in the Agreement or the proceeds.

#### E. WAIVER

By submitting a proposal, the proposer represents and warrants that it has sufficiently informed itself in all matters affecting the performance of the work requested in this Request for Proposals; that proposer has checked its proposal for errors and omissions; that the rates stated in its proposal are correct and as intended by it and are a complete and correct statement of its rates for performing the work requested in this Request for Proposals.

The proposer waives any claim against PHWD for costs incurred in preparing a proposal and responding to this RFP.

#### F. THE LEVINE ACT

The Levine Act (*California Government Code Section 84308*) is part of the California Political Reform Act of 1974. The Levine Act prohibits any PHWD Board Member from participating in or influencing the decision on awarding a contract with PHWD to anyone who has contributed \$500 or more to the Board Member within the previous twelve months. The Levine Act also requires a member of the PHWD Board who has received such a contribution to disclose the contribution on the record of the proceeding. In addition, PHWD Board Members are prohibited from soliciting or accepting a contribution from a party applying for a contract while the matter of awarding the contract is pending before PHWD or for twelve months following the date a final decision concerning the contract has been made.

Proposer must complete and submit with their proposal the California Levine Act Statement, Form 1.

### **FORM 1: CALIFORNIA LEVINE ACT STATEMENT**

*California Government Code Section 84308* (commonly referred to as the “Levine Act”) prohibits any PHWD Board Member from participating in any action related to a contract, if they receive any political contributions totaling more than \$500 from the person or company awarded the contract within the previous twelve months, and for twelve months following the date a final decision concerning the contract has been made. The Levine Act also requires a member of the PHWD Board who has received such a contribution to disclose the contribution on the record of the proceeding.

Proposers also are required to disclose such contributions, if any; and are responsible for accessing the links below to review the names of Board Members prior to answering the below questions:

PHWD Board Members: <https://www.purissimawater.org/board>

Have you or your company, or any agent on behalf of you or your company, made any political contributions of more than \$500 to any PHWD Board Member in the 12 months preceding the date of the submission of your proposal(s) or the anticipated date of any Board action related to this contract?

☐ YES ☐ NO If yes, please identify the Board Member(s):

Do you or your company, or any agency on behalf of you or your company, anticipate or plan to make any political contribution of more than \$500 to any PHWD Board Member in the 12 months following any Board action related to this contract?

☐ YES ☐ NO If yes, please identify the Board Member(s):

Answering yes to either of the two questions above does not preclude PHWD from awarding a contract to your firm or taking any subsequent action related to the contract. It does, however, preclude the identified Board Member(s) from participating in any actions related to this solicitation and resulting contract(s).

**FORM 2: EXCEPTION FORM**

By submitting a proposal, Proposer is deemed to have accepted all of the terms and conditions set forth in the Sample Agreement contained in Exhibit A of this RFP, unless the proposer includes with its proposal this Exception Form containing all the exceptions requested by the propose.

PROPOSER

NAME: \_\_\_\_\_

Number each exception and attach additional pages as necessary to provide proposed alternate language.

| # | Section of the Sample Agreement | Proposed Alternative Language |
|---|---------------------------------|-------------------------------|
|   |                                 |                               |
|   |                                 |                               |
|   |                                 |                               |
|   |                                 |                               |
|   |                                 |                               |
|   |                                 |                               |
|   |                                 |                               |

***EXHIBIT "B"***

**SAMPLE AGREEMENT**

## **PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT is made as of this \_\_\_\_ day of \_\_\_\_\_, 2026, by and between PURISSIMA HILLS WATER DISTRICT ("DISTRICT") and \_\_\_\_\_, a California \_\_\_\_\_ ("CONSULTANT").

WHEREAS, the DISTRICT desires to obtain professional services for \_\_\_\_\_ ("Project"); and

WHEREAS, the DISTRICT issued a Request for Proposals dated \_\_\_\_\_ to obtain such services, which is attached hereto and incorporated herein as Exhibit A; and

WHEREAS, the CONSULTANT is ready, willing and able to furnish such services and has submitted a Proposal dated \_\_\_\_\_, which is attached hereto and incorporated herein as Exhibit B.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **PROVISION OF SERVICES**

The CONSULTANT agrees to provide professional services to DISTRICT in accordance with the terms and conditions of this Agreement.

