



Santa Clara Valley Water District Board Audit Committee Meeting

Headquarters Building Conference Room A-124
5700 Almaden Expressway
San Jose, CA 95118

***AMENDED/APPENDED** **11:00 AM REGULAR MEETING** **AGENDA**

Monday, December 16, 2019
11:00 AM

***ITEMS AMENDED AND/OR APPENDED SINCE THE ORIGINAL PUBLICATION OF THIS AGENDA
ARE IDENTIFIED BY AN ASTERISK (*) HEREIN**

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

BOARD AUDIT COMMITTEE

Barbara Keegan, Chair, District 2
Nai Hsueh, Vice Chair, District 5
Gary Kremen, District 7

All public records relating to an 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 for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, 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 attend Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

MAX OVERLAND
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-2749
moverland@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.

THIS PAGE INTENTIONALLY LEFT BLANK

**Santa Clara Valley Water District
Board Audit Committee**

***AMENDED/APPENDED
11:00 AM REGULAR MEETING AGENDA**

***ITEMS AMENDED AND/OR APPENDED SINCE THE ORIGINAL PUBLICATION OF THIS AGENDA
ARE IDENTIFIED BY AN ASTERISK (*) HEREIN**

Monday, December 16, 2019

11:00 AM

Headquarters Building Conference Room A-124

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: This item is reserved for persons desiring to address the Committee on any matter not on this agenda. Members of the public who wish to address the Committee on any item not listed on the agenda should complete a Speaker Form and present it to the Committee Clerk. The Committee Chair will call individuals in turn. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If 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 Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[19-1185](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 111819 BAC Minutes](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

- *4.1. Valley Water Comprehensive Annual Financial Report for the Fiscal Year Ending on June 30, 2019. [19-1214](#)
- Recommendation: Discuss the Valley Water Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) Ending on June 30, 2019, that staff will be recommending for Board acceptance and provide direction as needed.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [*Supplemental Agenda Memorandum](#)
[*Supplemental Attachment 1: FY19 CAFR](#)
- Est. Staff Time: 15 Minutes
- 4.2. Develop the 2020 Board Audit Committee Work Plan. [19-1149](#)
- Recommendation: A. Provide feedback and approve the 2020 Board Audit Committee Work Plan.
B. Confirm 2020 Board Audit Committee monthly meeting schedule selecting the third Wednesday of each month beginning at 12:00 p.m.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: 2020 BAC Work Plan](#)
- Est. Staff Time: 5 Minutes
- 4.3. Request Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance. [19-1157](#)
- Recommendation: Request Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor performance.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: Annual Performance Report Outline](#)
- Est. Staff Time: 5 Minutes
- 4.4. Quality and Environmental Management System (QEMS) Methodology Benchmarking Analysis. [19-1158](#)
- Recommendation: Discuss Potential Scope of Work for QEMS Methodology Benchmarking Analysis and Provide Staff Feedback.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: QEMS Methodology Benchmarking Analysis](#)
- Est. Staff Time: 15 Minutes

5. INFORMATION ITEMS:

5.1. Review and Update 2019 Board Audit Committee Work Plan [19-1150](#)

Recommendation: A. Review the 2019 Board Audit Committee Work Plan; and
B. Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2019 BAC Work Plan](#)

Est. Staff Time: 5 Minutes

*5.2. Board Independent Auditor Report Update - TAP International, Inc. [19-1215](#)

Recommendation: A. Discuss the Annual Audit Work Plan and update, if necessary;
B. Discuss the status of on-going audits;
C. Discuss the Contract Change Order Audit Management Response to Draft Report; and
D. Discuss the scope of work for the ad-hoc review audits of grants, Valley Water hiring practices, and Board Agenda preparation process.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Annual Audit Work Plan](#)
[*Supplemental Agenda Memorandum](#)

Est. Staff Time: 20 Minutes

*5.3. Restrictions on Closed Session Meetings. [19-1174](#)

Recommendation: Receive Information on the Board Audit Committee's Ability to Have Future Closed Session Meetings.

Manager: Brian Hopper, 408-630-2765

Attachments: [Attachment 1: Restrictions on Closed Session Meetings](#)

Est. Staff Time: 5 Minutes

6. 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.

7. ADJOURN:

7.1. Adjourn to Regular meeting as set by the Committee.

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 19-1185

Agenda Date: 12/16/2019

Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Approval of 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.

ATTACHMENTS:

Attachment 1: 111819 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

THIS PAGE INTENTIONALLY LEFT BLANK



BOARD AUDIT COMMITTEE MEETING

MINUTES

Monday, November 18, 2019
12:00 PM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 12:00 PM.

1.1 Roll Call.

Committee members in attendance were District 5 Director N. Hsueh, District 7 Director G. Kremen, and District 2 Director B. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were A. Blackmon, A Noriega, L. Orta, D. Taylor, and T. Yoke.

Also in attendance were D. Callahan, TAP International, Inc. (TAP)

2. TIME OPEN FOR PUBLIC COMMENT:

2.1 Time Open for Public Comment on any Item not on the Agenda.

Chairperson Keegan 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 Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the October 23, 2019, meeting. It was moved by Director Hsueh, seconded by Director Kremen, and unanimously carried that the minutes be approved unanimously with revisions.

4. ACTION ITEMS

4.1 Develop the 2020 Board Audit Committee Work Plan.

Recommendation: Provide feedback and approve the 2020 Board Audit Committee Work Plan.

Mr. Darin Daylor, Chief Financial Officer, reviewed the information on this item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- Remove line item 18-22 (FEMA, Grant, and CalPERS Audits); and
- Add line item for Research Valuing Water as an asset.

5. INFORMATION ITEMS

5.1 Board Independent Auditor Report Update – TAP International, Inc.

Recommendation: A. Discuss the Annual Audit Work Plan and update, if necessary;
B. Discuss the status of on-going audits; and
C. Discuss the Contract Change Order Audit Management Response to the Draft Report.

Ms. Denise Callahan, TAP, reviewed the information on this item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- Add one new audit for FY 2021 Encroachment Program to the Annual Audit Work Plan and present to the full Board for approval;
- Audit Review: TAP to present for full Board approval the addition of the Encroachment Program Audit to the Annual Audit Work Plan;
- Desk Review: The Committee directed TAP to perform under the Annual Audit Work Plan three ad hoc Board Audits. The three ad hoc Board Audits are as follows:
 - TAP to perform a Desk Review of key controls and financial management regarding the extension of grants;
 - TAP to perform a Risk Management review of Valley Water hiring practices; and
 - TAP to perform a desk review of the Board Agenda preparation process.
- Staff to correct, unify, and simplify analysis for the Contract Change Order Management Response and present at the next BAC meeting;
 - Address critical projects with high exposure;
 - Address action under circumstances;
 - Define critical projects and non-critical projects;
 - Identify mega project external subject matter experts;
 - Identify frameworks and further developments needed; and

- Staff to periodically present progress report on Contract Change Order Management following the presentation of the updated management response.

5.2 Review and Update 2019 Board Audit Committee Work Plan.

- Recommendation:
- A. Review the 2019 Board Audit Committee Work Plan; and
 - B. Discuss topics of interest and make any necessary adjustments to the Board Audit Committee Work Plan.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- Legal to provide the Committee with non-confidential memorandum on closed session special topics and place as an Item on the next Committee Agenda;
- Staff to add the upcoming January 2020 Items to the 2019 Board Audit Committee Work Plan and bring back to the next Committee meeting for approval; and
- Staff to clarify 2019 Board Audit Committee Work Plan Line Item 14 to include research on what other agencies are doing for QEMS/ISO.

5.3 CalPERS Office of Audit Services review of Valley Water's Temporary Upgrade Pay Reported as Special Compensation.

- Recommendation: Receive information pertaining to the August 2019 CalPERS initial audit findings temporary upgrade pay reported as special compensation.

Ms. Anna Noriega, Chief People Officer, reviewed the information on this Item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- The Committee to receive a copy of the report once it is available, but this item does not need to be presented to the Committee in the future.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

6.1 Clerk Review and Clarification of Committee Requests.

Ms. Natalie Dominguez, Assistant Deputy Clerk II, confirmed that there were no new Committee Recommendations or Requests.

7. ADJOURN

- 7.1 Chairperson Keegan adjourned the meeting at 12:35 p.m. to the next meeting, which will be scheduled and posted in accordance with the Brown Act.

Natalie Dominguez
Assistant Deputy Clerk II



Santa Clara Valley Water District

File No.: 19-1214

Agenda Date: 12/16/2019

Item No.: *4.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Valley Water Comprehensive Annual Financial Report for the Fiscal Year Ending on June 30, 2019.

RECOMMENDATION:

Discuss the Valley Water Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) Ending on June 30, 2019, that staff will be recommending for Board acceptance and provide direction as needed.

SUMMARY:

The CAFR for the fiscal year ending on June 30, 2019 was audited by Valley Water's external auditor, Maze and Associates. During the audit, no material financial findings or internal control weaknesses were reported. It is anticipated that the auditor will issue an unmodified ("clean") opinion dated December 16, 2019 stating that Valley Water's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). The CAFR will be provided to the Board Audit Committee via supplemental agenda memo.

Each year since 1997, Valley Water has been awarded the prestigious Certificate of Achievement for Excellence in Reporting by the Government Finance Officers Association of the United States and Canada (GFOA).

FINANCIAL IMPACT:

Audit service costs are included in Valley Water's FY 2018-19 budget.

ATTACHMENTS:

*Supplemental Agenda Memorandum

*Supplemental Attachment 1: FY19 CAFR

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 19-1193

Agenda Date: 12/16/2019

Item No.: *4.1.

SUPPLEMENTAL BOARD AGENDA MEMORANDUM

SUBJECT:

Valley Water Comprehensive Annual Financial Report for the Fiscal Year Ending on June 30, 2019.

REASON FOR SUPPLEMENTAL MEMORANDUM:

This supplemental memorandum includes the Fiscal Year 2019 Comprehensive Annual Financial Report which was not available previously.

RECOMMENDATION:

Discuss the Valley Water Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) Ending on June 30, 2019, that staff will be recommending for Board acceptance and provide direction as needed.

SUMMARY:

The FY 19 CAFR was not available for inclusion in the original 10-day posting on December 6, 2019 and is being submitted for the Board Audit Committee's review. The final FY19 CAFR will be presented to the Board in January 2020 for acceptance and approval.

FINANCIAL IMPACT:

Audit service costs are included in Valley Water's FY 2018-19 budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: FY19 CAFR

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

DRAFT

12/09/2019

Santa Clara Valley Water District
San Jose, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Prepared by the General Accounting Services Unit

Darin Taylor, Chief Financial Officer
Gloria del Rosario, Accounting Manager



Valley Water

Clean Water • Healthy Environment • Flood Protection

**SANTA CLARA VALLEY WATER DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2019**

Table of Contents

Introductory Section

Letter of Transmittal	1
GFOA Certificate of Achievement.....	12
Organizational Chart	13
Board of Directors	14

Financial Section

Independent Auditor’s Report.....	15
Management’s Discussion and Analysis (Required Supplementary Information)	17
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	34
Statement of Activities	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	38
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	40
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	42
Statement of Net Position – Proprietary Funds	43
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	44
Statement of Cash Flows - Proprietary Funds	45
Statement of Assets and Liabilities - Agency Fund	46

NOTES TO BASIC FINANCIAL STATEMENTS:

(1) The Financial Reporting Entity	47
(2) Summary of Significant Accounting Policies.....	48
(3) Cash and Investments.....	57
(4) Reimbursement of Capital Costs	64
(5) Investment Income	65
(6) Capital Assets	66
(7) Short-Term and Long-Term Liabilities	68
(8) Property Taxes and Benefit Assessments.....	74
(9) Fund Balances	75
(10) Net Position	77
(11) Employees' Retirement Plan	78
(12) Other Post-Employment Benefits (OPEB)	83
(13) Risk Management	91
(14) Transfers In and Out	92
(15) Commitments	93
(16) Contingencies	95
(17) Subsequent Events	99

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios	102
Schedule of Employer Pension Contributions	103
Schedule of Changes in Net OPEB Liability and Related Ratios	104
Schedule of Employer Other Post Employment Benefit Contributions	105
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Budgeted Governmental Funds.....	106
Notes to Required Supplementary Information.....	108

SUPPLEMENTAL INFORMATION

Selected Watershed Activities Within the Watershed
and Stream Stewardship Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances.....	112
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	114

Water Enterprise and State Water Project Funds

Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	118
---	-----

Internal Service Funds	
Combining Statement of Net Position	121
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	122
Combining Statement of Cash Flows.....	123
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	124
Agency Fund	
Statement of Changes in Assets and Liabilities	128
Capital Assets Used in the Operation of Governmental Activities:	
Schedule By Source	130
Schedule By Function and Activity	131
Schedule of Changes By Function and Activity	132

Statistical Section

Financial Trends	
Net Position by Component.....	134
Changes in Net Position	136
Fund Balances of Governmental Funds.....	138
Changes in Fund Balances of Governmental Funds.....	140
Revenue Capacity	
Water Revenue by Category.....	142
Principal Water Revenue Customers	143
Water Enterprise Rates Summary	144
Assessed and Estimated Actual Value of Taxable Property.....	146
Property Tax Rates - Direct and Overlapping Governments	147
Principal Property Tax Payers	148
Debt Capacity	
Computation of District Act Debt Margin	149
Ratio of Outstanding Debt by Type	150
Revenue Bond Coverage	152
Computation of Direct and Overlapping Debt.....	154

Demographic and Economic Information

- Demographic and Economic Statistics..... 155
- Principal Employers 156

Operating Information

- Full-time Equivalent District Employees by Function/Program 157
- Operating Indicators by Function/Program..... 158
- Capital Asset Statistics by Function/Program 159
- Flood Control System Historical Operating Results 160

December XX, 2019

TO THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Santa Clara Valley Water District (District) for the fiscal year ended June 30, 2019. The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Maze and Associates, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The 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 statements and to design the nature, timing, and extent of further audit procedures.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2019. The opinion rendered concluded that the financial statements are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the District's internal controls and compliance over the administration of federal awards. The single audit review is applicable when

Letter of Transmittal (continued)

Federal funded expenditures exceed \$750 thousand and is typically completed after the audit of the financial statements and will be issued separately for the Board's acceptance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

District Profile

The mission of the District is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

The District traces its origins to the Santa Clara Valley Water Conservation District, approved by north county voters in 1929. Voters elsewhere in the County eventually formed similar agencies that later consolidated with the original District. Today's District represents a consolidation of four agencies. In 1954, the Central Santa Clara Valley Water Conservation District was annexed to the Santa Clara Valley Water Conservation District. With the 1968 merger of the Santa Clara Valley Water Conservation District and the Santa Clara County Flood Control and Water District, the agency adopted dual missions of providing water supply and flood protection. The South Santa Clara Valley Water Conservation District was renamed the Gavilan Water District in 1980, and upon south county voter approval, was annexed to the Santa Clara Valley Water District in 1987. The merger's catalyst was the belief that a coordinated operation of the County's water supply and flood control systems would result in optimum water resource management.

Throughout its history of consolidations, the District has maintained a relationship with Santa Clara County (County). In 1952, County Supervisors initiated the valley's first flood protection program; they later expanded their efforts to include water importation. In 1968, the District and County decided to merge their water functions, and the governing boards of both agencies agreed the County supervisors would have a role in reviewing and approving the water district's annual budget. On September 14, 2006 Assembly Bill 2435 was passed (effective January 1, 2007) which ended the County's oversight of the District's budget and other procedural holdovers from the 1968 merger.

The Santa Clara Valley Water District (District) operates as a State of California special district under the authority of the District Act (Stats. 1951, c.1405, p.3336, urgency, eff. July 10, 1951, as amended Stats. 1963, c.1941, p.3993, 1). The District is the primary water resources agency for Santa Clara County, California. It is the largest multi-purpose water supply, watershed stewardship, and flood management special district in California. It acts not only as the County's water wholesaler but also as its flood protection agency and is the steward for its streams and creeks, underground aquifers and district-built reservoirs.

The District Act governs the structure, function and operations of the District's Board of Directors (Board), which governs the District and directs the Chief Executive Officer. On October 11, 2009, Governor Arnold Schwarzenegger signed into law Assembly Bill 466 (AB466) to amend the District Act. AB466 replaced the former Board structure (five elected/two appointed at-large members) with one in which all seven members would be elected from new districts created through a formal redistricting process. A Redistricting Advisory Committee was formed to draw the District boundaries. On May 14, 2010, the Board officially adopted a new map following testimony from the

Letter of Transmittal (continued)

public, consideration of past testimony during Redistricting Advisory Committee meetings, and consideration of all communications and letters received from the public. A formal election was held for four of the seven board members on November 2, 2010. As required by state law, the District must redraw its boundaries to reflect 2010 Census results. On October 11, 2011, the Board adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

The District is the primary water resources agency for nearly two million residents of the County. It encompasses all of the county's approximately 1,300 square miles and serves the area's 15 cities: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, and Sunnyvale. The District also serves the unincorporated areas of the County.

The District sells treated water to 8 water retail companies and cities that service communities within the County via their own distribution systems. There are also private well owners in the County. This demand requires the District to operate and maintain a complex delivery and treatment system that includes 3 water treatment plants, 1 advanced water purification center, 10 local reservoirs and dams, a state-of-the-art water quality laboratory, dozens of groundwater recharge basins, 5 pump stations and 144 miles of pipelines. Water supplies include local surface water and groundwater, imported water, and recycled water. Water conservation is also an important part of the water supply mix because it offsets water demands.

To ensure an adequate and reliable supply of high-quality water, the District has partnered with cities and water retailers in the county to develop recycled water supplies. About 5% of the County's total water use currently consists of recycled water, limited primarily to landscaping and industrial uses. Recycled water use is expected to expand in coming years.

In 2010, the Board approved agreements with the City of San Jose to partner and build a facility to produce about eight million gallons per day of highly purified water. The District and the City of San Jose entered into a ground lease and property use agreement (the "Ground Lease") with respect to the City of San Jose owned site on which the Silicon Valley Advanced Water Purification Center (SVAWPC) is located. In addition, the District and the City of San Jose entered into an integration agreement (the "Integration Agreement") with respect to the operation of the SVAWPC. The District and the City of San Jose each have the annual option to terminate the Integration Agreement on or after June 30, 2020, in accordance with its terms. The Ground Lease provides that if the Integration Agreement is terminated, the Ground Lease will simultaneously terminate and upon such termination, the District would be required to surrender the facilities of the SVAWPC to the City of San Jose. The District and the City of San Jose have not had any formal negotiations with respect to such termination provisions.

The SVAWPC in North San Jose commenced full operation in March 2014. In November 2016, after 15 months of intensive water quality testing and systems monitoring, tests results showed that highly purified water produced from treated wastewater is just as safe to drink as regular tap water. Currently, purified water produced by the Silicon Valley Advanced Water Purification Center is not used for potable (drinking) purposes, and is instead blended with existing recycled water to enhance its quality for non-potable purposes such as irrigation, cooling towers and industrial applications.

As the primary wholesale water supplier in the County, the District is dedicated to assuring a reliable supply of healthy and clean drinking water. The District provides stream stewardship that encompasses managing flood and storm waters within the County and protecting watersheds and riparian corridors, thereby providing for public safety, and the protection of property and the natural

Letter of Transmittal (continued)

environment along creeks and rivers, and at the edge of the San Francisco Bay. The District makes every effort to provide clean safe water in our creeks and bays; to provide, enhance, and restore creek and bay ecosystems, and to promote additional open space, trails and parks along creeks and in the watersheds.

Factors Affecting Financial Condition

Local Economy

The County is located at the southern end of San Francisco Bay that measures approximately 1,312 square miles. The northwestern portion of the County is part of Silicon Valley.

Silicon Valley's economy continues to grow, but at a slower rate. For the second consecutive year, the rate of growth was slower than the previous year, but unemployment levels are so low that the region is effectively at full employment. Employment gains were largely in community infrastructure and services, and the technology industry. Much of the growth is driven by large, established companies where the same companies are acquiring smaller ones at a rapid pace, changing the face of innovation as fewer startup companies obtain early-stage funding. Despite the lower growth rate, Silicon Valley investors continue to register patents at a remarkable rate, generating nearly half of all patents registered in the state and 13% of those across the country.

Eighty-one percent of new Silicon Valley jobs were created in Santa Clara County.⁽¹⁾ The largest share of job growth has been in Tier 1 (high-skill/high-wage, mostly tech industry) and Tier 3 (low-skill/low-wage, mostly community infrastructure and services) jobs, with a lower growth rate in the middle. Older Silicon Valley residents are also participating in the workforce at higher rates than a decade ago, with age 55+ residents remaining in the workforce longer.

Even with the slower job growth over the past year, the region's unemployment rate is at an 18-year low. The unemployment rate in Silicon Valley was 2.3% in November 2018, compared to 2.2% in San Francisco, 3.9% in California, and 3.5% in the United States overall.

Relative to the rest of the state and the nation as a whole, Silicon Valley continues to be a high-income, low-poverty region where income gains have outpaced inflation over the past several years. The share of Silicon Valley households with incomes above \$200,000 annually has grown and the number of households reaching total investable assets exceeding \$1 million is at the highest. However, income disparities persist and the income gap continues to widen and is reflected in the changing share of high-income households. While high-income households are able to provide for their basic needs and more, a large share of households cannot earn the wages needed to do the same.

Median home sale prices in Silicon Valley skyrocketed in 2018, reaching nearly \$1.2 million, and the share of potential first-time homebuyers that could afford a median-priced home declined. The Santa Clara County Assessor reported that in 2019, the net assessment roll for the County increased by 7.4%, from \$450 billion to \$483 billion.⁽²⁾ Although a large number of units have been built over the past two years, they have not made up for the lack of building over the prior decade. New residential building is predominantly for high-income residents, with only 8% of newly approved residential units affordable to those earning less than 80% of the area median income.

¹ 2019 Silicon Valley Index – Joint Venture Silicon Valley Network

² 2018-2019 Assessor's Annual Report, Office of County Assessor, County of Santa Clara

Letter of Transmittal (continued)

Housing affordability is a contributor to the rise in multigenerational households, multifamily households, and young adults living with their parent(s). Affordability, evictions, and other factors are also leading causes of homelessness within the region. Half of Santa Clara County's homelessness is due to lost jobs or evictions, with the next 19% due to alcohol or drug use, and the next 13% due to divorce or separation breakup.

While the region's economy continues to grow at a slower rate, the pace of new development in Silicon Valley has remained brisk, measured by the total amount of new space completed and the staggering amount currently under construction. More new Silicon Valley commercial space has been constructed over the past four years than during the previous 13 years combined. There has also been a resurgence in hotel development since 2014, a positive indicator of the region's overall economic health and outlook on the future.

As of June 30, 2019, the statewide average snowpack storage remained healthy due to the wet winter and continued water use reduction by the community. In northern Santa Clara County, groundwater levels in many monitoring wells reached historic highs this past spring and the basin is essentially full. Local reservoirs were at 60% of total capacity, or 90% of restricted capacity, at 100,322 acre-feet. The District is currently researching a change in accounting methodology in which water inventory would be valued as an asset on the balance sheet for purposes of future comprehensive annual financial reports.

The Santa Clara Valley Water District Board of Directors continued its call for a 20% water reduction and a limit of three days per week for irrigation of ornamental landscape with potable water. From the beginning of the drought response initiated in 2014, the District has worked with water retailers, cities, and the County to maintain water conservation efforts and public outreach, and to implement other actions to reduce water use. Through these efforts, the District has achieved a 25% reduction in water use through June 2019 compared to 2013.⁽³⁾

Long-term Financial Planning

The District plans, manages and carries out work to meet policies established by its Board of Directors. Under the District's form of Policy Governance, these "Ends" policies describe the mission, outcomes or results to be achieved by District staff. Balancing the Ends policies are Executive Limitations, which set limits on staff activities in fulfilling the Ends. Alignment of plans and resources with the Ends policies helps the Board fulfill the critical responsibility of defining, balancing and prioritizing "what benefits, for what people, at what cost," and enhances District staff's accountability in using budgeted resources to accomplish those ends.

For fiscal year 2019 budget, the District funds activities that carry out its mission through the following three highest-level policies.⁴

- E2 - Reliable, clean water supply for current and future generations
- E3 - Healthy and safe environment for residents, businesses, and visitors, as well as for future generations
- E4 - Water resources stewardship to protect and enhance watersheds and natural resources and to improve the quality of life in Santa Clara County

³ Santa Clara Valley Water District – Water Tracker, August 2018

⁴ Santa Clara Valley Water District – FY2018-19 Operating and Capital Budget

Letter of Transmittal (continued)

The District's largest revenue source is water charges, acting as a wholesaler for numerous water supply retailers in Santa Clara County. Water revenues for fiscal year 2019 were \$227.7 million. For fiscal year 2019-20, the District Board adopted a 6.6% increase (average of \$2.93 per month per household) in the municipal and industrial groundwater production charge for the North County and a 6.9% increase (average of \$1.07 per month) for the South County, relative to fiscal year 2018-19. The revenue projection assumes water demand volume of 239,000 acre-feet.⁴

The Five-Year Capital Improvement Plan (CIP) includes a total of 67 capital projects with an estimated cost of over \$5.63 billion. The District has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$5.63 billion total funding, \$1.22 billion is expected from the District's various partners, such as the U.S. Army Corps of Engineers (USACE), and \$4.41 billion from the District. Of the \$1.22 billion that is expected from the District's partners, \$743 million is advanced by the District and reimbursed later. This \$743 million is included in the CIP, and increases the District's total funding requirement from \$4.41 billion to \$5.16 billion to ensure that the District has adequate funding to advance the reimbursement.⁵

In November 2012, the voters overwhelmingly approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax to fund projects addressing the following community priorities:

- Ensuring safe reliable water for the future;
- Reducing toxins, hazards and contaminants in our waterways;
- Protecting water supply and local dams from the impacts of earthquakes and natural disasters;
- Restoring fish, bird, and wildlife habitat; and
- Providing flood protection to homes, businesses, schools, streets, and highways.

Safe, Clean Water builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000. Safe, Clean Water replaced the Clean, Safe Creeks measure in its entirety beginning July 1, 2013. The program is funded by a combination of revenues from the continuation of an annual special tax, reserves from unspent funds of the Clean, Safe Creeks plan, and state and federal funding. For fiscal year 2019-20, the budget includes \$45.5 million of tax revenue for this program.

Relevant Financial Policies

End of Year Balances

The District policies for end-of-year balance re-appropriations are as follows:

- Any remaining appropriation balances at the end of the fiscal year for capital projects are annually re-appropriated for continued use in those same projects in the following fiscal year. These amounts shall be consistent with the planned expenditure schedule identified in the 5-year CIP;

⁴ Santa Clara Valley Water District – FY2018-19 Operating and Capital Budget

⁵ Santa Clara Valley Water District – FY2020-24 Capital Improvement Program

Letter of Transmittal (continued)

- Any variances at the end of the current fiscal year in Operating and Capital Reserves and Contingent Liability Reserves from those estimated in the budget not otherwise re-appropriated above shall result in corresponding adjustments to the estimated reserve appropriations in accordance with District Reserve policy.

The District, through the Public Facilities Financing Corporation, also maintains a commercial paper program for funding capital projects. Commercial paper is used to provide interim financing during construction. Long-term debt, matching the useful life of the asset, is issued to refund the commercial paper from time to time as needed.

Budgetary Controls

The District maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Plan. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories - the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures). The District also maintains an encumbrance accounting system as one process to accomplishing budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For governmental funds, this comparison is presented starting on pages 106 as part of required supplementary information and selected watershed activities starting on pages 114 as part of supplemental information. For proprietary funds, this comparison is presented starting on pages 118 and 124 as part of the combining and individual fund statements and schedules.

The guidelines used by the District in developing this formal budget process are those recommended by the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association (GFOA).

Reserve Requirements

The District's financial policies establish the levels at which reserves shall be maintained. District reserve policies address the need for both operating and capital reserves, and funding of contingency and future liabilities.

Major Initiatives

Highlights of activities and accomplishments for the fiscal year ended June 30, 2019 include the following:⁶

- ◆ On July 5, 2018, the U.S. Army Corps of Engineers (USACE) Headquarters released its Disaster Supplemental Funding announcement for USACE projects, and the District's South

⁶ Santa Clara Valley Water District Newsletters and Santa Clara Valley Water District CEO Bulletins

Letter of Transmittal (continued)

San Francisco Bay Shoreline Project (Shoreline) was awarded full federal funding in the amount of \$177,200,000. The Shoreline Project will safeguard hundreds of homes, schools, critical infrastructure and businesses along Santa Clara County's shoreline from the risk of tidal flooding. It will also create an opportunity to restore vital ecosystems for a variety of threatened and endangered species and enhance recreational opportunities. With the award of these funds, Shoreline is now cleared to move forward with construction.

- ◆ On July 24, 2018, the California Water Commission awarded the District \$484.55 million under Proposition 1, the full amount requested, for the Pacheco Reservoir Expansion Project. The commission also approved the District's request for early funding of \$24.2 million. This award will fund half of the total construction cost estimate of \$969 (2015 cost estimates have since been adjusted to account for inflation and other factors) million in the District's application. The District and project partners, San Benito County Water District and Pacheco Pass Water District, will also pursue federal funds. The remainder would be paid through local water rates over several decades. The project would expand Pacheco Reservoir's storage capacity to provide for increased emergency water supplies, improved water quality, and ecosystems benefits throughout our region and the Sacramento-San Joaquin Delta.
- ◆ On September 6, 2018, the District was recognized as the "Healthiest Employer in the San Francisco Bay Area" by Healthiest Employers, LLC and Sequoia Consulting Group for the District's commitment to employee health and wellbeing. The competitive award placed the District first among companies with 500 to 1,999 employees. In addition, the District was also identified as one of the 100 Healthiest Workplaces in America, placing 55th.
- ◆ On September 15, 2018, the District, in partnership with the Creek Connections Action Group (CCAG), coordinated another successful cleanup event in Santa Clara County. From Palo Alto to Gilroy, 47 sites participated in the 34th annual Coastal Cleanup Day. A total of 1,931 volunteers cleaned 75 miles of creek and shoreline, removing approximately 56,808 pounds of trash and 8,542 pounds of recyclables.
- ◆ On September 22, 2018, Senate Bill 881, authored by Senator Bob Wieckowski (D-Fremont), was signed by Governor Jerry Brown, providing the District access to state flood protection funding. SB 881 adds the South San Francisco Bay Shoreline Project (Shoreline Project) to the list of flood control projects that are authorized to receive state flood control subvention reimbursements. The bill allows the District to receive repayment from the state for a portion of the project estimated to be \$4 million to \$7 million, to be determined as the project progresses. The project will be constructed with the U.S. Army Corps of Engineers.
- ◆ On October 5, 2018, the District opened a grant application process to award up to \$100,000 for testing new and innovative water conservation program and technologies. The funding is part of the Safe, Clean Water and Natural Flood Protection Program parcel tax approved in 2012. The primary goal is to identify promising water savings devices and strategies that can assist the District in meeting its long-term goal of saving more than 32 billion gallons of water per year by 2030.
- ◆ On October 9, 2018, the District received the Engineering News-Record (ENR) California Water/Environment Best Project, Northern California Award for the Penitencia Delivery Main and Penitencia Force Main Seismic Retrofit Project. This project is the first of its kind in the United States to have ERDIP (Earthquake Resistant Ductile Iron Pipe), providing innovative approach to reliability at both the District's Penitencia Treatment Plant and Conveyance

Letter of Transmittal (continued)

System. Judges reviewed more than 100 projects located throughout California and Hawaii. Projects were evaluated on the ability of the project team to overcome challenges, contribution to the industry and community, safety and construction and design quality.

- ◆ On October 10, 2018, the District joined hundreds of elected officials, water agencies, community leaders, educators, and businesses participating in the fourth commemoration of “Imagine a Day Without Water” event, which is a national day of education and advocacy about the value of water. This day of awareness, led by the Value of Water Campaign, includes hundreds of events and projects to relay the crucial need for investing in our nation’s water infrastructure.
- ◆ On October 16, 2018, the District opened a grant application process to award up to \$200,000 in mini-grants. The funding is part of the Safe, Clean Water and Natural Flood Protection Program parcel tax. This mini-grants program is designed to provide seed funding to encourage broader and/or long-term community engagement in wildlife habitat restoration and watershed stewardship activities in Santa Clara County. Mini-grants will be awarded to restore wildlife habitats.
- ◆ On November 9, 2018, the District launched a new Water Ambassador pilot program (Pilot Program) that will be known as the “Water 101 Academy” to external residents. The intent of the Pilot Program is to recruit, train and deploy “ambassadors” who would serve as neighborhood liaisons/leaders in engaging with their communities about water issues and sharing information on available resources, opportunities, or any other pertinent issues. The ultimate goal of the program is the improvement of information dissemination and collection at a neighborhood level as well as greater knowledge and participation in District volunteer projects.
- ◆ On November 13, 2018, the District opened a grant application process to award up to \$571,000 in grant funding for projects related to developing access to trails and open space. An additional \$120,000 in grant funding is available for projects that support volunteer cleanup efforts, education and watershed stewardship activities. Both grant programs are part of the Safe, Clean Water and Natural Flood Protection Program parcel tax. The District expects to distribute nearly \$35 million in grants, partnerships and rebate programs during the 15-year life of the Safe, Clean Water Program.
- ◆ On November 30, 2018, Bay Area Older Adults, a 501(c)(3) nonprofit organization, with the mission of stimulating the hearts, bodies, and minds of older adults through easy access to arts, culture, nature and new friends, was awarded \$5,000 through the District’s Mini-Grants Program for their Watershed & Wildlife Education Walks Project. The Project aims to provide educational programs for older adults age 50+ to experience District watersheds first-hand, as well as teaching them about protecting local watershed and dependent ecosystems, through guided walks in various locations.
- ◆ On December 13, 2018, the District Board approved maintenance and joint-use agreements to collaborate with the City of Palo Alto, Google, and Caltrans to support the construction of a pedestrian/bike bridge that will span over Highway 101 from south Palo Alto to the Baylands. The bridge will provide a link for bike riders and pedestrians to access businesses and recreation trails on both sides of the highway.

