



Santa Clara Valley Water District Board Audit Committee Meeting

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California
Join Zoom Meeting: <https://valleywater.zoom.us/j/91608079873>

SPECIAL MEETING AGENDA

**Wednesday, August 20, 2025
2:00 PM**

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE

Jim Beall, Chairperson - District 4
Shiloh Ballard, Vice Chairperson - District 2
Tony Estremera - District 6

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

NICOLE MERRITT
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-3262
nmerritt@valleywater.org
www.valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

**Santa Clara Valley Water District
Board Audit Committee
SPECIAL MEETING
AGENDA**

Wednesday, August 20, 2025

2:00 PM

HQ. Bldg. Boardroom, 5700 Almaden
Expressway, San Jose, California

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at <https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf>

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=TojJpYCxXm0>

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board of Directors/Board Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has

not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

Meeting ID: 916 0807 9873

Join by Phone:

1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the public: Members of the public who wish to address the Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers' comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

- 3.1. Approval of June 17, 2025, Board Audit Committee Minutes. [25-0633](#)
Recommendation: Approve the minutes.
Manager: Candice Kwok-Smith, 408-630-3193
Attachments: [Attachment 1: 06172025 BAC Minutes](#)

4. REGULAR AGENDA:

- 4.1. Receive and Discuss Financial Audit Reports for Fiscal Year (FY) 2024 from Valley Water's Joint Power Authority (JPA) Partners. [25-0590](#)
Recommendation: Receive and discuss financial audit reports for FY 2024 from Valley Water's JPA partners.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Delta Conveyance Authority JPA Audit Report](#)
[Attachment 2: Delta Conveyance Finance Auth. JPA Aud. Rep.](#)
[Attachment 3: Paj. Rvr. Wtrshd. Fld. Prev. Auth. JPA Aud. Rep.](#)
[Attachment 4: Santa Clara Valley Habitat Agency Audit Report](#)
- 4.2. Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update. [25-0623](#)
Recommendation: A. Receive a status update on the implementation of audit recommendations; and
B. Discuss timing of the next update.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Audit Recommendation Status Table](#)
[Attachment 2: Audit Recommendation Status Updates \(detailed\)](#)
- 4.3. Discuss Potential Audit Topics for 2026 Annual Audit Plan, and Provide Further Guidance as Needed. [25-0630](#)
Recommendation: Discuss potential audit topics for 2026 Annual Audit Plan, and provide further guidance as needed.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: 2023 Risk Assessment Final Report](#)
- 4.4. Discuss 2025 Annual Audit Plan (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed. [25-0589](#)
Recommendation: A. Discuss 2025 Annual Audit Plan; and
B. Provide feedback as needed.
Manager: Darin Taylor, 408-630-3068

- 4.5. Review and Discuss 2025 Board Audit Committee (BAC) Work Plan. [25-0588](#)

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

Manager: Candice Kwok-Smith, 408-630-3193

Attachments: [Attachment 1: BAC Work Plan](#)

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

- 6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m., on September 17, 2025.

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Santa Clara Valley Water District

File No.: 25-0633

Agenda Date: 8/20/2025
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Approval of June 17, 2025, Board Audit Committee Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ENVIRONMENTAL JUSTICE IMPACT:

The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: 06172025 BAC Minutes

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING
DRAFT MINUTES

**SPECIAL MEETING
TUESDAY, JUNE 17, 2025
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A special meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were: District 6 Director Estremera, District 2 Director and Vice Chairperson Shiloh Ballard, and District 4 Director Jim Beall, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were: Yvonne Arroyo, Emmanuel Aryee, Lisa Bankosh, Wade Blackard, Isela Chaparro, Jessica Collins, Enrique De Anda, Rachael Gibson, Walter Gonzalez, Brian Hopper, Diahann Hudson, Candice Kwok-Smith, Cecil Lawson, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Max Overland, Steve Peters, Alison Phagan, Don Rocha, Manpreet Sra, Charlene Sun, Darin Taylor, Cheryl Togami, Kristen Yasukawa, Tina Yoke, and Beckie Zisser.

Public in attendance were: Emer Fabro, Roger Martinez, Jay Toledo (Vasquez & Company, LLP.)

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Beall declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

3. APPROVAL OF MINUTES:

3.1. Approval of March 19, 2025, Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the March 19, 2025 Committee meeting.

Public Comments:
None.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and was carried by unanimous vote that the minutes be approved.

4. REGULAR AGENDA:

4.1. Receive Permitting Best Practices Audit Status Update.

Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

Yvonne Arroyo reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachment 4.

Yvonne Arroyo was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion noted everything is in good shape and acknowledged the upcoming potential challenge of the Information Technology (IT) audit recommendation implementation.

4.2. Receive Information Regarding 2025 Information Technology (IT) Performance Audit.

Recommendation: Receive information regarding the 2025 IT Performance Audit.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion noted the significance of this audit as it will increase the viability of Valley Water's cybersecurity system.

4.3. Receive and Discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

Recommendation: Receive and discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion confirmed this audit was not triggered by any specific events and is conducted regularly every 1 to 2 years.

4.4. Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2024-2025 Financial Audit, Presented by Vasquez and Company LLP.

Recommendation: Receive and discuss information regarding the upcoming FY 2024-2025 financial audit, presented by Vasquez and Company LLP.

Roger Martinez reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachment 1.

Roger Martinez and Darin Taylor were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee confirmed Vasquez & Company LLP has been associated with Valley Water for around 4 years and noted the auditor's process for analyzing and validating that expenditures are fairly distributed across the water zones based on benefits received which includes the financial statements of the Water Utility Enterprise Funds (WUEF).
- The Committee confirmed that the auditor examines Valley Water's property tax revenue against the Santa Clara County Tax Assessor's audits and reviews the process by which Valley Water addresses its pension and other post-employment benefits (OPEB) obligations.
- The Committee noted the auditor will be meeting with the Valley Water Board members for the required one-on-one interviews to address any concerns.

4.5. Receive the Fiscal Year 2024-2025 Third Quarter Financial Status Update.

Recommendation: Receive the Fiscal Year 2024-2025 third quarter financial status update as of March 31, 2025.

Charlene Sun, Jessica Collins, and Enrique De Anda reviewed the information on this item, per the attached Committee Agenda Memo and Attachment 1, and the corresponding presentation materials contained in Attachment 1 were reviewed by staff as follows: Charlene Sun reviewed Slides 1 through 5, Enrique De Anda reviewed Slides 6 through 7, and 9 through 10, and Jessica Collins reviewed Slides 7 through 8.

Charlene Sun, Enrique De Anda, and Jessica Collins were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee confirmed the capital expenditures rates are project driven and the lower amounts are partially due to a short-term debt strategy designed to prevent the over-issuance of funds and the support of realistic budgeting preparation by project managers.
- The Committee confirmed staff is continuing to make progress in addressing any contracting or procurement delays.

- 4.6. Discuss the Options to Extend Terms and Increase the Not-to-Exceed (NTE) amount, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2025.

- Recommendation:
- A. Discuss options to extend terms and increase the NTE amount, allow to expire, or terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc., which is currently scheduled to expire effective November 22, 2025; and
 - B. Approve recommendation to the full Board to:
 - i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year, and increase the NTE from \$800,000 to \$1,400,000;
 - ii. Allow the expiration of the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc; or
 - iii. Exercise option to terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. prior to the expiration date of November 22, 2025.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachments 1 and 2.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, and noted the following:

- The Committee expressed support of the CAE's work and confirmed the agreement options.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and the following Recommendation was carried by unanimous vote:

- B. Approve recommendation to the full Board to:
 - i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year, and increase the NTE from \$800,000 to \$1,400,000.

- 4.7. Discuss 2025 Annual Audit Plan, (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed.

Recommendation: A. Discuss 2025 Annual Audit Plan,
B. Provide feedback as needed.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion Chairperson Beall noted an interest in audits including the best practices for Valley Water.

- 4.8. Review and Discuss the 2025 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion noted the updated BAC Work Plan and the upcoming July 2025 meeting.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

Nicole Merritt confirmed there were no public comments under Item 2 and Item 3.1; the Committee received and noted the updates under Items 4.1 through 4.5; approved to recommend to the Board to exercise option to extend the on-call services agreement with the CAE for one year and increase the NTE as noted under Item 4.6; received and noted the Annual Audit Plan update under Item 4.7; received and noted the updated BAC Work Plan and the upcoming July 2025 meeting under Item 4.8.

6. ADJOURN:

6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m. on July 16, 2025.

Chairperson Beall adjourned the meeting at 3:17 p.m. The next regular meeting on July 16, 2025, was subsequently canceled with the next regular meeting scheduled to occur at 1:00pm on August 20, 2025.

Nicole Merritt, Assistant Deputy Clerk II

Date approved:



Santa Clara Valley Water District

File No.: 25-0590

Agenda Date: 8/20/2025

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive and Discuss Financial Audit Reports for Fiscal Year (FY) 2024 from Valley Water's Joint Power Authority (JPA) Partners.

RECOMMENDATION:

Receive and discuss financial audit reports for FY 2024 from Valley Water's JPA partners.

SUMMARY:

Per Article IX of the Board Audit Committee (BAC) charter, the committee shall have the authority to review any formally issued audit reports from any Joint Powers Authority (JPA) to which Valley Water is a member. The information below includes a list of JPAs to which Valley Water is a member, including the associated level of Valley Water investment in each:

1. Delta Conveyance Design and Construction JPA;
 - a. Valley Water portion of capital investment estimated at \$650M plus \$1.7M per year in operations and maintenance costs (both figures in 2023 \$'s)
2. Delta Conveyance Finance Authority;
 - a. Provides financing for Delta Conveyance Design and Construction JPA
3. Pajaro River Watershed Flood Prevention Authority;
 - a. Valley Water pays a \$10K annual membership fee
4. San Francisquito Creek JPA;
 - a. Valley Water portion of capital investment estimated at \$80M per FY 2026 -30 Board adopted CIP plus \$250K to \$450K per year operations and maintenance cost.
5. Santa Clara Valley Habitat Agency Implementation Board;
 - a. Although Valley Water is not a member of the Santa Clara Valley Habitat Agency's Board, Valley Water participates in the JPA's implementation Board and receives benefits from the JPA's activities.
 - b. Specifically, Valley Water pays land cover impact fees to the JPA averaging \$700K per year since 2013. The fees are essentially regulatory permit fees, which provide budget for conservation actions (eg, land acquisition, habitat restoration) as well as general administration of the JPA.

6. San Luis & Delta Mendota Water Authority (SLDMWA) Board;
 - a. Valley Water pays \$2M to \$3M per year in operations and maintenance fees and membership dues to SLDMWA for imported water, and up to \$600K per year for water transfers depending on water year conditions. The B.F. Sisk Dam Raise participation would be facilitated by SLDMWA.

As of the writing of this memo, four (4) audited financial reports for FY 2024 were available:

1. Delta Conveyance Design and Construction JPA (Attachment 1)
2. Delta Conveyance Finance Authority (Attachment 2)
3. Pajaro River Watershed Flood Prevention Authority (Attachment 3)
4. Santa Clara Valley Habitat Agency (Attachment 4)

Staff will continue to monitor the other JPAs for their respective audit reports and will provide them at future BAC meetings as they become available.

The purpose of this item is to review and discuss the attached JPA financial audit reports.

BAC Charter Background regarding JPA Audits

A summary of the JPA audit review activities authorized under Article IX of the charter is provided below:

- Through its review of JPA audits, the Committee may evaluate:
 - Whether the JPAs are complying with applicable legal requirements;
 - The financial condition of the JPAs;
 - Whether the JPAs are complying with the terms of their respective JPA Agreements;
 - Whether Valley Water's interests are being met;
 - Whether there are any trends of concern in the activities of the JPA;
 - Whether there are any recommended areas for future audits for the JPA; and
 - Any specific questions of Valley Water's Board.
- The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.
- In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
- The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.

The Committee's authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water's formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ENVIRONMENTAL JUSTICE IMPACT:

Review of JPA audits is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: Delta Conveyance Authority Audit Report

Attachment 2: Delta Conveyance Finance Authority Audit Report

Attachment 3: Pajaro River Watershed Flood Prevention Authority Audit Report Attachment 4: Santa Clara Valley Habitat Agency Audit Report.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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December 18, 2024

Delta Conveyance Design and Construction Authority
Board of Directors

Subject: ***Materials for the December 19, 2024 Special Board Meeting***

Members of the Board:

The Delta Conveyance Design and Construction Authority (DCA) Board of Directors will have a Special Board Meeting, scheduled for **Thursday, December 19, 2024 at 1:30 p.m.** and will be a **hybrid** meeting. The Board will meet in closed session and anticipate opening the Regular Session at approximately **2:00 p.m.** Members of the public may attend the meeting in person or virtually. The call-in and video information, as well as meeting location is provided in the attached agenda. Meeting information will also be posted on the dcdca.org website.

Please note that the DCA continues to follow current State and Local COVID-19 guidelines and will comply with public health recommendations regarding public meetings and social distancing efforts. Any meeting changes or cancellation will be communicated.

We added a third remote meeting location to the agenda. Enclosed are the materials for the Board meeting in a PDF file, which has been bookmarked for your convenience.

Regards,

A handwritten signature in blue ink that reads "Graham C. Bradner". The signature is written in a cursive style.

Graham Bradner
DCA Executive Director



DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY
BOARD OF DIRECTORS MEETING

SPECIAL MEETING

Thursday, December 19, 2024
1:30 p.m.
Hybrid (Teleconference) Meeting

DCDCA Boardroom
980 9th Street, Suite 100
Sacramento, CA 95814

TELECONFERENCE LOCATIONS:

- 1) Valley Water, 5700 Almaden Expressway, Headquarters Boardroom, San Jose, CA 95123
- 2) Mojave Water Agency, 13846 Conference Center Drive, Conference Room, Apple Valley, CA 92307
- 3) President Martin Milobar, 154 East White Lane, Bakersfield, Ca 93307

CONFERENCE ACCESS INFORMATION:

Phone Number: (669) 444-9171 Access Code: 87500274563#

Virtual Meeting Link: <https://dcdca-org.zoom.us/j/87500274563?from=addon>

Please join the meeting from your computer, tablet, or smartphone.

Additional information about participating by telephone or via the remote meeting solution is available here: <https://www.dcdca.org>

AGENDA

Except as permitted by Government Code section 54953(f), Directors will attend the meeting from the DCDCA Boardroom or any of the teleconference locations. Members of the public may attend in person at these locations or remotely through the virtual meeting link above. Assistance to those wishing to participate in the meeting in person or remotely will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested person must request the accommodation as soon as possible in advance of the meeting by contacting the DCA support staff at (888) 853-8486 or info@dcdca.org. Members of the public may speak regarding items on the agenda during those items and when recognized by the Chair. Speakers are limited to three minutes each; however, the Chair may limit this time when reasonable based on the circumstances. Persons wishing to provide public comment remotely on Agenda Items are encouraged to complete a public comment request form at: <https://tinyurl.com/dcapubliccomment> by 2:00 pm or through the QR code below. In addition, members of the public may use the “raise hand” function (*9 if participating by telephone only) during the meeting to request the opportunity to speak. Additional information will be provided at the commencement of the meeting.

1. **CALL TO ORDER**

2. **ROLL CALL** – Any private remote meeting attendance will be noticed or approved at this time.

3. **CLOSED SESSION**

(a) **CONFERENCE WITH LEGAL COUNSEL**

Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2):

- i. *Tulare Lake Basin Water Storage District v. DWR*, Sacramento Superior Court, Case No. 24WM000006 (and related cases Nos. 24WM000008, 09, 10, 11, 12, 14, 17, 62, 76)
- ii. Delta Stewardship Council Consistency Determination Appeal, C20242, DWR 2024-2026 Proposed Geotechnical Activities

(b) **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

(Government Code Section 54957)

Title: General Counsel

(c) **CONFERENCE WITH LABOR NEGOTIATORS**

Agency designated representatives: President Milobar, Graham Bradner

Contractor: General Counsel

4. **OPEN SPECIAL MEETING & PLEDGE OF ALLEGIANCE** – At approximately 2:00p.m.

5. **PUBLIC COMMENT**

Members of the public may address the Authority on matters that are within the Authority's jurisdiction but not on the agenda at this time. Speakers are generally limited to three minutes each; however, the Chair may further limit this time when reasonable based on the circumstances. Persons wishing to speak may do so remotely through the electronic meeting link, by scanning the QR Code, or teleconference number when recognized by the Chair. The DCA encourages public comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the DCA or are within its jurisdiction.



6. **APPROVAL OF MINUTES**

(a) October 17, 2024 Regular Meeting Minutes

7. DISCUSSION ITEMS

- (a) December Monthly Board Report
Recommended Action: Information Only.
- (b) Annual Financial Audit Report
Recommended Action: Information Only.
- (c) Conceptual Engineering Report Update
Recommended Action: Information Only.
- (d) Adoption of Resolution to Approve Amendment #9 to the Joint Exercise Powers Agreement with the Department of Water Resources and Finding that Execution of the Amendment is Not a Project Subject to CEQA
Recommended Action: Adopt Resolution.
- (e) Adoption of Resolution Commending and Thanking Barbara Keegan for Her Service on the Board
Recommended Action: Adopt Resolution.

8. REPORTS AND ANNOUNCEMENTS

Members of the public may address the Authority on matters pertaining to the Reports at this time.

- (a) General Counsel’s Report
- (b) Treasurer’s Report
- (c) DCP Communications Report
- (d) Legislative Liaison Update
- (e) DWR Environmental Report
- (f) Verbal Reports, if any

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

* * * * *

The Board of Directors meet bi-monthly, proposed next scheduled meetings:

February 20, 2025, Regular Board Meeting at 2:00 p.m. (1:30 p.m. if there is a closed session).

April 17, 2025, Regular Board Meeting at 2:00 p.m. (1:30 p.m. if there is a closed session).

BOARD OF DIRECTORS MEETING

MINUTES

REGULAR MEETING

Thursday, October 17, 2024

1:30 p.m.

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Design and Construction Authority (DCA) Board of Directors was called to order in person, by teleconference, and remotely - Conference Access Information: Phone Number: (669) 444-9171, Code: 82512742661#, <https://dcdca-org.zoom.us/j/82512742661?from=addon> at 1:30 pm.

2. ROLL CALL

Board members in attendance from the DCA Boardroom were Martin Milobar, John Weed, Gary Martin, Robert Cheng and Adnan Anabtawi. Alternate Director Barbara Keegan participated for Tony Estremera from Valley Water Headquarters Boardroom and Director Miguel Luna participated from the Metropolitan Water District Conference Room.

Alternate Director in attendance from the DCA Boardroom was Michael Plinski. Alternate Directors Sarah Palmer, Dan Flory and Dennis LaMoreaux participated remotely.

DCA staff members in attendance were Graham Bradner and Josh Nelson.

Department of Water Resources (DWR) members in attendance were Janet Barbieri and Darryl Hayes.

3. CLOSED SESSION

No public comment was received for the closed session item.

a) CONFERENCE WITH LEGAL COUNSEL

Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2):

- i. *Tulare Lake Basin Water Storage District v. DWR*, Sacramento Superior Court, Case No. 24WM000006 (and related cases Nos. 24WM000008, 09, 10, 11, 12, 14, 17, 62, 76)

4. OPEN REGULAR MEETING & PLEDGE OF ALLEGIANCE- At Approximately 2:12 p.m.

President Milobar announced that there was no reportable action from the closed session.

5. PUBLIC COMMENT

There were no public comments request received.

6. APPROVAL OF MINUTES: August 15, 2024, Regular Board Meeting.

Recommendation: Approve the August 15, 2024, Regular Board Meeting Minutes

Motion to Approve Minutes from August 15, 2024, as

Noted: Weed
Second: Anabtawi
Yeas: Milobar, Martin, Luna, Keegan, Cheng, Anabtawi, Weed
Nays: None
Abstains: Weed
Recusals: None
Absent: None
Summary: 7 Yeas; 0 Nays; 0 Abstain; 0 Absent. (Motion passed as MO 24-10-01).

7. DISCUSSION ITEMS:

a) August DCA Monthly Report

Information Item

DCA Executive Director, Graham Bradner, presented to the Board the Monthly Report for September 2024. Mr. Bradner started with Section 1, highlighting that the standard operating procedures and management plans are looking towards the future and making sure that there is a system in place to transition the project once the major permitting activities are completed. The administrative team is working on improving the audio in the boardroom. The microphones throughout the space and the dais will be upgraded. He went on to update the Board on the engineering team, which is currently working on an engineer's report for the DCA. In addition, the team has gone through and cleaned up all the engineering documentation that used to be in multiple volumes and various agendas to align with the environmental documents and instead have condensed them down to one cohesive engineering document for the selected project. The engineer's report is in the process of getting edited and formatted for ADA compliance and plan to have it posted on the website by the end of the month. Mr. Bradner stated that there would be an update on the value of the document possibly during the December Board meeting. DCA continues

to communicate to the public and various agencies the program estimate cost so that there is an understanding of the work associated with the estimate including the benefit cost analysis.

Mr. Bradner proceeded with the fieldwork team activities, which is not currently out in the field. The team is currently processing data and cleaning up all available information that has been provided and ensuring that all information is in the database that will be shared with the engineering team. The team is also working on other studies including the excavated tunnel material, which was a study that was done back in 2013. The team is reanalyzing the geotechnical environmental properties of that soil. This will continue to add to the overall data set.

Director Martin inquired if in the future DCA could create an informative schedule of completion for the activities that are taking place.

Mr. Bradner stated that DCA could add anticipated completion dates. Moving forward activities that are ongoing will clearly be stated while those that have an anticipated completed date could be added.

Mr. Bradner continued on to section 3, there is an approved budget of \$43M. Currently, DCA has committed through the task orders and contracts a little over \$34M. The task order has not been issued to fund the fieldwork with the current injunction. There will continue to be an underrun on the program until the funds are issued. Other than the field work, the budget is on track and still early in the fiscal year (FY). DCA will continue to track the budget details and likely do a midyear reconciliation process. This will allow DCA to evaluate the performance and see if there can be any financial changes made to better focus on the project activities.

Mr. Bradner stated that DCA will continue to report on FY 23/24 due to not fully closing the year out. There was a budget of \$40.4M with a current estimate at completion (EAC) of \$31.3M. There is an underrun of a little over \$9M and will likely not change much prior to closing out the report.

Mr. Bradner concluded the report update with the current FY 24/25 program schedule and mentioned that many of the activities are ongoing. The program geotechnical activities underlying by summer and fall are behind Schedule. The spring 2025 program is still identified in the FY scope of work. Other activities for the FY are on track.

No further comments or questions were received from the Board, nor were any public comment requests received.

b) Adopt Resolution Approving the Amended Travel Policy

Approve Resolution

DCA General Counsel, Josh Nelson explained that the DCA Board had previously adopted a travel policy. The current policy includes several template forms attached to the policy which are incorporated by reference. Any changes to the forms require an amendment to the policy. DCA is proposing to allow staff flexibility to update those template forms outside of a formal amendment to the policy. The templates would remain consistent with the substance of the policy.

Recommendation: Adopt by motion to Approve the Amended Travel Policy

Motion to Approve the Amended Travel Policy

Noted: Martin
 Second: Anabtawi
 Yeas: Milobar, Martin, Luna, Estremera, Cheng, Anabtawi, Weed
 Nays: None
 Abstains: None
 Recusals: None
 Absent: None
 Summary: 7 Yeas; 0 Nays; 0 Abstain; 0 Absent. (Motion passed as Resolution 24-11).

No comments or questions were received from the Board, nor were any public comment requests received.

c) Findings of the Independent Technical Review (ITR) Committee Report

Information Only

Mr. Bradner presented to the Board Engineering Manager, Daryl Hayes from the Delta Conveyance Office of DWR. Mr. Bradner stated that Independent Technical Reviews (ITR) are a key part of the overall program quality control plan. This ITR was conducted through contracts with DWR thereby creating the Independence that DCA is looking for. None of the folks involved in this review are under contract to the DCA and are not aligned with any of the contractors that DCA has working on the program. Mr. Hayes has been with DWR for 20 plus years with 4 years working on this program. There was a group of 7 professionals that did the review with several years of experience in tunnel engineering and construction, slurry walls, Geotech and seismic engineering, deep excavations and tunnel boring machine manufacture and operation. Dan Adams was the moderator of the panel. The goal of the innovation ITR was to come to a consensus on whether the DCA’s proposed innovation concepts should be advanced to concept design level. The objectives

were to review each innovative concept to gain an understanding of technical issues, discuss and debate the merits of each in terms of influence on the projects' schedule, cost or potential environmental impact and to develop suggestions to improve each innovation and capture other ideas which may further reduce project costs or risks. The panel members also had DCA members answer questions while they reviewed.

Mr. Adams went on to explain the ITR process, including the three-day workshop followed by ITR presentation and the report which showed the tunnel innovations including optimized tunnel linings, optimized tunnel alignment, utilized semi-continuous mining and provided dual access at launch shafts. Regarding the Bethany Reservoir pumping plant and surge basin innovations this included utilizing interlocking dry pits, tunneled wet wells vs. open excavations and surge basin excavation and support. Mr. Adams stated that they looked at the conceptual design of the Bethany Reservoir Pumping Plant and Surge Basin, this station is very large due to the idea of moving 6,000 cubic feet per second of water. The innovation is a concept called the interlocking overlapping circular shaft dry pit. This concept will be easy to build, it simplifies the construction, shortens the durations and allows for clean and easy vertical access to the pumping equipment without any floors between the two. There would be cylinders interlocking shafts that are interconnected with the T. The water would come in the middle and the connection between the water coming in the inlet channel are connections laterally to each of the pump basins. Mr. Adams stated to the Board that the panel members recommend advancing the interlocking dry pit shafts to reduce the overall construction schedule, eliminate permanent tiebacks and facilitate the use of a tunneled wet well. The panel group unanimously endorsed this concept and recommended moving forward with it. The observations were that the 240-ft to 250-ft diaphragm walls may challenge the industry's tolerance capabilities, the overburden geotechnical information should be verified, and elimination of the wet well isolation bulkheads may require increasing the 100-ft diameter shafts to accommodate additional isolation valves.

Mr. Adams continued on to the second innovation concept of the mined tunnel wet well inlet. This innovation idea is to replace open pumping plant wet well by mining tunnel from the surge basin and connecting it to each pump by jacking piped from this new tunnel, it is compatible with the interlocking dry pit concept, simplifies construction and shortens durations, capitalizes on tunnel contractor/ underground work and reduces environmental footprint. The panel group recommends the mined tunnel wet well inlet concept be advanced with the interlocking dry pit concept. The observations are feasibility of approach depends on depressurization of ground and consider moving reception shaft and pump station box closer together to reduce overall length of tunnel (along with Surge Basin Innovation Concepts).

Mr. Adams went on to mention that the panel group reviewed a total of 8-12 innovations for the project. In a workshop environment, the panel group discussed, debated and

ultimately came to an agreement on the following conclusions and recommendations. Developing dual access at the two (2) major tunnel driving is encouraged, the tunnel alignment may be raised by 20-ft on reaches one (1), two (2)2 and three (3) which is upstream of East Bay Municipal Utility District Row. This is also 100% behind optimizing the tunnel lining to reflect external confinement is prudent and should be advanced. Mr. Adams stated that the recommendations are semi-continuous mining could potentially be utilized on reach four (4). Nothing needs to be changed to allow this to happen, for the surge basin alternatives, the panel group considers the roller compacted concrete (RCC) option the preferred approach of those presented and suggests an internally braced alternative where rakers or buttresses are installed and the interlocking dry wells are a very good idea and appear to greatly simplify construction. However, carrying the rectangular box dry well concept a bit further is prudent. The continued recommendations are the mined tunnel wet well inlet innovation concept should be advanced. Design efforts should focus on the final lining requirements and leave the tunneling method to the contractor's means and methods, Design-Bid-Build delivery provides the best cost control for the project: however, if schedule governs over cost, the construction manager at risk (CMAR) is the preferred alternative project delivery approach and there is adequate geotechnical information for the level of design completed. Additional explorations will reduce the complexity of the project.

Director Cheng stated that he appreciates the detailed report and the rigor the group went through was very impressive and would like a summary of the recommendations that should be moved forward.

Mr. Adams stated that the tunnel lining innovations, move forward with the optimized vertical alignment, the semicontinuous mining will not dramatically change the price, schedule or the environmental impact, the fourth (4th) tunnel option is the two (2) dual access at the two (2) primary shafts and recommend early work contract set up for two (2) access points at each of the two (2) working shafts. Regarding the Bethany pump station, they recommend moving forward with the interlocking shafts, recommend the mined wet well, recommend the roller compacted alternative be advanced in the surge basin and recommended another alternative called the internal buttress alternative. The team got into contracting and how to deliver it most efficiently. They came up with the bid-build for the items that are not schedule critical for the items that the agency is interested in having done sooner. The geotechnical exploration program is adequate for the decisions being made.

Director Martin stated that the number of experts that gathered to review the project is very valuable and appreciated the efforts that went into it. He asked if there was anything in the recommendations that did not have a technical precedent. It seems to him that this is an accumulation of well-known structural technologies and hydraulic technologies that are assembled to produce better ideas.

Mr. Adams stated that when people want a rectangular pump station, agencies pencil out what the costs are to build traditionally versus how the industry is now building them. The new trend is called figure eights (8) and is being pushed to a level that has not been done before. These have been done in industry in DC, Seattle industry and in the Los Angeles area. This is a more sophisticated and intelligent manner that gives the operation people seven (7) independent drywalls, and it benefits the project. With circles the load is distributed evenly everywhere without digging a large hole. The technology has been done before, however not in this application.

Director Anabtawi stated that he appreciates the whole team for their capabilities and ingenuity. Director Anabtawi asked several questions including if construction safety and operational weigh in in on how it benefits the operation from a cost or complexity standpoint, do the pumps get starved when they are turned on and how it affects the design and during the progressive design build if there is a delay in any part, does it make sense to move forward due to cost savings or is it a traditional design bid build.

Mr. Adams stated that safety was part of their overlay and is lower risk, there is a report of the innovation on optimizing the vertical alignment and optimizing the size of shafts. The safety of the shaft size has been thought out efficiently for the final design and they are large enough to accommodate any type of construction operation in the tunnel without impacting or having anything negative on the risk of safety issues. Most tunnel incidents occur in the shafts while entering and exiting the tunnel. There was a conversation regarding the operations and all questions were answered and the suggestion was the pump station design. The operators are consent content with the plan as this is a 40-foot diameter wet well tunnel. The panel group did not bring in a hydraulics expert for this review, however DCA did complete the hydraulic work prior to the ITR review. Regarding starving the pumps, they are always submerged. Mr. Adams stated that the proposed concept will be 600 feet long with a 40-foot diameter tunnel (four-story building). For the procurement, the work that is being done, it is not worth paying extra for the schedule. A bid build will be the most effective and there will be control of the work with great evidence. Several panel members stated that a progressive design build is not beneficial for any project that is more than half a billion dollars. For example, the BART to San Joe, CA is not saving money, if you look at the California High Speed Rail is it not saving money. This is due to the contracting entity driven by interests that are different than the owner.

Mr. Adams stated that the CMAR is working, for example, the train project in Atlanta, GA. The design progresses under the direction of the owner and the engineering are controlled by that owner group. The builder is brought on prior to the design being finished and this helps with overlapping with procurement periods. The decision on what is in and what is out, where the price is going, and the allocation of risk, which are made with owner,

engineers/experts and contractors by meeting in the middle. What we are seeing with progressive is the owner alone and the engineers/experts and contractors in working in silos.

Mr. Bradner stated that the panel group went through a lot of information on the project, the project has many specific requirements which create flexible space for design innovations. DCA is analyzing the report and seeing the potential benefits but is not at the point of making decisions. Mr. Bradner appreciates the work that the panel group completed.

Director Anabtawi inquired about the DCA being open to explore if we could use CMAR or are their steps needed to enable as an option.

Mr. Bradner stated that DCA will evaluate the benefits to the current program prior to pushing other steps.

Director Weed thanked the panel group for their work and stated that cost confidence and predictability terms were not used during the presentation, which are important elements. Director Weed stated that DCA in good faith should continue making presentations to the legislature and the public that the project will be accomplished within the cost frame. The schedule does not seem critical. Mr. Weed suggests that we provide more flexibility to the contractor to use methodologies that they are comfortable with as each comes with their own set of skills and experience.

President Milobar stated that the appreciates the panel group and will read the report.

Mr. Bradner stated that he appreciated the time the panel group took to read all the information and digest it.

No further comments or questions were received from the Board and no public comment requests received.

d) **Sr. Leadership Spotlight- Rebekah Green, DCA Property Acquisition Manager**

Information Only

Mr. Bradner presented to the board, DCA Property Acquisition Manager, Rebekah Green. Mr. Bradner stated that Ms. Green works for Bender Rosenthal, Inc, a right-of-way company that DCA has worked with for several years. DCA Field Coordinator, Rob Oller is also employed by Bender Rosenthal, Inc. Ms. Green was born and raised in Sacramento and is married to a US Army Sergeant that has served in the military for the last 17 years. Ms. Green enjoys cooking, baking and working out. Ms. Green has completed a century,

marathons and many half marathons. Ms. Green has 16 nieces and nephews and will soon be a great aunt. She graduated from California State University, Sacramento with a bachelor's in social work. Ms. Green is a project manager and an escrow expert with clients ranging from Bakersfield, CA to the Oregon border. Her prior experience includes working for a real estate service company that was a tax real estate intermediary for a nationwide company and during her free time she was a part-time social worker. Bender Rosenthal, Inc has worked with DWR for the last 25 years and Ms. Green has worked with them for the last 14 years. She works with Al Davis, DWR's Supervising Right of Way Agent, and other staff in addition to DCA, and works on other water projects throughout the state of California. Bender Rosenthal, Inc has completed over 135 task orders and worked on 6 major flood control projects with DWR.

Ms. Green stated to the Board that she helped implement DWR's policy for real estate including final counting packages and overseeing with the Army Corps of Engineers. Other projects that she has been on are the Three Rivers Levee Improvement Authority in the upper Yuba Levee Improvement Project, The Sutter Butte Flood Control Agency in the Feather River West Levee Project and the West Sacramento Area Flood Control Agency in the Southport Sacramento River Early Implementation Project. She is also currently assisting in the San Joaquin area flood control agency in the Delta improving all their levees.

Ms. Green's current role with DCA is to help implement the real estate and right of way needs for the project, coordinate with all the team leads and also works with partners, DWR and the executive director.

President Milobar is glad to have Ms. Green on board and knows she can handle the job well.

Director Cheng asked Ms. Green which is harder a century or a marathon.

Ms. Green stated that a marathon is a harder task.

Mr. Bradner stated that Ms. Green will be helping DCA plan and prepare for the future and start thinking as to how to be in compliance with state requirements and the DWR requirements.

Director Anabtawi stated that he is excited for Ms. Green to be busy and make major strides for this project.

No further comments or questions were received from the Board, nor were any public comment requests received.

8. STAFF REPORTS AND ANNOUNCEMENTS:

President Milobar stated that members of the public may address the Authority on matters pertaining to the Reports at this time.

No public comment requests were received for any of the staff reports.

a. General Counsel’s Report

DCA General Counsel, Josh Nelson, informed the Board that he continues to provide legal assistance as requested. This includes assisting with the travel policy update on the agenda. As a follow up to the August report, the legislative cycle has finished and DCA is in the process of reviewing the new laws to ensure compliance going forward.

No comments or questions were received from the Board.

b. Treasurer’s Report

DCA Treasurer, Katano Kasaine informed the Board that the beginning cash balance for the Delta Conveyance as of July 1, 2024, was \$752,864. Receipts for July through September 2024 totaled \$9,034,148 representing contributions from DWR and DCO for payment of the Authority’s obligations and total distributions for the same period were \$8,979,158 resulting in an ending cash balance of \$807,854 as of September 30, 2024.

Ms. Kasaine stated that as of September 30, 2024, the Authority’s outstanding receivables amounted to \$3,857,046 consisting of 11 invoices issued to the DCO. Deposits comprising of office lease, security deposit, court ordered entry permit reserves and prepaid expenses were \$1,023,073 and \$93,156 respectively as of September 30, 2024. For the same period, balances for accounts payable and advances were \$3,870,304 and \$800.00. The net position as of September 30, 2024, was \$1,110,825.

No comments or questions were received from the Board.

c. DCP Communications Report

DWR Communications Manager, Janet Barbieri presented on behalf of DCA Communications Manager, Valerie Martinez. Ms. Barbieri informed the Board that there is a new fact sheet on engineering innovations that is also translated in Spanish and Chinese.

Social media traffic has excellent numbers, and the communications team continues to put information on social media.

Ms. Barbieri also informed the Board that the team is continuously looking for conferences to exhibit at and that currently the team was exhibiting at the California League of Cities, which is a great way to interact with a different audience.

Ms. Barbieri stated to the Board that DWR had recently put out the community benefits program and following that would be the draft implementation plan and guidelines. This will be available now through about March 1, 2025, this allows for the public to thoroughly review the materials. There is also a google form that guides people through the document and asks questions, DWR is looking forward to having some engagement on the documents. DWR has weekly refresher blogs with great information regarding the project with written materials and videos available. Ms. Barbieri also stated that DWR continues to provide briefings that allow the team to be available for organizations that would like updates on the project.

President Milobar stated for the team to continue the great work.

No further comments or questions were received from the Board, nor were any public comment requests received.

d. Verbal Reports

Mr. Bradner stated that Alternate Director Barbara Keegan is not pursuing another term on the board at Valley Water and will be stepping down from this Board as an alternate. Mr. Bradner would like to acknowledge all that has been gained by Ms. Keegan's involvement and leadership. Mr. Bradner stated that Ms. Keegan gave great input through the Stakeholder Engagement Committee (SEC) process and was co-chair of that

committee. Mr. Bradner would like to have an official acknowledgment of Alternate Director Keegan in the December 2024 Board meeting.

President Milobar agreed to that request and stated that there was an acknowledgment from the board of Ms. Keegan's work.

Alternate Director Palmer requested to provide a public comment and stated that she commends Ms. Keegan and the work that she did during the SEC, and it has been a fabulous experience to work with Ms. Keegan.

Alternate Director Keegan stated that it has been a wonderful opportunity to participate in this process, working on the stakeholder engagement and that it has been a once in a lifetime experience to work with such a great team on such a large project.

President Milobar thanked Ms. Keegan for her work.

Director Cheng acknowledged Mr. Bradner and his team for helping the Coachella Valley Water District get to a successful resolution on the next funding. Director Cheng thanks Carrie Buckman and Mr. Bradner for taking the time to go out to Coachella Valley and have a great dialogue between Ms. Buckman, Mr. Bradner, Himself and the board.

9. FUTURE AGENDA ITEMS:

No future agenda items requested.

10. ADJOURNMENT:

President Milobar adjourned the meeting at 3:28 p.m., remotely-Conference Access Information: Phone Number: (669) 444-9171, Code: 82512742661#, <https://dcdca-org.zoom.us/j/82512742661?from=addon>

Monthly Board Report

This document is fully interactive; use menus to navigate on-screen.

1

SUMMARY OF
WORK

2

COMMUNITY
ENGAGEMENT

3

BUDGET

4

CONTRACTS

5

SCHEDULE



Agenda Item 7a

DECEMBER 2024

(ACTIVITIES IN NOVEMBER)

Attachment 1, Page 17 of 62

Section 1 | Work Performed (November 2024 Activities)

Program Management. The team continued program-wide support activities, including Program Controls, Health & Safety, Quality, and Sustainability.

- Ongoing support activities included:
 - Processing invoices for FY24/25.
 - Supported vendors with invoice submission and contract amendment requests.
 - Supported contract managers with financial forecasting and cashflow projections.
 - Development of master programmatic schedule.
 - Implementation and training of SOPs/Management Plans.
 - Quality and health & safety audits
- Continued development of sustainability strategy (update planned for Q2/2025).
- Continued program-wide process optimization evaluation (planned for Q1/2025).
- Continued work on FY24/25 Procurement Strategy development (ongoing throughout FY24/25).
- Developed initial baseline forecast for cashflow in FY24/25.
- Completed FY23/24 Deliverable Record Documents review.

Administration. The Administrative team continued to support functions including IT support, in-person and virtual meetings and social media content/updates

- Supported DCA Board of Directors and coordination of DCA events.

- Ongoing coordination of DCA Change Board meetings/actions.
- Planning for DCA participation at conferences.
- DCA facility update including audio, fire safety equipment and electrical. (planned completion Q1/2025)
- DCA Learning Management System activities including content management and creation.



Engineering. The engineering team primarily focused on supporting the Department of Water Resources (DWR) Delta Conveyance Office (DCO) permitting efforts while also continuing to develop and progress engineering studies.

- Ongoing engineering activities included:
 - Supporting DWR CEQA and permitting compliance including coordinating mitigation compliance documentation.
 - Supporting communications and outreach efforts, including development of new and revised community outreach materials such as graphics, tour visualizations, and video footage.
 - Evaluation of potential design innovations which could reduce program cost, schedule, or risk.

- Support DCA programmatic planning activities.
- Evaluation of subsurface conditions along the project alignment
- Continued supporting DWR’s preparation for the Delta Stewardship Council (DSC) hearing regarding the Certification of Consistency for the 2024-2026 Proposed Geotechnical Activities.
- Continued supporting Change of Point of Diversion (CPOD) hearing with the State Water Resources Control Board.

Field Work. The field work team continued planning efforts to conduct geotechnical and environmental investigations for evaluation of subsurface conditions and validation of parameters assumed during conceptual design.

- Began review and development of anticipated property access requirements for 2025.
- Continued evaluating soil samples for the reusable tunnel material (RTM) study; coordinated with engineering team on mixing methods and ratios; refined the analytical method list for study.
- Reviewed Spring 2024 Geotechnical Data Submittal
- Continued working with the scheduling team to refine the master program schedule with future Geotechnical Investigation Programs.

Section 1 | One Month Look-Ahead (December 2024 Activities)

Program Management

- Continue processing invoices for FY24/25
- Support vendors with invoice submission and contract amendment requests.
- Continue development, implementation, and training of SOPs/Management Plans.
- Continue quality, health & safety, and sustainability efforts.
- Continue program-wide process optimization evaluation.
- Continue work on FY24/25 Procurement Strategy development
- Continue development of master programmatic schedule
- Develop training for Estimate at Complete development and managing deliverables

Administration

- Continue support to DCA office including all Admin, Facility and IT functions.
- Continue support for DCA Board of Directors meetings and monthly report generation.
- Continue coordination of DCA Change Control Board meetings/actions.
- Continue support for stakeholder engagement and outreach efforts, including management of content for Social Media outlets.
- Continue support for the Organization Growth Implementation Plan.
- Planning for DCA participation at conferences
- Project management of DCA facility update including audio, fire safety equipment and electrical.
- Ongoing management of DCA Learning Management System.

Engineering

- Continue responding to RFIs from the DCO environmental team to support permitting efforts.
- Continue evaluating potential design innovations which could reduce program cost, schedule, or risk.
- Continue to support DCO with the DSC and CPOD hearings, as needed.
- Continue supporting DCA programmatic planning activities and DCO's potential community benefits projects.
- Continue reviewing existing subsurface information along the project alignment.
- Continue providing engineering support to the planning of future Geotechnical Investigation Programs.

Field Work

- Continue development of future property access requirements
- Continue Reusable Tunnel Material study using soil samples along the project alignment.
- Continued working with the scheduling team to refine the master program schedule with future Geotechnical Investigation Programs.
- Coordinate development of geotechnical data management processes and procedures.
- Work with geotechnical contractor to update exploration and testing work procedures.
- Continue to support DCO with the DSC and CPOD hearings, as needed.

Section 2 | Community Engagement

Communication Highlights

- Staffed information booth at ACWA Fall Conference, engaging with water agency board members and staff from throughout the state.
- Updated social media strategy, greatly increasing content viewing rates.
- Began updating Virtual Tour video.



We're Connecting Everywhere!

SOCIAL MEDIA

Total impressions: 76,869
Video Plays: 4,009

WEBSITE VIEWS

Overview Page: 4,107
Document Library: 771

Section 3 | Budget

Budget. The FY24/25 DCA budget has been approved and is \$43.00M (Table 1). We are currently forecasting an Estimate at Completion (EAC) budget of \$36.42M (Table 1), \$6.58M under our approved budget. Planned Geotechnical work has been suspended and is not included in the EAC. The DCA has incurred \$9.76M in expenditures through the end of November (details in Table 2) and has committed a total of \$35.08M (details in Table 3). Planned cash flow curves are shown in Figure 1.

Table 1 | Monthly Budget Summary (FY 24/25)

	Original Budget	Current Budget	Current Commitments	Incurred to Date	EAC	Variance (Surplus)/Deficit
Program Management Office						
Executive Office	\$ 4,939,700	\$ 4,939,700	\$ 3,080,922	\$ 800,370	\$ 4,898,392	\$ (41,308)
Community Engagement	1,224,600	1,224,600	967,716	313,512	1,252,960	28,360
Program Controls	4,905,500	4,905,500	4,897,306	1,621,317	4,897,316	(8,184)
Administration	3,535,700	3,535,700	3,706,173	1,488,548	3,698,871	163,171
Procurement and Contract Administration	762,900	762,900	762,490	208,049	762,520	(380)
Property	1,028,300	1,028,300	1,628,129	116,518	1,628,261	599,961
Permitting Management	1,254,600	1,254,600	1,254,493	209,214	1,254,600	-
Health and Safety	431,600	431,600	431,592	137,313	431,592	(8)
Quality Management	698,600	698,600	698,160	127,212	648,160	(50,440)
Sustainability	501,500	501,500	500,292	147,308	500,292	(1,208)
Geotechnical Management	444,300	444,300	444,230	111,964	444,300	-
Program Initiation						
Engineering	\$ 13,938,700	\$ 13,938,700	\$ 13,938,522	\$ 3,839,432	\$ 13,938,700	\$ -
Program Delivery						
Project Delivery	\$ 9,334,200	\$ 9,334,200	\$ 2,747,242	\$ 637,205	\$ 2,065,242	\$ (7,268,958)
	\$ 43,000,200	\$ 43,000,200	\$ 35,057,269	\$ 9,757,961	\$ 36,421,206	\$ (6,578,994)

Section 3 | Budget *continued*

Table 2 | FY 24/25 Budget Detail

Work Breakdown Structure	Original Budget	Current Budget	Commitments	Pending Commitments	Actuals Received	Remaining Budget	% of Budget Incurred	Estimate at Completion	Variance (Surplus)/Deficit
Delta Conveyance	\$ 43,000,200	\$ 43,000,200	\$ 35,057,269	\$ -	\$ 9,757,961	\$ 33,242,239	23%	\$ 36,421,206	\$ (6,578,994)
Executive Office	4,939,700	4,939,700	3,080,922	-	800,370	4,139,330	16%	4,898,392	(41,308)
Executive Office	1,974,700	1,974,700	1,953,007	-	587,903	1,386,797	30%	1,975,167	467
Legal	497,200	497,200	497,162	-	71,579	425,621	14%	497,200	-
Audit	18,000	18,000	-	-	-	18,000	0%	18,000	-
Treasury	338,000	338,000	347,513	-	75,293	262,707	22%	355,760	17,760
Human Resources	258,800	258,800	283,240	-	65,595	193,205	25%	283,240	24,440
Undefined Allowance	1,853,000	1,853,000	-	-	-	1,853,000	0%	1,769,024	(83,976)
Community Engagement	1,224,600	1,224,600	967,716	-	313,512	911,088	26%	1,252,960	28,360
Management	456,800	456,800	431,626	-	191,397	265,403	42%	456,800	-
Community Coordination	250,000	250,000	-	-	-	250,000	0%	250,000	-
Outreach	517,800	517,800	536,090	-	122,115	395,685	24%	546,160	28,360
Program Controls	4,905,500	4,905,500	4,897,306	-	1,621,317	3,284,183	33%	4,897,316	(8,184)
Management	651,000	651,000	688,169	-	196,328	454,672	30%	688,169	37,169
Cost Management	843,600	843,600	1,146,867	-	363,168	480,432	43%	1,146,867	303,267
Schedule Management	1,688,800	1,688,800	1,328,454	-	472,629	1,216,171	28%	1,328,464	(360,336)
Document Management	481,400	481,400	479,840	-	126,852	354,549	26%	479,840	(1,560)
Governance	911,300	911,300	924,816	-	327,617	583,683	36%	924,816	13,516
Asset Management	329,400	329,400	329,160	-	134,724	194,677	41%	329,160	(240)
Administration	3,535,700	3,535,700	3,706,173	-	1,488,548	2,047,152	42%	3,698,871	163,171
Management	948,700	948,700	963,840	-	321,831	626,869	34%	963,840	15,140
Facilities	1,496,200	1,496,200	1,579,077	-	736,568	759,632	49%	1,578,709	82,509
Information Technology	1,090,800	1,090,800	1,163,256	-	430,149	660,651	39%	1,156,323	65,523
Procurement and Contract Administration	762,900	762,900	762,490	-	208,049	554,852	27%	762,520	(380)
Procurement Management	762,900	762,900	762,490	-	208,049	554,852	27%	762,520	(380)

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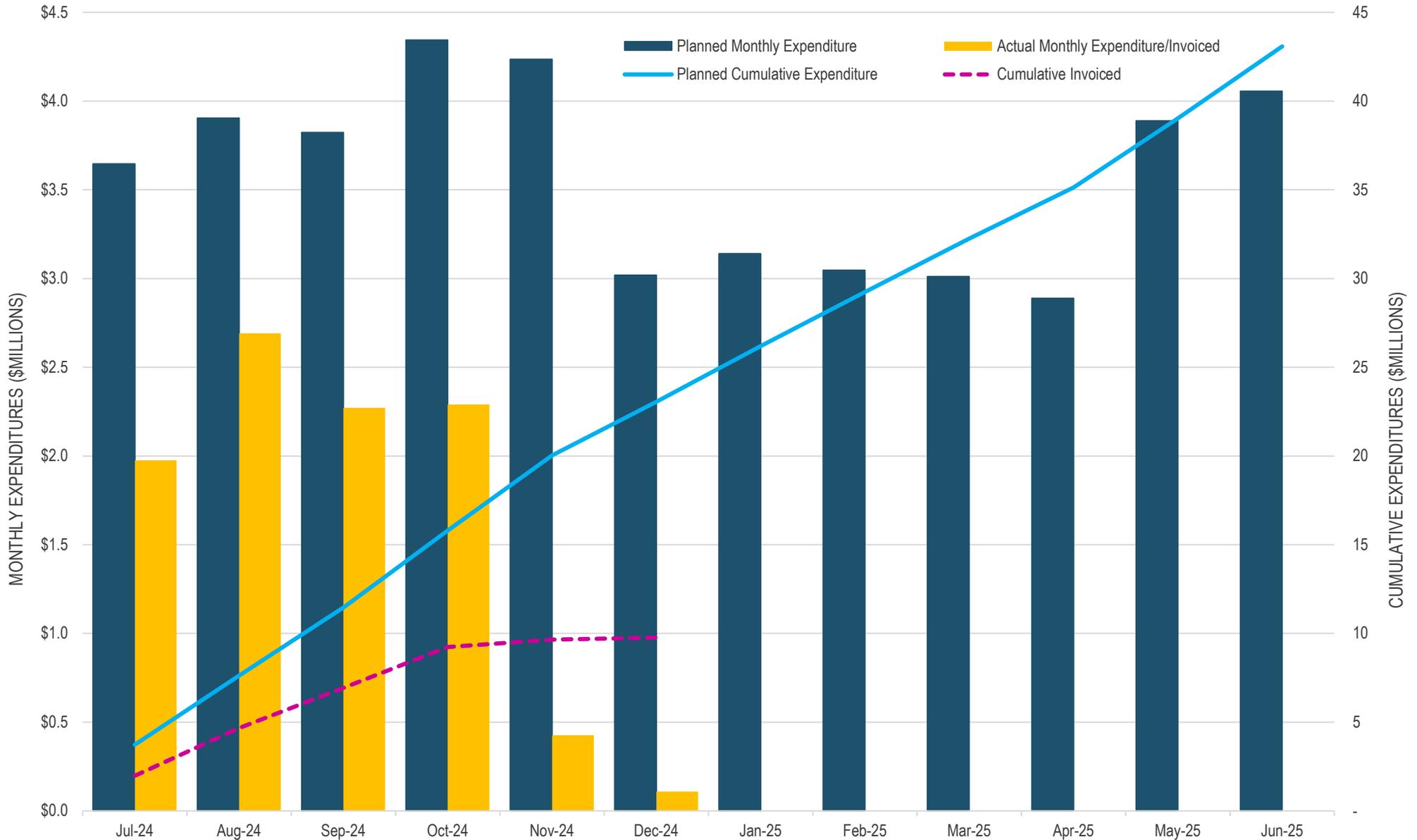
Section 3 | Budget *continued*

Table 2 | FY 24/25 Budget Detail

Work Breakdown Structure	Original Budget	Current Budget	Commitments	Pending Commitments	Actuals Received	Remaining Budget	% of Budget Incurred	Estimate at Completion	Variance (Surplus)/Deficit
Property	1,028,300	1,028,300	1,628,129	-	116,518	911,782	11%	1,628,261	599,961
Property Agents	501,200	501,200	501,087	-	22,648	478,552	5%	501,200	-
Temporary Entrance Permits	477,100	477,100	527,042	-	93,870	383,230	20%	527,061	49,961
Land Purchase	-	-	550,000	-	-	-	0%	550,000	550,000
Court Ordered Entry	50,000	50,000	50,000	-	-	50,000	0%	50,000	-
Permitting Management	1,254,600	1,254,600	1,254,493	-	209,214	1,045,386	17%	1,254,600	-
Management	534,700	534,700	534,686	-	195,598	339,102	37%	534,700	-
Permit Monitoring and Compliance	719,900	719,900	719,807	-	13,616	706,284	2%	719,900	-
Health and Safety	431,600	431,600	431,592	-	137,313	294,287	32%	431,592	(8)
Management	431,600	431,600	431,592	-	137,313	294,287	32%	431,592	(8)
Quality Management	698,600	698,600	698,160	-	127,212	571,388	18%	648,160	(50,440)
Management & Auditing	698,600	698,600	698,160	-	127,212	571,388	18%	648,160	(50,440)
Sustainability	501,500	501,500	500,292	-	147,308	354,192	29%	500,292	(1,208)
Management	501,500	501,500	500,292	-	147,308	354,192	29%	500,292	(1,208)
Geotechnical Management	444,300	444,300	444,230	-	111,964	332,336	25%	444,300	-
Management	444,300	444,300	444,230	-	111,964	332,336	25%	444,300	-
Engineering	13,938,700	13,938,700	13,938,522	-	3,839,432	10,099,268	28%	13,938,700	-
Management & Administration	1,141,900	1,141,900	1,141,843	-	346,676	795,224	30%	1,141,900	-
Facility Studies	5,657,900	5,657,900	5,657,838	-	3,213,786	2,444,114	57%	5,657,900	-
Project Definition Reports	6,937,300	6,937,300	6,937,283	-	253,036	6,684,264	4%	6,937,300	-
Permit Engineering Support	201,600	201,600	201,557	-	25,935	175,665	13%	201,600	-
Program Delivery	9,334,200	9,334,200	2,747,242	-	637,205	8,696,995	7%	2,065,242	(7,268,958)
Project Delivery	9,334,200	9,334,200	2,747,242	-	637,205	8,696,995	7%	2,065,242	(7,268,958)

Section 3 | Budget *continued*

Figure 1 | FY 24/25 Cash Flow



Section 4 | Contracts

Table 3 | Contract Summary (FY 24/25)

Contract Description	Commitment Amount	Pending Commitments	Invoiced to Date	Percent Invoiced
Delta Conveyance	\$ 35,057,269	\$ -	\$ 9,757,961	28%
180005 - e-Builder, Inc.	\$ 156,304	\$ -	\$ 156,304	100%
180006 - Jacobs Engineering Group	\$ 16,402,031	\$ -	\$ 4,419,323	27%
180008 - Hamner, Jewell & Associates	\$ 58,284	\$ -	\$ 3,292	6%
180009 - Bender Rosenthal, Inc.	\$ 1,152,953	\$ -	\$ 56,872	5%
180010 - Associated Right of Way Services, Inc.	\$ 34,911	\$ -	\$ 2,195	6%
190009 - Parsons	\$ 9,521,105	\$ -	\$ 2,749,062	29%
190011 - Prime US-Park Tower, LLC	\$ 1,362,382	\$ -	\$ 639,629	47%
190014 - 110 Holdings dba Launch Consulting, LLC	\$ 371,864	\$ -	\$ 107,750	29%
190019 - VMA Communications, Inc.	\$ 801,897	\$ -	\$ 275,927	34%
190023 - JAMBO-Silvacom LTD	\$ 37,800	\$ -	\$ 34,920	92%
200003 - Best Best & Krieger	\$ 497,162	\$ -	\$ 71,579	14%
200013 - Metropolitan Water District of S. California	\$ 536,142	\$ -	\$ 49,911	9%
200014 - Dept of Water Resources	\$ 100,000	\$ -	\$ 26,020	26%
210018 - AECOM Technical Services	\$ 2,747,242	\$ -	\$ 637,205	23%
220002 - Gwendolyn Buchholz, Permit Engineer Inc	\$ 150,000	\$ -	\$ 50,975	34%
220008 - IRIS Intelligence, LLC	\$ 27,830	\$ -	\$ -	0%
220009 - Alliant Insurance	\$ 27,549	\$ -	\$ 27,549	100%
220015 - Consolidated Communications, Inc.	\$ 36,000	\$ -	\$ 14,249	40%
220016 - AT&T	\$ 34,449	\$ -	\$ 9,920	29%
230009 - Caltronics Government Services	\$ 37,700	\$ -	\$ 15,178	40%

Section 4 | Contracts *continued*

Table 3 | Contract Summary

Contract Description	Commitment Amount	Pending Commitments	Invoiced to Date	Percent Invoiced
230015 - AVI-SPL LLC	\$ 120,293	\$ -	\$ 44,196	37%
230035 - Bradner Consulting LLC	\$ 611,271	\$ -	\$ 252,800	41%
240003 - Miles Treaster & Associates	\$ 18,000	\$ -	\$ -	0%
240004 - onPar Advisors LLC	\$ 63,126	\$ -	\$ 62,883	100%
240005 - Keogh Multimedia	\$ 15,600	\$ -	\$ 910	6%
240012 - LuxBus America	\$ 25,000	\$ -	\$ 1,921	8%
240013 - Alvarez & Associates, LLC	\$ 25,000	\$ -	\$ 13,500	54%
Agreements <\$15k	\$ 85,375	\$ -	\$ 33,892	40%

Table 4 | Commitment Changes

There are no Commitment Changes for this period.