2. **SCOPE OF WORK**

The scope of CONSULTANT's work shall be as set forth in Exhibit A, as supplemented by Exhibit B.

3. **SCHEDULE**

CONSULTANT will begin work upon the issuance of a written Notice to Proceed by DISTRICT. The CONSULTANT and DISTRICT will establish a time period for completing the scope of work. The Agreement may be terminated earlier in accordance with Section 12 of this Agreement.

4. **CONTRACT AMOUNT**

The CONSULTANT shall perform all work set forth in Section 2 of this Agreement for a total sum not to exceed \_\_\_\_\_ (\$\_\_\_\_\_). CONSULTANT will be paid on a time and materials basis in accordance with the fee estimate and rate schedule attached in Exhibit B. The Contract Amount will include all labor, materials, taxes, insurance, subcontractor costs, overhead, profit, and all other costs and expenses incurred by CONSULTANT.

5. **MANNER OF PAYMENT**

The CONSULTANT shall submit monthly invoices as CONSULTANT completes work, and the invoices shall describe the work completed during the billing period, who performed the

services, their applicable hourly rate, and all out-of-pocket costs and subcontractor payments, if any. The DISTRICT shall review and approve the invoices and shall pay approved invoices within thirty (30) days of DISTRICT's approval.

6. OWNERSHIP OF WORK

A. All reports, designs, drawings, plans, specifications, schedules, and other materials prepared by CONSULTANT under this Agreement ("Work Product") shall be the property of DISTRICT.

B. CONSULTANT assigns to DISTRICT all right, title, and interest in and to the Work Product, including ownership of the entire copyright in the Work Product and any causes of action existing or arising in connection with the copyright to said Work Product. The DISTRICT shall be entitled to access these materials and copies of these materials as they are being developed. Any such materials in the hands of CONSULTANT or in the hands of any subcontractor upon completion or termination of services hereunder shall be immediately delivered to DISTRICT.

7. ASSIGNMENT

CONSULTANT shall not assign any of the rights nor transfer any of its obligations under this Agreement without the prior written consent of the DISTRICT.

8. USE OF SUBCONTRACTORS

CONSULTANT shall not subcontract any services to be performed by it under this Agreement without the prior written approval of the DISTRICT, which shall not be unreasonably withheld. CONSULTANT shall be solely responsible for reimbursing any subcontractors and the DISTRICT shall have no obligation to them.

9. CHANGES

The DISTRICT may, at any time, by written order, make changes within the scope of work and services described in this Agreement. If such changes cause an increase or decrease in the fee schedule, an equitable adjustment as mutually agreed shall be made. The pertinent changes shall be expressed in a written supplement to this Agreement prior to implementation of such changes.

10. RESPONSIBILITY; INDEMNIFICATION

CONSULTANT agrees to indemnify, defend and hold harmless the DISTRICT, and its directors, agents, and employees from and against all claims, losses, damages and liabilities (including reasonable attorneys' fees) arising out of any injury to persons or property to the extent that they are caused by any breach of CONSULTANT's obligations under this Agreement, or CONSULTANT's negligence, recklessness, or willful misconduct. The parties will defend their own respective claims under this Section 10 at their own cost and expense until liability is determined by a court of competent jurisdiction, an arbitrator, or until a settlement. After such determination of liability CONSULTANT will reimburse DISTRICT for defense

costs in proportion to the extent of CONSULTANT's liability arising from claims, losses, damages and liabilities under this Section 10. Similarly, after such determination of liability, the DISTRICT will reimburse CONSULTANT for defense costs in proportion to the extent of the DISTRICT's liability. In no event shall the cost to defend charged to the CONSULTANT exceed the CONSULTANT's proportionate percentage of fault. Defense costs include reasonable attorneys', expert witness, and consulting fees, and expenses incurred in connection with a claim, including settlement negotiations, as well as any costs to enforce the indemnity. This indemnity shall survive the termination of this Agreement.