Letter of Transmittal (continued)

- ◆ On January 11, 2019, Living Classroom, a 501(c)(3) nonprofit organization, with the mission to inspire children to learn about and value our natural world through garden-based education, was awarded \$5,000 through the District's Mini-Grants Program for their Equity in Environmental Literacy Project. The Project involves planning and supervising community building workdays which will engage community members in planting native trees and under story plants, creating interpretive signs, restoring wildlife habitats, while educating participants on the value of native plants in helping to restore the native ecology.
- ◆ On February 13, 2019, the District hosted a celebration marking the reopening of Stevens Creek Trail in Mountain View. Following heavy storms in February 2017, a 140-foot portion of the Stevens Creek Bank eroded, threatening Stevens Creek Trail and the adjacent maintenance road. The trail was closed for emergency temporary repairs to prevent further damage to the creek bank and trail. The District completed permanent repairs in fall 2018.
- ◆ Oster Elementary School received a Safe, Clean Water and Natural Flood Protection Mini-Grant in the amount of \$5,000 for their Living Classroom Project. Funds were specifically used to increase students' knowledge and awareness of watershed stewardship through the renovation and implementation of a native garden as a living outdoor classroom. The Project began in August 2018 and was completed in February 2019.
- ◆ On April 13, 2019, there was a ribbon cutting ceremony to celebrate the completion of the Bay to Highway 101 Reach of the San Francisquito Creek Flood Protection Project. Improvements of this stretch of about one and a half miles of the creek constitute the necessary first step in an overall plan to provide more than 5,700 homes and businesses with creek flood protection. The project also provides improved access to re-opened trails.
- ◆ On June 7, 2019, the San Francisco Bay Restoration Authority awarded the District with \$57 million over five years from Measure AA, the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure. The money will help complete construction of the first phase of the South San Francisco Bay Shoreline Project.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Clara Valley Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 22nd consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR represents the culmination of months of concerted team effort by diverse District staff, including team members from Financial Planning and Management Services Division, Water Supply Division, Information Management Services Division, General Services Division, Human Resources Division, and Office of the District Counsel. Many team members

Letter of Transmittal (continued)

demonstrated a high degree of personal dedication and determination in producing this exemplary document. In addition, special thanks to District staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze and Associates is also acknowledged for the significant technical contribution and assistance.

Special thanks go to Gloria del Rosario, General Accounting Unit Manager; the following Accounting staff: Jaime Salandanan, Guy Canha, Fanny Chan, Leticia Rocha, Trisha Cheung, Christine Hernandez, Ofelia Hsieh and Gloria Chou; and Chenlei Yao of the Budget and Financial Planning Unit, for their talent and dedication in preparing this financial report.

Finally, we wish to express our sincere appreciation to the District's Board of Directors and management for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors.

Darin Taylor
Chief Financial Officer

Norma Camacho
Chief Executive Officer



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Santa Clara Valley Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

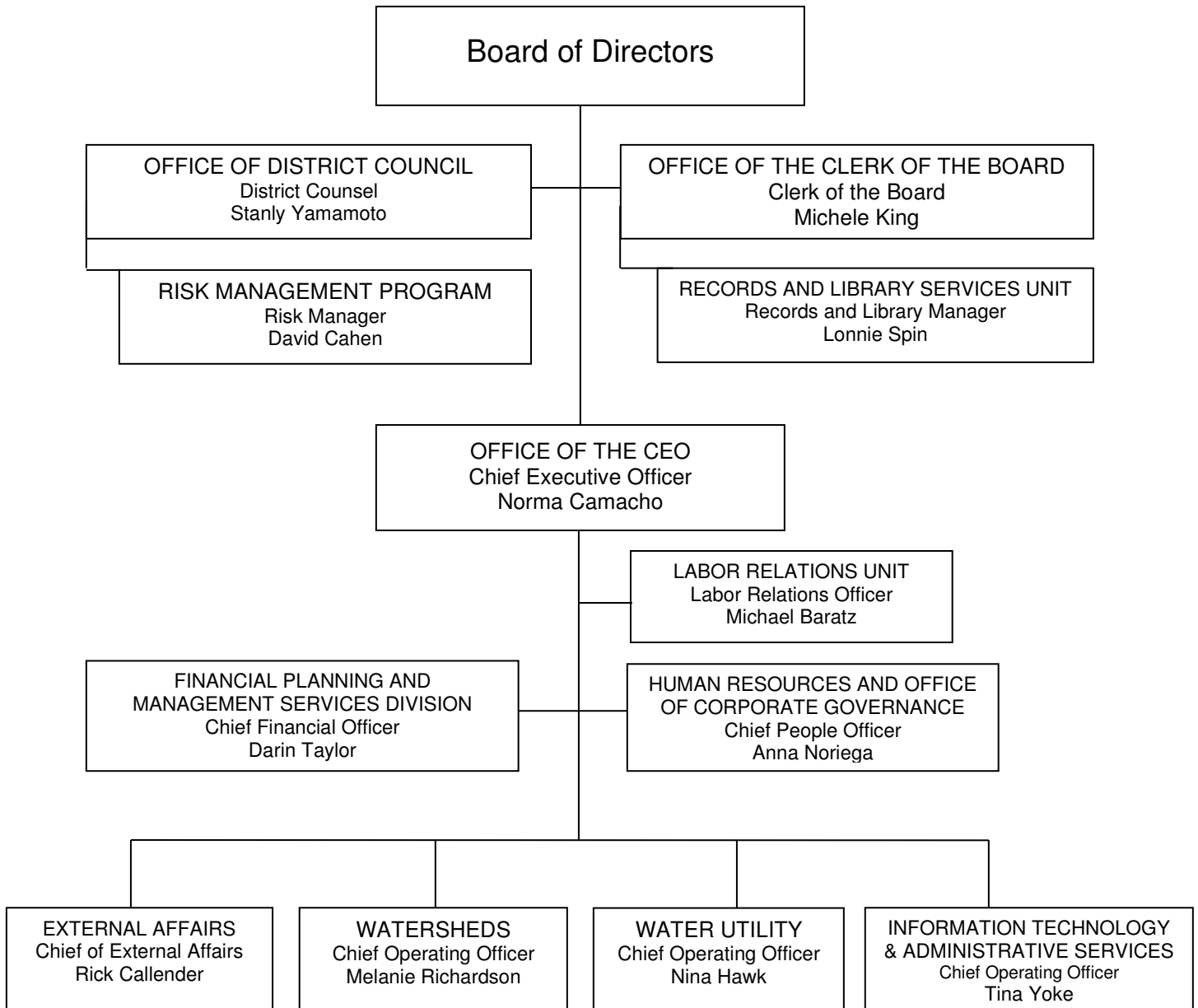
June 30, 2018

Christopher P. Morill

Executive Director/CEO

SANTA CLARA VALLEY WATER DISTRICT

Board of Directors & Executive Management



**SANTA CLARA VALLEY WATER DISTRICT
2018 – 2019
BOARD OF DIRECTORS**



John L. Varela
District 1



Barbara Keegan
District 2



Richard P. Santos
District 3



Linda J. LeZotte
Chair
District 4



Nai Hsueh
Vice Chair
District 5



Tony Estremera
District 6



Gary Kremen
District 7

Management's Discussion and Analysis

Our discussion and analysis of the Santa Clara Valley Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- The net position of the District was \$2,420 million as of June 30, 2019. Of this amount, \$141.3 million (unrestricted, but committed and assigned net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position increased by \$146.3 million during the current fiscal year. The net position of the governmental activities increased by \$99.0 million and the net position of the business-type activity by \$47.3 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$343.4 million, an increase of \$10.8 million in comparison with the prior fiscal year fund balances of \$332.6 million.
- The fund balance for the general fund was \$14.1 million, an increase of \$4.5 million from the prior fiscal year. Committed and assigned fund balances were \$14.1 million or 100% of the total fund balance.
- The fund balances of the Watershed & Stream Stewardship and Safe, Clean Water & Natural Flood Protection funds were \$321.8 million, an increase of \$10.8 million from the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all the activities of the District and its component units using the integrated approach as prescribed by Generally Accepted Accounting Principles (GAAP).

Government-wide financial statements. The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all the District's assets, deferred outflow, liabilities, and deferred inflow, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but uncollected taxes and earned but unused vacation leave).

Management's Discussion and Analysis (continued)

Both the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activity*). The governmental activities of the District include general government, watershed management, and construction and debt service funding. The business-type activity includes the water utility operation fund.

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) for which the District is financially accountable. Financial information for this blended component unit is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. Additional information on this legally separate entity can be found in Note 1(b) in the notes to basic financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances to the government-wide statements are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The District maintains two-different types of proprietary funds: enterprise funds and internal service funds. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses enterprise funds to account for its water utility operations fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its fleet of vehicles and computer equipment, and risk management and information technology activities. The internal service funds have been

Management's Discussion and Analysis (continued)

included within governmental activities and business-type in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found starting on page 47 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,420 million at the end of the current fiscal year.

Santa Clara Valley Water District's Net Position

(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 435,677	\$ 412,374	\$ 303,914	\$ 253,505	\$ 739,591	\$ 665,879
Capital assets	1,504,633	1,433,864	1,163,908	1,133,623	2,668,541	2,567,487
Total assets	<u>1,940,310</u>	<u>1,846,238</u>	<u>1,467,822</u>	<u>1,387,128</u>	<u>3,408,132</u>	<u>3,233,366</u>
Deferred outflow of resources	62,680	40,772	25,667	32,079	88,347	72,851
Current liabilities	56,473	54,452	58,356	112,388	114,829	166,840
Long-term liabilities outstanding	267,830	284,313	651,101	571,185	918,931	855,498
Total liabilities	<u>324,303</u>	<u>338,765</u>	<u>709,457</u>	<u>683,573</u>	<u>1,033,760</u>	<u>1,022,338</u>
Deferred inflow of resources	7,018	5,562	5,438	4,339	12,456	9,901
Net position:						
Net investment in capital assets	1,421,615	1,344,142	625,256	626,514	2,046,871	1,970,656
Restricted	160,594	158,062	71,527	58,679	232,121	216,741
Unrestricted	59,460	40,479	81,811	46,102	141,271	86,581
Total net position	<u>\$ 1,641,669</u>	<u>\$ 1,542,683</u>	<u>\$ 778,594</u>	<u>\$ 731,295</u>	<u>\$ 2,420,263</u>	<u>\$ 2,273,978</u>

The largest portion of the District's net position (84.6%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis (continued)

For governmental activities, net investment in capital assets increased by \$77.5 million or 5.8% compared to the prior fiscal year. Capital assets, net of depreciation, increased by \$70.8 million. Long term liabilities, which include related debt outstanding, went down by \$16.5 million.

Current fiscal year major additions to capital assets for governmental activities include the following in (in millions):

- \$23.2 - Permanente Creek Bay – Foothill Clean Safe Creek
- \$16.1 - San Francisquito Early Implementation
- \$10.9 - Berryessa Creek, Lower, Penitencia Phase 2
- \$7.9 - Main/Madrone Pipeline Restoration
- \$6.2 - Cunningham Flood Detention
- \$3.8 - SFBS EIA 11 Design and Part Construction
- \$2.5 - Upper Llagas Creek, Nonreimburse E6a
- \$2.3 - Sunnyvale East and West Channel
- \$1.5 - Lower Silver Creek - R4-6 North Babb to Cunningham
- \$1.5 - Lower Penitencia Creek Improvements
- \$1.4 - Guadalupe River Upper, SPRR-BH 7-12
- \$1.3 - Upper Llagas Creek, Reimburse E6b
- \$1.3 - SCW Fish Passage Improvement

For business type activities, net investment in capital assets decreased by \$1.3 million or 0.2% over the previous fiscal year. Capital asset, net of depreciation, increased by \$30.3 million. Long term liabilities, which include related debt outstanding, went up by \$79.9 million.

Current fiscal year major additions to capital assets for business type activities include the following (in millions):

- \$18.0 - Rinconada Water Treatment Plant Reliability Improvement
- \$8.8 - Anderson Dam Seismic Retrofit
- \$6.4 - 10-year Pipeline and Rehabilitation
- \$3.9 - Pacheco Reservoir Expansion Project
- \$2.5 - Calero Dam Seismic Retrofit Design and Construction
- \$1.5 - Rinconada Water Treatment Plant FRP Solids Handling System
- \$1.4 - Dam Safety Seismic Stability
- \$1.3 - Rinconada Water Treatment Plant Residuals Remediation
- \$1.2 - South County Recycled Water
- \$1.1 - Calero-Guadalupe Dams Seismic Retro
- \$0.9 - Coyote Plant Pumping Warehouse
- \$0.9 - Indirect Potable Reuse

Management's Discussion and Analysis (continued)

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net position increased by \$54.9 million or 63.4%, during the current fiscal year.

Santa Clara Valley Water District's Changes in Net Position

(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Water charges	\$ -	\$ -	\$ 227,679	\$ 231,001	\$ 227,679	\$ 231,001
Operating grants and contributions	-	-	2,754	4,396	2,754	4,396
Capital grants and contributions	40,271	61,190	1,149	4,350	41,420	65,540
General revenues:						
Property taxes	143,848	129,891	30,468	37,417	174,316	167,308
Investment earnings	13,634	2,477	8,074	1,267	21,708	3,744
Miscellaneous	4,263	6,685	1,905	6,428	6,168	13,113
Total revenues	<u>202,016</u>	<u>200,243</u>	<u>272,029</u>	<u>284,859</u>	<u>474,045</u>	<u>485,102</u>
Expenses:						
General government	3,246	8,407	-	-	3,246	8,407
Watersheds	99,415	85,780	-	-	99,415	85,780
Interest on long-term debt	3,049	3,091	-	-	3,049	3,091
Water enterprise	-	-	222,050	229,373	222,050	229,373
Total expenses	<u>105,710</u>	<u>97,278</u>	<u>222,050</u>	<u>229,373</u>	<u>327,760</u>	<u>326,651</u>
Increase in net position						
before transfers	96,306	102,965	49,979	55,486	146,285	158,451
Transfers	2,680	8,225	(2,680)	(8,225)	-	-
Change in net position	98,986	111,190	47,299	47,261	146,285	158,451
Net position, beginning	1,542,683	1,472,691	731,295	715,841	2,273,978	2,188,532
Prior period adjustment	-	(41,198)	-	(31,807)	-	(73,005)
Net position, ending	<u>\$ 1,641,669</u>	<u>\$ 1,542,683</u>	<u>\$ 778,594</u>	<u>\$ 731,295</u>	<u>\$ 2,420,263</u>	<u>\$ 2,273,978</u>

Governmental activities. Net position in governmental activities increased by \$99.0 million during the fiscal year. Net revenues from operations of \$96.3 million, and transfers in of \$2.7 million, contributed to the increase in net position.

The fiscal year net revenue of \$96.3 million came from property tax (\$143.8 million), capital grants (\$40.3 million), investment earnings (\$13.6 million), and other revenues (\$4.3 million), less operating expenses of \$105.7 million.

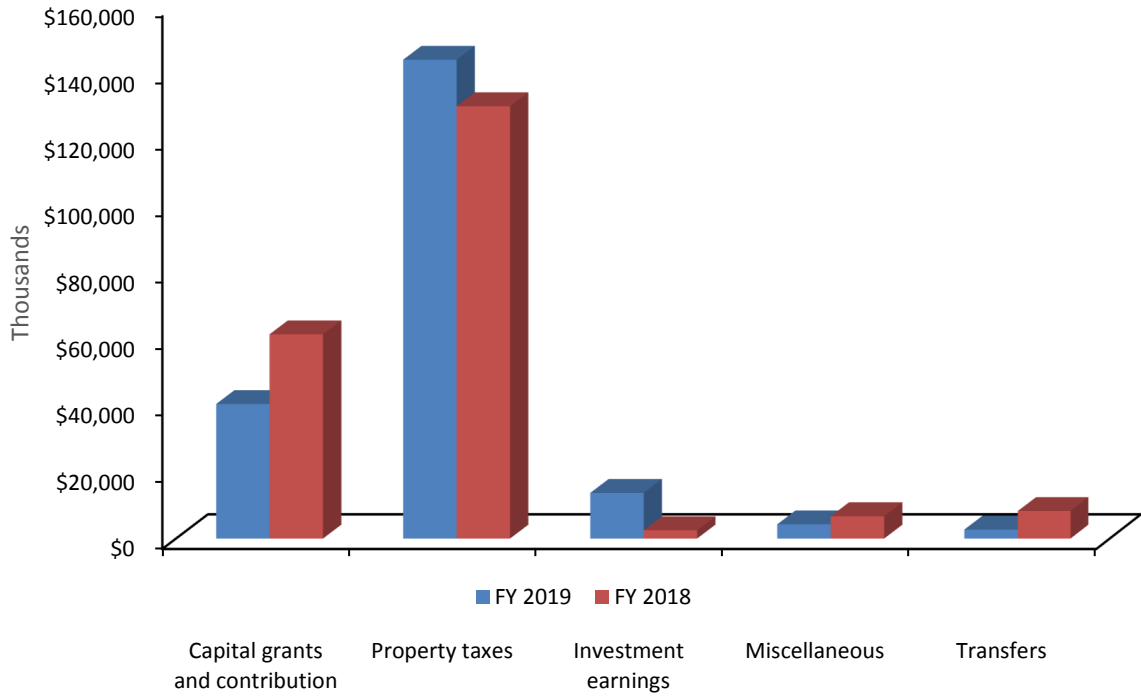
Compared to the prior fiscal year, revenues increased \$1.8 million and expenses increased by \$8.4 million. Key elements of the changes in revenues and expenses from prior year are as follows:

Management's Discussion and Analysis (continued)

- Capital grants and contributions were \$20.9 million or 34.2% lower in the current fiscal year as the previous year included large cost reimbursements from the State for flood management programs.
- Property taxes increased \$14 million or 10.7%. \$7.1 million was the result of increased property values and approximately \$5.4 million came from property sales proceeds from the City of San Jose and Santa Clara County Redevelopment Successor Agencies.
- Investment earnings were \$11.2 million or 450% higher, resulting from both favorable investment earnings and unrealized portfolio gains. Interest income received was more than the previous year because of better yields and higher cash balances, and positive fair market value adjustments on the total investment portfolio compared to negative fair market value adjustments in the prior fiscal year.
- General government expenses were \$5.2 million or 61.6% lower, due in part to the reclassification of Information Technology staff salary and benefit expenses to the Internal Service Funds starting in fiscal year 2019, and lower building repair and maintenance expense as staff shortages caused delays in repair and maintenance work.
- Watersheds expenditures were \$13.6 million or 15.8% higher due to the increase in functional expenditures resulting from higher Information Technology spending on projects.

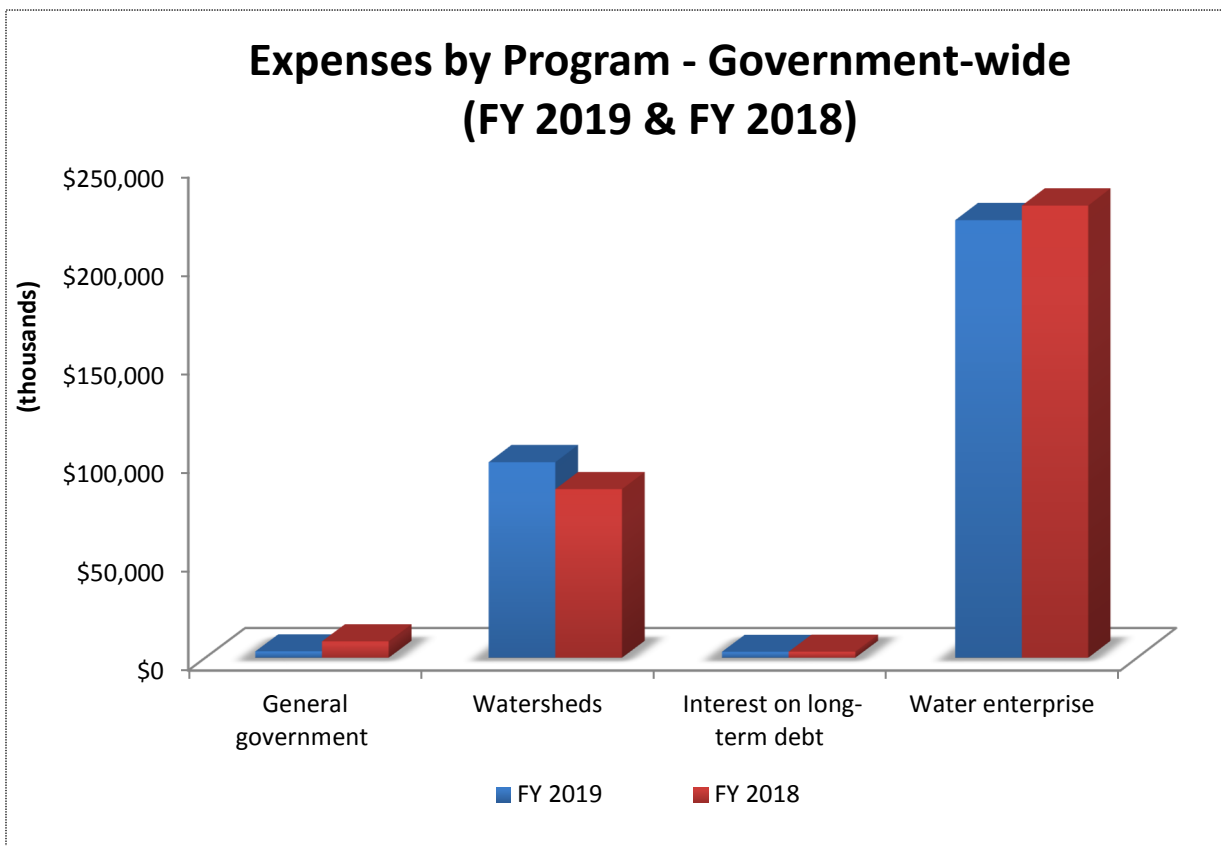
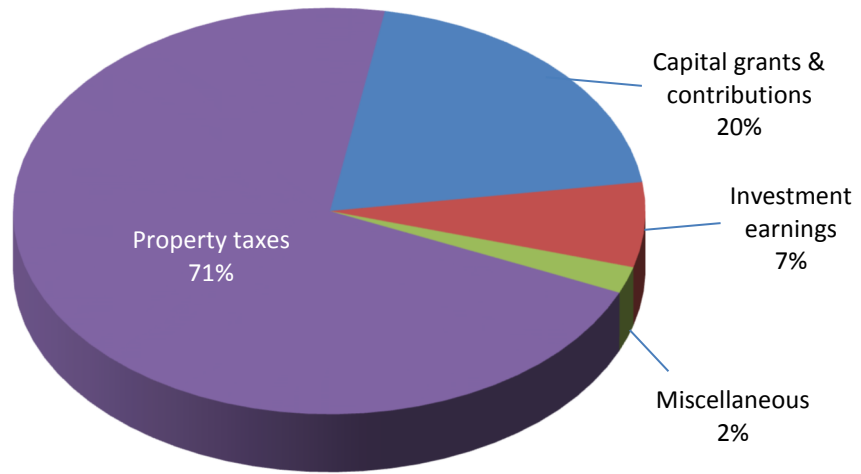
Net transfers in were \$2.7 million during fiscal year 2019, compared to \$8.2 million in the prior fiscal year. Last fiscal year included a large transfer in to the Safe, Clean Water and Natural Flood Protection Program Fund from the Water Enterprise Fund for funding of the Main and Madrone pipeline restoration capital project. The \$2.7 million current year transfer in was from the Water Enterprise Fund to the Information Technology Fund for smaller capital projects.

**Revenue by Sources – Governmental Activities
(FY 2019 & FY 2018)**



**Revenues by Sources – Governmental Activities
(FY 2019)**

Management's Discussion and Analysis (continued)



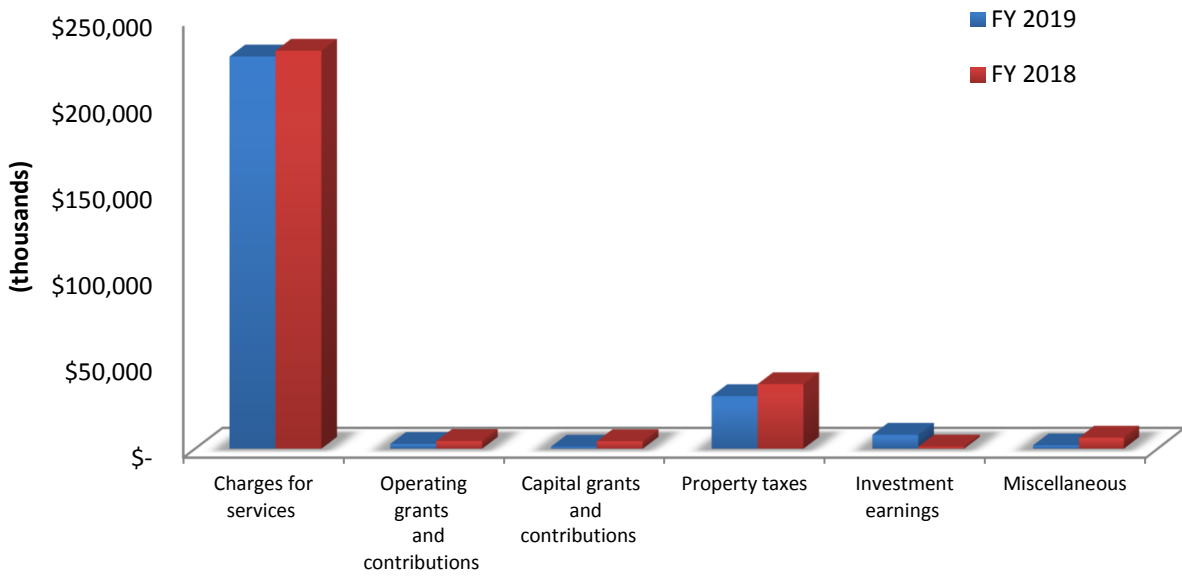
Management's Discussion and Analysis (continued)

Business-type activities. Net position in business-type activities increased by \$47.3 million during the fiscal year. Fiscal year revenue included water charges (\$227.7 million), property taxes (\$30.5 million), investment earnings (\$8.1 million), grants and contributions (\$2.8 million), miscellaneous revenue (\$1.9 million), and capital and operating grants (\$1.1 million). Operating expenses, including water purchases, were \$222 million. Without the transfer out of \$2.7 million, net revenue was \$50 million.

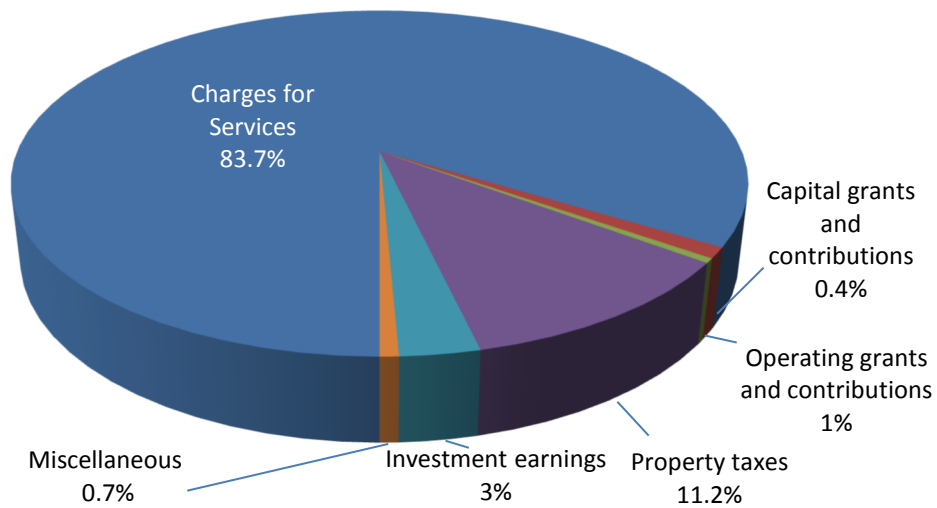
Compared to the prior fiscal year, total revenues decreased \$12.8 million and expenses decreased \$7.3 million. Key elements of the changes in revenues and expenses from prior year are as follows:

- Total water charge revenue was \$3.3 million or 1% lower, namely as a result of lower groundwater revenue from lower water usage. While treated water revenue and surface/recycled water revenue were higher \$11.5 million and \$717 thousand, respectively, generally reflecting the increases in rates and volume, groundwater was \$15.6 million or 16% less than the prior fiscal year.
- Capital grants and contributions decreased \$3.2 million due to lower capital cost reimbursements received for flood management programs.
- Property taxes were \$6.9 million or 18.6% lower than last fiscal year, reflecting lower State tax requirements needed to fund State Water project contract obligations.
- Water enterprise expenses decreased by \$7.3 million or 3.2% year over year, which is largely attributable to lower costs for purchased water. Federal purchased water was lower as the cost per acre feet paid for the Central Valley Project water and irrigation deliveries decreased from the prior fiscal year. In addition, the District took delivery of less water and delivered less water to the Semitropic groundwater storage bank, which also resulted in decreased water banking expense. Outside of Federal water purchases, there was a reduced need for supplemental water supplies due to an above average water year. Last fiscal year's water purchase included larger purchases for supplemental water from Solano County Water Agency and Merced Irrigation District.

**Revenues by Sources - Business Activity
(FY 2019 & FY 2018)**



**Revenues by Source – Business Activity
(FY 2019)**



Management's Discussion and Analysis (continued)

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of June 30, 2019, the District's governmental funds reported combined ending fund balances of \$343.4 million, an increase of \$10.8 million for the fiscal year.

Compared to the prior year, revenues increased by \$921 thousand and total expenditures decreased by \$40.8 million. Property taxes went up \$14 million due to the upward trend of property values in the area and property sale proceeds received from redevelopment successor agencies. Investment income increased by \$10.1 million, reflecting positive fair market values of investments, and higher investment yields. Reimbursements of capital cost were \$20.9 million lower as the previous year included a sizable amount from the Department of Water Resources for flood management projects. Other income decreased by \$2.3 million as proceeds received last fiscal year from the sale of fixed assets were not material in the current fiscal year.

Total expenditures were \$40.8 million lower compared to the prior fiscal year as last year included large capital improvement project expenditures for the Safe, Clean Water and Natural Flood Protection Program.

Approximately \$167.4 million or 48.8% of the total fund balance amount (\$343.4 million) constitutes committed and assigned for specific purposes. The remainder of the fund balance is restricted to indicate that it is not available for new spending because of the external enforceable limitations on its use to: 1) fund Safe, Clean Water & Natural Flood Protection projects (\$168.5 million); 2) pay debt service (\$5.4 million); and 3) provide funds for projects funded by bond proceeds (\$2 million).

General fund

The general fund is the chief operating fund of the District supporting all administrative and strategic support services costs for the organization. It accounts for all financial resources except those required to be accounted for in another fund and is supported primarily by overhead reimbursements from other funds. At the end of the current fiscal year, the committed and assigned fund balance of the General Fund was \$14.1 million. The total fund balance increase of \$4.5 million is due to \$5.3 million net revenues and \$863 thousand of net transfers out.

Special revenue funds

The special revenue funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular watershed functions or activities of the District. The available fund balances at the end of the current fiscal year for the special revenue funds were \$321.8 million, which increased during the current

Management's Discussion and Analysis (continued)

fiscal year by \$10.8 million or 3.5%. Fund balance for the Watershed and Stream Stewardship fund increased \$12.7 million or 9% compared to last fiscal year, mainly due to the increase in property tax and decrease in capital improvement project expenditures. Partially offsetting the net increase in revenue were transfers out to the COP Debt Service Fund.

The fund balance in the Safe, Clean Water and Natural Flood Protection fund balance decreased \$1.9 million during the fiscal year, as total expenditures of \$81.2 million (mainly from capital improvement projects) exceeded total revenues of \$75.3 million. Transfers in of \$2.0 million from the COP Construction Fund and \$1.9 million from the Watershed and Stream Stewardship Fund offset some of the decrease in fund balance between the fiscal years.

COP debt service fund

The COP debt service fund is used to account for resources used for debt service payments. It has a total fund balance of \$5.4 million, all of which is reserved for payment of debt service.

COP construction fund

The COP construction fund is used to account for resources used for the acquisition or construction of major capital projects within the governmental fund types. It has a total fund balance of \$2.0 million, all of which is reserved for major capital projects.

Proprietary funds

The District's proprietary funds provide a detailed breakdown of the same type of information found in the government-wide financial statements.

Water Enterprise fund

The Water Enterprise fund accounts for operations in a manner similar to a private business enterprise. Operations are accounted for to show net income or loss from operations. The fund is intended to be entirely or predominantly self supported by user charges.

Net position of the Water Enterprise fund at the end of the fiscal year was \$744 million, an increase of \$51.2 million from the prior fiscal year. Operating revenues of \$227.7 million more than offset \$176.1 million of operating expenses. Year over year, operating revenues decreased \$7.5 million or 3.2% due to the lower volume of ground water pumped. Partially offsetting this decrease was the \$6.8 million increase in investment income, reflecting positive fair market value gains and higher investment yields. Operating expenses decreased by \$11.1 million or 5.9% to account for decreased costs in water deliveries, which also resulted in lower water banking expenses. In addition, the above average water year experienced during fiscal year 2019 and higher State Water Project and Central Valley Project allocations reduced the need for supplemental water supplies.

Management's Discussion and Analysis (continued)

Net non-operating income was \$1.1 million compared to net non-operating expenses of \$2.3 million in fiscal year 2018. Combined property tax, investment income, operating grants, and rental and other income totaling \$19.7 million (which was higher than the \$13.8 million from the prior fiscal year) more than offset \$18.6 million of interest and fiscal agent fees. Interest paid on long term debt and fiscal agent fees were \$2.6 million higher compared to the prior fiscal year.

State Water Project fund

The State Water Project fund was established and approved by the Board of Directors on October 26, 2010. This fund accounts for the State Water Project Tax receipts pursuant to Section 1B of Article 13A of the California Constitution to pay for county-wide voter-approved State Water Project contract obligations. Fund resources are used for the Water System Revenue Bond and other related capital expenditures billed by the State of California Department of Water Resources and are accounted for in such a manner as to restrict the use of the resources exclusively for the State Water Project related costs.

Ending net position was \$31.4 million or \$1.6 million higher than the prior fiscal year. Operating expenses were \$21.8 million, of which \$20.9 million or 95.7% was cost associated with water purchases. Net non-operating revenues were \$23.5 million, with property taxes contributing \$22.3 million or 95.2% of the total.

Internal Service Funds

The District has three internal service funds - the Equipment Fund, Risk Management Fund and Information Technology Fund. Revenues to the funds are generated from fees charged for services provided to the District operating programs.

The Equipment fund charges replacement and maintenance costs to all operations, operating, and capital projects based on equipment assignment and hourly usage of equipment on projects. The fund's annual reimbursement charge for the replacement and maintenance cost of equipment is determined during the budget process and varies yearly depending upon need. Ending net position for the fund was \$9.6 million.