Section 4 | Contracts *continued*

Table 5 | S/DVBE Status (FY 24/25)

	Commitment Amount	Invoiced to Date	Percent Committed	Percent Invoiced	
Delta Conveyance	\$ 35,057,269	\$ 9,757,961			
SBE Participation	4,357,837	1,012,637	12.4%	10.4%	
DVBE Participation			0.0%	0.0%	

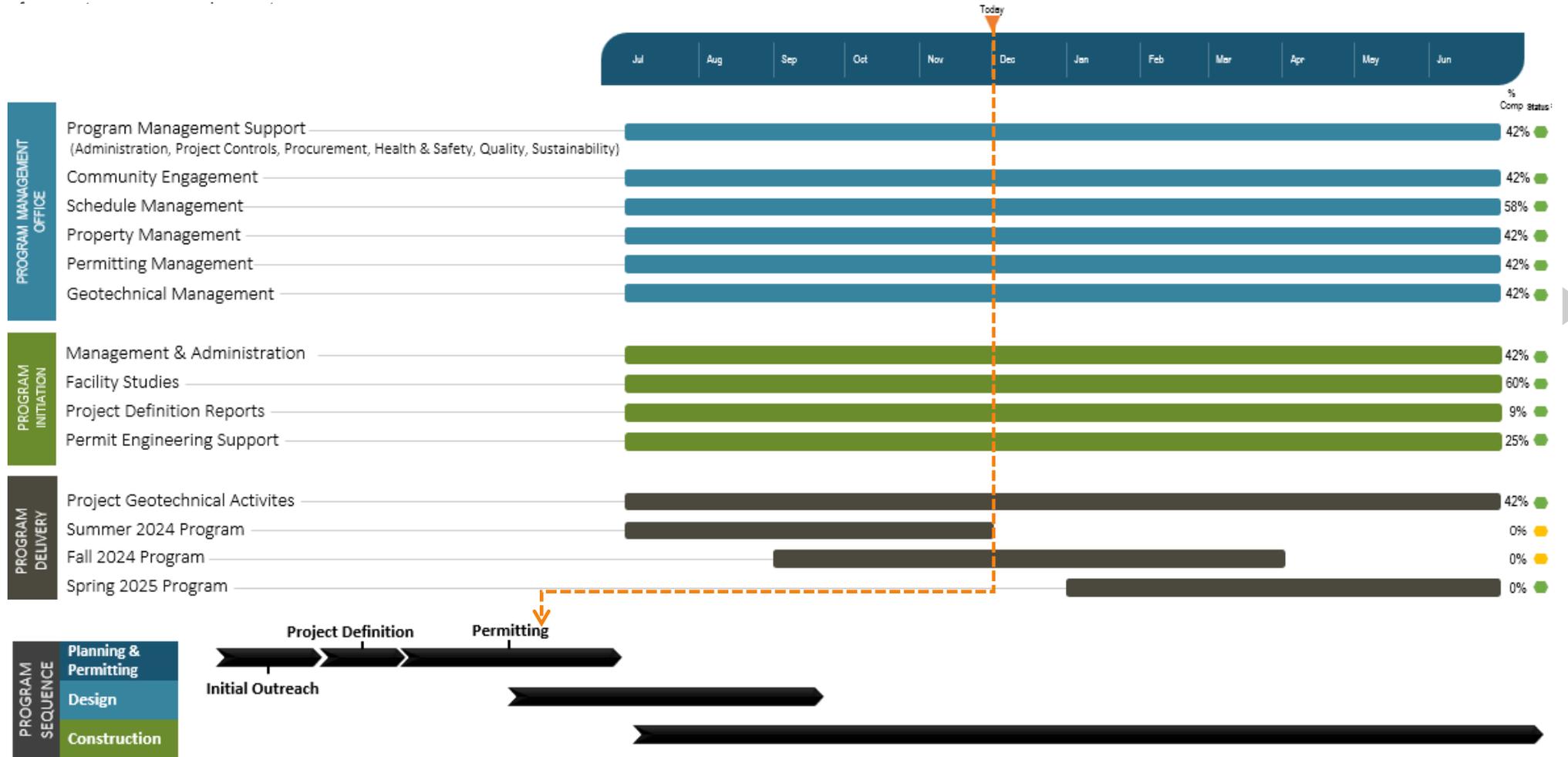
Consultant	Current Commitment	Percent of Total Commitment	Invoiced to Date	Percent Invoiced SBE/DVBE	SBE/DVBE Status
AECOM	2,747,242.00	5%	637,205.00	4%	
ISI	91,827	3.3%	-	0%	SBE
WRES	46,345	1.7%	22,425	3.5%	SBE
Associated Right of Way Services	34,911	100%	2,195	100%	SBE
Bender Rosenthal, Inc.	1,152,953	100%	56,872	100%	SBE
Caltronics Government Services	37,700	100%	15,178	100%	SBE
Hamner, Jewell & Associates	58,284	100%	3,292	100%	SBE
Jacobs Engineering Group	16,402,031	0.7%	4,419,323	1%	
5RMK	80,000	0.5%	33,283	0.8%	SBE
JMA	10,000	0.1%	-	0.0%	SBE
Peter Wiseman	20,000	0.1%	-	0.0%	SBE
Robert Marshall	10,000	0.1%	-	0.0%	SBE
Parsons	9,521,105	29.6%	2,749,062	22%	
Chaves	2,013,920	21.2%	612,451	22.3%	SBE
VMA Communications, Inc.	801,897	93.5%	266,942	93.5%	SBE

Table 6 | Contract Procurement Summary

Work Breakdown Structure	Contract Type	Planning/ Estimated Value	Annual Budget (FY 2024/25)	Pending Contract Value	Anticipated Term	Procurement Method	Procurement Start	Target NTP Date	Status
Primavera P6 Cloud Hosting Services	SaaS Agreement	\$ 101,100	\$ -	TBD	2 year	TBD	Dec-24	Dec-24	In Process
Primavera P6 User Licenses	SaaS Agreement	\$ 16,674	\$ -	TBD	1 year	Direct Purchase	Dec-24	Dec-24	In Process
Communications Support	Services & Consulting	\$ 5,000,000	N/A	TBD	5 year	Selection	TBD	Jun-30	In Process
Morrison Engineering	Order	\$ 75,000	\$ -	\$ 74,999		Direct Contract	Dec-24	Dec-24	In Process

Section 5 | FY 24/25 Program Schedule

Schedule. The Program Management Office (PMO) continued to work on program support activities as planned. The Engineering Team continued its focus on evaluating potential design innovations which could reduce program cost, schedule, or risk. The team also continued to support DCA programmatic activities including environmental, fieldwork and communications. The Fieldwork Team primarily focused on evaluating the data collected during the Spring 2024 Geotechnical Investigation Program, developing the environmental compliance documentation for the Spring 2024 Geotechnical Investigation Program, and planning for future calendar year 2025 geotechnical investigations including consideration



Disclaimer: This Program Sequence is for discussion purposes only and does not represent a decision by the DCA or DWR. Final decisions about the project will be made by DWR and will NOT be made until the concluding stages of the CEQA process.

Board Memo

Contact: Graham Bradner, Executive Director
Russel Robertson, MGO Director

Agenda Date: December 19, 2024 Board Meeting

Item No. 7b

Subject: Annual Financial Audit Report

Summary:

The Director of MGO, DCA's Auditor, will update the Board on the Annual Financial Audit Report which is included in the packet.

Detailed Report:

More details will be presented at the Board Meeting.

Action:

Information, only.

Attachments:

Attachment 1 – Fiscal Year 23/24 Financial Audit Report

**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**

Statements of Cash Receipts and Disbursements
(Cash Basis of Accounting)

Years Ended June 30, 2024 and 2023

(With Independent Auditor's Report Thereon)



**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**
Years Ended June 30, 2024 and 2023

Table of Contents

	<i>Page</i>
Independent Auditor’s Report.....	1
Statements of Cash Receipts and Disbursements	3
Notes to Statements of Cash Receipts and Disbursements.....	4
Other Information – Summary of DWR Charges on Behalf of the Authority (Unaudited)	6

Independent Auditor’s Report

To the Members of the
Delta Conveyance Design and
Construction Authority

Opinion

We have audited the statements of cash receipts and disbursements of the Delta Conveyance Design and Construction Authority (the Authority) for the years ended June 30, 2024 and 2023, and the related notes to the statements of cash receipt and disbursements (the financial statements).

In our opinion, the accompanying financial statements presents fairly, in all material respects, the cash receipts and disbursements of the Authority for the years ended June 30, 2024 and 2023, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority’s management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of the material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in this report. The other information comprises the DWR charges on behalf of the Authority, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Macias Gini & O'Connell LLP

Los Angeles, California
October 9, 2024

**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**
Statements of Cash Receipts and Disbursements
(Cash Basis of Accounting)
Years ended June 30, 2024 and 2023

	2024	2023
Receipts:		
Contributions	\$ 29,963,150	\$ 23,466,933
Disbursements:		
Program management office:		
Executive office	2,386,252	1,839,933
Community engagement	792,537	452,584
Program controls	3,659,106	2,153,057
Administration	3,129,414	2,474,226
Procurement	465,938	203,814
Property	431,575	427,408
Permitting management	480,746	463,489
Health and safety	290,114	27,573
Quality management	325,849	125,034
Program initiation office:		
Engineering	11,317,553	8,151,075
Fieldwork	7,344,039	6,134,888
Total disbursements	30,623,123	22,453,081
Net change in cash	(659,973)	1,013,852
Cash at beginning of year	1,412,837	398,985
Cash at end of year	\$ 752,864	\$ 1,412,837

See accompanying notes to statements of cash receipts and disbursements.

**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**

Notes to Statements of Cash Receipts and Disbursements
Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

The Delta Conveyance Design and Construction Authority (the Authority) was formed on May 14, 2018, and is a separate governmental entity composed of participating public water agencies (PWA) that are members of the State Water Contractors, Inc. (SWC). The Authority's original purpose under the Amended and Restated Joint Exercise of Powers Agreement (JEPA) was to assist the California Department of Water Resources (DWR) in the design and construction of new Delta water conveyance facilities, also known as California WaterFix (CWF), to be owned and operated by DWR when constructed. With the State's new water policy for California and DWR's withdrawal of CWF project approval and announcement that it would embark on new planning and environmental documentation for a Delta Conveyance Project on May 2, 2019, the Authority's purpose was changed to provide services to DWR in support of the new planning and environmental work during the Planning Phase as stated on Amendment No. 1 of the JEPA for a potential Delta Conveyance Project.

By means of the Amended and Restated Joint Powers Agreement (the Agreement) effective December 31, 2020, the participating PWAs, which include the Alameda County Flood Control Zone 7 Water District, Alameda County Water District, Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Kern County Water Agency, Mojave Water Agency, Palmdale Water District, Santa Clara Valley Water District, Santa Clarita Valley Water Agency, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronio Pass Water Agency, and the Metropolitan Water District of Southern California (Metropolitan), agreed to create the Authority. Each participating PWA has approved a proportionate share of initial funding for the Planning Phase as defined in the JEPA and as explained below. The Authority is governed by a seven-member Board of Directors (the Board), including one member from Metropolitan Water District, Santa Clara Valley Water District, Kern County Water Agency and four members from other participating PWA selected by classes of SWC as set forth in the Agreement.

Pursuant to the Agreement and its predecessor, the Board contracted Metropolitan to perform treasury services through an Inter-Agency Agreement between Metropolitan and the Authority dated June 5, 2018. The Inter-Agency Agreement designates Metropolitan as trustee over all funds of the Authority and requires that such monies be placed in a special fund designated the "DCA Fund" (the Fund). Disbursements from the Fund are made by Metropolitan at the direction of the Authority.

The Authority's policy is to prepare its statements of cash receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements of cash receipts and disbursements are not intended to present the Authority's financial position and results of operations, in conformity with U.S. GAAP.

(2) Delta Conveyance Project

On April 29, 2019, Governor Newsom issued an executive order calling for the development of a water resilience portfolio that meets the needs of California's communities, economy, and environment through the 21st century. This includes the governor's vision for a modern water supply infrastructure, a more climate resilient water supply for people and the environment, and the State Water Project (SWP) must be updated to respond to climate change.

**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**

Notes to Statements of Cash Receipts and Disbursements (continued)
Years Ended June 30, 2024 and 2023

(2) Delta Conveyance Project (Continued)

Accordingly, DWR launched the Planning Phase as defined above and released a Notice of Preparation on January 15, 2020, which initiated the California Environmental Quality Act (CEQA) scoping period that later concluded on April 17, 2020. On June 15, 2020, DWR submitted a permit application to request authorization for the proposed Delta Conveyance project activities in the waters of the United States. The Section 404 permit application was submitted in order to formally engage the United States Army Corps of Engineers (USACE) in early coordination with DWR's CEQA process regarding environmental review under USACE's process for compliance with the National Environmental Policy Act and the Clean Water Act and Rivers and Harbors Act.

Eighteen PWAs took action in November and December 2020 and approved their participation in the planning and pre-construction costs for the Delta Conveyance Project and authorized the execution of a funding agreement with DWR for such purpose. Funding for completing the environmental process, including the Environmental Impact Report (EIR) and Environmental Impact Statement and the endangered species permits, is initially estimated at \$340.7 million for calendar years 2021 through 2024. Future funding for the project will be approved by the participating PWAs at the start of each phase.

On July 27, 2022, DWR released a public Draft Environmental Impact Report (Draft EIR) under the California Environmental Quality Act for the Delta Conveyance Project for review and comments. A range of reasonable alternatives are identified and their potential impacts on environmental resources are analyzed in the Draft EIR. The Draft EIR also discusses Community Benefits Program framework as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. DWR's ongoing tribal consultation process as part of its environmental planning, consistent with State statutes and policies, are also documented in the Draft EIR. The public comment period for the Draft EIR closed on December 16, 2022. DWR reviewed and responded to substantive comments received on the Draft EIR and certified the Final EIR in December 2023, approving the project and proceeding with the Bethany Reservoir Alignment.

In addition, USACE released a draft environmental impact statement (EIS) for public review and comment in December of 2022. This comment period closed on March 16, 2023 and USACE is working on finalizing the EIS.

On May 16, 2024, DWR released a benefit-cost analysis for the Delta Conveyance Project that finds the infrastructure modernization project would create billions of dollars in benefits for California communities, including reliable water supplies, climate change adaptation, earthquake preparedness and improved water quality. The analysis concluded that the project would deliver nearly \$38 billion in benefits, preventing both water shortages and water rationing, and saving more water during wet years. For every \$1 spent, \$2.20 in benefits would be generated.

The Authority prepared the updated cost estimate for the Delta Conveyance Project and released it in May 2024. The cost of the project is estimated to be \$20.1 billion in real 2023 (undiscounted) dollars. A preliminary cost assessment conducted in 2020, early in the design process, estimated the project at \$15.9 billion. Accounting for inflation to 2023 dollars, the two estimates are similar in cost. The Authority conducted a preliminary value engineering exercise to identify design and construction innovations that present opportunities to cut costs, save time, and reduce risks.

**DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY**

Other Information – Summary of DWR Charges on Behalf of the Authority (Unaudited)

	For the years ended June 30,	
	<u>2024</u>	<u>2023</u>
Disbursements:		
Program management office:		
Property	<u>\$ 66,750</u>	<u>\$ 53,880</u>

Note to Other Information

DWR incurred certain costs in support of the planning and environmental phase of the Delta Conveyance Project as well as the previous CWF project that were not directly billed to the Authority. These costs were excluded from the disbursements in the statements of cash receipts and disbursements because there were no actual cash inflows or outflows recorded on a cash basis of accounting. However, these costs were still recorded as expenses by the Authority with a corresponding credit to revenue.

Board Memo

Contact: Graham Bradner, Executive Director
Adam Murdock, Design Manager

Agenda Date: December 19, 2024 Board Meeting

Item No. 7c

Subject: Concept Engineering Report Update

Summary:

The Design Manager will update the Board on the newly released Concept Engineering Report which is also now posted on the DCA Website in the [Document Library](#).

Detailed Report:

More details will be presented at the Board Meeting.

Action:

Information, only.

Board Memo

Contact: Graham Bradner, Executive Director and Josh Nelson, General Counsel

Date: December 19, 2024 Board Meeting

Item No. 7d

Subject:

Consider Adopting Resolution to Authorize the President to Execute an Amendment to the Joint Exercise of Powers Agreement.

Executive Summary:

Staff recommends that the Board adopt the enclosed Resolution to Authorize the President to Execute an Amendment to the Joint Exercise of Powers Agreement.

Detailed Report:

At its June 20, 2019 meeting, the Board of Directors approved an Amendment to the Joint Exercise of Powers Agreement (JEPA). This Amendment allows the DCA to provide planning and environmental services to the Department of Water Resources (DWR) to assist in its review of a potential future Delta Conveyance Project under the California Environmental Quality Act (CEQA) and other applicable laws. The DCA has provided these services since the amendment and will continue to do so during the current Planning Phase of the Delta Conveyance Project. The JEPA has been furthered amended in the Second through Eighth Amendments.

The enclosed proposed Amendment No. 9 makes two administrative amendments. First, the amendment changes the repayment date of the DWR initial contribution from January 10, 2025 to June 30, 2027. This contribution is currently \$43.2 million and provided temporary funding that will be repaid by the DCA. Second, the amendment deletes language that had the JEPA expiring during the Planning Phase on June 30, 2025. Given recent amendments to the definition of the Planning Phase, the Planning Phase will expire upon completion of all design, permitting and planning efforts necessary to commence construction and implementation of the Delta Conveyance Project.

As noted in the attached resolution, approval of the Amendment does not qualify as a project subject to CEQA. A redline is not provided in the packet given the limited nature of the changes.

Recommended Action:

Adopt the attached Resolution to Authorize the President to Execute an Amendment to the Joint Exercise of Powers Agreement.

Attachments:

Attachment 1 - Draft Resolution 24-xx
Exhibit A - JEPA Amendment #9

BOARD OF DIRECTORS OF THE DELTA CONVEYANCE
DESIGN AND CONSTRUCTION AUTHORITY
RESOLUTION NO. 24-XX

Introduced by Director xxxx
Seconded by Director xxxx

**AUTHORIZE THE PRESIDENT TO EXECUTE AN AMENDMENT TO THE JOINT EXERCISE OF
POWERS AGREEMENT, AND FIND THAT THE EXECUTION OF THE AMENDMENT IS NOT A
PROJECT SUBJECT TO CEQA**

Whereas, DWR and the DCA previously entered into that certain Joint Exercise of Powers Agreement between the parties as amended by Amendments No. 1-8 (JEPA); and

Whereas, the parties wish to further amend the JEPA as set forth in the attached Amendment No. 9; and

Whereas, the proposed edits to the JEPA (1) modify the repayment date of the DWR Initial Contribution as defined in the JEPA and (2) clarify the expiration date of the JEPA during the Planning Phase;

Now, therefore, be it resolved that the DCA Board hereby finds that approval of Amendment No. 9 is not a project subject to the California Environmental Quality Act (CEQA). Amendment No. 9 does not qualify as a “project” subject to CEQA because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(3), 15378, subd. (a).) Amendment No. 9 does not authorize any activity that could potentially impact the environment; rather, Amendment No. 9 merely makes administrative edits to the JEPA. The amendment is thus an organizational or administrative activity that is not subject to CEQA. (State CEQA Guidelines, § 15378, subd. (b)(4)-(5).)

Therefore, be it further resolved that the DCA Board hereby authorizes the President to execute Amendment No. 9 to the Joint Exercise of Powers Agreement, substantially in the form attached to this Resolution as Exhibit A and incorporated by this reference.

* * * * *

This Resolution was passed and adopted this 19th day of December 2024, by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Martin Milobar, Board President

Attest:

Gary Martin, Secretary

EXHIBIT A

JEPA Amendment No. 9

[attached behind this page]

**AMENDMENT NO. 9
TO
AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT
BETWEEN THE
DEPARTMENT OF WATER RESOURCES, STATE OF CALIFORNIA
AND THE DELTA CONVEYANCE DESIGN AND CONSTRUCTION
JOINT POWERS AUTHORITY**

This Amendment No. 9 to the October 26, 2018, Amended and Restated Joint Exercise of Powers Agreement Between the Department of Water Resources of the State of California (“DWR”), and the Delta Conveyance Design and Construction Joint Powers Authority (“Authority”), as previously amended, is entered into and effective as of the last date set forth on a signature page hereto.

RECITALS

WHEREAS, in May 2018 DWR and the Authority (collectively “the Parties”) entered into a Joint Exercise of Powers Agreement and in October 2018 into an Amended and Restated Joint Exercise of Powers Agreement, whereby the Authority agreed to manage the design and construction of California WaterFix under DWR’s ultimate control and oversight;

WHEREAS, the State subsequently set a new water policy for California and on May 2, 2019, DWR withdrew its approval of the California WaterFix project;

WHEREAS, the Parties entered into that Amendment No. 1 to the Amended and Restated Joint Exercise of Powers Agreement (“Amendment No. 1”) to outline the initial planning and engineering services that the Authority will provide to DWR during its consideration of a different potential Delta conveyance project;

JEPA Amendment No. 9

WHEREAS, the Parties entered into those further Amendments No. 2-8 to the Amended and Restated Joint Exercise of Powers Agreement (collectively, the “Agreement”) to make certain changes;

WHEREAS, Government Code section 6504 permits parties to a joint exercise of powers agreement to contribute funds, personnel and services, subject to repayment as set forth in such agreement;

WHEREAS, the Agreement provides that the reimbursement date for the Initial DWR Contribution, as defined in the Agreement, of \$43.2 million is January 10, 2025;

WHEREAS, consistent with section 6504 and applicable law, the Parties desire to amend the Agreement to extend the reimbursement date of the Initial DWR Contribution, as defined in the Agreement; and

WHEREAS, the Parties further wish to extend the term of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained in the Agreement and this Amendment No. 9, the Parties hereby agree to amend the Agreement as follows.

AMENDMENT

A. Section 14 “Term” is amended to read in full as follows:

“14. Term.

The term of this Agreement shall be from the date first above written until DWR’s final acceptance of the Conveyance Project; provided that this Agreement shall not become effective until approved by the Department of General Services.”

JEPA Amendment No. 9

- B. The reimbursement date of the Initial DWR Contribution set forth in paragraph A of Amendment No. 5 is hereby changed to June 30, 2027.
- C. Except as hereby amended, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have hereunto affixed their names as of the day and year hereinafter written.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER
RESOURCES**

**DESIGN AND CONSTRUCTION
AUTHORITY**

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Approved as to legal form and consistency

Approved as to legal form and consistency

By: _____
General Counsel

By: _____
General Counsel

Board Memo

Contact: Graham Bradner, Executive Director

Date: December 19, 2024 Board Meeting **Item:** 7e

Subject: Adoption of Resolution Commending and Thanking Alternate Director Keegan for Her Service

Executive Summary:

Staff recommends the Board adopt a Resolution Commending and Thanking Alternate Director Keegan for her service to the DCA.

Detailed Report:

Alternate Director Barbara Keegan has served on the DCA’s Board of Directors since its formation in 2018 as a representative of Santa Clara Valley Water District.

This item is an opportunity to recognize and thank Alternate Director Keegan for her service on the Board of Directors. Among her many contributions to the DCA and the Delta Conveyance Project, Ms. Keegan’s role as the Vice-Chair of the Stakeholder Engagement Committee was essential to the formulation of conceptual alternatives that minimize effects to the Delta while accomplishing the goals established for the project by the California Department of Water Resources.

Staff thanks Ms. Keegan for her efforts and wishes her well in her future endeavors.

Recommended Action:

Staff recommends the Board adopt a Resolution Commending and Thanking Alternate Director Keegan for Her Service to the DCA.

Attachments:

Attachment 1: Resolution No. 24-XX Commending and Thanking Barbara Keegan for Her Service on the DCA Board of Directors

**BOARD OF DIRECTORS OF THE DELTA CONVEYANCE
DESIGN AND CONSTRUCTION AUTHORITY**

RESOLUTION NO. 24-XX

Introduced by Director:

Seconded by Director:

COMMENDING AND THANKING BARBARA KEEGAN FOR HER SERVICE ON THE BOARD

WHEREAS, Barbara Keegan has served as an Alternate Director on the Board of Directors for the Delta Conveyance Design and Construction Authority (“DCA”) since its formation in 2018; and

WHEREAS, during this time, the Board of Directors of the DCA established initial policies, oversaw the development of the DCA’s offices and Board chambers, and generally created a new agency dedicated to professional and competent service recognizing the importance of transparency and stakeholder input; and

WHEREAS, Alternate Director Keegan and her colleagues guided the DCA through the transition from California WaterFix to its role of providing engineering and related support to the Department of Water Resources’ consideration and approval of the Delta Conveyance Project (“DCP”); and

WHEREAS, Alternate Director Keegan has been instrumental in the work of the DCA and its continued development as an organization, including serving as the Vice-Chair of the DCA Stakeholder Engagement Committee;

WHEREAS, this Board wishes to express its appreciation to Alternate Director Keegan for the commitment, talent, good judgment, and wisdom she has brought to the Board of Directors and the DCA during her years of service;

Now, therefore, be it resolved that the Board of Directors hereby commends and thanks Barbara Keegan for her service on the Board of Directors, a position she has occupied with honor, dignity, and distinction.

* * * * *

This Resolution was passed and adopted this 19th day of December 2024, by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Martin Milobar, Board President

Attest:

Gary Martin, Secretary

General Counsel's Report

Contact: Josh Nelson, General Counsel

Agenda Date: December 19, 2024, Board Meeting

Item No. 8a

Subject: Status Update

Summary:

The General Counsel continues to assist the DCA on legal matters as requested.

Detailed Report:

The General Counsel continues to provide legal assistance as requested. This has included assisting with the Joint Exercise of Powers Agreement (JEPA) amendment on the agenda. In addition, while the DCA is not a direct employer, we continue to implement best practices for staff training under Mr. Bradner's direction. This has included providing sexual harassment prevention training to all staff. We have also assisted with some procurement items that will be considered by the Board in 2025. Lastly, our office continues to support other confidential matters that are not appropriate to discuss in a public report.

Action:

Information, only.

Treasurer's Report

Contact: Katano Kasaine, Treasurer

Date: December 19, 2024

Item No. 8b

Subject: Treasurer's Monthly Report, October/November 2024

Summary:

The beginning cash balance for the Delta Conveyance Design and Construction Joint Powers Authority (Authority) as of October 1, 2024 was \$807,854. Receipts for October through November 2024 totaled \$6,262,783 representing contributions from the Department of Water Resources, Delta Conveyance Office (DCO), for payment of the Authority's obligations and total disbursements for the same period were \$4,751,617 resulting in an ending cash balance of \$2,319,020 as of November 30, 2024.

As of November 30, 2024, the Authority's outstanding receivables amounted to \$1,348,021 consisting of 12 invoices issued to the DCO. Deposits, comprising of office lease security deposit and court ordered entry permit reserves, and prepaid expenses were \$1,023,073 and \$260,483, respectively, as of November 30, 2024. For the same period, balances for accounts payable and advances were \$2,862,781 and \$800,000, respectively. The net position as of November 30, 2024 was \$1,287,816.

Attachment 1 consists of financial statements for the two months ended November 30, 2024, a Schedule of Invoices Paid through November 2024, and Aging Schedules for Accounts Payable and Accounts Receivable as of November 30, 2024.

Detailed Report:

See attached statements.

Recommended Action:

Information only.

Attachments:

Attachment 1 – October/November 2024 Authority Financial Statements



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Statement of Net Position

As of November 30, 2024

Assets:

Cash	\$	2,319,020
Accounts receivable		1,348,021
Deposits ⁽¹⁾		1,023,073
Prepays		260,483
		<hr/>
Total assets	\$	<u>4,950,597</u>

Liabilities:

Accounts payable	\$	2,862,781
Advance for prepayments		800,000
		<hr/>
Total liabilities		3,662,781

Net position:

		<hr/>
		1,287,816
		<hr/>
Total liabilities and net position	\$	<u>4,950,597</u>

⁽¹⁾ Includes office lease security deposit and court ordered entry permit reserves for surveys, geological drilling and exploration, which are held by third parties.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY
 Statements of Cash Receipts and Disbursements

	Oct. 1, 2024 Nov. 30, 2024	Year to Date Nov. 30, 2024
	<u> </u>	<u> </u>
Receipts:		
Contributions ⁽¹⁾	\$ 6,262,783	\$ 15,296,931
	<u> </u>	<u> </u>
Disbursements:		
Program management office		
Executive office	340,466	1,156,639
Community engagement	160,090	628,497
Program controls	804,438	1,683,228
Administration	708,594	1,519,696
Procurement	105,284	297,854
Property	32,988	176,859
Permitting management	100,211	225,316
Health and safety	79,478	164,278
Quality management	149,201	326,416
Program initiation		
Engineering	1,896,254	4,830,606
Fieldwork	319,001	2,665,774
Geotechnical management	55,612	55,612
	<u> </u>	<u> </u>
Total disbursements	4,751,617	13,730,775
	<u> </u>	<u> </u>
Net changes in cash	1,511,166	1,566,156
Cash at July 1, 2024	—	752,864
Cash at October 1, 2024	807,854	—
	<u> </u>	<u> </u>
Cash at November 30, 2024	\$ 2,319,020	\$ 2,319,020
	<u> </u>	<u> </u>

⁽¹⁾ DWR contributions invoiced through the DCO.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY
 Statements of Revenues, Expenses and Changes in Net Position

	Oct. 1, 2024 <u>Nov. 30, 2024</u>	Year to Date <u>Nov. 30, 2024</u>
Revenues:		
Contributions ⁽¹⁾	\$ 3,753,757	\$ 11,390,137
Expenses:		
Program management office		
Executive office	357,585	909,283
Community engagement	208,096	397,364
Program controls	763,437	1,871,971
Administration	542,993	1,359,326
Procurement	99,874	263,355
Property	43,806	117,986
Permitting management	66,324	199,811
Health and safety	65,835	169,313
Quality management	125,319	321,005
Program initiation		
Engineering	939,032	3,776,985
Fieldwork	332,452	1,753,663
Geotechnical management	32,013	87,625
Total expenses	<u>3,576,766</u>	<u>11,227,687</u>
Changes in net position	176,991	162,450
Net position at June 30, 2024	—	1,125,366
Net position at September 30, 2024	<u>1,110,825</u>	<u>—</u>
Net position at November 30, 2024	<u>\$ 1,287,816</u>	<u>\$ 1,287,816</u>

* Amounts may include prior month accruals that were not previously captured due to timing.

⁽¹⁾ DWR contributions invoiced through the DCO.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Schedule of Invoices Paid
for the Five Months Ended November 30, 2024

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Invoice Amount	Amount Paid
1 AECOM Technical Services	2000888084	05/13/24	07/03/24	03/30/24-04/26/24	\$ 76,112	\$ 76,112
2 FedEx Corporation	8-537-42765	06/20/24	07/03/24	06/14/24	35	35
3 Parsons	2405B359	05/07/24	07/12/24	03/30/24-04/26/24	613,330	613,330
4 VMA Communications	DCA24March	05/15/24	07/12/24	03/01/24-03/31/24	43,800	43,800
5 VMA Communications	DCA24Feb	05/20/24	07/12/24	02/01/24-02/29/24	81,050	81,050
6 Consolidated Communications	20240615	06/15/24	07/12/24	06/15/24-07/14/24	2,850	2,850
7 AT&T	9277280908	06/19/24	07/12/24	06/19/24-07/18/24	1,976	1,976
8 Prime US-Park Tower LLC	20240701	06/27/24	07/12/24	07/01/24-07/31/24	106,605	106,605
9 Alliant Insurance Services, Inc.	2714528	06/25/24	07/18/24	07/01/24-07/01/25	27,549	27,549
10 Liberty Mutual	20240705	07/05/24	07/18/24	07/01/24-06/30/25	9,604	9,604
11 Caltronics Business Systems	4115548	07/01/24	07/18/24	07/01/24-07/31/24	2,543	2,543
12 FedEx Corporation	8-545-00130	06/27/24	07/18/24	06/25/24	17	17
13 Lux Bus America Co.	108055	06/30/24	07/18/24	06/27/24	1,776	1,776
14 Bank of America	N/A*	08/22/24	07/22/24	07/22/24	482	482
15 Bender Rosenthal, Inc.	949	05/14/24	07/26/24	04/01/24-04/26/24	16,176	16,176
16 Bradner Consulting LLC	2324-04	05/13/24	07/26/24	04/01/24-04/30/24	50,560	50,560
17 Gwen Buchholz, Permit Engineer, Inc.	2324-11	06/09/24	07/26/24	05/01/24-05/31/24	13,375	13,375
18 AECOM Technical Services	2000891769	05/22/24	07/26/24	01/05/24-04/26/24	182,763	182,763
19 Associated Right of Way Services, Inc.	22302	05/02/24	07/26/24	04/01/24-04/30/24	1,194	1,194
20 Bradner Consulting LLC	2324-05	05/31/24	07/26/24	05/01/24-05/31/24	50,560	50,560
21 AECOM Technical Services	2000900674	06/17/24	07/26/24	04/07/24-05/31/24	61,836	61,836
22 Launch Consulting	PSI1031947	06/05/24	07/26/24	05/01/24-05/31/24	32,421	32,421
23 Launch Consulting	PSI1031264	05/14/24	07/26/24	04/01/24-04/30/24	30,678	30,678
24 Best, Best, & Krieger	997213	06/04/24	07/26/24	05/01/24-05/31/24	26,199	26,199
25 Bender Rosenthal, Inc.	1067	06/10/24	07/26/24	04/27/24-05/31/24	26,711	26,711
26 AECOM Technical Services	2000900707	06/17/24	07/26/24	02/22/24-05/31/24	571,421	571,421
27 VMA Communications	DCA24April	05/15/24	07/31/24	04/01/24-04/30/24	65,375	65,375
28 IRIS Intelligence, LLC	WYDCA01-002br2	05/14/24	07/31/24	06/01/23-05/31/24	10,000	10,000
29 IRIS Intelligence, LLC	WYDCA01-002ar2	05/14/24	07/31/24	06/01/24-05/31/25	26,790	26,790
30 Jacobs	W8X97006-10	05/31/24	07/31/24	03/18/24-04/26/24	1,093,335	1,093,335
31 Hamner, Jewell & Associates	203505	04/10/24	07/31/24	03/01/24-03/31/24	7,569	7,569
32 Hamner, Jewell & Associates	203601	05/14/24	07/31/24	04/01/24-04/30/24	3,372	3,372
33 Parsons	2406B006	06/10/24	07/31/24	04/27/24-05/31/24	725,559	725,559
34 Metropolitan Water District of So. Ca	501952	04/18/24	07/31/24	02/01/24-02/29/24	16,761	16,761
35 Metropolitan Water District of So. Ca	501977	06/11/24	07/31/24	05/01/24-05/31/24	18,642	18,642
36 Metropolitan Water District of So. Ca	501961	05/09/24	07/31/24	03/01/24-03/31/24	17,317	17,317
37 Metropolitan Water District of So. Ca	501976	05/16/24	07/31/24	04/01/24-04/30/24	16,384	16,384
38 Hamner, Jewell & Associates	203649	06/10/24	07/31/24	05/01/24-05/31/24	990	990
39 AVI-SPL LLC	2225853	05/31/24	07/31/24	05/31/24	4,947	4,947
40 Jacobs	W8X97006-11	06/20/24	07/31/24	04/27/24-05/31/24	1,246,019	1,246,019
41 VMA Communications	DCA24May	06/21/24	07/31/24	05/01/24-05/31/24	72,580	72,580
42 FedEx Corporation	8-517-24731	05/30/24	07/31/24	05/22/24-05/23/24	35	35
43 FedEx Corporation	8-551-02348	07/04/24	07/31/24	07/01/24	17	17
44 FedEx Corporation	8-564-49107	07/18/24	07/31/24	07/10/24-07/15/24	35	35
45 Bank of America	N/A*	08/22/24	08/02/24	08/02/24	8,306	8,306
46 Consolidated Communications	20240715	07/15/24	08/07/24	07/15/24-08/14/24	2,850	2,850
47 AT&T	7604691904	07/19/24	08/07/24	07/19/24-08/18/24	1,976	1,976
48 Prime US-Park Tower LLC	20240801	07/22/24	08/07/24	08/01/24-08/31/24	106,605	106,605
49 Prime US-Park Tower LLC	2400-071124	07/11/24	08/09/24	05/21/24-06/03/24	1,134	1,134
50 Jambo Corp	2024-127	07/01/24	08/12/24	07/01/24-06/30/25	34,920	34,920
51 Keogh Multimedia	MK-2024-03	06/28/24	08/12/24	04/01/24-06/30/24	1,105	1,105
52 FedEx Corporation	8-570-85774	07/25/24	08/14/24	07/22/24	17	17
53 FedEx Corporation	8-577-93385	08/01/24	08/14/24	07/30/24	17	17
54 Caltronics Business Systems	4141936	08/05/24	08/14/24	08/01/24-08/31/24	2,485	2,485
55 Associated Right of Way Services, Inc.	22501	07/02/24	08/23/24	06/01/24-06/30/24	367	367
56 Gwen Buchholz, Permit Engineer, Inc.	2324-12	07/14/24	08/23/24	06/01/24-06/30/24	15,250	15,250
57 Commuter Industries, Inc.	240113	06/25/24	08/23/24	06/25/24	366	366
58 Bradner Consulting LLC	2324-06	06/30/24	08/23/24	06/01/24-06/30/24	50,560	50,560
59 Convergent Systems	45052	07/05/24	08/23/24	07/01/24-09/30/24	609	609
60 VMA Communications	DCA24June	07/12/24	08/23/24	06/01/24-06/30/24	99,475	99,475
61 National Pen Co., LLC dba Pens.com	113782923	07/22/24	08/23/24	07/22/24	392	392
62 National Pen Co., LLC dba Pens.com	113789267	07/26/24	08/23/24	07/26/24	392	392
63 FedEx Corporation	8-584-69869	08/08/24	08/23/24	08/02/24	17	17
		01/04/00				

*Auto-withdrawal for Bank of America Line of Credit fee.

DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Schedule of Invoices Paid
for the Five Months Ended November 30, 2024
(Continued)

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Invoice Amount	Amount Paid
64 Lux Bus America Co.	109140	07/23/24	08/23/24	07/19/24	1,921	1,921
65 Parsons	2407B884	07/24/24	08/28/24	04/10/24-06/30/24	622,257	622,257
66 FedEx Corporation	8-592-05887	08/15/24	08/28/24	08/08/24	17	17
67 AECOM Technical Services	2000913560	07/25/24	09/06/24	01/31/24-06/30/24	983,634	983,634
68 AECOM Technical Services	2000912559	07/18/24	09/06/24	06/01/24-06/30/24	62,515	62,515
69 Jacobs	W8X97006-12	07/25/24	09/06/24	05/25/24-06/30/24	1,155,316	1,155,316
70 Consolidated Communications	20240815	08/15/24	09/06/24	08/15/24-09/14/24	2,850	2,850
71 FedEx Corporation	8-599-42286	08/22/24	09/06/24	08/15/24-08/16/24	35	35
72 AT&T	8875313905	08/19/24	09/06/24	08/19/24-09/18/24	1,986	1,986
73 Prime US-Park Tower LLC	20240901	08/26/24	09/06/24	09/01/24-09/30/24	106,605	106,605
74 Bender Rosenthal, Inc.	1180	07/17/24	09/18/24	06/01/24-06/29/24	20,120	20,120
75 Bradner Consulting LLC	2425-01	07/31/24	09/18/24	07/01/24-07/31/24	50,560	50,560
76 Hamner, Jewell & Associates	203844	07/30/24	09/18/24	06/01/24-06/30/24	1,771	1,771
77 Associated Right of Way Services, Inc.	22551	08/05/24	09/18/24	07/01/24-07/31/24	886	886
78 Best, Best, & Krieger	999910**	07/02/24	09/18/24	06/01/24-06/30/24	18,701	18,278
79 Parsons	2408A730	08/12/24	09/18/24	06/01/24-06/30/24	2,307	2,307
80 Launch Consulting	PS11032695	07/18/24	09/18/24	06/01/24-06/30/24	39,501	39,501
81 FedEx Corporation	8-606-64374	08/29/24	09/18/24	08/21/24	17	17
82 Caltronics Business Systems	4165725	09/03/24	09/18/24	09/01/24-09/30/24	2,499	2,499
83 VMA Communications	DCA24July**	08/13/24	09/20/24	07/01/24-07/31/24	48,899	48,384
84 Metropolitan Water District of So. Ca	501985**	07/24/24	09/20/24	06/01/24-06/30/24	23,395	23,299
85 Gwen Buchholz, Permit Engineer, Inc.	2425-01	08/14/24	09/20/24	07/01/24-07/31/24	16,625	16,625
86 East Bay Municipal Utility District	10192267	08/21/24	09/25/24	10/01/23-07/31/24	133,547	133,547
87 FedEx Corporation	8-619-84266	09/12/24	09/25/24	09/04/24-09/11/24	35	35
Subtotal July - September*					\$ 8,980,192	\$ 8,979,158
88 AECOM Technical Services	2000922790	08/15/24	10/04/24	07/01/24-07/26/24	122,280	122,280
89 Consolidated Communications	20240915	09/15/24	10/04/24	09/15/24-10/14/24	2,850	2,850
90 AT&T	4990393905	09/19/24	10/04/24	09/19/24-10/18/24	1,986	1,986
91 FedEx Corporation	8-626-25762	09/20/24	10/04/24	09/17/24-09/18/24	17	17
92 FedEx Corporation	8-633-33284	09/27/24	10/04/24	09/18/24-09/25/24	35	35
93 Prime US-Park Tower LLC	20241001	09/25/24	10/04/24	10/01/24-10/31/24	106,605	106,605
94 Parsons	2408B511	08/29/24	10/16/24	07/01/24-07/26/24	596,822	596,822
95 Parsons	2408C786	08/28/24	10/16/24	06/01/24-06/30/24	9,632	9,632
96 Jacobs	W8X97007-01	08/28/24	10/16/24	07/01/24-07/26/24	851,838	851,838
97 Hamner, Jewell & Associates	203878	08/07/24	10/16/24	07/01/24-07/31/24	799	799
98 Bender Rosenthal, Inc.	1288	08/13/24	10/16/24	07/01/24-07/26/24	11,146	11,146
99 Launch Consulting	PS11033365	08/22/24	10/16/24	07/01/24-07/31/24	25,968	25,968
100 Parsons	2409A601	09/12/24	10/16/24	07/01/24-08/30/24	785,854	785,854
101 Associated Right of Way Services, Inc.	22611	09/04/24	10/16/24	08/01/24-08/31/24	917	917
102 Bradner Consulting LLC	2425-02	09/03/24	10/16/24	08/01/24-08/30/24	50,560	50,560
103 Commuter Industries, Inc.	240136	09/09/24	10/16/24	09/09/24	366	366
104 Signs Now	109449	09/10/24	10/16/24	08/29/24-08/30/24	68	68
105 Miles Treaster & Associates	52573	09/19/24	10/18/24	06/10/24	26,518	26,518
106 Hamner, Jewell & Associates	203936	09/10/24	10/18/24	08/01/24-08/31/24	1,205	1,205
107 Launch Consulting	PS11033985	09/13/24	10/18/24	08/01/24-08/31/24	26,992	26,992
108 Convergent Systems	1040231	09/17/24	10/18/24	09/17/24	217	217
109 FedEx Corporation	8-647-76390	10/11/24	10/23/24	10/02/24-10/04/24	17	17
110 Caltronics Business Systems	4192177	10/03/24	10/23/24	10/01/24-10/31/24	2,380	2,380
111 Jacobs	W8X97007-02	09/16/24	10/30/24	07/27/24-08/30/24	1,356,652	1,356,652
112 FedEx Corporation	8-654-43071	10/18/24	10/30/24	10/09/24-10/16/24	35	35
113 Consolidated Communications	20241015	10/15/24	11/06/24	10/15/24-11/14/24	2,850	2,850
114 AT&T	6532665908	10/19/24	11/06/24	10/19/24-11/18/24	1,986	1,986
115 FedEx Corporation	8-662-33868	10/25/24	11/06/24	10/17/24-10/18/24	17	17
116 AirTouch Cellular (Verizon)	9976537772	10/17/24	11/06/24	09/18/24-10/17/24	128	128
117 Prime US-Park Tower LLC	20241101	10/22/24	11/06/24	11/01/24-11/30/24	106,605	106,605
118 AECOM Technical Services	2000933819	09/17/24	11/07/24	07/27/24-08/30/24	196,721	196,721
119 VMA Communications	DCA24AUG	09/09/24	11/13/24	08/01/24-08/31/24	80,112	80,112
120 Best, Best, & Krieger	1004841	08/31/24	11/13/24	07/01/24-07/31/24	21,304	21,304
121 Gwen Buchholz, Permit Engineer, Inc.	2425-02	09/13/24	11/13/24	08/01/24-08/31/24	11,875	11,875
122 Convergent Systems	45438	10/05/24	11/13/24	10/01/24-12/31/24	609	609
123 Caltronics Business Systems	4216096-CAL	11/01/24	11/13/24	11/01/24-11/30/24	2,849	2,849

* Totals may not foot due to rounding.

** Certain expenses were disallowed by the DCO.

DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Schedule of Invoices Paid
for the Five Months Ended November 30, 2024
(Continued)

<u>Vendor</u>	<u>Invoice #</u>	<u>Invoice Date</u>	<u>Payment Date</u>	<u>Period of Expense</u>	<u>Invoice Amount</u>	<u>Amount Paid</u>
124 Associated Right of Way Services, Inc.	22688	10/03/24	11/20/24	09/01/24-09/30/24	393	393
125 Gwen Buchholz, Permit Engineer, Inc.	2425-03	10/14/24	11/20/24	09/01/24-09/30/24	10,375	10,375
126 Bradner Consulting LLC	2425-03	09/30/24	11/20/24	09/01/24-09/30/24	50,560	50,560
127 VMA Communications	DCA24SEP	10/11/24	11/20/24	09/01/24-09/30/24	61,710	61,710
128 Keogh Multimedia	MK-2024-04	10/09/24	11/20/24	07/01/24-09/30/24	910	910
129 e-Builder	16531	11/04/24	11/20/24	10/26/24-10/25/25	156,304	156,304
130 FedEx Corporation	8-669-38960	11/01/24	11/27/24	10/29/24-10/30/24	17	17
131 FedEx Corporation	8-682-82659	11/15/24	11/27/24	11/05/24-11/12/24	35	35
132 FedEx Corporation	8-675-44237	11/08/24	11/27/24	10/31/24-11/01/24	17	17
133 onPar Advisors LLC	OPIN0281R	11/06/24	11/27/24	11/02/24-11/01/25	62,883	62,883
134 xViz LLC	XVIZINV112024006063	11/04/24	11/27/24	11/04/24-11/03/25	1,598	1,598
Subtotal October - November*					<u>\$ 4,751,617</u>	<u>\$ 4,751,617</u>
Total July - November*					<u>\$ 13,731,809</u>	<u>\$ 13,730,775</u>

* Totals may not foot due to rounding.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Accounts Payable Aging Schedule
As of November 30, 2024

Payable To:	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>≥ 90</u>	<u>Total</u>
AECOM Technical Services					
Invoice #2000945181	135,731	—	—	—	135,731
AirTouch Cellular (Verizon)					
Invoice #9978970569	216	—	—	—	216
Alvarez Associates, LLC					
Invoice #2428	13,500	—	—	—	13,500
Amazon					
Invoice #1K7V-JCXT-NPMF	98	—	—	—	98
Invoice #1YP1-JP1K-DQHJ	131	—	—	—	131
ARC Document Solutions, LLC					
Invoice #12611354	814	—	—	—	814
AT&T					
Invoice #5947845907	993	—	—	—	993
Bender Rosenthal, Inc.					
Invoice #1416	12,729	—	—	—	12,729
Invoice #1613	12,938	—	—	—	12,938
Invoice #1773	9,760	—	—	—	9,760
Best, Best, & Krieger					
Invoice #1007585	15,824	—	—	—	15,824
Invoice #1009370	15,607	—	—	—	15,607
Invoice #1012222	18,844	—	—	—	18,844
Bradner Consulting LLC					
Invoice #2425-04	50,560	—	—	—	50,560
Commuter Industries, Inc.					
Invoice #240196	150	—	—	—	150
Consolidated Communications					
Invoice #20241115	1,425	—	—	—	1,425
Gwen Buchholz, Permit Engineer, Inc.					
Invoice #2425-04	12,100	—	—	—	12,100
Hamner, Jewell & Associates					
Invoice #204038	1,020	—	—	—	1,020
Jacobs					
Invoice #W8X97007-03	1,070,380	—	—	—	1,070,380
Launch Consulting					
Invoice #PSI1034327	25,536	—	—	—	25,536
Invoice #PSI1035347	29,255	—	—	—	29,255
Metropolitan Water District of So. Ca					
Invoice #501994	14,411	—	—	—	14,411
Parsons					
Invoice #2410A605	693,840	—	—	—	693,840
Invoice #2411B201	672,546	—	—	—	672,546
Signs Now					
Invoice #109825	41	—	—	—	41
VMA Communications					
Invoice #DCA24OCT	54,332	—	—	—	54,332
	\$ 2,862,781	\$ —	\$ —	\$ —	\$ 2,862,781

*Totals may not foot due to rounding.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Accounts Receivable Aging Schedule ⁽¹⁾
As of November 30, 2024

<u>Receivable From:</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>Total</u>
Department of Water Resources					
Invoice #DCA-682	\$ 27,500	\$ —	\$ —	\$ —	\$ 27,500
Invoice #DCA-683	135,731	—	—	—	135,731
Invoice #DCA-684	156,304	—	—	—	156,304
Invoice #DCA-685	4,464	—	—	—	4,464
Invoice #DCA-686	51,375	—	—	—	51,375
Invoice #DCA-687	62,900	—	—	—	62,900
Invoice #DCA-688	672,546	—	—	—	672,546
Invoice #DCA-689	69,959	—	—	—	69,959
Invoice #DCA-690	973	—	—	—	973
Invoice #DCA-691	106,605	—	—	—	106,605
Invoice #DCA-692	54,482	—	—	—	54,482
Invoice #DCA-693	5,182	—	—	—	5,182
	<u>\$ 1,348,021</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,348,021</u>

*Totals may not foot due to rounding.