## 11. INSURANCE

A. Workers' Compensation: If CONSULTANT utilizes any employees to perform the services under this Agreement, CONSULTANT shall procure and maintain at all times during the performance of such work Worker's Compensation Insurance in conformance with the laws of the State of California and Federal laws where applicable. Employers' Liability Insurance shall not be less than One Million Dollars (\$1,000,000) per accident or disease. Prior to commencement of work hereunder, CONSULTANT shall deliver to DISTRICT a Certificate of Insurance which shall stipulate that 30 days advance written notice of cancellation, shall be given to DISTRICT.

B. Bodily Injury, Death and Property Damage Liability Insurance: CONSULTANT shall also procure and maintain at all times during the performance of this Agreement General Liability Insurance (including automobile operation) covering CONSULTANT and DISTRICT for liability arising out of the operations of CONSULTANT and any subcontractors. The policy(ies) shall include coverage for all vehicles, licensed or unlicensed, on or off DISTRICT's premises, used by or on behalf of CONSULTANT in the performance of work under this Agreement. The policy(ies) shall be subject to a limit for each occurrence of One Million Dollars (\$1,000,000) naming as an additional insured, in connection with CONSULTANT's activities, the DISTRICT, and its directors, officers, employees and agents. The Insurer(s) shall agree that its policy(ies) is Primary Insurance and that it shall be liable for the full amount of any loss up to and including the total limit of liability without right of contribution from any other insurance covering the DISTRICT.

Inclusion of the DISTRICT as additional insured shall not in any way affect its rights as respects to any claim, demand, suit or judgment made, brought or recovered against CONSULTANT. Said policy shall protect CONSULTANT and DISTRICT in the same manner as though a separate policy had been issued to each; but nothing in said policy shall operate to increase the Insurer's liability as set forth in the policy beyond the amount or amounts shown or to which the Insurer would have been liable if only one interest had been named as an insured.

Prior to commencement of work hereunder, CONSULTANT shall deliver to DISTRICT a Certificate of Insurance which shall indicate compliance with the insurance requirements of this paragraph and shall stipulate that 30 days advance written notice of cancellation, shall be given to DISTRICT.

C. Professional Liability Insurance: CONSULTANT shall also maintain Professional Liability Insurance covering CONSULTANT's performance under this Agreement

with a limit of liability of One Million Dollars (\$1,000,000) per claim and in annual aggregate. Such Insurance shall be renewed annually. Prior to commencing work under this Agreement, CONSULTANT shall furnish to DISTRICT a Certificate of Insurance, or certified copy of the Insurance policy if requested, indicating compliance with requirements of this paragraph. Such certificate or policy shall further stipulate that 30 days advance written notice of cancellation, shall be given to DISTRICT.

#### 12. DISPUTE RESOLUTION

The DISTRICT and CONSULTANT agree to attempt in good faith to resolve all disputes informally. If agreed to by both parties, alternate methods of dispute resolution, such as mediation, may be utilized. Unless otherwise directed by the DISTRICT, the Consultant shall continue performance under this Agreement while matters in dispute are being resolved.

#### 13. TERMINATION

DISTRICT shall have the right to terminate this Agreement upon thirty (30) days written notice to the CONSULTANT. Upon receipt of such notice, the CONSULTANT shall not commit itself to any further expenditure of time or resources.

If the Agreement is terminated for any reason other than breach of a material term by CONSULTANT, the DISTRICT shall pay to CONSULTANT all sums actually due and owing from DISTRICT for all services performed and all expenses incurred up to the day written notice of termination is given, plus any costs reasonably and necessarily incurred by CONSULTANT to effect such suspension or termination.