The Risk Management fund charges premiums based on exposure levels by project for liability, property, worker's compensation and self-insurance costs. Revenues required to properly reimburse the Risk Management Fund are determined during the budget process and varies yearly depending upon need. Ending net position for the fund was \$4.7 million.

The Information Technology fund was established on July 1, 2014 to account for the acquisition installation, replacement and maintenance costs of District-wide capital charges related to information technology projects. The annual reimbursement charge to the Information Technology Fund is determined during the budget process and varies yearly depending upon need. The fund's net position was \$23.8 million or \$2.5 million lower than the prior fiscal year. Operating revenues were \$13.6 million and operating expenses were \$23.3 million.

Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

The summary table below shows a final budget of \$57.7 million for operating and capital expenditures for fiscal year 2019. The adopted budget was \$68.9 million. \$0.5 million was carried forward from the prior year capital projects budget. Current fiscal year budget adjustments decreased the final budget by \$11.5 million.

Adopted Budget	+ Capital Projects Budget Remaining Carry-forward	- Current Year Budget Adjustments	= Final Budget
\$68,678K	\$ 500K	(\$11,511K)	\$57,667K

Total expenditures (budgetary basis) in the General Fund for fiscal year 2019 was \$54.9 million, which is \$6.9 million lower from the prior year.

Beginning fiscal year 2019, all project expenditures relating to the Information Technology Department were moved to the Information Technology Fund. These expenditures were previously accounted for in the General Fund.

Capital Assets

The District's capital asset balance, net of accumulated depreciation, for governmental and business-type activities amounts to \$2.7 billion at June 30, 2019. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), machinery and equipment. During fiscal year 2019, the total increase in the District's capital assets was \$101.1 million or 3.9%. Governmental and business-type activities increased by 4.9% and 2.7%, respectively.

Detailed information on the District's capital assets activity for the current fiscal year can be found in Note 6 of this report.

Long-Term Obligations

At the end of the current fiscal year, the District had total long-term obligations of \$918.9 million. This District's long-term obligations outstanding at the end of the fiscal year consisted of the following:

Management's Discussion and Analysis (continued)

Santa Clara Valley Water District's Outstanding Obligations

(Dollars in Thousands)

	Governmental activities		Business-type activity		Total	
	2019	2018	2019	2018	2019	2018
Certificates of participation	\$ 73,570	\$ 82,285	\$ -	\$ -	\$ 73,570	\$ 82,285
Revenue bonds	-	-	346,350	253,570	346,350	253,570
Revenue bonds-COP	-	-	124,450	132,765	124,450	132,765
Compensated absences	9,046	8,786	5,364	5,168	14,410	13,954
Semitropic water banking	-	-	9,973	8,150	9,973	8,150
Bond Discount	-	-	(139)	(147)	(139)	(147)
Premium on bond issue	-	-	38,580	37,587	38,580	37,587
Premium on refunded debt	11,489	13,037	-	-	11,489	13,037
Claims payable	7,086	6,465	-	-	7,086	6,465
Net pension liability	125,285	129,929	94,565	100,278	219,850	230,207
Other post employment benefits	41,354	43,811	31,958	33,814	73,312	77,625
Total	\$ 267,830	\$ 284,313	\$ 651,101	\$ 571,185	\$ 918,931	\$ 855,498

The bond ratings for District outstanding debt reflect a high-grade investment quality debt. They are based on the District's positive fiscal policy and financial strengths. In fiscal year 2019, the Standard and Poor rating agency upgraded the Watershed (Refunding and Improvement COP, Series 2012A) debt rating from AA+ to AAA. The bond ratings are either the highest for a water related governmental entity in the State of California or among the highest. Bonds issued at this credit rating result in lower interest rates and corresponding lower debt service payments.

Please see table below for current ratings.

	Water Utility		Watershed
	Senior Debt	Parity Debt	Debt
Moody's	Aa1	Aa1	Aa1
Standard & Poor's	AA-	N/A	AAA
Fitch	AA+	AA+	AA+

The District's total obligations increased by \$63.4 million during fiscal year 2019. Much of the increase is to account for the new business-type activity water revenue bonds issued during the fiscal year.

Additional information on the District's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets

The District's \$528.9 million budget for fiscal year 2020 will focus on the following initiatives:

- Actively participating in decisions regarding the California Delta Conveyance Project

Management's Discussion and Analysis (continued)

- Pursuing opportunities to expedite regulatory permit processes and streamline permit reviews
- Attaining net positive impact on the environment when implementing flood protection and water supply projects
- Advancing the Anderson Dam Seismic Retrofit Project
- Leading recycled and purified water efforts with the City of San Jose and other agencies
- Finalizing the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)
- Actively pursuing efforts to increase water storage opportunities
- Ensuring Emergency Action Plans and flood preparedness measures are provided jointly with local cities for Flood Hot Spots throughout the County
- Engaging and educating the community, local elected officials and staff on future water supply strategies in Santa Clara County
- Promoting the protection of creeks, bay, and other aquatic ecosystems from threats of pollutions and degradation
- Advancing diversity and inclusion, succession planning, and long-term resource planning strategy efforts
- Pursuing affordable and effective cost of service strategies

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Accounting Unit at 5750 Almaden Expressway, San Jose, CA 95118, or call (408) 265-2600.

BASIC FINANCIAL STATEMENTS

SANTA CLARA VALLEY WATER DISTRICT

Statement of Net Position

June 30, 2019

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$ 406,611	\$ 263,824	\$ 670,435
Restricted cash and investments (Note 3)	7,569	189	7,758
Receivables (net):			
Accounts	16,159	25,644	41,803
Interest	2,856	-	2,856
Taxes	3,453	965	4,418
Prepaid insurance	-	152	152
Deposits and other assets	2,319	9,850	12,169
Internal balances	(3,290)	3,290	-
Capital assets (Note 6):			
Contract water and storage rights, net	-	40,911	40,911
Depreciable, net	687,371	704,034	1,391,405
Nondepreciable	817,262	418,963	1,236,225
Total assets	<u>1,940,310</u>	<u>1,467,822</u>	<u>3,408,132</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	40	411	451
Deferred outflows of resources - pension activities (Note 11)	26,788	20,838	47,626
Deferred outflows of resources - OPEB (Note 12)	5,852	4,418	10,270
Total deferred outflows of resources	<u>32,680</u>	<u>25,667</u>	<u>58,347</u>
LIABILITIES			
Accounts payable	14,140	22,195	36,335
Accrued liabilities	1,167	5,527	6,694
Commercial paper, net of discount (Note 7)	30,000	20,000	50,000
Deposits payable	2,704	9,427	12,131
Accrued interest payable	1,435	-	1,435
Unearned revenue	7,027	1,207	8,234
Noncurrent liabilities (Note 7):			
Due within one year	13,710	16,038	29,748
Due in more than one year	254,119	635,063	889,182
Total liabilities	<u>324,302</u>	<u>709,457</u>	<u>1,033,759</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activities (Note 11)	5,671	4,399	10,070
Deferred inflows of resources - OPEB (Note 12)	1,347	1,039	2,386
Total deferred inflows of resources	<u>7,018</u>	<u>5,438</u>	<u>12,456</u>
NET POSITION (Note 10)			
Net investment in capital assets	1,421,616	625,256	2,046,872
Restricted:			
Debt service	4,012	189	4,201
Safe, Clean Water - other activities	156,582	-	156,582
Water Utility San Felipe emergency	-	3,150	3,150
Water Utility rate stabilization	-	26,090	26,090
Water Utility state water project	-	15,355	15,355
Public-private partnership	-	4,000	4,000
Advanced water purification center	-	1,066	1,066
Supplemental water supply	-	14,677	14,677
Drought reserve	-	7,000	7,000
Unrestricted	59,460	81,811	141,271
Total net position	<u>\$ 1,641,670</u>	<u>\$ 778,594</u>	<u>\$ 2,420,264</u>

See accompanying notes to basic financial statements

SANTA CLARA VALLEY WATER DISTRICT

Statement of Activities
For the Year Ended June 30, 2019
(Dollars in Thousands)

Description	Governmental Activities			Total	Business- Type Activities	Total
	General Government	Watersheds	Interest on Long-term Debt			
Expenses:						
Operations and operating projects	\$ 3,246	\$ 99,415	\$ 3,048	\$ 105,709	\$ -	\$ 105,709
Water cost of production	-	-	-	-	222,050	222,050
Program revenues:						
Water charges for services	-	-	-	-	227,679	227,679
Operating grants and contributions	-	-	-	-	2,754	2,754
Capital grants and contributions	-	40,271	-	40,271	1,149	41,420
Net program revenue (expense)	<u>\$ (3,246)</u>	<u>\$ (59,144)</u>	<u>\$ (3,048)</u>	<u>(65,438)</u>	<u>9,532</u>	<u>(55,906)</u>
General revenues:						
Property taxes (Note 8)				143,848	30,468	174,316
Unrestricted investment earnings				13,634	8,074	21,708
Miscellaneous				4,263	1,905	6,168
Transfers (Note 14)				<u>2,680</u>	<u>(2,680)</u>	<u>-</u>
Total general revenues and transfers				<u>164,425</u>	<u>37,767</u>	<u>202,192</u>
Change in net position				<u>98,987</u>	<u>47,299</u>	<u>146,286</u>
Net position, beginning of year				<u>1,542,683</u>	<u>731,295</u>	<u>2,273,978</u>
Net position, end of year				<u>\$ 1,641,670</u>	<u>\$ 778,594</u>	<u>\$ 2,420,264</u>

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2019
 (Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	<u>General</u>	<u>Watershed & Stream Stewardship</u>
ASSETS		
Cash and investments (Note 3)	\$ 19,598	\$ 154,233
Restricted cash and investments (Note 3)	-	77
Receivables:		
Accounts	16	280
Interest	2,856	-
Taxes	336	3,117
Deposits and other assets	63	2,134
Total assets	<u>\$ 22,869</u>	<u>\$ 159,841</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,279	\$ 3,230
Accrued liabilities	416	618
Commercial papers	-	-
Deposits payable	10	2,692
Unearned revenue	7,027	-
Total liabilities	<u>8,732</u>	<u>6,540</u>
 Fund balances (Note 9):		
Restricted fund balance	-	-
Committed fund balance	7,125	132,208
Assigned fund balance	7,012	21,093
Total fund balances	<u>14,137</u>	<u>153,301</u>
Total liabilities and fund balances	<u>\$ 22,869</u>	<u>\$ 159,841</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u> Safe, Clean Water & Natural Flood Protection Program	<u>Capital Project Fund</u> COP Construction Fund	<u>Debt Service Fund</u> COP Debt Service	<u>Total Governmental Funds</u>
\$ 191,502	\$ 3	\$ 52	\$ 365,388
98	1,999	5,395	7,569
15,863	-	-	16,159
-	-	-	2,856
-	-	-	3,453
2	-	-	2,199
<u>\$ 207,465</u>	<u>\$ 2,002</u>	<u>\$ 5,447</u>	<u>\$ 397,624</u>
\$ 8,821	\$ -	\$ -	\$ 13,330
107	-	-	1,141
30,000	-	-	30,000
2	-	-	2,704
-	-	-	7,027
<u>38,930</u>	<u>-</u>	<u>-</u>	<u>54,202</u>
168,535	2,002	5,447	175,984
-	-	-	139,333
-	-	-	28,105
<u>168,535</u>	<u>2,002</u>	<u>5,447</u>	<u>343,422</u>
<u>\$ 207,465</u>	<u>\$ 2,002</u>	<u>\$ 5,447</u>	<u>\$ 397,624</u>

SANTA CLARA VALLEY WATER DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2019

(Dollars in Thousands)

Amount reported for governmental activities in the statement of net position are different because:

Fund balances of governmental funds	\$ 343,422
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,490,751
Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	34,834
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.	(1,435)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:	
Certificates of participation	(73,570)
Deferred amount on refunding	40
Net original issue premium	(11,489)
Compensated absences	(8,663)
Net pension liability and related deferrals	(97,160)
Net OPEB liability and related deferrals	(35,060)
	<hr/>
Net position of governmental activities	<u>\$ 1,641,670</u>

See accompanying notes to basic financial statements



Valley Water

Clean Water • Healthy Environment • Flood Protection

SANTA CLARA VALLEY WATER DISTRICT

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	<u>General</u>	<u>Watershed & Stream Stewardship</u>
Revenues:		
Property taxes (Note 8)	\$ 8,994	\$ 90,727
Benefit assessments (Note 8)	-	14,746
Use of money and property:		
Investment income (Note 5)	503	4,916
Rental	-	1,650
Reimbursement of capital costs (Note 4)	-	1,568
Other	152	1,746
Total revenues	<u>9,649</u>	<u>115,353</u>
Expenditures:		
Current:		
Operations and operating projects	3,142	52,745
Capital improvement projects	1,187	34,981
Debt service:		
Principal repayment	-	-
Interest and fiscal agent fees	-	7
Total expenditures	<u>4,329</u>	<u>87,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,320</u>	<u>27,620</u>
Other financing sources (uses):		
Transfers in (Note 14)	225	1,552
Transfers out (Note 14)	(1,088)	(16,453)
Total other financing sources (uses)	<u>(863)</u>	<u>(14,901)</u>
Net change in fund balances	4,457	12,719
Fund balances, beginning of year	9,680	140,582
Fund balances, end of year	<u>\$ 14,137</u>	<u>\$ 153,301</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u> Safe, Clean Water & Natural Flood Protection Program	<u>Capital Project Fund</u> COP Construction Fund	<u>Debt Service Fund</u> COP Debt Service	<u>Total Governmental Funds</u>
\$ 44,127	\$ -	\$ -	\$ 143,848
-	-	-	14,746
6,679	88	204	12,390
355	-	-	2,005
23,957	-	-	25,525
187	-	-	2,085
<u>75,305</u>	<u>88</u>	<u>204</u>	<u>200,599</u>
12,277	-	-	68,164
68,167	-	-	104,335
-	-	8,715	8,715
782	-	3,922	4,711
<u>81,226</u>	<u>-</u>	<u>12,637</u>	<u>185,925</u>
<u>(5,921)</u>	<u>88</u>	<u>(12,433)</u>	<u>14,674</u>
3,974	-	11,539	17,290
-	(3,582)	-	(21,123)
<u>3,974</u>	<u>(3,582)</u>	<u>11,539</u>	<u>(3,833)</u>
(1,947)	(3,494)	(894)	10,841
170,482	5,496	6,341	332,581
<u>\$ 168,535</u>	<u>\$ 2,002</u>	<u>\$ 5,447</u>	<u>\$ 343,422</u>

SANTA CLARA VALLEY WATER DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Change in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019
(Dollars in Thousands)

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

Net change in fund balances - total governmental funds	\$ 10,841
<p>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. This amount represents capital outlays, net of depreciation.</p>	
Capital Outlay	88,386
Depreciation	(10,956)
<p>Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. This amount represents the net change in accrued interest expense not reported in governmental funds.</p>	
	179
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.</p>	
Certificates of participation repayment	8,715
Deferred amount on refunding	(64)
Net original issue premium	1,548
<p>Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>	
	1,354
<p>Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:</p>	
Compensated absences	(243)
Change in net OPEB liability, deferred inflows and outflows	1,033
Change in net pension liability, deferred inflows and outflows	(1,789)
Interest from monies held in restricted bank accounts	(17)
Change in net position of governmental activities	<u>\$ 98,987</u>

See accompanying notes to basic financial statements

SANTA CLARA VALLEY WATER DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2019

(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State Water	Total	Activities
	Enterprise Fund	Project Fund	Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$ 244,291	\$ 19,533	\$ 263,824	\$ 41,223
Receivables:				
Accounts	25,644	-	25,644	-
Taxes	303	662	965	-
Deposits and other assets	9,850	-	9,850	120
Total current assets	<u>280,088</u>	<u>20,195</u>	<u>300,283</u>	<u>41,343</u>
Non current assets:				
Restricted cash and investments (Note 3)	189	-	189	-
Prepaid insurance on bond issuance	152	-	152	-
Capital assets (Note 6):				
Contract water rights, net	24,856	16,055	40,911	-
Depreciable, net	704,034	-	704,034	11,737
Nondepreciable	418,963	-	418,963	2,145
Total non current assets	<u>1,148,194</u>	<u>16,055</u>	<u>1,164,249</u>	<u>13,882</u>
Total assets	<u>1,428,282</u>	<u>36,250</u>	<u>1,464,532</u>	<u>55,225</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	411	-	411	-
Deferred outflows of resources - pension activities (Note 11)	20,838	-	20,838	1,437
Deferred outflows of resources - OPEB (Note 12)	4,418	-	4,418	378
Total deferred outflows of resources	<u>25,667</u>	<u>-</u>	<u>25,667</u>	<u>1,815</u>
LIABILITIES				
Current liabilities:				
Accounts payable	17,355	4,840	22,195	810
Accrued liabilities	5,527	-	5,527	26
Commercial paper (Note 7)	20,000	-	20,000	-
Deposits payable	9,427	-	9,427	-
Unearned revenue	1,207	-	1,207	-
Claims payable (Note 13)	-	-	-	1,980
Bonds payable - current (Note 7)	14,788	-	14,788	-
Compensated absence	1,250	-	1,250	89
Total current liabilities	<u>69,554</u>	<u>4,840</u>	<u>74,394</u>	<u>2,905</u>
Non current liabilities:				
Bonds payable - net of discounts and premiums (Note 7)	494,453	-	494,453	-
Claims payable (Note 13)	-	-	-	5,106
Compensated absence	4,114	-	4,114	294
Net pension liability (Note 11)	94,565	-	94,565	8,100
Other post employment benefits liability (Note 12)	31,958	-	31,958	2,097
Other debt	9,973	-	9,973	-
Total non current liabilities	<u>635,063</u>	<u>-</u>	<u>635,063</u>	<u>15,597</u>
Total liabilities	<u>704,617</u>	<u>4,840</u>	<u>709,457</u>	<u>18,502</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activities (Note 11)	4,399	-	4,399	344
Deferred inflows of resources - OPEB (Note 12)	1,039	-	1,039	70
Total deferred inflows of resources	<u>5,438</u>	<u>-</u>	<u>5,438</u>	<u>414</u>
NET POSITION (Note 10)				
Net investment in capital assets	609,201	16,055	625,256	13,882
Restricted:				
Debt service	189	-	189	-
San Felipe operations	3,150	-	3,150	-
State water project	-	15,355	15,355	-
Rate stabilization	26,090	-	26,090	-
Public-private partnership	4,000	-	4,000	-
Advanced water purification center	1,066	-	1,066	-
Supplemental water supply	14,677	-	14,677	-
Drought reserve	7,000	-	7,000	-
Unrestricted	78,521	-	78,521	24,242
Total net position	<u>\$ 743,894</u>	<u>\$ 31,410</u>	<u>775,304</u>	<u>\$ 38,124</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			3,290	
Net position of business-type activities			<u>\$ 778,594</u>	

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State	Total	Internal
	Enterprise Fund	Water Project Fund		Enterprise Funds
Operating revenues:				
Ground water production charges	\$ 81,923	\$ -	\$ 81,923	\$ -
Treated water charges	143,998	-	143,998	-
Surface and recycled water revenue	1,758	-	1,758	-
Charges for services	-	-	-	23,542
Other	41	-	41	-
Total operating revenues	<u>227,720</u>	<u>-</u>	<u>227,720</u>	<u>23,542</u>
Operating expenses:				
Sources of supply	57,055	20,892	77,947	-
Water treatment	38,854	-	38,854	-
Transmission and distribution:				
Raw water	16,791	-	16,791	-
Treated water	1,735	-	1,735	-
Administration and general	32,543	-	32,543	6,553
Equipment maintenance	-	-	-	26,476
Depreciation and amortization	29,152	944	30,096	2,560
Total operating expenses	<u>176,130</u>	<u>21,836</u>	<u>197,966</u>	<u>35,589</u>
Operating income (loss)	<u>51,590</u>	<u>(21,836)</u>	<u>29,754</u>	<u>(12,047)</u>
Nonoperating revenues (expenses):				
Property taxes (Note 8)	8,124	22,344	30,468	-
Investment income (Note 5)	8,074	-	8,074	1,261
Operating grants	2,754	-	2,754	-
Rental income	119	-	119	-
Other	620	1,125	1,745	172
Interest and fiscal agent fees	(18,630)	-	(18,630)	-
Net nonoperating revenues (expenses)	<u>1,061</u>	<u>23,469</u>	<u>24,530</u>	<u>1,433</u>
Income before capital contributions and transfers	52,651	1,633	54,284	(10,614)
Capital contributions (Note 4)	1,149	-	1,149	-
Transfers in (Note 14)	1,228	-	1,228	6,514
Transfers out (Note 14)	(3,908)	-	(3,908)	-
Change in net position	51,120	1,633	52,753	(4,100)
Net position, beginning of year	692,774	29,777	722,551	42,224
Net position, end of year	<u>\$ 743,894</u>	<u>\$ 31,410</u>	<u>775,304</u>	<u>\$ 38,124</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			3,290	
Net position of business-type activities			<u>\$ 778,594</u>	

Reconciliation of the Statement of Revenues, Expenses and Change in Net Position to the Statement of Activities:

Amounts reported as business-type activities in the statement of activities are different because:

Net change in net position - enterprise funds	\$ 52,753
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds	(5,454)
Change in net position of business-type activities	<u>\$ 47,299</u>

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2019

(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State	Total	Internal
	Enterprise	Water Project		Enterprise Funds
Fund	Fund		Funds	
Cash flows from operating activities:				
Receipts from customers and users	\$ 238,909	\$ 11	\$ 238,920	\$ 23,523
Payments to suppliers	(65,519)	(16,373)	(81,892)	(20,777)
Payments to employees	(82,638)	-	(82,638)	(9,983)
Net cash provided by (used for) operating activities	90,752	(16,362)	74,390	(7,237)
Cash flows from noncapital financing activities:				
Property taxes received	7,867	21,832	29,699	-
Operating grant	2,754	-	2,754	-
Well permits, refunds and adjustments	620	1,125	1,745	127
Transfers in from other funds	1,228	-	1,228	-
Net cash provided by noncapital financing activities	12,469	22,957	35,426	127
Cash flows from capital and related financing activities:				
COP/revenue bonds issuance	85,519	-	85,519	-
Commercial papers redemption	(55,800)	-	(55,800)	-
Capital grants	1,149	-	1,149	-
Interest and fiscal agent fees paid	(18,630)	-	(18,630)	-
Payments for contract water rights	(9,683)	-	(9,683)	-
Acquisition and construction of capital assets	(50,394)	-	(50,394)	4,449
Transfers in from other funds	-	-	-	6,514
Transfers out to other funds	(3,908)	-	(3,908)	-
Net cash provided by/(used for) capital and related financing activities	(51,747)	-	(51,747)	10,963
Cash flows from investing activities:				
Proceeds from sale of investments	23	-	23	-
Rental income received	119	-	119	-
Interest received on cash and investments	8,074	-	8,074	1,261
Net cash provided by/(used for) investing activities	8,216	-	8,216	1,261
Net increase (decrease) in cash and cash equivalents	59,690	6,595	66,285	5,114
Cash and cash equivalents, beginning of year	184,601	12,938	197,539	36,109
Cash and cash equivalents, end of year	\$ 244,291	\$ 19,533	\$ 263,824	\$ 41,223
Cash and cash equivalents are reported on the Statement of Net Position as follows:				
Cash and investments	\$ 244,291	\$ 19,533	\$ 263,824	\$ 41,223
Restricted cash and investments	189	-	189	-
Less cash and investments not meeting the definition of cash equivalents	(189)	-	(189)	-
Cash and cash equivalents, end of year	\$ 244,291	\$ 19,533	\$ 263,824	\$ 41,223
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 51,590	\$ (21,836)	\$ 29,754	\$ (12,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation, amortization and asset deletion	28,849	944	29,793	2,257
Change in operating assets and liabilities:				
(Increase)/decrease in deposits and other assets	(41)	-	(41)	(2)
(Increase)/decrease in accounts receivable	11,189	11	11,200	(19)
Increase/(decrease) in accounts payable	(2,608)	4,519	1,911	302
Increase/(decrease) in accrued liabilities	(178)	-	(178)	8
Increase/(decrease) in compensated absences	196	-	196	16
Increase/(decrease) in deposits payable	34	-	34	-
Increase/(decrease) in litigation claims	-	-	-	621
Increase/(decrease) in other post employment benefits payable	(1,856)	-	(1,856)	(159)
Increase/(decrease) in deferred inflows/outflow of resources	7,467	-	7,467	374
Increase/(decrease) in pension liabilities	(5,713)	-	(5,713)	1,412
Increase/(decrease) in payable to Semitropic	1,823	-	1,823	-
Net cash provided (used) by operating activities	\$ 90,752	\$ (16,362)	\$ 74,390	\$ (7,237)
Noncash investing, capital, and financing activity:				
Deletion of capital assets	\$ -	\$ -	\$ -	\$ 44

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Statement of Assets and Liabilities

Agency Fund

June 30, 2019

(Dollars in Thousands)

ASSETS

Cash and investments (Note 3)	\$ 199
Total assets	<u>199</u>

LIABILITIES

Deposits payable	199
Total liabilities	<u>\$ 199</u>

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(1) THE FINANCIAL REPORTING ENTITY

(a) Description of the Reporting Entity

Santa Clara Valley Water District (District) is a special district created by an act of the legislature of the State of California (State) in 1951 and as amended. The District encompasses all of Santa Clara County.

The District is governed by a seven-member Board of Directors (District Board). Each member is elected from equally divided districts drawn through a formal process. The term of office of a director is four years.

On October 12, 2009, Assembly Bill 466 was signed by the Governor of California revising the composition of the board of the District by requiring the board to transition to an all-elected board that, on or after noon on December 3, 2010, consists of seven directors who are elected pursuant to specified requirements. The board also would be required to adopt a resolution establishing boundaries of the seven electoral districts. On May 14, 2010, the Board of Directors adopted a resolution that officially set the boundaries of the seven electoral districts. In November 2010, two directors were elected to represent the new electoral districts constituting a new board of seven members. As required by state law, the District must redraw its boundaries to reflect 2010 Census results. On October 11, 2011, the Board of Directors adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

The District has broad powers relating to all aspects of flood control and storm waters within the District, whether or not such waters have their sources within the District. It is also authorized to store and distribute water for use within its jurisdictional boundaries and authorized to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District acquires, stores, and distributes water for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. The District also directly supports the caring for the environment and the community through careful stewardship.

As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

(b) Blended Component Unit

The Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) was established on December 16, 1987 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of public buildings, works and equipment for the District. Although legally separate from the District, the PFFC is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District, and its governing board is the District's governing board. The operations of the PFFC are accounted for in the debt service and capital project funds.

Separate financial statements are not issued for the PFFC.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

Certain eliminations have been made in regards to interfund activities. All internal balances in the statement of net position have been eliminated except those representing balances between the government activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between the governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) 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, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position is available, restricted resources are used for qualified expenses before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including agency funds and the blended component unit. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented.

The District reports the following Governmental Funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental functions of the District that are not accounted for through other funds.

The *Special Revenue Type Funds* are used to account for specific revenue sources for which expenditures are restricted by law or regulation or committed by board resolutions to finance particular watershed or safe, clean and natural flood protection functions or activities of the District. The District has the following special revenue type funds:

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

- The *Watershed and Stream Stewardship Fund* is funded by the District's one percent property tax allocation and benefit assessments and used to protect, restore, or enhance the watersheds, streams and natural resources therein. Starting from fiscal year 2009, this fund was redefined to consolidate all watershed stewardship activities from a portion of the District's ad valorem property tax allocation.

The Watershed and Stream Stewardship Fund includes the following watershed activities that were based on their geographic boundaries (zone funds):

- ◆ The *Lower Peninsula Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and portions of Cupertino.
 - ◆ The *West Valley Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes portions of the Cities of Sunnyvale, Cupertino, Monte Sereno, San Jose, Santa Clara, Campbell, Saratoga and the Town of Los Gatos.
 - ◆ The *Guadalupe Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.
 - ◆ The *Coyote Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.
- The *Safe, Clean Water & Natural Flood Protection Program* is used to account for the countywide special parcel tax approved by voters on November 6, 2012, with a sunset date of June 30, 2028. This program replaces the Clean, Safe Creeks and Natural Flood Protection Plan that was approved by voters in November 2000.
 - The *Capital Project Type Funds* are used to account for COP proceeds used for the construction of major capital projects with their respective watersheds. The COP Construction Fund is the District's sole capital project type fund.
 - The *Debt Service Type Funds* are used to account for monies being held for reserve requirements and arbitrage rebate for the District's debt payments. The COP Debt Service Fund is the District's sole debt service type fund.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2019

The District reports the following Proprietary Funds:

- The *Water Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- The *State Water Project Fund* accounts for all revenues and costs associated with the State Water Project.
- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency of the District to other departments or agencies on a cost-reimbursement basis.
 - The *Equipment Fund* accounts for the maintenance and operation of the District's vehicle fleet, heavy construction, and information system equipment.
 - The *Risk Management Fund* accounts for the monies set aside to pay for all claims, judgments, and premium cost.
 - The *Information Technology Fund* accounts for the replacement, operations, and maintenance of district-wide information technology projects.

The District reports *Agency Funds* (Fiduciary Fund type) to account for assets held by the District as an agent for private organizations and/or other governments.

- The *Deposit Fund* is used to account for the collection and payment of funds held in trust for specific purposes.

(b) Basis of Accounting

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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital assets acquisitions are reported as expenditures in

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary funds are reported using the economic resource measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers, and of the District's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds *operating* revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. *Non-operating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Agency funds do not have a measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

(c) Cash and Investments

While maintaining safety and liquidity, the District maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

The District reported investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, and all other investments at fair value. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

(d) Inventory

Proprietary fund inventory consists of materials and supplies held for consumption. The cost of all inventory acquired is recorded as an expense at the time of purchase. At the end of the accounting period, the inventory values of materials and supplies on hand are determined using a current cost method which approximates market value. For financial statement purposes inventories are presented under deposits and other assets.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(e) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition cost on the date contributed. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and re-vegetation. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets including assets under capital leases used in operations are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Water treatment facilities	50 Years
Buildings, structures, and trailers	25 - 50 Years
Flood control projects	30 - 100 Years
Dams, structures, and improvements	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

(f) Amortization of Contract Water Rights

The District has contracted with the State of California for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(g) Amortization of Water Banking Rights

The District has contracted with the Semitropic Water Storage District and its Improvement Districts for the water banking and exchange program. The program is in effect through calendar year 2035. Participation in the program provides the District a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Water Enterprise Fund has capitalized the cost of the program and amortizes its cost over the 40 year entitlement period using the straight-line method.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(h) Amortization of Water Delivery Rights

The District has contracted with the United States Department of the Interior Bureau of Reclamation for water deliveries from Central Valley through calendar year 2027. A portion of this contract represents reimbursement of capital costs for general construction in the San Felipe Division facilities. The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(i) Receivables

Receivables include amounts due from water utility customers as well as amounts due for property taxes and interest on investments. All receivables are shown net of an allowance for doubtful accounts of \$5 million.

(j) Accrued Vacation and Sick Leave Pay

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net position.

Maximum vacation accruals may not exceed three times the employee's annual accrual rate, per employee. All regular full-time employees are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried forward to the following fiscal year without limitation. Upon retirement, up to 480 hours of accrued sick leave shall be paid to the eligible employee at the rate of 50% of the equivalent cash value. Upon resignation with ten or more years of service, or upon separation by layoff regardless of service, up to 480 hours of accrued sick leave shall be paid off at the rate of 25% of the cash value.

(k) Bond Premiums, Discounts and Issuance Costs

Water Enterprise and Watershed debt premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts. Refunding differences associated with debt refinancing are reported as deferred outflows or inflows of resources and amortized over the life of the bonds. Issuance costs are recorded as an expense of the current period.

On the statement of net position and the statement of activities, the premiums and discounts related to outstanding debt are deferred and amortized over the life of the debt. Debt payable are reported net of the applicable bond premiums or discounts. Prepaid insurance associated with the issuance of debts are reported as prepaid expenses.

(l) Accounting for Encumbrances

The District employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditure of

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

funds are recorded as assignment of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

(m) Net position

The District's fund net position is classified based primarily to the extent to which the District is bound to observe constraints imposed upon the use of the resources. When both restricted and unrestricted resources are available for expenses, the District expends the restricted funds and then the unrestricted funds.

(n) Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018

(p) Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB's Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(q) Fair Value Measurement

The District has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are observable inputs (other than quoted marked prices) using matrix pricing based on the securities relationship to benchmark quoted prices; and Level 3 inputs are significant unobservable inputs.

(r) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(s) New Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District’s financial reporting process. Current and future new standards which may impact the District include the following:

Current Accounting Pronouncements:

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or fiscal year 2019. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

is effective for reporting periods beginning after June 15, 2018, or fiscal year 2019. The District has implemented this pronouncement for fiscal year 2019.

Future Accounting Pronouncements:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or fiscal year 2020. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or fiscal year 2021. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or fiscal year 2021. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or fiscal year 2020. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or fiscal year 2022. The District has not determined the impact of this pronouncement on the financial statements.

(3) CASH AND INVESTMENTS

Total District cash and investments reported on the financial statements at June 30, 2019 are as follows (in thousands):

Statement of Net Position:	
Cash and investments	\$ 670,435
Restricted cash and investments	7,758
Statement of Fiduciary Net Position:	
Cash and investments	199
	<u>\$ 678,392</u>

Investments

At June 30, 2019, cash and investments based on fair value consist of the following (in thousands):

U.S. Government Agencies	\$ 447,287
U.S. Treasury Obligations	29,317
Medium Term Notes	19,718
Local Agency Investment Fund	55,450
Mutual Funds	121
Supranational Obligations	15,156
Municipal Bonds	45,881
Negotiable Certificates of Deposit	1,920
Nonnegotiable Certificates of Deposit	16,037
Money Market Funds	38,185
Total Investments	<u>669,072</u>
Carrying amount of cash	9,320
Total Cash and Investments	<u>\$ 678,392</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

As of June 30, 2019, the fair value of the District's investment in the State investment pool (LAIF) is \$55 million in non-restricted cash. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The District is a voluntary participant in the pool. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in LAIF. The pool is not registered with the Securities Exchange Commission.