⁽¹⁾ Approval date by the DCO determines aging classification.

DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

Statements of Cash Receipts and Disbursements

	Oct. 1, 2024 Nov. 30, 2024	Year to Date Nov. 30, 2024
Receipts:		
Contributions ⁽¹⁾	\$ 6,262,783	\$ 15,296,931
Disbursements:		
Program management office		
Executive office	340,466	1,156,639
Community engagement	160,090	628,497
Program controls	804,438	1,683,228
Administration	708,594	1,519,696
Procurement	105,284	297,854
Property	32,988	176,859
Permitting management	100,211	225,316
Health and safety	79,478	164,278
Quality management	149,201	326,416
Program initiation		
Engineering	1,896,254	4,830,606
Fieldwork	319,001	2,665,774
Geotechnical management	55,612	55,612
Total disbursements	4,751,617	13,730,775
Net changes in cash	1,511,166	1,566,156
Cash at July 1, 2024	—	752,864
Cash at October 1, 2024	807,854	—
Cash at November 30, 2024	<u>\$ 2,319,020</u>	<u>\$ 2,319,020</u>

Statements of Revenues, Expenses and Changes in Net Position

	Oct. 1, 2024 Nov. 30, 2024	Year to Date Nov. 30, 2024
Revenues:		
Contributions ⁽¹⁾	\$ 3,753,757	\$ 11,390,137
Expenses:		
Program management office		
Executive office	357,585	909,283
Community engagement	208,096	397,364
Program controls	763,437	1,871,971
Administration	542,993	1,359,326
Procurement	99,874	263,355
Property	43,806	117,986
Permitting management	66,324	199,811
Health and safety	65,835	169,313
Quality management	125,319	321,005
Program initiation		
Engineering	939,032	3,776,985
Fieldwork	332,452	1,753,663
Geotechnical management	32,013	87,625
Total expenses	3,576,766	11,227,687
Changes in net position	176,991	162,450
Net position at June 30, 2024	—	1,125,366
Net position at September 30, 2024	1,110,825	—
Net position at November 30, 2024	<u>\$ 1,287,816</u>	<u>\$ 1,287,816</u>

* Amounts may include prior month accruals that were not previously captured due to timing.

⁽¹⁾ DWR contributions invoiced through the DCO.



DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY

	Statements of Cash Receipts and Disbursements		Statements of Revenues, Expenses and Changes in Net Position	
	Oct. 1, 2024 Nov. 30, 2024	Year to Date Nov. 30, 2024	Oct. 1, 2024 Nov. 30, 2024	Year to Date Nov. 30, 2024
Receipts/Revenues:				
Contributions ⁽¹⁾	\$ 6,262,783	\$ 15,296,931	\$ 3,753,757	\$ 11,390,137
Disbursements/Expenses*:				
Program management office				
Executive office	340,466	1,156,639	357,585	909,283
Community engagement	160,090	628,497	208,096	397,364
Program controls	804,438	1,683,228	763,437	1,871,971
Administration	708,594	1,519,696	542,993	1,359,326
Procurement	105,284	297,854	99,874	263,355
Property	32,988	176,859	43,806	117,986
Permitting management	100,211	225,316	66,324	199,811
Health and safety	79,478	164,278	65,835	169,313
Quality management	149,201	326,416	125,319	321,005
Program initiation				
Engineering	1,896,254	4,830,606	939,032	3,776,985
Fieldwork	319,001	2,665,774	332,452	1,753,663
Geotechnical management	55,612	55,612	32,013	87,625
Total disbursements/expenses	4,751,617	13,730,775	3,576,766	11,227,687
Net changes in cash	1,511,166	1,566,156		
Cash at July 1, 2024	—	752,864		
Cash at October 1, 2024	807,854	—		
Cash at November 30, 2024	\$ 2,319,020	\$ 2,319,020		
Changes in net position			176,991	162,450
Net position at June 30, 2024			—	1,125,366
Net position at September 30, 2024			1,110,825	—
Net position at November 30, 2024			\$ 1,287,816	\$ 1,287,816

* Amounts may include prior month accruals that were not previously captured due to timing.

⁽¹⁾ DWR contributions invoiced through the DCO.

DCP Communications Report

Contact: Valerie Martinez, Communications Manager

Agenda Date: December 19, 2024 Board Meeting

Item No. 8c

Subject: DCP Communications Status Update

Summary:

The Communications Manager will update the Board on DCA/DCP Communication Efforts and Activities.

Detailed Report:

More details will be presented at the Board Meeting.

Action:

Information, only.

DWR Environmental Manager's Report

Contact: Carolyn Buckman, DWR Environmental Manager

Date: December 19, 2024 Board Meeting

Item No. 8e

Subject: DWR Environmental Program Manager's Status Update

Summary:

The Department of Water Resources (DWR) is proceeding with permitting activities for the approved single-tunnel solution to modernizing and rehabilitating the State Water Project infrastructure in the Delta.

Detailed Report:

DWR is continuing to take the next steps to pursue numerous state and federal permits or authorizations, including those required by the State Water Resources Control Board (SWB), the Delta Stewardship Council (DSC), and compliance with state and federal Endangered Species acts.

Water Rights. The SWB issued an amended hearing notice for DWR's petition for a Change in Point of Diversion with some information requests and a new schedule. Policy Statements will be on February 18, 2025, with the hearing continuing on March 24 for multiple days in March and April. The third pre-hearing conference will be held on December 16 to discuss hearing procedures. The hearing notice is available on the SWB website found [here](#).

Endangered Species Acts. DWR is working with the California Department of Fish and Wildlife, U.S. Fish and Wildlife Service, and National Marine Fisheries Service to complete consultation efforts for the state and federal Endangered Species acts.

Delta Plan Consistency. DWR submitted a certification of consistency to the DSC for the planned 2024-2026 geotechnical activities. Four groups appealed the certification. The hearing is on December 19, and the DSC has 60 days following the hearing to make a decision.

Community Benefits Program. DWR is continuing to develop a Community Benefits Program and has published the Draft Implementation Plan and Guidelines for public review and input by March 1, 2025.

Recommended Action:

Information only.



**DELTA CONVEYANCE FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

REGULAR MEETING

Thursday, October 17, 2024
11:00 a.m.
DCDCA Boardroom
980 9th Street, Suite 100
Sacramento, CA 95814

Teleconference Locations

1210 Beaumont Ave., Beaumont, CA 92223 (San Geronio Pass Water Agency)
5750 Almaden Expressway, San Jose, CA 95118 (Santa Clara Valley Water District)
525 Via La Selva, Redondo Beach, CA 90277 (Metropolitan Water District of Southern California)

Join Zoom Meeting

<https://zoom.us/j/95683101047?pwd=ZGRDajBxN3VFWGFVTEFXVVF6ZDY0UT09>

Meeting ID: 956 8310 1047

Passcode: 891731

Via Teleconference: +1 669 900 6833

Meeting ID: 956 8310 1047

Passcode: 891731

One Tap Mobile: +16699006833,,95683101047#,,,,*891731#

AGENDA

ACCESSIBILITY: *If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting **Linda Standlee** by telephone at **916-812-6400** or via email to **lindastandlee@dcfinanceauthority.org** no later than **5:00 p.m. on October 16, 2024.***

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PLEDGE OF ALLEGIANCE**
- 4. PUBLIC COMMENT**
- 5. OTHER MATTERS**
- 6. CONSENT CALENDAR**

Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

- a. Approval of the minutes from the meeting of April 18, 2024.

7. SCHEDULED ACTION ITEMS

- a. Receive and file the fiscal year 2023/24 audit
- b. Approval of one-year extension of contract with Brian G. Thomas Consulting, LLC to provide executive director services

8. REPORTS AND ANNOUNCEMENTS

- a. DCP Update
- b. Treasurer's Report
- c. General Counsel's Report
- d. Executive Director's Report
- e. Directors' Report

9. FUTURE AGENDA ITEMS

- a. Future agenda items to be considered.

10. CLOSED SESSION

- a. Conference with legal counsel: Government Code §54956.9: potential litigation: one case.

11. ADJOURNMENT

BOARD OF DIRECTORS MEETING

MINUTES

**Thursday, April 18, 2024
11:00 am**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by President Paul Sethy, at 11:14 a.m.

Steve O'Neill, General Counsel, discussed remote attendance for Director Lefevre, who was at home caring for his spouse. Mr. O'Neill noted that AB2449 allows for Director Lefevre's remote participation if the governing body makes a finding of just cause that his circumstances excuse his physical attendance at the meeting today. Mr. O'Neill queried Director Lefevre on his circumstances; Director Lefevre confirmed his circumstances were as described. A motion by the board was requested for a finding of just cause for Director Lefevre's remote attendance in the meeting.

Motion:	Finding of Just Cause for remote attendance by Director Lefevre
Move to Approve:	Adnan Anabtawi
Second:	Peter Thompson
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-1)

2. ROLL CALL

Board members in attendance were Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng, and Peter Thompson.

Staff members in attendance were Brian Thomas and Steve O'Neill.

3. PLEDGE OF ALLEGIANCE

The Board recited the pledge of allegiance.

4. PUBLIC COMMENT

President Sethy declared public comment open, limiting speaking time to three minutes.

No members of the public requested time to speak and President Sethy closed public comment.

5. OTHER MATTERS

No Other Matters were discussed by the Board.

6. CONSENT CALENDAR:

Director Sethy queried the public for any comments; none were provided. Director Sethy called for a motion to approve the minutes.

6.a. Approval of the minutes from the meeting of February 15, 2024.

Motion:	Approve the minutes from the meeting of February 15, 2024
Move to Approve:	Matthew Stone
Second:	Valerie Pryor
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-2)

7. SCHEDULED ACTION ITEMS

a. Consideration and possible action on the proposed fiscal year 2024/25 DCFA budget

Director Sethy introduced this item, noting that the Board had requested staff to prepare alternative expenditure budgets for the next fiscal year, including one that had the minimum amount necessary to keep the DCFA in existence; this item addresses that request.

Brian Thomas, DCFA’s Executive Director, presented the proposed budget to the Board, discussing the anticipated expenditures for the coming fiscal year. Mr. Thomas noted that there were two options being brought before the board: Option 1 reflects maintaining DCFA as an entity with minimal activity (e.g., 1-2 meetings during this fiscal year); whereas Option 2 reflects having DCFA meet up to three times during the year. Both options would be funded with reserves and interest earnings. Mr. Thomas proposed approval of Option 2 as the preferred option.

Discussion of budget details and meeting frequency were posed by the Board and addressed by Mr. Thomas.

Mr. Sethy queried for public comment.

A question was raised on how the reserves were funded and whether there was an anticipation of future collections. Mr. Thomas noted that the reserves were funded by the initial contributions provided by the members in the first two years. As to future

Agenda Item 6.a

collections, Mr. Thomas noted there was no anticipation of that at the moment; however, if there was a determination in the future to keep the DCFA running, there would then need to be a cash call to fund ongoing activities.

Motion:	Approve the language in the written staff report finding the 2024/25 Proposed Budget is exempt from CEQA and approve the Fiscal Year 2024/25 Operating Budget (Option 2) to be funded with reserves and interest earnings and that the Executive Director consult with the Board leadership on the need for meetings
Move to Approve:	Matt Stone
Second:	Adnan Anabtawi
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-3)

8. REPORTS AND ANNOUNCEMENTS

a. Treasurer's Report

Mr. Thomas noted the report was included in the packet and served as the basis for the budget projections.

b. General Counsel's Report

Steve O'Neill reported on recent activities, noting work focused on administrative matters. Mr. O'Neill also reported that the appeal was filed in the validation action and DWR is now in the process of creating the joint appendix.

c. Executive Director's Report

Mr. Thomas reported that the primary activity continued to be administrative in nature along with coordination with DCA staff.

Director Sethy reported on a recent trip he took with the Water Education Foundation on the Lower Colorado River tour.

9. FUTURE AGENDA ITEMS

- President Sethy requested a Director's Report be added to future agendas to serve as an opportunity for Director's to report out to the group on recent activities.
- Director Cheng requested discussion at an upcoming meeting on WIFIA financing options.
- Director Stone requested a look at WIFIA complexities for DCA.
- President Sethy requested a look at federal funding opportunities.

10. CLOSED SESSION

- a. Conference with legal counsel: Government Code §54956.9: potential litigation: one case.

No closed session was held.

11. ADJOURNMENT

President Sethy adjourned the meeting at 12:10 p.m.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: October 17, 2024

Item No. 7.a

Subject

Audited Financial Statements for Fiscal Year 2023/24

Executive Summary

The Board retained the services of Richardson & Company to perform the required external audit of the Delta Conveyance Finance Authority's (Authority) financial activities for the past fiscal year. The attached audit report and accompanying documents are provided for the Board's review.

Detailed Report

The Authority is required to conduct an external financial audit each year. Since the operating activity of the Authority is limited, the financial statements continue to be presented on a cash basis, showing actual receipts and disbursements. Given the Authority has no assets other than cash and investments in the trust fund, the cash basis of accounting is the easiest and most transparent way to present the financial activities of the Authority. It is also consistent with the Authority's budgeting process and presentation. Finally, given the limited number of transactions, it is consistent with the periodic reporting provided to the board during the fiscal year. If, and when, the Authority issues debt, the basis of accounting would be modified to the accrual basis.

In addition to the audit and accompanying cash basis financial statements, the auditor has issued a Governance Letter and a Management Letter. The Governance Letter includes certain required disclosures to the board. These disclosures are required under external audit standards. The Management Letter addresses the external auditor's review of internal controls as it pertains to their audit of the Authority's financial statements. There were no material weaknesses or recommendations reported by the external auditor.

Recommended Action

Receive and file the audited financial statements and attached reports for fiscal year 2023/24.

ATTACHMENTS:

Audit Summary
Audited Financial Statements for Fiscal Year 2023/24
Governance Letter
Management Letter

DELTA CONVEYANCE FINANCE AUTHORITY

BOARD MEETING AUDIT PRESENTATION AGENDA

October 17, 2024

Presentation by Richardson & Company, LLP of the Audited Financial Statements, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Auditor's opinion on the financial statement
- Governance (required communications) letter
- Management letter

Independent Auditor's Report (page 1)

- Fairly presented on cash basis of accounting

Discussion of financial statements

- No contributions from members—expenditures paid out of existing cash balance
- Disbursements consist of mostly payments to consulting firm for executive director, payments to MWD for treasury and accounting functions, insurance and legal services
- Remaining cash balance of \$255,311 maintained in MWD's cash and investment pool
- Note A discusses current status of WaterFix

Governance letter

- Discusses scope and limitations of an audit
- No misstatements noted
- No difficulties in performing the audit and no unusual accounting practices

Management letter

- No material weaknesses in internal controls--good internal controls

**DELTA CONVEYANCE
FINANCE AUTHORITY**

Audited Statements of Cash Receipts and Disbursements

June 30, 2024 and 2023

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2024 and 2023

TABLE OF CONTENTS

Independent Auditor's Report 1

Financial Statements

Statements of Cash Receipts and Disbursements..... 3

Notes to the Financial Statements 4



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

Opinions

We have audited the accompanying financial statements of the Delta Conveyance Finance Authority (the Authority), which comprise the statements of cash receipts and disbursements for the years ended June 30, 2024 and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and cash disbursements of the Authority for the years ended June 30, 2024 and 2023, in accordance with the cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our Audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether in our judgment, there are conditions or events, considered in the aggregate, that raises substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Richardson & Company, LLP

October 8, 2024

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2024 and 2023

	2024	2023
CASH RECEIPTS		
Interest income	\$ 12,798	\$ 9,401
TOTAL CASH RECEIPTS	12,798	9,401
CASH DISBURSEMENTS		
Executive director	17,389	19,176
Insurance premiums	10,269	11,237
Treasury and accounting	30,000	30,000
Professional services	35,963	91,931
TOTAL CASH DISBURSEMENTS	93,621	152,344
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(80,823)	(142,943)
Cash and investments at beginning of year	336,134	479,077
CASH AND INVESTMENTS AT END OF YEAR	\$ 255,311	\$ 336,134

The accompanying notes are an integral part of the financial statements.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Authority is a Joint Powers Authority organized under California Government Code Section 6505. The Authority was created on July 3, 2018, to assist the Department of Water Resources (DWR) and public agency participants to finance all or a portion of the California WaterFix. The California WaterFix was conceived as a major infrastructure project to deliver water from the Sacramento River near the northern end of the Sacramento-San Joaquin Delta to the existing State Water Project and Central Valley Project pumping plants in the southern end of the Delta. On May 2, 2019, as a result of the Governor’s determination that a smaller facility was appropriate, DWR withdrew its proposed permits for the California WaterFix and initiated a renewed environmental process for a smaller project. The final decision regarding whether to approve a reconfigured Delta Conveyance Project or another alternative, including no project alternative, will not occur until after completion of the environmental review under the California Environmental Quality Act and National Environmental Policy Act, and other permitting activities have been completed. DWR has indicated such activities will not be completed until mid-2024. The Authority may still assist in the financing of any resulting project.

The Authority’s members consist of water agencies that contract with DWR for the delivery of water from the State Water Project. Its operations are supported by the collection of contributions from its members. The governing board is made up of eleven representatives from member agencies.

Basis of Presentation and Accounting: The accompanying statements of cash receipts and disbursements have been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash and investments and no liabilities are recognized. All transactions are recognized as either cash receipts or cash disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

NOTE B – CASH AND INVESTMENTS

At June 30, 2024 and 2023, all of the Authority’s cash and investments were maintained in Metropolitan Water District of Southern California’s (MWD’s) Treasury.

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The following table identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024 and 2023

NOTE B – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bank Deposit	5 years	30%	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
Federal Agency Obligations	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	25%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	5%
Certificates of Time Deposit	5 years	30%	No limit
Repurchase Agreements	270 days	20%	No limit
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	No limit
Municipal Bond and Notes	5 years	30%	5%
Metropolitan Water District Pooled Investment Fund	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	N/A	No limit
California Asset Management Program (CAMP)	N/A	10%	No limit
Asset- Backed Securities	5 years	20%	5%
Supranationals	5 years	30%	No limit

The Authority complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The Authority will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the MWD Investment Pool: The Authority's cash is held in the MWD's cash and investment pool which is managed by the MWD Treasurer. The Authority's cash balances invested in the MWD Treasurer's cash and investment pool are stated at amortized cost, which approximated fair value. The amount invested by all public agencies in MWD's cash and investment pool is \$1,397,403,000 and fair value of \$1,388,203,000 at June 30, 2024 and \$1,611,184,000 and fair value of \$1,594,738,000 at June 30, 2023. MWD does not invest in any derivative financial products. MWD's Board delegates to the treasurer the oversight responsibility for MWD's cash and investment pool. The value of pool shares in MWD that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Cash held in the MWD's investment pool will be disbursed within 5 days. Close-out of the cash held in the pool requires 30-day notice.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment in MWD's pool has an average maturity of 31 days as of June 30, 2024 and 78 days as of June 30, 2023.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The external investment pool is not rated.

Concentration of Credit Risk: The investment policy of the Authority limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024 and 2023

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investments in securities with governmental investment pools (such as MWD's investment pool).

NOTE C – RELATED PARTY TRANSACTIONS

The Authority contracts for treasury and accounting services with MWD, who is also a member agency. The expenses for treasury and accounting services totaled \$30,000 for both the years ended June 30, 2024 and 2023.

NOTE D – CONDUIT DEBT

The Authority has the power to issue, sell and deliver, in accordance with the Joint Powers Act, bonds, notes, or other obligations to provide funds for the acquisition, construction and/or financing of the Delta Conveyance Project. The Authority Finance Program acts as a conduit of debt and as a result, the financing obligations are not recorded in the Authority's financial statement. The Authority has not issued any conduit debt as of June 30, 2024 and 2023.



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GOVERNANCE LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

We have audited the financial statement of the Delta Conveyance Finance Authority (the Authority) for the year ended June 30, 2024, and have issued our report thereon dated October 8, 2024. Professional standards require that we provide you with the following information about our responsibility under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 9, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statement and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material weaknesses in internal control as a result of our audit.

We are required by the audit standards to identify potential risks of material misstatement during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identified as significant risks.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated July 9, 2024.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statement. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were noted during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 8, 2024



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MANAGEMENT LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

In planning and performing our audit of the financial statement of the Delta Conveyance Finance Authority (the Authority) for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

No recommendations for improvement were noted during our audit.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 8, 2024

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: October 17, 2024

Item No. 7.b

Subject

Contract for Executive Director Services

Executive Summary

In 2022, the Board of Directors approved a one-year contract with Brian G. Thomas Consulting, LLC, through which Brian Thomas has provided ongoing Executive Director services. The contract may be renewed annually for up to five years. Last year, the contract was extended through December 31, 2024. The total contract value for Brian G. Thomas Consulting, LLC was \$60,000 with a billing rate of \$325/hour. Given that activities of the Delta Conveyance Finance Authority (DCFA) remain primarily administrative, it is proposed the contract be extended for another year without any change to the total amount of compensation.

Detailed Report

Brian Thomas has been serving as the Executive Director for the DCFA since 2018. The Board approved a new contract with Brian G. Thomas Consulting, LLC at its November 17, 2022, meeting for the period January 1, 2023 through December 31, 2023. The total contract amount was \$60,000, with an hourly rate of \$325/hour (the hourly rate has not changed since 2018.) As discussed over the past year, the DCFA activities have been limited and the Executive Director role has been primarily administrative in nature. Total expenditures under the contract from January 1, 2023 through September 30, 2024 have been around \$27,000. Estimated costs through the end of 2024 are expected to total around \$35,000. As such, at current levels of activity there should be sufficient funding in the existing contract for an additional year.

It is proposed that the contract be renewed for one year for the period January 1, 2025 through December 31, 2025. All other terms, including total compensation, will remain the same.

Funding

Funds are available in the 2024/25 budget and will be included in the 2025/26 fiscal year operating budget.

Recommended Action

Approve a one-year contract extension with Brian G. Thomas Consulting, LLC for Executive Director Services effective January 1, 2025 through December 31, 2025, with total compensation (including expenditures in 2023 and 2024) not to exceed \$60,000, with annual renewals up to an additional three years.

October 17, 2024
Agenda Item 7.b
Page 2

Attachment: Amendment No. 2 to Contract Between Delta Conveyance Finance Authority and Brian G. Thomas Consulting, LLC

AMENDMENT NO. 2 TO AGREEMENT BETWEEN

DELTA CONVEYANCE FINANCE AUTHORITY

AND

BRIAN G. THOMAS CONSULTING, LLC

AGREEMENT NUMBER FA 18003

THE DELTA CONVEYANCE FINANCE AUTHORITY

AGREEMENT NO. FA 18003

Amendment No. 2

This amendment to the Agreement between THE DELTA CONVEYANCE FINANCE AUTHORITY, a public agency organized pursuant to the Joint Exercise of Powers Act {California Government Code Sections 6500, et seq.}, hereinafter referred to as "Finance Authority", and Brian G. Thomas Consulting, LLC, hereinafter referred to as "Consultant" serves to extend the agreement term for one year.

Section 2. Time and Term is replaced in its entirety as follows:

"Time is of the essence in the performance of services under this Agreement. This Agreement is in effect from January 1, 2025 through December 31, 2025, subject to earlier termination pursuant to paragraph 21 below. This Agreement may be renewed for up to five years by mutual agreement of the parties."

All other provisions of the Agreement remain in effect.

IN WITNESS, WHEREOF, the parties have executed and entered into this Agreement as of the date last written below.

Brian G. Thomas Consulting, LLC

Delta Conveyance Finance Authority

By: _____
Print Name: Brian Thomas
Title: Manager/Member

By _____
Print Name: Paul Sethy
Title: Director and President of the Board

Date: _____

Date: _____

APPROVED AS TO FORM:

By: _____
Title: General Counsel

Date: _____



DELTA CONVEYANCE FINANCE AUTHORITY

Board Memo

Contact: Katano Kasaine, Treasurer

AGENDA DATE: October 17, 2024

Item No. 8.b

Subject: Treasurer's Report, Quarter Ended September 30, 2024

Executive Summary

The audited cash balance in the DCFA Trust at July 1, 2024 was \$255,311. Receipts and disbursements for the first quarter ended September 2024 totaled \$2,743 and \$13,935, respectively, resulting in an ending cash balance of \$244,119 at September 30, 2024.

Attached is a schedule of Budget versus Actual through September 30, 2024. Year-to-date actual expenses were \$4,143, resulting in \$109,607 remaining in the fiscal year budget. Future expenditures are expected to be higher in upcoming quarters. However, reflecting the Board's prior direction, they are anticipated to remain under budget unless activities are more robust than currently planned.

Detailed Report

See attached Statements

Recommended Action

For information only

ATTACHMENTS:

Attachment 1: DCFA Quarter Ended September 30, 2024 Financial Statements

Attachment 2: Budget versus Actual



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Net Position
As of September 30, 2024

Assets:	
Cash	\$ 244,119
Interest receivable	836
Prepays	<u>8,404</u>
Total assets	<u>\$ 253,359</u>
Net position	<u>\$ 253,359</u>



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Cash Receipts and Disbursements

	Quarter Ended Sep '24
Receipts:	
Interest receipts	\$ 2,743
Total receipts	<u>2,743</u>
Disbursements:	
Executive director	1,301
Professional services	1,431
Insurance premiums	11,203
Total disbursements	<u>13,935</u>
Net change in cash	(11,192)
Cash at July 1, 2024 ⁽¹⁾	<u>255,311</u>
Cash at September 30, 2024	<u>\$ 244,119</u>

⁽¹⁾ Beginning cash was adjusted by \$535 to reflect the timing of payment for Aleshire & Wynder LLP Invoice #87262, which was recorded as paid in the June 30, 2024 unaudited financial statements but was not disbursed until July 3, 2024.



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position

	Quarter Ended Sep '24
Revenues:	
Interest income	\$ 2,653
Total revenues	<u>2,653</u>
Expenses:	
Executive director	813
Professional services	531
Insurance premiums	2,799
Total expenses	<u>4,143</u>
Changes in net position	(1,490)
Net position at June 30, 2024	<u>254,849</u>
Net position at September 30, 2024	<u>\$ 253,359</u>

* Balances may include prior quarter accruals that were not previously captured due to timing.



DELTA CONVEYANCE FINANCE AUTHORITY

Schedule of Invoices Paid
for the Three Months Ended September 30, 2024

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Amount	Disbursement Category
1 Aleshire & Wynder LLP ⁽¹⁾	87262	06/14/24	07/03/24	05/01/24-05/31/24	\$ 535	Professional services
2 Brian G. Thomas Consulting, LLC	225	07/01/24	07/17/24	05/01/24-06/30/24	488	Executive director
3 Aleshire & Wynder LLP	87900	07/03/24	07/17/24	06/01/24-06/30/24	365	Professional services
4 Alliant Insurance Services, Inc.	2714637	06/25/24	07/17/24	07/01/24-07/01/25	11,203	Insurance premiums
5 Aleshire & Wynder LLP	88749	08/12/24	08/28/24	07/01/24-07/31/24	76	Professional services
6 Brian G. Thomas Consulting, LLC	236	09/03/24	09/30/24	08/01/24-08/31/24	813	Executive director
7 Aleshire & Wynder LLP	89733	09/17/24	09/30/24	08/01/24-08/31/24	455	Professional services
					<u>\$ 13,935</u>	

Executive director	\$ 1,301
Insurance premiums	11,203
Professional services	1,431
	<u>\$ 13,935</u>

*Totals may not foot due to rounding.

⁽¹⁾ Invoice was included as a disbursement in the June 30, 2024 unaudited financial statements, but was not paid until July 3, 2024. Therefore, beginning cash balance on the Statement of Cash Receipts and Disbursements was adjusted to \$255,311.



Delta Conveyance Finance Authority
Budget versus Actual
FY 2024/25

Table with 4 columns: Item, Actual Through September 30, 2024, Budget FY 2024/25, Budget Remaining, Percent of Budget Used. Rows include Executive director, Professional services, Treasury and accounting, Insurance premiums, Contingency, and Total.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: October 17, 2024

Item No. 8.d

Subject: Executive Director's Report

Executive Summary

The DCFA's primary activity continues to be administrative and monitoring activities regarding the Delta Conveyance Project. We continue to coordinate with the State Water Contractors, the Department of Water Resources and the Delta Conveyance Design and Construction Authority (DCA) regarding the project.

Detailed Report

Administration. Activities included preparing agenda packets for the October meeting, working with Metropolitan and Richardson and Company on the year-end audit, reviewing and approving the various invoices to be paid by the DCFA, and communications with the FPPC and State Controller's Office.

Meetings/calls. I attended meetings with the State Water Contractors who are participating in the Delta Conveyance Project to discuss different ways to analyze and present the cost of the project. In particular, we looked at potential impacts on the cost of State Water Project supplies and how that would influence State Water Contractor invoices.

I also had discussions with board members, DWR staff and SWP contractors regarding potential DCFA activities, including research on alternative financing sources (e.g., WIFIA, federal programs).

Future Activities

I will continue working with the members, the DCA, DWR and the State Water Project contractors to identify opportunities to support funding and conduct financial analysis as needed.

Recommended Action

Informational.

Attachment: Board Actions thru September 30, 2024

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

September 30, 2024

Action	Date
Adopted the CEQA determination for actions related to California Water Fix – that the Board has reviewed and considered the BDCP/California WaterFix environmental documentation and adopts the lead agency’s Findings of Fact, Statement of Overriding Considerations, Mitigation Monitoring and Reporting Program	7/19/2018
Approved agreement with Metropolitan to provide treasury and accounting services	7/19/2018
Approved submittal of WIFIA Letter of Interest	7/19/2018
Approved execution of agreement with Michael Bell Consulting to retain the services of Brian Thomas as Interim Executive Director	7/19/2018
Approved Fiscal Year 2018/19 Operating Budget	8/16/2018
Approved Debt Management Policy	8/16/2018
Approved Investment Policy	8/16/2018
Approved Bylaws	11/15/2018
Approved extension of contract with Michael Bell Management Consulting for the services of Brian Thomas as Executive Director through December 31, 2019	12/14/2018
Adopted Conflict of Interest Code	12/28/2018
Approved Reimbursement Policy	1/17/2019
Approved execution of agreement with Oliverez Madruga Lemieux O'Neill to serve as general counsel	1/17/2019
Approved execution of agreement with Norton Rose Fulbright to serve as bond counsel	2/21/2019
Approved execution of agreement with Stradling Yocca Carlson & Rauth to serve as disclosure counsel	2/21/2019
Approved Fiscal Year 2019/20 Operating Budget and annual membership fees	5/16/2019
Approved execution of agreement with Richardson & Co. to provide external audit services	5/16/2019
Approved updated and amended Investment Policy	7/18/2019
Approved amendments to the DCFA bylaws	7/18/2019

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

September 30, 2024

Action	Date
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2020	10/17/2019
Received and filed audited financial statements for fiscal year 2018/19	10/17/2019
Appointed Board Officers and Executive Committee	1/16/2020
Appointed MWD CFO as the Treasurer for the Authority	1/16/2020
Approved Fiscal Year 2020/21 Budget	5/21/2020
Approved Updated Investment Policy and Delegated authority to the Treasurer to invest funds	7/16/2020
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2021	10/15/2020
Received and filed audited financial statements for fiscal year 2019/20	10/15/2020
Appointed Board Officers and Executive Committee	1/21/2021
Approved Fiscal Year 2021/22 Budget	4/15/2021
Approved Investment Policy for 2021/22 and delegated investment authority to MWD Treasurer	8/19/2021
Approved agreement with Bell, Burnett & Associates to provide Executive Director services through December 31, 2022	11/18/2021
Appointed board Officers, including Treasurer	1/20/2022
Approved Fiscal Year 2022/23 Budget	5/19/2022
Approved agreement with Aleshire & Wynder to provide general counsel services	5/19/2022
Approved Investment Policy for 2022/23 and delegated investment authority to MWD Treasurer	9/15/2022
Received and filed fiscal year 2021/22 audited financial statements	10/20/2022
Approved agreement with Brian G. Thomas Consulting, LLC to provide Executive Director services through December 31, 2023	11/17/2022
Appointed board Officers, including Treasurer	1/19/2023
Approved Fiscal Year 2023/24 Budget	5/18/2023
Received and filed fiscal year 2022/23 audited financial statements	11/16/2023
Approved change to bylaws to enable closed session items to be discussed with home boards in compliance with the Brown Act	11/16/2023
Approved one year extension for Executive Director services with Brian G. Thomas Consulting, LLC	11/16/2023
Approved Fiscal Year 2024/25 Budget	4/18/2026

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**PAJARO RIVER WATERSHED
FLOOD PREVENTION AUTHORITY**

FINANCIAL STATEMENTS
June 30, 2024

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
TABLE OF CONTENTS
 June 30, 2024

Financial Section

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position 7

 Statement of Activities 8

 Fund Financial Statements:

 Balance Sheet – Governmental Fund 9

 Reconciliation of the Governmental
 Fund Balance Sheet to the Statement of Net Position 10

 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Governmental Fund 11

 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
 and Changes in Fund Balance to the Statement of Activities 12

 Notes to Basic Financial Statements 13

Required Supplementary Information Section

Budgetary Comparison Schedule – General Fund 20

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pajaro River Watershed Flood Prevention Authority
Monterey, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Pajaro River Watershed Flood Prevention Authority (the Authority) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Pajaro River Watershed Flood Prevention Authority, as of June 30, 2024, and the respective changes in financial position thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pajaro River Watershed Flood Prevention Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pajaro River Watershed Flood Prevention Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

1

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pajaro River Watershed Flood Prevention Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pajaro River Watershed Flood Prevention Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2025, on our consideration of the Pajaro River Watershed Flood Prevention Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Moss, Renz & Hartgrain LLP

Santa Maria, CA
January 29, 2025

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) of Pajaro River Watershed Flood Prevention Authority (PRWFPA) presents an overview and analysis of the financial activities and changes in financial position for PRWFPA.

General

The purpose of the Pajaro River Watershed Flood Prevention Authority (PRWFPA) is to identify, evaluate, fund and implement environmentally sound flood prevention and control strategies in the Pajaro River Watershed, on an intergovernmental, cooperative basis as required by the Pajaro River Watershed Flood Prevention Authority Act (AB807 Keeley).

The Board of Directors of PRWFPA consists of eight members appointed one each from the Monterey County Board of Supervisors, the San Benito County Board of Supervisors, the Santa Clara County Board of Supervisors, the Santa Cruz County Board of Supervisors, the Board of Directors of the Monterey County Water Resources Agency, the Board of Directors of the San Benito County Water District, the Board of Directors of the Santa Clara Valley Water District and the Board of Directors of the Zone 7 Flood Control District subject to the provisions of Part 2, Chapter 1, section 401 of the Pajaro River Watershed Flood Prevention Authority Act.

The Board of Directors may also vote to invite, as associate members, governmental entities from within the watershed. Associate members are not entitled to vote or hold office.

In addition, the Board of Directors has established a standing committee of staff members from the involved Authority jurisdictions to advise the Board of Directors. It is called the Staff Working Group (SWG) and it is comprised of designated staff members from both voting and non-voting member jurisdictions.

During Fiscal Year (FY) 2023-2024 the PRWFPA activities included:

- PRWFPA continued to monitor and manage land acquisitions in the Soap Lake Floodplain.
- PRWFPA continued to coordinate with and offer support to the non-federal sponsors of the Corps project in their efforts to implement the project. Local agencies in Monterey and Santa Cruz counties formed the Pajaro Regional Flood Management Agency (PRFMA), a joint powers authority to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries. The non-federal sponsor of the Corps project is responsible for funding 35% of project costs. SB 496 (Laird)

authorized the California Department of Water Resources to fund 100% of the non-federal cost share.

- PRWFPA continued to monitor the development of the Army Corps of Engineers (USACE) Pajaro River Flood Risk Management Project and legislatively supported the efforts to fund and implement the project. Project pre-construction, engineering, and design phase (PED) is underway. PED was fully funded by the federal government with \$4.6 million in Work Plan appropriations. An additional \$149 million in federal Infrastructure Investment and Jobs Act (IIJA) funding has been awarded for project planning and construction.
- PRWFPA continued to monitor federal and state funding opportunities to identify and/or pursue supplemental studies and projects in support of the USACE project or complimentary flood risk reduction projects.
- PRWFPA, in collaboration with the Association of Monterey Bay Area Governments (AMBAG) and the Pajaro Regional Flood Management Agency (PRFMA), submitted a grant application for the Pajaro Bridge Infrastructure Resilient Design Study (Pajaro BIRD Study) from the California Department of Transportation's Sustainable Planning Grant Program. The Pajaro BIRD study will evaluate opportunities for increasing the resilience of Highway 1 at the Pajaro River from the impacts of flooding, drainage impoundment, sea level rise, and climate change. The grant funding will support planning through the development of the Project Initiation Document (PID) and will include the study and evaluation of potential nature-based solutions in partnership with roadway/infrastructure improvements. The funding award was announced on July 9, 2024.
- PRWFPA continued to monitor the development of the California High Speed Rail San Jose to Merced Project Section, which will cross the Soap Lake Floodplain. When available, the PRWFPA will review the recommended alignment and design and evaluate floodplain and downstream flow impacts.
- Held monthly Staff Working Group meetings to discuss PRWFPA issues and coordinate board packet items.

Financial Highlights

The MD&A is intended to serve as an introduction to PRWFPA's basic financial statements. Consistent with Government Accounting Standards Board requirements, two years of financial information is provided to enable the reader to draw comparisons on the results of operations and financial position from year to year.

Net position increased by \$29,706 over the fiscal year ending June 30, 2023.

The General Fund (agency fund) balance at fiscal year-end was \$706,806. This amount is \$29,706 more than one year ago.

PRWFPA's cash and investments balance on June 30, 2024, was \$717,901 representing an increase of \$28,485 over one fiscal year ago.

Pajaro Revenues

Total revenues for FY 2023-2024 were \$85,448, which was \$2,948 more than budgeted because more interest was earned than anticipated. Revenues included interest income of \$5,448 and \$80,000 in membership contributions.

Overall Financial Position

The overall financial position of PRWFPA has remained consistent during the past twelve months.

Highlights of the Authority Funds

The General Fund contains all financial resources of PRWFPA. The fiscal year-end General Fund balance increased from \$677,100 to \$706,806. Expenditures were under final budget amounts due to an overall decrease in professional services resulting from the cancellation of the year's Legislative Conference and the lack of opportunities to compete for grant funding and a decrease in expenditures for Administration resulting from conducting virtual Board and Staff Working Group meetings. There was a 4.4 percent increase in the General Fund balance this fiscal year from the prior fiscal year.

Budget: Amendments and Variances

The budget adopted on June 2, 2023, was not amended.

PRWFPA held no infrastructure assets during fiscal year 2023-2024.

Ongoing Activities for FY 2024-2025

- PRWFPA continues to encourage floodplain acquisitions by providing outreach to agencies and organizations pursuing acquisitions within the Soap Lake Floodplain and monitoring funding opportunities.
- PRWFPA will continue to pursue grant funding opportunities.
- Continue working with USACE and legislative representatives to discuss Watershed activities and the Pajaro River Flood Risk Management Project.
- PRWFPA will continue to identify new opportunities to fund floodplain acquisitions.
- PRWFPA will continue to review development proposals within the floodplain.

Request for Information

Anyone seeking clarification, having questions, or desiring more information about the topics discussed in this Management's Discussion and Analysis is requested to contact the Pajaro River Watershed Flood Prevention Authority Executive Coordinator via email at: info@ambag.org or by calling 831.883.3750. Written correspondence should be addressed to the PRWFPA Executive Coordinator c/o AMBAG, Post Office Box 2453, Seaside, California 93955-2453.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY

STATEMENT OF NET POSITION

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 717,901
Total assets	<u>717,901</u>
LIABILITIES	
Accounts payable	<u>11,095</u>
Total liabilities	<u>11,095</u>
NET POSITION	
Restricted for flood prevention	<u>706,806</u>
Total net position	<u><u>\$ 706,806</u></u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Governmental activities:					
Flood prevention	\$ 55,742	\$ 80,000	\$ -	\$ -	\$ 24,258
Total governmental activities	<u>\$ 55,742</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,258</u>
General Revenues:					
Interest income					<u>5,448</u>
Total general revenues					<u>5,448</u>
Change in net position					29,706
Net position, beginning of fiscal year					<u>677,100</u>
Net position, end of fiscal year					<u>\$ 706,806</u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUND
 June 30, 2024

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 717,901
Total assets	<u>\$ 717,901</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 11,095
Total liabilities	<u>11,095</u>
Fund Balance:	
Restricted:	
Flood prevention	<u>706,806</u>
Total fund balance	<u>706,806</u>
Total liabilities and fund balance	<u>\$ 717,901</u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2024

Total Fund Balance	<u>\$ 706,806</u>
Total Net Position	<u>\$ 706,806</u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUND
 For the Fiscal Year Ended June 30, 2024

	<u>General Fund</u>
Revenues:	
Membership administrative contributions	\$ 80,000
Interest income	5,448
	<hr/>
Total revenues	85,448
	<hr/>
Expenditures:	
Regional Analysis and Planning Services, Inc. Administration	23,339
Insurance	1,080
Legal	7,286
Professional services:	
Soap Lake Preservation	12,749
Other charges	11,288
	<hr/>
Total expenditures	55,742
	<hr/>
Excess of revenues over (under) expenditures	29,706
	<hr/>
Fund balance - beginning of fiscal year	677,100
	<hr/>
Fund balance - end of fiscal year	<u>\$ 706,806</u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2024

Net Change in Fund Balance	<u>\$ 29,706</u>
Change in Net Position	<u>\$ 29,706</u>

The notes to basic financial statements are an integral part of this statement.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Pajaro River Watershed Flood Prevention Authority (PRWFPA) was organized on July 1, 2000, under the authorization of Chapter 963 of Assembly Bill No.807, approved on October 10, 1999. The PRWFPA undertakes flood prevention and control projects within the boundaries of the Pajaro River Watershed. The PRWFPA may levy and collect assessments and special taxes and sell bonds in accordance with prescribed procedures. The Pajaro River Watershed consists of more than 1,400 square miles of land. Much of the watershed is prime agricultural and rangeland, providing a strong base for the region's economy. The Pajaro River Watershed includes portions of San Benito, Santa Clara, Santa Cruz, and Monterey Counties. The Assembly Bill No. 807, designates the board of supervisors of certain counties and the boards of directors of certain local Authority as appointing directors.

B. Reporting Entity

The reporting entity is the Pajaro River Watershed Flood Prevention Authority (the Authority). There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *The direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Authority does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. PRWFPA does not have fiduciary funds.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds' present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, "available" means collectible within the current period or within 60 days after fiscal year end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Authority's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's accounts are organized into one major fund:

Major Governmental Fund

The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

G. Budgets and Budgetary Accounting

The Authority adopts an annual budget on or before June 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Directors may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Professional contracts entered into by the Authority are subject to annual review by the Board of Directors.

H. Investments

Investments are stated at fair value.

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the Authority.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balances (Continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Authority’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Authority.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2024, the Authority had the following cash and investments on hand:

Cash in bank	\$ 571,174
Investments	<u>146,727</u>
Total cash and investments	<u>\$ 717,901</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority did not have investments that are measured under Level 1, Level 2, or Level 3.

Investments Authorized by the California Government Code

The table on the following page identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2024

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Authority Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Authority Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Authority Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More than 60 Months</u>
LAIF	\$ 146,727	\$ 146,727	\$ -	\$ -	\$ -
Total	<u>\$ 146,727</u>	<u>\$ 146,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by the California Government Code, and the actual rating as of fiscal year end for each investment type.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2024

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	<u>\$ 146,727</u>	N/A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,727</u>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the Authority’s deposits with financial institutions in excess of the federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

NOTE 3 – CONTINGENCIES

No contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

NOTE 4 – NET POSITION

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority was charged \$23,338 by Regional Analysis and Planning Services, Inc. (RAPS), which is a component unit of the Association of Monterey Bay Area Governments (AMBAG), for shared personnel and administrative services. As of June 30, 2024, \$7,837 was an inter organization payable.

REQUIRED SUPPLEMENTARY INFORMATION

PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Membership administrative contributions	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Interest income	2,500	2,500	5,448	2,948
Total revenues	82,500	82,500	85,448	2,948
Expenditures:				
Regional Analysis and Planning Services, Inc.				
Administration	45,000	45,000	23,339	21,661
Legal	10,000	10,000	7,286	2,714
Insurance	1,400	1,400	1,080	320
Professional Services:				
Soap Lake Preservation	70,000	70,000	12,749	57,251
Other charges	18,460	18,460	11,288	7,172
Total expenditures	144,860	144,860	55,742	89,118
Excess of revenues over (under) expenditures	(62,360)	(62,360)	29,706	92,066
Fund balance - July 1	677,100	677,100	677,100	
Fund balance - June 30	\$ 614,740	\$ 614,740	\$ 706,806	\$ 92,066

**SANTA CLARA VALLEY
HABITAT AGENCY**

FINANCIAL STATEMENTS

June 30, 2024



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SANTA CLARA VALLEY HABITAT AGENCY
Table of Contents
For the Fiscal Year Ended June 30, 2024

Independent Auditor’s Report.....	1
Management’s Discussion & Analysis	5
Basic Financial Statements:	
Statement of net position.....	14
Statement of activities	15
Governmental funds balance sheet	16
Reconciliation of the governmental funds balance sheet to the statement of net position.....	17
Governmental funds revenues, expenditures, and changes in fund balance	18
Reconciliation of the statement of revenues, expenditures, and changes in governmental fund balances to the statement of activities.....	19
Notes to financial statements	21
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	32
Note to required supplementary information	33

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Santa Clara Valley Habitat Agency
Morgan Hill, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Santa Clara Valley Habitat Agency (Agency), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Agency as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maze + Associates

Pleasant Hill, California
October 30, 2024

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SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2024

This section of Santa Clara Valley Habitat Agency (the "Agency") annual financial report presents a discussion and analysis of the Agency's financial performance for the year ended June 30, 2024. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

On June 30, 2024, the Agency's net position increased from \$63,786,836 in 2023 to \$104,729,615.

Changes to net position resulted from the changes in the following items shown in the statement of activities.

- Program revenue, grants and contributions totaled \$47,043,586; while operating expenses totaled \$7,467,345.
- General revenues were \$1,366,538 which includes total investment earnings of \$1,229,759 comprised of \$642,124 interest income and \$587,635 unrealized gains on investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the Agency's activities and comprise the Statement of Net Position and the Statement of Activities. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner like a private-sector business.

The *statement of net position* provides information about the financial position of the Agency as a whole, including all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position and reported on the full accrual basis, like that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Agency's programs. The statement of activities explains in detail the change in net position for the year.

All the Agency's activities are grouped into governmental activities. These services are supported by the Agency's general revenues and by specific program revenues such as developer fees.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2024

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objects. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Agency are classified as governmental funds.

Governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, i.e., the Agency's basic services are reported in the governmental fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The government fund financial statements provide detailed information about each of the Agency's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedule presents the detail of these non-major funds. Major funds present the major activities of the Agency for the year and may change from year to year because of changes in the pattern of the Agency's activities.

For the fiscal year ended June 30, 2024, the Agency's major funds are as follows:

Governmental funds:

- General Fund
- Permanent Fund

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information is presented concerning the Agency's budgetary comparison schedules on general fund, special revenue fund and endowment permanent fund. The Agency adopts an annual appropriated budget for each major fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2024

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$104,729,615 at the close of the fiscal year.

	Net Position Governmental Activities		Increase (Decrease)
	2024	2023	
Assets :			
Current assets	\$ 18,171,607	\$ 21,746,475	\$ (3,574,868)
Capital assets, net	87,328,470	43,569,060	43,759,410
Total assets	105,500,077	65,315,535	40,184,542
Liabilities :			
Current liabilities	593,667	1,366,718	(773,051)
Noncurrent liabilities	176,795	161,981	14,814
Total liabilities	770,462	1,528,699	(758,237)
Net Position :			
Net investment in capital assets	87,328,470	43,569,060	43,759,410
Restricted	6,976,047	6,228,077	747,970
Unrestricted	10,425,098	13,989,699	(3,564,601)
Total net position	\$ 104,729,615	\$ 63,786,836	\$ 40,942,779

This schedule is prepared from the Agency's Statement of net position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Current assets decreased from \$21,746,475 to \$18,171,607. Capital assets increased from \$43,569,060 to \$87,328,470. Current liabilities decreased from \$1,366,718 to \$593,667. Noncurrent liabilities increased from \$161,981 to \$176,795. Net position on June 30, 2024, increased to \$104,729,615 from \$63,786,836 in 2023. The increase is due mainly to a increase in capital assets of \$43,759,410. The Agency was able to acquire significant capital assets in fiscal year 2024 due to increased revenues across the board, including Habitat Plan fee revenue, grants and contributions, and investment and other revenue.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2024

Analysis of Changes in Net Position

In fiscal year 2024, total program revenues increased by \$31,803,474 and interest and other revenue increased by \$493,626. Net position increased by \$40,942,779.

	<u>Change in Net Position</u>		
	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2024</u>	<u>2023</u>	
Revenues			
Program revenues :			
Charges for services	\$ 3,739,865	\$ 5,576,422	\$ (1,836,557)
Grants and contributions	43,303,721	9,663,690	33,640,031
Total program revenue	47,043,586	15,240,112	31,803,474
General revenues :			
Interest and other revenue	1,366,538	872,912	493,626
Total revenues	\$ 48,410,124	\$ 16,113,024	32,297,100
Operating expenses	7,467,345	6,332,765	1,134,580
Change in net position	40,942,779	9,780,259	31,162,520
Net position, beginning of year	63,786,836	54,006,577	9,780,259
Net position, ending	<u>\$ 104,729,615</u>	<u>\$ 63,786,836</u>	<u>\$ 40,942,779</u>

Charges for services decreased from \$5,576,422 to \$3,739,865. Grants and contributions increased from \$9,663,690 to \$43,303,721. General revenues increased from \$872,912 to \$1,366,538 due mainly to continued favorability on investments including interest income earned as well as unrealized gains. Total expenses increased from \$6,332,765 to \$7,467,345.

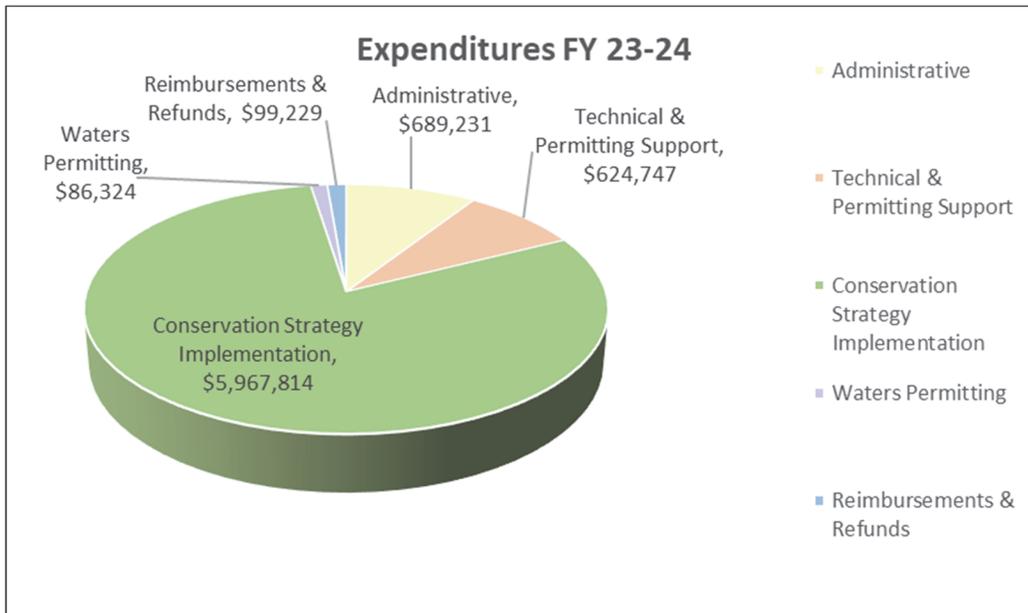
In fiscal year 2024, total program revenues increased by \$31,803,474. Although Habitat Plan fee revenue decreased year-over-year, significant grant revenue was received to fund land acquisitions and operating expenses.