If CONSULTANT breaches a material term of this Agreement and fails to remedy the breach within ten (10) days after the DISTRICT notifies the CONSULTANT of the breach, the Agreement may be terminated immediately and the DISTRICT shall in such event not thereafter pay or allow to the CONSULTANT any compensation for any labor, supplies or materials furnished under this Agreement; and the DISTRICT may proceed to complete this Agreement by other means, and the CONSULTANT shall be liable to the DISTRICT for all loss or damage which it may suffer on account of the CONSULTANT's breach of this Agreement.

#### 14. CONSULTANT'S STATUS

Neither the CONSULTANT nor any party contracting with the CONSULTANT shall be deemed to be an agent or employee of the DISTRICT. The CONSULTANT is and shall be an independent contractor, and the legal relationship of any person performing services for the CONSULTANT shall be one solely between said parties.

#### 15. DISTRICT REPRESENTATIVE

Except when approval of other action is required to be given or taken by the Board of Directors of the DISTRICT, the General Manager of the DISTRICT, or such person or persons as the General Manager may designate in writing from time to time, shall represent and act for the DISTRICT.

16. COMPLIANCE WITH LAWS AND REGULATIONS

During the progress of the work, CONSULTANT shall fully adhere to all applicable State and Federal laws and county, municipal or DISTRICT ordinances and regulations which in any manner affect those engaged or employed in the work, or the materials and equipment used in the work, or which in any way affect the conduct of the work. CONSULTANT, and any subcontractors performing any work under this Agreement, shall hold such licenses as may be required by the State of California for the performance of the work specified in this Agreement.

17. NOTICES

All communications relating to the day to day activities of the project shall be exchanged between the DISTRICT'S General Manager, or his designee, and the CONSULTANT's Project Manager.

All other notices and communications deemed by either party to be necessary or desirable to be given to the other party, except for confidential reports described in Section 6 of this Agreement, may be given by personal delivery to the representative of the parties or by mailing the same postage prepaid, addressed as follows:

If to the DISTRICT:                      Purissima Hills Water District  
26375 Fremont Road,  
Los Altos Hills, CA 94022  
ATTENTION: General Manager

If to the CONSULTANT:

ATTENTION:

The address to which mailings may be made may be changed from time to time by notice mailed as described above. Any notice given by mail shall be deemed given on the day after that on which it is deposited in the United States Mail as provided above.

18. ATTORNEY'S COSTS

If any legal proceeding should be instituted by either of the parties hereto to enforce the terms of this Agreement or to determine the rights of the parties thereunder, the prevailing party in said proceeding shall recover, in addition to all court costs, reasonable attorney's fees.

19. APPLICABLE LAW

This Agreement, its interpretation and all work performed thereunder, shall be governed by the laws of the State of California.

20. WAIVER

Any waiver of any breach or covenant of this Agreement must be in a writing executed by a duly authorized representative of the party waiving the breach. A waiver by any of the parties of a breach or covenant of this Agreement shall not be construed to be a waiver of any succeeding breach or any other covenant unless specifically and explicitly stated in such waiver.

21. SEVERABILITY

If any provision of this Agreement shall be deemed invalid or unenforceable, that provision shall be reformed and/or construed consistently with applicable law as nearly as possible to reflect the original intentions of this Agreement, and in any event, the remaining provisions of this Agreement shall remain in full force and effect.

22. ENTIRE AGREEMENT; MODIFICATION

This Agreement, including any attachments, constitutes the entire Agreement between the parties with respect to the subject matter hereof and may not be amended except by a written amendment executed by authorized representatives of both parties. In the event of a conflict between the terms and conditions of this Agreement and the attachments, the terms of this Agreement will prevail.

23. BINDING ON SUCCESSORS

All of the terms, provisions and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. CONSULTANT shall not assign this Agreement without the prior express written approval of the DISTRICT.

*(Signatures contained on the following page.)*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the day and year first above written.

DISTRICT:

CONSULTANT:

PURISSIMA HILLS WATER DISTRICT

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\*NOTE: This Agreement must be executed by two corporate officers, consisting of: (1) the President, Vice President or Chair of the Board, and (2) the Secretary, Assistant Secretary, Chief Financial Officer, Assistant Chief Financial Officer, or by any person authorized by the corporation to execute written contracts.