Authorized Investments by the District

The District's Investment Policy and the California Government Code allow the District to invest in the following types of investments, provided the credit ratings of the issuers are acceptable to the District. The following items also identify certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This list does not address the District's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy, when more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	(Exempt from disclosure)	None	None
U.S. Government Agency Issues (A)	5 years	(Exempt from disclosure)	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
Commercial Paper	90 days	AA-	15%	1.8%
Negotiable Certificates of Deposit	5 years	AA-	30%	3.6%
Nonnegotiable Certificates of Deposit	5 years	Satisfactory CRA	5%	\$250,000 & FDIC Membership
Collateralized Repurchase Agreements	30 days	AA-	None	None
Medium Term Notes	5 years	AA-	15%	1.8%
Municipal Obligations	5 years	AA-	15%	1.8%
California Local Agency Investment Fund (B)	N/A	N/A	(B)	(B)
Mutual Funds	N/A	AAA	10%	--
Supranational Obligations	5 years	AA	15%	1.8%

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Agricultural Mortgage Corporation of America and the Tennessee Valley Authority.

(B) LAIF will accept no more than \$65 million of an agency's unrestricted funds while placing no constraints on funds relating to unspent bond proceeds.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Restricted Cash and Investments for Bond Interest and Redemption

Under the provisions of the District's revenue bond resolutions and Installment Purchase Agreement for the 2007B, 2012A, 2016C, 2016D, and 2017A Certificates of Participations (COPs) and Water Utility Revenue and Refunding Bonds 2006B, 2016A, 2016B, 2017A, 2019A, and 2019B, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee.

As of June 30, 2019, the amount invested in assets held by fiscal agent amounted to \$5.5 million for certificates of participation and \$80 thousand for revenue bonds and was equal to or in excess of the amount required at that date.

Restricted Cash and Investments for Capital Projects

The District has construction and acquisition funds from the 2017A Certificates of Participation (COP) which is used to pay for the capital projects on flood control and watershed improvements authorized by the COP indenture. At June 30, 2019, the balance of this fund is \$2 million.

The District, through the PFFC, has also issued commercial paper to provide for any District purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District. At June 30, 2019, the total balance of the taxable and the tax-exempt commercial paper certificate accounts is \$195 thousand. Both account balances were cash transfers from the District to fiscal agent to fund maturing interest payments on commercial papers outstanding.

Restricted Cash and Investments for Watershed Management Projects

The District has entered into certain cost sharing agreements with the U.S. Army Corps of Engineers (the Corps). Under these agreements, the District is required to deposit monies into escrow accounts to be used by the Corps for watershed management projects. At June 30, 2019, the District's restricted deposits held in escrow for construction of the Guadalupe Watershed project amounted to \$77 thousand.

Authorized Investments by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in instruments which, at the time of such investment, are legal investments under the laws of the State of California, District ordinances, policies, and bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations (A)	N/A	N/A
U.S. Agency Securities (B)	N/A	N/A
State Obligations (C)	N/A	A
Commercial Paper	270 days	A1
Unsecured CD's, deposit accounts, time deposits, and bankers acceptances	365 days	A-1
FDIC Insured Deposit (D)	N/A	N/A
Money Market Funds	N/A	AAAm
Collateralized Repurchase Agreements (E)	N/A	A-1
Investment Agreements (F)	N/A	AA-
Investment Approved in Writing by the Certificate Insurer (G)	N/A	N/A
Local Agency Investment Fund of the State of CA	N/A	N/A
Supranational Obligations	N/A	AA

(A) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

(B) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority Certificates of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit Certificates of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(C) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P.

(D) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

(E) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

S&P, provided: (1) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million or (iii) a bank approved in writing for such purpose by the Certificate Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. if such securities is created for the benefit of the Trustee; and (4) the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(F) Investment agreements, guaranteed investment contracts, funding agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P.

(G) Any investment approved in writing by the Certificate Insurer.

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 District generally manages its own interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided by the table on the following page that shows the distribution to the District's investments by maturity or earliest call date (in thousands).

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

	Total	12 Months or less	13 to 24 Months	25 to 60 Months
U.S. Government Agencies	\$ 300,813	\$ 120,677	\$ 63,630	\$ 116,506
U.S. Government Agencies - Callable	146,474	26,996	17,182	102,296
U.S. Treasury Obligations	29,317	12,974	8,000	8,343
Medium Term Notes	7,625	1,574	3,037	3,014
Medium Term Notes - Callable	12,093	-	2,007	10,086
Local Agency Investment Fund	55,450	55,450	-	-
Mutual Funds	121	121	-	-
Supranational Obligations	13,152	2,992	7,015	3,145
Supranational Obligations - Callable	2,004	-	-	2,004
Municipal Bonds	45,881	3,251	9,222	33,408
Negotiable Certificates of Deposit	1,920	950	723	247
Nonnegotiable Certificates of Deposit	16,037	16,037	-	-
Money Market Funds	38,185	38,185	-	-
Total Investments	\$ 669,072	\$ 279,207	\$ 110,816	\$ 279,049

Credit Risk

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 following table shows the minimum rating required by the California Government Code, the District's investment policy, or debt agreements and the actual rating as of June 30, 2019 for each investment type as provided by Standard and Poor's (in thousands):

	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end				
				AAA	AA+	AA	AA-	Not Rated
U.S. Government Agencies	\$ 447,287	AA-	\$ -	\$ -	\$ 447,287	\$ -	\$ -	\$ -
U.S. Treasury Obligations	29,317	AA-	29,317	-	-	-	-	-
Medium Term Notes	19,718	AA-	-	10,097	5,033	-	-	4,588
Local Agency Investment Fund	55,450	N/A	-	-	-	-	-	55,450
Mutual Funds	121	AAA	-	121	-	-	-	-
Supranational Obligations	15,156	AA	-	15,156	-	-	-	-
Municipal Bonds	45,881	AA-	-	9,168	10,604	23,699	2,410	-
Negotiable Certificates of Deposit	1,920	AA-	-	-	-	-	-	1,920
Time Certificates of Deposit	16,037	N/A	-	-	-	-	-	16,037
Money Market Funds	38,185	N/A	-	-	-	-	-	38,185
Total Investments	\$ 669,072		\$ 29,317	\$ 34,542	\$ 462,924	\$ 23,699	\$ 2,410	\$ 116,180

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Concentration of Credit Risk

The District’s investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code and District investment policy, whichever is more restrictive. However, the District is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual District Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investments pools. At June 30, 2019, those investments consisted of the following (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Government-Wide		
Federal Home Loan Bank	U.S. Government Agency	\$ 143,324
Federal Farm Credit Bank	U.S. Government Agency	136,440
Federal Home Loan Mortgage Corp.	U.S. Government Agency	82,699
Federal National Mortgage Association	U.S. Government Agency	80,348

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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.

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.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of public agencies’ cash on deposit. All of the District’s deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions but not in the District’s name.

Fair Value Measurement and Application

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as shown below:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs (other than quoted marked prices) using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Level 3: Unobservable inputs (not applicable to the District).

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Shown below is a summary of the fair value hierarchy of the District's investment at fair value on June 30, 2019 (in thousands):

	<u>6/30/2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Uncategorized</u>
Investments by Fair Value Level				
U.S. Government Agencies	\$ 447,287	\$ 447,287	\$ -	\$ -
U.S. Treasury Obligations	29,317	29,317	-	-
Medium Term Notes	19,718	-	19,718	-
Mutual Funds	121	-	121	-
Supranational Obligations	15,156	-	15,156	-
Municipal Bonds	45,881	-	45,881	-
Negotiable Certificates of Deposit	1,920	-	1,920	-
Non-negotiable Certificates of Deposit	16,037	-	16,037	-
Subtotal - Leveled Investments	<u>575,437</u>	<u>476,604</u>	<u>98,833</u>	<u>-</u>
Local Agency Investment Fund	55,450	-	-	55,450
Money Market Funds	38,185	-	-	38,185
Subtotal - Uncategorized	<u>93,635</u>	<u>-</u>	<u>-</u>	<u>93,635</u>
 Total Investments	 <u>\$ 669,072</u>	 <u>\$ 476,604</u>	 <u>\$ 98,833</u>	 <u>\$ 93,635</u>

Deposits and withdrawals in the State Investment Pool are made on the basis of \$1 and are not using fair value. Accordingly, the District's investments of \$55 million in LAIF at June 30, 2019 are classified as uncategorized input (not classified as Level 1, Level 2, or Level 3).

(4) REIMBURSEMENT OF CAPITAL COSTS

The District derives certain revenues from reimbursements of capital costs by local, state, federal agencies and other outside sources. The following page shows a summary of such reimbursements during fiscal year 2019 (in thousands).

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

	Governmental Activities	Business-type Activity
Local Agencies:		
City of East Palo Alto	\$ 420	\$ -
City of Los Altos	68	-
City of Menlo Park	250	-
City of Mountain View	281	-
City of Palo Alto	360	-
City of San Jose	370	-
San Benito County Water District	-	545
San Francisco Bay Restoration Authority	1,247	-
San Francisquito JPA	1,923	-
San Francisco Public Utility	-	15
San Mateo County	630	-
State Agency:		
Department of Water Resources	19,976	298
California Water Commission	-	291
Total	<u>\$ 25,525</u>	<u>\$ 1,149</u>

(5) INVESTMENT INCOME

The District earns interest income from the investment of cash. Generally accepted accounting principles, as discussed in GASB 31, require reporting investment at fair value in the financial statements. Because of this requirement, interest income earned from investing activity during the current fiscal year is adjusted upwards or downwards to reflect the change in fair value of investment.

The following table represents the investment income as reported in the financial statements, the current year GASB 31 fair value adjustment, and the unadjusted interest income at June 30, 2019 (in thousands):

	Interest as Reported	GASB 31 Fair Value Adjustment	Unadjusted Interest Income
Fund:			
General	\$ 503	\$ 216	\$ 288
Watershed & Stream Steward	4,916	1,999	2,917
Safe, Clean Water	6,679	2,702	3,976
COP Debt Service	88	3	85
COP Construction	204	52	151
Water Enterprise	8,074	3,008	5,066
Internal Service:			
Equipment	127	50	77
Risk Insurance	534	204	331
Information Technology	600	257	343
Total Interest	<u>\$ 21,725</u>	<u>\$ 8,491</u>	<u>\$ 13,234</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

6) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows (in thousands):

	Balance July 1, 2018	Additions	Deletions	Transfers / Adjustments	Balance June 30, 2019
Governmental Activities					
Nondepreciable capital assets:					
Land	\$ 189,813	\$ 1,863	\$ -	\$ -	\$ 191,676
Intangibles - easement	24,016	3,345	-	-	27,361
Construction in progress					
Governmental funds	523,178	84,242	(1,204)	(10,136)	596,080
Internal service funds	7,483	310	(5,648)	-	2,145
Total nondepreciable capital assets	<u>744,490</u>	<u>89,760</u>	<u>(6,852)</u>	<u>(10,136)</u>	<u>817,262</u>
Depreciable capital assets:					
Buildings	42,007	-	-	-	42,007
Structures and improvements	773,881	-	-	10,136	784,017
Equipment:					
Governmental funds	21,432	150	(10)	-	21,572
Internal service funds	28,161	995	(318)	-	28,838
Intangible Software	2,338	255	-	-	2,593
Total depreciable capital assets	<u>867,819</u>	<u>1,400</u>	<u>(328)</u>	<u>10,136</u>	<u>879,027</u>
Less accumulated depreciation and amortization					
Buildings	(14,391)	(861)	-	-	(15,252)
Structures and improvements	(128,218)	(9,071)	-	-	(137,289)
Equipment:					
Governmental funds	(19,119)	(565)	10	-	(19,674)
Internal service funds	(15,101)	(2,561)	304	-	(17,358)
Intangible - software	(1,616)	(467)	-	-	(2,083)
Total accumulated depreciation and amortization	<u>(178,445)</u>	<u>(13,525)</u>	<u>314</u>	<u>-</u>	<u>(191,656)</u>
Net depreciable capital assets	<u>689,374</u>	<u>(12,125)</u>	<u>(14)</u>	<u>10,136</u>	<u>687,371</u>
Total capital assets, net	<u>\$ 1,433,864</u>	<u>\$ 77,635</u>	<u>\$ (6,866)</u>	<u>\$ -</u>	<u>\$ 1,504,633</u>
Business-type activity					
Nondepreciable capital assets:					
Land	\$ 19,180	\$ -	\$ -	\$ -	\$ 19,180
Intangible - easement and software	162	-	-	-	162
Construction in progress	397,842	50,055	-	(48,276)	399,621
Total nondepreciable capital assets	<u>417,184</u>	<u>50,055</u>	<u>-</u>	<u>(48,276)</u>	<u>418,963</u>
Depreciable capital assets:					
Contract water and storage rights	206,361	10,274	-	-	216,635
Buildings	91,001	-	-	-	91,001
Structures and improvements	870,455	-	-	48,276	918,731
Equipment	27,997	643	(304)	-	28,336
Total depreciable capital assets	<u>1,195,814</u>	<u>10,917</u>	<u>(304)</u>	<u>48,276</u>	<u>1,254,703</u>
Less accumulated depreciation and amortization					
Contract water and storage rights	(163,028)	(12,106)	-	(590)	(175,724)
Buildings	(8,344)	(1,877)	-	-	(10,221)
Structures and improvements	(285,406)	(14,868)	-	-	(300,274)
Equipment	(22,597)	(1,246)	304	-	(23,539)
Total accumulated depreciation and amortization	<u>(479,375)</u>	<u>(30,097)</u>	<u>304</u>	<u>(590)</u>	<u>(509,758)</u>
Net depreciable capital assets	<u>716,439</u>	<u>(19,180)</u>	<u>-</u>	<u>47,686</u>	<u>744,945</u>
Total capital assets, net	<u>\$ 1,133,623</u>	<u>\$ 30,875</u>	<u>\$ -</u>	<u>\$ (590)</u>	<u>\$ 1,163,908</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

During fiscal year 2019, new construction in progress increased by \$84.3 million in the governmental activities. The breakdown of additions to the construction in progress was as follows: \$22 million to the watersheds, and \$62.3 million to the Safe, Clean Water & Natural Flood Protection Fund. There were 62 in progress and completed projects during the fiscal year with the major projects listed below (in millions):

- \$23.2 - Permanente Creek Bay – Foothill Clean Safe Creek
- \$16.1 - San Francisquito Early Implementation
- \$10.9 - Berryessa Creek, Lower, Penitencia Phase 2
- \$7.9 - Main/Madrone Pipeline Restoration
- \$6.2 - Cunningham Flood Detention
- \$3.8 - SFBS EIA 11 Design and Part Construction
- \$2.5 - Upper Llagas Creek, Nonreimburse E6a
- \$2.3 - Sunnyvale East and West Channel
- \$1.5 - Lower Silver Creek - R4-6 North Babb to Cunningham
- \$1.5 - Lower Penitencia Creek Improvements
- \$1.4 - Guadalupe River Upper, SPRR-BH 7-12
- \$1.3 - Upper Llagas Creek, Reimburse E6b
- \$1.3 - SCW Fish Passage Improvement

New construction in progress amounted to \$50 million in the business-type activities. There were 55 in progress and completed projects during the fiscal year, with major projects listed below (in millions):

- \$18.0 - Rinconada Water Treatment Plant Reliability Improvement
- \$8.8 - Anderson Dam Seismic Retrofit
- \$6.4 - 10-year Pipeline and Rehabilitation
- \$3.9 - Pacheco Reservoir Expansion Project
- \$2.5 - Calero Dam Seismic Retrofit Design and Construction
- \$1.5 - Rinconada Water Treatment Plant FRP Solids Handling System
- \$1.4 - Dam Safety Seismic Stability
- \$1.3 - Rinconada Water Treatment Plant Residuals Remediation
- \$1.2 - South County Recycled Water
- \$1.1 - Calero-Guadalupe Dams Seismic Retro
- \$0.9 - Coyote Plant Pumping Warehouse
- \$0.9 - Indirect Potable Reuse

Capital asset depreciation and amortization incurred by the primary government for the current fiscal year are as follows (in thousands):

General government	\$ 1,909
Watershed and Stream Stewardship	8,556
Safe, clean water and natural flood protection	500
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of assets.	<u>2,560</u>
Total depreciation expense – governmental activities	<u>\$13,525</u>

Total depreciation and amortization expense – business-type activity	
Water cost of production	<u>\$30,097</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(7) SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

On December 17, 2002, the District Board authorized a commercial paper program, through the PFFC. The commercial paper program allows the District to finance capital acquisitions while taking advantage of short term rates, and the District issues tax and revenue anticipation notes on an annual basis to secure the commercial paper program. This program is used in conjunction with issuing long-term liabilities to obtain the least expensive financing for the District.

On May 15, 2012, the District Board authorized the execution and delivery of certain agreements in connection with the commercial paper program in an aggregate principal amount not to exceed \$100 million.

On January 13, 2015, the District Board took certain actions to support an increase in the commercial paper program to \$150 million. The proceeds of the commercial paper may be used for any District purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District.

On April 25, 2019, the District issued Water System Refunding Revenue Bonds, Series 2019A and Taxable Series, 2019B, in the amount of \$95.3 million to provide funds to the PFFC, including \$2.5 million original issue premium, to repay \$97.3 million in commercial paper (\$79.7 million of outstanding taxable certificates and \$17.6 million of tax-exempt certificate), which had been issued for the benefit of the Water Utility.

As of June 30, 2019, outstanding commercial paper was \$50 million, consisting of \$30 million issued through the PFFC for the benefit of the Safe, Clean Water Program and \$20 million issued through the PFFC for the benefit of the Water Utility Enterprise.

Commercial Paper Program	<u>Authorized</u>	<u>Outstanding Amount</u>
Beginning balance	\$ 150.0	\$ 105.8
Additions	-	41.5
Reductions	-	(97.3)
Ending balance	<u>\$ 150.0</u>	<u>\$ 50.0</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(b) Long-term liabilities

The District's long-term liabilities outstanding consisted of the following (in thousands):

<u>Type of indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Governmental activities					
Certificates of participation					
2012A Certificates of participation	2024	3% - 5%	52,955	\$ 23,540	\$ 4,310
2017A Certificates of participation	2030	4% - 5%	59,390	50,030	3,765
Compensated absences				9,046	2,108
Claims payable				7,086	1,980
Net pension liability				125,285	-
Other post employment liability				41,354	-
Bond premium				11,489	1,547
Total general long-term obligations				<u>\$ 267,830</u>	<u>\$ 13,710</u>
Business-type activity					
2006B Water revenue bond	2035	5.15%-5.31%	25,570	\$ 18,155	\$ 815
2016A Water revenue bond	2046	5.0%	106,315	106,315	-
2016B Water revenue bond	2046	4.154%-4.354%	75,215	75,215	-
2017A Water revenue bond	2037	3.4% - 3.7%	54,710	51,410	1,780
2019A Water revenue bond	2039	5.0%	15,225	15,225	230
2019B Water revenue bond	2034	2.44%-3.634%	80,030	80,030	1,630
2007B Water revenue COP bond	2037	5.55%-floating	53,730	37,980	1,470
2016C Water revenue COP bond	2029	4.0% - 5.0%	43,075	38,045	3,185
2016D Water revenue COP bond	2029	1.567%-3.679%	54,970	48,425	4,130
Bond discount				(139)	(8)
Bond premium				38,580	1,556
Compensated absences				5,364	1,250
Net pension liability				94,565	-
Other post employment liability				31,958	-
Semitropic water banking agreement	2035		46,900	9,973	-
Total enterprise funds debt				<u>\$ 651,101</u>	<u>\$ 16,038</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

The following is a summary of changes in long-term liabilities as of June 30, 2019 (in thousands):

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Governmental activities:					
2012A COP	\$ 27,645	\$ -	\$ (4,105)	\$ 23,540	\$ 4,310
2017A COP	54,640	-	(4,610)	50,030	3,765
Compensated absences	8,786	5,931	(5,671)	9,046	2,108
Claims payable	6,465	765	(144)	7,086	1,980
Net pension liability	129,929	1,949	(6,593)	125,285	-
Other post employment benefits	43,811	-	(2,457)	41,354	-
Premium on refunded debt	13,037	-	(1,548)	11,489	1,547
Total governmental activities long-term liabilities	<u>\$ 284,313</u>	<u>\$ 8,645</u>	<u>\$ (25,128)</u>	<u>\$ 267,830</u>	<u>\$ 13,710</u>
Business-type activity:					
2006B revenue bonds	\$ 18,930	\$ -	\$ (775)	\$ 18,155	\$ 815
2016A revenue bonds	106,315	-	-	106,315	-
2016B revenue bonds	75,215	-	-	75,215	-
2017A revenue bonds	53,110	-	(1,700)	51,410	1,780
2019A revenue bonds	-	15,225	-	15,225	230
2019B revenue bonds	-	80,030	-	80,030	1,630
2007B COP revenue bonds	39,370	-	(1,390)	37,980	1,470
2016C COP revenue bonds	41,055	-	(3,010)	38,045	3,185
2016D COP revenue bonds	52,340	-	(3,915)	48,425	4,130
Bond discount on refunding	(147)	-	8	(139)	(8)
Premium on debt issuance	37,587	2,521	(1,528)	38,580	1,556
Compensated absences	5,168	4,477	(4,281)	5,364	1,250
Net pension liability	100,278	-	(5,713)	94,565	-
Other post employment benefits	33,814	-	(1,856)	31,958	-
Semitropic water banking agreement	8,150	1,823	-	9,973	-
Total business-type activity long-term liabilities	<u>\$ 571,185</u>	<u>\$ 104,076</u>	<u>\$ (24,160)</u>	<u>\$ 651,101</u>	<u>\$ 16,038</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

The aggregate maturities of long-term debt are as follows (in thousands):

	June 30	Governmental activities		Business-type activity	
		Principal	Interest	Principal	Interest and amortization
Bonds payable	2020	\$ 8,075	\$ 3,486	\$ 13,240	\$ 20,980
	2021	8,485	3,082	13,760	20,473
	2022	8,860	2,704	14,305	19,940
	2023	9,250	2,308	14,885	19,376
	2024	9,665	1,894	15,485	18,787
	2025 - 2029	23,750	5,050	87,955	83,625
	2030 - 2034	5,485	274	98,435	62,361
	2035 - 2039	-	-	82,340	39,786
	2040 - 2044	-	-	78,580	22,371
	2045 - 2046	-	-	51,815	5,030
Total bonds payable requirements		<u>\$ 73,570</u>	<u>\$ 18,798</u>	<u>\$ 470,800</u>	<u>\$ 312,729</u>
Add: unamortized premium on issuance		11,489		38,580	
Less: unamortized discount on refunding		-		(139)	
Add: compensated absences		9,046		5,364	
Add: claims payable		7,086		-	
Add: other post employment benefits		41,354		31,958	
Add: net pension liability		125,285		94,565	
Add: semitropic water banking agreement		-		9,973	
Total principal outstanding at June 30, 2019		<u>\$ 267,830</u>		<u>\$ 651,101</u>	

Governmental Activities

The following provides a brief description of the District's debt, and other long-term liabilities, for governmental activities outstanding as of June 30, 2019:

2012A Certificates of Participation

In November 2012, the District issued \$52,955,000 of Refunding and Improvement Certificates of Participation, Series 2012A, to be executed and delivered through the PFFC. The proceeds of 2012A COPs were used to: (1) refinance \$52,360,000 of the 2003A Certificates of Participation; (2) finance the cost of certain flood control improvements; (3) fund a reserve fund; and (4) pay the costs of issuing the 2012A Certificates. The 2012A COPs are payable from the 1994 Installment Payments, which are payable by the District, and are secured by a pledge of and lien on, the District Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the District Board on June 23, 1994.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

2017A Certificates of Participation

In March 2017, the District issued \$59,390,000 of Refunding and Improvement Certificates of Participation, Series 2017A, to be executed and delivered through the PFFC. The proceeds of the 2017A COPs were used to: (1) refinance the \$5,270,000 outstanding balance of the 2004A Certificates of Participation; (2) refinance the \$54,215,000 outstanding balance of the 2007A Certificates of Participation; (3) finance the cost of certain flood control improvements; and (4) pay the costs of issuing the 2017A Certificates. The 2017A COPs are payable from the 1994 and 1995 Installment Payments, which are payable by the District, and are secured by a pledge of and lien on, the district Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the District Board on June 23, 1994.

Claims Payable

The District is self-insured and reports all its risk management activities in its Risk Management Internal Service Fund. Detailed information and calculation of the claims payable account balance are explained in Note 13, Risk Management.

Business-type Activity

The following provides a brief description of the District's debt, and other long-term liabilities, for business-type activity outstanding as of June 30, 2019:

2006B Water Utility System Refunding Revenue Bonds

In December 2006, the District issued \$99,835,000 of Water Utility System Refunding Revenue Bonds, Series 2006A and Taxable Series 2006B, pursuant to the Water Utility Senior System Master Resolution (94-58, as amended by 06-80). The proceeds of \$57,415,000 of the 2006A and 2006B Bonds were used to refinance \$55,265,000 of the remaining 2000A and 2000B and the proceeds of \$42,420,000 of 2006A and 2006B were used to repay approximately \$40,900,000 of commercial paper notes. In March 2016, the District issued Series 2016A Water System Refunding Revenue Bonds to refund all 2006A outstanding principal.

2016A/B Water Systems Refunding Revenue Bonds

In March 2016, the District issued \$181,530,000 of Water Systems Refunding Revenue Bonds comprising of Series 2016A for \$106,315,000 and Taxable Series B for \$75,215,000, pursuant to the Water Utility Parity System Master Resolution (16-10) approved by the Board in February 2016. Proceeds of the 2016A Revenue Bonds, along with the original issue premium, were used to refinance all the currently outstanding Water Utility System Refunding Revenue Bonds Series 2006A and repay \$73,040,000 of outstanding tax-exempt commercial paper notes. Proceeds of the 2016B Revenue Bonds were used to repay \$75,000,000 of the balance of the outstanding taxable commercial paper notes and costs of issuance. The obligation of the District to pay principal and interest of the 2016A/B Water Systems Refunding Revenue Bonds is secured by a pledge of and lien on the District's Water Utility System Revenues.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

2017A Water System Utility Refunding Revenue Bonds

In May 2017, the District issued \$54,710,000 of Water Systems Refunding Revenue Bonds to refund the \$64,750,000 outstanding balance of the Water Utility System Revenue Certificates of Participation Series 2007A and pay costs of issuance of the 2017A Bonds. The obligation of the District to pay principal and interest on the 2017A Bonds is secured by a pledge of and lien on the District's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility System Parity Master Resolution (16-10).

2019A/B Water Systems Refunding Revenue Bonds

In April 2019, the District issued \$95,255,000 of Water System Refunding Revenue Bonds to repay the outstanding Commercial Paper Certificates in order to free up capacity in the District's commercial paper program to finance on-going capital costs. The obligation of the District to pay principal and interest on the 2019A/B Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Parity Master Resolution (16-10).

2007B Water Utility Revenue Certificates of Participation

In October 2007, the District issued \$131,000,000 of Water Utility Revenue Certificates of Participation Bonds, Series 2007A and Taxable Series 2007B, to be executed and delivered through the PFFC. The proceeds of the 2007A and 2007B COPs were used to finance capital construction projects in the Water Utility Enterprise. A 2007A Debt Reserve Fund was funded for the 2001A and 2007B Cops by purchasing a surety. The 2007A issuance was \$77,270,000 fixed rate COPs with a 30 year maturity. The 2007B issuance of \$53,730,000 are floating rate COPs based on the three month LIBOR rate plus 32 basis points with a 30 year maturity. The 2007A and 2007B COPs are payable from 2007 Installment Payments which are payable by the District from and secured by a pledge and lien on water utility revenues pursuant to the Water Utility Senior System Master Resolution (94-58, as amended by 06-80).

2016C/D Water Utility Revenue Certificates of Participation

In March 2016, the District issued \$98,045,000 of Water Utility Systems Improvement Projects Revenue Certification of Participation Bonds Series 2016 for \$43,075,000 and Taxable Series 2016D for \$54,970,000, to be executed and delivered through the PFFC. Proceeds of the 2016C and 21016D COPs, along with the original issue premium will be used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2016C and 2016D COPs are payable from 2016 Installment Payments which are payable by the District from and secured by a pledge and lien on water utility revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

Semitropic Water Banking Agreement

In December 1995, the Santa Clara Valley Water District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The Santa Clara Valley Water District's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering water. At June 30, 2019, the District has \$10 million outstanding liability related to water storage and banking rights.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Compensated Absences

Compensated absences are paid out of the general fund as an employee benefit expense in the year the expense is realized and are charged to the different funds as part of the direct benefit rate. The compensated absences liability for the year is recognized in the District's various enterprise funds and on the governmental activities column in the statement of net position.

(c) Other Debt Related Information

Resolutions and other financing agreements associated with the District's and PFFC's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. The District believes it is in compliance with all significant covenants, limitations, and restrictions.

Financial obligations incurred under the commercial paper program, issued through the PFFC, currently include the obligations to reimburse the bank issuing direct pay letter of credit supporting the commercial paper program and to pay letter of credit fees to the bank. A District failure to comply with certain such obligations could result in an event of default. If an event of default occurs, the bank may exercise one or more rights and remedies. In addition to rights and remedies provided for under the law, the bank can declare all financial obligations with respect to such letter of credit to be immediately due and payable, cause the issuance of commercial paper to be temporarily ceased, or terminate the letter of credit which would cause the issuance of commercial paper to be permanently ceased. Commercial paper certificates are not subject to acceleration.

(8) PROPERTY TAXES AND BENEFIT ASSESSMENTS

The District derives certain revenues from the assessment of property tax parcel levies and the levy of benefit assessments and a special parcel tax. The property tax levy is composed of two categories: (1) a 1 percent tax allocation; and (2) voter approved levy to repay capital and operating costs related to imported water from the State Water Project. Benefit Assessments are collected as part of duly authorized debt repayment phase of the voter-approved assessments. In November 2000, voters approved a 15-year special parcel tax to fund the countywide Clean, Safe Creeks & Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

In November 2012, the voters overwhelmingly approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax. The Safe, Clean Water program builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000. The Safe, Clean Water program replaced the Clean, Safe Creeks measure in its entirety beginning July 1, 2013. The Safe, Clean Water special parcel tax will provide an estimated total of \$723 million of revenue for operations and capital projects. The program will be funded by a combination of revenues from the continuation of an annual special tax, reserves from unspent funds of the Clean, Safe Creeks plan, and state and federal funding. For fiscal year 2019, the budget includes \$44 million of special parcel tax for this program.

Property tax and benefit assessment revenues recorded for the year ended June 30, 2019 are as follows (in thousands):

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

	General Fund	Special Revenue Funds	Water Enterprise Fund
Property taxes:			
1% tax allocation	\$ 8,994	\$ 90,727	\$ 8,124
Special parcel tax	-	44,127	-
Voter approved indebtedness:			
State water	-	-	22,344
Total taxes	8,994	134,854	30,468
Benefit assessments	-	14,746	-
Total property taxes and benefit assessments	<u>\$ 8,994</u>	<u>\$ 149,600</u>	<u>\$ 30,468</u>

The County of Santa Clara (County) is responsible for the assessment, collection, and apportionment of property taxes for the District. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The District is responsible for determining the amount of benefit assessment, special parcel tax, and State Water Project Debt Service. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 31.

The District has elected to participate in the “Teeter Plan” offered by the County whereby the District receives 100 percent of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

(9) FUND BALANCES

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily to the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- Non-spendable fund balance includes net resources that cannot be spent because they are either a) not spendable because of their form, or b) must be maintained intact pursuant to legal or contractual requirements.
- Restricted fund balance includes amounts that are subject to limitations imposed by either: a) creditors, grantors, contributors or laws and regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes spendable resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the District Board, through adopted resolutions. Those constraints remain binding unless the District Board removes or changes in the same manner to previously commit those resources. These District Board's actions must occur prior to June 30th of the applicable fiscal year.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

- Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent can be established or changed at the discretion of the District Board, or an official designated for that purpose, the Chief Executive Officer, in accordance with the provisions of the Governance Policies of the Board, Policy No. EL-5, *Purchasing and Contracts*.
- Unassigned fund balance represents residual net resources that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Spending Prioritization in Using Available Resources

When an expense is incurred for purposes for which both restricted resources and unrestricted resources fund balance are available, the District considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the District's flow assumption is to spend in the sequence of committed resources first, assigned second, and unassigned last.

The various fund balances are established by actions of the Board of Directors and can be increased, reduced or eliminated by similar actions with the exception of encumbrances on the assigned fund balance, which can be reduced or eliminated without the action of the Board of Directors. The District's reserves amounts are reviewed annually to ensure compliance with the District's reserve policy. Changes to the restricted, committed and assigned reserves are presented to the Board of the Directors for review and approval.

Detailed schedule of fund balances as of June 30, 2019 is as follows (in thousands):

	General	Watershed & Stream Steward	Safe, Clean Water & Natural Flood Protection Program	COP Construction	COP Debt Service	Total Govern- mental Funds
Restricted Fund Balance:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 5,447	\$ 5,447
Debt service proceeds	-	-	-	2,002	-	2,002
SCW-current authorized Capital Projects	-	-	149,976	-	-	149,976
Total restricted fund balance	-	-	149,976	2,002	5,447	157,425
Committed Fund Balance:						
Operating & capital Current authorized capital projects	7,125	85,296	18,559	-	-	110,980
	-	46,912	-	-	-	46,912
Total committed fund balance	7,125	132,208	18,559	-	-	157,892
Assigned Fund Balance:						
Operating and Capital Projects Encumbrances	6,883	19,101	-	-	-	25,984
Market Valuation	129	894	-	-	-	1,023
Benefits assessment reserve	-	1,098	-	-	-	1,098
Total assigned fund balance	7,012	21,093	-	-	-	28,105
Total fund balances	\$ 14,137	\$ 153,301	\$ 168,535	\$ 2,002	\$ 5,447	\$ 343,422

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(10) NET POSITION

The proprietary funds financial statements utilize a net position presentation. Net position is categorized as follows: (1) invested capital assets (net of related debt), (2) restricted and (3) unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

Unrestricted Net position – This category represents net position of the District, not restricted for any project or other purpose.