SANTA CLARA VALLEY HABITAT AGENCY
Management’s Discussion and Analysis
Year Ended June 30, 2024

	<u>Operating Expenses</u>		Increase (Decrease)
	<u>2024</u>	<u>2023</u>	
Administrative	\$ 689,231	\$ 551,942	\$ 137,289
Technical & Permitting Support	624,747	810,587	(185,840)
Conservation Strategy Implementation	5,967,814	3,775,378	2,192,436
Waters Permitting	86,324	166,113	(79,789)
Reimbursements & Refunds	99,229	1,028,745	(929,516)
Total	\$ 7,467,345	\$ 6,332,765	\$ 1,134,580

Administrative expenses increased due mainly to an increase in wages and benefit costs. Technical and Permitting Support decreased due to lesser spending on the Habitat Plan Amendment. Conservation Strategy implementation costs rose in FY24 due to an expansion in research monitoring and adaptive management, additional land management activities related to fencing and weed management and aquatic restoration construction. Waters permitting costs also decreased as the Agency spending on integration of the Clean Water Act permits with the Habitat Plan permit declined. Reimbursements and Refunds decreased due to one large refund in the prior year that was not repeated.

The following is a graphic illustration of operating expenses for the year ended June 30, 2024:



SANTA CLARA VALLEY HABITAT AGENCY
Management’s Discussion and Analysis
Year Ended June 30, 2024

Capital Assets

As of June 30, 2024, the Agency owned the following capital assets:

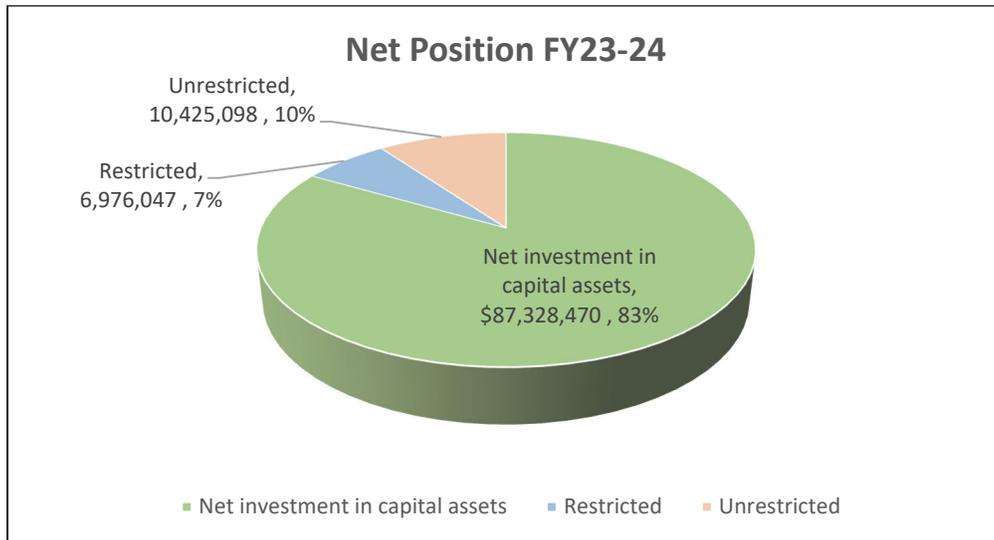
	<u>Capital Assets</u>		Increase (Decrease)
	<u>2024</u>	<u>2023</u>	
Land	\$ 85,176,646	\$ 42,887,569	\$ 42,289,077
Building & Improvements	2,147,386	684,063	1,463,323
Vehicles	96,714	61,208	35,506
Accumulated Depreciation	<u>(92,276)</u>	<u>(63,780)</u>	<u>(28,496)</u>
Total	<u>\$ 87,328,470</u>	<u>\$ 43,569,060</u>	<u>\$ 43,759,410</u>

Net Position

The change in net position of \$40,942,779 is primarily due to net investment in capital assets. By fund, we note an increase in restricted accounts due to contributions to the Endowment as mandated by the Habitat Plan. Unrestricted net position decreased due these contributions to the Endowment as well as some capital outlay used to purchase capital assets.

	<u>Analysis of Net Position</u>		Increase (Decrease)
	<u>2024</u>	<u>2023</u>	
<u>Net Position</u>			
Net investment in capital assets	\$ 87,328,470	\$ 43,569,060	\$ 43,759,410
Restricted	6,976,047	6,228,077	747,970
Unrestricted	<u>10,425,098</u>	<u>13,989,699</u>	<u>(3,564,601)</u>
Total	<u>\$ 104,729,615</u>	<u>\$ 63,786,836</u>	<u>\$ 40,942,779</u>

The following is a graphic illustration of net position as of June 30, 2024:



SANTA CLARA VALLEY HABITAT AGENCY
Management’s Discussion and Analysis
Year Ended June 30, 2024

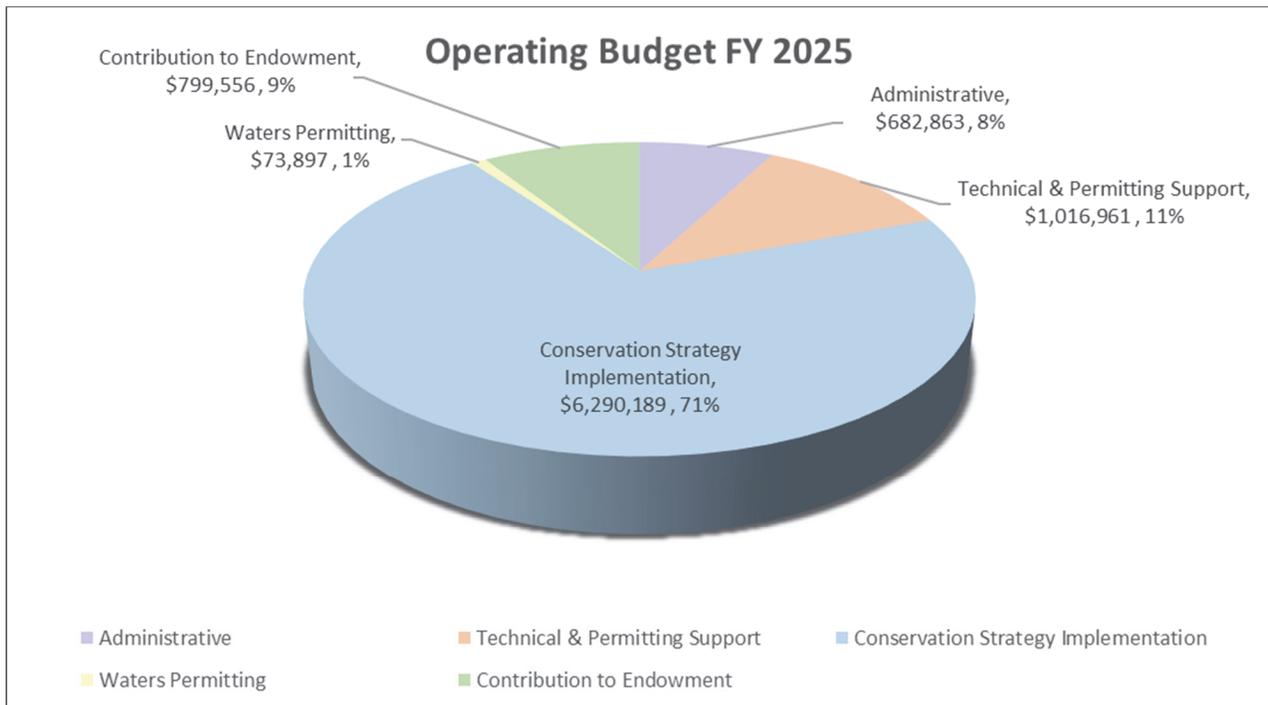
ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

As the Agency continues to acquire land and develop programs to implement the Habitat Plan, the ongoing creation of adaptive management protocols to control costs is critical as the cost of monitoring and managing land rises. The Agency’s endowment and program maintenance are currently being implemented through strategic agreements which contribute to fulfillment of the Habitat Plan mission.

In considering the Agency’s Budget for fiscal year 2024-2025, the Governing Board and management used the following criteria. The key assumptions in our revenue forecast were:

- Operating revenue was carefully considered to be at least as much as / no less than prior year actuals.
- Other revenue has fluctuated in recent years as grants are awarded for research and land acquisition opportunities as needed. Ongoing budgetary issues are carefully considered as federal, state, and local agencies revise their outgoing awards.

Operating expenses for Fiscal Year 2024-25 are anticipated to be approximately \$8,863,466. Below is a graphic illustration of appropriations proposed for fiscal year 2024-2025:



SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2024

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Santa Clara Valley Habitat Agency – 535 Alkire Avenue, Suite 100, Morgan Hill, CA 95037.

FINANCIAL STATEMENTS

Santa Clara Valley Habitat Agency
Statement of Net Position
June 30, 2024

	Governmental Activities	Component Unit
		Friends of the SCVHA
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,373,876	\$ 36,096
Investments (Note 2)	14,999,936	
Accounts receivable	1,717,534	-
Interest receivable	75,886	-
Prepaid items	4,375	-
Non-current assets:		
Capital assets (Note 3):		
Non-depreciable	85,176,646	-
Depreciable, net	2,151,824	-
Total assets	<u>105,500,077</u>	<u>36,096</u>
Liabilities		
Accounts payable and other current liabilities	593,667	-
Unearned Revenue	-	-
Long-term liabilities:		
Compensated absences:		
Due in one year	17,680	-
Due in more than one year	159,115	-
Total liabilities	<u>770,462</u>	<u>-</u>
Net Position		
Net investment in capital assets	87,328,470	-
Endowment	6,976,047	36,096
Unrestricted	10,425,098	-
Total net position	<u>\$ 104,729,615</u>	<u>\$ 36,096</u>

The accompanying notes are an integral part of these financial statements.

SANTA CLARA VALLEY HABITAT AGENCY
Statement of Activities
For the fiscal year ended June 30, 2024

	Expense	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Governmental activities						
Natural environment	\$ 7,467,345	\$ 3,739,865	\$ 1,606,082	\$ 41,697,639	\$ 39,576,241	\$ 194
Total program expenses	<u>7,467,345</u>	<u>3,739,865</u>	<u>1,606,082</u>	<u>41,697,639</u>	<u>39,576,241</u>	<u>194</u>
Component Unit:						
Friends of the SCVHA	-	-	-	-	-	-
Total program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			General Revenues			
			General Revenues:			
			Investment Earning	1,229,759	-	
			Other revenue	136,779	-	
			Total general revenues	<u>1,366,538</u>	<u>-</u>	
			Change in net position	<u>40,942,779</u>	<u>194</u>	
			Net position, beginning of year	<u>63,786,836</u>	<u>35,902</u>	
			Net position - end of year	<u>\$ 104,729,615</u>	<u>\$ 36,096</u>	

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Balance Sheet
Governmental Fund
June 30, 2024

	<u>General Fund</u>	<u>Mitigation Fee Permanent Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents (Note 2)	\$ 1,283,393	\$ 90,483	\$ 1,373,876
Investments	8,352,153	6,647,783	14,999,936
Accounts receivable	1,479,753	237,781	1,717,534
Interest receivable	75,886	-	75,886
Prepaid expenditures	4,375	-	4,375
Total assets	<u>\$ 11,195,560</u>	<u>\$ 6,976,047</u>	<u>\$ 18,171,607</u>
Liabilities			
Accounts payable and other current liabilities	\$ 593,667	\$ -	\$ 593,667
Unearned revenue	-	-	-
Total liabilities	<u>593,667</u>	<u>-</u>	<u>593,667</u>
Fund Balances			
Nonspendable:			
Prepaid expenditures	4,375	-	4,375
Endowment	-	6,976,047	6,976,047
Unassigned	10,597,518	-	10,597,518
Total fund balance	<u>10,601,893</u>	<u>6,976,047</u>	<u>17,577,940</u>
Total liabilities and fund balance	<u>\$ 11,195,560</u>	<u>\$ 6,976,047</u>	<u>\$ 18,171,607</u>

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Reconciliation of Balance Sheet to the Statement of Net Position
June 30, 2024

Fund balances - total governmental funds	\$	17,577,940
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		87,328,470
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		(176,795)
Net position of governmental activities	\$	104,729,615

The accompanying notes are an integral part of these financial statements.

**Santa Clara Valley Habitat Agency
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2024**

	General Fund	Mitigation Fee Permanent Fund	Total Governmental Funds
Revenues			
Charges for service	\$ 3,152,462	\$ 587,403	\$ 3,739,865
Intergovernmental grants	6,157,082	-	6,157,082
Investment earnings	494,164	735,595	1,229,759
Miscellaneous	136,779	-	136,779
Total revenues	<u>9,940,487</u>	<u>1,322,998</u>	<u>11,263,485</u>
Expenditures			
Current:			
Natural government	7,395,881	28,154	7,424,035
Capital outlay	6,641,267	-	6,641,267
Total expenditures	<u>14,037,148</u>	<u>28,154</u>	<u>14,065,302</u>
Excess of expenditures over revenue	<u>(4,096,661)</u>	<u>1,294,844</u>	<u>(2,801,817)</u>
Other financing sources (uses)			
Transfers in	546,874	-	546,874
Transfers out	-	(546,874)	(546,874)
Total ther financing sources (uses)	<u>546,874</u>	<u>(546,874)</u>	<u>-</u>
Net change in fund balance	(3,549,787)	747,970	(2,801,817)
Fund balance - beginning of year	<u>14,151,680</u>	<u>6,228,077</u>	<u>20,379,757</u>
Fund balance - end of year	<u>\$ 10,601,893</u>	<u>\$ 6,976,047</u>	<u>\$ 17,577,940</u>

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the fiscal year ended June 30, 2024

Net change in fund balances - total governmental funds \$ (2,801,817)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However in the
statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Current year capital outlays	6,641,267
Depreciation	(28,496)

Donations of capital assets increase net position in the Statement of Activities
but does not appear in the governmental funds because they are not
financial resources.

37,146,639

Some expenses reported in the statement of activities do not require the use
of current resources and therefore are not reported as expenditures in
governmental funds:

Change in compensated absences	(14,814)
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Change in net position of governmental activities	\$ 40,942,779
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The accompanying notes are an integral part of these financial statements.

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SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

Organization. The Santa Clara Valley Habitat Agency (Agency) was formed in April 2013, and is responsible for implementing the Habitat Plan, which was developed by the Santa Clara Valley Transportation Agency, Santa Clara Valley Water District, County of Santa Clara, and the Cities of Gilroy, Morgan Hill, and San Jose (the Permittees). The Habitat Plan covers about two-thirds of the area of Santa Clara County. The Habitat Plan provides streamlined state and federal permitting for public and private projects, while offering a comprehensive and effective way to address impacts of those projects on endangered and threatened species and their habitats. The most significant role of the Agency is to acquire and manage a Reserve System of properties which will serve as mitigation for project impacts and contribute to the recovery of the species covered by the Habitat Plan.

The Agency coordinates with science advisors, outside consultants, and other land management agencies to ensure adequate and coordinated Habitat Plan implementation. The Agency includes, as part of staff or contract resources, a network of scientists, administrators, and other specialists that oversee and carry out planning and design, habitat restoration, monitoring, and adaptive management programs. The Agency is a Joint Powers Authority (JPA) composed of the Cities of Gilroy, Morgan Hill, and San Jose, and Santa Clara County. The JPA is limited to the four participating jurisdictions because the Joint Exercise of Powers Act requires that a JPA can only exercise powers held by all the participating agencies. Of the agencies participating in Plan formation, only four jurisdictions had the authority to adopt the Habitat Plan, all the Permittees have a role in the Agency. The Agency has two decision-making bodies, a Governing Board composed of JPA members and an Implementation Board composed of all Permittees. The Permittees include the Cities of Gilroy, Morgan Hill, and San Jose, County of Santa Clara, Valley Water, and Santa Clara Valley Transportation Authority.

Financial Reporting Entity. The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the Agency's (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the Agency, and each represents a functionally independent operation. The Agency's component unit is fiscally dependent on the Agency and provides services primarily to the Agency.

Discretely Presented Component Unit. The financial reporting entity consists of the primary government, Santa Clara Valley Habitat Agency (the "Agency"), organizations for which the primary government is financially accountable, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Agency as the governing body and can impose its will on the following organization, establishing financial accountability:

- Friends of the Santa Clara Valley Habitat Agency, a California Nonprofit Public Benefit Corporation

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the Agency overall. Eliminations have been made to minimize double counting of internal activities. These statements display the governmental activities of the Agency. Governmental activities generally are financed through revenues from nonexchange transactions including Co-Permittee covered project mitigation fees and grants.

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from mitigation fees, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency’s governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements. The fund financial statements provide information about the Agency’s funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Agency reports two funds – the General Fund and mitigation fee permanent fund.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements. The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements. Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Nonexchange transactions, in which the Agency receives value without directly giving equal value in return, include revenues from mitigation fees and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned revenue. Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Expenses/expenditures. On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

Fund Accounting. The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into two major funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

The Mitigation Fee Permanent Fund is used to report resources that are legally restricted. Interest earnings are added to the principal and cannot be spent until permit fees are no longer charged. On July 31, 2013, the California Department of Fish and Wildlife signed a permit to allow the Agency to be responsible for the management, enhancement, or restoration of grassland, including serpentine grassland, chaparral and northern coastal scrub, oak and conifer woodland, riverine and riparian forest, and wetlands and ponds within the land boundaries of the Agency. The permit is subject to suspension, revocation, or termination by action of the Director of CDFW in accordance with the terms of the permit. It is unknown whether the permit will expire or be reissued. Furthermore, to plan for the suspension, revocation, or termination of the permit, the implementation plan of the Santa Clara Valley Habitat Agency included a provision for the establishment of an endowment. If or when the Agency no longer charges permit fees, it is anticipated that the endowment principal will be fully funded by the interest on the endowment created by the endowment fee, a component of the current permit fees.

Below shows the endowment fee for each type of permit:

	Total Mitigation Fees Permanent Fund
Charges for Service:	
Land cover fees	\$ 531,950
Serpentine fees	55,453
Total contributions to permanent funds	\$ 587,403

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Budget and Budgetary Accounting*

The Agency adopts an annual budget on or before September 30 of each fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Governing Board may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the Agency are subject to annual review by the Governing Board; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

D. *Prepaid Expenditures*

The Agency has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The Agency has chosen to report the expenditure during the period benefited.

E. *Capital Assets*

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	5 to 15 Years
Structure	15 to 50 Years

F. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. *Compensated Absences*

The Agency's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

I. *Net Position*

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, capital asset related debt net of unspent bond proceeds, deferred charges, and retention payable.

Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's practice is to apply the restricted component of the net position first, then use the unrestricted component of net position as needed.

J. *Fund Balances*

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Agency's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

On June 30, 2024, the Agency reported the following cash and investments:

	General Fund	Endowment Permanent Fund	Total	Friends Component Unit
Cash in banks and on hand	\$ 1,283,393	\$ 90,483	\$ 1,373,876	\$ 36,096
Sand Hill Investment	3,167,285	6,647,783	9,815,068	
Local Agency Investment Fund	5,184,868	-	5,184,868	-
Total cash and investments	\$ 9,635,546	\$ 6,738,266	\$16,373,812	\$ 36,096

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy limits the amount invested in a single equity to no more than 10% of the total cost of the direct account portfolio and specific sectors or industries will not represent any more than 25% of the direct portfolio market value. With the exception of U.S. Government securities and Federal Government Agency securities, no more than 5% of the portfolio may be invested in a single issuer.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the Agency’s investment policy, or debt agreements, and the actual ratings as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 - 24 Months	25 - 60 Months
US Treasury Bonds	\$ 3,167,285	\$ 3,167,285	-	\$ -
Mutual Funds	2,954,183	2,954,183	-	-
ETP's	3,637,367	3,637,367	-	-
Local Agency Investment Fund	5,184,868	5,184,868	-	-
Money Market Funds	56,233	56,233	-	-
Total	\$ 14,999,936	\$ 14,999,936	\$ -	\$ -

Investment Type	Carrying Amount	Minimum Legal Rating	Minimum		
			AA+	Aaa	Not Rated
US Treasury Bonds	\$ 3,167,285	N/A	\$ 1,003,028	\$ 2,162,799	\$ 1,458
Mutual Funds	2,954,183	N/A	-	-	2,954,183
ETP's	3,637,367	N/A	-	-	3,637,367
Local Agency Investment Fund	5,184,868	N/A	-	-	5,184,868
Money Market Funds	56,233	N/A	-	-	56,233
Total	\$ 14,999,936	N/A	\$ 1,003,028	\$ 2,162,799	\$ 11,834,109

Concentration of Credit Risk. The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund).

The Agency’s deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investment that were subject to custodial credit risk. The amount of funds in excess of the Federal Deposit Insurance Corporation coverage was \$1,205,728.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (LAIF). The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair market value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the account records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value of Investments. The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and it is based on the valuation inputs used to measure an asset’s fair value. Deposits and withdrawals in the LAIF are made in the basis of \$1 and not fair value.

Investment Type	Fair Market Value Measurement
Sand Hill Investment	Level 1
Local Agency Investment Fund	Amortized Cost

NOTE 3 – CAPITAL ASSETS

The Agency capital asset activity for the fiscal year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 42,887,569	\$ 42,289,077	\$ -	\$ 85,176,646
Total capital assets not being depreciated	42,887,569	42,289,077	-	85,176,646
Capital assets being depreciated:				
Building and improvements	684,063	1,463,323	-	2,147,386
Machinery, equipment and vehicles	61,208	35,506	-	96,714
Total capital assets being depreciated:	745,271	1,498,829	-	2,244,100
Less accumulated depreciation for:				
Building and improvements	(34,411)	(20,600)	-	(55,011)
Machinery, equipment and vehicles	(29,369)	(7,896)	-	(37,265)
Total accumulated depreciation	(63,780)	(28,496)	-	(92,276)
Total capital assets being depreciated, net	681,491	1,470,333	-	2,151,824
Total capital assets	\$ 43,569,060	\$ 43,759,410	\$ -	\$ 87,328,470

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2024

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of long-term liability activity for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Amount due Within one Year
Governmental activities					
Compensated Absences	\$ 161,981	\$ 137,946	\$ 123,132	\$ 176,795	\$ 17,680
Total Long-Term Liabilities	<u>\$ 161,981</u>	<u>\$ 137,946</u>	<u>\$ 123,132</u>	<u>\$ 176,795</u>	<u>\$ 17,680</u>

NOTE 5 – LITIGATION

At June 30, 2024, there were no matters of litigation involving the Agency or which would materially affect the Agency’s financial position should any court decisions on pending matters not be favorable to such entities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SANTA CLARA VALLEY HABITAT AGENCY

General Fund

Statement of Revenues, Expenditures

and Changes in Fund Balances

Budget and Actual

for the Year Ended June 30, 2024

	<u>Budget Amounts (unaudited)</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Results</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenue				
Charges for services	\$ 6,000,000	\$ 6,000,000	\$ 3,152,462	\$ (2,847,538)
Intergovernmental grants	3,567,696	3,567,696	6,157,082	2,589,386
Investment earnings	270,000	200,000	494,164	294,164
Miscellaneous	-	70,000	136,779	66,779
Total Revenue	<u>9,837,696</u>	<u>9,837,696</u>	<u>9,940,487</u>	<u>102,791</u>
Expenditures				
Current:				
Natural environment	10,199,107	10,199,107	7,395,881	2,803,226
Capital outlay	-	-	6,641,267	(6,641,267)
Total Expenditures	<u>10,199,107</u>	<u>10,199,107</u>	<u>14,037,148</u>	<u>(3,838,041)</u>
Excess of Revenue				
Over (Under) Expenditures	<u>(361,411)</u>	<u>(361,411)</u>	<u>(4,096,661)</u>	<u>(3,735,250)</u>
Other financing sources (uses)				
Transfers in	-	-	546,874	546,874
CHANGE IN FUND BALANCES	<u>\$ (361,411)</u>	<u>\$ (361,411)</u>	<u>(3,549,787)</u>	<u>\$ (3,188,376)</u>
Fund balances - beginning			<u>14,151,680</u>	
Fund balances - end of year			<u>\$ 10,601,893</u>	

See Notes to Required Supplementary Information

SANTA CLARA VALLEY HABITAT AGENCY
Note to Required Supplementary Information (Unaudited)
June 30, 2024

Note 1 – Budgetary Basis of Accounting

Budgets for the general fund and special revenue grant fund are prepared on the generally accepted accounting principles basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with material differences between them.

Annual budget requests are submitted by the Agency's staff to the Agency Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the Agency Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

Excess of expenditures over budget due mainly to the acquisition of a property that was incremental to the final approved budget. This acquisition was approved by the Executive Officer and was within his authorization threshold previously approved by the Governing Board.

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Santa Clara Valley Water District

File No.: 25-0623

Agenda Date: 8/20/2025
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

RECOMMENDATION:

- A. Receive a status update on the implementation of audit recommendations; and
- B. Discuss timing of the next update.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

The last status report to the BAC was in March 2025. At that time, there were three (3) Board-directed audits, one (1) Management-directed audit, and one (1) Program-required audit that were still open. As of this report, one (1) Board-directed audit and one (1) Management-directed audit are now fully implemented. The other audits are still open, along with an additional Board-directed audit that has been added since the March 2025 report (see Attachment 1). Currently, there are sixteen (16) active audit recommendations that are not fully resolved and are marked as "Pending/Underway." Since the March report, thirteen (13) audit recommendations have been marked as "Completed/Implemented" (see Attachment 2).

A brief high-level summary about the efforts made by staff to address pending recommendations for a given audit based on the detailed updates provided by recommendation owners in Attachment 2 are provided below.

- **2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT**
On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn, initiated the Grants Management Performance Audit to: (1) determine

the extent to which Valley Water’s grants management and administration program is operating effectively, and (2) determine if opportunities exist to better align Valley Water’s grant management and administration program and processes with best practices for grants management internal controls. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved by the Board Audit Committee on January 13, 2021, and was presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. As of this report, all eleven (11) recommendations have been achieved. The key accomplishment achieved since the last report in February 2025 was the completion of the Board-approved Grants Redesign Project that implemented updates and improvements to the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and the Standard Grant Program that addresses the audit recommendations. Staff worked with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations. The redesigned Mini-Grant Program was launched in Fall 2024 and accepts applications year-round. The redesigned Standard Grant Program includes a streamlined application, simplified match funding requirements, expanded eligible project costs, and a project readiness criterion to evaluate due diligence and financial viability. It includes a streamlined budget template, reduced invoicing and reporting requirements, and insurance costs as eligible cost for both grant opportunities. The Office of Civic Engagement will present the final update to the BAC in Fall 2025.

- **2021 PERMITTING BEST PRACTICES AUDIT**

On October 13, 2020, TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in fourteen (14) recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021, and presented to the full Board at the July 13, 2021, Board meeting. Since July 2021, eight (8) of the fourteen (14) recommendations have been implemented. Key improvements include establishing dedicated environmental planner support and streamlined California Environmental Quality Act (CEQA) review, identifying IT system requirements, and launching a procurement process for permit database upgrades, creating a Billing Process and Policy to address financial controls, updating permit forms, and increasing webpage visibility. To date, six (6) out of the fourteen (14) audit recommendations are identified as “Pending/Underway,” none of which are identified as “High” priority. Key accomplishments include reducing processing time for low-risk, repetitive permit applications. The Community Projects Review Unit (CPRU) Manager and staff improved guidance for new employees, clarifying the process. Financial management controls were implemented for invoicing and collection of payments, and a consultant helped develop a billing and revenue collection policy based on best practices. An updated fee rate schedule was also adopted. The next steps are updating the water resources protection manual with contract staff, collaborating with the Timmons Group for Cityworks implementation, and creating an IT invoicing solution linked to Valley Water’s financial system. Staff will continue to provide updates via the annual audit status report to the BAC until all recommendations have been addressed.

- **2023 CAPITAL IMPROVEMENT PROGRAM (CIP) PERFORMANCE AUDIT**

On May 24, 2022, the Board approved the initiation of the CIP Performance Audit, which resulted in eight (8) problem statements, each with a recommendation (some with sub-recommendations) for a total of fifteen (15) individual recommendations intending to improve the CIP planning processes, enhance the CIP 5-year plan, and improve transparency and consistency of the information reported in the CIP. Presentation of the CIP Performance Audit final report was approved by the BAC on August 16, 2023, and presented to the full Board at the October 24, 2023, Board meeting. Since October 2023, staff has initiated the implementation of the recommendations. Implementation of the recommendations should ensure projects are selected and prioritized using defined criteria, that key goals and milestones in the CIP plan are achievable given agency resources, continue ongoing efforts to implement leading practices as identified in the audit final report, enhance quality assurance procedures, and ensure compliance with Change Management procedures. As of this report, twelve (12) recommendations have been implemented, three (3) of which were implemented since the last report. Currently, three (3) recommendations are still pending, of which two (2) are identified as high priority, and one (1) as medium. Staff estimates the recommendations will be fully implemented by Q4 of FY26. Staff continues to work on implementing the remaining recommendations and will return to provide a status report at the September 17, 2025, BAC meeting. The CIP team will return annually thereafter to provide an update until all recommendations have been implemented.

- **2024 HUMAN RESOURCES PERFORMANCE AUDIT**

On March 26, 2024, the Board approved the initiation of the Human Resources (HR) Performance Audit. The audit was conducted between August and November 2024, which resulted in ten (10) recommendations. The presentation of the HR Performance final report was approved and recommended by the Board Audit Committee on March 19, 2025, and subsequently presented to the full Board at the April 8, 2025, Board meeting. Since April 2025, five (5) of the ten (10) recommendations have been implemented, and five (5) audit recommendations are identified as "Pending/Underway," of which three (3) are identified as High priority, and two (2) as medium. Key improvements include conducting monthly all-employee team meetings, providing change management and communication training to HR leadership, continuing to prioritize required training for all new supervisors, and enhancing the effectiveness of the supervisory training program and incorporating additional topics. Next steps involve creating a departmental plan to build confidence in the department's strategic direction, reviewing HR job classifications to assess confidentiality needs, and using change management principles to communicate and integrate changes effectively. Additionally, there will be steps to ensure that a representative from HR with a strong understanding of system needs is highly involved in evaluating system capabilities against HR's system needs. Other steps include implementing a careful process for successful system adoption, taking steps to prevent harassment by promoting accountability, communicating the harassment policy, creating a complaint system, and offering regular Equal Employment Opportunity (EEO) training. Staff will continue to work on implementing the remaining recommendations and return to provide a status report at the March 2026 BAC meeting. The HR team will return annually thereafter to provide an update until all recommendations have been implemented.

- **2023 INFORMATION TECHNOLOGY SURPLUS EQUIPMENT PROCESSING AUDIT (a**

Management-directed audit):

On January 20, 2023, the CEO requested the Continual Improvement (CI) team initiate an audit of the IT Surplus Equipment process which resulted in eight (8) recommendations intended to align the process with best practices, improve asset management tracking, identify and update any outdated work instructions, improve record keeping, ensure proper disposal of surplus equipment, and assure follow-up documentation is received and retained accordingly. On January 30, 2024, the Chief Operating Officer (COO) of Administrative Services reviewed the findings, observations, and management's response with the CEO. Following that, the report with management's responses was provided to the BAC Chair in accordance with the BAC Charter. As of this report, all eight (8) of the recommendations have been implemented.

• **2023 CLOSE-OUT AUDIT OF THE 2012 SAFE, CLEAN WATER PROGRAM**

(a Program-required audit):

On April 27, 2023, Valley Water engaged Moss Adams LLP (Auditor) to conduct the performance close-out audit of the voter-approved 2012 Program (Measure B), which ended in June 2021. The result of the audit produced five (5) recommendations intended to develop a conflict of interest policy that applies to the Independent Monitoring Committee, continue implementing the remaining recommendations of the grants management and administration performance audit, examine project key performance indicators (KPIs) in future iterations of the program and make revisions as needed to better reflect KPIs that are within Valley Water's control and focus on outcome-based KPIs, implement strategies to promote project continuity for projects heavily reliant on external agency cooperation, and conduct robust training and establish annual refresher training for staff involved in contracting processes. Staff presented the audit report with management's responses to the BAC at its March 20th, 2024, BAC meeting, and subsequently to the full Board at its April 23rd, 2024, Board meeting. Since then, two (2) of the recommendations related to project continuity among staff and staff training and one (1) recommendation related to grants management and administration have been implemented. Another recommendation related to the development of a Conflict-of-Interest (COI) policy to be applied to the Independent Monitoring Committee (IMC) for the renewed Safe, Clean Water (SCW) program is being considered by Valley Water's Board. Staff is currently addressing concerns raised by the IMC Chair. At this time, staff anticipates the updated COI policy will go to the Board in Q1 of FY26. The last recommendation, identified as medium priority, related to the program KPIs is expected to be completed by Q2 of FY26. Meanwhile, an independent professional audit of the Renewed Safe, Clean Water Program by PMA Consultants, LLC is currently underway.

Upon presentation by staff of the final update for the SCW Grants Management audit in the fall of 2025, and with BAC approval, staff will forward the audit to the Chief Audit Executive (CAE) for final review.

The BAC is requested to receive the information and provide guidance to staff as necessary. Staff intends to return to provide the next general update at the February 18th, 2026, BAC meeting.

ENVIRONMENTAL JUSTICE IMPACT:

The proposed recommendations are not subject to environmental justice analysis. Audits are conducted to identify areas that may expose Valley Water to risk, or areas that may need to implement new processes in order to meet the Board's priorities.

ATTACHMENTS:

Attachment 1: Audit Recommendation Status Table

Attachment 2: Audit Recommendation Status Updates (detailed).

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Table 1:

Board-directed Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2020 Safe, Clean Water Program Grant Management Audit	11	0	0%	0	0%	11	100%
2021 Permitting Best Practices Audit	14	0	0%	6	43%	8	57%
2023 Capital Improvement Program Performance Audit	15	0	0%	3	20%	12	80%
2024 Human Resources Performance Audit	10	0	0%	5	50%	5	50%
2024 Board Policies Compliance Audit (in progress)							
2024 Information Technology Performance Audit							
Subtotal:	50	0	0%	14	28%	36	72%

RED TEXT = New Audits underway; Data will be added when final report is accepted

Table 2:

Management-directed Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2023 Information Technology Surplus Equipment Processing Audit	8	0	0%	0	0%	8	100%
Subtotal:	8	0	0%	0	0%	8	100%

Table 3:

Program Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2023 Close-out Audit of the 2012 Safe, Clean Water Program	5	0	0%	2	40%	3	60%
2024 Renewed Safe, Clean Water Program Performance Audit (in progress)							
Subtotal:	5	0	0%	2	40%	3	60%

RED TEXT = New Audits underway; Data will be added when final report is accepted

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District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
308	2020 Safe, Clean Water Program Grant Management Audit	Office of Civic Engagement	1		F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out) F2: Valley Water Needs to Standardize Internal Policies and Processes F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function	Valley Water should consider developing clear guidelines for "right-sized" application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant: a. Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee's ability to perform and assess the extent of the grantee's reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. b. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the grantee's IRS Form 990, staff should also memorialize its analysis in the grant file. c. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants.	High	Completed/Implemented	Management agrees with the concept of "right-sizing" the application and reporting processes. a. Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Management recommends that the risk assessment be conducted after the grant is awarded and before grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. Staff will continue to review each invoice as it is submitted, in addition to conducting the risk assessment. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. b. Management agrees with requiring financial statements from applicants. Currently, all standard grant applicants are required to submit audited financial statements or Form 990 as part of the standard grant application. This is not required for mini-grants or partnerships. Applicants and grantees have expressed that audited financial statements are costly and not feasible for smaller non-profit organizations. Therefore, Valley Water accepts the Form 990 as an alternative to audited financial statements. The audited financial statements and Form 990 are memorialized in the grantee's project application, which turns into the project file, in the Flux grants management system. Staff will continue to review each invoice as it is submitted, in addition to requiring the audited financial statements. This financial review would be completed during the application process to serve as another due diligence check to ensure public funds are awarded to organizations with financial capacity and sustainability to carry out the requirements of the project. Invoice review levels would be determined during the risk assessment after the funding is approved by the Board. c. Management agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount could add up to be a high dollar amount granted with minimal oversight. 7/11/2025: This recommendation was completed in FY25, upon the completion of the FY25 standard grant cycle.
312	2020 Safe, Clean Water Program Grant Management Audit	Office of Civic Engagement	5		F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out) F2: Valley Water Needs to Standardize Internal Policies and Processes F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function	In addition to right sizing invoicing requirements based on the grant's risk level, Valley Water should right-size the level of progress reporting detail required for smaller dollar value standard grants, for example, under \$25,000.	High	Completed/Implemented	Management agrees and staff will develop "right sized" reporting guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. Currently, progress reporting is based on the scope and deliverables identified by the grantees and outlined in the executed grant agreement. Staff refers to the original grant agreement and ensures that what is in the grant agreement is being reported in the progress report. Staff does not request additional reporting outside of what is listed in the agreement. 7/11/2025: This recommendation was completed in FY25, upon the completion of the FY25 standard grant cycle.
313	2020 Safe, Clean Water Program Grant Management Audit	Office of Civic Engagement	6		F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out) F2: Valley Water Needs to Standardize Internal Policies and Processes F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function	Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-assess its reporting and invoicing requirements based on risk, dollar value, and project complexity. a. For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. b. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. c. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management.	High	Completed/Implemented	Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Staff recommend that the risk assessment be conducted after the grant is awarded and before the grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. The risk assessment would supplement staff's review of each invoice. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. Management recommends considering equity and inclusion in the development of the risk assessment guidelines and criteria. Applying varying standards for returning grantees would result in inequitable treatment and would disproportionately provide privilege to grantees who are already familiar with the grants program. The grants program continues to improve and be updated, so meeting the prior requirements may or may not mean that a returning grantee meets and understands the current program requirements. Additionally, varying guidelines and criteria per grantee agency could deter new agencies from applying if they feel that returning grantees have an advantage. a. While management agrees with the concept of streamlining the invoicing process, management feels that this approach may also expose Valley Water to potential complaints of disparate and inequitable treatment. Management recommends the following alternative as a consideration to avoid being vulnerable to such complaints. Management recommends developing and implementing a spot check process to review and/or audit grantees using an outside consultant, if the Board adopts this recommendation. While some grantee agencies are returning applicants and grantees, those agencies may have new staff managing the projects. Therefore, even though the grantee agency is not new, the agency staff changes does not guarantee that the projects are carried forward consistently. Staff agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount may add up to be a high dollar amount granted with minimal oversight. b. Management agrees with this recommendation and will formalize this process. Staff currently implements this practice informally, depending on the type of outstanding items are included in the invoice. Staff will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. c. Management agrees, and staff currently focuses their review on grantee costs that are not reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines, such as items that were not included in the budget; costs that are not related to any identifiable/reportable work in the grant scope; costs that have no supporting documentation; overspending on a specific task without prior approval; and submitting reimbursement requests for activities that have already been paid out. These improper payment requests are sometimes due simply to grantee staff turnover, among other factors. 7/11/2025: This recommendation was completed in FY25, upon the completion of the FY25 standard grant cycle.

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
314	2020 Safe, Clean Water Program Grant Management Audit	Office of Civic Engagement	7		<p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p>	Should Valley Water decide to continue to require the same information for progress and invoice submission, they should: a. Confirm the integrity of grantee financial management system data used for review before award. b. Include language in the grant agreement such as, "Failure to submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays".	High	Completed/Implemented	<p>Management will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. The items recommended below will be analyzed in the development of the new guidelines.</p> <p>a. Management agrees that confirming the integrity of the grantee financial management system data before award is warranted. One caveat is that these additional steps of both developing and implementing a risk assessment and financial reporting system compliance review could lengthen the time on the front end of the process, between the award period and the final execution of the agreement. The development and implementation of these processes would require collaboration with subject matter experts in Risk Management and Finance. Management agrees with this recommendation to clearly state that an accurate financial invoice is required to complete the payment request. Staff also recommends including language in the template grant agreement for grantees to consent to still being responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees follow through with being responsible stewards of public funds, especially if they know staff is not reviewing invoices. These expectations would be reviewed with the grantee during the kick-off/orientation meeting after the agreement is executed.</p> <p>7/11/2025: This recommendation was completed in FY25, upon the completion of the FY25 standard grant cycle.</p>
294	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	2		<p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> - Permittees Want Faster Permit Processing and Better Communication with Applicants - CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> - Engineers Spend More Time Reviewing Permits - Bottlenecks Occur at the End of the Permit Review Process - Permit Applicants Experience Challenges in Meeting Insurance Requirements - Some Permit Applications Are Not Recorded on a Timely Basis - Permit Review Activities Need Better Standardization and Clarity - Permit Processing is Primarily a Manual Process - CPRU Does Not Consistently Plan for Large Reviews 	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	Low	Pending/Underway	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 05/2025: Ongoing On April 14, 2025, the Board Policy and Monitoring Committee (BPMC) approved the staff recommendation to bring the updated Fee Rate Schedule to the full Board for consideration. The BPMC also considered the proposed changes to the Water Resources Protection Ordinance on April 14, 2025, but the BPMC recommended that the item be brought back to the BPMC when all three members are present to discuss. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</p> <p>Status 08/2025: Ongoing On June 24, 2025, the Board adopted an updated Fee Rate Schedule. On June 17, 2025, the BPMC recommended the proposed changes to the Water Resources Protection Ordinance (WRPO) be presented to the full Board for approval. The WRPO is planned to be on the August 12, 2025 Board agenda. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: August 2025 for the WRPO and December 2025 for Water Resources Protection Manual</p>
297	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	5		<p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> - Permittees Want Faster Permit Processing and Better Communication with Applicants - CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> - Engineers Spend More Time Reviewing Permits - Bottlenecks Occur at the End of the Permit Review Process - Permit Applicants Experience Challenges in Meeting Insurance Requirements - Some Permit Applications Are Not Recorded on a Timely Basis - Permit Review Activities Need Better Standardization and Clarity - Permit Processing is Primarily a Manual Process - CPRU Does Not Consistently Plan for Large Reviews 	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.	Low	Pending/Underway	<p><u>Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2025: Ongoing. Since April 2024, VW executed an agreement with Timmons Group for implementation services for the Cityworks Software. CPRU and IT have been working with the Timmons Group on the design requirements for Cityworks as a replacement for the current CPRU database. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: June 2026 (IT improvements)</p>

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
298	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	6		<p>F4: Local Agencies' Strategies Could Benefit Valley Water</p> <ul style="list-style-type: none"> - Some Agencies Utilize Online Customer Service Portals to Upload Permit Application and to Check Permit Status - One Agency Uses a Project Coordinator to Facilitate Communication and Timely Processing - Other Agencies Identify Themselves Differently; Renaming CPRU May Avoid Confusion - Other Agencies Outreach Annually to Publicize Agency's Permit Services 	<p>The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:</p> <ul style="list-style-type: none"> a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file. b. Expanded search function for researching past projects and permits. c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance. d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders. e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system. f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units. 	Low	Pending/Underway	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases: 1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f) 2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f) 3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)" Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 8/2025: Ongoing. 1. Ongoing. Work with the Timmons Group to implement Cityworks is underway. Timmons currently estimates that the new online portal will take approximately 1 year to implement. Cityworks will include all the functionality recommended by the audit items a thru e. Cityworks will reduce staff labor answering questions from customers on project status, allow for automated customer guidance on how to submit a complete application, and allow for dashboards to monitor and track customer submittals and timelines which the current database cannot do. 2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities. 3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management.</p> <p>Revised Target Implementation Date: June 2026</p>
302	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	10		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections 	<p>Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.</p>	Medium	Completed/Implemented	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 08/2025: Complete On June 24, 2025, the Board adopted an updated Fee Rate Schedule.</p>
303	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	11		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections 	<p>The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.</p>	Medium	Completed/Implemented	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 08/2025: Complete On June 24, 2025, the Board adopted an updated Fee Rate Schedule.</p>

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
304	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	12		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections 	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	Low	Pending/Underway	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 8/2025: a. Complete b. Ongoing. See Recommendation 6.</p> <p>Revised Target Implementation Date: Recommendation 6—June 2026.</p>
305	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	13		<p>F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments</p>	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	Low	Pending/Underway	<p><u>Management Response:</u> Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 8/2025: Ongoing. See Recommendation 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing.</p> <p>Revised Target Implementation Date: Recommendation 6—June 2026</p>
306	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	14		<p>F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments</p>	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	Low	Pending/Underway	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases: 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 8/2025: a. Complete. b. Complete. c. Ongoing. See Recommendation 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MuniBilling which created additional work to address the recommendation in the interim.</p> <p>Revised Target Implementation Date: June 2026</p>

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
335	2023 Information Technology Surplus Equipment Processing Audit	Purchasing and Consultant Contracts Services	1		According to staff interviewed, IT was told to follow work instructions W-741-092 and was not aware that the work instructions did not align with the Policy until questions arose in the fall of calendar year 2022. On December 8, 2022, the Chief Operating Officer directed IT to adhere to the Policy and send all surplus computer electronics for disposal to the Purchasing Unit. The inconsistencies between the Policy and applied work instructions resulted in unauthorized disposals of computer electronic property by IT over approximately a five (5) year period. From April 2021 through November 2022, Valley Water staff identified 40 computer electronic items to be surplus through the use of the FC-1733 forms provided by Valley Water.	Valley Water should revise work instructions W-751-073 - Disposal of Computer Electronics and Non-Computer Electronics Work Instructions to be consistent and comply with the Policy and W-741-092 – Disposition of Surplus Valley Water Property.	Medium	Completed/Implemented	Valley Water Management response: Acknowledge. The work instruction is being updated. August 2025 status update: The work instruction (W-751-073) has been successfully revised to ensure compliance with W-741-092. The item was previously reassigned to the Procurement team, as they own the documents requiring updates. IT staff completed their review and provided comments during the internal review phase. Following final stakeholder review, the revised work instruction has been finalized and the task is now complete.
344	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	1	b	Schedule and spending targets established in the CIP 5-Year Plan may not be achievable.	Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by identifying specific staff and contract resources required to complete projects, including the type of resource, quantity of resource, and timing of the need for the resource	High	Pending/Underway	Management agrees and believes this recommendation will be addressed through the implementation of our new resource planning/staff forecasting tool VEMO. 07/08/25: The development of new functionalities of Vemo is underway. In the interim, the Budget Office has developed a tool for Capital Project managers to use for estimating labor hours. Estimated to be fully implemented by Q4, FY26.
345	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	1	c	Schedule and spending targets established in the CIP 5-Year Plan may not be achievable.	Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by conducting and formally memorializing analyses of common cost and schedule delays in the Lessons Learned database in ProjectMates and share results agency-wide	High	Pending/Underway	Management agrees and will implement this recommendation through ProjectMates. 07/08/25: The implementation of the Lessons Learned database in ProjectMates is underway. Estimated to be fully implemented by Q4, FY26. The documentation and formal memorialization of common cost and schedule delays, via the new Table 5 in Vena is deemed complete. Change Management Categories are tracked and monitored. Additionally, there are two upcoming trainings for Valley Water staff: 1) Lessons Learned Training scheduled for 6/24/25; and 2) Construction Cost Estimating Training scheduled for 06/25/25.
348	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	2	c	Valley Water's performance in delivering capital projects is obscured by the lack of a robust performance measurement system	Develop a performance measurement system that effectively demonstrates Valley Water's performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes incorporating anticipated timelines within which the results of recent process improvements are expected to be evident and measurable in CIP outcomes.	Medium	Pending/Underway	Management agrees. Management is proposing a two-year implementation period for ProjectMates, with a follow-up audit to validate success (e.g. follow-up audit to be initiated in FY26 to allow time for implementation of ProjectMates and Vemo). 07/08/25: Implementation underway. Estimated to be fully implemented by Q4, FY26.
358	2023 Close-out Audit of the 2012 Safe, Clean Water Program	Chief of Staff/District Counsel	1		Valley Water does not have a conflict-of-interest policy that applies to the Independent Monitoring Committee (IMC) members. Conflicts of interest, whether real or perceived, can harm the Program's reputation and integrity.	Develop a conflict-of-interest policy that applies to IMC members and incorporate education on conflicts of interest into IMC orientation and training procedures.	Low	Pending/Underway	Management Response: Management agrees with the recommendation. Staff will evaluate the processes and committees to which the conflict-of-interest policy would be applicable. A plan and policy are expected to be in place by October 2024. Completion Target Date: FY26, Q1 7/28/25: Status is "In Progress - Target FY26, Q1" Development of a Conflict-of-Interest (COI) policy to be applied to the Independent Monitoring Committee (IMC) for the renewed Safe, Clean Water (SCW) program is being considered by Valley Water's Board. Staff has addressed concerns raised by the IMC Chair. At this time, staff anticipates presenting the COI policy to the Board during FY26, Q1.
359	2023 Close-out Audit of the 2012 Safe, Clean Water Program	Office of Civic Engagement	2		According to a 2021 performance audit, grant management and administration during the 2012 Program experienced challenges with processes, timeliness, and reporting.	Continue implementation of the remaining recommendations made in the 2021 grants management and administration performance audit.	High	Completed/Implemented	Management Response: Management agrees with this recommendation to continue implementing the recommendations made in the 2021 grants management and administration performance audit. Of the 11 audit recommendations, seven have been implemented and four remain in progress and on target to be implemented with the completion of the grants redesign. Staff will continue to provide bi-annual updates to the Board Audit Committee until all recommendations are achieved. Completion Target Date: Completed 6/2025 Update as of 7/28/25: This recommendation was completed in FY25, upon the completion of the FY25 standard grant cycle.

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
360	2023 Close-out Audit of the 2012 Safe, Clean Water Program	Business Planning and Analysis (SCW Team)	3		Some Program KPIs relied on external organizations for completion, which made them more difficult to achieve on schedule. Additionally, some KPIs were based on outputs instead of outcomes, which created limitations in the measurement of the Program's impact on the community.	Examine KPIs in future iterations of the Program and make revisions as needed to better reflect KPIs that are within Valley Water's control and focus on outcome-based KPIs. Where KPIs are not able to be fully within Valley Water's control, consider defining Valley Water's level of responsibility (e.g., primary or contributing responsibility) and develop strategies for addressing external factors that limit the ability of the KPIs to be achieved.	Medium	Pending/Underway	<p>Management Response: Staff acknowledges the recommendation and sees the upcoming independent audit of the renewed Safe, Clean Water and Natural Flood Protection Program (Renewed Program Audit) as the appropriate opportunity to review the KPIs. The renewed Program replaced the 2012 Program in its entirety and includes a new priority, new projects, and KPIs. The renewed Program replaced the 2012 Program in its entirety and includes a new priority, new projects, and KPIs. The renewed Program has three categories of KPIs, namely Performance-based, requiring completion of a specific activity; Fiscal-based, requiring full allocation to be expended to accomplish desired outcomes; and Schedule-based, requiring project completion according to a timeline, and these will be reviewed as part of the Renewed Program Audit.</p> <p>Background: The Safe, Clean Water Program Resolution No. 20-64, Section Q states "While the Safe, Clean Water and Natural Flood Protection program is in effect, the Board of Directors shall conduct independent professional audits of the Program to provide for accountability and transparency at least every five years." Following a recommendation from the Independent Monitoring Committee in February 2023, the Board approved two separate audits: a closeout audit for the 2012 Program (the current audit) and a distinct audit for the renewed Safe, Clean Water Program. The renewed Program, which voters approved in 2020 and became effective on July 1, 2021, is now in its third year of implementation. Staff expects to engage an auditor for the renewed Program by July 2024 and will share the 2012 Program closeout audit recommendations with the new auditor</p> <p>Completion Target Date: Q2 of FY26 (Nov./Dec. 2025)</p> <p>Update as of 07-08-2025 An independent professional audit of the Renewed Safe, Clean Water Program by PMA Consultants, LLC is currently underway.</p>
364	2024 Human Resources	HR Deputy	1	b	Due to leadership changes and insufficient communication, HR employees struggle to trust Department leadership	Develop a Departmental operating plan that details key initiatives to build confidence in the strategic direction of the Department.	High	Pending/Underway	<p>Although Management agrees with this finding, we believe there is more to it. Valley Water's employment engagement survey conducted in 2023 resulted in a focus on trust and communication as an entire agency. Over the last year, Human Resources (HR) has diligently focused on these areas. The annual 2024 department retreat concentrated on this area, and all employees committed to adding 2025 performance goals, a clear sign of our collective dedication to improving trust and communication.</p> <p>B. Operation Plan – During the January 2025 all-employee meeting, the HR leadership communicated the 2025 goals and objectives. The department will also develop an operating plan that provides information on key initiatives.</p> <p>3/19/25 Status: Target Completion - Q3 2025 – Operations Plan</p> <p>Update as of 7/1/25: Although Management agrees with this finding, we believe there is more to it. Valley Water's employment engagement survey conducted in 2023 resulted in a focus on trust and communication as an entire agency. Over the last year, Human Resources (HR) has diligently focused on these areas. The annual 2024 department retreat concentrated on this area, and all employees committed to adding 2025 performance goals, a clear sign of our collective dedication to improving trust and communication. Regarding the Operations Plan, during the January 2025 all-employee meeting, the HR leadership communicated the 2025 goals and objectives. The department will also develop an operating plan that provides information on key initiatives with a target completion date Q3 to Q4 2025. A first draft Operations Plan was completed and being reviewed by the HR Leadership.</p>
365	2024 Human Resources	HR Deputy	1	c	Due to leadership changes and insufficient communication, HR employees struggle to trust Department leadership	Review HR employee classifications for HR staff to determine whether their job function suggests they should be confidential positions.	Medium	Pending/Underway	<p>Although Management agrees with this finding, we believe there is more to it. Valley Water's employment engagement survey conducted in 2023 resulted in a focus on trust and communication as an entire agency. Over the last year, Human Resources (HR) has diligently focused on these areas. The annual 2024 department retreat concentrated on this area, and all employees committed to adding 2025 performance goals, a clear sign of our collective dedication to improving trust and communication.</p> <p>C. Position Evaluation- Management will review and evaluate the positions within the Human Resources Department to address confidentiality.</p> <p>Update as of 7/1/25: Although Management agrees with this finding, we believe there is more to it. Valley Water's employment engagement survey conducted in 2023 resulted in a focus on trust and communication as an entire agency. Over the last year, Human Resources (HR) has diligently focused on these areas. The annual 2024 department retreat concentrated on this area, and all employees committed to adding 2025 performance goals, a clear sign of our collective dedication to improving trust and communication. Regarding the Position Evaluation, the target completion date might be closer to Q4 2025 while negotiations are conducted. Initial talks regarding a HR specific confidentiality agreement/policy/etc. will begin July/August and a plan will be developed.</p>
366	2024 Human Resources	HR Deputy	2	a	Staff report that changes to processes, systems, and departmental organization are not always well-communicated, resulting in confusion and inconsistent change adoption.	Employ the principles of change management to effectively communicate and integrate changes within the Department.	Medium	Pending/Underway	<p>Although Management agrees with this finding, we believe there is more to this finding. There are times when information is provided to staff, but the timelines implementation is quick, which can cause staff concerns. Human Resources Management is committed to a Human Resources Environment that is fair and transparent and changes are implemented in the best way for the department.</p> <p>Update as of 7/1/25: Although Management agrees with this finding, we believe there is more to this finding. There are times when information is provided to staff, but the timelines implementation is quick, which can cause staff concerns. Human Resources Management is committed to a Human Resources Environment that is fair and transparent and changes are implemented in the best way for the department. Change management training session for the HR Leaders is scheduled on Tuesday, September 16th 2025.</p>
368	2024 Human Resources	Human Resources & IT	3	a	The Department is experiencing challenges using Infor, the District's enterprise resource planning system (ERP), as its human resource information system (HRIS) due to challenges with system implementation and lack of system integration.	As the District seeks a new ERP system, ensure that a representative from HR with a strong understanding of system needs is highly involved in evaluating system capabilities against HR's system needs.	High	Pending/Underway	<p>Management agrees with the recommendations and are in process of obtaining an ERP to address our HRIS deficiencies. Human Resources recently implemented an HRIS unit within the department. Not having the unit greatly hindered the ability to understand the functionality and interfaces needed for an effective and efficient ERP system. Key HR staff have been identified to be part of the evaluation and implementation of the ERP. In addition to an ERP system Valley Water will contract with an implementation partner certified in implementing the solution provider's software. The Request for Proposal (RFP) for both the software solution and the implementer was published in January 2025.</p> <p>3/19/25 Status: Target Completion = Q2 2026 – RFP is currently out for bid with a deadline of February 12, 2025. Estimated implementation is anticipated to be Q1/Q2 2026.</p> <p>Update as of 7/1/25: Management agrees with the recommendations and is in the process of obtaining an ERP to address our HRIS deficiencies. Human Resources recently implemented an HRIS team within the department. Not having the team greatly hindered the ability to understand the functionality and interfaces needed for an effective and efficient ERP system. Key HR staff have been identified to be part of the evaluation and implementation of the ERP. In addition to an ERP system, Valley Water will contract with an implementation partner certified in implementing the solution provider's software. The Request for Proposal (RFP) for both the software solution and the implementer was published in January 2025 with a target completion of Q2 2026.</p>

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Priority Ranking (H, M, L)	Status	Recent Updates/Notes
369	2024 Human Resources	Human Resources & IT	3	b	The Department is experiencing challenges using Infor, the District's enterprise resource planning system (ERP), as its human resource information system (HRIS) due to challenges with system implementation and lack of system integration.	After a new system is selected, conduct a thorough implementation process to support successful system adoption.	High	Pending/Underway	<p>Management agrees with the recommendations and are in process of obtaining an ERP to address our HRIS deficiencies. Human Resources recently implemented an HRIS unit within the department. Not having the unit greatly hindered the ability to understand the functionality and interfaces needed for an effective and efficient ERP system. Key HR staff have been identified to be part of the evaluation and implementation of the ERP. In addition to an ERP system Valley Water will contract with an implementation partner certified in implementing the solution provider's software. The Request for Proposal (RFP) for both the software solution and the implementer was published in January 2025.</p> <p>3/19/25 Status: Target Completion = Q2 2026 – RFP is currently out for bid with a deadline of February 12, 2025. Estimated implementation is anticipated to be Q1/Q2 2026.</p> <p>Update as of 7/1/25: Management agrees with the recommendations and is in the process of obtaining an ERP to address our HRIS deficiencies. Human Resources recently implemented an HRIS team within the department. Not having the team greatly hindered the ability to understand the functionality and interfaces needed for an effective and efficient ERP system. Key HR staff have been identified to be part of the evaluation and implementation of the ERP. In addition to an ERP system, Valley Water will contract with an implementation partner certified in implementing the solution provider's software. The Request for Proposal (RFP) for both the software solution and the implementer was published in January 2025 with a target completion of Q2 2026. Item 3B cannot be started until item 3a is completed.</p>
370	2024 Human Resources	Human Resources	4		Equal Employment Opportunity (EEO) complaints increased at the District in recent years, which can indicate organizational culture and safety issues.	Adopt proactive measures to prevent harassment from occurring, including demonstrating leadership accountability, regularly communicating the District's harassment policy, developing an effective and accessible harassment complaint system, and implementing regular EEO training for all staff.	High	Completed/Implemented	<p>Management agrees with the recommendation and in the process of creating a new position that will be a dedicated person to address and resolve employee concerns at the lowest possible level. This position will help employees access the various resources available ranging from training, mentoring, mediation, and our Employee Assistance Program. In addition, this position will also provide robust and regular training for all staff. Management is dedicated in increasing our communication regarding our policy and expectation.</p> <p>3/19/25 Status: Target Completion = Q2 2025 – Selections process will be complete by Q2 2025.</p> <p>Update as of 7/1/25: Management agrees with the recommendation and has recruited a new employee who started on June 9th, 2025. This employee is a dedicated person to address and resolve employee concerns at the lowest possible level. This position will help employees access the various resources available, ranging from training, mentoring, mediation, and our Employee Assistance Program. In addition, this position will also provide robust and regular training for all staff. Management is dedicated to increasing our communication regarding our policy and expectations. This position has been filled effective June 9, 2025 therefore this audit item is completed</p>

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Santa Clara Valley Water District

File No.: 25-0630

Agenda Date: 8/20/2025

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss Potential Audit Topics for 2026 Annual Audit Plan, and Provide Further Guidance as Needed.

RECOMMENDATION:

Discuss potential audit topics for 2026 Annual Audit Plan, and provide further guidance as needed.

SUMMARY:

The purpose of this agenda item is to discuss the potential audit topics to be proposed as the 2026 Annual Audit Plan, discuss any new related information as appropriate, and provide any guidance the BAC deems appropriate.

The BAC Charter, Article I, Paragraph 4 states, "The Committee shall assist the Board, consistent with direction from the full Board, by identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits." To that end, the Board's Chief Audit Executive (CAE) conducted a risk assessment in FY 2023 to identify key areas of risk that could be considered for auditing.

The 2023 Risk Assessment Final Report dated November 2023 (Attachment 1) is attached for reference. The Risk Assessment includes heat maps of Valley Water's operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water's Board of Directors (the Board), executives, and management and was used to help develop the proposed 2024-2026 Audit Plan, included as Appendix B of Attachment 1.

At the January 23, 2024 Board meeting the Board approved three (3) of the proposed topics to proceed as the 2024 Annual Audit Plan, which included Information Technology, Human Resources, and Board Policies.

At the January 28, 2025 Board meeting the Board approved four (4) of the proposed topics to proceed as the 2025 Annual Audit Plan, which included Capital Project Delivery, Contracting

Practices, Water Conservation Strategies, and Water Usage and Demand Forecasting.

The BAC Audit Charter (Article III, Paragraph 7.2) requires that, by November 30 of each year, the BAC shall submit its recommended Annual Audit Plan to the full Board for consideration and direction.

The purpose of this meeting is to begin discussion of potential audit topics and the schedule for completing the proposed Annual Audit Plan for the full Board's consideration.

ENVIRONMENTAL JUSTICE IMPACT:

The Annual Audit Plan is not subject to environmental justice analysis. The Annual Audit Plan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:

Attachment 1: 2023 Risk Assessment Final Report.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

Santa Clara Valley Water District Independent Board Auditor

Districtwide Risk Assessment – 2023

November 2023



455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • www.secteam.com

Table of Contents

Introduction.....	2
Background	2
Risk Assessment Approach.....	4
Department Risk Profiles.....	7
Office of the Chief Executive Officer	7
Office of the Clerk of the Board.....	9
Office of District Counsel.....	13
Administrative Services	17
External Affairs	29
Office of Financial Planning and Management Services	35
Office of Integrated Water Management	43
Risk Assessment Results	68
Appendix A. Proposed Three-Year Audit Plan.....	70
Appendix B. Prioritized Audit Topics for the Board's Consideration	75

Introduction

The Santa Clara Valley Water District (Valley Water or District) asked Sjoberg Evashenk Consulting to conduct a districtwide risk assessment as part of a long-term internal audit planning process. A fundamental component of a successful internal audit function requires determining which departments, programs, or activities to audit—and allocating scarce audit resources in a way that adds the greatest value to the District. As such, the purpose of this project was to identify key organizational units, programs, or operations of Valley Water and to assess each in terms of the potential risk factors that could impede the effective delivery of services, reduce operational efficiency, or impair transparency and public accountability. As the relative magnitude and prevalence of potential risk factors associated with key programs increase, so too does the potential value a performance audit of the program will be to Valley Water.

Background

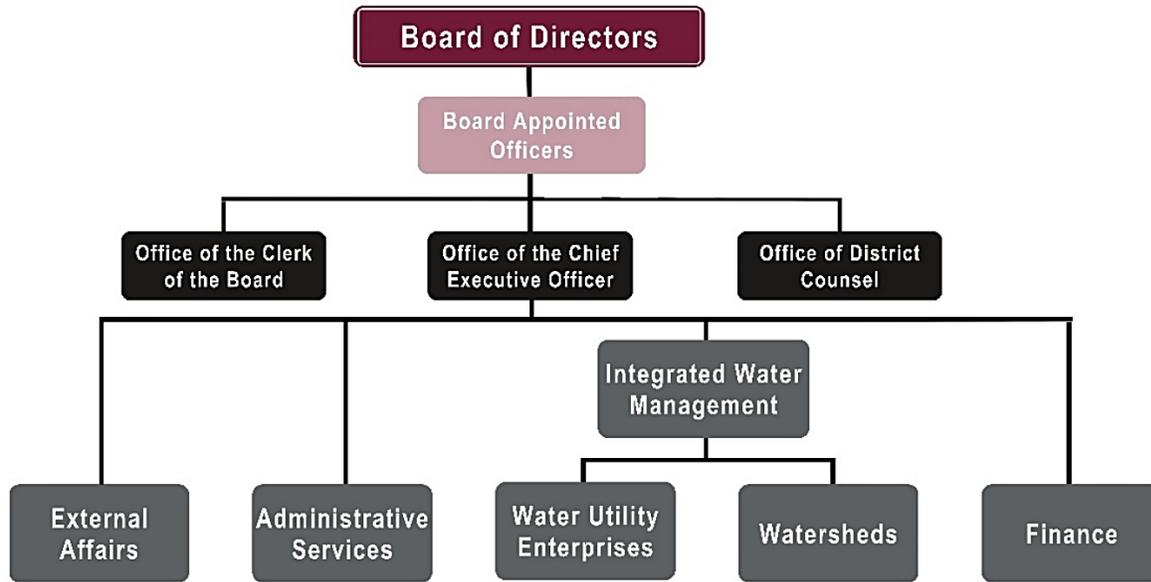
The Santa Clara Valley Water District (Valley Water) is Santa Clara County’s water resource management agency responsible for providing safe, clean water, flood protection, and stewardship of streams through its management of water treatment and distribution systems, construction and maintaining flood control channels, and overseeing water rate setting and conservation efforts. The mission of Valley Water is to provide safe, clean water for a healthy life, environment, and economy.

Valley Water is led by a seven-member Board of Directors (Board), with each Board director representing one of seven equally-divided districts in the Silicon Valley. The Board is responsible for establishing policy, adopting resolutions, and establishing the directives, goals, and objectives that guide all the work of Valley Water employees—including the overall vision for the District. These are documented in three formal types of policies:

- Board Governance Policies—policies which guide the practices of the Board itself.
- Executive Limitations Policies—policies which establish the responsibilities of the Chief Executive Officer and delegations of authority.
- Ends Policies—policies that establish the goals and objectives that the Board has for the District, and the ends toward which the Chief Executive Officer is charged to achieve.

Three District officers are appointed by and report directly to the Board: The Chief Executive Officer (CEO), District Counsel, and the Clerk of the Board. The Office of District Counsel serves as legal counsel to the Board and advises the Board and Valley Water management regarding all legal matters. The Clerk of the Board staffs all Board and committee meetings and serves as the District’s election official and the custodian of official records of the District. The CEO oversees all executive operations of Valley Water, including Integrated Water, which is managed by the Assistant Chief Executive Officer and includes the Water Utility and Watershed business areas, as well as several units that collectively support Valley Water’s capital infrastructure plan. In addition to Integrated Water. The CEO also oversees three critical departments: the Financial Planning and Management Services Department, Office of Administrative Services, and the Office of External Affairs. Valley Water’s organizational chart is depicted in Exhibit 1.

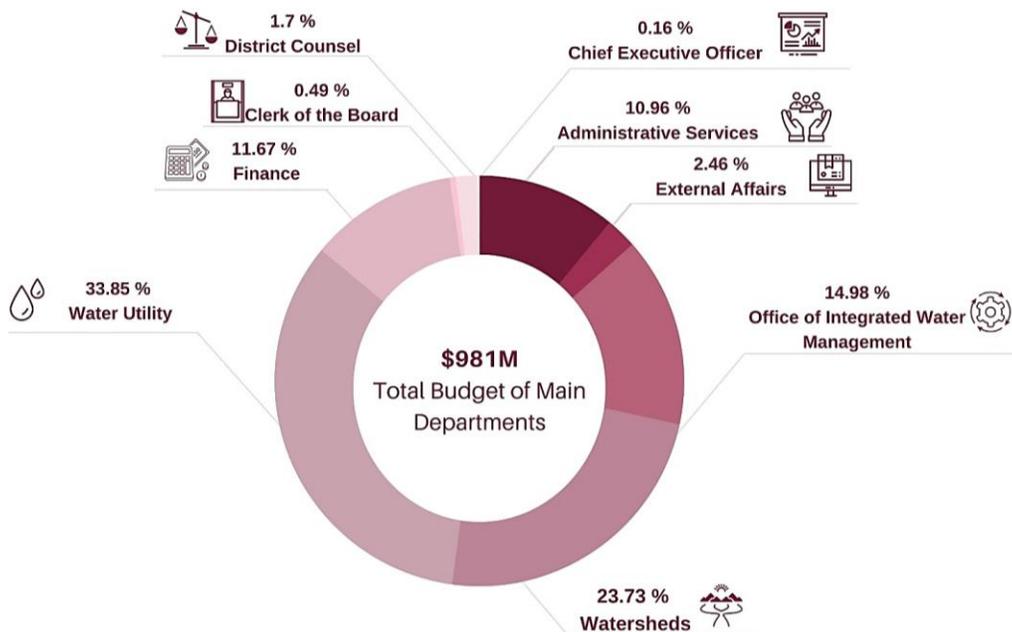
EXHIBIT 1. VALLEY WATER ORGANIZATION CHART



Source: Official Valley Water Organization Charts

As illustrated below, Valley Water’s Fiscal Year 2023-24 budgeted operating expenses totaled approximately \$857 million,¹ of which Integrated Water, Watershed, and Water Utility Enterprise business areas comprise roughly 80 percent of all District expenditures.

EXHIBIT 2. ALLOCATED BUDGETED EXPENDITURES BY DEPARTMENT



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

¹ Elsewhere in this report, we refer to approximately \$981 million in budget appropriations. The difference between Valley Water’s total \$857 million budget and individual department appropriations of \$981 million, which includes intra-district reimbursements of \$124.9 million, and these net to total operating and capital outlays of \$856.6 million.

Risk Assessment Approach

The Charter of the Board Audit Committee (BAC) states that the BAC shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually, and that the full Board shall approve an annual audit plan. Audit standards issued by the Institute of Internal Auditors require that the chief audit executive establish a risk-based plan to determine the priorities of the management audit activity, and that the plan be consistent with the organization's goals. The purpose of a risk assessment is to help ensure that limited audit resources are deployed in a manner that fulfills the purpose of Valley Water by identifying inherent risks to the successful execution of district operations, programs, and services; and differentiating between all the potential risks and areas of interest and prioritizing them based on the potential value that the audit may provide to Valley Water. This process is intended to facilitate a deliberative approach to directing limited audit resources and to inform management of potential areas of risk for which it may wish to take action; it is not intended to provide specific conclusions regarding an organization's operations or programs, or to present specific recommendations for improvement.

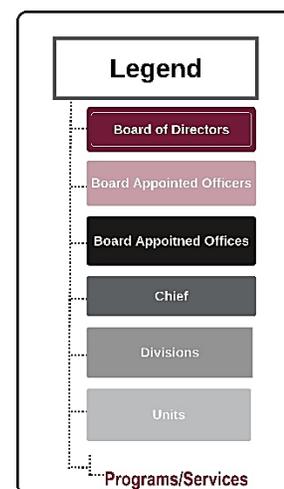
To fulfill the strategic purpose of a districtwide risk assessment, our team interviewed nearly 30 District officers and managers to gather information about Valley Water operations, programs, and functions; to identify potential and inherent risks to the achievement of the missions, objectives, and goals of each; and to discuss current initiatives and activities of the departments. We also obtained and evaluated current and historical background information for each office, department, and program, including information available through Valley Water's website, program descriptions, budget documentation, strategic plans and annual reports, policies and procedures, and other relevant documentation, etc. In doing so, we identified the audit universe and auditable units, including District departments and the defined programs, services, and functions carried out by each department, and identified the sources and types of risks associated with the missions, objectives, and goals of each.

Some information was obtained directly from objective reporting of past and current performance. This includes the relative size of one department's budget or workforce in relation to other departments, one department's financial exposure resulting from claims filed as compared to other departments, the number of contracts or capital projects managed by one department as compared to others, as well as key performance indicators and departmental performance reports. Other information was obtained through subjective analyses of current issues and trends affecting each department. This includes understanding and assessing public concern related to certain programs, services, or functions of District government; determining the extent to which certain problems are already known, such as through the press or previously completed audits or studies; or the extent to which previously manual activities have been automated. Both subjective and objective risk categories drive the ultimate calculated risk score for each department and program area, and the relative risk associated with each when compared to other Valley Water departments or program areas. Exhibit 3 illustrates the types of risk factors considered as part of this risk assessment.

EXHIBIT 3. RISK SOURCES & TYPES RELATED TO THE ADMINISTRATION OF DISTRICT DEPARTMENTS AND PROGRAMS



Based on information provided and auditor judgement, we assessed each organizational unit and program in terms of the potential risks that could impede effective delivery of services, reduce operational efficiency, or impair transparency and public accountability. In doing so, we prepared “risk profiles” for each department, which include an organizational chart for each department that reflects the functional responsibilities of each department, division, unit, and program. The structure of the appropriate department will be displayed in an organizational chart reflecting the legend on the right. The risk profiles also include general indicators of the size of the division, a description of the core functions of the division and inherent risks and general concerns associated with the division’s operations. In short, inherent risks are factors that may impede the ability of the division to achieve, in an effective or efficient manner, its core functions.

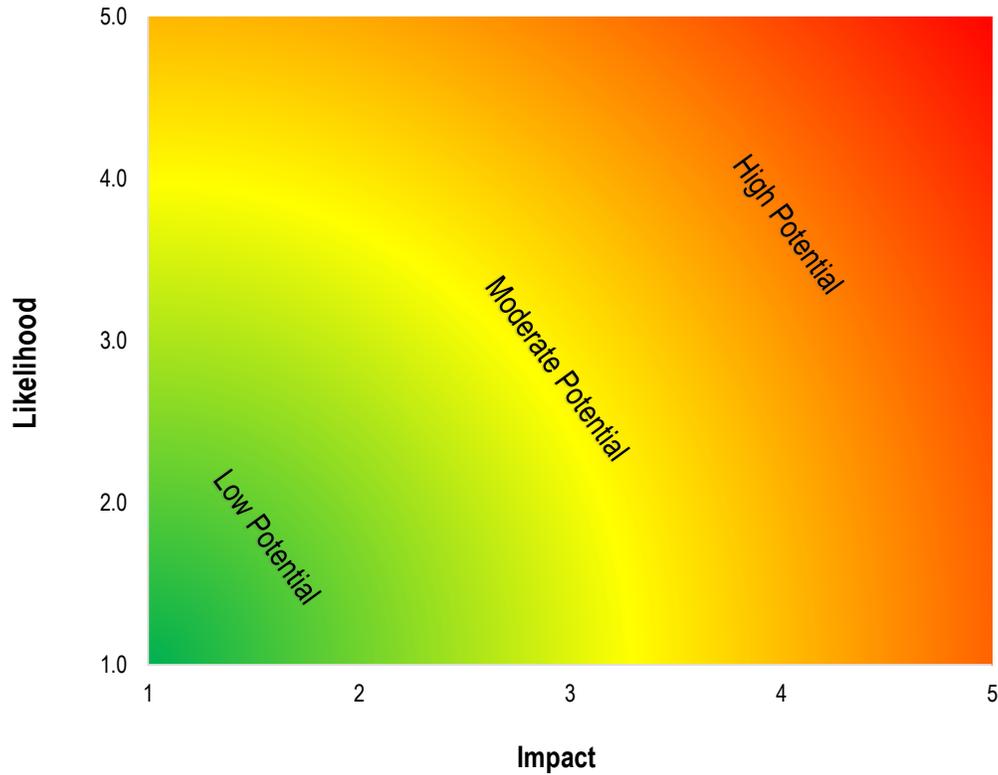


While this report presents risk ratings for key departments, divisions, and programs, it is important to note that a high-risk score is not indicative of poor performance, lacking internal controls, or bad business practices. Rather, risk scores indicate the extent to which key programmatic or operational areas within District departments present sufficient inherent risks to warrant audit resources, and the extent to which we believe a performance audit of that area will yield value to Valley Water.

To illustrate our assessment of risk associated with the auditable units within each department as compared to each other and to other divisions throughout Valley Water, we include in each department profile a heat map similar to that shown in Exhibit 4. This is meant to illustrate the extent to which, or

likelihood that, inherent risks associated with core District functions warrant audit resources and the potential impact that such an audit could have in assisting Valley Water to address current and emerging challenges—that is, the relative value of spending audit resources in one business area of the District versus another area.

EXHIBIT 4. SAMPLE HEAT MAP



Based on our assessment of risk, we present numerous audit topics related to each division and/or program. A larger audit could include each of these as a specific audit objective; smaller audits could address just one or two of the topics listed in each profile.

This approach is designed to provide Valley Water with information necessary to develop an audit plan that focuses on those areas within District government that are most likely to benefit from a performance audit. It is also designed to present the rationale behind our risk ratings to the BAC, and to facilitate an open and deliberative forum to discuss audit priorities and to determine the focus of limited audit resources.

Department Risk Profiles

This section presents background information and risk profiles for each of Valley Water’s key departments, including offices reporting directly to the Board of Directors—the Chief Executive Officer, District Counsel, and Clerk of the Board—as well as the departments reporting directly to the Chief Executive Officer: Administrative Services, External Affairs, Financial Planning and Management Services, and Integrated Water. Each profile includes a discussion of a Valley Water department; background information, core functions, key statistics and characteristics, inherent risks, and challenges associated with each; and potential audit topics designed to address those areas where internal audit resources could prove most valuable.

Office of the Chief Executive Officer

With a Fiscal Year 2023-24 budget of approximately \$1.5 million and a staff of 3 FTE positions, the Office of the CEO represents less than one (1) percent of the District’s overall budget. The Office of the CEO is responsible for all operations of the District, carrying out policies and direction of the Board, making recommendations to the Board on a variety of issues, appointing and supervising subordinate officers of the District, ensuring compliance with Board policies, being responsive and available to the community, and achieving Valley Water’s objectives, goals, and mission. The Assistant Chief Executive Officer, Chief Financial Officer, Chief Operating Officer of External affairs, and Chief Operating Officer of Administration all report directly to the CEO.

The Office of the CEO provides strategic direction and supervision to guide the organization in fulfilling Valley Water’s mission, achieve the Board’s Ends Policies, support the Board of Directors, and comply with the Board’s Executive Limitations Policies. During Fiscal Year 2023, the Office of the CEO reported achieving several notable accomplishments, including continuing to lead the Valley Water throughout the ongoing drought and the COVID-19 pandemic; prioritizing investments in critical infrastructure and the safety of Valley Water staff; and delivering safe, clean, and reliable water to Santa Clara County. Exhibit 5 illustrates the distribution of the CEO’s direct reports.



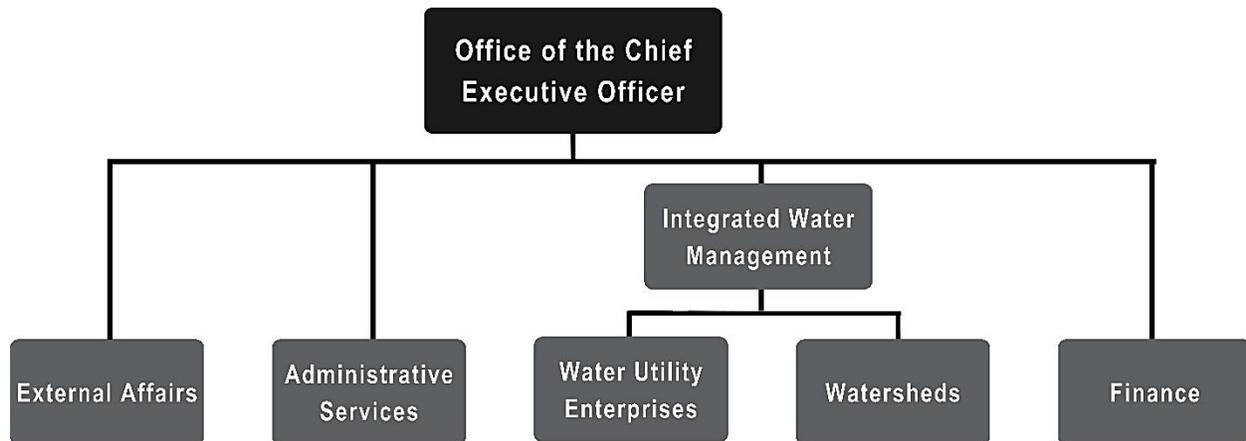
Key Statistics and Responsibilities

FY 2023/24

FTEs:	3		0.16%
Budget:	\$1.6M		Total Budget \$981M

- Provides strategic direction and supervision to guide the organization in fulfilling Valley Water’s mission.
- Assumed executive leadership at Valley Water and supports the Board of Directors.
- Performs Financial Management through overseeing the Finance Division.

EXHIBIT 5. OFFICE OF THE CHIEF EXECUTIVE OFFICER ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

The Office of the CEO, on its own, has a relatively low budget and FTE allocation when compared to other organizational units. However, its role in implementing Board policy and strategic initiatives, developing budgets, monitoring resource allocation, and framing and messaging District priorities and communications place the Office in a position of strategic importance and high public visibility. The CEO's role is multifaceted, as they must balance the District's Ends Policies to serve the needs of Santa Clara County while adhering to executive limitations that set specific boundaries on the Office's authority. Following is an evaluation of key functions or programs within the Office, along with a description of responsibilities, budget, FTEs, and inherent risks.

Office of the Chief Executive Officer	
<p>The CEO is responsible for the success of Valley Water. This includes successfully providing safe, clean water for a healthy life, environment, and economy. It also includes doing so in a manner that is responsible, sustainable, and alignment with Board policies. The CEO employs experts to directly manage distinct business areas within the District, including Finance, Administration, External Affairs, and the core operations of the District: Integrated Water Management, including Water Utility Enterprises and Watersheds. This encompasses supply management, flood protection, environmental stewardship, and more, all aimed at serving Santa Clara County's 1.9 million residents as well as a significant and diverse business community. The CEO coordinates the flow of information between management, the Board, and various committees, and provides administrative and logistical support to the Board.</p>	<p>Budget: \$1,579,221 FTE: 3</p> <p>Inherent Risks: As the leader of Valley Water, the greatest risk facing the CEO relates to the successful delivery of safe, clean water, consistent with the mission of Valley Water. From the perspective of the Board, however, the question is not limited to whether the CEO achieves this mission, but it is also essential that the CEO so in a manner compliant with established policies—both Ends Policies and Executive Limitations. This requires transparency in management reporting, goal-driven performance measurement and evaluation, and assurances of compliance with Executive Limitations Policies.</p>

Risk Summary

The operational responsibilities of the Office of the CEO are typically addressed by performance auditors by focusing on specific programs under the purview of the CEO, such as programs administered by

Finance, Administration, External Affairs, Integrated Water Management, Water Utility, or Watersheds. The Officers overseeing each major program area would address potential audit findings, recommendations, and corrective action.

There are certain performance audits, however, that go beyond the purview of any particular departmental officer or manager, and those pertain primarily to matters of governance: reporting to the Board of Directors; establishing policies and procedures; establishing a sound tone-at-the-top that focuses on the importance of achieving goals and the organizational mission while also emphasizing the importance of internal control, transparency, and accountability; establishing and monitoring systems of performance measurement and evaluation; and ensuring compliance with Board policies and other legal or regulatory requirements.

Based on this assessment, there are two audit topics that ranked the highest and warrant consideration for future audit planning. These include:

- 1) The District’s overall approach to performance measurement, the purpose of which would be to identify ways to build upon exiting performance metrics in a manner that provides the Board reasonable assurances that metrics exist to evaluate progress to achieving Ends Policies, as well as to evaluate the overall efficiency and effectiveness of Valley Water operations.
- 2) The Districts overall compliance with Board policies, including Board Governance Policies, Ends Policies, and Executive Limitations Policies.

Office of the Clerk of the Board

With an approximate Fiscal Year 2023-24 budget of \$5.6 million—representing 0.6 percent of the District’s overall budget—and 15 FTE positions, the Office of the Clerk of the Board supports the Board of Directors and serves the public by providing records maintenance and management services, staffing Board and committee meetings, serving as Valley Water’s election official, and overseeing the Records & Library Services Unit. These services include directly supporting the work of the Valley Water Board of Directors; preparation, posting and maintenance of agendas, minutes, ordinances, resolutions and contracts of the Board of Directors; coordinating advertisement of legal notices; maintaining and updating Board resolutions and policies (including Board Governance Policies, Ends Policies, and Executive Limitations Policies); managing and publishing Board and committee agendas and minutes in accordance with the Brown Act; receiving official records; responding to public records requests in a timely manner, and ensuring compliance with the Public Records Act; coordinating with the County of Santa Clara



Key Statistics and Responsibilities

FY 2023/24

FTEs:	15		0.49%
Budget:	\$4.8M		Total Budget

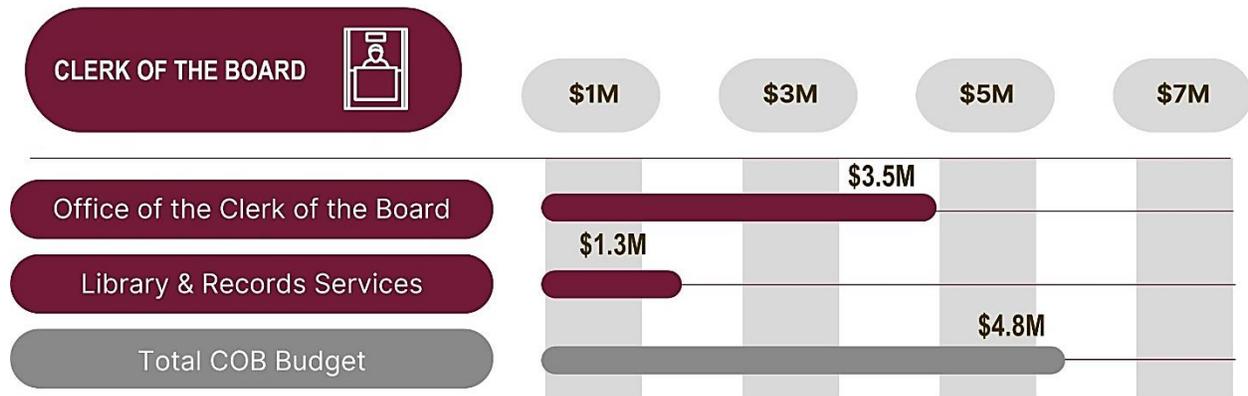
- Oversees the Records & Library Services Unit.
- Directly supports the work of the Board of Directors, facilitating the public’s access to Board information, and monitoring the Board budget and Board members’ expenses.
- Serves as Valley Water’s election official.

on all matters related to elections; and monitoring the Board budget and Board members' expenses in accordance with District Ordinance 02-01, Resolution 11-73, Board Governance Policy GP-10.

In Fiscal Year 2023, the Office of the Clerk of the Board cites various accomplishments, including having successfully managed over 33 Regular Board Meetings and over 100 Board Committee Meetings in accordance with the District Act, Board Policies, and the Brown Act; successfully scheduled over 1,000 meetings for individual Directors; and tracked, monitored, and reported on the registration of external lobbyists in accordance with Ordinance 10-01.

The Office of the Clerk of the Board is organized into two units: the Clerk of the Board and the Records & Library Services. Exhibit 6 below is a breakdown of each division's budgeted expenses for Fiscal Year 2023-24.

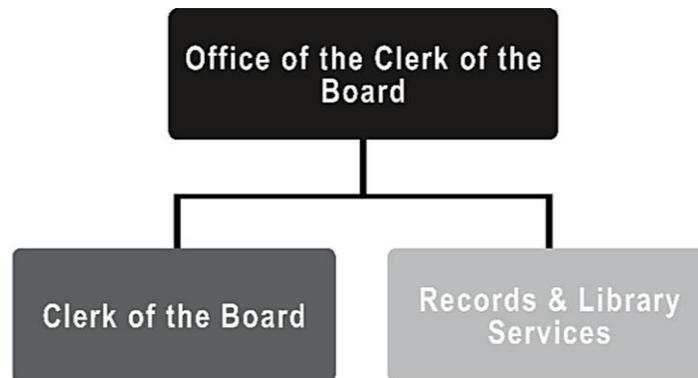
EXHIBIT 6. BUDGET BREAKDOWN BY DEPARTMENT



Source: FY 2022-23 & Fiscal Year 2023-24 Operating and Capital Rolling Biennial Budget

The Office of the Clerk of the Board allocates functional responsibilities to each of the two units as depicted in Exhibit 7 below.

EXHIBIT 7. OFFICE OF THE CLERK OF THE BOARD DIVISION ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

The Office of the Clerk of the Board plays a pivotal role in Valley Water's governance, but it faces inherent risks that require careful management. Chief among these risks is the potential for improper documentation and minute-taking during Board meetings, which could compromise transparency and governance procedures. The evolving landscape of governance procedures necessitates continuous compliance efforts. Efficient management of a large volume of documents, including publicly recorded ones, is essential to prevent delays and resource misallocation.

Moreover, tracking lobbying activities demands vigilance to ensure compliance and accurate reporting. Lastly, the office must balance its involvement in policy reviews and maintain a high-level perspective to mitigate risks related to inefficiency or insufficient support of core operations. To successfully navigate these challenges, the Clerk of the Board should maintain meticulous record-keeping, stay current with governance procedures, and continually evaluate and optimize their operations while upholding the transparency and integrity of Valley Water's governance processes. Following is an evaluation of key functions or programs within the Office, along with a description of responsibilities, budget, FTEs, and inherent risks.

OFFICE OF THE CLERK OF THE BOARD	
<p>The Office of the Clerk of the Board oversees the Records & Library Services Unit as well as completing work regarding coordinating information between the Board Committees and the Board, and Committee Oversight Manager; providing administrative and logistical support to the Board committees; managing Board committee membership; ensuring agenda and meetings are in compliance with the Brown Act; coordinating, posting and distributing Board committee and Board agenda items; supporting and assisting Board committee chairs during meetings; managing Board committee work plans; tracking and managing Board committee attendance; managing historical records of Board committees; keeping accurate records of the proceedings of the Board and all committees; keeping a record of all Board resolutions and actions of the Board of Directors in such manner that the information contained therein will be readily accessible to the public; and managing Board committee web pages.</p>	<p>Budget: \$ 3,517,767 FTE: 10</p> <p>Inherent Risks: Inefficiencies that could impact the receipt and recording of publicly recorded documents, as well as the availability of records; cost-effective administration of document requests; potentially inefficient or insufficient support of the Office's core operations. Further, Board Governance Policies have not been fully reviewed or updated in six or more years.</p>

RECORDS & LIBRARY SERVICES

The Records & Library Services is responsible for the administration of the Records Management Center and the Valley Water Library, administration of the Valley Water Records Management Program; and the provision of Valley Water's responses to legal demands for records.

Budget: \$ 1,316,042

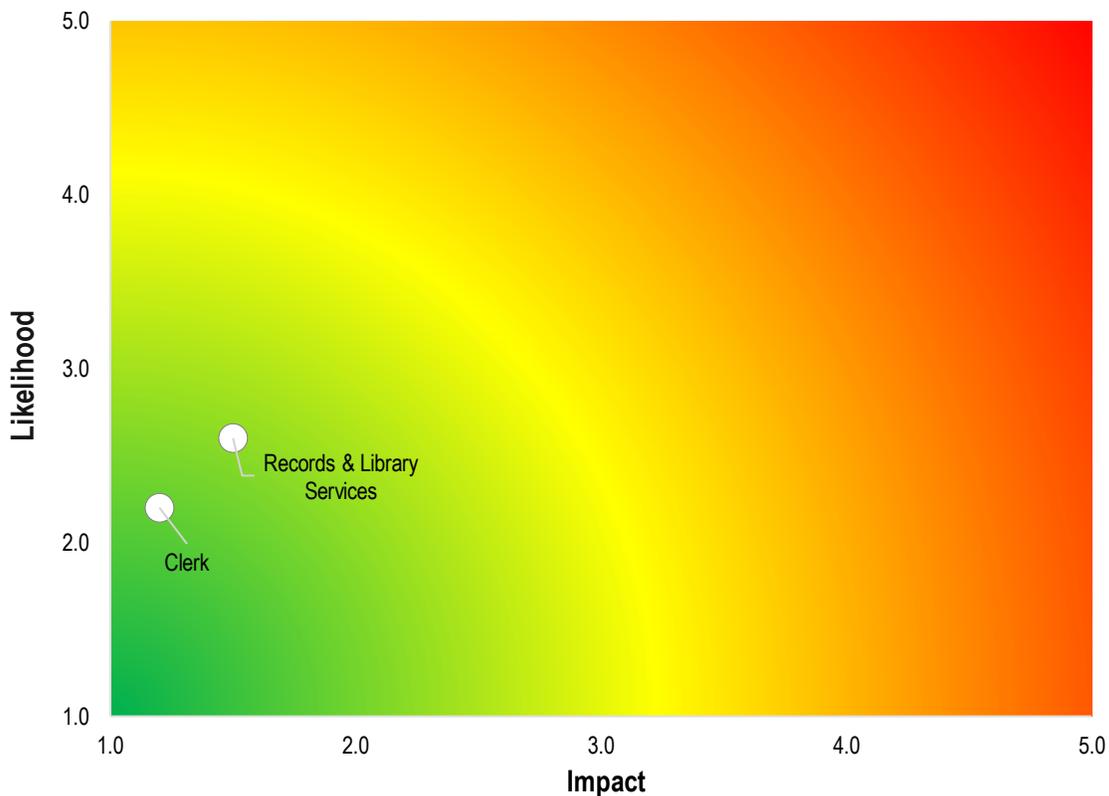
FTE: 5

Inherent Risks: Inefficiencies that could impact the receipt and recording of publicly recorded documents, as well as the availability of records; cost-effective administration of document requests; potentially inefficient or insufficient support of the Office's core operations.

Risk Summary

The Office of Clerk of the Board has a relatively low budget and FTE allocation when compared to other Valley Water departments, and generally represents relatively low risk when compared to other departments based on our assessment of a variety of risk factors. Despite this, the Clerk of the Board serves an essential function facilitating the work of the Board and ensuring transparency into Board and District activities. Because of this, the potential benefits of a performance audit of the Clerk of the Board are likely to be in assessing the overall efficiency and effectiveness of the Office's day-to-day operations. With this in mind, we illustrate below the risk rankings of each unit or program area in relation to one another.

EXHIBIT 8. PROGRAM RISK RATINGS



This risk assessment revealed the following potential audit objective:

- 1) Evaluate the Office's business processes, information systems, and workload management practices to identify potential inefficiencies or opportunities for improvement in the Office's operational activities and administrative functions.

Office of District Counsel

With an approximate Fiscal Year 2023-24 budget of \$15 million—representing less than one (1) percent of the District's overall budget—and fourteen (14) FTE positions, the Office of District Counsel is managed by the District Counsel, a Board-appointed officer of Valley Water. The Office is responsible for general legal advice and services, personnel, litigation, and specialty advice including but not limited to land use, the environment, eminent domain, and real estate, among others. The Office advises the Board of Directors on all legal matters, and manages Valley Water's Risk Management Unit.

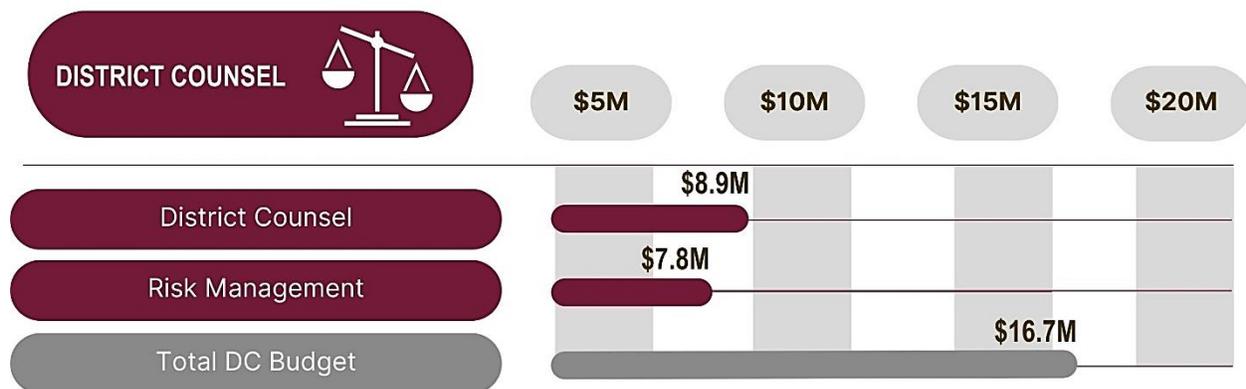
The Office of District Counsel at Valley Water is a critical component with eight attorneys specializing in labor and employment, California Environmental Quality Act (CEQA), and water law. They handle in-house legal matters such as public works contracting, municipal law, water law, and real estate while engaging external counsel for large projects. Notably, they address the complex issue related to Santa Clara Valley's unhoused population, a challenge with potential legal and environmental risks. The absence of an electronic calendaring system is a notable efficiency concern, with plans to introduce document management and automated calendaring tools. However, inherent risks include legal challenges, non-compliance with governance procedures, and document management challenges. The influx of new managers and a risk-averse culture also challenge organizational cohesion. The Office handles all items going to the Board, albeit with constraints due to a risk-averse culture that leads to extensive reviews.

In Fiscal Year 2023, the Office cites various accomplishments, including having provided timely legal advice to Valley Water, the Board, and Valley Water's officers and employees when acting in their official capacities; provided representation to Valley Water relating to annual groundwater production charges and to the update of Valley Water's groundwater charge zones; and served as counsel or co-counsel in all Valley Water litigation matters.



The Office of District Counsel is organized into two units: The Office of District Counsel and the Risk Management Unit. Exhibit 9 provides a breakdown of each division's budgeted expenses for Fiscal Year 2023-24.

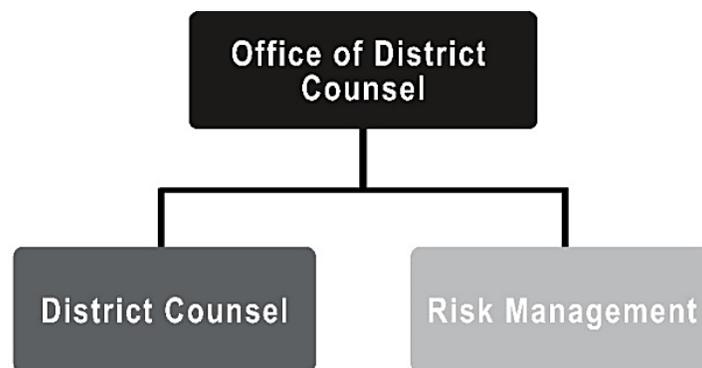
EXHIBIT 9. BUDGET BREAKDOWN BY DEPARTMENT



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

The Office of District Counsel allocates functional responsibilities to each of the two units as depicted in Exhibit 10 below.

EXHIBIT 10. DISTRICT COUNSEL ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & 2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

The Office of District Counsel is integral to the organization's legal affairs yet confronts various inherent risks. The foremost concern lies in the efficiency of legal services provided, given the substantial and diverse operational and administrative responsibilities of Valley Water. The Office has a relatively low level of funding and FTE allocation when compared to other departments, as well as relatively low level of cash or other high-risk assets. Inherent risks associated with the District Counsel remain relatively low, but include continued adherence to professional standards, the efficient use of professional service contracts for outsourced legal services, balancing differing perspectives on risk mitigation, and the implementation of business processes and controls to mitigate risk and prevent the loss of District assets. Following is an

evaluation of key functions or programs within the Office, along with a description of responsibilities, budget, FTEs, and inherent risks.

OFFICE OF DISTRICT COUNSEL	
<p>The Office of District Counsel provides professional, timely, and strategic legal advice to and representation of Valley Water and its Board of Directors, officers, and employees. It includes both internal legal services and management of the external legal services provided to Valley Water.</p>	<p>Budget: \$ 8,885,440 FTE: 11</p> <p>Inherent Risks: Efficiency in delivering professional services considering the significant budget allocation, the effective and efficient management of third-party contracts, records management, and the ability to provide timely review and advice regarding a wide range of topics to District employees and the Board, along with reviewing items presented to the Board, are critical areas of focus.</p>

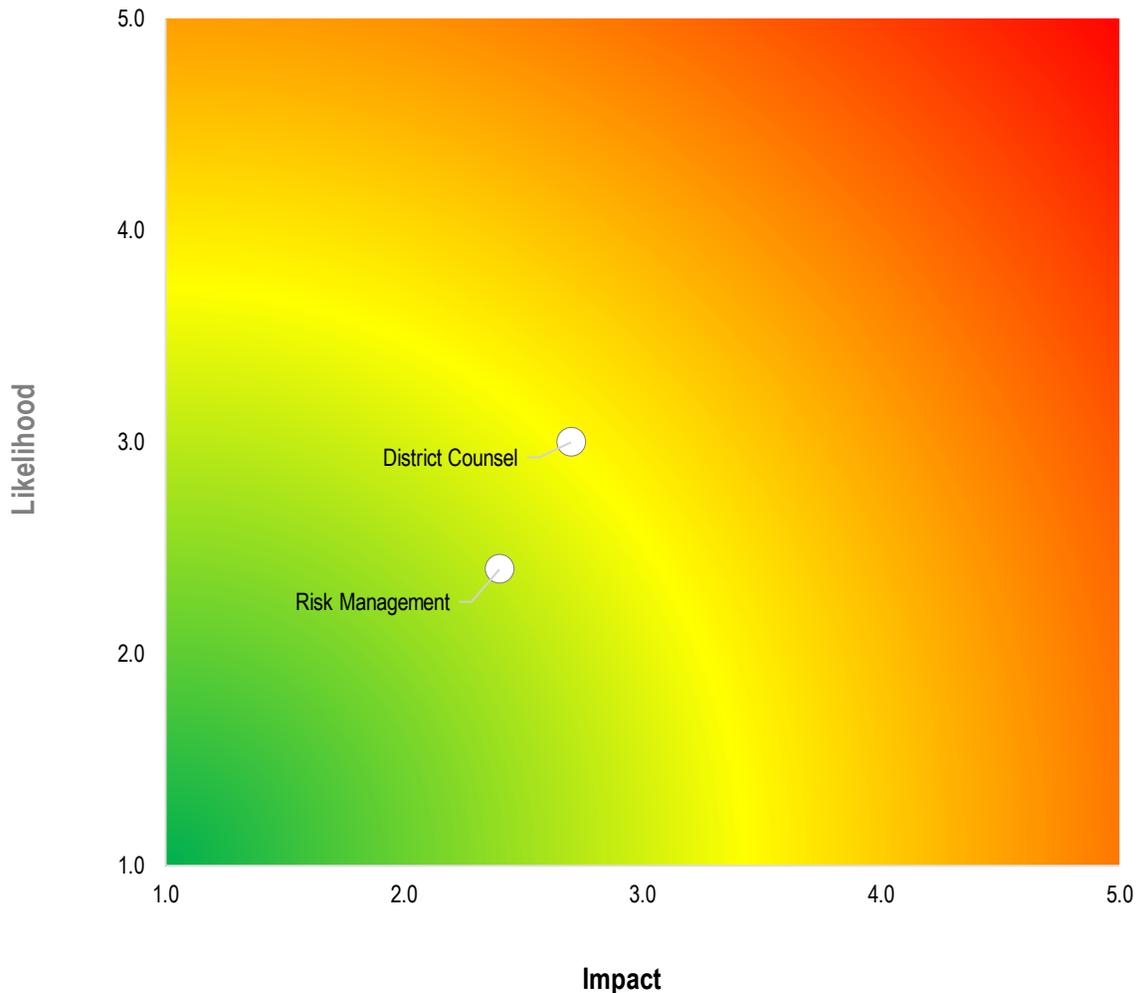
RISK MANAGEMENT UNIT	
<p>The Risk Management Unit at Valley Water is primarily tasked with identifying and evaluating loss exposures to protect the organization's assets. This involves overseeing the Workers' Compensation program and implementing risk retention (self-insurance) and risk transfer (insurance) programs to maximize cost-effective coverage and ensure compliance with Board Governance policies. Additionally, the division is vital in maintaining a proactive stance toward risk management within the organizational structure to mitigate inherent risks effectively.</p>	<p>Budget: \$ 7,783,334 FTE: 3</p> <p>Inherent Risks: Health and safety risks for employees and the public due to inadequate safety protocols; security risks, such as unauthorized access to facilities or sensitive information; adequacy of risk identification and assessment processes; the necessity for heightened compliance awareness, and the effectiveness of risk mitigation strategies; and the effectiveness of risk mitigation strategies.</p>

Notably, a performance audit of the Office of the District Counsel was recently performed in 2020. It identified issues related to the frequency of communication, timeliness of services, and nonuniformity in service delivery; and it recommended implementing an updated operating model, enhancing policy and procedure development, utilizing tools like workflow management, service level agreements, performance management systems, and gathering multi-source feedback assessments to increase satisfaction.

Risk Summary

Overall, the Office of the District Counsel represents relatively low risk in terms of audit priority when compared to other Valley Water departments and programs, as illustrated in the risk ranking in Exhibit 11.

EXHIBIT 11. PROGRAM RISK RATING



Performance audit topics of the Office generally would not focus on the exercise of professional judgment or legal counsel, but would rather focus on the efficiency with which the Office manages resources. This could include internal business processes related to broader District responsibilities (such as risk management, contract review and processing, record retention and public records requests, etc.) and the Office's administration of legal services contracts.

The Office of District Counsel has recently undergone a performance audit, which examined the Office's operations, including Risk Management, suggesting it may be prudent to hold off on another audit of the Office for the immediate future. Nevertheless, this risk assessment revealed the following potential audit objectives:

- 1) Evaluate the Office's business processes and information systems to identify potential inefficiencies or opportunities for improvement in the Office's administrative functions.
- 2) Evaluate risk management practices, including the District's reliance on third-party administrators and service providers, risk retention and transfer evaluations, claims processing, and workplace

health and safety programs, as well as existing workload demands and future opportunities to enhance risk management operations in a growing District government.

Administrative Services

With an approximate Fiscal Year 2023-24 budget of \$107 million—representing approximately 10.96 percent of the District’s overall budget—and 165 FTE positions, the Office of Administrative Services oversees the Emergency, Safety, & Security Division; the General Services Division; the Information Technology Division; and the Human Resources Division. The primary roles of the Office of Administrative Services include supporting the mission of Valley Water—to provide Silicon Valley safe, clean water for a healthy life, environment, and economy—by providing essential business services for Valley Water.