Below is the detailed schedule of the proprietary funds’ net position as of June 30, 2019 (in thousands):

	Water Enterprise Fund	State Projects Fund	Equipment Fund	Risk Management Fund	Information Technology Fund
Restricted Net Position					
San Felipe emergency reserve	\$ 3,150	\$ -	\$ -	\$ -	\$ -
Cash on hand with fiscal agents	189	-	-	-	-
Rate stabilization	26,090	-	-	-	-
Public-private partnership	4,000	-	-	-	-
WUE SVAWPC Reserve	1,066	-	-	-	-
Supplemental water supply reserve	14,677	-	-	-	-
Drought reserve	7,000	-	-	-	-
State water project	-	15,355	-	-	-
Total restricted net position	56,172	15,355	-	-	-
Unrestricted Net Position					
Operating & capital	12,952	-	3,227	-	1,335
Currently authorized projects	52,252	-	-	-	13,970
Property self-insurance/catastrophic	-	-	-	7,244	-
Encumbrances	122,052	-	1,614	292	3,809
Net pension liability	(76,513)	-	(3,056)	(1,987)	(97)
Net other post employment benefit liability	(32,154)	-	(1,026)	(838)	(239)
Total unrestricted net position	78,589	-	759	4,711	18,778
Net investment in capital assets	609,201	16,055	8,848	1	5,033
Net Position	\$ 743,962	\$ 31,410	\$ 9,607	\$ 4,712	\$ 23,811

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(11) EMPLOYEES' RETIREMENT PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statutes and may be amended by the District's governing board.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Prior to	3/19/2012 to	On or after
Hire date	3/19/2012	12/31/2012	1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0% + 1.5%*	7.0% + 2.5%*	6.75% to .5%
Required employer contribution rates	10.059% plus \$13,163,082 prepayment for prior unfunded service cost		
* Member additional contribution towards District's CalPERS cost per negotiated agreement with the bargaining units			

Employees Covered – As of the most recent CalPERS annual valuation report, dated July 2019, the following employees were covered by the benefit terms of the Plan:

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Inactive employees or beneficiaries currently receiving	781
Active employees	748

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2019, contributions to the plan were \$25.4 million. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All funds with payroll charges contribute to the actuarially determined contribution.

Net Pension Liability

The District’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry-age normal cost method
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return ⁽¹⁾	7.15%
Mortality rate table ⁽²⁾	Derived using CalPERS’ membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.00% unit purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

⁽¹⁾Net of pension plan investment and administrative expenses; includes inflation

⁽²⁾The mortality rate table was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuarial Scale BB.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

The actuarial methods and assumptions used for the June 30, 2017 valuation were derived from the December 2017 experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under "Forms and Publications".

Change in Assumptions

Inflation Rate

For the measurement date of June 30, 2018, the inflation rate was reduced from 2.75% to 2.50%.

Discount Rate

The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contribution on time and as scheduled on all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above, adjusted to account for assumed administrative expenses.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Asset Class ⁽¹⁾	Current Strategic Allocation	Real Rates of Return Years 1-10 ⁽²⁾	Real Rates of Return Years 11+ ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

⁽¹⁾ In the CalPERS CAFR, Fixed Income is included in Global Debt Securities, Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92 used for this period.

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning Balance	\$ 787,529,110	\$ 557,322,464	\$ 230,206,646
Changes Recognized for the Measurement Period:			
Service Cost	16,022,730	-	16,022,730
Interest on Total Pension Liability	54,939,649	-	54,939,649
Changes of Assumptions	(8,125,682)	-	(8,125,682)
Difference between Expected and Actual Experience	(1,354,497)	-	(1,354,497)
Net Plan to Plan Resource Movement	-	(1,380)	1,380
Contribution from Employer	-	20,101,080	(20,101,080)
Contribution from Employees	-	7,030,182	(7,030,182)
Net Investment Income	-	47,227,283	(47,227,283)
Benefit Payments, including Refunds of Employee Contribution	(35,347,202)	(35,347,202)	-
Administrative expense	-	(868,462)	868,462
Other Miscellaneous Income/ (Expense) ¹	-	(1,649,224)	1,649,224
Net Changes	26,134,998	36,492,277	(10,357,279)
Ending Balance	\$ 813,664,108	\$ 593,814,741	\$ 219,849,367

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

¹During fiscal year 2018, as a result of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2018, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB68).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the current discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan Net Pension Liability/(Asset)	\$ 327,919,615	\$ 219,849,367	\$ 130,168,389

Pension Plan Fiduciary Net Position

Detailed information about the District's pension plan fiduciary net position is available in separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2019, the District recognized pension expense of \$30 million. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contribution subsequent to measurement date	\$ 25,409,359	\$ -
Changes in assumptions	20,979,011	(6,143,808)
Differences between actual and expected experience	-	(3,926,477)
Net difference between projected and actual earnings on plan investments	1,237,798	-
Total	\$ 47,626,168	\$ (10,070,285)

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

\$25.4 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction from the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Periods Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 14,375,280
2020	7,560,010
2021	(7,988,548)
2022	(1,800,218)
Total	<u>\$ 12,146,524</u>

12) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board of Directors, for retired employees and/or their surviving spouses, and to certain employees who retire due to disability who meet the eligibility requirements and elect the option. The District must be the employee's last CalPERS employer, and the retiree must be receiving a monthly CalPERS retirement pay.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Benefits Provided

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution	
Classified	Retired prior to July 1, 1988		Fixed amount of \$165 per month.	
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree.	
	Retired from July 1, 1990 or later and hired prior to December 30, 2006	10 years	100% medical premium for retiree.	
		15 years	100% medical premium for retiree plus one eligible dependent.	
	Employee Association (AFSCME Local 101) – Engineers Society (IFPTE-Local 21) Professional Managers Association (IFPTE – Local 21)	Retired from July 1, 1990 or later and hired between December 30, 2006 and March 1, 2007	10 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
			15 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.	
		20 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.	

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<p align="center">Unclassified</p> <p align="center">At Will</p>	Retired prior to July 1, 1988		Fixed amount of \$165 per month.
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree.
	Retired from July 1, 1990 through June 18, 1995	10 years	100% medical premium for retiree.
		15 years	100% medical premium for retiree plus one eligible dependent.
	Retired from June 19, 1995 through October 21, 1996	10 years	100% medical premium for retiree.
		15 years	100% medical premium for retiree plus one eligible dependent.
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents.
Retired from October 22, 1996 or later and hired prior to December 30, 2006	10 years	100% medical premium for retiree.	
	15 years	100% medical, dental, and vision coverages for the retiree plus one eligible dependent.	
	25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents.	
Hired on or after December 30, 2006 and prior to March 1, 2007	10 years	Medical coverage is provided for retiree. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.	
	15 years	Medical, dental, and vision coverages are provided for retiree and one eligible dependent. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable	

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<u>Unclassified</u> At Will	Hired on or after December 30, 2006 and prior to March 1, 2007	15 years (con't) 25 years	to active employees or retirees, whichever is less. Medical, dental, and vision coverages are provided for retiree plus two or more eligible dependents. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years 20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less. Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

As of August 1, 2007, all current retirees not yet 65 years of age and Medicare eligible and all future retirees who are Medicare eligible must enroll themselves in Medicare when they reach the eligibility date for Medicare. Their Medicare eligible dependents who are enrolled in the District's health plan must also enroll in Medicare upon their eligibility date. The District reimburses the ongoing Medicare Part B cost incurred by the retiree and/or dependent payable quarterly.

After an evaluation of the cost savings realized in implementing the Medicare enrollment plan since August 2007, the District decided to expand the Medicare enrollment requirement to all retirees and their eligible dependents that are enrolled in the District's medical plan. As of July 1, 2009, all Medicare eligible retirees and their eligible dependents were required to enroll in Medicare. The District reimburses the Medicare Part B penalty charged by the Social Security Administration to the retirees/dependents due to late enrollment.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

The District provides the unclassified group of retirees \$50,000 life insurance upon retirement with a five-year phase out in declining increments of \$10,000 per year after retirement.

Employees Covered – As of the most recent OPEB annual valuation report, dated June 30, 2017, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving	711
Active employees	741

Contributions

On June 24, 2008, the District’s Board of Directors adopted a resolution approving the agreement and election of the District to prefund OPEB through CalPERS under its California Employer’s Retiree Benefit Trust (CERBT) Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. On September 9, 2008, the District joined CERBT. The Board of Directors approved the reallocation of \$17.7 million from its existing reserve for the initial prefunding of the unfunded liability for the first year of reporting. Subsequent years’ funding, pursuant to the annual budget approved by the Board of Directors, was made at the beginning of each fiscal year through fiscal year 2017. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Employees’ Retirement System, P. O. Box 942703, Sacramento, CA 94229-2703.

OPEB and its contribution requirements are established by memorandum of understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining groups. For the fiscal year ended June 30, 2019, the District’s total contribution to the plan amounted to \$10.2 million. All funds with payroll charges contribute to the actuarially determined contribution.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Net OPEB Liability

The District's net OPEB liability was measured on June 30, 2018 for reporting date June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Discount Rate	7.28%
Inflation	3%
Salary Increases	3.25%
Investment Rate of Return	7.28%
Mortality Rate	Derived from the CalPERS study of Miscellaneous Public Agency experience
Pre-retirement Turnover ⁽¹⁾	Derived from the CalPERS study of Miscellaneous Public Agency experience
Healthcare Trend Rate ⁽²⁾	5.75% grading to ultimate 4% for medical and flat 3% for dental and vision
⁽¹⁾ Net of OPEB plan investment expenses, including inflation	
⁽²⁾ The mortality rate table was developed based on CalPERS' nonindustrial miscellaneous public agency experience study for 14 years ending June 2011.	

The long-term, expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The target allocation and expected real rates of returns for each major asset class are summarized in the following table:

Asset Class	Strategy 1 Allocation	Real Rates of Return: 1-10 Years ⁽¹⁾	Real Rates of Return: 11-60 Years ⁽²⁾
Global Equity	59.0%	4.80%	5.98%
Fixed Income	25.0%	1.10%	2.62%
Global Real Estate (REITs)	8.0%	3.20%	5.00%
Treasury Inflation Protected Securities (TIPS)	5.0%	0.25%	1.46%
Commodities	3.0%	1.50%	2.87%

⁽¹⁾An expected inflation of 2.00% used for this period.

⁽²⁾An expected inflation of 2.92 used for this period.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Discount Rate

The discount rate of 7.28% is the expected long-term rate of return on District assets using investment strategy #1 within the CERBT. The projected cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning balance	\$ 174,265,200	\$ 96,639,700	\$ 77,626,500
Changes Recognized for the Measurement Period:			
Service Cost	2,913,500	-	2,913,500
Interest Cost	12,473,300	-	12,473,300
Other Liability Experience Loss/(Gain)	53,800	-	53,800
Contributions	-	11,876,700	(11,876,700)
Benefit Payments	(8,876,700)	(8,876,700)	-
Non-Benefit Related Admin Expenses from Plan Trusts	-	(51,829)	51,829
Expected Investment Return	-	7,142,684	(7,142,684)
Investment Experience (Loss)/Gain	-	787,345	(787,345)
Net Changes within FY2018/19	6,563,900	10,878,200	(4,314,300)
Ending balance	\$ 180,829,100	\$ 107,517,900	\$ 73,311,200

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, calculated using the current discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1%	Current Discount	Discount Rate +1%
Net OPEB Liability	\$ 94,980,800	\$ 73,311,200	\$ 55,187,400

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, if it were calculated using health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Rates	1% Increase
Net OPEB Liability	<u>\$ 52,444,800</u>	<u>\$ 73,311,200</u>	<u>\$ 98,517,100</u>

OPEB Plan Fiduciary Net Position

Detailed information about the District's OPEB plan fiduciary net position is available in separately issued CalPERS financial reports.

OPEB Expense and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2019, the District recognized OPEB credit expense of \$2.0 million. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
OPEB contribution subsequent to measurement date	\$ 10,227,034	\$ -
Differences between actual and expected experience	43,513	-
Net difference between projected and actual earnings on plan investments	-	(2,384,814)
Total	<u>\$ 10,270,547</u>	<u>\$ (2,384,814)</u>

\$10.2 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction from the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ (732,162)
2021	(732,162)
2022	(732,160)
2023	(147,182)
2024	2,365
Total	<u>\$ (2,341,301)</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District reports all of its risk management activities in its Risk Management Internal Service Fund.

The District's deductibles and maximum coverage are as follows (in thousands):

<u>Coverage Descriptions</u>	<u>Deductibles</u>	<u>Commercial Insurance Coverage</u>
General liability	\$2,000	\$50,000
Workers' compensation	1,000	Statutory
Property damage (subject to policy sub-limits)	50	500,000
Fidelity (Crime) - Directors	5	1,000
Fidelity (Crime) – Non-Directors	10	2,000
Non-owned aircraft liability	-	5,000
Boiler and machinery	50	100,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 2019, the liability for self-insurance claims was \$7,086,000. This liability is the District's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the reported liability since June 30, 2019 are as follows (in thousands):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims payable at June 30, 2017	\$ 2,987	\$ 2,679	\$ 5,666
Current year premiums, incurred claims and changes in estim	584	677	1,261
Claim payments	(84)	(378)	(462)
Claims payable at June 30, 2018	<u>3,487</u>	<u>2,978</u>	<u>6,465</u>
Current year premiums, incurred claims and changes in estim	1,636	174	1,810
Claim payments	(872)	(317)	(1,189)
Claims payable at June 30, 2019	<u>\$ 4,251</u>	<u>\$ 2,835</u>	<u>\$ 7,086</u>
Current Portion	<u>\$ 1,378</u>	<u>\$ 602</u>	<u>\$ 1,980</u>

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(14) TRANSFERS IN AND OUT

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) move debt proceeds held in the construction fund to the funds incurring the construction expense.

In the year ended June 30, 2019, the following transfers occurred between funds:

- \$225 thousand was transferred from the Watershed and Stream Stewardship Fund to the General Fund to support drought induced tree removal projects
- \$1.6 million was transferred from the COP Construction Fund to the Watershed and Stream Stewardship Fund to fund certain projects
- \$2 million was transferred from the COP Construction Fund to the Safe, Clean Water and Natural Flood Protection Program Fund to fund certain projects
- \$1.9 million was transferred from the Watershed and Stream Stewardship Fund to the Safe, Clean Water and Natural Flood Protection Program Fund to fund the Encampment Clean-up Program and Upper Penitencia to Permanent Creek Flood Protection project
- \$474 thousand was transferred from the General Fund to the COP Debt Service Fund to pay debt service payments
- \$11 million was transferred from the individual zone Funds to the COP Debt Service Fund to pay debt service payments
- \$614 thousand was transferred each from the General Fund and Watershed Fund to the Water and Stream Stewardship Enterprise Fund for the Open Space credit
- \$2.6 million and \$3.9 million were transferred from the Watershed and Stream Stewardship Fund, and Water Enterprise Fund, respectively, to the Information Technology Fund to fund capital projects

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Interfund transfers for the year ended June 30, 2019, is as follows (in thousands):

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	Amount Transferred
General Fund	Watershed and Stream Stewardsh	\$ 225
Watershed & Stream Stewardship	COP Construction Fund	1,551
Safe, Clean Water Fund	COP Construction Fund	2,030
	Watershed and Stream Stewardsh	1,944
COP Debt Service Fund	General Fund	475
	Lower Peninsula Watershed	3,351
	West Valley Watershed	1,848
	Guadalupe Watershed	3,708
	Coyote Watershed	2,158
Water Enterprise	General Fund	614
	Watershed & Stream Stewardship	614
Information Technology Fund	Watershed and Stream Stewardsh	2,605
	Water Enterprise	3,908
Total interfund transfers		<u>\$ 25,031</u>

15) COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2019, governmental funds had encumbrances of approximately \$65.7 million, while proprietary funds had open purchase commitments of approximately \$126 million related to new or existing contracts and agreements. These encumbrances are only commitments for the expenditure of funds and do not represent actual expenditures or liabilities.

At June 30, 2019, detailed breakdown of encumbrances of the governmental and proprietary funds are shown on the succeeding page.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

Fund	Fund Balances		Total
	Governmental Assigned	Proprietary Unrestricted	
General Fund	\$ 6,883	\$ -	\$ 6,883
Watershed and Stream Stewardship Funds	19,101		19,101
Safe, Clean Water & Natural Flood Protection	39,679		39,679
Water Enterprise Fund	-	120,529	120,529
Equipment Fund	-	1,591	1,591
Risk Management Fund	-	206	206
Information Technology Fund	-	3,680	3,680
Total	<u>\$ 65,663</u>	<u>\$ 126,006</u>	<u>\$ 191,669</u>

(b) San Felipe Project Water Deliveries

The District has contracted with the U.S. Department of the Interior (USDI) for water deliveries from the Central Valley Project. The contract requires the District to operate and maintain Reach 1, Reach 2, and Reach 3 of the San Felipe Division facilities of the USDI.

During fiscal year 2017, the District amended this contract. The amended contract provided for compliance with the Central Valley Project Improvement Act and converted the repayment of the San Felipe Division facilities from a water service contract to a repayment contract with fixed semi-annual payments. The semi-annual payments for January 2007 through July 2016 are \$7,466,867. The semi-annual payments starting January 2017 is \$7,742,285. The amended contract preserved the attributes of a water service contract for other Central Valley Project costs.

The total commitment, including applicable interest, of the repayment contract was \$440,492,081. The remaining commitment as of June 30, 2019 was \$252,443,321.

(c) Participation Rights in Storage Facilities

In December 1995, the District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The District's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering Tier 1 water. The agreement terminates in December 2035.

The District pays the program capital costs when storing and recovering Tier 1 water. As of June 30, 2019, the District has paid \$41.5 million towards the base fee obligation of this agreement. During the first 10 years, the District has a reservation for the full 35 percent allocation; by January 1, 2006, if the District's contributions towards the program capital costs did not equal \$46.9 million the District's permanent storage allocation would have been reduced. The District decided to utilize its total allowable storage rights at 35 percent on January 1, 2006.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

The District currently has a storage allocation of 350,000 acre-feet. As of June 30, 2019, the District has 315,824 acre-feet of water in storage. The participation rights are amortized using the straight-line method over the life of the agreement. Amortization of \$27.6 million has been recorded through fiscal year 2019.

(16) CONTINGENCIES

(a) Litigation

It is normal for a public entity like the District, with its size and activities, to be a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Discussed below are all pending litigations that the District is aware of which are significant and may have a potentially impact on the financial statements.

Great Oaks Water Company v. Santa Clara Valley Water District

In 2005, Great Oaks Water Company (hereinafter "Great Oaks") filed an administrative claim alleging that the groundwater charges for 2005-06 violated the Law and sought a partial refund. After the claim was deemed denied, Great Oaks filed its lawsuit that subsequently included an allegation that the groundwater production charges violated Proposition 218, or Article XIII D of the state constitution because proceeds are used to fund projects and services that benefit the general public, not just ratepayers. Great Oaks demanded a partial refund as well as declaratory, injunctive and mandamus relief.

On February 3, 2010, the Honorable Kevin Murphy issued Judgment After Trial and decided that the District owed Great Oaks a refund of groundwater charges in the amount of \$4,623,096 plus interest at 7% per annum. The award of pre-judgment interest as of December 1, 2009, amounted to \$1,285,524. Judge Murphy also awarded post-judgment interest at the rate of \$886.62 per day until the date of the entry of judgment. Judge Murphy also decided that the District owed Great Oaks damages in the amount of \$1,306,830. Recovery of this damages amount is in the alternative to the award of refund described above. The District appealed this decision to the Sixth District Court of Appeals.

During the pendency of the appeal, in accordance with the requirements of GASB Statement No. 62, the District recorded a liability in the amount of \$5,930,000, which includes the Judgment After Trial decision amount plus interest in fiscal year 2008-09. The District recorded \$160,000 in Fiscal Year 2009-10, \$324,000 in Fiscal Year 2010-11, \$325,000 in Fiscal Year 2011-12, and \$324,000 in Fiscal Years 2012-13 and 2013-14 as liability for the post-judgment interest from January 1, 2010 through June 30, 2014 at the rate of \$886.62 per day. No further interest was booked after the favorable judgement on March 26, 2015 by the Sixth District Court of Appeals, which is discussed further below.

On March 26, 2015, the California Court of Appeal for the Sixth Appellate District ("Court of Appeal") reversed in full the judgment of the trial court in the Great Oaks case. The Court of Appeal found that under Proposition 218 the District's groundwater charge is a "property-related fee," but also a fee for water service excepted from the voter ratification requirement. The Court of Appeal also found that the trial court erred when it found that the 2005-06 groundwater charges failed to satisfy the applicable procedural requirements. The Court of Appeal also reversed the trial court's finding that the District had failed to comply with the Law in setting the groundwater fee. The effect of the Court of Appeals decision is to reverse the refund the trial court had ordered the District to pay to Great Oaks, as well

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

as reverse the awards of damages, pre-judgment interest, and certain other amounts. The Court of Appeal remanded the case to the trial court for proceedings consistent with its decision.

On April 10, 2015, the District and Great Oaks each filed their separate petitions for rehearing with the Court of Appeal, which were granted on April 24, 2015. On August 12, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case, leaving intact the substantive findings from its prior opinion. On August 27, 2015, Great Oaks again filed its petition for rehearing. On September 10, 2015, the Court of Appeal, without requiring any reply by the District granted Great Oaks petition for rehearing. On December 8, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case. Based on the recent court decisions, the total liability of \$7.4 million previously recognized was reversed in fiscal year 2017.

Great Oaks has filed refund actions for subsequent years of annual groundwater charges, all of which are currently stayed (Santa Clara Superior Court Case Nos. 107-CV-087884; 108-CV-119465; 108-CV-123064; 109-CV-146018; 110-CV-178947; 111-CV-205462; 112-CV-228340; 113-CV-249349; 115-CV-281385; 16-CV-292097; 17-CV-308140; and 18-CV-327641).

Similar to the Great Oaks Case, Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club have filed a refund action, Santa Clara Superior Court under Case No. 111-CV-195879. The action is currently stayed.

Other water retailers including San Jose Water Company, the cities of Morgan Hill, Gilroy and Santa Clara and the Los Altos Golf and Country Club, and Stanford University dispute the District's groundwater charges and have subsequently entered into tolling agreements with the District pending the final decision in the Great Oaks Case.

The District filed its petition for review in the California Supreme Court on January 19, 2016, and on March 23, 2016, review was granted. The case was placed on hold pending resolution of the California Supreme Court's City of Buena Vista v. United Water Conservation District (UWCD) case. The UWCD case presents similar issues to the Great Oaks Case – namely whether Proposition 218 applies to groundwater charges.

On December 5, 2017, the California Supreme Court ruled on the UWCD case, and found that Proposition 218 does not apply to UWCD's groundwater charges, but that Proposition 26 does. After issuance of the UWCD decision, the California Supreme Court transferred the Great Oaks Case back down to the Court of Appeal on June 21, 2018 with instruction to vacate the Court of Appeal's prior decision and to reconsider the appeal in light of the principles of the California Supreme Court laid out in its decision in the UWCD case. On November 8, 2018, the Court of Appeal reaffirmed its March 26, 2015 decision described above. On December 17, 2018, Great Oaks filed a petition for review of this decision with the California Supreme Court. On February 20, 2019, the California Supreme Court denied the petition for review and this order became final the same day. On February 21, 2019, the Court of Appeal issued a remittitur to the trial court, effectively notifying the trial court that the appellate court judgement is final and no further appeals are available.

The District can make no assurances as to whether Great Oaks will file a lawsuit in the future with respect to the District's groundwater charges based on different legal principles.

In order to streamline resolution of the remaining issues in the Great Oaks Case, along with similar issues in the later-filled pending cases brought by Great Oaks, including the filling of amended pleadings and the development of plans for resolving various legal issues that run across the cases, and the Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa cases, the District submitted

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

a motion to consolidate these cases pending in the Superior Court and to have those cases designated complex for future handling. Great Oaks joined that motion, which was granted on June 30, 2017 (with each new case filed since then being added to the list by stipulation of the parties). Great Oaks also agreed to file a single, omnibus complaint to supersede its prior pleadings, each of which approached Great Oaks' claims in a slightly different way and captured all its pending claims in a single pleading.

On May 21, 2019, the District filed a collection action against the Shatto Corporation for failure to pay groundwater charges from 2009 to 2014. The District estimates that the claim against Shatto Corporation is approximately \$1 million. On or about August 22, 2019, the Shatto Corporation filed a cross complaint (19-CV-348413) against the District alleging among other things, that the groundwater charges sought by the District violate Proposition 26.

(b) Grants and Subventions

The District has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

(c) Central Valley Project

On June 7, 1977, the District entered into a contract with the U.S. Bureau of Reclamation for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service provides for both agricultural operation and maintenance (O&M) and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 152,500 acre-feet per year. The contract specified initial water rates for O&M and M&I water service and provided for periodic adjustments for the respective water rates in accordance with prevailing CVP water rate policies commencing in the year 1993 for the in-basin M&I rate component; 1996 for the agricultural O&M rate component; 2001 for the full agricultural water rate; and 2008 for the out-of-basin M&I rate component. The methodology of CVP water rate setting has historically recovered current year operating costs and the applicable construction costs over 50 years.

The District's initial CVP water rates were determined based on a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. These policies, coupled with the terms of the original contract, resulted in the District facing significant increases for repayment of the San Felipe Division.

In compliance with the Central Valley Improvement Act (CVPIA), the District entered into negotiations, along with all other CVP contractors, with the U.S. Bureau of Reclamation for contract renewal. Because of concerns related to litigation challenging the renewal process, the District entered into an amended contract. The amendment maintained the basic provisions of the original contract, implemented provisions of CVPIA, and allowed the establishment of a fixed repayment for the San Felipe Division facilities.

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

(d) Perchlorate

In 2003, perchlorate released from the Olin Corporation facility at Tennant Avenue in Morgan Hill was discovered in groundwater in much of the Llagas Subbasin in South County, impacting many water supply wells. The investigation and clean-up of the contamination are under the jurisdiction of the Central Coast Regional Water Quality Control Board. Due to ongoing remediation by Olin and managed recharge by the District, both the plume size and number of wells impacted have been reduced. As of June 2019, perchlorate is present above the Maximum Contaminant Level (MCL) in fewer than 10 domestic water supply wells. The perchlorate plume exceeding the MCL extends south from the Tennant Avenue site for about 3 miles. Olin's remedial efforts have included on-site soil removal and groundwater treatment as well as off-site plume remediation.

(e) Flooding in the City of San Jose

Following a series of storms, a flood event occurred on the Coyote Creek in San Jose, California on or about February 21, 2017. The Coyote Creek is approximately 42 miles long and is the longest creek in the County. In the southern portion of the County, the District owns and maintains the Leroy Anderson Dam and Reservoir along the Coyote Creek near Morgan Hill, California. The Anderson Dam is upstream from the City of San Jose. After the reservoir reached capacity, water began going over the Anderson Dam spillway on February 18, 2017. The spillover volume peaked on the morning of February 21, 2017, increasing flows on Coyote Creek. Beginning on or about February 21, 2017, certain residential and non-residential areas of San Jose along Coyote Creek experienced flooding due to rising water levels in the creek. Thousands of residents were temporarily evacuated, and numerous properties experienced flood damage. Such flood water receded within a short period of time after February 21, 2017.

As of the date of this Official Statement, the District has received 423 claims with respect to the flooding along Coyote Creek. Estimated damages are in excess of \$10,000,000; however, the District cannot predict the final amount of any proven damages. Many of the claimants are also seeking recovery from the City of San Jose; therefore, a portion of the aggregate stated value of the claims may be apportioned to the City of San Jose.

A number of claimants have filed lawsuits in Santa Clara County Superior Court against the District, Santa Clara County, City of San Jose, DWR and/or DSOD alleging damage from the Coyote Creek flood event. Currently, 19 lawsuits have been filed and are pending against the District relating to the flood event. The District is evaluating all of such claims and lawsuits with respect to the Coyote flood event. The District intends to vigorously defend any actions brought against it with respect to flood-related property damage caused by the flooding along Coyote Creek.

Of the 423 claims, 192 of the claimants have not filed an action in superior court. As to these 192 claims, the District settled 162 of such claims in September 2019 at a total cost of approximately \$666,700.

(f) Rinconada Water Treatment Plant Upgrade

On May 26, 2015, the Board awarded a \$179,850,000 construction contract to Balfour Beatty Infrastructure, Inc. ("Balfour Beatty") for the Rinconada Water Treatment Plant (WTP) Reliability Improvement Project. Phase 2 of such project includes the construction of several new facilities for the upgraded treatment system at the Rinconada WTP, including flocculation/sedimentation, ozone

SANTA CLARA VALLEY WATER DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2019

generation, and washwater recover facilities. Such project also includes the installation of an electrical control building and appurtenant wiring and control systems, significant underground piping, and installation of chemical feed systems.

The District's contract with Balfour Beatty provided for the project to be built in five phases within a 5-year period. The existing Rinconada WTP is to remain operational during the entire construction period, with the newly-constructed facilities and upgrades integrated with plant operations at the end of each phase.

Balfour Beatty's current estimated completion date of Phase 2 work is more than two years later than originally provided in the construction schedule. The District has advised Balfour Beatty of the District's concerns regarding quality of construction work, the failure to comprehensively remedy construction defects, and Balfour Beatty's lack of diligence to ensure progress is made in a timely manner. The parties are engaged in ongoing discussions regarding remediating the defective work and obtaining a realistic schedule from Balfour Beatty.

On September 26, 2018, the District notified Balfour Beatty that the District was assessing liquidated damages of more than \$11 million for the lack of completion of both Phase 2 and Phase 3 construction milestones. The District began withholding liquidated damages from the progress payments to Balfour Beatty in October 2018 and continues withholding funds from monthly progress payments. To date, the District has withheld approximately \$7 million and assessed \$18 million in liquidated damages. Balfour Beatty had previously threatened to file suit if the District did not cease withholding liquidated damages by November 28, 2018. To date, Balfour Beatty has not yet filed such lawsuit against the District.

The District cannot predict the timeframe for the District and Balfour Beatty to resolve such issues. The District has not filed any formal claims against Balfour Beatty. The District does not believe the foregoing construction issues will have a material adverse impact on the operation of the Rinconada WTP.

(17) SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2019.

On July 23, 2019, the Board approved a professional services agreement with INFOR, to implement the INFOR Enterprise Resource Planning (ERP) System to replace the current legacy Financial and Human Resource system, PeopleSoft. The new integrated solution will cover the District's core Financials, Human Resources, Contracts, and Procurement modules. The implementation of the INFOR CloudSuite ERP system is anticipated to take 20-24 months and will require intensive resource commitment and focus from District staff to be successful.

In November 2019, the District issued \$38,280,000 of Water System Refunding Revenue Bonds, Taxable Series 2019C to refund the outstanding Water Utility Revenue Certificates of Participation, Taxable Series 2007B and pay costs of issuance of the 2019C Bonds. The obligation of the District to pay principal of and interest on the 2019C Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Parity Master Resolution, as amended (16-10). The refunding resulted in a net present value savings of \$9.7 million on a budgetary basis at an all-in-true interest cost of 2.76%.



Valley Water

Clean Water • Healthy Environment • Flood Protection

**Required
Supplementary
Information**

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Changes In Net Pension Liability and Related Ratios
June 30, 2019
Last 10 Years*

	2015	2016	2017	2018	2019
Total pension liability					
Service cost	\$ 14,351,245	\$ 13,735,953	\$ 13,764,288	\$ 15,752,291	\$ 16,022,730
Interest on total pension liability	46,261,670	48,842,236	51,160,517	53,109,673	54,939,649
Differences between expected and actual experience	-	(184,479)	(3,173,782)	(4,716,605)	(1,354,497)
Changes in assumptions	-	(12,079,891)	-	44,289,025	(8,125,682)
Benefit payments, including refunds of employee contributions	(25,004,849)	(27,800,233)	(30,428,304)	(32,498,706)	(35,347,202)
Net change in pension liability	35,608,066	22,513,586	31,322,719	75,935,678	26,134,998
Total pension liability, beginning	622,149,061	657,757,127	680,270,713	711,593,432	787,529,110
Total pension liability, ending (a)	<u>\$ 657,757,127</u>	<u>\$ 680,270,713</u>	<u>\$ 711,593,432</u>	<u>\$ 787,529,110</u>	<u>\$ 813,664,108</u>
Plan fiduciary net position					
Contributions - employer	\$ 13,804,460	\$ 15,157,939	\$ 17,044,538	\$ 19,055,019	\$ 20,101,080
Contributions - employee	9,036,853	6,242,234	6,567,551	6,624,798	7,030,182
Net investment income	75,675,314	11,478,076	2,752,954	56,514,065	47,227,283
Benefits payment	(25,004,849)	(27,800,233)	(30,428,304)	(32,498,706)	(35,347,202)
Net plan to plan resource movement	-	-	370	370	(1,380)
Administrative expenses	-	(566,550)	(312,496)	(750,585)	(868,462)
Other miscellaneous income / (expenses)	-	-	-	-	(1,649,224)
Net change in fiduciary net position	73,511,778	4,511,466	(4,375,387)	48,944,961	36,492,277
Plan fiduciary net position, beginning	434,729,646	508,241,424	512,752,890	508,377,503	557,322,464
Plan fiduciary net position, ending (b)	<u>\$ 508,241,424</u>	<u>\$ 512,752,890</u>	<u>\$ 508,377,503</u>	<u>\$ 557,322,464</u>	<u>\$ 593,814,741</u>
Net pension liability, ending (a - b)	<u>\$ 149,515,703</u>	<u>\$ 167,517,823</u>	<u>\$ 203,215,929</u>	<u>\$ 230,206,646</u>	<u>\$ 219,849,367</u>
Plan fiduciary net position as a percentage of total pension liability	77.27%	75.37%	71.44%	70.77%	72.98%
Covered payroll	\$ 77,885,844	\$ 78,009,731	\$ 79,663,661	\$ 84,110,908	\$ 88,533,154
Net pension liability as a percentage of covered payroll	191.97%	214.74%	255.09%	273.69%	248.32%
Discount rate	7.50%	7.65%	7.65%	7.15%	7.15%

* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 5 years are shown.

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Employer Pension Contributions
June 30, 2019
Last 10 Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 13,948,105	\$ 16,532,182	\$ 18,568,910	\$ 19,746,343	\$ 25,409,359
Contributions in relation to the actuarially determined contribution	<u>(13,948,105)</u>	<u>(16,532,182)</u>	<u>(18,568,910)</u>	<u>(19,746,343)</u>	<u>(25,409,359)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ⁽¹⁾	\$ 78,009,731	\$ 79,663,661	\$ 84,110,908	\$ 88,533,154	\$ 91,189,149
Contribution as a percentage of covered payroll	17.88%	20.75%	22.08%	22.30%	27.86%

⁽¹⁾ The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net pension liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 3% increase.

* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 5 years are shown.

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Changes In Net OPEB Liability and Related Ratios
June 30, 2019
Last 10 Years*

	2018	2019
Total OPEB liability		
Service cost	\$ 2,913,500	\$ 2,913,500
Interest on total OPEB liability	12,017,600	12,473,300
Benefits payment	(8,471,200)	(8,876,700)
Other liability experience loss / (gain)	-	53,800
Net change in OPEB liability	6,459,900	6,563,900
Total OPEB liability, beginning	167,805,300	174,265,200
Total OPEB liability, ending (a)	\$ 174,265,200	\$ 180,829,100
 Plan fiduciary net position		
Contributions	\$ 11,471,200	\$ 11,876,700
Benefits payment	(8,471,200)	(8,876,700)
Expected investment income	6,259,202	7,142,684
Investment experience loss / (gain) - differences between expected and actual experience	2,924,898	787,345
Administrative expense	(44,900)	(51,829)
Net change in fiduciary net position	12,139,200	10,878,200
Plan fiduciary net position, beginning	84,500,500	96,639,700
Plan fiduciary net position, ending (b)	\$ 96,639,700	\$ 107,517,900
 Net OPEB liability, ending (a - b)	\$ 77,625,500	\$ 73,311,200
 Plan fiduciary net position as a percentage of total OPEB liability	55.46%	59.46%
Covered payroll	\$ 79,663,700	\$ 84,110,900
Net OPEB liability as a percentage of covered payroll	97.44%	87.16%
Discount rate	7.28%	7.28%

* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 2 years are shown.

SANTA CLARA VALLEY WATER DISTRICT
 Schedule of Employer Other Post Employment Benefit Contributions
 June 30, 2019
 Last 10 Years*

	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 9,546,137	\$ 10,227,034
Contributions in relation to the actuarially determined contribution	<u>(12,546,137)</u>	<u>(10,227,034)</u>
Contribution Deficiency / (Excess)	<u>\$ (3,000,000)</u>	<u>\$ -</u>
Covered payroll ⁽¹⁾	\$ 84,110,900	\$ 86,634,227
Contribution as a percentage of covered payroll	14.92%	11.80%

⁽¹⁾ The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net OPEB liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 3% increase.

* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 2 years are shown.

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Budgeted Governmental Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 7,743	\$ 7,743	\$ 8,994	\$ 1,251
Use of money and property:				
Investment income	85	85	503	418
Rental	-	-	-	-
Reimbursement of capital costs	-	-	-	-
Other	-	-	152	152
Total revenues	7,828	7,828	9,649	1,821
Expenditures:				
Operating budget:				
Operations and operating projects	53,337	53,770	51,649	2,121
Debt service:				
Principal repayment	354	354	354	-
Interest and fiscal charges	122	122	121	1
Total operating budget	53,813	54,246	52,124	2,122
Capital budget:				
Capital improvement projects	14,865	3,421	2,736	685
Total expenditures	68,678	57,667	54,860	2,807
Excess (deficiency) of revenues over (under) expenditures	(60,850)	(49,839)	(45,211)	4,628
Other financing sources (uses):				
Intra-district overhead reimbursement	61,456	61,456	48,500	(12,956)
Transfers in	292	292	225	(67)
Transfers out	(614)	(614)	(614)	-
Total other financing sources	61,134	61,134	48,111	(13,023)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	\$ 284	\$ 11,295	2,900	\$ (8,395)
Reconciliation of GAAP and budgetary basis:				
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			\$ (2,533)	
Capital improvement projects			(474)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			2,540	
Capital improvement projects			2,024	
Fund Balances, beginning of year			9,680	
Fund Balances, end of year			\$ 14,137	

See accompanying notes to required supplementary information

Watershed & Stream Stewardship				Safe, Clean Water & Natural Flood Protection			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 79,161	\$ 79,161	\$ 90,727	\$ 11,566	\$ 43,998	\$ 43,998	\$ 44,127	\$ 129
978	978	4,916	3,938	1,670	1,670	6,679	5,009
1,376	1,376	1,650	274	-	-	355	355
12,443	12,443	1,568	(10,875)	9,126	9,126	23,957	14,831
240	240	1,746	1,506	-	-	187	187
<u>94,198</u>	<u>94,198</u>	<u>100,607</u>	<u>6,409</u>	<u>54,794</u>	<u>54,794</u>	<u>75,305</u>	<u>20,511</u>
55,388	55,581	53,437	2,144	18,523	19,978	16,302	3,676
-	-	-	-	-	-	-	-
-	-	-	-	4,616	4,616	782	3,834
<u>55,388</u>	<u>55,581</u>	<u>53,437</u>	<u>2,144</u>	<u>23,139</u>	<u>24,594</u>	<u>17,084</u>	<u>7,510</u>
<u>35,440</u>	<u>59,650</u>	<u>27,643</u>	<u>32,007</u>	<u>37,221</u>	<u>114,035</u>	<u>41,623</u>	<u>72,412</u>
<u>90,828</u>	<u>115,231</u>	<u>81,080</u>	<u>34,151</u>	<u>60,360</u>	<u>138,629</u>	<u>58,707</u>	<u>79,922</u>
<u>3,370</u>	<u>(21,033)</u>	<u>19,527</u>	<u>40,560</u>	<u>(5,566)</u>	<u>(83,835)</u>	<u>16,598</u>	<u>100,433</u>
-	-	-	-	-	-	-	-
2,567	2,567	5,226	2,659	2,029	3,973	3,974	1
<u>(3,511)</u>	<u>(5,455)</u>	<u>(5,388)</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(944)</u>	<u>(2,888)</u>	<u>(162)</u>	<u>2,726</u>	<u>2,029</u>	<u>3,973</u>	<u>3,974</u>	<u>1</u>
<u>\$ 2,426</u>	<u>\$ (23,921)</u>	19,365	<u>\$ 43,286</u>	<u>\$ (3,537)</u>	<u>\$ (79,862)</u>	20,572	<u>\$ 100,434</u>
		\$ (2,615)				\$ (1,479)	
		(16,088)				(34,720)	
		3,307				5,503	
		8,750				8,177	
		<u>140,582</u>				<u>170,482</u>	
		<u>\$ 153,301</u>				<u>\$ 168,535</u>	

SANTA CLARA VALLEY WATER DISTRICT

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

The District annually adopts a budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The COP construction and COP debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various District organization units. The Board may amend the budget by motion during the fiscal year. The District Chief Executive Officer is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than the Generally Accepted Accounting Principles (GAAP) basis. The results of operations are presented in the budget and actual schedules in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Intra-district overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.

Reported budget amounts reflect the annual budget as originally adopted and as subsequently amended by the District Board of Directors. The budget amounts are based on estimates of the District's expenditures/expenses and the proposed means of financing them. The final budget of capital improvement projects includes budget adjustments related to capital projects' period year balance forward. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from budget due to the timing of such expenditures.



Valley Water

Clean Water • Healthy Environment • Flood Protection

**Supplemental
Information**

Schedule of Revenues, Expenditures and Change in Fund Balances – Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Funds

Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Selected Watershed Activities

Within the Watershed and Stream Stewardship Fund

For the Year Ended June 30, 2019

(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
Revenues:		
Benefit assessments	\$ 4,038	\$ 2,253
Total revenues	4,038	2,253
Expenditures:		
Debt service:		
Principal repayments	2,292	1,284
Interest and fiscal charges	1,061	565
Total expenditures	3,353	1,849
Excess (deficiency) of revenues over (under) expenditures	685	404
Other financing source (uses):		
Transfers out	(685)	(404)
Total other financing sources (uses)	(685)	(404)
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	\$ -	\$ -

Guadalupe Watershed	Coyote Watershed	Total
\$ 4,523	\$ 3,932	\$ 14,746
<u>4,523</u>	<u>3,932</u>	<u>14,746</u>
2,708	1,108	7,392
<u>1,001</u>	<u>1,053</u>	<u>3,680</u>
<u>3,709</u>	<u>2,161</u>	<u>11,072</u>
814	1,771	3,674
<u>(814)</u>	<u>(1,771)</u>	<u>(3,674)</u>
<u>(814)</u>	<u>(1,771)</u>	<u>(3,674)</u>
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Selected Watershed Activities
Within the Watershed and Stream Stewardship Fund
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Lower Peninsula Watershed			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Benefit assessments	\$ 4,039	\$ 4,039	\$ 4,038	\$ (1)
Total revenues	<u>4,039</u>	<u>4,039</u>	<u>4,038</u>	<u>(1)</u>
Expenditures:				
Debt service:				
Principal repayment	2,292	2,292	2,292	-
Interest and fiscal charges	<u>1,070</u>	<u>1,070</u>	<u>1,061</u>	<u>9</u>
Total expenditures	<u>3,362</u>	<u>3,362</u>	<u>3,353</u>	<u>9</u>
Excess (deficiency) of revenues over (under) expenditures	<u>677</u>	<u>677</u>	<u>685</u>	<u>8</u>
Other financing sources (uses):				
Transfers out	<u>(677)</u>	<u>(677)</u>	<u>(685)</u>	<u>(8)</u>
Total other financing sources (uses)	<u>(677)</u>	<u>(677)</u>	<u>(685)</u>	<u>(8)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

West Valley Watershed				Guadalupe Watershed			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 2,255	\$ 2,255	\$ 2,253	(2)	\$ 4,552	\$ 4,552	\$ 4,523	(29)
<u>2,255</u>	<u>2,255</u>	<u>2,253</u>	<u>(2)</u>	<u>4,552</u>	<u>4,552</u>	<u>4,523</u>	<u>(29)</u>
1,284	1,284	1,284	-	2,708	2,708	2,708	-
<u>572</u>	<u>572</u>	<u>565</u>	<u>7</u>	<u>1,016</u>	<u>1,016</u>	<u>1,001</u>	<u>15</u>
<u>1,856</u>	<u>1,856</u>	<u>1,849</u>	<u>7</u>	<u>3,724</u>	<u>3,724</u>	<u>3,709</u>	<u>15</u>
<u>399</u>	<u>399</u>	<u>404</u>	<u>5</u>	<u>828</u>	<u>828</u>	<u>814</u>	<u>(14)</u>
<u>(409)</u>	<u>(409)</u>	<u>(404)</u>	<u>5</u>	<u>(854)</u>	<u>(854)</u>	<u>(814)</u>	<u>40</u>
<u>(409)</u>	<u>(409)</u>	<u>(404)</u>	<u>5</u>	<u>(854)</u>	<u>(854)</u>	<u>(814)</u>	<u>40</u>
<u>\$ (10)</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ (26)</u>	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ 26</u>

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
Selected Watershed Activities Contained
Within the Watershed and Stream Stewardship Fund
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Coyote Watershed			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Benefit Assessments	\$ 3,932	\$ 3,932	\$ 3,932	\$ -
Total revenues	<u>3,932</u>	<u>3,932</u>	<u>3,932</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal repayment	2,077	2,077	1,108	969
Interest and fiscal charges	<u>1,191</u>	<u>1,191</u>	<u>1,053</u>	<u>138</u>
Total expenditures	<u>3,268</u>	<u>3,268</u>	<u>2,161</u>	<u>1,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>664</u>	<u>664</u>	<u>1,771</u>	<u>1,107</u>
Other financing sources (uses):				
Transfers out	<u>(628)</u>	<u>(628)</u>	<u>(1,771)</u>	<u>(1,143)</u>
Total other financing sources (uses)	<u>(628)</u>	<u>(628)</u>	<u>(1,771)</u>	<u>(1,143)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ (36)</u>

Water Enterprise and State Water Project Funds

**Schedules of Revenues, Expenses and Change in Fund Net Position
Budget and Actual**

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenses and
Changes in Net Position - Budget and Actual
Water Enterprise and State Water Project Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Water Enterprise Fund			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 6,963	\$ 6,963	\$ 8,124	\$ 1,161
Intergovernmental services	625	625	2,754	2,129
Ground water production charges	90,696	90,696	81,923	(8,773)
Treated water charges	152,787	152,787	143,998	(8,789)
Surface and recycled water revenue	2,653	2,653	1,758	(895)
Investment income	1,084	1,084	8,074	6,990
Capital reimbursements	1,355	1,355	1,149	(206)
Other	935	935	780	(155)
Total revenues	257,098	257,098	248,560	(8,538)
Expenses:				
Current:				
Operations and operating projects	156,717	156,746	143,933	12,813
Debt Service:				
Principal repayment	12,670	12,670	10,790	1,880
Interest and fiscal charges	29,216	29,216	19,481	9,735
Capital outlay:				
Capital improvement projects	109,216	146,343	97,937	48,406
Total expenses	307,819	344,975	272,141	72,834
Excess (deficiency) of revenues over (under) expenses before transfers	(50,721)	(87,877)	(23,581)	64,296
Transfers in	1,228	1,228	1,228	-
Transfers out	(5,937)	(5,937)	(3,908)	2,029
Excess (deficiency) of revenues and other financing sources over (under) expenses	\$ (55,430)	\$ (92,586)	\$ (26,261)	\$ 66,325
 Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(29,151)	
Capitalized expenditures			50,698	
Debt principal and GAAP basis accruals for interest payable			11,641	
GAAP basis expenses and other liabilities			3,175	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(7,669)	
Capital improvement projects			(15,466)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			16,707	
Capital improvement projects			47,446	
Net position, beginning of year			692,774	
Net position, end of year			\$ 743,894	

State Water Project Fund				Total			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 18,000	\$ 18,000	\$ 22,344	\$ 4,344	\$ 24,963	\$ 24,963	\$ 30,468	\$ 5,505
-	-	-	-	625	625	2,754	2,129
-	-	-	-	90,696	90,696	81,923	(8,773)
-	-	-	-	152,787	152,787	143,998	(8,789)
-	-	-	-	2,653	2,653	1,758	(895)
-	-	-	-	1,084	1,084	8,074	6,990
-	-	-	-	1,355	1,355	1,149	(206)
1,000	1,000	1,125	125	1,935	1,935	1,905	(30)
<u>19,000</u>	<u>19,000</u>	<u>23,469</u>	<u>4,469</u>	<u>276,098</u>	<u>276,098</u>	<u>272,029</u>	<u>(4,069)</u>
20,895	20,895	20,892	3	177,612	177,641	164,825	12,816
-	-	-	-	12,670	12,670	10,790	1,880
-	-	-	-	29,216	29,216	19,481	9,735
-	-	-	-	109,216	146,343	97,937	48,406
<u>20,895</u>	<u>20,895</u>	<u>20,892</u>	<u>3</u>	<u>328,714</u>	<u>365,870</u>	<u>293,033</u>	<u>72,837</u>
(1,895)	(1,895)	2,577	4,472	(52,616)	(89,772)	(21,004)	68,768
-	-	-	-	1,228	1,228	1,228	-
-	-	-	-	(5,937)	(5,937)	(3,908)	2,029
<u>\$ (1,895)</u>	<u>\$ (1,895)</u>	<u>\$ 2,577</u>	<u>\$ 4,472</u>	<u>\$ (57,325)</u>	<u>\$ (94,481)</u>	<u>\$ (23,684)</u>	<u>\$ 70,797</u>
		(944)				(30,095)	
		-				50,698	
		-				11,641	
		-				3,175	
		-				(7,669)	
		-				(15,466)	
		-				16,707	
		-				47,446	
		<u>29,777</u>				<u>722,551</u>	
		<u>\$ 31,410</u>				<u>\$ 775,304</u>	

Internal Service Funds

The Internal Service Funds are similar to Enterprise Funds, except that services are rendered to other District units rather than to District customers. This fund type consists of the Equipment Fund, Risk Management Fund, and Information Technology Fund.

Equipment Fund - the fund is used to account for the maintenance and operation of the District's fleet vehicles and heavy construction equipment. Financing is provided through rental charges to operations based upon usage.

Risk Management Fund – the fund is used to account for the monies set aside to pay for all claims, judgment and premium costs. Financing is provided through premiums charged to District operations.

Information Technology Fund – the fund is used to account for the maintenance and replacement of district-wide capital related information technology projects. Financing is provided through rental charges to operations based upon usage.

SANTA CLARA VALLEY WATER DISTRICT
Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
ASSETS				
Current assets:				
Cash and investments	\$ 4,054	\$ 15,018	\$ 22,151	\$ 41,223
Receivables - other	-	9	50	59
Inventory	61	-	-	61
Total current assets	<u>4,115</u>	<u>15,027</u>	<u>22,201</u>	<u>41,343</u>
Noncurrent assets:				
Capital assets				
Nondepreciable assets (Work in progress)	-	-	2,145	2,145
Depreciable assets	20,593	18	8,483	29,094
Accumulated depreciation	(11,745)	(17)	(5,595)	(17,357)
Total noncurrent assets	<u>8,848</u>	<u>1</u>	<u>5,033</u>	<u>13,882</u>
Total assets	<u>12,963</u>	<u>15,028</u>	<u>27,234</u>	<u>55,225</u>
Deferred outflows of resources - pension activities	634	554	249	1,437
Deferred outflows of resources - OPEB	116	123	139	378
Deferred outflows of resources	<u>750</u>	<u>677</u>	<u>388</u>	<u>1,815</u>
LIABILITIES				
Current liabilities:				
Accounts payable	161	132	517	810
Accrued liabilities	2	10	14	26
Claims payable	-	1,980	-	1,980
Compensated absence	55	32	2	89
Total current liabilities	<u>218</u>	<u>2,154</u>	<u>533</u>	<u>2,905</u>
Non current liabilities:				
Claims payable	-	5,106	-	5,106
Net Pension liability	2,493	2,628	2,979	8,100
Other post employment benefits liability	947	861	289	2,097
Compensated absence	181	105	8	294
Total non current liabilities	<u>3,621</u>	<u>8,700</u>	<u>3,276</u>	<u>15,597</u>
Total liabilities	<u>3,839</u>	<u>10,854</u>	<u>3,809</u>	<u>18,502</u>
Deferred inflows of resources - pension activities	238	113	(7)	344
Deferred inflows of resources - OPEB	31	28	11	70
Deferred inflows of resources	<u>269</u>	<u>141</u>	<u>4</u>	<u>414</u>
NET POSITION				
Net investment in capital assets	8,848	1	5,033	13,882
Unrestricted	757	4,709	18,776	24,242
Total net position	<u>\$ 9,605</u>	<u>\$ 4,710</u>	<u>\$ 23,809</u>	<u>\$ 38,124</u>

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Operating revenues:				
Vehicle service charges	\$ 5,247	\$ -	\$ -	\$ 5,247
Computer equipment use charges	-	-	13,622	13,622
Self-insurance service charges	-	4,673	-	4,673
Total operating revenues	<u>5,247</u>	<u>4,673</u>	<u>13,622</u>	<u>23,542</u>
Operating expenses:				
Administration and general	-	6,553	-	6,553
Equipment maintenance	4,150	-	22,326	26,476
Depreciation and amortization	1,598	1	961	2,560
Total operating expenses	<u>5,748</u>	<u>6,554</u>	<u>23,287</u>	<u>35,589</u>
Operating Income (loss)	<u>(501)</u>	<u>(1,881)</u>	<u>(9,665)</u>	<u>(12,047)</u>
Nonoperating revenues:				
Investment income	127	534	600	1,261
Gain on sale of capital assets	45	-	-	45
Other	4	48	75	127
Total nonoperating revenues	<u>176</u>	<u>582</u>	<u>675</u>	<u>1,433</u>
Income (loss) before transfers	(325)	(1,299)	(8,990)	(10,614)
Transfer in	-	-	6,514	6,514
Change in net position	(325)	(1,299)	(2,476)	(4,100)
Net position, beginning of year	<u>9,930</u>	<u>6,009</u>	<u>26,285</u>	<u>42,224</u>
Net position, end of year	<u>\$ 9,605</u>	<u>\$ 4,710</u>	<u>\$ 23,809</u>	<u>\$ 38,124</u>

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2019

(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 5,287	\$ 4,664	\$ 13,572	\$ 23,523
Payments to suppliers	(2,865)	(3,926)	(13,986)	(20,777)
Payments to employees	(1,778)	(1,879)	(6,326)	(9,983)
Net cash provided (used) by operating activities	<u>644</u>	<u>(1,141)</u>	<u>(6,740)</u>	<u>(7,237)</u>
Cash flows from noncapital financing activities:				
Other receipts	4	48	75	127
Net cash provided by noncapital financing activities	<u>4</u>	<u>48</u>	<u>75</u>	<u>127</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of fixed assets	2	-	-	2
Acquisition and disposal of capital assets	(221)	-	4,668	4,447
Transfers in - capital project reimbursement	-	-	6,514	6,514
Net cash (used) by capital and related financing activities	<u>(219)</u>	<u>-</u>	<u>11,182</u>	<u>10,963</u>
Cash flows from investing activities:				
Interest received on cash and investments	127	534	600	1,261
Net increase/(decrease) in cash and cash equivalents	556	(559)	5,117	5,114
Cash and cash equivalents, beginning of year	3,498	15,577	17,034	36,109
Cash and cash equivalents, end of year	<u>\$ 4,054</u>	<u>\$ 15,018</u>	<u>\$ 22,151</u>	<u>\$ 41,223</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (501)	\$ (1,881)	\$ (9,665)	\$ (12,047)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation, amortization and asset deletion	1,295	1	961	2,257
Change in operating assets and liabilities:				
Decrease/(increase) in accounts receivable	40	(9)	(50)	(19)
Decrease/(increase) in deposits and other assets	(2)	-	-	(2)
Increase/(decrease) in accounts payable	74	59	169	302
Increase/(decrease) in accrued liabilities	1	(4)	11	8
Increase/(decrease) in compensated absences	5	5	6	16
Increase/(decrease) in claims payable	-	621	-	621
Increase/(decrease) in GASB68 Retirement payable	(459)	(78)	1,949	1,412
Increase/(decrease) in OPEB/GASB75 payable	(49)	(52)	(58)	(159)
Increase/(decrease) in def inflows/outflows of resources	240	197	(63)	374
Net cash used for operating activities	<u>\$ 644</u>	<u>\$ (1,141)</u>	<u>\$ (6,740)</u>	<u>\$ (7,237)</u>

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenses and
Changes in Fund Net Position - Budget and Actual
Internal Service Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Equipment			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 45	\$ 45	\$ 127	\$ 82
Vehicle service charges	5,199	5,199	5,247	48
Computer equipment use charges	-	-	-	-
Gain on sale of fixed assets	50	50	45	(5)
Self-insurance service charges	-	-	-	-
Other	-	-	4	4
Total revenues	5,294	5,294	5,423	129
Expenditures:				
Current:				
Operations and operating projects	5,092	5,092	4,111	981
Capital equipment acquisition	1,817	1,817	1,780	37
Total expenditures	6,909	6,909	5,891	1,018
Excess (deficiency) of revenues over (under) expenditures before transfers	(1,615)	(1,615)	(468)	1,147
Transfer in	-	-	-	-
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	\$ (1,615)	\$ (1,615)	(468)	\$ 1,147
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(1,598)	
Capitalized expenditures			582	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(7)	
Capital improvement projects			(347)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			67	
Capital improvement projects			1,446	
Net position, beginning of year			9,930	
Net position, end of year			\$ 9,605	

Risk Management				Information Technology			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 85	\$ 85	\$ 534	\$ 449	\$ 53	\$ 53	\$ 600	\$ 547
-	-	-	-	-	-	-	-
-	-	-	-	13,581	13,581	13,622	41
-	-	-	-	-	-	-	-
5,307	5,307	4,673	(634)	-	-	-	-
-	-	48	48	-	-	75	75
<u>5,392</u>	<u>5,392</u>	<u>5,255</u>	<u>(137)</u>	<u>13,634</u>	<u>13,634</u>	<u>14,297</u>	<u>663</u>
7,032	8,012	6,062	1,950	14,155	14,155	15,806	(1,651)
-	-	-	-	6,514	17,975	3,735	14,240
<u>7,032</u>	<u>8,012</u>	<u>6,062</u>	<u>1,950</u>	<u>20,669</u>	<u>32,130</u>	<u>19,541</u>	<u>12,589</u>
(1,640)	(2,620)	(807)	1,813	(7,035)	(18,496)	(5,244)	13,252
-	-	-	-	6,514	6,514	6,514	-
<u>\$ (1,640)</u>	<u>\$ (2,620)</u>	(807)	<u>\$ 1,813</u>	<u>\$ (521)</u>	<u>\$(11,982)</u>	1,270	<u>\$ 13,252</u>
		(1)				(961)	
		-				(4,669)	
		(653)				(80)	
		-				(1,157)	
		162				1,254	
		-				1,867	
		6,009				26,285	
		<u>\$ 4,710</u>				<u>\$ 23,809</u>	

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Revenues, Expenses and
Changes in Fund Net Position - Budget and Actual (Continued)
Internal Service Funds
For the Year Ended June 30, 2019
(Dollars in Thousands)

	Total			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Investment income	\$ 183	\$ 183	\$ 1,261	\$ 1,078
Vehicle service charges	5,199	5,199	5,247	48
Computer equipment use charges	13,581	13,581	13,622	41
Gain on sale of fixed assets	50	50	45	(5)
Self-insurance service charges	5,307	5,307	4,673	(634)
Other	-	-	127	127
Total revenues	<u>24,320</u>	<u>24,320</u>	<u>24,975</u>	<u>655</u>
Expenditures:				
Current:				
Operations and operating projects	26,279	27,259	25,979	1,280
Capital equipment acquisition	8,331	19,792	5,515	14,277
Total expenditures	<u>34,610</u>	<u>47,051</u>	<u>31,494</u>	<u>15,557</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	(10,290)	(22,731)	(6,519)	16,212
Transfer in	6,514	6,514	6,514	-
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	<u>\$ (3,776)</u>	<u>\$ (16,217)</u>	(5)	<u>\$ 16,212</u>
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(2,560)	
Capitalized expenditures			(4,087)	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(740)	
Capital improvement projects			(1,504)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			1,483	
Capital improvement projects			3,313	
Net position, beginning of year			<u>42,224</u>	
Net position, end of year			<u>\$ 38,124</u>	

Agency Fund

Agency fund type is used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds.

Deposit Fund - The fund is used to account for the collection and payment of expenditures for funds held in trust for specific restricted purposes.

SANTA CLARA VALLEY WATER DISTRICT

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2019

(Dollars in Thousands)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Deposit Fund</u>				
Assets:				
Cash and investments (Note 3)	\$ 185	\$ 61	\$ (47)	\$ 199
Total assets	<u>\$ 185</u>	<u>\$ 61</u>	<u>\$ (47)</u>	<u>\$ 199</u>
Liabilities:				
Deposits payable	\$ 185	\$ 56	\$ (42)	\$ 199
Total liabilities	<u>\$ 185</u>	<u>\$ 56</u>	<u>\$ (42)</u>	<u>\$ 199</u>

Capital Assets Used in the Operation of Governmental Activities

Capital assets consist of land, improvements to land, buildings, equipment and intangibles that are used in operations and that have initial useful lives extending beyond a single reporting period.

SANTA CLARA VALLEY WATER DISTRICT
 Capital Assets Used in the Operation of Governmental Activities
 Schedule By Source
 June 30, 2019
 (Dollars in Thousands)

Governmental activities capital assets:

Land	\$ 191,676
Buildings	42,007
Structures and improvements	784,017
Equipment	50,410
Construction in process	598,225
Intangibles:	
Easements	27,361
Computer Software	2,593
	2,593
Total governmental funds capital assets	\$ 1,696,289

Investments in governmental activities capital assets by source:

General fund	\$ 88,409
Special revenue funds:	
Watershed & Stream Stewardship	1,144,143
Safe, Clean Water & Natural Flood Protection	432,499
Internal service funds	31,238
	31,238
Total governmental funds capital assets	\$ 1,696,289

SANTA CLARA VALLEY WATER DISTRICT
Capital Assets Used in the Operation of Governmental Activities
Schedule By Function and Activity
June 30, 2019
(Dollars in Thousands)

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Structures and Improvements</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Easements</u>	<u>Intangibles Software</u>	<u>Total</u>
100 CEO Support Operations								
102 Chief Executive Office	\$ -	\$ -	\$ -	\$ 379	\$ -	\$ -	\$ -	\$ 379
130 Public Affairs	-	-	-	17	-	-	-	17
200 Watershed Operations								
210 Chief Operating Office	-	-	-	5,199	-	-	-	5,199
210 Watershed Management Division								
215 Watershed Business Management	-	-	-	107	-	-	-	107
230 Watershed Planning	-	-	-	38	-	-	-	38
250 Lower Peninsula/West Valley Mgmt.	-	-	-	162	-	-	-	162
270 Guadalupe Watershed Mgmt.	-	-	-	415	-	-	-	415
290 Coyote & Uvas/Llagas Mgmt.	-	-	-	47	-	-	-	47
310 Capital Program Services Division								
340 Capital Program Services Departments	-	-	-	590	-	-	-	590
410 Water Utility Enterprise Operations								
410 Chief Operating Office	-	-	-	139	-	-	-	139
420 Water Utility Enterprise	-	-	-	202	-	-	-	202
600 Administration								
602 Chief Administrative Office	-	-	-	230	-	-	-	230
670 Financial Services Division								
610 Office of Administrative Services	-	-	-	52	-	-	-	52
670 Business And Finance Program	-	-	-	1,670	-	-	-	1,670
710 Information Management Division								
715 Information Management Division	-	-	-	194	-	-	-	194
720 Information Mgmt. Support Departments	-	-	-	9,456	-	-	-	9,456
810 General Services Division								
815 Technical Services Division	-	-	-	12	-	-	-	12
820 Technical Services Support Division	-	-	-	1,231	-	-	-	1,231
765 Records and Library	-	-	-	168	-	-	-	168
820 Warehouse Services	-	-	-	3,660	-	-	-	3,660
885 Equipment Management	-	-	-	17,403	-	-	-	17,403
910 Human Resources Program								
660 Human Resources Program	-	-	-	61	-	-	-	61
Other:								
District-wide property	191,676	42,007	784,017	8,979	598,225	27,361	2,593	1,654,858
Total capital assets	<u>\$ 191,676</u>	<u>\$ 42,007</u>	<u>\$ 784,017</u>	<u>\$ 50,410</u>	<u>\$ 598,225</u>	<u>\$ 27,361</u>	<u>\$ 2,593</u>	<u>\$ 1,696,289</u>

SANTA CLARA VALLEY WATER DISTRICT
 Capital Assets Used in the Operation of Governmental Activities
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2019
 (Dollars in Thousands)

Function and Activity	Governmental Capital Assets June 30, 2018	Additions	Deductions	Governmental Capital Assets June 30, 2019
100 CEO Support Operations				
102 Chief Executive Office	\$ 379	\$ -	\$ -	\$ 379
130 Public Affairs	17	-	-	17
200 Watershed Operations				
202 Chief Operating Office	5,199	-	-	5,199
210 Watershed Management Division				
215 Watershed Business Management	107	-	-	107
230 Watershed Planning	38	-	-	38
250 Lower Peninsula/West Valley Mgmt.	162	-	-	162
270 Guadalupe Watershed Mgmt.	415	-	-	415
290 Coyote & Uvas/Llagas Mgmt.	47	-	-	47
310 Capital Program Services Division				
340 Capital Program Services Departments	440	150	-	590
410 Water Utility Enterprise Operations				
410 Chief Operating Office	139	-	-	139
420 Water Utility Enterprise	202	-	-	202
600 Administration				
602 Chief Administrative Office	230	-	-	230
670 Financial Services Division				
610 Office of Administrative Services	52	-	-	52
670 Business And Finance Program	1,670	-	-	1,670
710 Information Management Division				
715 Information Management Division	194	-	-	194
720 Information Mgmt. Support Departments	9,052	414	(10)	9,456
810 General Services Division				
815 Technical Services Division	12	-	-	12
820 Technical Services Support Division	1,231	-	-	1,231
765 Records and Library	168	-	-	168
820 Warehouse Services	3,933	-	(273)	3,660
885 Equipment Management	16,865	582	(45)	17,402
910 Human Resources Program				
660 Human Resources Program	61	-	-	61
Other:				
District-wide property	1,571,695	89,705	(6,542)	1,654,858
	<u>\$ 1,612,308</u>	<u>\$ 90,851</u>	<u>\$ (6,870)</u>	<u>\$ 1,696,289</u>

SANTA CLARA VALLEY WATER DISTRICT

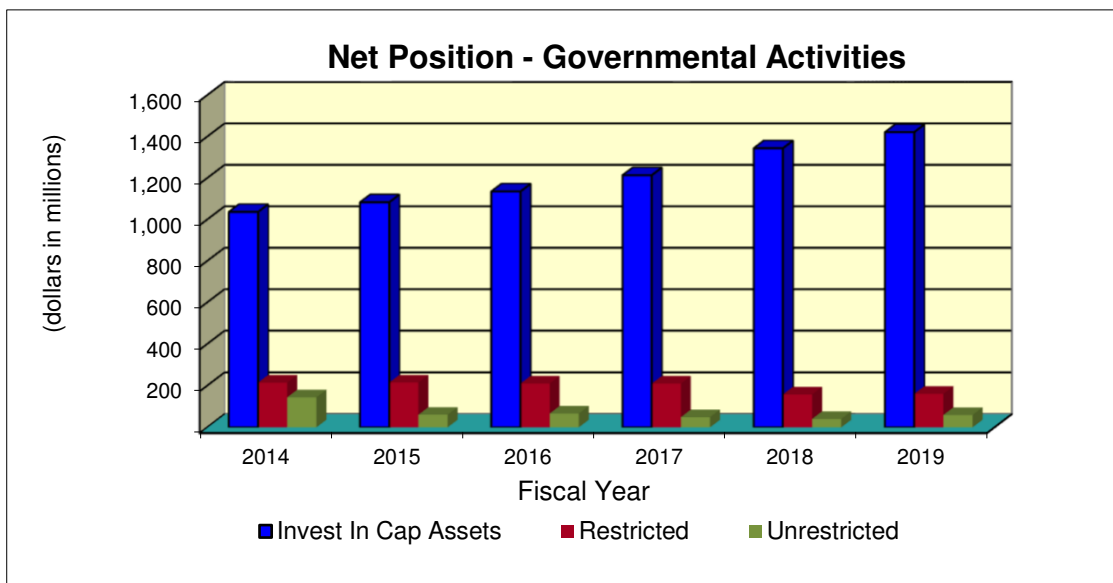
Statistical Section

This part of the District's comprehensive annual financial statement report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	134
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	142
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	149
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	155
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	157