In FY 2023, the Office of Administrative Services cites various accomplishments, including Labor Relations having completed Performance Improvement training for all Managers; the Office of Emergency Services having conducted the Annual Winter Preparedness Workshop with external stakeholders; the Environmental, Health & Safety Services continued and completed multiple facility fall protection engineering projects from the previous fiscal year; the Security Office developed a Security Drone Program; the Construction Contracts and Support Unit from the General Services Division completed the advertisement, bidding, and award of nine capital projects; the IT Division completed the 2019 IT Strategic Plan; and the HR Division updated recruitment and selection processes to incorporate new trends and tools to ensure that it has the ability to recruit a highly qualified and diverse workforce which provided management support for the operational work of the departments.

Directed by a Chief Operating Officer, the Office of Administrative Services is organized into four divisions: Emergency, Safety, & Security Division; the General Services Division; the Information Technology Division; and the Human Resources Division—each of which includes distinct functional units that carry out the work of the division. Exhibit 12 provides a breakdown of each division’s budgeted expenses for Fiscal Year 2023-24.



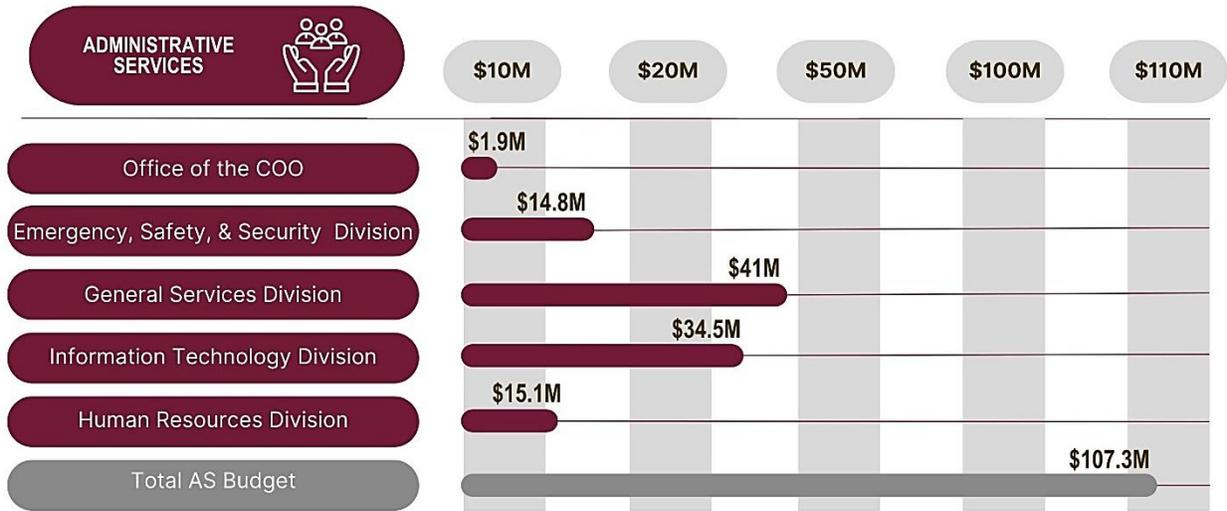
Key Statistics and Responsibilities

FY 2023/24

FTEs:	165		10.96%
Budget:	\$107M		Total Budget \$981M

- IT Management:** Oversees tech, cybersecurity, and data while addressing staffing and tech challenges.
- HR Management:** Manages workforce, compliance, talent, safety, and diversity.
- General Services & Procurement:** Handles procurement, assets, safety, and sustainability.
- Safety & Security Oversight:** Ensures safety, security, and readiness while addressing risks.

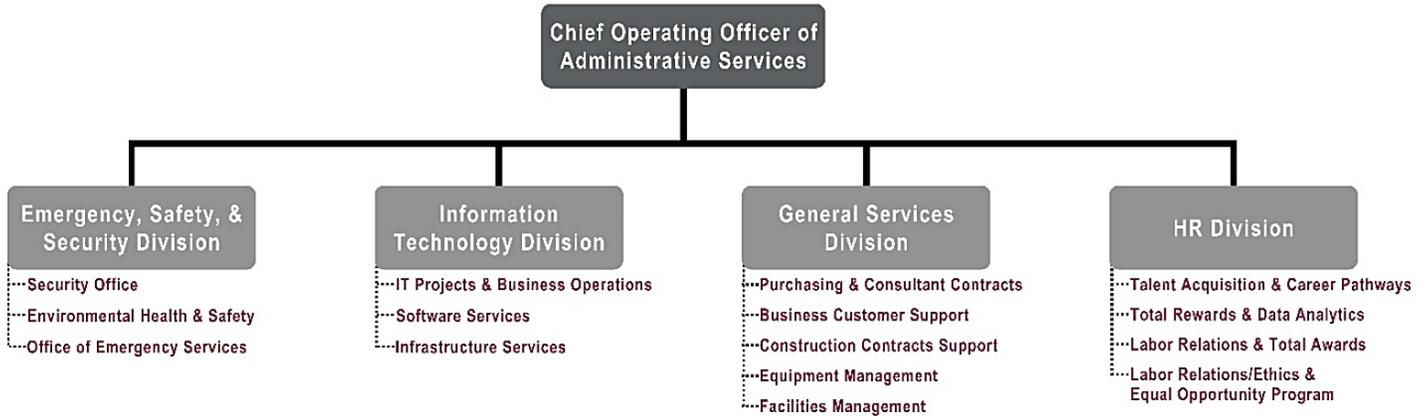
EXHIBIT 12. BUDGET BREAKDOWN BY DIVISION



Source: Fiscal Year 2023-24 & FY 2024-25 Operating and Capital Rolling Biennial Budget

The Office of Administrative Services allocates functional responsibilities to each of the five areas as depicted in Exhibit 13.

EXHIBIT 13. ADMINISTRATIVE SERVICES DIVISION ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

The Office of Administrative Services plays a crucial role in supporting the mission of Valley Water, which is to provide safe, clean water for a healthy life, environment, and economy throughout Silicon Valley. This office is responsible for delivering essential business services to ensure the efficient functioning of the organization. The office oversees multiple units and divisions, including the Emergency, Safety, & Security Division, the General Services Division, the Information Technology Division, and the Human Resources Division. These highly specialized and distinct functions under the umbrella of Administrative Services demonstrates the office's importance and impact on Valley Water's operations and capital programs.

Inherent risks associated with the Office of Administrative Services include the complexity of the responsibilities and functions within the Office; operational risks associated with the efficient execution of critical support functions which could impact the core operations of the District; impacts on employee satisfaction, morale, and productivity; health and safety risks related to safety programs; information technology and cybersecurity risks; and procurement and vendor management risks. Following is an evaluation of key functions or programs within the Office, along with a description of responsibilities, budget, FTEs, and inherent risks.

OFFICE OF THE CHIEF OPERATING OFFICER OF ADMINISTRATIVE SERVICES	
<p>The Office of the Chief Operating Officer (COO) of Administrative Services oversees the General Services division, Human Resources division, Information Technology division, Emergency, Safety & Security division, and Labor Relations department. The COO leads and manages the AS to achieve the Board's Ends Goals and Objectives. This includes providing Administrative Services to leadership, staff, and funding to fulfill the essential functions and responsibilities of the Office. In general, the Office provides for management activities that promote communication, human resources development, budgeting, project efficiencies and process improvement, mentoring and recruitment, and supporting District-wide and special events/efforts that benefit the whole organization.</p>	<p>Budget: \$1,860,646 FTE: 3</p> <p>Inherent Risks: Complexity of the Office's diverse administrative responsibilities, the general operational efficiency of managing a broad and diverse span of control, and strategic risks related to the implementation of organizational goals and objectives.</p>

EMERGENCY, SAFETY, & SECURITY DIVISION	
<p>The Emergency, Safety and Security Division includes the Office of Emergency Services (OES), Environmental Health and Safety Unit (EH&S), and the Security Office (SO). The Division provides a safe and secure environment for Valley Water infrastructure, staff, and facilities, while maintaining a level of preparedness to respond to unplanned incidents and events.</p>	<p>Budget: \$ 14,840,573 FTE: 19</p> <p>Inherent Risks: Health and safety risks for employees and the public; security risks, such as unauthorized access to facilities or other physical assets.</p>

Security Office

The Security Office was allocated a Fiscal Year 2023-24 budget of \$ 7,238,321 for a total of five (5) FTE. This office provides risk-based security capabilities through a preparedness cycle encompassing analysis, development, planning, and verification. Its role involves safeguarding critical infrastructure and personnel against various threats, including terrorism and vandalism, using a guard force, patrols, remote monitoring, and a Security Operations Center. However, it's important to note that the Security Staff and Guard Force do not possess law enforcement powers and are not equipped with firearms, which limits their ability to respond to potential high-order threats effectively. Despite facing challenges relating to the sufficiency of the security office's infrastructure, such as an outdated CCTV and access control system and dealing with

issues related to the unhoused population, the SO serves as a crucial liaison between Valley Water and law enforcement agencies.

Environmental Health & Safety

The Environmental Health & Safety Unit performs a wide range of activities including:

- Workplace Health and Safety, including environmental, health and safety written program development and maintenance, technical and behavioral safety training, incident investigation services, ergonomic evaluations and corrective measures, contractor safety program evaluation, safety inspection and audit services and support, hazard analysis and risk prevention services, fall protection surveys and fall hazard mitigation, OSHA compliance oversight and monitoring, Department of Transportation driver safety program, alcohol and drug abuse prevention and testing services, and industrial hygiene services.
- Hazardous materials management, including storage and disposal management; electronic waste and recycling compliance and annual report submittal; underground and above ground storage tank inspections and permitting; Hazardous Materials Business Plans development and submittal; environmental regulatory facilities permit management; 24/7 hazardous materials emergency response capabilities; Spill Prevention, Control, and Countermeasure Program, which is designed to help prevent the discharge of oil into the water supply; and the California Accidental Release Program, which aims to prevent the accidental release of hazardous substances that could harm the public; among other programs.
- Additionally, the Environmental, Health and Safety Unit responds to requests from customers for specific health and safety services consultation and program assistance to ensure that Valley Water's health and safety programs are functional and sustainable. It also acts as Valley Water's liaison with applicable regulatory agencies when required.

Key inherent risks associated with these roles and responsibilities relate to the health and safety of the public and Valley Water employees, ensuring regulatory compliance regarding the management and control of hazardous substances as well as potential discharge affecting ground and surface water, and managing costs associated with regulatory permit fees, hazardous waste disposal fees, regulatory training costs, and supplies and equipment.

Office of Emergency Services

The Office of Emergency Services Unit is responsible for ensuring comprehensive, integrated, risk-based, emergency management for the personnel and critical infrastructure of Valley Water. Emergency Services manages the Valley Water Emergency Operations Plan, the Business Continuity Program, the FEMA-approved Local Hazard Mitigation Plan, and the development of Stream/Flood Emergency Action Plans. The program is also responsible for maintaining inter-agency relationships, Multi-Agency Coordination systems, Mutual Aid and Emergency Assistance Agreements, managing a Training and Exercise Plan that meets Standardized Emergency Management System (SEMS) and National Incident Management System

(NIMS) requirements, managing a dedicated Emergency Operations Center, and promoting California Office of Emergency Services (CalOES) professional credentialing.

Ultimately, risks associated with the effectiveness of emergency response units are dependent on the extent to which they adhere to best and leading practices in preparing for, responding to, and mitigating the effects of emergencies. This includes mitigating delays in emergency response coordination and communication, adequacy of emergency response plans for water supply interruptions, and ensuring compliance with state and federal emergency management regulations. It also includes seeking accreditation through the Emergency Management Accreditation Program and ensuring adequate emergency and temporary staffing levels to avoid delays and cost overruns.

<h2>Information Technology Division</h2>	
<p>Provides management oversight, leadership and strategic support for Information Technology Infrastructure, Information Security Services, and Software Services, to ensure operational effectiveness and fiscal accountability. The Information Technology Division serves the technology needs of Valley Water. The division delivers and maintains key information technology services that meet current and future needs of Valley Water. The division also provides oversight of effectiveness, efficiency, and implementation of major Information Technology initiatives.</p>	<p>Budget: \$ 34,798,353 FTE: 39</p> <p>Inherent Risks: Maintaining cost-efficiency and compliance; improper use of data; the internet of things (IoT) vulnerability; system failures; cybersecurity; reliability and functionality of systems and applications; ensuring proper controls over sensitive assets and data; effective disaster recovery; risks, including data breaches and cyber-attacks; ensuring infrastructure is designed to meet current and future needs of employees, customers, and the public. Staffing challenges arise from both limited human resources and a significant burden of technical debt, primarily driven by the necessity to support legacy, outdated, and redundant applications. These challenges are further compounded by the extensive overlap among various projects, highlighting the critical requirement for centralized IT governance and project approval processes.</p>

Information Technology Projects & Business Operations

The Information Technology Projects and Business Operations Unit is responsible for project management, strategic planning and alignment, complex analysis, program development, compliance, policy development, budget, and reporting and financial planning. It ensures innovative technologies are effectively utilized across the organization; prioritizes and sequences technology projects; and leads, plans, oversees and participates in the more complex and difficult work of staff responsible for providing administrative, human resources, financial, and compliance support to the Information Technology division.

With these roles and responsibilities, the inherent risks include risks associated with Information Technology project management, including scope creep and budget overruns; data breaches or cyberattacks that could compromise sensitive customer and operational data; business continuity planning and disaster recovery for IT systems.

Software Services

The Software Services Unit develops (where appropriate), supports, and maintains Valley Water’s business applications. These include Valley Water’s Enterprise Resources Planning (ERP) system (Infor), work and asset management system (Maximo), project management system (ProjectMates), resource management system (Vemo), geographic information system (GIS), in-house applications, and the Valley Water’s internet and intranet, among many other enterprise-wide or limited use systems.

With these roles and responsibilities, the inherent risks include risks related to software development and customization for critical water management systems; software vulnerabilities and patch management; and ensuring software compliance with regulatory standards.

Infrastructure Services

The Infrastructure Services Unit is responsible for implementing and maintaining the network and data-center infrastructure, cybersecurity posture, telephone systems, communications systems, tablets, workstations, and connectivity (e.g., servers, networks, WIFI, etc.). This unit maintains a help desk and serves as the first point of contact for staff to report issues; troubleshoots, resolves issues, and escalates more significant concerns; and supports Audio/Visual needs enterprise-wide, including the Board Room.

With these roles and responsibilities, the inherent risks include cybersecurity, both with respect to Valley Water’s own infrastructure and the many independent cloud-based solutions currently employed by the District. It also includes risks related to the maintenance and security of critical IT infrastructure; system downtime and its impact on water supply and customer service; and infrastructure scalability to accommodate growth and changing technology needs.

General Services Division	
The General Services Division is responsible for purchasing of goods and consultant services, construction contract award and compliance, facility and fleet management, business support, and warehouse services in support of Valley Water’s mission and operational needs.	Budget: \$ 40,994,675 FTE: 71 Inherent Risks: Procurement and vendor management risks, including procurement fraud and conflicts of interest.; inventory and asset management risks, including misplacement or loss of assets; ensuring competitive and transparent bidding processes; vendor performance and contract compliance; delays and cost overruns in construction projects; quality control and safety risks in construction; compliance with safety standards for equipment operation; maintenance and safety risks related to district facilities; and energy management and sustainability initiatives.

Purchasing & Consulting Contracts Services Unit

The Purchasing & Consulting Contracts Services Unit provides strategic and technical sourcing for the purchase and acquisition of all goods, services, consulting services and contracts; manages the competitive solicitations for all procurements, including goods and general services, as well as professional

services; and provides guidance related to contract administration and support. As part of this responsibility, General Services also manages Valley Water's Small and Local Business Enterprise Program, which conducts outreach for consultant contracts to tap into the community for small and local business opportunities.

With these roles and responsibilities, the inherent risks include ensuring the availability of efficient and effective procurement and contracting vehicles to meet the needs of Valley Water programs; ensuring the most competitive price for high-quality goods or services, transparency in purchasing decisions, and compliance with relevant laws and regulations; ensuring proper segregation of duties between purchasing and accounts payable functions; ensuring compliance with requirements related to supplier diversity while promoting opportunities for small and local businesses; and avoiding potential conflicts of interest and other forms of fraud, waste, or abuse.

Construction Contracts Support Unit

The Construction Contracts Support Unit is responsible for the development and solicitation of Valley Water's construction contracts, which are typically structured as design-bid-build contracts; providing analytical support for both Water Utility Enterprise and Watershed capital projects; assisting with status reporting related to the contracts; and ensuring labor compliance of construction contractors during construction. With these roles and responsibilities, the inherent risks include potential inefficiencies or delays in contracting that could lead to project delays, the potential that contract language could fail to provide a sound basis for controlling costs or otherwise protecting the interests of the District, and the potential the contract vehicles available to the District are not sufficient to meet Valley Water's needs.

Notably, a Contract Change Order Audit was recently performed in 2019. It identified change order management and administration activities for extremely large capital construction projects as areas of risk and recommended various improvements, including requiring Independent Cost Estimates, establishing a separate advisory body for change order approval, enhancing constructability reviews, centralizing procurement activities, and developing a Resource Services Office (RSO) to support project and construction managers and promote uniform implementation of change order management across all capital projects.

Equipment Management Unit

The Equipment Management Unit is responsible for procuring, maintaining, and managing a fleet of passenger and utility vehicles for use by Valley Water employees; maintaining an inventory of Class IV equipment (construction materials such as fortification and barrier materials), handheld equipment, and other non-information technology tools and assets used by the Water Utility and Watershed operations. Inherent risks include maintaining adequate internal controls over vehicle and maintenance assets; ensuring competitive procurement for all assets; and ensuring an effective preventive maintenance program; and controlling all assets in a manner that prevents theft or misuse.

Facilities Management Unit

The Facilities Management Unit seeks to provide a safe and well-maintained work environment in all facilities owned by Valley Water, apart from water utility facilities. This includes providing customer service

and core maintenance functions such as building repairs, heating, ventilation, air conditioning, plumbing, electrical, life safety, elevator services, and janitorial services. Inherent risks associated with this responsibility include maintaining facilities in a responsive, timely, and cost-effective manner; controlling high-risk assets (tools, equipment, etc.); energy management and sustainability initiatives; workforce safety; managing cost increases stemming from emergency repairs, as well as controlling costs to ensure allowability and avoid cost over-runs; and maintaining an asset inventory system that is up-to-date and reflects reasonably accurate condition assessments of facilities sufficient to enable an effective preventive maintenance program. Like many facilities maintenance programs, deferred maintenance remains a concern.

Business Customer Support & Warehouse Unit

The Business Customer Support & Warehouse Unit provides operational support including staffing the public counter and managing cashiering operations, the switchboard, mail delivery, reprographic, word processing and forms, and inventory control services. It also serves as the central receiving and distribution point for the organization and manages the central stores / warehouse operation as well as distributed storage locations. With these roles and responsibilities, the inherent risks include risks related to customer service; inventory management and control, including the prevention of theft or misuse of Valley Water assets; and timely and accurate fulfillment of customer requests.

Human Resources Division	
<p>The Human Resources Division is responsible for planning, managing, directing, and coordinating the staff and operations to provide Valley Water assistance in the areas of human resources. The Division includes four (4) functional units and eight (8) distinct programs. Human Resources is responsible for strategic planning; identifying workforce requirements needed to achieve goals; analyzing trends with data analytics; ensuring compliance with local, state, and federal regulation; administrative responsibilities (e.g., employee benefits, employee records); employee development; creating an inclusive work culture that thrives on a diverse workforce; succession planning; and maintaining and updating Human Resource policies that comply with the law and meet organizational goals.</p>	<p>Budget: \$ 15,038,569 FTE: 31</p> <p>Inherent Risks: Effectively recruiting, developing, and retaining a talented workforce that meets Valley Water’s needs today and in the future; promoting a culture that fosters a work environment conducive to Valley Water’s mission and a safe and healthy work environment; and ensuring compliance with employment laws and regulations.</p>

HR Business Services Unit

The HR Business Services Unit is responsible for updating Human Resource policies, procedures and quality assurance/quality control documents that are currently outdated and will provide dedicated recruitment sourcing services through targeted outreach, developing outreach lists for each classification, and utilizing software solutions to expand recruitment efforts. With these roles and responsibilities, the inherent risks include risks related to HR administration and record-keeping; compliance with labor laws and regulations; and data security and privacy of HR information.

Labor Relations / Ethics & Equal Opportunity Program

The Labor Relations / Ethics & Equal Opportunity Program (EEO) Unit promotes a proactive and positive labor relations program, in compliance with legal mandates, negotiated agreements, and constructive

management principles. Labor Relations represents Valley Water management in all matters involving matters covered under collective bargaining agreements and employee relations involving represented employees. Labor Relations negotiates, interprets, applies, and enforces contracts and regulations, and acts as a resource in the areas of administrative policies and procedures. This program also interprets memoranda of understanding (MOU's) and bargain with labor representatives; conducts EEO investigations; and ensures alignment with ethics. With these roles and responsibilities, the inherent risks include labor relations risks, including labor dissatisfaction, disputes or strikes; ethical concerns and conflicts of interest; ensuring equal opportunity; and compliance risks concerning adherence to labor laws and regulations.

Total Rewards & Data Analytics Unit

The Total Rewards & Data Analytics Unit provides recommendations utilizing multiple data types, business knowledge, and strategic assumptions in addition to data-generated resources to produce decision-making. With these roles and responsibilities, the inherent risks include risks related to employee compensation and benefits; data security and privacy in compensation data; and compliance with reporting requirements.

Benefits & Wellness Program

The Benefits & Wellness Program is responsible for the administration of employee and retiree benefit plans, conducting new hire orientations and separations, processing payroll and HR transactions, and administration of the award-winning Wellness Program (includes fitness reimbursement, ongoing employee education on overall various health initiatives, annual wellbeing fair, lunch and learns, employee rewards, etc.). With these roles and responsibilities, the inherent risks include risks related to employee health and wellness initiatives; benefits administration and compliance with healthcare regulations; and program effectiveness in promoting employee well-being.

HRIS Administration & Data Analytics Program

The HRIS Administration & Data Analytics Program utilizes a Human Resources Information System to record, store, and manage employee data such as payroll, benefits, performance reviews, and training records. With these roles and responsibilities, the inherent risks include risks related to HR information systems, including data security; data analytics accuracy and compliance with privacy regulations; availability and reliability of HR data for decision-making.

Classification & Compensation Program

The Classification & Compensation Program conducts classification reviews, pay practices, salary surveys, annual equity reviews, and the development of incentive programs. With these roles and responsibilities, the inherent risks include risks related to job classification and compensation structures; compliance with wage and hour laws; and ensuring equitable compensation practices.

Talent Acquisition

Within the Talent Acquisition & Career Pathways Unit, Human Resources is responsible for recruiting and developing Valley Water's workforce. This includes administering all recruitment and examination activities for Valley Water positions; facilitating the selection and hiring processes designed to fill vacant positions;

leading and directing internship programs designed to introduce individuals to the work of Valley Water, which may lead to future employees; administering the temporary staffing program; and partnering with community organizations and colleges for workforce planning.

Inherent risks associated with this responsibility is the potential for unsuccessful talent acquisition and management resulting in a District workforce that does not meet the needs of Valley Water, its customers, or the public; unfair interviewing, selection, or hiring practices or favoritism, diminishing District goals related to diversity, equity, and inclusion; diversity in hiring and promotion; compensation levels that are insufficient to attract, retain, and motivate a talented and qualified workforce; a classification system that fails to facilitate the hiring of entry-level positions and the development of the District's future leaders; and the potential that background check practices fail to indicate problematic histories of candidates.

Workforce Development Program

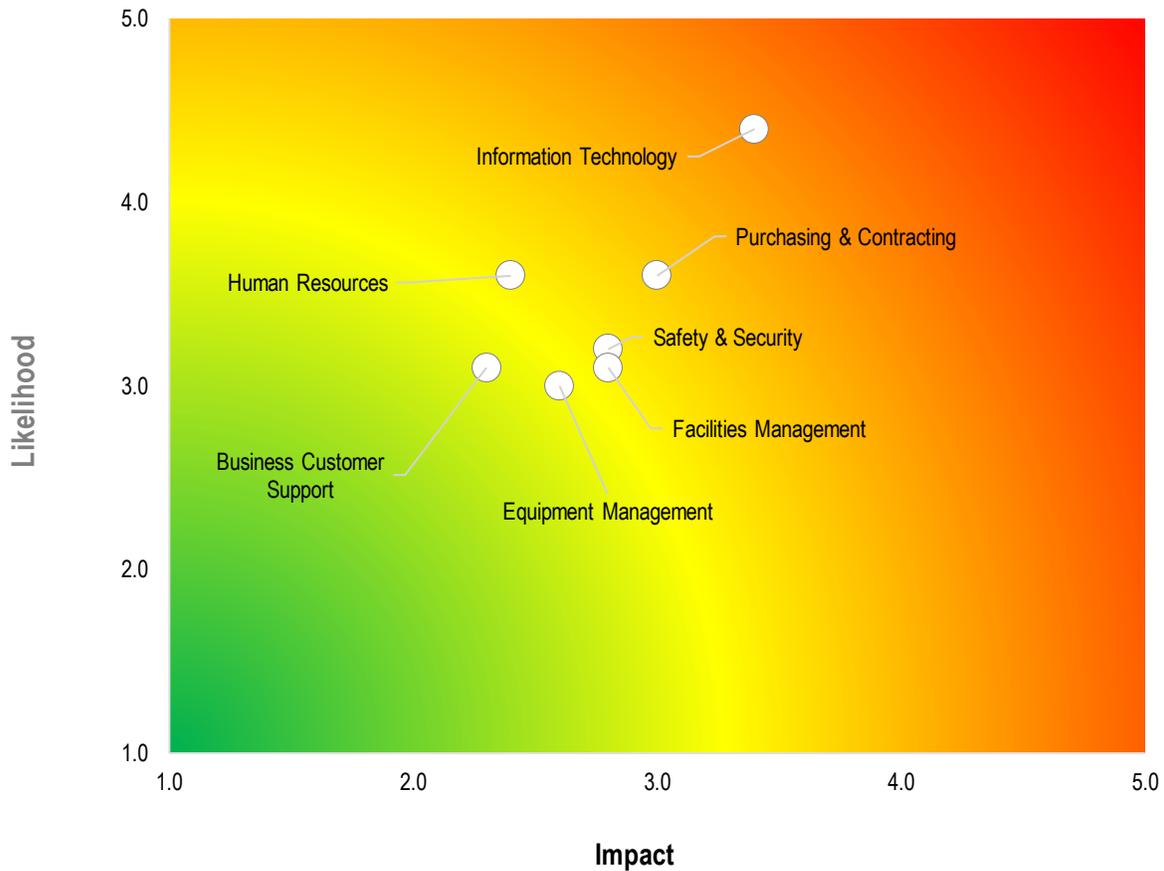
Also, within the Talent Acquisition & Career Pathways Unit, Human Resources is responsible for facilitating the development of Valley Water's future workforce. Its Workforce Development Program helps to guide employees' into the future by administering workforce development and succession planning, developing long-term recruitment strategies within the community, providing technical and non-technical training programs, assessing the needs of Valley Water employees and career goals, identifying current and future business needs, promoting professional development, administering the District's performance evaluation program, and administering wellness activities and events. This Unit is also responsible for developing and administering the NextGen Program, which seeks to develop the next generation of water professionals, the Career and Technical Education (CTE) program, and a roadmap to connect high school and college students to future career goals.

With these responsibilities, inherent risks include consistency in training among divisions; coordination of work-specific or technical training provided by divisions and general workplace training (e.g., supervision, leadership development, skills enhancement, and mandatory training programs) provided by Human Resources to ensure an effective holistic workforce development program; resistance to change; and the potential for misalignment between workforce development and succession plans and Valley Water's strategic goals and objectives.

Risk Summary

Based on this assessment, we find that all key programs and divisions within Administrative Services represent moderate- to high-risk. Districtwide, management expressed general satisfaction with the District's information systems and other business areas within Administrative Services, but also noted opportunities for improvement. Program areas throughout Valley Water depend on Administrative Services in nearly everything they do—recruiting staff to perform critical work, procuring goods and services needed to perform critical tasks, managing the physical assets needed to maintain Valley Water's infrastructure, providing the information systems needed to facilitate and support staff's work, etc. The transactional nature of much of Administrative Services' work, its control of significant physical assets, and its role in procuring goods and services (and expending District monies), all contribute to risk rating that warrant performance audit resources. In Exhibit 14, we illustrate the relative risk ratings of Administrative Service's operating divisions.

EXHIBIT 14. PROGRAM RISK RATINGS



This risk assessment revealed the following potential audits and objectives:

- 1) Information technology is generally considered to be a moderate- to high-risk function in any government organization, and recommended performance audits typically focus on:
 - a. Cybersecurity and network hygiene;
 - b. Data management protocols;
 - c. Customer service efficiency;
 - d. Disaster recovery planning;
 - e. Cost-effectiveness of operations, including contracting and purchasing; and
 - f. Information technology project management policies, processes, and practices, and the consistency of the IT Department’s efforts with best practices.

- 2) Determine whether the District’s human resources management activities are consistent with industry standards; sufficient to ensure compliance with federal, state, and local laws and regulations; effective in attracting, retaining, and motivating a highly talented, qualified, and effective workforce; and appropriately resourced and right-sized for Valley Water. This should

include key elements of human resources management, such as policies and procedures related to and its administration of the following:

- a. Hiring and recruiting;
 - b. Classification and compensation;
 - c. Employee recordkeeping;
 - d. Human Resources Information System functionality and system controls;
 - e. Employee relations and performance management;
 - f. Benefits administration;
 - g. Workplace investigations;
 - h. Professional and workforce development, training, and succession planning;
 - i. State and federal compliance.
- 3) The administration of compensation practices to ensure employer costs are appropriately controlled by determining whether benefit enrollment processes appropriately control employee enrollment and cost-sharing, including the verification of dependent eligibility, and the recording of employee compensation within Infor to ensure compensation (including bonuses and other differential pay) are appropriately approved and authorized.
 - 4) Cashiering processes, including those performed through differing information and cashiering systems, the impact that staff turnover has had on cashiering operations, and the role of Finance and Administration in ensuring adequate internal and system controls associated with each.
 - 5) Valley Water's facilities maintenance program, including evaluating the Department's ongoing control, monitoring, assessment, and maintenance of Valley Water facilities and properties to identify opportunities to enhance efficiencies and protect District assets.
 - 6) Valley Water's equipment management program, including determining the extent to which the acquisition, maintenance, and control of equipment and fleet vehicles are performed in a manner consistent with best practices, controls over sensitive assets are effective to prevent misuse, routine and preventive maintenance is performed in accordance to acceptable guidelines, the potential for abuse of District vehicles/fuel/equipment is appropriately mitigated, and practices are both efficient and effective.
 - 7) The overall efficiency of the Emergency, Safety, & Security Division, and the extent to which the Division carries out its responsibilities in a manner consistent with best practices and regulatory requirements.
 - 8) Warehouse operations, including the processes and protocols for inventory acquisition and management, conducting inventory audits, and otherwise controlling assets held in inventory, and the efficiency and effectiveness of such processes.
 - 9) The practices of the Business Customer Support program, including its business and workload management practices, to identify potential inefficiencies or opportunities for improvement in the program's operational activities and administrative functions.

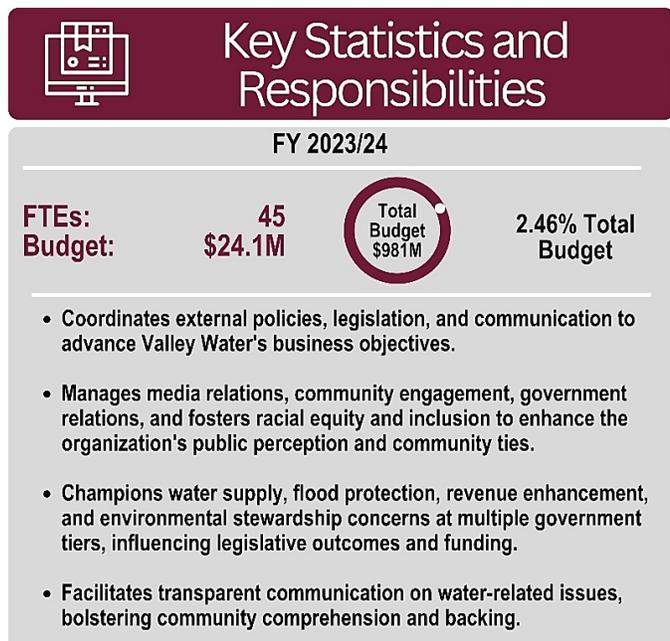
- 10) Procurement activities, including General Services' practices relating to the following:
- Ensuring consistency with Valley Water policies, procedures, and other relevant guidance;
 - Proper segregation of duties with accounts payable functions and operational activities;
 - Consistency with best practices;
 - Efficiency in executing procurements in a manner that meets districtwide needs;
 - Timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
 - Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies, professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and
 - Benchmarking research, including the extent to which Valley Water's procurement practices compare with other public sector agencies.

External Affairs

With an approximate budget for the Fiscal Year 2023-24 year of \$ 24.1 million—representing 2.46 percent of the District's overall budget—and 45 FTE positions, External Affairs is managed by a Chief Operating Officer who reports directly to the Chief Executive Officer. External Affairs is responsible for overseeing and coordinating strategic external affairs initiatives, encompassing the Office of Communication, Office of Civic Engagement, Office of Government Relations, and Office of Racial Equity, Diversity, and Inclusion.

The primary roles of External Affairs include actively planning, integrating, and executing external policies, legislation, and communication efforts to address Valley Water's business interests, encompassing media relations, community engagement, government relations, and the promotion of racial equity and inclusion.

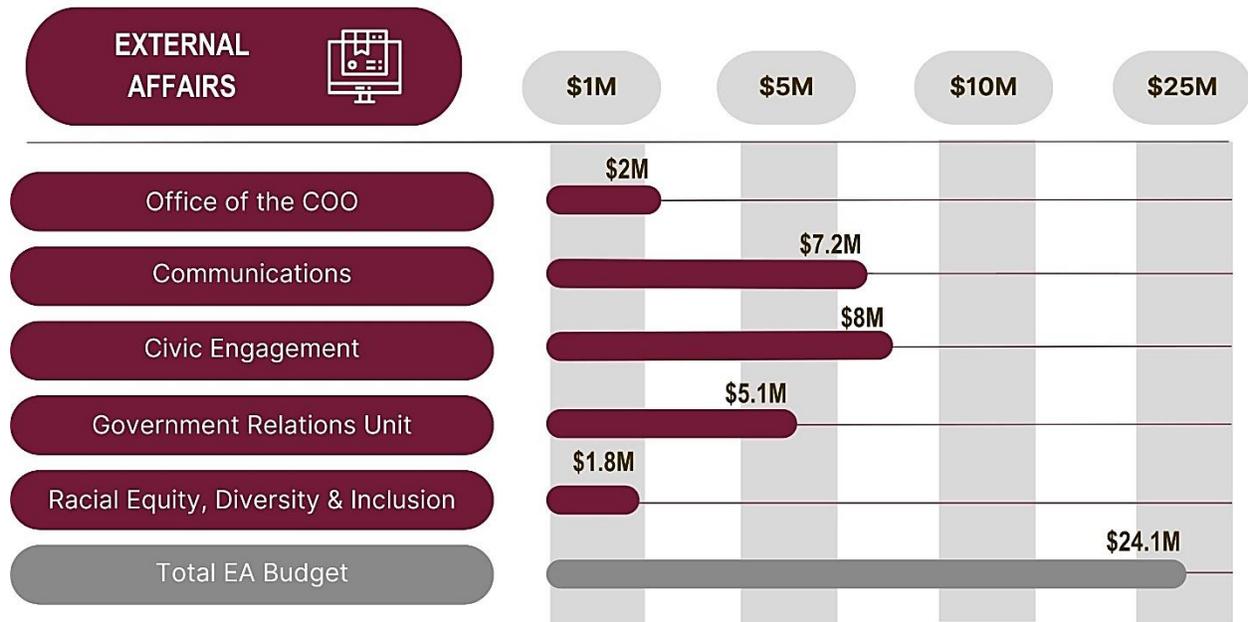
In Fiscal Year 2023, External Affairs cites various accomplishments, including welcoming employees' return to in-person work through over 25 employee resource group-led events, including lectures, cultural celebrations, volunteering, and networking events. Employees enjoyed these opportunities to reconnect with peers after COVID-19. Over 1,100 participants attended these events through Q3; launched two new pilot DEI capacity-building trainings: Conscious Conversations and Uncovering Racism; and adopted first-



time resolutions acknowledging: Filipino American History Month (October), German American Heritage Month (October), Italian American Heritage Month (October), Polish American Heritage Month (October), International Holocaust Remembrance Day (January), Lunar New Year (February) and Genocide Remembrance Day (April).

External Affairs is organized into five units: The Office of the Chief Operating Officer of External Affairs, Office of Communication, Office of Civic Engagement, Office of Government Relations, and Office of Racial Equity, Diversity, and Inclusion. Exhibit 15 provides a breakdown of each unit's budgeted expenses for Fiscal Year 2023-24.

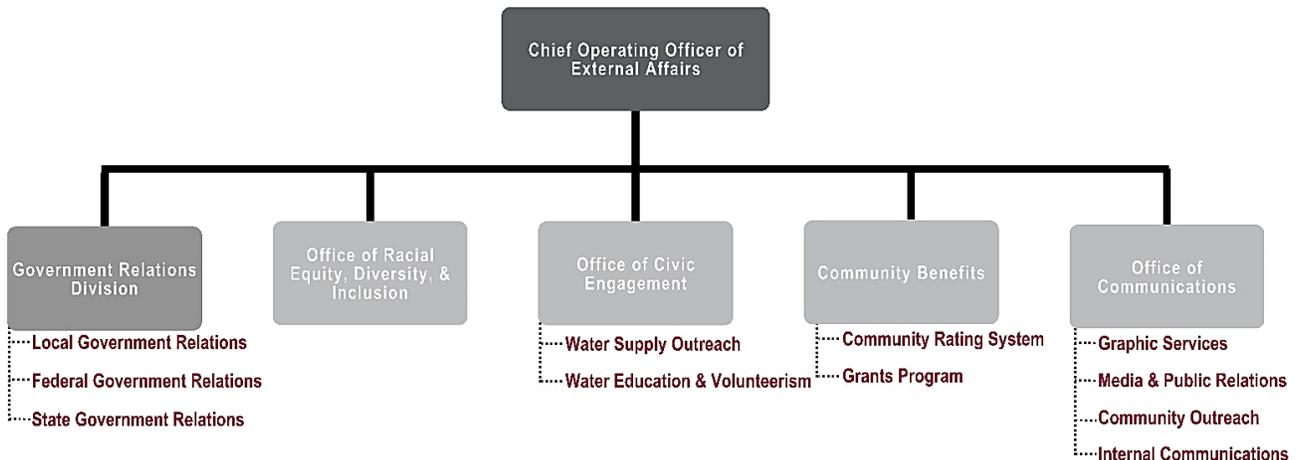
EXHIBIT 15. BUDGET BREAKDOWN BY UNIT



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

External Affairs allocates functional responsibilities to each of the five areas as depicted in Exhibit 16.

EXHIBIT 16. OFFICE OF EXTERNAL AFFAIRS ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

The Office of External Affairs is vital to Valley Water's strategic operations, overseeing and coordinating various external affairs initiatives. External Affairs comprises units such as Communication, Civic Engagement, and Racial Equity, Diversity, and Inclusion, as well as the division of Government Relations. Its primary role involves strategic planning and integration of external policies, legislation, and communication efforts to address Valley Water's business interests, including media relations, community engagement, government relations, and promoting equity and inclusion.

Integrating diverse units, such as Communication, Civic Engagement, Government Relations, and Racial Equity, Diversity, and Inclusion, reflects the District's commitment to fostering inclusivity, promoting equity, and addressing community needs. However, the wide range of functions within External Affairs may also pose challenges regarding coordination and resource allocation. Ensuring effective communication and collaboration among units can be complex, potentially leading to inefficiencies or overlapping efforts. Additionally, the Office of Racial Equity, Diversity, and Inclusion's success in promoting a diverse workforce and addressing environmental justice relies on the commitment and involvement of all stakeholders across the organization. Failure to prioritize equity initiatives could hinder progress and impact the District's reputation and social standing.

Inherent risks associated with the External Affairs include strategic risks related to the development and implementation of external affairs plans and initiatives; regulatory and compliance risks due to the changes in legislation and government policies, risks associated with insufficient progress in promoting diversity and inclusion within the District's operations; the effectiveness of civic engagement strategies in connecting with the community; and communication risks related to the accuracy, timeliness, and transparency of information shared with stakeholders. Following is an evaluation of key functions or programs within the Office, along with a description of responsibilities, budget, FTEs, and inherent risks.

Office of the Chief Operating Officer of External Affairs	
<p>External Affairs is responsible for programs that increase employee and community awareness and engagement on Valley Water programs, projects, and challenges. External Affairs provides the strategic planning and integration of external policies and legislation as it relates to the business interests of Valley Water and is responsible for managing Valley Water's relationships with the community, government officials, the media, and other key stakeholders. External Affairs is also responsible for managing racial equity, diversity, and inclusion efforts.</p>	<p>Budget: \$ 1,993,349 FTE: 5</p> <p>Inherent Risks: Strategic risks related to the development and implementation of external affairs plans and initiatives.</p> <p>Reputational risks arising from external affairs decisions that may be controversial or negatively perceived by stakeholders.</p>

Office of Civic Engagement Unit

Through collaborations, educational initiatives, community service options, and grant programs, the Office of Civic Engagement (OCE) actively fosters connections with the community. Its primary aim is to establish a solid foundation of trust and support for Valley Water's objectives and mission. OCE is responsible for managing several key programs, including the Safe, Clean Water Grants & Partnerships Program, Public Art initiatives, Education Outreach efforts, the Water 101 Academy/Ambassadors Program, Creek Stewardship projects, Water Supply Outreach activities, and the Community Rating System. Additionally, OCE provides programmatic oversight and coordination for the Board Advisory Youth Commission and the Low-income Residential Water Rate Assistance Program.

Budget: \$ 7,959,139

FTE: 13

Inherent Risks: Strategic risks related to the effectiveness of civic engagement strategies, ensuring these strategies genuinely resonate with diverse community members, are crucial to maintaining public trust and credibility. Additionally, community engagement can be challenging, given the need to navigate potential conflicts and competing interests within local communities. OCE also faces risks associated with flood insurance ratings; failure to meet rating criteria could result in reduced discounts for flood insurance, affecting the community. Lastly, budget constraints may limit OCE's outreach and engagement efforts, necessitating effective resource management to fulfill its mission despite potential financial limitations.

Water Supply Outreach Program

The Water Supply Outreach Program focuses on raising public awareness about water supply issues, engaging with the community through events and programs, and building relationships with local governments. Challenges include effectively communicating complex water supply topics to diverse audiences and addressing potential resistance or misunderstandings.

Water Education & Volunteerism Program

The Water Education & Volunteerism Program is responsible for educational outreach programs and fostering community engagement through volunteer opportunities. Challenges involve maintaining sustained interest and participation in educational initiatives and coordinating volunteers effectively for various water-related projects.

Community Benefits Program

The Community Benefits Program works on initiatives to benefit local communities through projects, partnerships, and outreach efforts. Challenges may include balancing the diverse needs and expectations of different communities and ensuring equitable distribution of benefits.

Community Rating System Program

The Community Rating System Program manages efforts to raise community awareness about flood risks and encourages participation in the Community Rating System for potential flood insurance discounts. Challenges include maintaining effective communication channels among key stakeholders and the public, as well as promoting active participation.

Office of Government Relations Unit

The Office of Government Relations advocates at the local, regional, state, and federal levels to promote and advance the water supply, flood protection, revenue enhancement, and environmental stewardship interests of Valley Water and the residents of Santa Clara County, in alignment with the Board’s legislative priorities. Government Relations serves as the internal and external connection for legislation, development of strategic support and opposition, and supplemental funding opportunities for Valley Water.

Budget: \$ 5,118,321 **FTE:** 10
Inherent Risks: Regulatory and compliance risks due to changes in legislation and government policies. Advocacy risks associated with the representation of the District’s interests to government entities.

Local Government Relations Program

The Local Government Relations Program focuses on fostering positive relationships with local government bodies to advocate for water-related projects and initiatives. Challenges may involve navigating competing interests and aligning district goals with local priorities.

Federal Government Relations Program

The Federal Government Relations Program advocates for federal funding and support for district projects, managing relationships with federal agencies and legislators. Challenges include coordinating efforts at the federal level and addressing regulatory hurdles.

State Governmental Relations Unit

The State Governmental Relations Unit is responsible for advocating for district interests at the state level, securing funding and permissions for projects. Challenges include managing relationships with state officials and navigating the complexities of legislative processes.

Racial Equity, Diversity, and Inclusion Unit

The Office of REDI serves to strengthen and expand Valley Water’s ability to deliver innovative services through the development, implementation, and oversight of policies to advance equity, diversity, and inclusion (DEI) efforts. Through collaborations with internal stakeholders, REDI works to help attract, retain, and promote a diverse and talented workforce. REDI also helps to promote environmental justice externally to all the communities Valley Water serves, and fosters engagement with local tribal communities. REDI initiates DEI training efforts and hosts cultural speaker engagements to increase staff awareness of underserved communities. REDI also serves to guide and support the work of Valley Water’s Employee Resource Groups, of which memberships to a chartered Valley Water ERG is free and open to all employees

Budget: \$ 1,757,075 **FTE:** 4
Inherent Risks: Risks associated with insufficient progress in promoting diversity and inclusion within the District’s operations. Reputational risks if the unit’s efforts are perceived as insincere or inadequate by stakeholders.

The Racial Equity, Diversity, and Inclusion Unit was established in Fiscal Year 2020-21 to provide expertise and leadership in the areas of employee relations, employee engagement, diversity and inclusion, and

workplace culture—and to do so from a perspective dominated by the principles of diversity, equity, and inclusion. Since it was established, the role of the Unit has evolved from an internal focus on DEI initiatives to a more externally focused equity assurance effort, guided by the Strategic Master Plan and Equity Action Plans. Key challenges include continuing to refine the unit’s role respective to the District as a whole.

Office of Communications Unit	
<p>The Office of Communications informs, engages, and educates the community, including Valley Water employees, on water conservation, water supply and quality, flood protection and environmental stream stewardship efforts. Communications provides timely responses to media inquiries on relevant topics. Through social media platforms, marketing campaigns and public relations efforts, Communications highlights the work of Valley Water and its Board of Directors.</p>	<p>Budget: \$ 7,274,122 FTE: 15</p> <p>Inherent Risks: Communication risks related to the accuracy, timeliness, and transparency of information shared with stakeholders. Crisis communication risks if the District faces reputational challenges or public incidents.</p>

Graphic Services

The Graphic Services Program handles visual design and collateral creation for various departments, ensuring consistent branding and effective communication. Challenges may involve managing design requests from different teams and delivering high-quality materials within tight deadlines.

Media & Public Relations

The Media & Public Relations Program is responsible for managing the District's media presence, responding to press inquiries, and promoting district initiatives. Challenges include maintaining a positive public image and effectively addressing media inquiries during crisis situations.

Community Outreach

The Community Outreach Program engages with the community through various programs and initiatives to raise awareness about water-related issues and encourage participation. Challenges include sustaining community interest and involvement over time.

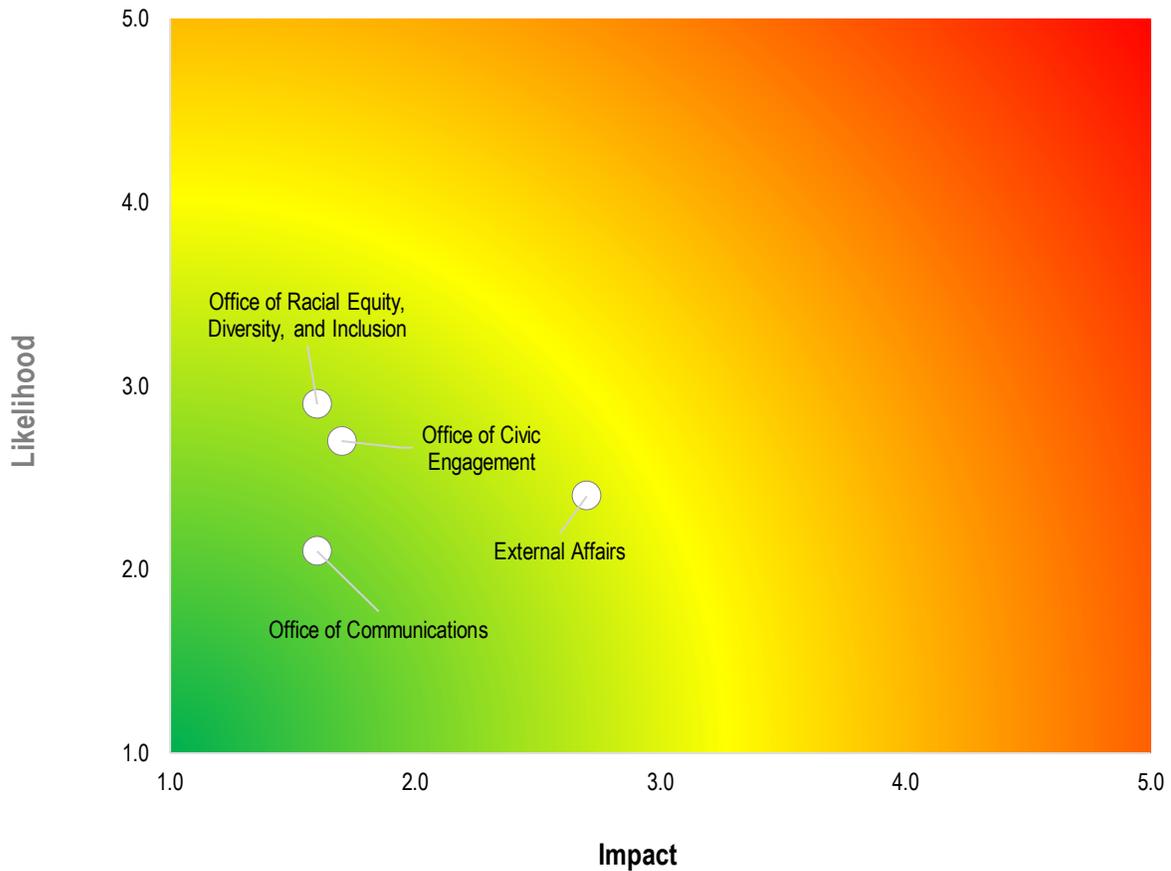
Internal Communications

The Internal Communications Program is responsible for communication within the organization, including employee engagement, events, and surveys. Challenges involve ensuring transparent and effective communication across different departments and addressing employee concerns and feedback.

Risk Summary

The Office of External Affairs has a relatively low budget and FTE allocation when compared to other Valley Water departments, and generally represents relatively low risk when compared to other departments based on our assessment of a variety of risk factors. Despite this, External Affairs is in many ways the public face of Valley Water. Because of this, the potential benefits of a performance audit of External Affairs are likely to be in assessing the overall efficiency and effectiveness of the Office’s day-to-day operations. In Exhibit 17, we illustrate below the risk rankings of each unit or program area in relation to one another.

EXHIBIT 17. PROGRAM RISK RATINGS



This risk assessment revealed the following potential audit objective:

- 1) Evaluate the Office’s business processes, information systems, and workload management practices to identify potential inefficiencies or opportunities for improvement in the Office’s operational activities and administrative functions.

Office of Financial Planning and Management Services

With an approximate Fiscal Year 2023-24 budget of \$98.5 million—representing 9.6 percent of the District’s overall budget—and 47 FTE positions, the Office of Financial Planning and Management Services (Finance) is managed by Valley Water’s Chief Financial Officer. Finance executes, records, and/or reconciles all financial transactions of the District (including the collection, receipt, disbursement and accounting of all monies received in accordance with Generally Accepted Accounting Principles), provides analyses and recommendations on decisions brought forth by operations, prepares and develops financial statements and other financial programs, manages and invests cash assets of the District, issues and manages debt instruments, prepares and manages the District’s budget, conducts financial analysis and forecasting, coordinates all external and internal audits, establishes controls that minimize financial risks, and drives organizational change through a robust continuous improvement program. Finance staff also

serve as the primary advisors to the Chief Executive Officer and the Board of Directors in financial planning and advice.

In Fiscal Year 2023, Finance cites various accomplishments, including having delivered the PERS/OPEB update to the Board on March 14, 2023; presented 30-year forecast to the Board on March 28, 2023, per Board request; and established a repository for Board and management directed audits conducted in the past 10 years. Prior audit work has also noted generally sound revenue forecasting models, which serve as a basis for determining resources available for planned operating and capital expenditures.

Finance is organized into five units: the Office of the Chief Financial Officer; Treasury, Debt, & Grants Management Unit; General Accounting Unit; Budget & Financial Analyses Unit; and the Financial Planning and Revenue Collection Unit. Exhibit 18 below is a breakdown of each divisions budgeted expenses for Fiscal Year 2023-24.