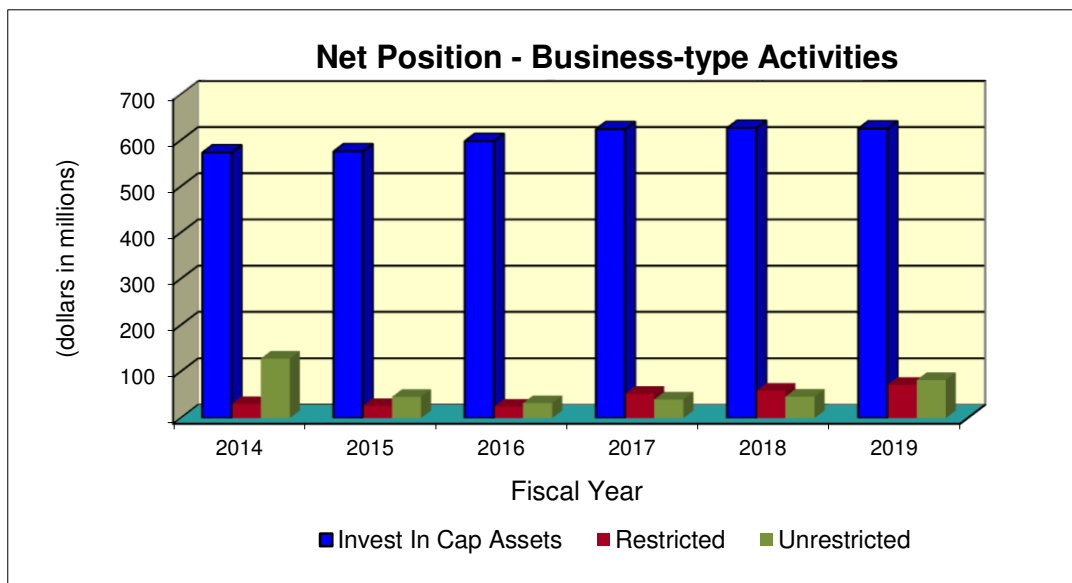
Santa Clara Valley Water District
 Net Position by Component
 Government-wide
 Last Ten Fiscal Years
 (dollars in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net Investment in capital assets	\$ 866,291	\$ 915,118	\$ 964,394	\$1,011,082
Restricted	145,370	157,221	166,845	182,760
Unrestricted	146,800	141,640	142,289	143,971
Total governmental activities net position	<u>\$1,158,461</u>	<u>\$1,213,979</u>	<u>\$1,273,528</u>	<u>\$1,337,813</u>
Business-type activities				
Net Investment in capital assets	\$ 518,237	\$ 524,557	\$ 554,316	\$ 575,683
Restricted	22,944	26,824	28,082	30,131
Unrestricted	95,656	92,661	86,716	97,652
Total business-type activities net position	<u>\$ 636,837</u>	<u>\$ 644,042</u>	<u>\$ 669,114</u>	<u>\$ 703,466</u>
Primary government				
Net Investment in capital assets	\$1,384,528	\$1,439,675	\$1,518,710	\$1,586,765
Restricted	168,314	184,045	194,927	212,891
Unrestricted	242,456	234,301	229,005	241,623
Total primary government net position	<u>\$1,795,298</u>	<u>\$1,858,021</u>	<u>\$1,942,642</u>	<u>\$2,041,279</u>



Source: Santa Clara Valley Water District, General Accounting Unit

2014	2015	2016	2017	2018	2019
\$1,036,853	\$1,083,571	\$1,135,593	\$1,213,840	\$1,344,142	\$1,421,615
214,652	214,991	210,198	209,873	158,062	160,594
144,210	60,731	66,407	48,978	40,479	59,460
<u>\$1,395,715</u>	<u>\$1,359,293</u>	<u>\$1,412,198</u>	<u>\$1,472,691</u>	<u>\$1,542,683</u>	<u>\$1,641,669</u>
\$ 573,410	\$ 575,873	\$ 598,075	\$ 623,828	\$ 626,514	\$ 625,256
30,019	26,087	24,552	52,118	58,679	71,527
127,889	45,429	32,191	39,895	46,102	81,811
<u>\$ 731,318</u>	<u>\$ 647,389</u>	<u>\$ 654,818</u>	<u>\$ 715,841</u>	<u>\$ 731,295</u>	<u>\$ 778,594</u>
\$1,610,263	\$1,659,444	\$1,733,668	\$1,837,668	\$1,970,656	\$2,046,871
244,671	241,078	234,750	261,991	216,741	232,121
272,099	106,160	98,598	88,873	86,581	141,271
<u>\$2,127,033</u>	<u>\$2,006,682</u>	<u>\$2,067,016</u>	<u>\$2,188,532</u>	<u>\$2,273,978</u>	<u>\$2,420,263</u>



Santa Clara Valley Water District
Changes in Net Position
Government-wide
Last Ten Fiscal Years
(dollars in thousands)

	2010	2011	2012
Expenses			
Governmental activities:			
General government:	\$ 9,317	\$ 9,954	\$ 5,408
Watersheds	51,841	54,562	50,292
Interest on long-term debt	7,841	7,476	7,034
Total governmental activities expenses	<u>68,999</u>	<u>71,992</u>	<u>62,734</u>
Business-type activities:			
Water enterprise	155,145	155,389	158,888
Total primary government expenses	<u>\$ 224,144</u>	<u>\$ 227,381</u>	<u>\$ 221,622</u>
Program Revenues			
Governmental activities:			
Capital grants and contributions	\$ 23,690	\$ 38,578	\$ 32,611
Business-type activities:			
Charges for services	120,264	121,347	141,783
Operating grants and contributions	1,696	1,458	1,111
Capital grants and contributions	1,602	10,443	11,803
Total business-type activities program revenues	<u>123,562</u>	<u>133,248</u>	<u>154,697</u>
Total primary government program revenues	<u>\$ 147,252</u>	<u>\$ 171,826</u>	<u>\$ 187,308</u>
Net (expense)/revenue			
Governmental activities	\$ (45,309)	\$ (33,414)	\$ (30,123)
Business-type activities	(31,583)	(22,141)	(4,191)
Total primary government net expense	<u>\$ (76,892)</u>	<u>\$ (55,555)</u>	<u>\$ (34,314)</u>
General Revenues and Other Changes in Net Position			
Governmental activities:			
Property taxes	\$ 86,852	\$ 86,217	\$ 88,247
Unrestricted investment earnings	7,098	3,337	2,253
Miscellaneous	5,161	2,189	2,453
Transfers	269	(2,811)	(3,281)
Total governmental activities	<u>99,380</u>	<u>88,932</u>	<u>89,672</u>
Business-type activities:			
Property taxes	24,241	23,181	22,327
Unrestricted investment earnings	3,787	1,779	1,082
Miscellaneous	5,447	1,575	2,573
Transfers	(269)	2,811	3,281
Total business-type activities	<u>\$ 33,206</u>	<u>\$ 29,346</u>	<u>\$ 29,263</u>
Changes in Net Position			
Governmental activities	\$ 54,071	\$ 55,518	\$ 59,549
Business-type activities	1,623	7,205	25,072
Total primary government	<u>\$ 55,694</u>	<u>\$ 62,723</u>	<u>\$ 84,621</u>

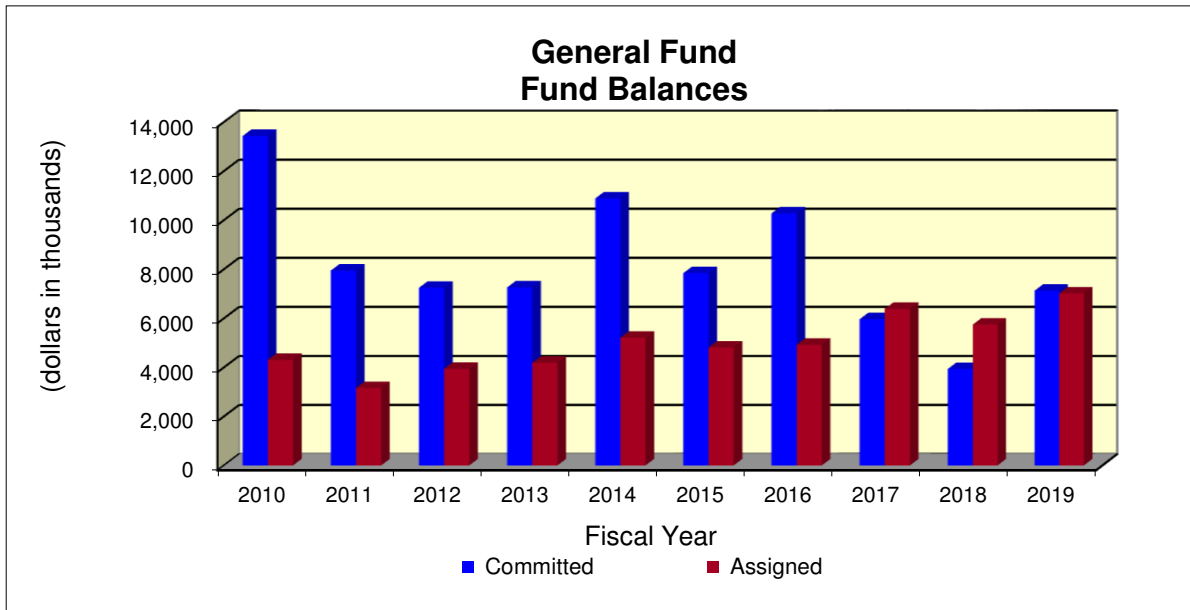
Source: Santa Clara Valley Water District, General Accounting Unit

2013	2014	2015	2016	2017	2018	2019
\$ 6,404	\$ 6,916	\$ 20,399	\$ 5,940	\$ 9,339	\$ 8,407	\$ 3,246
51,735	61,302	56,758	57,745	69,166	85,780	99,415
7,971	6,116	5,753	5,977	4,271	3,091	3,049
<u>66,110</u>	<u>74,334</u>	<u>82,910</u>	<u>69,662</u>	<u>82,776</u>	<u>97,278</u>	<u>105,710</u>
161,609	173,767	186,281	207,282	199,631	229,373	222,050
<u>\$ 227,719</u>	<u>\$ 248,101</u>	<u>\$ 269,191</u>	<u>\$ 276,944</u>	<u>\$ 282,407</u>	<u>\$ 326,651</u>	<u>\$ 327,760</u>
\$ 34,935	\$ 25,761	\$ 17,822	\$ 19,426	\$ 16,608	\$ 61,190	\$ 40,271
155,718	172,374	154,819	151,235	190,896	231,001	227,679
980	1,232	2,149	2,074	2,037	4,396	2,754
4,610	3,532	847	3,177	17,527	4,350	1,149
<u>161,308</u>	<u>177,138</u>	<u>157,815</u>	<u>156,486</u>	<u>210,460</u>	<u>239,747</u>	<u>231,582</u>
<u>\$ 196,243</u>	<u>\$ 202,899</u>	<u>\$ 175,637</u>	<u>\$ 175,912</u>	<u>\$ 227,068</u>	<u>\$ 300,937</u>	<u>\$ 271,853</u>
\$ (31,175)	\$ (48,573)	\$ (65,088)	\$ (50,236)	\$ (66,168)	\$ (36,088)	\$ (65,439)
(301)	3,371	(28,466)	(50,796)	10,829	10,374	9,532
<u>\$ (31,476)</u>	<u>\$ (45,202)</u>	<u>\$ (93,554)</u>	<u>\$ (101,032)</u>	<u>\$ (55,339)</u>	<u>\$ (25,714)</u>	<u>\$ (55,907)</u>
\$ 92,746	\$ 100,568	\$ 107,643	\$ 114,418	\$ 123,325	\$ 129,891	\$ 143,848
3,509	3,777	3,728	5,004	1,186	2,477	13,634
2,934	2,568	3,013	3,592	4,052	6,685	4,263
(3,729)	272	11,406	(19,873)	(1,902)	8,225	2,680
<u>95,460</u>	<u>107,185</u>	<u>125,790</u>	<u>103,141</u>	<u>126,661</u>	<u>147,278</u>	<u>164,425</u>
24,200	26,989	27,701	30,535	44,786	37,417	30,468
1,163	1,624	1,621	2,925	979	1,267	8,074
5,561	3,283	3,113	4,892	2,527	6,428	1,905
3,729	(272)	(11,406)	19,873	1,902	(8,225)	(2,680)
<u>\$ 34,653</u>	<u>\$ 31,624</u>	<u>\$ 21,029</u>	<u>\$ 58,225</u>	<u>\$ 50,194</u>	<u>\$ 36,887</u>	<u>\$ 37,767</u>
\$ 64,285	\$ 58,612	\$ 60,702	\$ 52,905	\$ 60,493	\$ 111,190	\$ 98,986
34,352	34,995	(7,437)	7,429	61,023	47,261	47,299
<u>\$ 98,637</u>	<u>\$ 93,607</u>	<u>\$ 53,265</u>	<u>\$ 60,334</u>	<u>\$ 121,516</u>	<u>\$ 158,451</u>	<u>\$ 146,285</u>

Santa Clara Valley Water District
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

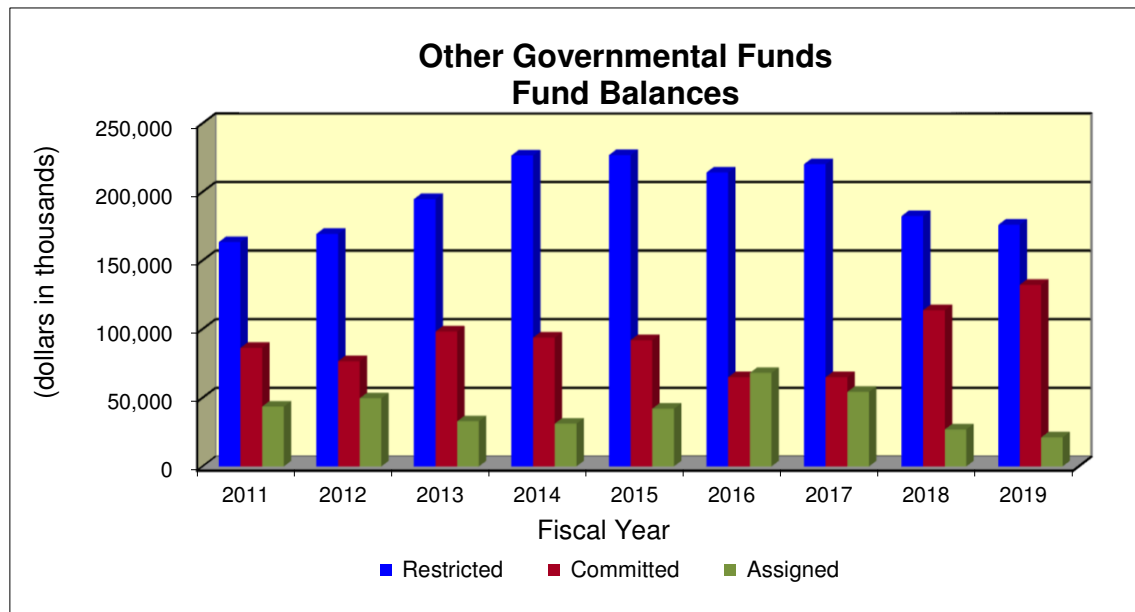
Data incorporating GASB 54 implementation

	Restated 2010	Restated 2011	2012	2013
General Fund				
Committed	\$ 13,429	\$ 7,945	\$ 7,244	\$ 7,257
Assigned	4,308	3,157	3,941	4,187
Total general fund	<u>\$ 17,737</u>	<u>\$ 11,102</u>	<u>\$ 11,185</u>	<u>\$ 11,444</u>
All other governmental funds				
Restricted	\$ 151,614	\$ 163,372	\$ 169,294	\$ 194,662
Committed	111,338	86,183	76,465	98,134
Assigned	15,215	43,486	49,510	32,815
Total all other governmental funds	<u>\$ 278,167</u>	<u>\$ 293,041</u>	<u>\$ 295,269</u>	<u>\$ 325,611</u>



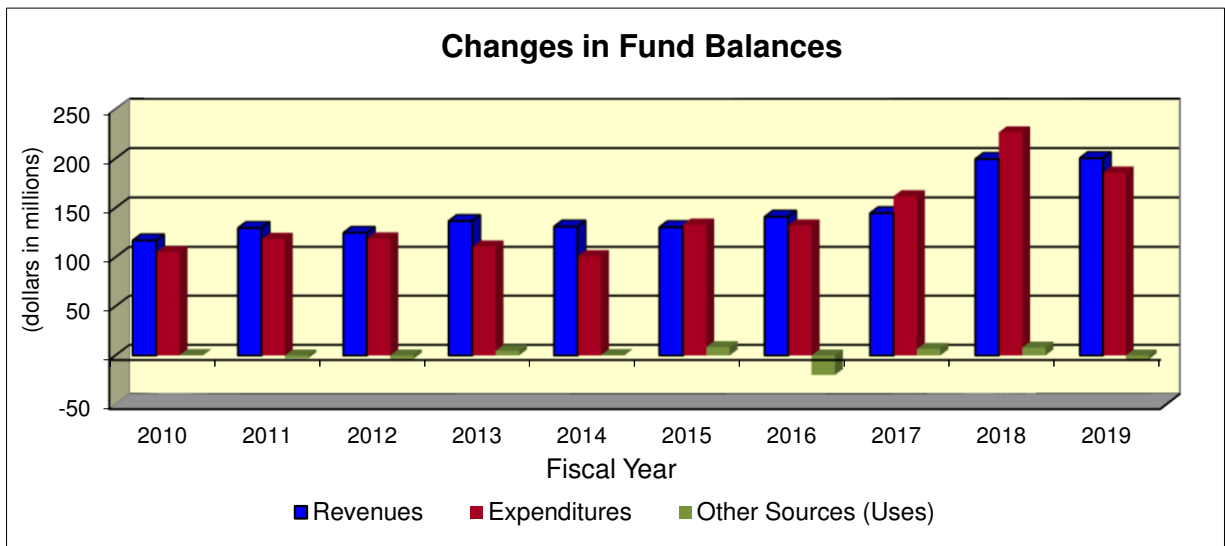
Source: Santa Clara Valley Water District, General Accounting Unit

2014	2015	2016	2017	2018	2019
\$ 10,882	\$ 7,842	\$ 10,274	\$ 5,962	\$ 3,933	\$ 7,125
5,210	4,809	4,924	6,385	5,747	7,012
<u>\$ 16,092</u>	<u>\$ 12,651</u>	<u>\$ 15,198</u>	<u>\$ 12,347</u>	<u>\$ 9,680</u>	<u>\$ 14,137</u>
\$ 226,493	\$ 226,770	\$ 214,078	\$ 220,115	\$ 182,319	\$ 175,984
93,683	91,817	64,851	64,898	113,673	132,208
31,076	41,916	67,969	54,175	26,909	21,093
<u>\$ 351,252</u>	<u>\$ 360,503</u>	<u>\$ 346,898</u>	<u>\$ 339,188</u>	<u>\$ 322,901</u>	<u>\$ 329,285</u>



Santa Clara Valley Water District
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (dollars in thousands)

	2010	2011	2012	2013
Revenues				
Property taxes	\$ 82,372	\$ 86,217	\$ 88,247	\$ 97,226
Benefit assessments	19,226	19,091	19,131	19,178
Use of money and property:				
Investment income	6,565	2,860	1,621	1,785
Rental	1,312	1,388	1,416	1,423
Reimbursement of capital costs	4,480	19,487	13,480	15,757
Other	3,167	701	922	1,415
Total Revenues	117,122	129,744	124,817	136,784
Expenditures				
Operations and operating project	46,998	53,778	51,353	49,198
Capital improvement projects	41,727	48,478	51,394	44,809
Debt Service:				
Principal repayment	9,045	9,280	9,720	10,935
Interest and fiscal charges	7,509	7,158	6,758	5,919
Total expenditures	105,279	118,694	119,225	110,861
Excess of revenues over (under) expenditures	11,843	11,050	5,592	25,923
Other financing sources (uses)				
Transfers in	30,589	20,950	24,375	21,190
Transfers out	(30,292)	(23,761)	(27,656)	(24,919)
Proceeds from issuance of debt	-	-	-	52,955
Payment to refunded bond escrow agent	-	-	-	(53,495)
Total other financing sources (uses)	297	(2,811)	(3,281)	4,678
Net change in fund balances	\$ 12,140	\$ 8,239	\$ 2,311	\$ 30,601
Debt service as a percentage of non-capital expenditures	25.6%	23.2%	23.0%	25.7%

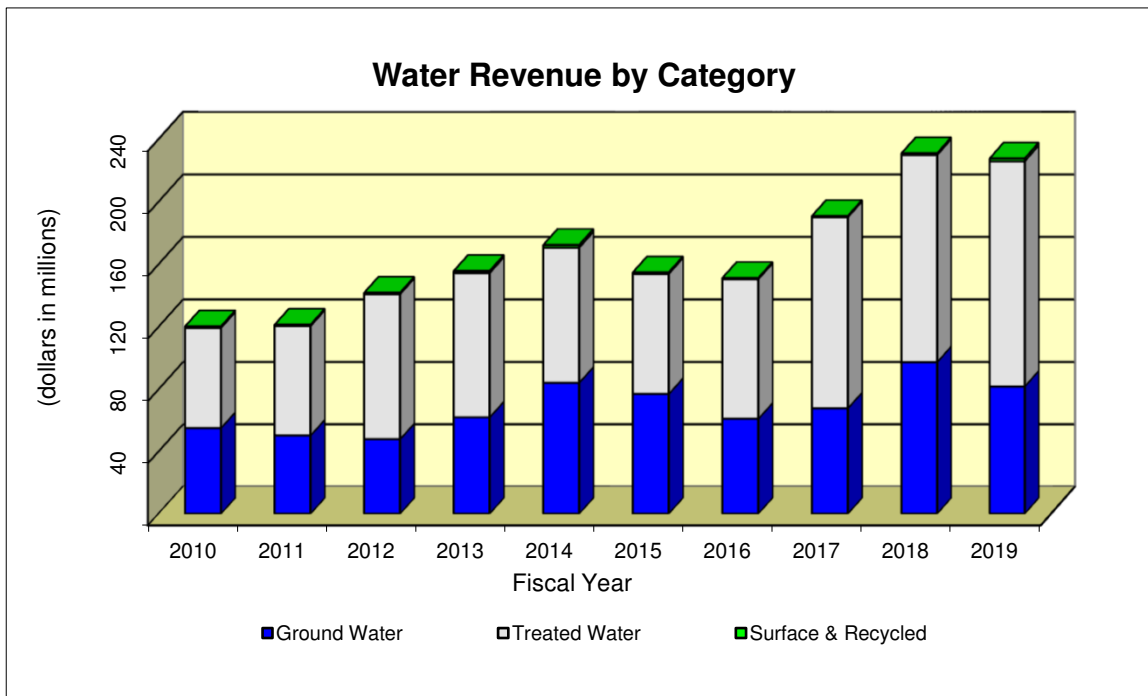


Source: Santa Clara Valley Water District, General Accounting Unit

	2014	2015	2016	2017	2018	2019
\$	100,568	\$ 107,643	\$ 114,418	\$ 123,325	\$ 129,891	\$ 143,848
	16,143	16,074	14,683	14,790	14,774	14,746
	2,556	2,505	3,747	956	2,305	12,390
	1,609	1,684	1,759	1,817	1,931	2,005
	9,618	1,748	4,743	1,818	46,416	25,525
	728	911	1,782	1,971	4,361	2,085
	<u>131,222</u>	<u>130,565</u>	<u>141,132</u>	<u>144,677</u>	<u>199,678</u>	<u>200,599</u>
	50,426	65,425	57,725	67,511	70,912	68,164
	36,866	53,984	61,876	81,597	142,710	104,335
	8,055	8,355	7,630	8,020	8,660	8,715
	5,858	5,497	5,084	4,743	4,418	4,711
	<u>101,205</u>	<u>133,261</u>	<u>132,315</u>	<u>161,871</u>	<u>226,700</u>	<u>185,925</u>
	<u>30,017</u>	<u>(2,696)</u>	<u>8,817</u>	<u>(17,194)</u>	<u>(27,022)</u>	<u>14,674</u>
	34,362	30,054	26,528	17,436	31,007	17,290
	(34,090)	(21,548)	(46,403)	(19,338)	(22,939)	(21,123)
	-	-	-	68,932	-	-
	-	-	-	(60,397)	-	-
	<u>272</u>	<u>8,506</u>	<u>(19,875)</u>	<u>6,633</u>	<u>8,068</u>	<u>(3,833)</u>
\$	<u>30,289</u>	<u>\$ 5,810</u>	<u>\$ (11,058)</u>	<u>\$ (10,561)</u>	<u>\$ (18,954)</u>	<u>\$ 10,841</u>
	18.8%	13.0%	13.4%	15.0%	13.7%	13.8%

Santa Clara Valley Water District
 Water Revenue by Category
 Last Ten Fiscal Years
 (dollars in thousands)

Fiscal Year	Ground Water Revenue	Treated Water Revenue	Surface & Recycled Water Revenue	Total Water Revenue
2010	\$ 55,189	\$ 64,157	\$ 918	\$ 120,264
2011	50,384	70,135	828	121,347
2012	48,030	92,904	849	141,783
2013	62,084	92,359	1,275	155,718
2014	84,308	86,386	1,680	172,374
2015	77,095	76,799	925	154,819
2016	61,128	89,375	732	151,235
2017	67,937	122,212	747	190,896
2018	97,483	132,477	1,041	231,001
2019	81,923	143,998	1,758	227,679



Source: Santa Clara Valley Water District, Wells & Water Production Unit

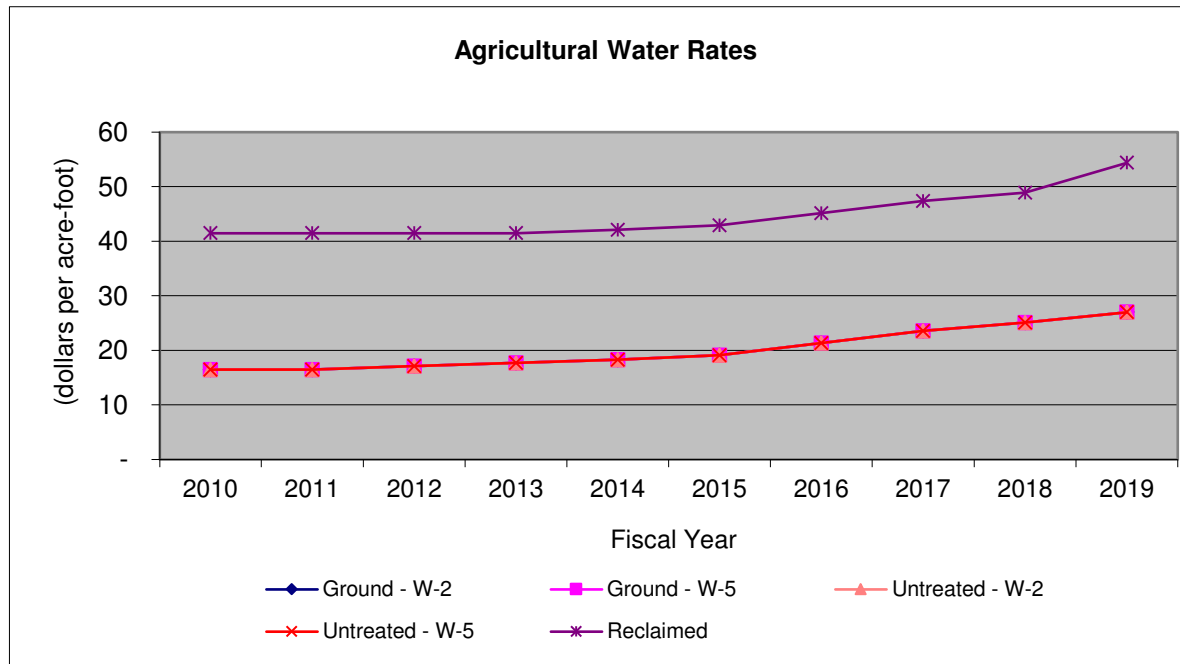
Santa Clara Valley Water District
Principal Water Revenue Customers
Current year and Nine years ago
(dollars in thousands)

Water Customer	Fiscal Year 2019			Fiscal Year 2010		
	Water Revenue	Rank	Percent of Total Water Revenue	Water Revenue	Rank	Percent of Total Water Revenue
San Jose Water Company	\$ 131,116	1	57.59%	\$ 66,977	1	55.69%
City of Santa Clara	19,053	2	8.37%	10,018	2	8.33%
City of San Jose	16,187	3	7.11%	8,947	3	7.44%
California Water Service Co.	16,155	4	7.10%	7,388	4	6.14%
City of Sunnyvale	11,456	5	5.03%	5,532	5	4.60%
Great Oaks Water Company	8,838	6	3.88%	4,241	6	3.53%
City of Milpitas	4,454	7	1.96%	2,078	8	1.73%
City of Gilroy	3,499	8	1.54%	2,178	7	1.81%
City of Cupertino	3,456	9	1.52%	1,862	10	1.55%
City of Morgan Hill	2,890	10	1.27%	2,023	9	1.68%
Total	\$ 217,104		95.37%	\$ 111,244		92.50%
Total Water Sales	\$ 227,679			\$ 120,264		

Source: Santa Clara Valley Water District, Revenue Management Unit

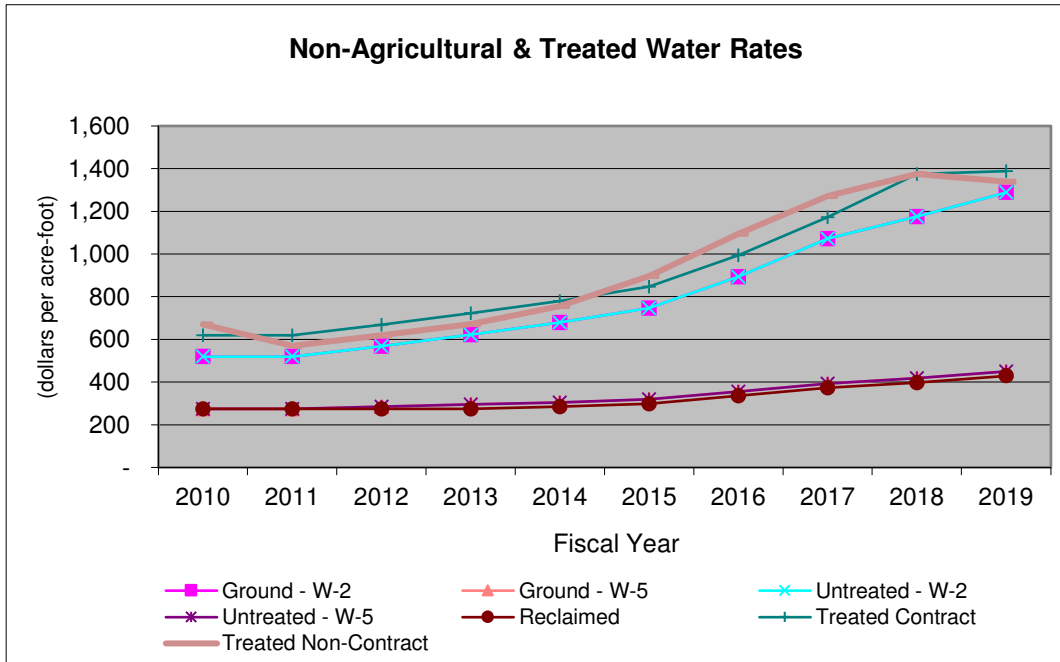
Santa Clara Valley Water District
Water Enterprise Rates Summary
Last Ten Fiscal Years
(rates in dollars per acre-foot)

Fiscal Year	Groundwater Rates				Treated Water Rates	
	Zone W-2		Zone W-5		Contract	Non Contract
	AG	Non-AG	AG	Non-AG		
2010	16.50	520.00	16.50	275.00	620.00	670.00
2011	16.50	520.00	16.50	275.00	620.00	570.00
2012	17.10	569.00	17.10	285.00	669.00	619.00
2013	17.70	622.00	17.70	295.00	722.00	672.00
2014	18.30	680.00	18.30	305.00	780.00	755.00
2015	19.14	747.00	19.14	319.00	847.00	897.00
2016	21.36	894.00	21.36	356.00	994.00	1,094.00
2017	23.59	1,072.00	23.59	393.00	1,172.00	1,272.00
2018	25.09	1,175.00	25.09	418.00	1,375.00	1,375.00
2019	27.02	1,289.00	27.02	450.00	1,389.00	1,339.00



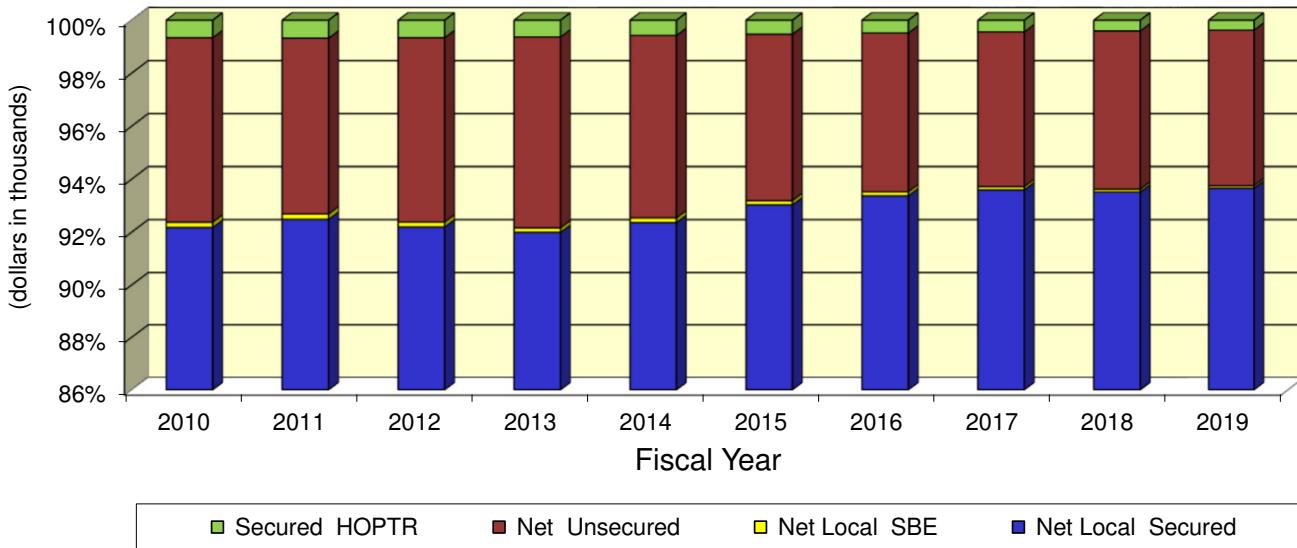
Source: Santa Clara Valley Water District, Wells & Water Production Unit