Key Statistics and Responsibilities

FY 2023/24

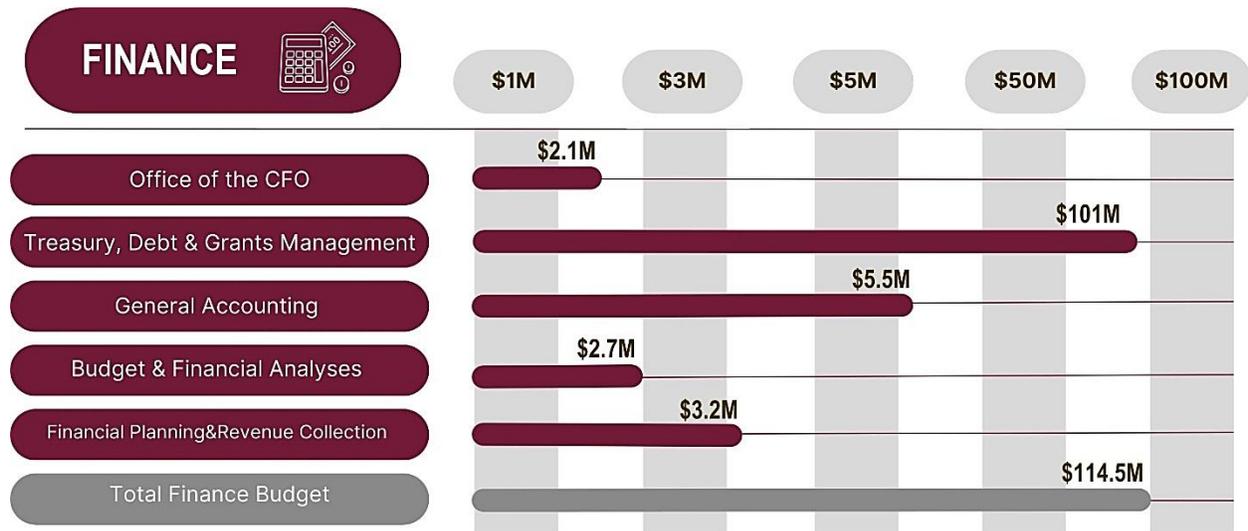
FTEs: 47

Budget: \$114.5M

Total Budget \$981M
11.67% Total Budget

- Manages financial transactions, accounting, cash assets, debt, and budgeting while advising executive leadership.
- Oversees treasury, debt, and grants, ensuring compliance and efficient financial operations.
- Prepares long-term financial plans, collects revenue, and forecasts for financial sustainability.

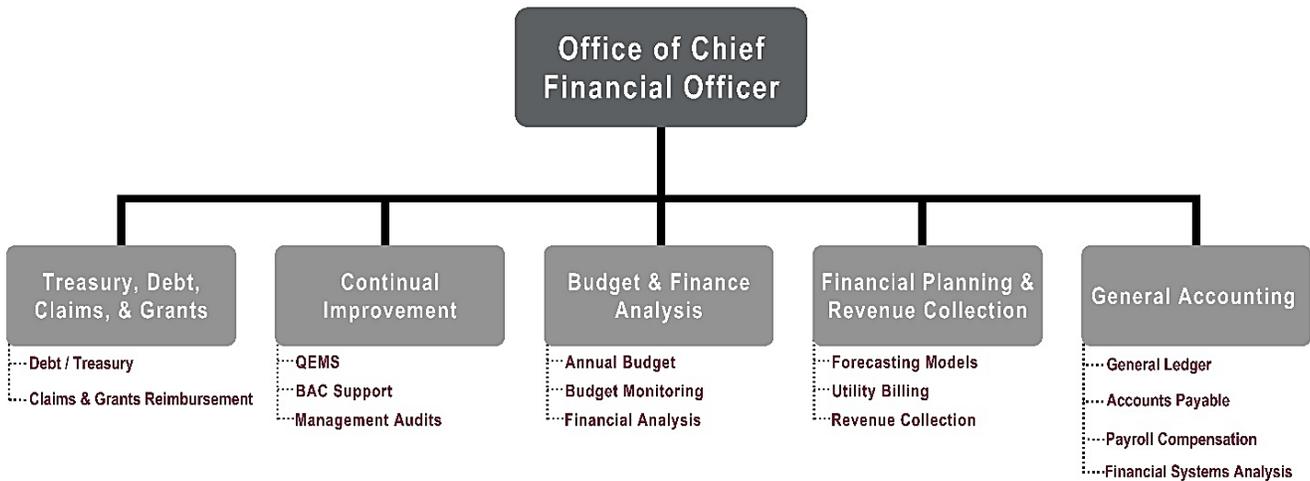
EXHIBIT 18. BUDGET BREAKDOWN BY DEPARTMENT



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Finance allocates functional responsibilities to each of the five units as depicted in Exhibit 19 below.

EXHIBIT 19. FINANCIAL PLANNING & MANAGEMENT SERVICES DIVISION ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Further, recent legislation AB 939 impacts the District’s financing options, particularly concerning the use of ad valorem taxes or assessments to pay for bonds, altering the method for paying the principal, interest, and premiums for bonds. It also removes the previous \$8,000,000 limit on borrowing and extends a provision related to director compensation.

Risk Analysis

Finance has a relatively low level of funding and FTEs as compared to other departments, but is responsible for a significantly high level of cash or other high-risk assets such as revenue collection from various sources, significant cash and debt management responsibilities, and federal and state grant management. Most of the divisions within Finance perform functions that are common subjects of internal and external audit activities: grant management, accounting, cash receipts and disbursements and reconciliations, etc. Generally, each employs systems of internal controls to ensure compliance, fiscal integrity, and the prevention of fraud, waste, and abuse. As is typical in many local governments, Finance is subject to annual external audits, which focus on accounting functions and general financial-related internal controls and has been historically subject to a variety of internal audits over the years.

Inherent risks associated with Finance include ensuring investment policies are fiscally sound and in line with best practices for ensuring compliance with debt and investment policies and asset allocation; engaging in effective cash management practices; complying with grants and increasing grant footprint; preventing and detecting theft; and considering the impact of cashiering operations on general accounting functions. Below, we present the key divisions/programs administered by Finance, the core responsibilities of each, and key factors contributing to the programs’ risk rating.

Office of the Chief Financial Officer

Serves as a partner to assist other departments in achieving their objectives. Facilitates necessary financial transactions, provides analyses and recommendations on decisions brought forth by operations, establishes controls that minimize financial risks, and drives change or improvements in business processes or practices in order to improve productivity.

Budget: \$ 2,097,214 **FTE:** 4

Inherent Risks: Financial sustainability of Valley Water; regulatory compliance; the ability to prevent and detect potential fraud, waste, and abuse, or other misuses of Valley Water assets; and effectively providing reliable and transparent financial analyses to management, the Board, and the public.

Treasury, Debt, Claims, & Grants Unit

Oversees Districtwide treasury operations, debt financing, and grants programs. This involves managing an \$82 million annual debt service budget, and producing required reports for bond covenants and regulatory compliance. Comprising three sections—Treasury, Debt, and Grants—the unit supervises bank accounts, investments, supports small banks, manages short-term and long-term debt, and streamlines compliance and claims processes for improved efficiency.

Budget: \$ 101,057,917 **FTE:** 9

Inherent Risks: Liquidity risk in managing debt obligations; credit risk associated with debt issuers; compliance risks in managing claims and grants disbursements; potential that investment practices could exceed the bounds of Board-established investment policies; potential for fraud or misuse of grant funds; delays in reimbursement from external grantors.

Debt/Treasury

The Treasury Unit Handles short-term and long-term debt management, including commercial paper programs and revenue-supported long-term projects. It also oversees treasury tasks such as bank account management, investments, cash management, and supporting small banks through Certificate of Deposit purchases. Inherent risks of the Debt/Treasury Services include interest rate, liquidity, credit, and other risks similar to other public sector treasury functions—and compliance with Board-adopted investment policies.

Claims & Grants Reimbursement

The Claims & Grants Unit is responsible for ensuring compliance and efficient processing of claims and grant reimbursements. This includes managing the coordination of claims, overseeing follow-ups, and streamlining the grant application and reimbursement processes. Inherent risks include ensuring compliance with grant requirements relating to timely grant disbursements, allowable uses grant funds, and potential delays in reimbursement from external grantors. To mitigate these risks, Finance is establishing a new division specializing in grant management to better coordinate and streamline the grant application, reporting, and receipting process.

General Accounting Unit

General Accounting includes the responsibility to manage the general ledger, accounts payable, payroll, and Valley Water’s enterprise financial system, Infor. General ledger responsibilities generally include all accounting and financial reporting requirements, in accordance with professional standards, and the reconciliation of all accounts. Accounts payable is charged with processing payments to Valley Water’s contractors, consultants, vendors, and staff expense claims, as well as administering petty cash and filing payment documents. Payroll processes the bi-weekly payroll for all Valley Water employees, employee benefits accounting, payroll tax withholdings, and submission of Federal and State reporting requirements. Financial Systems provide for the maintenance and security of payroll, benefits, human resources, and financial applications.

Budget: \$5,487,444

FTE: 19

Inherent Risks: High magnitude of financial exposure, including compliance with financial reporting requirements; the ability to provide efficient or effective support of financial support functions; compliance with grants and increasing grant footprint; integrity and effectiveness of internal controls related to fiscal transactions of all types; inefficient or inaccurate payroll processes resulting from reported system limitations of Infor; the potential for fraud, waste, and abuse; and integration issues with other financial systems.

General Ledger

The General Ledger Unit administers all accounting responsibilities for Valley Water, the recording and reconciling of financial transactions; processing payroll, accounts payable, and journal entries; preparing financial statements; coordinating Valley Water’s annual financial audit; and managing the Infor system. Inherent risks primarily relate to the potential for inaccuracies in financial records and the potential for fraud, waste, and abuse.

Accounts Payable

The Accounts Payable Unit handles check runs, reviews all expenditures for proper authorization and prior approval, processes incoming requests for payments, manages payment schedules, and maintains accurate financial records while ensuring compliance with approval processes. Inherent risks in accounts payable activities include ensuring the integrity of internal controls over the use and expenditure of District financial resources to prevent and/or detect any potential inappropriate or unauthorized expenditure. This could include the potential for inadvertent or intentional duplicate or erroneous payments, vendor fraud and invoice manipulation, inadequate documentation for expenditures, or the potential for fraud, waste, or abuse.

Payroll Compensation

The Payroll Compensation Unit is responsible for payroll processing, including W-2s and other tax filings. The unit works closely with Human Resources to ensure accurate and timely compensation for employees. Inherent risks include payroll processing errors resulting from erroneous employee timekeeping, erroneous recordkeeping by Human Resources, inappropriate application of compensation rules as set forth in collective bargaining agreements or Valley Water policies (e.g., policies related to overtime or differential pay), or Infor system limitations. Most recently, concerns have been raised regarding the functionality of Infor in processing payroll, which has led to substantial manual processes by this Unit to ensure accurate and timely payroll. As a general rule, the infusion of substantial manual processes into what is normally a highly reliable and automated function introduces the potential for human error and increases the risk of payroll inaccuracies as well as fraud, waste, and abuse.

Financial Systems Analysis

The Financial Systems Analysis Unit works behind the scenes to manage and optimize the financial system, Infor, to ensure data accuracy, perform analyses, generate standard and ad hoc financial reports, and to address system-related challenges. Inherent risks associated with this function relate to maintaining effective segregation of duties (including system access and restrictive user profiles), ensuring the optimal efficiency of the system to enable financial staff to carry out their duties in an effective and efficient manner, and the potential for system failures or data integration problems.

Continual Improvement Unit	
<p>Through Valley Water's Quality and Environmental Management System, the Continual Improvement team plays a crucial role in strengthening the CEO's leadership and offering vital support to the Board. This involves conducting audits as directed by the CEO and providing the Board with regular updates on the status of its continual improvement efforts.</p>	<p>Budget: \$782,804 FTE: 3</p> <p>Inherent Risks: In general, there are not substantial risks associated with continuous improvement programs, at least as they relate to an organization's core operations, because such programs tend to be independent of such programs. However, several factors can impede continuous improvement efforts within organizations, including a lack of independence or objectivity in facilitating improvement efforts, the need to balance potential improvement initiatives with the costs of such initiatives, the potential for continuous improvement processes to become rigid and burdensome, and the potential for change fatigue.</p>

Budget and Finance Analysis Unit	
<p>This Unit manages the preparation of the annual operating budget, including Districtwide collaboration on funding strategies, developing, and executing the Annual Budget publication, assisting with the development of the five-year Capital Improvement Plan, maintaining multi-year financial models, forecasting and monitoring revenues and expenditures throughout the fiscal year, and coordinating with program and project managers throughout the year to provide budget and finance analyses on an ongoing basis.</p>	<p>Budget: \$ 2,700,568 FTE: 8</p> <p>Inherent Risks: Projected growth in operating and capital expenditures, related debt, and overall sustainability; reliability of financial models and forecasts; reasonably accurate budget-to-actual monitoring and reporting; effectiveness of the Valley Water budget as a planning tool and as a basis for performance measurement; and efficiency of the biannual budgetary process.</p>

Financial Planning & Revenue Collection Unit

Financial Planning prepares and manages long term financial plans and forecasts and drives the groundwater production charge setting process. This Unit is responsible for preparing detailed financial plans and forecasting models that both management and the Board rely upon to make long-term planning decisions regarding Valley Water's infrastructure.

Revenue Collection collects water revenue, property tax revenue, and benefit assessments for Valley Water. Water revenue is comprised of charges for groundwater, recycled, surface, and treated water usage. This includes billing and collection processes for various entities, including treated and groundwater retailers, water utility customers, loan owners, and surface water users. Property taxes and benefit assessments collected are the voter-approved Safe Clean Water Special Tax, Flood Control Benefit Assessment, State Water Project levy, and the allocated share of countywide 1% ad valorem property tax receipts.

Budget: \$ 3,177,720

FTE: 7

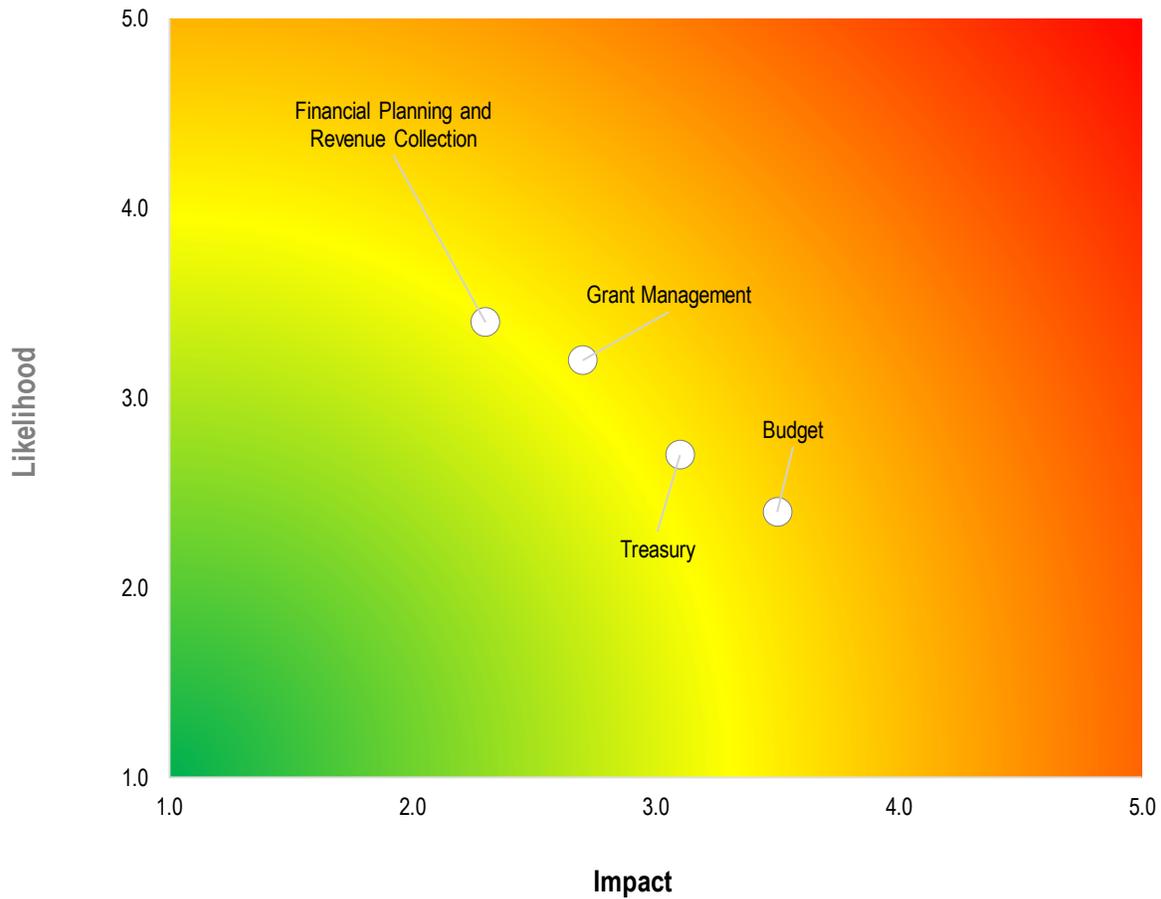
Inherent Risks: The potential, in an environment affected by the Covid pandemic and climate change, that revenue forecasting will become increasing complex and challenging; changes in water demand affecting revenue projections; sustainability given the potential for substantial increases in capital project costs, and limitations on certain revenue streams; and balancing the need for rate adjustments with community and board expectations.

Risks also include the potential that primarily manual and self-reported customer billing processes could lead to errors or otherwise under-collected fees; revenue leakage due to inaccurate metering or billing; collection difficulties for overdue accounts; risk of non-payment or late payment by customers; and the potential for fraud, waste, and abuse.

Risk Summary

Most of the divisions in Finance perform functions that are common subjects of internal and external audit activities: financial analysis, revenue forecasting, accounts payable, accounts receivable, cash management, account reconciliations and accounting practices, grant management, cash investments, cash handling, etc. Generally, each employs systems of internal controls to ensure compliance, fiscal integrity, and the prevention of fraud, waste, and abuse. Nevertheless, given the transactional nature of Finance and the significant responsibility of Finance in managing Valley Water's fiscal assets, much of the operational activities of Finance remains at the moderate-risk level. With these key factors in mind, we illustrate below the risk rankings of each division or program area in relation to one another.

Exhibit 20. Program Risk Ratings



Based on this assessment, there are several potential audit topics that warrant consideration for future audit planning.

- 1) Grant management activities, including determining whether existing policies and procedures; systems of internal control related to the recording, tracking, and monitoring of grant funds to ensure full compliance and recovery; and staffing and system resources are sufficient to administer, optimize, and account for grant monies in an efficient and effective manner.
- 2) Treasury operations, including evaluating cash management, investment, treasury functions, and determining the extent to which investment and cash management activities adhere to best practices and established investment policies.
- 3) Budget processes, including evaluating budget and financial planning protocols and practices, the sufficiency of budgetary tools available to Valley Water management to monitor budget-to-actual performance, and the overall efficiency and effectiveness of the District's biennial budget cycle.
- 4) The efficiency and effectiveness of system integration between the Finance enterprise system, Infor, and other information systems utilized to manage Valley Water fiscal activity.

- 5) The Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- 6) Accounts receivable, including assessing the manual billing processes employed by Finance to bill and collect from utility customers.
- 7) Financial analysis and forecasting practices, including the extent to which revenue forecasting is consistent with best practices in an environment significantly impacted by the pandemic and climate change, and the extent to which forecasting models and fiscal policies provide an effective framework for ensuring long-term sustainability.
- 8) Payroll and compensation practices, including whether practices ensure total compensation and payments to employees, including executive management and Board members, comply with collective bargaining agreements and Board policies.

Office of Integrated Water Management

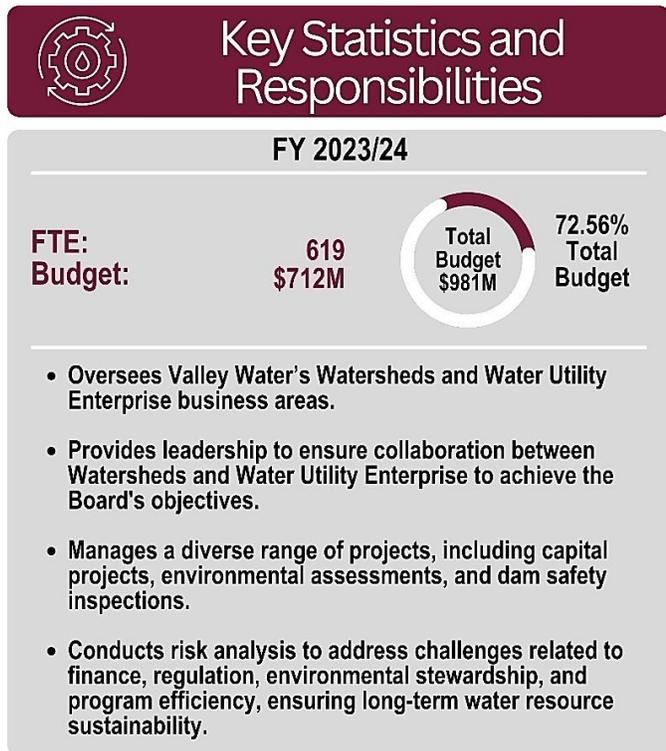
With an approximate Fiscal Year 2023-24 budget of \$783 million—representing 75.8 percent of the District’s overall budget—and 619 FTE positions with Operations, the Office of Integrated Water Management (Integrated Water) is managed by the Office of the Assistant Chief Executive Officer (ACEO). The ACEO directly oversees Valley Water’s Watersheds and Water Utility Enterprise business areas, which are primarily responsible for achieving Valley Water’s primary goals—that is, to:

- 1) To achieve a reliable water supply;
- 2) Improve flood protection; and
- 3) Ensure healthy and resilient ecosystems.

The Office of Integrated Water Management

provides focused leadership to ensure a cohesive working relationship between its two major business areas—Watersheds and Water Utility Enterprises—and several cross-functional units, all with the aim of achieving the Board’s Ends Policies and goals.

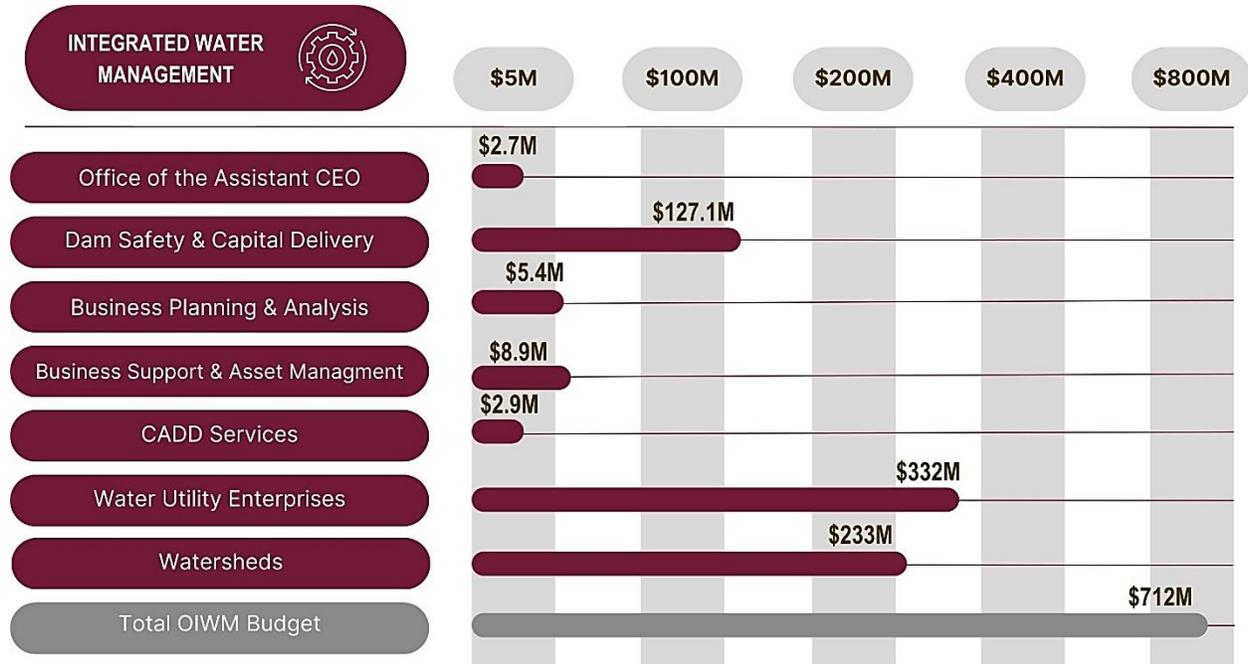
In Fiscal Year 2023-24, Integrated Water reported numerous accomplishments across various business areas. This includes developing the Funding Filters for Prioritization, a tool that aided the Board in making decisions regarding capital project funding; analyzing and prioritizing over 15 creeks for the Safe, Clean Water Project; completing 295 Computer-Aided Design (CADD) requests, nearly 50 percent more than was completed in Fiscal Year 2022-23; maintaining 64.85 acres of mitigation sites; implementing a new project



management software solution for use by the Capital Improvement Program (CIP) and capital project delivery teams; initiating numerous process improvements in conjunction with the recent completion of a performance audit of the CIP process; and, most importantly, meeting or exceeding drinking water standards, ensuring that all treated water delivered to customers surpassed all applicable primary drinking water requirements.

Integrated Water is organized into two primary business areas and several smaller units that support these two business areas. Specifically, Integrated Water includes Valley Water’s Watersheds and Water Utility Enterprise business areas, as well as several units that support Valley Water’s capital infrastructure development: the Business Planning & Analysis Unit, CADD Unit, Business Support & Asset Management Unit, and the Dam Safety & Capital Delivery Division. Exhibit 21 below is a breakdown of the budget appropriations to each program area for Fiscal Year 2023-24.

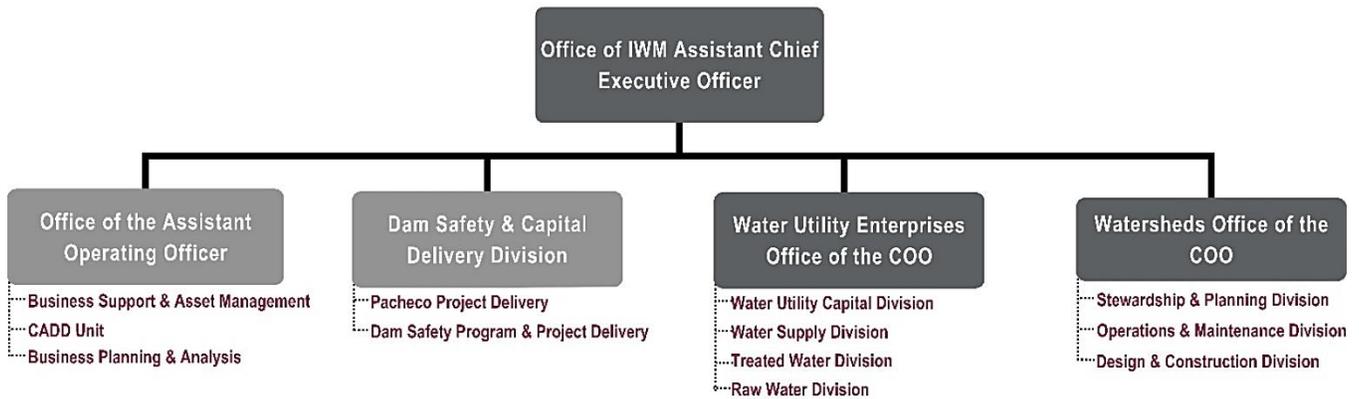
EXHIBIT 21. BUDGET BREAKDOWN BY BUSINESS AREA / UNIT



Source: FY 2022-23 & Fiscal Year 2023-24 Operating and Capital Rolling Biennial Budget

The organizational structure of Integrated Water is depicted in Exhibit 22.

EXHIBIT 22. OFFICE OF INTEGRATED WATER MANAGEMENT DIVISION ORGANIZATIONAL STRUCTURE



Source: Fiscal Year 2023-24 & FY2024-25 Operating and Capital Rolling Biennial Budget

Risk Analysis

Integrated Water plays a pivotal role in managing, safeguarding, and enhancing the region's water resources and infrastructure. It encompasses a wide range of divisions, units, and programs, each with its unique roles and responsibilities. However, this diversity also brings about a complex web of inherent risks that demand careful assessment and mitigation strategies to ensure Valley Water's continued success in its mission. Below, we present the key business areas, divisions, and units administered by Integrated Water, the core responsibilities of each, and key factors contributing to its programs' risk rating.

OFFICE OF ASSISTANT CHIEF EXECUTIVE OFFICER	
<p>The Office of the Assistant Chief Executive Officer leads and manages the Office of Integrated Water Management and facilitates coordination between the Watersheds and Water Utility business areas to achieve the Board's Ends Policies and goals. This Office provides managerial support to ensure Valley Water's projects and programs are achieved in an efficient and effective manner.</p>	<p>Budget: \$ 2,704,478 FTE: 4</p> <p>Inherent Risks: Challenges related to financial planning and program implementation, the planning and execution of capital projects, the maintenance of existing infrastructure assets, compliance with regulatory requirements, and the efficient operation of both Watersheds and Water Utility programs.</p>

BUSINESS SUPPORT & ASSET MANAGEMENT UNIT

The Business Support and Asset Management Unit implements and continually improves asset management standards and information systems based on industry best practices. The unit manages Valley Water's water utility, watershed, and administration asset management programs, and supports the users of Valley Water's Computerized Maintenance Management System (CMMS), Maximo. In addition, the unit manages three Water Utility infrastructure master planning projects: The Water Treatment Plant, SCADA System, and Distribution System Master Plan Implementation Projects. The unit also manages a Safe, Clean Water project, F-8: Sustainable Creek Infrastructure for Continued Public Safety.

Budget: \$ 8,924,059

FTE: 11

Inherent Risks: Facilitating efficient and effective asset management by ensuring accurate and reliable records of all District infrastructure assets, the condition of all assets, and a reliable plan to maintain all assets to optimize useful life.

CADD UNIT

The CADD Services unit is responsible for producing engineering drafting and design work, plan production standards, and managing computer-aided design (CAD) software in support of Valley Water's water resources facilities, flood management, pipeline infrastructure, and watershed management facilities. The unit develops in-house project design drawings for construction. Services include creating 2D and 3D designs that combine information from different departments such as Survey, GIS, Right-of-Way, and Engineering. Additionally, the unit maintains current CADD Standards for Contractors and Engineers, assists in the quality control of all project drawings for construction, and verifies that CADD Record As-built drawings are completed per Valley Water standards for future project work.

Budget: \$ 2,891,420

FTE: 9

Inherent Risks: If the CADD Services unit fails to produce plans or review the CADD work produced by consultants and contractors in a manner consistent with Valley Water's plan production standards, it could affect the delivery and accuracy of construction and future maintenance efforts, and unnecessarily increase the cost of future capital projects, specifically during the planning phases.

BUSINESS PLANNING & ANALYSIS UNIT

The Business Planning and Analysis unit manages, plans, and oversees four major Valley Water-wide programs. This unit is responsible for Valley Water's implementation of the Five-Year planning process for the Capital Improvement Program (CIP); Capital Project Management and Project Controls (CPMPC) Program; the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program); and the District Lands Management Program, which was designed to establish and maintain a centralized framework to integrate the management of maintenance obligations on Valley Water-owned lands and easements, as well as those made through contractual commitments.

Budget: \$ 5,459,489

FTE: 12

Inherent Risks: The cost-effective planning, analysis, and reporting related to a wide range of District capital projects; the ability to coordinate with a large number of divisions and units within Integrated Water, Finance, and Administrative Services to ensure accurate reporting and analysis; and the ability to ensure adequate administration of special funded programs to demonstrate that funds were expended in a manner compliant with program requirements.

Capital Improvement Program

The Capital Improvement Program (CIP) serves as the steward of Valley Water's capital funding requirements for projects spanning Fiscal Year 2023/24 through Fiscal Year 2027/28. It plays a crucial role in documenting planned initiatives and aligning Valley Water's planning with the community. This program oversees various infrastructure projects totaling \$9.52 billion, with an estimated \$1.3 billion in external funding through partnerships and reimbursements. Additionally, the CIP requires the accurate management of financial records. Inherent risks associated with CIP programs include financial uncertainty due to reliance on external funding, potential project delays, the reliability of resources to meet project demands, the availability of project financing, and ensuring CIP plans are achievable—all of which could result in capital project costs that exceed District plans, raising sustainability questions.

Safe, Clean Water and Natural Flood Protection Program

The Safe, Clean Water and Natural Flood Protection Program, approved through Measure S in 2020, allocates \$47 million annually for six core priorities: ensuring a safe water supply, reducing waterway toxins, protecting against natural disasters, restoring habitats, providing flood protection, and supporting public health. It operates with oversight from an Independent Monitoring Committee and mandatory audits to assess cost-efficient outcomes.

Notably, a Safe, Clean Water Program Grant Management Audit was recently performed in 2020 that identified delays in grant agreement execution, reimbursement processing, and extensive reporting requirements, along with staffing challenges, prompting recommendations for tailored guidelines, mandatory orientation, streamlined reporting, customized grant requirements, integrity checks, feedback solicitation, goal setting, an operations manual, and potential job assignment reconfiguration to enhance the District's grants management program. Beyond the risks identified by the recent audit, inherent risks include substantially increasing capital project costs, effective project management and delivery protocols, and compliance with Program requirements.

District Lands Management

The District Lands Management Program handles Santa Clara Valley Water District property matters. This includes acquiring properties needed for current and future district projects and programs, establishing clear lands rights and obligations associated with all District real estate, establishing wildfire resiliency plans and policies, and establishing policies and plans for the long-term use of Valley Water properties.

Before projects commence, the program ensures that some properties are leased at fair market rates to external parties. When District purposes require the use of a leased property, the program provides appropriate termination notices as mandated by law to make the property available for District use. Additionally, the program may oversee public auctions to sell District properties. To prevent conflicts of interest, it strictly prohibits leasing District real property to District employees, Board members, or immediate family members. Individuals can contact designated personnel for inquiries about the property leasing program or surplus properties.

Further, recent legislation AB 1469 impacted the District Lands Management Program, which grants the district the authority to take actions in consultation with local entities to assist unsheltered people living within the District’s jurisdiction and establishes specific rules for surplus land disposal in such cases.

Inherent risks associated with the District Lands Management Program encompass strategic planning as it relates to the Program’s activities, and compliance with conflict-of-interest policies, and potential legal and regulatory obstacles in managing property acquisitions, leases, and sales, which may lead to delays or complications. The program also faces public scrutiny regarding property disposition decisions and must consider the financial implications of property transactions, including revenues from leases or sales. Managing land rights, obligations, and properties, particularly concerning wildfire resilience planning and policy development, is an ongoing risk, and the associated risk assessments can have implications for communities and real estate transactions. Effectively mitigating these risks requires strict adherence to legal requirements, transparent decision-making processes, and proactive measures to address disputes and ensure compliance in the responsible management of District lands.

Capital Project Management & Project Controls Program

Capital Project Management & Project Controls Program is responsible for facilitating integration and configurations of ProjectMates with other systems—Okta, Vena, and Infor—or with a customized training of ProjectMates for project teams and management. The Program is also responsible for delivering the biennial training of workflows related to the Capital Improvement Program (CIP) and Quality and Environmental Management System (QEMS) policies and procedures, as well as maintaining transparent communication through circulating a Quarterly Office of Integrated Water Management Newsletter. Inherent risks include risks associated with the planning and execution of capital projects, including budget control and adherence to project timelines, and the need to strike a balance between internal controls (as defined in QEMS) and efficient project management.

DAM SAFETY & CAPITAL DELIVERY DIVISION	
<p>The Dam Safety and Capital Delivery Division is responsible for planning, implementation, and management of the portion of Valley Water’s 5-year Capital Improvement Program (CIP) associated with dam construction and maintenance. This Division consists of two units—the Pacheco Project Delivery Unit and the Dam Safety Program Project Delivery Unit—which are responsible for capital project delivery and maintenance of Valley Water’s dams. The Division was moved under the Office of Integrated Water Management in Fiscal Year 2020-21 from the Water Utility Enterprise business area, but Water Utility continues to operate and control the assets.</p>	<p>Budget: \$ 127,068,630 FTE: 21</p> <p>Inherent Risks: Cost-effective contract, construction, and project management; maintaining the system in a cost-effective manner; aging infrastructure; significant deferred maintenance and workorder backlogs; managing consultants and contractors and controlling project costs; health and safety risks and high level of public interest and visibility; maintaining sufficient staffing resources; compliance and regulatory risks associated with environmental standards, and operational risks related to project execution; and completing projects on-time and within budget.</p>

Pacheco Project Delivery

The Pacheco Project Delivery Unit is responsible for managing the Pacheco Reservoir Expansion Project. This includes overseeing the expansion of Pacheco Reservoir to increase emergency water supplies, improve water quality, and provide ecosystem benefits to the region and the Sacramento-San Joaquin Delta. The unit collaborates with project partners, including San Benito County Water District and Pacheco Pass Water District, to secure funding and ensure successful project delivery. Their role involves project planning, environmental assessments, permitting, and coordination with state and federal regulators. The Pacheco Project is part of Valley Water’s efforts to increase overall water supply but faces numerous challenges, including environmental, legal, and financial challenges, as well as project delays. One such challenge relates to compliance with the California Environmental Quality Act (CEQA), which has led to project delays. To be viable, Valley Water must secure sufficient funding, address legal concerns, and navigate regulatory requirements before construction and overall project delivery can be considered.

Dam Safety Program & Project Delivery

The Dam Safety Program & Project Delivery Unit focuses on ensuring the safety and reliability of the water District's 10 major dams. The Unit conducts periodic special engineering studies, surveillance and monitoring, dam inspections and maintenance, and emergency response and preparedness to safeguard the public from potential dam failures. This unit works closely with regulatory authorities and emergency response partners to meet dam safety goals. Inherent risks include the potential for dam safety issues, such as unexpected dam failures or structural problems, which can have catastrophic consequences. Environmental factors, including climate change and seismic activity, can also pose risks to dam safety. Ensuring a cost-effective maintenance program is essential, including assessing the condition of each asset, ensuring all preventative maintenance, and avoiding the deferral of required maintenance.

WATER UTILITY ENTERPRISES BUSINESS AREA	
<p>The Water Utility Enterprise (Water Utility) is primarily responsible for carrying out the core services related to the Board’s Ends Policy 2; that is, to provide a reliable, safe, and affordable water supply for current and future generations in all communities served. Directed by a Chief Operating Officer (COO), Water Utility is comprised of four divisions, each of which includes functional units that carry out the work of the division and the enterprise.</p> <p>The Office of the Chief Operating Officer, Water Utility, oversees the Water Utility Capital, Water Supply, Raw Water, and Treated Water divisions. The Office of the COO was allocated a budget of \$2,208,942 for a total of three (3) FTE. The COO provides for management activities that promote communication, human resources development, budgeting, project efficiencies and process improvement, mentoring and recruitment, and supporting district-wide and special events/efforts that benefit the whole organization.</p>	<p>Budget: \$ 332,304,101 FTE: 308</p> <p>Inherent Risks: Inherent risks include the potential that Valley Water’s infrastructure could fail, impacting the quantity or quality of water available for Valley Water customers.</p> <p>While providing high-quality drinking water to Valley Water customers is regulated by county and state agencies, the delivery and maintenance of the capital infrastructure required to do so is not. Because of this, risks include cost-effective contract, construction, and project management; maintaining the system in a cost-effective manner; aging infrastructure; the potential for deferred maintenance and workorder backlogs; managing consultants and contractors control costs; health and safety risks and high level of public interest and visibility; maintaining sufficient staffing resources; compliance and regulatory risks associated with environmental standards; and completing projects on-time and within budget.</p>

WATER UTILITY CAPITAL DIVISION

The Water Utility Capital Division oversees the planning, management, and execution of crucial capital projects related to water infrastructure. This Division's responsibilities include project management and design, construction oversight, asset management, financial planning, environmental compliance, and community engagement. It is responsible for ensuring the efficient operation of water treatment plants, pipelines, and pumping stations, playing a vital role in delivering safe and clean water to the community. This includes managing and designing capital projects, providing districtwide construction management and inspection services, and implementing asset management programs to optimize asset performance and minimize maintenance costs. Additionally, the Division is tasked with navigating complex environmental regulations, obtaining permits, and engaging with the community to address concerns and obtain necessary approvals.

Budget: \$ 86,604,273 **FTE:** 68

Inherent Risks: Capital project delivery responsibilities are carried out by several divisions within Valley Water—Dam Safety, Watersheds, and Water Utility. The inherent risks remain the same for each: cost-effective contract, construction, and project management; managing consultants and contractors and controlling project costs; health and safety risks and high level of public interest and visibility; maintaining sufficient staffing resources; compliance and regulatory risks; and operational risks related to project execution and the ability to complete projects on-time and within budget.

Further, the Division provides construction management and inspection services to all capital project delivery units, creating the potential that interdepartmental silos could create an impediment to efficient project delivery.

Construction Services Unit

Construction Services Unit is responsible for managing and overseeing the physical execution of capital projects related to water infrastructure, coordinating and supervising the construction activities, and ensuring all construction activities properly align with approved designs and project plans. The role of this Unit involves managing contracts with construction companies; overseeing contractors' work; and ensuring that projects are executed on time, within budget, and according to the required quality standards. This includes scheduling, cost control, safety compliance, and ensuring construction projects meet all regulatory and environmental requirements. Construction Services are essential in translating the designs and plans into tangible, functional water infrastructure, ensuring Valley Water's water supply remains reliable and resilient.

Inherent risks include construction delays due to unforeseen issues, such as weather events or unexpected site conditions, which can impact project timelines and budgets; concerns related to contractor performance, quality control, and safety compliance; ensuring construction activities align with complex environmental regulations and permitting requirements; and establishing robust protocols to monitor contractor activity, review costs for compliance with contract provisions, and ensure contractor accountability.

Construction Inspection Services

The Construction Inspection Services Unit ensures the quality, safety, and compliance of construction activities related to water infrastructure projects. This Unit is critical in conducting inspections, verifying that contractors adhere to project specifications, and addressing any deviations or issues that may arise during construction. Inspectors are tasked with monitoring work progress, conducting tests and quality checks,

and verifying that the construction process aligns with environmental regulations and permits. They serve as a bridge between the district, contractors, and regulatory bodies, providing real-time oversight to safeguard project integrity and ensure that construction work meets the required standards.

Inherent risks include those associated with the dynamic nature of construction projects and the need for ongoing and thorough. The potential for disputes with contractors, schedule delays, and cost overruns due to unforeseen issues or changes in project scope is a significant concern. Environmental and safety compliance issues could lead to regulatory penalties or legal challenges, emphasizing the importance of thorough inspections and documentation. Staff turnover, staffing shortages, or fluctuations in workload can impact the division's ability to maintain consistent oversight across projects; this is true as it relates to Valley Water's in-house personnel as well as contracted professional services firm.

Treatment Plants Project Delivery

This program is responsible for planning, designing, and implementing projects to improve, expand, or maintain Valley Water's water treatment facilities. This includes potable water treatment plants, purification centers, and recycling facilities. The program manages the entire project life cycle, from initial feasibility studies and design phases to the construction and commissioning of treatment plants. Their role involves coordinating with various internal and external stakeholders, including engineers, contractors, environmental planners, and regulatory agencies to ensure treatment facilities meet water quality standards, environmental regulations, and safety requirements. Additionally, the program is responsible for optimizing treatment processes, responding to changing water quality conditions, and addressing challenges related to droughts, climate change, and evolving water quality regulations.

In addition to the inherent risks associated with capital project delivery, risks also include challenges associated with the water treatment infrastructure's complexity and critical nature. Delays in project timelines due to permitting issues, design changes, or unexpected challenges can impact the District's capacity to provide clean and safe drinking water. Compliance with evolving water quality regulations and adapting treatment processes to changing environmental conditions pose ongoing challenges.

Pipelines Project Delivery

This program focuses on the planning, design, and execution of projects related to water conveyance through pipelines, and oversees the development of new pipelines, rehabilitating existing pipelines, and constructing pumping stations to ensure efficient water distribution throughout the District's service area. Responsibilities include conducting feasibility studies, hydraulic modeling, design and engineering, and project management. The program collaborates with multiple internal and external partners, including engineers, construction contractors, and environmental planners, to meet water supply demands, improve infrastructure resilience, and address the impacts of droughts and climate change.

In addition to the inherent risks associated with capital project delivery associated with Valley Water's critical water conveyance infrastructure, there is the potential for pipeline failures, which can lead to water supply disruptions, property damage, and costly repairs; aging pipelines, which can impact effectiveness, safety, and water quality; permitting delays and environmental concerns; and challenges related to multijurisdictional coordination.

WATER SUPPLY DIVISION

The Water Supply Division is responsible for overseeing various aspects of water supply, including sourcing, treating, and distributing water to meet the demands of the region, as well as identifying future water supply needs, managing imported water supplies, and implementing water conservation and recycled water programs. It manages a diverse portfolio of water resources, including surface water from reservoirs, groundwater, and imported water supplies. The division collaborates with other internal departments and external agencies to ensure a sustainable water supply for the future, especially in the face of challenges like droughts and climate change. Responsibilities also encompass water quality monitoring, water rights compliance, and the development of policies and programs aimed at promoting water conservation and efficient use.

Budget: \$ 123,879,047 **FTE:** 36

Inherent Risks: Ensuring water availability and quality and mitigating the potential for contamination; prolonged droughts that lead to reduced water availability from local sources like reservoirs and groundwater basins; potential supply interruptions and increased costs relating to the District's reliance on imported water; inaccurate water supply forecasting; unforeseen economic consequences resulting from revenue shortfalls caused by inaccurate water supply forecasts and the need for expensive emergency water purchases.

Imported Water

The Imported Water Unit protects, manages, and develops Valley Water's imported water assets. Imported Water meets the operational needs for imported supplies by securing reliable contracts with water agencies, overseeing the conveyance and treatment of imported water, and coordinating the allocation and distribution of imported water to the region's water treatment facilities. The Santa Clara Valley Water District relies on imported water sources, such as the State Water Project and the Central Valley Project, to meet a portion of the region's water demands. Imported Water also involves compliance with regulatory requirements, monitoring water quality, and addressing potential risks associated with delivery interruptions, water quality issues, and changes in state and federal water policies.

Inherent risks include supply reliability, regulatory compliance, potential disruptions caused by drought conditions, competing demands from other regions, and environmental restrictions that can limit water deliveries. Moreover, imported water contracts and agreements are subject to changes in state and federal policies, which can impact the availability and cost of imported water supplies.

Recycled & Purified Water Program

The Recycled & Purified Water Program develops and expands recycled and purified water program as well as leads planning and research studies. This program is responsible for managing and promoting the use of recycled and purified water resources within the District's service area. This program plays a role in diversifying the water supply portfolio and reducing reliance on traditional water sources. The Program is responsible for overseeing the treatment and distribution of recycled and purified water, managing infrastructure needs, ensuring compliance with water quality standards, and engaging in ongoing planning and research studies. The program works to expand the use of recycled water for various non-potable purposes, such as landscape irrigation, industrial processes, and groundwater recharge. Additionally, the Program actively engages with the community and stakeholders to promote water conservation practices

and raise awareness about the benefits of recycled water. Inherent risks include public perception, infrastructure management, and ensuring the safety and quality of recycled and purified water.

Water Supply Planning & Conservation

The Water Supply Planning & Conservation Unit is responsible for long-term water supply planning, demand forecasting, and implementing conservation initiatives. Their responsibilities include assessing current and future water demands, evaluating available water resources, and developing comprehensive water supply plans to meet the region's needs. Additionally, the Unit actively promotes water conservation efforts to reduce water consumption, protect water quality, and minimize the environmental impact of water use. Inherent risks include uncertainty in water availability due to factors like droughts and climate change, inaccurate demand forecasts, or the failure to consider potential supply constraints, leading to water shortages. The success of conservation initiatives depends on public participation and behavioral changes, which can be challenging to achieve. Additionally, external factors, such as regulatory changes and funding limitations, can impact the implementation of conservation programs.

RAW WATER DIVISION	
<p>The Raw Water Division maintains the Water Utility infrastructure, operates the Raw Water System, and ensures continued groundwater sustainability. The Division maintains Valley Water's three potable water treatment plants, Advanced Water Purification Center, Campbell Well Field, recycled water pipelines in South County, and over 40 miles of large diameter treated water transmission pipelines. The Division provides civil engineering and corrosion control services in support of maintenance of these facilities, prepares the Annual Water Supply Operations Plan for the water supply of the County, performs planning and analysis for the operations of the Raw Water System, manages Valley Water's groundwater basins and local water rights, and submits the regulatory reports needed for operation of the Raw Water System and Sustainable Groundwater Management Act (SGMA) compliance.</p>	<p>Budget: \$62,789,879 FTE: 105</p> <p>Inherent Risks: Maintaining the system in a cost-effective manner; managing consultants and contractors and controlling operating costs; aging infrastructure; the potential for deferred maintenance and workorder backlogs; and ensuring sufficient staffing resources.</p> <p>The Division's responsibilities, such as permitting private and municipal wells, can be affected by uncertainties in water usage, and the need for expanded metering creates logistical challenges.</p>

Raw Water & Pipeline Maintenance Engineering

The Raw Water & Pipeline Maintenance Engineering team is responsible for ensuring the reliability and integrity of the water distribution system by providing engineering and support services for raw water and pipeline maintenance projects and programs. This team supports the overall maintenance efforts by monitoring ongoing corrosion control services, employing acoustic fiber optics for pipe integrity assessments, and leveraging technical expertise. It is also responsible for assessing the condition of critical assets, implementing predictive and preventative maintenance strategies, and responding promptly to any issues that could compromise the pipeline infrastructure's functionality. Inherent risks include challenges related to the aging infrastructure, the ability to accurately assess the condition of the District's pipeline

infrastructure, and plan maintenance activities to ensure cost-effective and timely maintenance of District assets and the continued functionality and structural integrity of its pipelines.

Raw Water Operations

The Raw Water Operations Unit ensures the effective conveyance and management of water from various sources. This team operates 24/7, monitoring water levels, making real-time decisions on water allocation, and responding to changing conditions by operating the reservoirs, pump stations, and transmission pipelines to effectively manage water supplies. Their work is guided by forecasting and modeling, allowing for efficient water supply management and allocation. Additionally, the Unit is responsible for reporting on water rights to county and state authorities to maintain regulatory compliance and safeguard water resources for the region.

Inherent risks include those primarily related to the region's climate variability and the potential for extreme weather events such as prolonged droughts or severe storms. These weather patterns can significantly impact water availability and necessitate rapid decision-making to meet supply demands while adhering to regulatory obligations. The reliance on imported water sources and surface water introduces challenges associated with supply interruptions and balancing water supply purchases with demand, especially during periods of high-water usage.

Ground Water Management

The Ground Water Management team is responsible for the oversight, protection, and sustainable management of groundwater resources within the region to provide accurate and timely information on current and forecasted groundwater conditions. Through monitoring and regulating groundwater usage, the Unit is responsible for ensuring compliance with state and local regulations, and managing the critical groundwater basins. This Unit is tasked with implementing the Sustainable Groundwater Management Act (SGMA) and developing Groundwater Sustainability Plans (GSPs) to maintain the long-term health and sustainability of groundwater resources. In doing so, the Unit collaborates with other Valley Water divisions and external agencies to address groundwater quality issues and mitigate the risks associated with over-extraction, land subsidence, and declining water tables.

Inherent risks include those associated with water resource sustainability. Over-extraction of groundwater can lead to adverse consequences such as land subsidence, saltwater intrusion, and reduced water quality. Managing groundwater basins to achieve sustainability under SGMA regulations can be challenging, especially during extended drought periods when demand for groundwater increases.

Wells & Water Measurement

The Wells and Water Measurement Unit oversees the regulatory aspects of wells within the region, and is responsible for permitting and inspecting domestic, municipal, and large organization wells to ensure compliance with regulations. This Unit also manages the metering of wells, which is essential for monitoring water usage and maintaining accurate records; oversee the installation and maintenance of meters, ensuring that water users report their usage accurately, particularly for larger users; and manages the notification process for new well drilling and conducts inspections to verify that wells are used as permitted.

This unit also incorporates the responsibility of ensuring that wells/deep excavations do not harm the ground water resources and provides accurate measurements of water production.

Inherent risks include the accurate measurement and reporting of water usage by various stakeholders. Ensuring that wells are metered correctly and that water users comply with reporting requirements can be challenging, particularly for domestic and small-scale users where the District is reliant on self-reported water usage data.

Field Operations & Pipeline Maintenance

The Field Operations & Pipeline Maintenance Unit is responsible for the reliable conveyance of raw water from various sources to treatment plants and other destinations. This division operates 24/7, overseeing the daily pumping and discharge of water, monitoring reservoir levels, reporting on water rights to regulatory authorities and ensuring compliance, and ensuring that water is efficiently moved to recharge basins, treatment plants, and reservoirs. Its work is guided by real-time data, forecasts, and modeling of storm events. Additionally, this division is involved in maintenance activities related to the water supply infrastructure that includes completing all mechanical, electrical, and control system maintenance of the distribution system infrastructure. Inherent risks are generally associated with the availability of reliable and accurate data to inform timely decision making, particularly when faced with extreme weather events that can impact the availability and quality of raw water.

Treatment Plan Maintenance

The Treatment Plan Maintenance Unit is responsible for the upkeep and efficient operation of treatment plants and treated water turnout facilities. This involves ensuring that treatment plants, which aid in the purification of raw water, are well-maintained to deliver high-quality treated water to customers. Maintenance activities include inspecting, repairing, and servicing various components of treatment plants, such as pumps, filters, chemical dosing systems, and control systems. Additionally, the unit monitors plant performance, conducts preventive maintenance to prevent breakdowns, and responds swiftly to address any operational issues. Inherent risks include the potential for equipment failures or malfunctions, which could disrupt the treatment process and impact the quality of treated water, as well as cause cost overruns. Such failures may result in service interruptions or compromised water quality, leading to public health concerns and regulatory violations.

TREATED WATER DIVISION

The Treated Water Division is responsible for ensuring the high-quality treatment and distribution of potable water to the community. This division oversees the operation and maintenance of three potable water treatment plants and one purification center, as well as the Campbell Well Field to provide emergency backup supply to the treated water system. These facilities treat and purify surface water from reservoirs, ensuring it meets strict water quality standards. The Division works continuously to optimize water treatment processes, maintain equipment, and monitor water quality parameters to provide safe and reliable drinking water to the region. The Division provides technical expertise and leadership for all commissioning-related work to improve overall safety, quality, and reliability upon capital construction handover to Operations and Maintenance (O&M). In addition, the Division communicates regularly with water retailers, and maintains communication and conducts annual check-ins for ongoing and annual updates of drinking and recycled water regulations with the State Water Resources Control Board.

Budget: \$56,821,960

FTE: 93

Inherent Risks: Ensuring the quality and reliability of the drinking water supply, compliance with stringent and evolving water quality standards; and ensuring the resilience of the water treatment facilities.

Plant Maintenance Engineering & Commissioning

Plant Maintenance Engineering and Commissioning is responsible for overseeing the commissioning of new facilities and equipment, ensuring they meet design specifications and function correctly. The Unit also provides ongoing engineering support for maintenance activities, helping to plan and execute maintenance projects to keep treatment plants in optimal condition. Inherent risks include ensuring compliance with stringent regulations and ensuring data used to evaluate and report on compliance is accurate and reliable.

Water Quality

The Water Quality Unit is responsible for ensuring that treated water meets or exceeds stringent water quality standards and regulations set by state and federal agencies. This Unit conducts in-depth water quality analyses, monitors critical parameters, oversees the disinfection and chemical treatment processes at treatment plants, and provides recommendations and tracks drinking water-related regulatory development. Similar to the Plant Maintenance Engineering and Commissioning Unit, inherent risks include ensuring compliance with stringent regulations and ensuring data used to evaluate and report on compliance is accurate and reliable. Any deviation from these standards, whether due to source water changes, equipment malfunctions, or human error, can have serious public health consequences and regulatory implications.

Laboratory Services

The Laboratory Services Unit conducts extensive water quality testing and analysis to monitor various parameters, assess the effectiveness of treatment processes, and detect any contaminants or anomalies. It

provides valuable data and insights through analytical and sampling services that inform treatment plant operations and support compliance with regulatory requirements, and manages the laboratory that tests water from the treatment plants, Silicon Valley Advance Water Purification Center, surface water reservoirs, and groundwater basins.

Inherent risks relate to factors that could diminish the accuracy or reliability of reported results, such as failure to follow established protocols or laboratory contamination. Any errors or inconsistencies in the testing process can lead to incorrect assessments of water quality, potentially compromising public health. The unit must also keep pace with evolving water quality standards, emerging contaminants, and advances in analytical methods. Additionally, resource constraints can impact the capacity to conduct extensive testing and analysis, particularly during periods of increased demand or emergencies.

Utility Electrical & Control Systems Engineering

The Utility Electrical & Control Systems Engineering Unit is responsible for managing the electrical and control systems that govern the operation of treatment plants and water distribution facilities within the Santa Clara Valley Water District. This unit ensures the reliable and efficient functioning of critical infrastructure by overseeing electrical systems, instrumentation, and control systems, and plays a key role in optimizing energy usage, enhancing system automation, and ensuring that water treatment and distribution processes run smoothly. Inherent risks include risks associated with the reliable operation of electrical and control systems. Failures or disruptions in these systems can lead to operational inefficiencies, downtime, and potential impacts on water quality and supply.

North and South Water Treatment Operations

The North Water Treatment Operations and South Water Treatment Operations Units are responsible for the day-to-day operation and maintenance of water treatment facilities located in the northern region of the Santa Clara Valley Water District, including Penitencia Water Treatment Plant, Silicon Valley Advanced Water Purification Center, San Francisco Public Utilities Commission-Valley Water Intertie facility, Santa Teresa Water Treatment Plant, Rinconada Water Treatment Plant, Campbell Well Field, the West and Snell/East Pipeline turnouts, and the East/Milpitas Pipeline turnouts. These facilities are essential for treating raw water from various sources and ensuring its quality before distribution to consumers. Both units operate around the clock to provide a consistent and reliable supply of treated water to the community.

Inherent risks include risks associated with the consistent delivery of treated water to a dynamic and growing region. Variations in raw water quality, natural disasters, or equipment failures can disrupt the treatment process and impact water quality and supply. Ensuring that the treatment process consistently meets stringent water quality standards is essential, as any lapses can pose public health risks. The units must also manage the challenges of maintaining aging treatment infrastructure and adapting to changing regulatory requirements. Balancing the need for operational efficiency with emergency preparedness is crucial.

WATERSHEDS BUSINESS AREA

The Watersheds Business Area is responsible for the stewardship and management of the region's watersheds and associated natural resources. The responsibilities include watershed protection, environmental conservation, flood risk reduction, and ecosystem restoration. Watersheds actively manages and maintains the region's creeks, rivers, and reservoirs to mitigate flood risks, promote water conservation, and preserve the ecological health of the area. This division also plays a role in ensuring water quality and availability for the community by managing source watersheds and undertaking projects that enhance the sustainability and resilience of the local ecosystem.

The Office of the Chief Operating Officer leads and manages Watersheds to achieve the Board's Ends, Goals, and Objectives. This includes providing Watersheds the leadership, staff, and funding to conduct the administrative aspects of Watersheds functions. In general, this provides for management activities that promote communication, human resources development, budgeting, project efficiencies and process improvement, mentoring and recruitment, and supporting Valley Water-wide special events/efforts that benefit the whole organization.

Budget: \$ 1,365,782

FTE: 2

Inherent Risks: The management and conservation of natural resources and the mitigation of flood risks. Climate change, including the increasing frequency and intensity of extreme weather events, presents a significant challenge in terms of flood control and watershed management. Balancing the ecological health of watersheds with flood risk reduction efforts can be complex, as it requires careful planning to minimize adverse environmental impacts. Additionally, competing demands for water resources, land use changes, and habitat degradation pose ongoing challenges. Ensuring the long-term sustainability of water sources, maintaining infrastructure, and addressing water quality concerns within watersheds are essential tasks.

OFFICE OF WATERSHEDS STEWARDSHIP & PLANNING DIVISION

The Office of Watersheds Stewardship & Planning Division is responsible for maintaining and preserving the ecological health of watersheds, ensuring flood risk reduction, and facilitating sustainable water resource management. It collaborates with various teams to conduct comprehensive environmental analyses, assess hydrological and hydraulic factors, and implement mitigation measures. Additionally, the division is responsible for reviewing community projects to ensure compliance with environmental regulations and the conservation of natural resources.

The Division provides project and long-range planning for flood protection and stewardship; develops and oversees the integration of biological, hydrological, water quality, and geomorphological data into the planning, design, and construction of capital projects and operational programs; provides environmental planning, permitting, and monitoring services; ensures Valley Water's compliance with the regional stormwater quality permit; protects Valley Water's streams and other assets through implementation of the Water Resources Protection Ordinance, and collaborates with municipalities in the County to ensure development projects minimize impacts to Valley Water's mission. In addition, the Division co-leads the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE) and the Climate Change Action Plan, and ensures timely completion of Key Performance Indicators for the Safe, Clean Water and Natural Flood Protection Program's surface water quality, environmental monitoring, and habitat enhancement and restoration priorities.

Budget: \$ 47,484,824 **FTE:** 82

Inherent Risks: The management of environmentally sensitive areas, flood risk reduction, and the conservation of natural resources. Environmental planning and mitigation require navigating complex regulatory frameworks, including the California Environmental Quality Act (CEQA), ensuring compliance with various state and federal environmental regulations, and managing and mitigating the impact of climate change, extreme weather events, and natural disasters on watersheds.

In addition to the environmentally-focused work of the Division, the Division is also responsible for the Community Projects program, which requires the evaluation of land use permit applications. The Program must review permits in a manner that safeguards environmental integrity, which can lead to potential conflicts with stakeholders and regulatory authorities.

The changing dynamics of climate patterns and increasing environmental pressures further amplify the risks associated with watershed management. Additionally, resource allocation and budget constraints may impact the ability to implement comprehensive watershed management plans and projects.

Environmental Planning

The Environmental Planning Unit is responsible for conducting environmental impact assessments, environmental reviews (including Environmental Impact Reports or EIRs), and managing the permitting process for various projects. Environmental planners are tasked with ensuring that all activities within the jurisdiction of the Santa Clara Valley Water District comply with environmental regulations, particularly CEQA. They work closely with regulatory agencies, stakeholders, and project proponents to evaluate the potential impacts of projects, develop mitigation measures, and provide recommendations to minimize adverse environmental effects.

Inherent risks relate to the complexity of environmental regulations and the potential for disputes and legal challenges. Projects in environmentally sensitive areas or those with the potential to impact natural resources can face scrutiny and opposition from concerned communities or environmental organizations. Ensuring the accuracy and thoroughness of EIRs is essential to avoid legal complications and regulatory

setbacks which can result in increased costs, and further construction delays. In light of recent events of the failure to adequately perform and assess the need for an environmental review, there is a risk of delayed construction, increased project costs, and the possibility of undue damage to the environment, contrasting the District's mission "to provide Silicon Valley safe, clean water for a healthy life, environment, and economy."

Hydrology, Hydraulics, & Geomorphology

The Hydrology, Hydraulics, & Geomorphology Unit specializes in the scientific assessment of water inflow and outflow patterns within watersheds. It is responsible for conducting hydrological and hydraulic analyses to predict and manage flooding events, support the water utility's functions, and calculate water capacity in reservoirs. Furthermore, this unit plays a significant role in studying geomorphological features, such as river channels and landforms, to understand their evolution and impact on water flow. By employing data-driven methods and models, it contributes to informed decision-making and long-term planning to ensure the efficient management of water resources and the protection of communities from flooding.

Inherent risks include risks related to the accuracy of predictions, the unpredictability of weather events, and evolving regulatory requirements. Incorrect predictions or incomplete assessments can lead to inadequate flood protection measures, potentially putting communities at risk during extreme weather events, which can increase costs associated with unplanned mitigation efforts. Additionally, climate change introduces uncertainties in precipitation patterns and water flow, which can challenge existing models and flood management strategies.

Environmental Mitigation & Monitoring

The Environmental Mitigation & Monitoring Unit consists of biologists and specialists responsible for overseeing and implementing mitigation efforts to offset the environmental impacts of various projects undertaken by the Santa Clara Valley Water District. It conducts comprehensive surveys, monitor mitigation efforts, and report their findings to regulatory agencies and other stakeholders. Inherent risks relate to ensuring the effectiveness of mitigation measures, meeting regulatory obligations, and addressing unexpected ecological changes. If mitigation measures are not adequately planned or executed, there is a risk of not achieving the desired ecological outcomes. The unit must also navigate a complex web of environmental regulations, and non-compliance can lead to regulatory sanctions, increased costs, and project delays.

Community Projects Review

The Community Projects Review Unit is responsible for evaluating and processing requests from various entities to work on properties within the jurisdiction of the Santa Clara Valley Water District. These requests often involve land use changes, permits for working on district-owned properties, or projects that may impact watersheds and water resources. The unit assesses the proposed projects to ensure they align with environmental regulations, land management policies, and the District's conservation objectives. They also engage in discussions with project proponents, regulatory agencies, and stakeholders to address potential issues and ensure that projects adhere to established guidelines. Notably, an Opportunities to Improve Permit Processing Audit was recently performed in 2021 that identified challenges in the Community

Projects Review Unit’s permit processing and recommended several measures to streamline related services, enhance customer communication, and optimize workflow processes.

Inherent risks include risks related to balancing land use needs, environmental protection, and regulatory compliance. Conflicting interests among project proponents, environmental advocates, and regulatory authorities can create challenges in reaching consensus and obtaining necessary approvals. Moreover, processing a large volume of project requests may strain available resources and potentially lead to delays in project reviews and increased project costs. The team must also remain vigilant in evaluating the potential ecological impacts of proposed projects and ensuring that mitigation measures are implemented effectively.

WATERSHEDS OPERATIONS & MAINTENANCE DIVISION	
<p>The Watersheds Operations & Maintenance Division provides field maintenance, engineering support, vegetation management, and environmental services management for Water Utility Facilities and the Stream Maintenance Program (SMP) in the Lower Peninsula, West Valley, Guadalupe, Coyote, and Uvas/Llagas watersheds. The Office of Watersheds Operations and Maintenance provides administrative leadership and support for the four units that comprise the Division. The Division objective is to ensure that maintenance work is performed in accordance with regulatory permits and maintenance guidelines and is coordinated and consistent throughout the Division.</p>	<p>Budget: \$ 64,544,832 FTE: 120</p> <p>Inherent Risks: Infrastructure risks associated with the maintenance and upkeep of watershed facilities, such as dams, reservoirs, and flood control structures; safety risks due to potential hazards during operations and maintenance activities.</p>

Watersheds Field Operations

The Watersheds Field Operations Unit is responsible for a wide range of outdoor tasks, including clearing small debris, adding vegetation, and performing other essential activities to preserve the health and integrity of the watershed environment. By ensuring that the watersheds are well-maintained, this unit contributes to the protection of water quality, flood control, and overall ecosystem health. They often work on-site, directly interacting with the natural landscape to keep it in optimal condition.

With these roles and responsibilities, inherent risks involve exposure to environmental elements, physical hazards, and potential weather-related challenges. Employees working outdoors may encounter wildlife, unpredictable weather conditions, and rugged terrain, posing risks to their safety. Ensuring that workers have the necessary training and safety equipment is crucial to mitigate these risks. Moreover, the team must be attentive to potential environmental impacts of their activities, such as unintentional disturbances to sensitive habitats. Careful planning, adherence to best practices, and ongoing environmental monitoring are essential for minimizing these impacts.

Operations & Maintenance Environmental Support

The Operations & Maintenance Environmental Support Unit assists the field operations staff in ensuring that maintenance activities within Watersheds align with environmental regulations and standards. This unit

conducts surveys, gathers data, and offers support in assessing the environmental impact of maintenance projects. They also collaborate with regulatory agencies, monitor mitigation efforts, and help maintain the ecological balance of watershed areas, making sure that maintenance activities are carried out responsibly and sustainably.

With these roles and responsibilities, inherent risks involve navigating complex regulatory frameworks, assessing potential environmental impacts, and ensuring compliance with ecological guidelines. Failing to adhere to environmental regulations or properly assessing the environmental consequences of maintenance activities can lead to regulatory violations and potential harm to the environment, as well as increased costs due to unplanned delays. Therefore, the team faces the inherent risk of regulatory non-compliance and environmental damage.

Operations & Maintenance Engineering Support

The Operations & Maintenance Engineering Support Unit plays a critical role in providing engineering assistance and guidance to the operations and maintenance staff within the watershed areas. They help plan and execute maintenance projects, ensuring that they are carried out efficiently and effectively. By leveraging engineering expertise, this unit contributes to the long-term sustainability of watershed assets and infrastructure.

With these roles and responsibilities, inherent risks include those primarily related to the successful execution of maintenance projects. These risks include project delays, cost overruns, and potential disruptions to watershed operations. Inaccurate project planning or engineering assessments can lead to unforeseen issues during project implementation, which may affect both the environment and operational efficiency.

Vegetation Field Operations

The Vegetation Field Operations Unit specializes in managing vegetation within watershed areas to reduce the risk of wildfires and ensure the overall health of the ecosystem. Their responsibilities include clearing and managing vegetation, particularly in high-risk areas where wildfires could pose a threat to water resources and infrastructure. By implementing effective vegetation management strategies, this team helps safeguard the watershed environment and minimize the risk of wildfire events that could impact water quality and availability.

With these roles and responsibilities, inherent risks include risks related to the use of equipment like chainsaws, herbicides, and prescribed burns. There is a risk of physical injury to personnel during field operations, as well as potential environmental risks if herbicides are not used properly or if prescribed burns are not carefully controlled. Additionally, the team must consider the ecological impacts of vegetation management and ensure that it aligns with conservation objectives. To mitigate these risks, the team must follow strict safety protocols, conduct regular training, and employ environmentally responsible practices to manage vegetation effectively while safeguarding both personnel and the environment.

WATERSHEDS DESIGN & CONSTRUCTION DIVISION

The Design & Construction Division within the Office of Watersheds is responsible for planning, designing, and overseeing construction projects aimed at enhancing and maintaining the Santa Clara Valley Water District's watershed infrastructure. This includes delivery of projects in Valley Water's rolling 5-year Capital Improvement Program (CIP) and Safe, Clean Water and Natural Flood Protection Program. This division manages various units that focus on different geographic regions and aspects of design and construction. Their responsibilities encompass project planning, design development, cost estimation, contractor management, and project execution. They work closely with multiple stakeholders to ensure that watershed projects meet environmental, regulatory, and operational requirements. The objectives of the Watersheds Design and Construction Division are to provide natural flood protection for residents, businesses, and visitors; and to protect and restore creek, bay, and other aquatic ecosystems. This Division also provides organization-wide support services for Surveying and Real Estate needs.

Budget: \$ 119,509,222 **FTE:** 65

Inherent Risks: Include those related to project delays, cost overruns, environmental compliance, and regulatory approvals. The division must effectively manage complex construction projects that may involve various contractors, designs, and environmental considerations. Delays in project completion or unexpected issues during construction can result in increased costs and potential regulatory non-compliance. There is the possibility of environmental risks related to mitigating potential impacts on natural ecosystems during construction. Additionally, the division must navigate regulatory agencies and meet stringent environmental standards to ensure that projects do not harm sensitive ecosystems within the watershed areas.

Design & Construction Unit

The Design & Construction Unit is divided into six distinct units, each responsible for specific geographic regions and aspects of watershed design and construction. These units handle a wide range of projects, from infrastructure improvements to environmental enhancements, within their designated areas. They manage the entire project lifecycle, from initial planning and design to construction oversight and project completion. Each unit collaborates with local communities, regulatory agencies, and other stakeholders to ensure that projects are executed effectively and in compliance with relevant standards.

With these roles and responsibilities, inherent risks for all Design & Construction Units include risks related to project complexity, resource allocation, and compliance with environmental regulations. Managing a diverse portfolio of projects across different geographic regions requires effective resource allocation and coordination. Delays, budget overruns, or issues with project execution can pose risks to project success. Moreover, ensuring that projects align with environmental standards and community expectations is a constant challenge. Failure to meet these requirements can result in regulatory penalties, environmental harm, and reputational damage.

Notably, a performance audit of the Lower Silver Creek Flood Protection Project Consultant Agreement with RMC (A3277G) and its related amendments was recently performed in 2018. This audit addressed issues related to conflicts of interest, financial review, fund reallocation, sole sourcing, and performance; and it included recommendations for improvements in disclosure and management of conflicts of interest, enhancing financial and fund reallocation procedures, formalizing and documenting review processes,

strengthening project document controls and change management practices, and adopting best practices for firewall and background checks.

Land Surveying & Mapping

The Land Surveying & Mapping Unit provides essential support for accurate surveying, mapping, and geospatial data management. This unit is responsible for ensuring that project designs are based on precise spatial information and that construction activities are executed with accuracy. They are also responsible for maintaining up-to-date land records, property boundaries, and geospatial data, which are essential for project planning and execution.

With these roles and responsibilities, inherent risks primarily include the accuracy and integrity of spatial data. Errors or inconsistencies in surveying and mapping can lead to costly design modifications, construction issues, and disputes over property boundaries. Moreover, keeping geospatial data up to date is a continuous challenge, as environmental changes and new developments can impact the accuracy of existing records.

Real Estate Services

Real Estate Services Unit is responsible for managing land acquisition, easements, property rights, and other real estate-related matters for watershed projects. This unit is responsible for acquiring the necessary land and property rights to carry out construction and environmental initiatives within the watershed areas. They work closely with property owners, negotiate agreements, conduct appraisals, and oversee land transactions to ensure that projects have the required access and rights to carry out work. Notably, a Real Estate Audit was recently performed in 2020 that identified challenges in property acquisition timelines, fiscal sustainability assessment, and operational efficiency and recommended enhancing transparency, accountability, and property management practices, providing more training on real estate acquisition processes, improving performance measurement, risk assessment, and financial analysis, facilitating communication with property owners, and expanding public information about real estate services.

With these roles and responsibilities, inherent risks include those that primarily relate to property negotiations, legal complexities, and budget considerations. Acquiring land and property rights can be a time-consuming process, and negotiations may encounter resistance from property owners or regulatory hurdles. Budget overruns can occur if property values are higher than anticipated or if negotiations stall. Additionally, legal challenges related to eminent domain or property disputes can pose significant risks.

Risk Summary

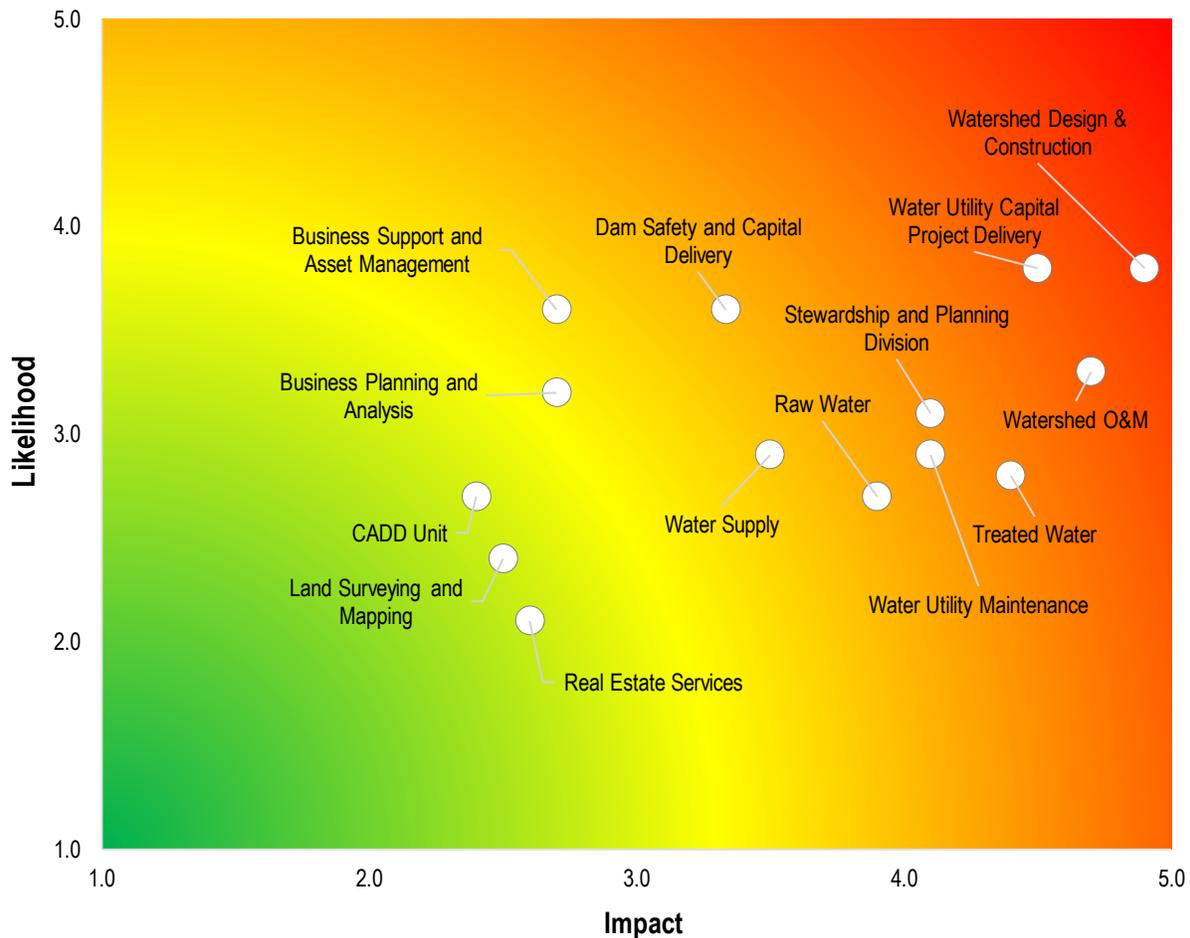
Most of the divisions and programs within Integrated Water perform functions that are central to the mission and purpose of Valley Water, and would be characterized as moderate- to high-risk. Ultimately, this risk assessment identified a small number of audit topics that would cover the bulk of Integrated Water's operations. Integrated Water consumes 80 percent of Valley Water's budget, with substantial resources dedicated to the District's capital infrastructure, including capital project delivery and maintenance. Specifically, capital project delivery encompasses six distinct organizational units within Integrated Water and maintenance operations encompass three organizational units. Decentralization can prove problematic in a variety of ways: project management practices could be inconsistent; parties fulfilling different roles,

such as construction managers and project managers, may not be on the same page in working with contractors; communication could falter; and it could constrain flexibility in assigning personnel across functional lines.

Further, with substantial resources dedicated to capital project delivery, a 2023 performance audit of the Capital Improvement Program raised concerns regarding the availability of staffing resources to carry out the capital projects planned for the District. Hiring substantial project delivery personnel will require additional support and administrative personnel (Human Resources, Facilities, Information Technology), and even if Valley Water outsources project delivery activities, additional in-house staffing resources may be required to manage and oversee the consultants to ensure cost and quality control.

Finally, Integrated Water is responsible for achieving Valley Water's core mission and goals. The Office of Integrated Water Management faces a range of interconnected risks that stem from the complexity of its responsibilities, regulatory compliance demands, and financial considerations. Addressing these risks requires a holistic approach that emphasizes effective communication, robust project management, environmental stewardship, and sound financial planning. Because of this, we find it prudent to prioritize performance audits related to the operations of Integrated Water. With this in mind, we illustrate below the risk rankings of each division or program area in relation to one another.

EXHIBIT 24. PROGRAM RISK RATINGS



Based on this assessment, there are several potential audit topics that warrant consideration for future audit planning.

- 1) Valley Water’s captial project delivery activities, including the District’s overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.

- 2) Valley Water’s infrastructure maintenance programs, including assessing Valley Water’s methods for developing and maintaining asset inventories; determining the condition of existing assets; scheduling predictive and preventative maintenance; monitoring maintenance backlogs; work order scheduling; the extent to which Valley Water relies on outsourced service providers to augment in-house resources; how well inventories are planned, maintained, and optimized to enhance overall operational efficiencies; the use of asset management software or systems to extend the lifespan

of critical infrastructure while minimizing operational costs; and the allocation of resources for ongoing maintenance to ensure the continued functionality and safety of infrastructure assets.

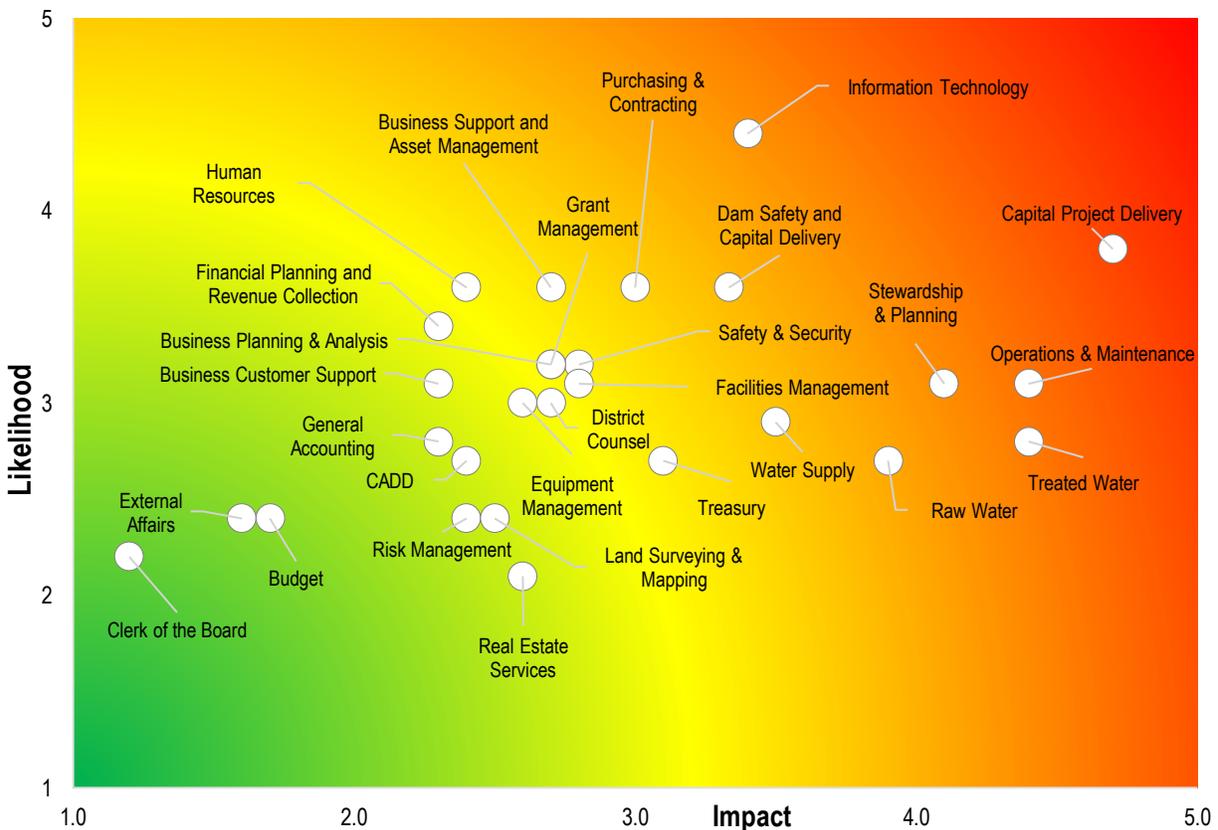
- 3) The Community Projects Unit's processes for receiving applications for permits, processing and issuing permits, and measuring performance in meeting established goals.
- 4) Valley Water's real estate management activities, including the responsibilities of both the Real Estate Unit within Watersheds and the District Lands Management Program within Integrated Water Management, with the intent to evaluate Valley Water's overarching approach to managing real estate assets.
- 5) Valley Water's Watershed management practices, including the effectiveness of Watersheds in managing and preserving natural resources within the region's watersheds. This may cover evaluating the impact of environmental conservation efforts, flood risk reduction measures, and ecological restoration initiatives.
- 6) Valley Water's flood control infrastructure, focusing on the maintenance and performance of flood control infrastructure such as dams, reservoirs, and levees. This could involve assessing the condition of these structures, compliance with safety standards, and preparedness for extreme weather events.
- 7) Valley Water's environmental compliance may include examining the District's adherence to environmental regulations and permits concerning watershed management. This might involve evaluating how well Valley Water manages ecological preservation, land use, and habitat protection within the watersheds.
- 8) Valley Water's emergency response and preparedness, concentrating on the readiness and effectiveness of Water Utility Enterprises' emergency response and preparedness plans. It would assess the procedures in place to respond to natural disasters, water supply disruptions, and other emergencies, such as COVID-19, including communication protocols, resource allocation, and coordination with local authorities to ensure uninterrupted service during crises.

Risk Assessment Results

A Risk Assessment for audit planning purposes is intended to identify ways to optimize the value of limited audit resources. This includes identifying “high-risk” programs or operations—e.g., those involving the most resources, impacting the most residents, experiencing the greatest challenges, etc.—but it is not limited to identifying “high-risk” programs or operations. In addition to identifying Valley Water programs that are considered to be high- or moderate-risk for inclusion in the audit plan, consideration must also be given to ensuring broad coverage over a defined period of time. Below, we provide recommendations for the consideration of the Valley Water Board of Directors in the development of the Fiscal Year 2023-24 through Fiscal Year 2025-26 Three Year Audit Plan.

In considering the departmental profiles described in the prior section, we shift to a broader view of our assessment of risk throughout the District. In Exhibit 25 we provide a districtwide heat map, differentiating our assessment of risk among each of Valley Water’s key programs and operations. In the lower left corner, we have several units or programs that present relatively low risk, including certain departmental administrative operations, the Office of the Clerk of the Board, the Office of the District Counsel, and other lower-risk operations. In the upper right corner, where the yellow meets the red, we find several divisions or programs for which we find reason to prioritize a performance audit. These include those programs or operations involving the most resources and having a substantial impact on Valley Water. The District’s internal service programs tend to fall within the moderate-risk category.

EXHIBIT 25. DISTRICTWIDE PROGRAM RISK RATINGS



It is important to recognize, however, that effective audit plans do not solely focus on program areas that fall into the high-risk category. If this were the case, the same programs would be audited year after year. Rather, an effective audit plan ensures adequate coverage throughout the Valley Water's departments and programs. To achieve this, we recommend establishing an auditing cycle that ensures that the performance, programs, and/or activities of every department or office are audited, at least in part, on a periodic basis—such as on a three- to five-year cycle.

This risk assessment identified a total of 33 potential audit topics, which are presented in **Appendix A** of this report, which we present as the complete Fiscal Year 2023-24 through Fiscal Year 2025-26 Three Year Audit Plan. This list of audit engagements addresses every department within Valley Water, and provides a balance between internal service programs and those departments that fulfill Valley Water's core responsibilities—the Integrated Water, Watershed, and Water Utility business areas.

This, of course, is more than what can be achieved by Valley Water during any three-year period, both in terms of available audit resources and scheduling logistics. While the budget for Independent Board Audit Services will ultimately determine the number and scope of audits that can be completed in a given year, we understand that existing resources exist to perform up to three or four performance audits in a given year. With this in mind, we prioritize 12 audit engagements that we recommend for the three-year period between Fiscal Year 2023-24 and Fiscal Year 2025-26, as shown in Appendix B of this report. The ability to perform all 12, however, will be dependent on available resources and logistical considerations. Should the Board Audit Committee determine that it is not feasible to complete all 12 under current conditions, options available include reducing the number of priority audits, increasing budget resources, or extending the period to conduct the audits from three years to up to four or five years.

These audit topics are proposed as audit priorities for the Board Audit Committee's consideration. It is recognized, however, that prior to establishing each annual audit plan, the Independent Board Auditor will seek input from the Board Audit Committee and members of the Board to obtain input before determining the specific audits to be included in each annual audit plan. This allows for continued input and routine updating to the Three Year Audit Plan as a way to ensure it addresses current and emerging challenges faced by Valley Water.

Appendix A. Proposed Three-Year Audit Plan

This risk assessment resulted in the identification of 33 potential audits for consideration of the Valley Water Board of Directors. The Independent Board Auditor recommends the inclusion of these audit topics in the 2024-2026 Three-Year Audit Plan.

Office of the Chief Executive Officer

- 1) The District's **overall approach to performance measurement**, the purpose of which would be to identify ways to build upon existing performance metrics in a manner that provides the Board reasonable assurances that metrics exist to evaluate progress to achieving Ends Policies, as well as to evaluate the overall efficiency and effectiveness of Valley Water operations.
- 2) The District's **overall compliance with Board policies**, including Board Governance Policies, Ends Policies, and Executive Limitations Policies.

Office of the Clerk of the Board

- 3) Evaluate the Office's **business processes, information systems, and workload management** practices to identify potential inefficiencies or opportunities for improvement in the Office's operational activities and administrative functions.

Office of District Counsel

- 4) Evaluate the Office's **business processes and information systems** to identify potential inefficiencies or opportunities for improvement in the Office's administrative functions.
- 5) Evaluate **risk management practices**, including the District's reliance on third-party administrators and service providers, risk retention and transfer evaluations, claims processing, and workplace health and safety programs, as well as existing workload demands and future opportunities to enhance risk management operations in a growing District government.

Administrative Services

- 6) **Information technology** is generally considered to be a moderate- to high-risk function in any government organization, and recommended performance audits typically focus on:
 - a. Cybersecurity and network hygiene;
 - b. Data management protocols;
 - c. Customer service efficiency;
 - d. Disaster recovery planning;
 - e. Cost-effectiveness of operations, including contracting and purchasing; and
 - f. Information technology project management policies, processes, and practices, and the consistency of the IT Department's efforts with best practices.

- 7) Determine whether the District's **human resources management** activities are consistent with industry standards; sufficient to ensure compliance with federal, state, and local laws and regulations; effective in attracting, retaining, and motivating a highly talented, qualified, and effective workforce; and appropriately resourced and right-sized for Valley Water. This should include key elements of human resources management, such as policies and procedures related to and its administration of the following:
 - a. Hiring and recruiting;
 - b. Classification and compensation;
 - c. Employee recordkeeping;
 - d. Human Resources Information System functionality and system controls;
 - e. Employee relations and performance management;
 - f. Benefits administration;
 - g. Workplace investigations;
 - h. Professional and workforce development, training, and succession planning;
 - i. State and federal compliance.
- 8) The **administration of compensation** practices to ensure employer costs are appropriately controlled by determining whether benefit enrollment processes appropriately control employee enrollment and cost-sharing, including the verification of dependent eligibility, and the recording of employee compensation within Infor to ensure compensation (including bonuses and other differential pay) are appropriately approved and authorized.
- 9) **Cashiering processes**, including those performed through differing information and cashiering systems, the impact that staff turnover has had on cashiering operations, and the role of Finance and Administration in ensuring adequate internal and system controls associated with each.
- 10) Valley Water's **facilities maintenance program**, including evaluating the Department's ongoing control, monitoring, assessment, and maintenance of Valley Water facilities and properties to identify opportunities to enhance efficiencies and protect District assets.
- 11) Valley Water's **equipment management program**, including determining the extent to which the acquisition, maintenance, and control of equipment and fleet vehicles are performed in a manner consistent with best practices, controls over sensitive assets are effective to prevent misuse, routine and preventive maintenance is performed in accordance to acceptable guidelines, the potential for abuse of District vehicles/fuel/equipment is appropriately mitigated, and practices are both efficient and effective.
- 12) The overall efficiency of the **Emergency, Safety, & Security Division**, and the extent to which the Division carries out its responsibilities in a manner consistent with best practices and regulatory requirements. As well as assessing the adequacy of emergency preparedness in the face of situations such as unusual weather events, COVID-19, strikes, recessions, and climate change.

- 13) **Warehouse operations**, including the processes and protocols for inventory acquisition and management, conducting inventory audits, and otherwise controlling assets held in inventory, and the efficiency and effectiveness of such processes.
- 14) The **practices of the Business Customer Support program**, including its business and workload management practices, to identify potential inefficiencies or opportunities for improvement in the program's operational activities and administrative functions.
- 15) **Procurement** activities, including General Services' practices relating to the following:
 - a. Ensuring consistency with Valley Water policies, procedures, and other relevant guidance;
 - b. Proper segregation of duties with accounts payable functions and operational activities;
 - c. Consistency with best practices;
 - d. Efficiency in executing procurements in a manner that meets districtwide needs;
 - e. Timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
 - f. Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies, professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and
 - g. Benchmarking research, including the extent to which Valley Water's procurement practices compare with other public sector agencies.

External Affairs

- 16) Evaluate **the Office's business processes, information systems, and workload management practices** to identify potential inefficiencies or opportunities for improvement in the Office's operational activities and administrative functions.

Finance

- 17) **Grant management activities**, including determining whether existing policies and procedures; systems of internal control related to the recording, tracking, and monitoring of grant funds to ensure full compliance and recovery; and staffing and system resources are sufficient to administer, optimize, and account for grant monies in an efficient and effective manner.
- 18) **Treasury operations**, including evaluating cash management, investment, treasury functions, and determining the extent to which investment and cash management activities adhere to best practices and established investment policies.
- 19) **Budget processes**, including evaluating budget and financial planning protocols and practices, the sufficiency of budgetary tools available to Valley Water management to monitor budget-to-actual performance, and the overall efficiency and effectiveness of the District's biennial budget cycle.
- 20) The efficiency and effectiveness of **system integration** between the Finance enterprise system, Infor, and other information systems utilized to manage Valley Water fiscal activity.

- 21) The **Completeness of policies and procedures**, including how they are maintained, updated, made available and communicated to all relevant parties.
- 22) **Accounts receivable**, including assessing the manual billing processes employed by Finance to bill and collect from utility customers.
- 23) **Financial analysis and forecasting** practices, including the extent to which revenue forecasting is consistent with best practices in an environment significantly impacted by the pandemic and climate change, particularly within Water Supply, and the extent to which forecasting models and fiscal policies provide an effective framework for ensuring long-term sustainability.
- 24) **Payroll and compensation** practices, including whether practices ensure total compensation and payments to employees, including executive management and Board members, comply with collective bargaining agreements and Board policies.

Integrated Water Management

- 25) Valley Water's **capital project delivery** activities, including the District's overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.
- 26) Valley Water's **infrastructure maintenance programs**, encompassing various elements related to **operations and maintenance**, including assessing Valley Water's methods for developing and maintaining **asset inventories**, determining the condition of existing assets, scheduling predictive and preventative maintenance, monitoring maintenance backlogs, work order scheduling, the extent to which Valley Water relies on outsourced service providers to augment in-house resources, and how well inventories are planned, maintained, and optimized to enhance overall operational efficiencies. As well as including evaluation of the use of asset management software or systems to extend the lifespan of critical infrastructure while minimizing operational costs. Maintenance assessments may include focusing on maintenance schedules, preventive maintenance programs, inspection procedures, and the allocation of resources for ongoing maintenance to ensure the continued functionality and safety of infrastructure assets.
- 27) The **Community Projects Unit's** processes for receiving applications for **permits**, processing and issuing permits, and measuring performance in meeting established goals.
- 28) Valley Water's **real estate management** activities, including the responsibilities of both the Real Estate Unit within Watersheds and the District Lands Management Program within Integrated Water Management, with the intent to evaluate Valley Water's overarching approach to managing real estate assets.
- 29) Valley Water's **Watershed management practices**, including the effectiveness of Watersheds in managing and preserving natural resources within the region's watersheds. This may cover

evaluating the impact of environmental conservation efforts, stewardship efforts, flood risk reduction measures, and ecological restoration initiatives.

- 30) Valley Water's **flood control infrastructure**, focusing on the maintenance and performance of flood control infrastructure such as dams, reservoirs, and levees. This could involve assessing the condition of these structures, compliance with safety standards, and preparedness for extreme weather events.
- 31) Valley Water's **environmental compliance** may include examining the District's adherence to environmental regulations and permits concerning watershed management. This might involve evaluating how well Valley Water manages ecological preservation, land use, and habitat protection within the watersheds.
- 32) Valley Water's **emergency response and preparedness**, concentrating on the readiness and effectiveness of Water Utility Enterprises' emergency response and preparedness plans. It would assess the procedures in place to respond to natural disasters, water supply disruptions, and other emergencies, such as COVID-19, including communication protocols, resource allocation, and coordination with local authorities to ensure uninterrupted service during crises.
- 33) Valley Water's operations of the **Raw and Treated Water Divisions**, including evaluating both Division's practices and strategies to maintain and ensure long-term sustainability, assessing the efficiency and effectiveness of core business operations, and adhering to leading industry practices.

Appendix B. Prioritized Audit Topics for the Board’s Consideration

We recognize that the actual audit plan will be determined, in part, by the budgetary resources available for the Independent Board Auditor, which currently allow for a maximum of four audits per year. Nevertheless, for the Board’s consideration, we present the following 12 audit engagements that we believe can be completed during the three-year period between Fiscal Year 2023-24 and Fiscal Year 2025-26.

1) Capital Project Delivery

- a. Valley Water’s **capital project delivery** activities, including the District’s overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.

2) Board Policies

- a. The District’s **overall compliance with Board policies**, including Board Governance Policies, Ends Policies, and Executive Limitations Policies.

3) Clerk of the Board

- a. Evaluate the Office’s **business processes, information systems, and workload management** practices to identify potential inefficiencies or opportunities for improvement in the Office’s operational activities and administrative functions.

4) Human Resources

- a. Determine whether the District’s **human resources management** activities are consistent with industry standards; sufficient to ensure compliance with federal, state, and local laws and regulations; effective in attracting, retaining, and motivating a highly talented, qualified, and effective workforce; and appropriately resourced and right-sized for Valley Water. This should include key elements of human resources management, such as policies and procedures related to and its administration of the following:
 - i. Hiring and recruiting;
 - ii. Classification and compensation;
 - iii. Employee recordkeeping;
 - iv. Human Resources Information System functionality and system controls;
 - v. Employee relations and performance management;
 - vi. Benefits administration;
 - vii. Workplace investigations;
 - viii. Professional and workforce development, training, and succession planning;

ix. State and federal compliance.

5) Operations & Maintenance and Asset Management

- a. Valley Water's **infrastructure maintenance programs**, encompassing various elements related to **operations and maintenance**, including assessing Valley Water's methods for developing and maintaining **asset inventories**, determining the condition of existing assets, scheduling predictive and preventative maintenance, monitoring maintenance backlogs, work order scheduling, the extent to which Valley Water relies on outsourced service providers to augment in-house resources, and how well inventories are planned, maintained, and optimized to enhance overall operational efficiencies. As well as including evaluation of the use of asset management software or systems to extend the lifespan of critical infrastructure while minimizing operational costs. Maintenance assessments may include focusing on maintenance schedules, preventive maintenance programs, inspection procedures, and the allocation of resources for ongoing maintenance to ensure the continued functionality and safety of infrastructure assets.

6) Information Technology

- a. **Information technology** is generally considered to be a moderate- to high-risk function in any government organization, and recommended performance audits typically focus on:
- i. Cybersecurity and network hygiene;
 - ii. Data management protocols;
 - iii. Customer service efficiency;
 - iv. Disaster recovery planning;
 - v. Cost-effectiveness of operations, including contracting and purchasing; and
 - vi. Information technology project management policies, processes, and practices, and the consistency of the IT Department's efforts with best practices.

7) Purchasing and Contracting

- a. **Procurement** activities, including General Services' practices relating to the following:
- i. Ensuring consistency with Valley Water policies, procedures, and other relevant guidance;
 - ii. Proper segregation of duties with accounts payable functions and operational activities;
 - iii. Consistency with best practices;
 - iv. Efficiency in executing procurements in a manner that meets districtwide needs;
 - v. Timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
 - vi. Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies,

professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and

- vii. Benchmarking research, including the extent to which Valley Water's procurement practices compare with other public sector agencies.

8) Safety & Security

- a. The overall efficiency of the **Emergency, Safety, & Security Division**, and the extent to which the Division carries out its responsibilities in a manner consistent with best practices and regulatory requirements. As well as assessing the adequacy of emergency preparedness in the face of situations such as unusual weather events, COVID-19, strikes, recessions, and climate change.

9) Raw and Treated Water

- a. Assessing the infrastructure maintenance and sustainability within Valley Water's **Raw and Treated Water Divisions** would include a thorough evaluation of both Division's practices and strategies to maintain and ensure long-term sustainability of its critical infrastructures. This would assess the performance of the two Divisions in managing the aging infrastructure, assessing the risks associated with deferred maintenance, as well as the focus on optimizing the allocation of resources.

10) Stewardship and Planning

- a. Valley Water's **flood control infrastructure**, focusing on the maintenance and performance of flood control infrastructure such as dams, reservoirs, and levees. This could involve assessing the condition of these structures, compliance with safety standards, and preparedness for extreme weather events.

11) Treasury

- a. **Treasury operations**, including evaluating cash management, investment, treasury functions, and determining the extent to which investment and cash management activities adhere to best practices and established investment policies.

12) Water Supply

- a. **Financial analysis and forecasting** practices, including the extent to which revenue forecasting is consistent with best practices in an environment significantly impacted by the pandemic and climate change, particularly within Water Supply, and the extent to which forecasting models and fiscal policies provide an effective framework for ensuring long-term sustainability.



Santa Clara Valley Water District

File No.: 25-0589

Agenda Date: 8/20/2025

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss 2025 Annual Audit Plan (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed.

RECOMMENDATION:

- A. Discuss 2025 Annual Audit Plan; and
- B. Provide feedback as needed.

SUMMARY:

On November 20, 2024, the Chief Audit Executive (CAE) presented the proposed topics for the 2025 Annual Audit Plan to the Board Audit Committee (BAC) based on his individual interviews with each of the Board members. The BAC discussed and ultimately agreed to recommend the following topics to the full Board:

- 1) Capital project delivery activities, including Valley Water's overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.
- 2) Centralized and decentralized contracting processes, including:
 - a. Determining consistency with Santa Clara Valley Water District (Valley Water) policies, procedures, best practices, and other relevant guidance;
 - b. Assessing timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
 - c. Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies, professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and
 - d. Benchmarking research, including the extent to which Valley Water's procurement

practices compare with other public sector agencies.

- 3) Water conservation strategies, including evaluating Valley Water’s relationships with other water agencies, evaluating best practices among water districts, assessing how monies dedicated to conservation activities are being spent, and identifying opportunities to enhance Valley Water’s conservation goals.
- 4) Water usage and demand forecasting, including identifying best practices employed by benchmark agencies, and how forecasting models are used to inform the Water Supply Master Plan.

At its meeting on January 28, 2025, the Board approved the audit assignments and respective target start dates for each audit:

- 1) Capital Project Delivery
 - assign to Sjoberg Evashenk with possible start in late Q2 2025 and conclude in Q1 of 2026
- 2) Centralized and Decentralized Contracting Practices
 - assign to Sjoberg Evashenk with possible start in Q2 2025 and conclude in Q4 of 2025
- 3) Water Conservation Strategies
 - assign to Moss Adams with possible start in Q1 2025 and conclude in Q3 of 2025
- 4) Water Usage and Demand Forecasting
 - assign to Moss Adams with possible start in Q3 2025 and conclude in Q1 of 2026

Current Status of Audit Projects

- 1) Capital Project Delivery
 - Project kickoff meeting is expected to be held in August 2025.
- 2) Centralized and Decentralized Contracting Practices
 - Project commenced May 29, 2025, and the project remains in the planning phase.
- 3) Water Conservation Strategies
 - Project commenced on April 3, 2025, and the audit is currently in the fieldwork phase.
- 4) Water Usage and Demand Forecasting
 - Project kickoff meeting is expected to be held in Q3 2025

The purpose of this agenda item is to discuss the 2025 Annual Audit Plan, discuss any new related information as appropriate, and receive any feedback the BAC deems appropriate.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

File No.: 25-0589

Agenda Date: 8/20/2025
Item No.: 4.4.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

File No.: 25-0588

Agenda Date: 8/20/2025

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Review and Discuss 2025 Board Audit Committee (BAC) Work Plan.

RECOMMENDATION:

Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

SUMMARY:

Per the BAC's Charter, Article III, Paragraph 6.2, "The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee."

Under the direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change.

Since the June 17, 2025, BAC meeting, there have been some adjustments to the BAC Work Plan. Specifically, the July BAC meeting was canceled and the Annual Audit Training, originally scheduled to be conducted at the end of that meeting, was rescheduled to a special Board Meeting on July 21, 2025, to allow other Board members the opportunity to participate. Additionally, the JPA Audit Status update was rescheduled to the August 20, 2025, BAC meeting, the CIP Audit Status update was rescheduled from the August 20, 2025, BAC meeting to the September 17, 2025, BAC meeting, and the SCW Program Grants Management Audit Status Update was rescheduled from the August BAC meeting to the November 19, 2025, BAC Meeting.

Looking forward, the topics of discussion identified for the September 17, 2025, BAC Meeting can be summarized as follows:

1. Receive 2023 CIP Performance Audit Status Update
2. Discuss Topics for 2026 Annual Audit Plan
3. Financial Status Periodic Update
4. Audit Report of the Water Utility Enterprise Fund
5. Discuss 2025 BAC Work Plan
6. Discuss 2025 Annual Audit Plan

Upon review, the BAC may make changes to be incorporated into the work plan.

ENVIRONMENTAL JUSTICE IMPACT:

The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:

Attachment 1: 2025 BAC Work Plan

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

BOARD AUDIT COMMITTEE 2025 WORKPLAN

January 1, 2025 to December 31, 2025

	Jan-15	Feb-19	Mar-19	Apr-16 Cancelled	May-21 Cancelled	Jun-17	7/16/2025 Cancelled	Aug-20	Sep-17	Oct-15	Nov-19	Dec-17
DATE:												
No. of Topics:	5	6	8	2	2	8	2	5	6	4	5	3
# Board Audit Committee Management												
1 Conduct Annual Self-Evaluation	•		•									
2 Receive and Discuss CAE Activity Report to Evaluate Performance	•		•									
3 Election of BAC Chair and Vice Chair		•										
4 Discuss Board Audit Committee Audit Charter			•									
5 Discuss Scope of Annual Audit Training			•									
6 Receive Annual Audit Training												
7 Review and Update BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•
8 Provide Draft BAC Work Plan for Upcoming Year												•
Board Audit Committee Special Requests												
9 Review of Joint Powers Authority (JPA) audits								•				
10 Discuss Board's CAE Contract (expires 11/22/25)						•						
11 Discuss the purpose of Board directed audits	•											
Board-directed Audits												
12 2020 SCW Program Grants Management		•									•	
13 2021 Permitting Best Practices						•						
14 2023 CIP Performance									•			
15 2024 Human Resources Audit			•									
16 2024 Information Technology Audit						•						
17 2024 Board Policies and Compliance Audit												
18 2025 Audit - TBD												
CAE Standing Topics												
19 Review and Update Annual Audit Plan	•	•	•	•	•	•	•	•	•	•	•	•
20 Discuss next Annual Audit Plan								•	•			
21 Discuss Draft 2026 Annual Audit Plan										•		
22 Discuss Proposed 2026 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2026 Annual Audit Plan with assignments for Board Approval											•	
Miscellaneous 3rd-Party Financial Audits												
23 Financial Status - Periodic Updates		•				•			•			
24 Audit Report of the Water Utility Enterprise Funds									•			
25 Audited Financial Statements						•					•	
26 Single Audit Report		•										
27 Subventions Audit Report						•						
Staff Standing Topics												
28 Audit Recommendations Implementation Status			•					•				
29 Receive Audit Analysis Report from CAE										•		
Committee Clerk Action Items (not included in count shown in Row 3 above)												
30 Provide BAC Summary Report to full Board	•	•	•	•	•	•	•	•	•	•	•	•

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