Untreated Water Rates				Reclaimed Water Rates	
Zone W-2		Zone W-5		AG	Non-AG
AG	Non-AG	AG	Non-AG	AG	Non-AG
16.50	520.00	16.50	275.00	41.50	275.00
16.50	520.00	16.50	275.00	41.50	275.00
17.10	569.00	17.10	285.00	41.50	275.00
17.70	622.00	17.70	295.00	41.50	275.00
18.30	680.00	18.30	305.00	42.10	285.00
19.14	747.00	19.14	319.00	42.94	299.00
21.36	894.00	21.36	356.00	45.16	336.00
23.59	1,072.00	23.59	393.00	47.38	373.00
25.09	1,175.00	25.09	418.00	48.88	398.00
27.02	1,289.00	27.02	450.00	54.41	430.00



Santa Clara Valley Water District
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (dollars in thousands)

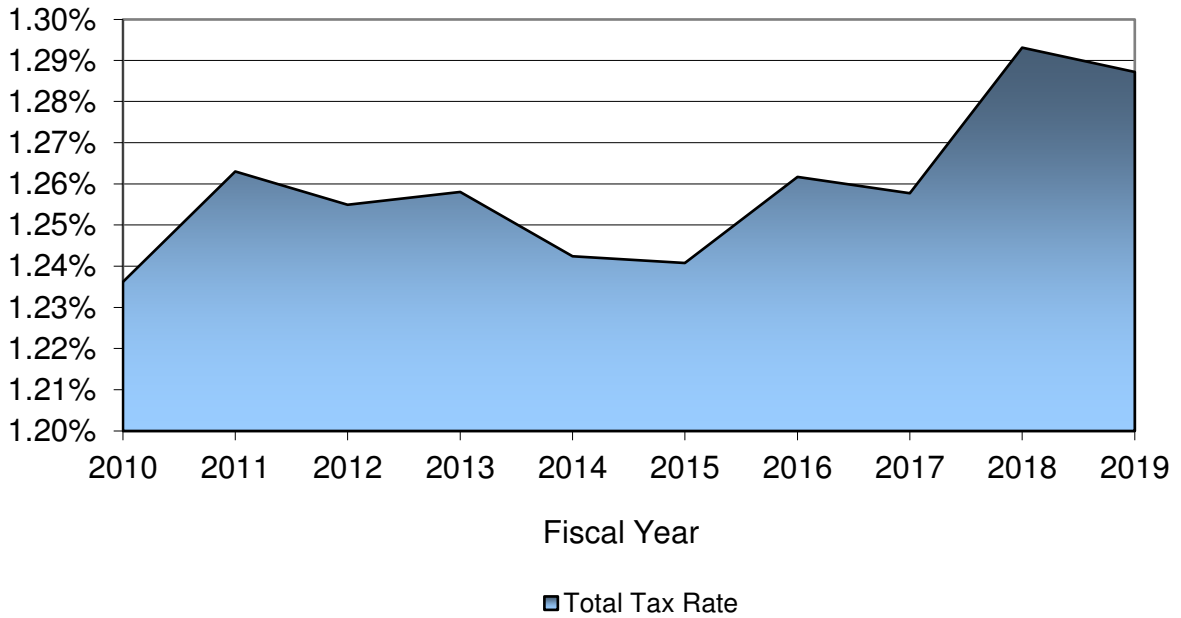
Fiscal Year	Net Local		Total Secured	Net Unsecured	Exempt Valuation Secured HOPTR			District Direct Rate (d)	Total District Direct Tax (c x d)
	Secured	SBE			Total (a)	Total (b)	Total (c) = (a+b)		
2010	\$ 279,623,760	\$ 602,948	\$ 280,226,708	\$ 21,112,122	\$ 301,338,830	\$ 2,007,990	\$ 303,346,820	0.0074%	\$ 22,447.66
2011	274,020,130	595,208	274,615,338	19,652,921	294,268,259	2,007,881	296,276,140	0.0072%	21,331.88
2012	275,581,705	557,469	276,139,174	20,791,740	296,930,914	1,978,658	298,909,572	0.0064%	19,130.21
2013	283,903,536	525,302	284,428,838	22,225,683	306,654,521	1,951,818	308,606,339	0.0069%	21,293.84
2014	308,939,519	596,002	309,535,521	23,021,092	332,556,613	1,920,733	334,477,346	0.0070%	23,413.41
2015	332,220,200	577,096	332,797,296	22,417,252	355,214,548	1,891,373	357,105,921	0.0065%	23,211.88
2016	362,318,558	594,415	362,912,973	23,239,529	386,152,502	1,874,832	388,027,334	0.0057%	22,117.56
2017	392,058,176	524,128	392,582,304	24,439,939	417,022,243	1,850,004	418,872,247	0.0086%	36,023.01
2018	420,616,061	476,901	421,092,962	26,855,499	447,948,461	1,824,379	449,772,840	0.0062%	27,885.92
2019	452,259,125	451,125	452,710,250	28,342,158	481,052,408	1,808,872	482,861,280	0.0042%	20,280.17



Source: County of Santa Clara Compilation of Tax Rates & Information

Santa Clara Valley Water District
 Property Tax Rates-Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
2010	1.0000%	0.0388%	0.0326%	0.0074%	0.1574%	1.2362%
2011	1.0000%	0.0388%	0.0350%	0.0072%	0.1820%	1.2630%
2012	1.0000%	0.0388%	0.0334%	0.0064%	0.1763%	1.2549%
2013	1.0000%	0.0388%	0.0316%	0.0069%	0.1807%	1.2580%
2014	1.0000%	0.0388%	0.0279%	0.0070%	0.1687%	1.2424%
2015	1.0000%	0.0388%	0.0253%	0.0065%	0.1702%	1.2408%
2016	1.0000%	0.0388%	0.0223%	0.0057%	0.1949%	1.2617%
2017	1.0000%	0.0388%	0.0207%	0.0086%	0.1896%	1.2577%
2018	1.0000%	0.0597%	0.0186%	0.0062%	0.2087%	1.2932%
2019	1.0000%	0.0565%	0.0170%	0.0042%	0.2095%	1.2872%



Source: County of Santa Clara, Department of Finance (tax rate area 17-028)

Santa Clara Valley Water District
Principal Property Tax Payers
Current year and Nine years ago
(Dollars in thousands)

Taxpayer	Fiscal Year 2019 ⁽²⁾			Fiscal Year 2010 ⁽³⁾		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value
Leland Stanford Jr, University	\$ 6,451,776	1	1.34%			
Google Inc.	4,787,081	2	0.99%			
Campus Holdings Inc.	3,504,317	3	0.73%			
Sobrato Interests	2,199,260	4	0.46%	\$ 1,024,795	4	0.34%
Essex Portfolio LP	1,885,655	5	0.39%			
Apple Computer Inc.	1,664,151	6	0.34%			
Cisco Technology	1,619,271	7	0.34%	1,504,248	3	0.50%
Forty Niners SC Stadium Company LLC	1,139,166	8	0.24%			
Intel Corporation	974,619	9	0.20%	879,392	5	0.29%
Lockheed Missiles and Space Co. Inc.	890,576	10	0.18%	595,490	9	0.20%
San Jose Water Works	821,714	11	0.17%			
FRIT San Jose Town & Country Village LLC	788,243	12	0.16%			
Applied Materials Inc.	783,966	13	0.16%	754,969	8	0.25%
VF Mail LLC	691,008	14	0.14%			
Trishman Speyer Archstone-Smith	670,715	15	0.14%			
Samsung Electronics America, Inc.	668,868	16	0.14%			
River View Apartments LLC	663,819	17	0.14%			
Yahoo Holdings Inc.	656,370	18	0.14%	580,035	10	0.19%
Menlo & Juniper Networks LLC	612,073	19	0.13%			
Oracle America Inc,	526,645	20	0.11%			
Pacific Gas & Electric Co.				1,486,202	1	0.49%
Blackhawk Development				1,787,642	2	0.59%
Westfield Malls				790,517	6	0.26%
AT&T California				545,901	7	0.18%
Total	\$ 31,999,293		6.64%	\$ 9,949,191		3.29%
Net Assessed Value of Taxable Property	\$ 482,861,280			\$ 303,346,820		

(1) Includes taxable properties only.

(2) Source: California Municipal Statistics, Inc.

(3) Source: Santa Clara County Tax Collector's Office

Santa Clara Valley Water District
 Computation of District Act Debt Margin
 June 30, 2019
 (Dollars in Thousands)

Authorized short-term debt under authority of District Act Section 25.6	\$	8,000
Outstanding short-term debt under Section 25.6, June 30, 2019		-
District Act Section 25.6 debt margin on short-term debt	\$	8,000

Note:

The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law and Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act). The District Act sets the limit on short term debt obligations (maturity of less than five years) at \$8,000,000.

The District may also issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (sections 53850-53858). Under the tax and revenue anticipation note statute, the District may issue notes, provided the principal and interest are not to exceed 85% of the uncollected revenues of the District on the date such notes are issued (and subject to certain other limitations including a 15 month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is separate authority for the District to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

The District has elected to issue notes under the tax and revenue anticipation note statute to support the commercial paper program because it allows a larger amount of notes to be issued even though there is a shorter limitation on maturities.

The District is in compliance with its District Act and the debt issuance provisions of California law.

Santa Clara Valley Water District
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities		Business-type Activities	
	General Obligation Bonds	Certificate of Participation	General Obligation Bonds	Revenue Bonds/Certificate of Participation
2010	\$ -	\$ 151,294	\$ 910	\$ 217,992
2011	-	142,112	405	213,307
2012	-	132,494	-	208,418
2013	-	131,199	-	201,780
2014	-	122,392	-	201,547
2015	-	117,117	-	191,490
2016	-	108,393	-	440,089
2017	-	105,529	-	443,602
2018	-	95,322	-	423,775
2019	-	85,059	-	509,241

Source: Santa Clara Valley Water District, General Accounting Unit

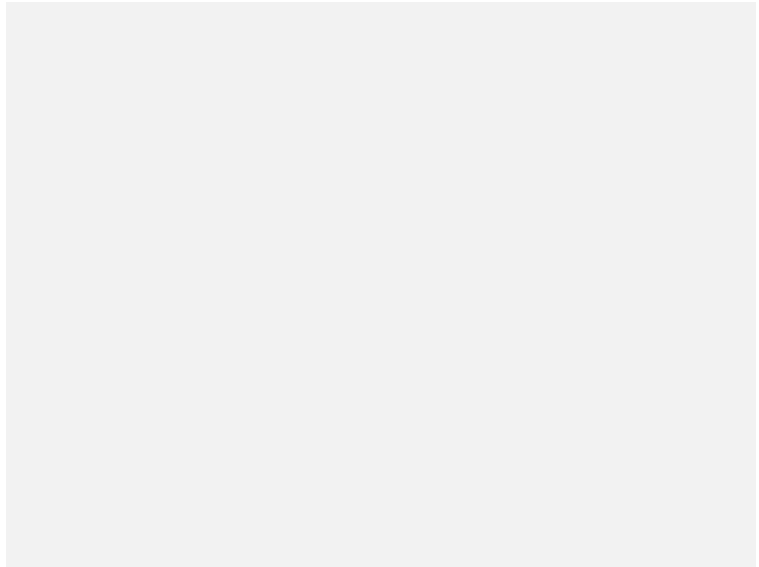
Total Primary Government	Percentage of Personal Income	Per Capita
\$ 370,196	0.3609%	\$ 197
355,824	0.3180%	188
340,912	0.2788%	179
332,979	0.2549%	181
323,939	0.2283%	173
308,607	0.2154%	163
548,482	0.3163%	284
549,131	0.3135%	283
519,097	0.2934%	265
594,300	0.3066%	304

Santa Clara Valley Water District
Revenue Bond Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

	2010	2011	2012	2013
Adjusted revenues	135,810	133,676	154,750	171,066
Adjusted operating expenses	102,564	108,093	111,505	111,120
Net revenue	<u>33,246</u>	<u>25,583</u>	<u>43,245</u>	<u>59,946</u>
<u>Senior debt obligations</u>				
Net revenue available for debt service	<u>33,246</u>	<u>25,583</u>	<u>43,245</u>	<u>59,946</u>
Debt obligation				
Principal	4,814	5,020	5,230	6,973
Interest	8,446	8,019	7,945	7,596
Debt service requirement	<u>13,260</u>	<u>13,039</u>	<u>13,175</u>	<u>14,569</u>
Coverage factor (1.25 required) ⁽¹⁾	<u>2.51</u>	<u>1.96</u>	<u>3.28</u>	<u>4.11</u>

Parity obligations

Net revenue available for debt service
Debt obligation
 Principal
 Interest
Debt service requirement
Coverage factor (1.25 required) ⁽²⁾



Senior/parity/subordinate obligations

Net revenue available for debt service
Debt obligation - senior and parity
 Senior
 Parity
 subordinate
Debt service requirement
Coverage factor (1.10 required) ⁽³⁾

Source: Santa Clara Valley Water District General Accounting Unit

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt covenants under a Senior Master Resolution (94-58, as amended by 06-80) governing the issuance of all Water Utility System Senior debt obligations, including the method of calculating Senior Debt Service coverage ratio.

In February 2016, the District Board adopted the Water Utility Parity System Master Resolution (16-10) governing issuance of all Water Utility System Parity debt obligations, calculating the method of calculating Parity Debt Service coverage ratio.

Prescribed by the aforementioned Master Resolutions, operating revenues and expenses include adjustments which relate primarily to intergovernmental revenues, depreciation and amortization, other post employment benefits, and compensated absences and claims.

2014	2015	2016	2017	2018	2019
182,295	154,696	182,404	207,899	254,177	242,271
118,158	130,915	141,367	130,278	172,427	148,101
64,137	23,781	41,037	77,621	81,750	94,170
64,137	23,781	41,037	77,621	81,750	94,170
7,002	7,456	3,948	3,830	2,070	2,165
7,523	7,501	6,066	4,827	1,793	2,127
14,525	14,957	10,014	8,657	3,863	4,292
4.42	1.59	4.10	8.97	21.16	21.94
		31,023	68,964	77,887	89,878
		-	-	6,250	8,625
		2,072	12,447	14,963	15,125
		2,072	12,447	21,213	23,750
		14.97	5.54	3.67	3.78
		41,037	77,621	81,750	94,170
		10,014	8,657	3,863	4,292
		2,072	12,447	21,213	23,750
		185	-	358	1,699
		12,271	21,104	25,434	29,741
		3.34	3.68	3.21	3.17

⁽¹⁾ The senior obligation minimum debt service coverage requirement is 1.25, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

⁽²⁾ The parity obligation minimum debt service coverage requirement is 1.25, per the Parity Master Resolution (16-10).

⁽³⁾ The senior/parity/subordinate obligation minimum debt service coverage requirement is 1.10, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

Santa Clara Valley Water District
Computation of Direct and Overlapping Debt
June 30, 2019

2018-19 Assessed Valuation	482,861,280,000		District's Share of
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt-06/30/2019	% Applicable⁽¹⁾	Debt-06/30/2019
Santa Clara County	\$ 947,220,000	100%	\$ 947,220,000
Foothill-DeAnza Community College District	620,143,886	100%	620,143,886
San Jose-Evergreen Community College District	466,665,599	100%	466,665,599
West Valley-Mission Community College District	635,310,000	99.035%	629,179,259
Other Community College Districts	396,908,899	0.052-75.467	95,783,592
Gilroy Unified School District	247,429,437	100%	247,429,437
Palo Alto Unified School District	269,174,345	100%	269,174,345
San Jose Unified School District	499,224,025	100%	499,224,025
Santa Clara Unified School District	1,067,830,000	100%	1,067,830,000
Other Unified School Districts	365,761,226	1.188-100.	307,554,806
Campbell Union High School District	389,345,000	100%	389,345,000
East Side Union High School District	932,544,270	100%	932,544,270
Fremont Union High School District	562,210,088	100%	562,210,088
Other High School Districts	343,424,823	0.584-100.	240,335,590
Campbell School District	194,775,237	100%	194,775,237
Cupertino Union School District	274,238,303	100%	274,238,303
Evergreen School District	137,967,188	100%	137,967,188
Franklin McKinley School District	136,483,917	100%	136,483,917
Los Altos School District	50,665,000	100%	50,665,000
Los Gatos Union School District	80,975,000	100%	80,975,000
Moreland School District	103,742,251	100%	103,742,251
Oak Grove School District	205,297,559	100%	205,297,559
Sunnyvale School District	188,710,820	100%	188,710,820
Other School Districts	646,781,627	4.610-100.	638,888,662
City of Gilroy	27,915,000	100%	27,915,000
City of Palo Alto	60,500,000	100%	60,500,000
City of San Jose	323,110,000	100%	323,110,000
City of Saratoga	8,600,000	100%	8,600,000
Saratoga Fire Protection District	2,743,264	100%	2,743,264
El Camino Hospital District	124,490,000	100%	124,490,000
City Community Facilities Districts	40,640,860	100%	40,640,860
City of San Jose Special Assessment Bonds	9,135,000	100%	9,135,000
Other City 1915 Act Bonds (Estimated)	30,478,000	100%	30,478,000
Midpeninsula Regional Open Space District	92,460,000	69.262%	64,039,645
Santa Clara Valley Water District Benefit Assessment District	85,059,000	100%	85,059,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 10,063,094,603

Ratios to the 2018-19 Assessed Valuation

Direct Debt	(\$85,059,000)	0.02%
Total Direct and Overlapping Tax and Assessment Debt		2.08%

			District's Share of
OVERLAPPING GENERAL FUND DEBT:	Total Debt-06/30/2019	% Applicable⁽¹⁾	Debt-06/30/2019
Santa Clara County General Fund Obligations	\$ 987,719,120	100%	\$ 987,719,120
Santa Clara County Pension Obligation Bonds	352,378,882	100%	352,378,882
Santa Clara County Office of Education Certificates of Participation	4,255,000	100%	4,255,000
Foothill-De Anza Community College District General Fund Obligations	26,723,002	100%	26,723,002
San Jose-Evergreen Community College District OPEB Obligations	47,450,000	100%	47,450,000
Gavilan Joint Community College District General Fund Obligations	13,486,000	75.467%	10,177,480
West Valley-Mission Community College District General Fund Obligations	62,200,000	99.035%	61,599,770
Gilroy Unified School District Certificates of Participation	25,110,000	100%	25,110,000
Other Unified School District School General Fund Obligations	61,748,731	1.188-100%	50,884,352
East Side Union High School District Benefit Obligations	28,205,000	100%	28,205,000
Other Union High School District General Fund Obligations	18,113,792	.0594-100%	25,115,733
Alum Rock Union School District Certificates of Participation	18,190,000	100%	18,190,000
Other School District General Fund Obligations	48,305,999	21.511-100%	48,046,985
City of Cupertino Certificates of Participation	29,300,000	100%	29,300,000
City of Gilroy Certificates of Participation	37,515,000	100%	37,515,000
City of San Jose General Fund Obligations	423,945,000	100%	423,945,000
City of Santa Clara General Fund Obligations	16,859,000	100%	16,859,000
City of Sunnyvale General Fund Obligations	14,860,000	100%	14,860,000
Other City General Fund Obligations	62,990,843	100%	62,990,843
Santa Clara County Vector Control District Certificates of Participation	2,245,000	100%	2,245,000
Mid-peninsula Regional Park District General Fund Obligations	117,450,600	69.262%	81,348,635
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 2,354,918,802
Less: Santa Clara County supported general fund obligations			321,868,453
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 2,033,050,349

OVERLAPPING TAX INCREMENT DEBT: \$ 1,870,455,000 100% \$ 1,870,455,000

TOTAL DIRECT DEBT \$ 85,059,000
TOTAL GROSS COMBINED OVERLAPPING DEBT \$ 14,203,409,405
TOTAL NET COMBINED OVERLAPPING DEBT \$ 13,881,540,952

GROSS COMBINED TOTAL DEBT \$ 14,288,468,405 ⁽²⁾
NET COMBINED TOTAL DEBT \$ 13,966,599,952

⁽¹⁾ The percent of overlapping debt applicable to the Water District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Water District divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to the 2018-19 Assessed Valuation

Total Direct Debt	0.02%
Gross Combined Total Debt	2.96%
Net Combined Total Debt	2.89%

Ratio to Redevelopment Incremental Valuation (\$54,818,765,953)

Total Overlapping Tax Increment Debt	3.41%
--------------------------------------	-------

Santa Clara Valley Water District
Demographic and Economic Statistics
For Santa Clara County
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income (in \$000) ⁽²⁾	Per Capita Personal Income (in \$000)	Change In Consumer Price Index ⁽³⁾	School Enrollment ⁽⁴⁾	Total Employment ⁽⁵⁾	Unemployment Rate ⁽⁵⁾
2010	1,880,876	\$ 102,589,854	54.544	1.1%	265,544	879,100	11.3%
2011	1,890,909	111,880,131	59.167	1.1%	266,267	798,200	9.9%
2012	1,899,567	122,259,021	64.362	0.9%	270,109	794,236	8.5%
2013	1,842,254	130,624,491	70.905	1.4%	273,701	865,900	6.8%
2014	1,868,558	141,873,705	75.927	3.0%	276,175	879,500	5.4%
2015	1,889,638	143,292,442	75.831	2.3%	276,689	993,400	3.7%
2016	1,927,888	173,428,896	89.958	2.7%	274,948	996,800	4.0%
2017	1,938,180	190,001,690	98.031	3.5%	273,264	992,900	3.8%
2018	1,947,798	191,901,707	98.522	3.9%	272,132	1,035,600	2.7%
2019	1,954,286	193,820,724	99.177	2.7%	267,224	1,026,700	2.6%

Source: ⁽¹⁾ State of California - Department of Finance, Demographics & Research Unit.

⁽²⁾ U.S. Department of Commerce - Bureau of Economic Analysis; actual data available up to 2017; personal income data for 2018 & 2019 are preliminary and assumes a 1% increase from prior year.

⁽³⁾ U.S. Department of Labor - Bureau of Labor Statistics - San Francisco Bay Region

⁽⁴⁾ State of California - Department of Education and Santa Clara County Office of Education (grades K to 12)

⁽⁵⁾ State of California - Employment Development Department

Santa Clara Valley Water District
Principal Employers
Current Year and Nine Years ago
(unaudited)

Company or Organization	Fiscal Year 2019			Fiscal Year 2010		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment	Employees ⁽²⁾	Rank	Percentage of Total County Employment
Apple Inc.	25,000	1	2.43%	10,000	2	1.14%
Google, Inc. / Alphabet	24,626	2	2.40%			
County of Santa Clara	18,806	3	1.83%			
Stanford University	16,919	4	1.65%			
Facebook Inc.	14,674	5	1.43%			
Cisco Systems Inc.	14,185	6	1.38%	13,000	1	1.48%
Kaiser Permanente	12,500	7	1.22%			
Stanford Health Care	10,034	8	0.98%			
Tesla Motors Inc.	10,000	9	0.97%			
University of California Santa Cruz	8,832	10	0.86%			
Applied Materials Inc.	8,500	11	0.83%			
Intel Corp	8,400	12	0.82%	5,000	4	0.57%
Safeway	7,350	13	0.72%			
Oracle Corp.	6,781	14	0.66%			
City of San Jose	6,600	15	0.64%			
Nvidia Corp	5,500	16	0.54%			
San Mateo County	5,485	17	0.53%			
Stanford Children's Health	5,400	18	0.53%	5,536	3	0.63%
Gilead Sciences Inc.	5,346	19	0.52%			
Juniper Networks Inc.	5,130	20	0.50%			
Maxim Integrated Products Inc.				4,706	5	0.54%
JDS Uniphase Corp.				4,000	6	0.46%
Santa Clara Valley Medical Center				3,500	7	0.40%
Yahoo Inc.				3,000	8	0.34%
Adobe Systems Inc.				2,700	9	0.31%
Silicon Graphics				2,600	10	0.30%
Total	220,068		21.44%	54,042		6.17%
Total County Employment⁽³⁾	1,026,700			879,100		

Source: ⁽¹⁾ Silicon Valley Business Journal

⁽²⁾ Rich's Business Information - Santa Clara County

⁽³⁾ State of California - Employment Development Department

Santa Clara Valley Water District
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Office of the CEO	12	11	10	10	10	10	10	11	11	17
Office of the District Counsel	11	9	9	9	9	9	9	10	10	11
Community & Government Relations	20	7	8	8	8	8	18	23	27	28
County-Wide Watershed Management	119	117	105	98	98	98	112	109	109	133
Capital Programs	145	143	126	117	112	115	118	112	112	108
Water Utility Operations	43	43	43	43	43	43	43	43	43	41
Water Supply	11	11	11	11	11	11	11	11	11	8
Water Conservation	10	10	10	10	10	10	10	11	11	12
Surface & Groundwater Management	34	34	34	34	34	34	36	33	33	35
Water Quality	22	22	22	22	22	22	22	28	28	24
Control Systems	11	11	11	11	11	11	11	14	14	14
Water Utility Maintenance	23	23	23	23	23	23	23	28	28	28
Treated Water Operations	36	36	36	36	36	36	38	44	44	43
Raw Water Operations	25	25	25	25	25	25	28	37	37	37
Administrative & Business Management	11	11	8	8	8	8	8	11	11	3
Clerk of the Board	12	12	12	12	12	12	12	14	14	10
Organizational Training & Development	6	6	6	6	6	6	6	4	4	4
Business Support Services	16	16	16	16	16	16	16	16	16	20
Library & Records	5	6	6	6	6	6	6	5	5	6
Budget Office	8	8	8	8	8	8	8	7	7	7
Accounting	18	18	18	18	16	18	18	17	17	16
Information & Systems Management	43	43	39	39	39	39	39	36	36	32
Technical Services	3	3	3	3	3	3	3	3	3	3
Wells & Water Production	20	18	18	18	18	18	18	18	18	15
Real Estate & Right-of-Way	8	8	8	8	8	8	9	10	10	8
Equipment Management	12	12	12	12	12	12	12	12	12	10
Warehouse & Inventory Control	7	6	6	6	6	6	6	5	5	5
Facilities Maintenance	15	15	15	15	15	15	15	15	15	14
Purchasing	9	9	9	9	9	9	10	10	10	9
Permits	16	16	16	16	13	16	16	14	14	16
Contracts Administration	6	5	4	4	4	4	5	5	5	5
Human Resources & Benefits	21	21	21	21	19	21	21	18	18	22
Health & Safety	6	6	6	6	10	6	6	10	10	9
Total	764	741	704	688	680	686	723	744	748	753

Source: Santa Clara Valley Water District, Human Resources & Benefits Unit

Santa Clara Valley Water District
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
District Well Ordinance Program										
New Wells	583	775	541	443	513	407	424	321	410	325
Destroyed Wells	663	653	531	502	744	1,504	1,167	945	463	494
Well Permits	1,564	1,626	1,740	1,265	1,697	2,285	1,799	1,546	1,272	1,078
Well Inspections	1,286	1,517	1,350	1,080	1,398	2,092	1,848	1,687	1,093	1,030
Watershed Management										
Miles of Vegetation Removed/Managed	185	175	241	221	206	177	164	116	168	163
Cubic Yards of Sediment Removed	17,409	15,623	32,456	21,456	34,596	4,129	3,929	83,792	34,881	19,279
Miles of Bank Erosion Protection	-	1.8	0.5	1.1	2.1	0.2	1.2	0.5	0.5	0.2
Laboratory Services Unit										
Water Samples Tested (approx.)	99,385	132,638	111,265	158,082	170,055	169,182	178,934	179,252	156,347	151,118
Water Quality Violations	-	-	-	-	-	-	-	-	-	-
Water Measurement Program										
Meter Reads/Site Visits	5,934	5,981	5,939	6,019	5,964	5,908	5,934	5,489	6,264	5,384
Meter Repairs/Preventative Maintenance	302	328	316	313	272	201	323	301	307	381
Backflow Device Tests	190	170	151	177	159	203	153	149	227	188
Community Projects Review										
Permits Issued	217	229	220	257	201	220	289	228	177	160
Land Development Review Requests	1,080	1,030	964	865	940	843	45	124	749	938
Underground Service Alerts	27,782	28,651	37,348	46,599	53,782	58,871	12,118	8,042	8,529	9,859
Requests for Flood Zone Information	91	90	70	72	51	24	92	26	18	18
Environmental Impact Reports Reviewed	115	107	55	33	65	68	32	56	53	83
Water Resource Protec. Ordinance Violations	121	125	234	193	184	130	220	163	186	208
Human Resources										
Permanent Positions Hired	20	13	17	21	31	54	150	112	133	79
Temporary Workers Employed	49	121	112	140	247	134	276	259	122	108
Employment Applications Processed	1,163	1,000	2,685	1,524	4,236	5,746	5,621	5,847	5,668	5,370
Health & Safety										
Ergonomic Assessments	46	44	36	39	38	42	46	44	47	37
Confined Space Assessments	210	247	117	139	261	147	204	120	223	192
Employee Safety Committee Meetings	12	10	11	9	11	12	12	12	11	8
Projects Managed by Type:										
Capital Projects	178	138	129	126	131	160	165	121	130	121
Operating Projects	56	46	48	43	36	35	39	23	29	17
Operations Projects	373	354	365	396	394	415	409	358	351	335

Source: Santa Clara Valley Water District, various government departments

Santa Clara Valley Water District
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Utility Enterprise										
Acres of groundwater recharge ponds	393	393	393	393	393	393	393	393	393	393
Miles of canals	17	17	17	17	17	17	17	17	17	17
Miles of pipeline	143	143	144	144	144	144	144	144	144	144
Miles of tunnels	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	3	3	4	4	4	4	4	4	4	4
Number of pumping stations	5	5	5	5	5	5	5	5	5	5
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1	1
Water Utility Operations										
Process Control Instrumentation	1071	1128	1161	1,406	1,680	1,443	1,493	1,548	1,534	1,542
Mechanical Drives	54	54	54	72	61	56	73	58	61	61
Chemical Mixers	87	87	87	89	111	95	95	92	88	88
Electrical Motors	381	407	432	452	512	439	455	468	464	468
Power Distribution Equipment	640	736	913	1,248	1,673	1,140	1,155	1,089	859	870
Pumps	475	496	515	547	601	515	518	517	518	517
Utility Vaults & Structures	1019	1050	1051	1,062	1,095	1,114	1,340	1,156	1,122	1,166
Chemical & Water Storage Tanks	170	179	192	199	176	174	203	168	173	196
Valves	994	1059	1070	1,613	1,702	1,600	1,676	1,695	1,710	1,758
Valve Operators	524	577	579	799	869	783	782	781	782	789
Generators	23	23	26	25	27	25	29	29	27	30
Flow Meters	258	271	296	381	387	347	377	399	360	361
Electric Drives	152	160	170	173	208	165	162	172	183	191
Blowers & Compressors	168	164	174	146	208	188	185	184	181	187
Miscellaneous Equipment	429	459	467	477	3,306	1,441	1,350	1,356	1,322	1,327
Watersheds										
Miles of creeks and rivers managed for flood control	700	700	700	700	700	700	700	700	800 +*	800 +*
Number of reservoirs	10	10	10	10	10	10	10	10	10	10
Total District reservoir capacity (acre-feet)	169,415	169,415	169,415	169,415	169,415	169,415	169,415	169,415	169,415	169,415
Acres of Wildlife Habitat Restored	N/A	N/A	N/A	569	569	326	326	310	364	364
Fleet Equipment										
Class I Passenger Vehicles	202	190	190	185	186	182	184	179	178	178
Class II Heavy Duty Trucks	78	79	78	82	84	87	82	90	94	94
Class III Tractors, Const. Equip., Generators, Forklifts	25	25	26	24	27	26	26	21	26	26
Class IV Misc. Small Tools & Engines	597	648	643	655	474	506	506	534	478	415

Source: Santa Clara Valley Water District, various government departments

* There are more than 800 miles of creeks in Santa Clara County (SC Co.). SCVWD owns 278 miles of streams in SC Co. Only a portion of these have been modified with flood protection projects. Those are the streams that are maintained by SCVWD.

Santa Clara Valley Water District
 Flood Control System
 Historical Operating Results
 Combined Statement of Revenues and Debt Service Coverage
 Last Ten Fiscal Years
 (Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Flood Control System Revenues:				
Benefit assessment, gross ¹	\$ 19,420	\$ 19,284	\$ 19,324	\$ 19,372
Property tax	45,010	47,567	48,457	55,647
Investment income	2,671	1,099	560	249
Rental income	1,137	1,139	1,210	1,208
Other	1,045	564	798	1,327
Total Flood Control System Revenue	<u>\$ 69,283</u>	<u>\$ 69,653</u>	<u>\$ 70,349</u>	<u>\$ 77,803</u>
Debt Service:				
2003A Certificates of participation ²	\$ 7,433	\$ 6,958	\$ 6,018	\$ 1,141
2004A Certificates of participation ^{3/4}	2,488	2,395	2,285	2,380
2007A Certificates of participation ³	5,757	5,761	5,759	5,757
2012A Certificates of participation	-	-	-	6,443
2017A Certificates of participation ⁴	-	-	-	-
Total Debt Service	<u>\$ 15,678</u>	<u>\$ 15,114</u>	<u>\$ 14,062</u>	<u>\$ 15,721</u>
Coverage	4.42	4.61	5.00	4.95

¹ The benefit assessment presented on the Statement of Revenues, Expenditures and Changes in Fund Balances are net of collection fees. For the purpose of the Flood Control System Debt Service Coverage, collection fees are excluded. Therefore, the benefit assessments presented above have been increased as follows:

- FY2019 - \$ 149
- FY2018 - \$ 148
- FY2017 - \$ 149
- FY2016 - \$ 149
- FY2015 - \$ 162
- FY2014 - \$ 163
- FY2013 - \$ 194
- FY2012 - \$ 193
- FY2011 - \$ 193
- FY2010 - \$ 194

In accordance with voter authorizations, benefit assessments are set at 1.25 of gross debt service allocable to flood control projects starting during Fiscal Year 2001.

Source: Santa Clara Valley Water District, General Accounting Unit

2014	2015	2016	2017 ⁵	2018	2019
\$ 16,306	\$ 16,236	\$ 14,832	\$ 14,939	\$ 14,922	\$ 14,895
57,631	62,887	68,005	74,806	79,538	90,727
985	889	1,303	317	729	4,916
1,338	1,403	1,474	1,527	1,609	1,650
687	596	1,210	1,870	3,999	1,746
<u>\$ 76,947</u>	<u>\$ 82,011</u>	<u>\$ 86,824</u>	<u>\$ 93,459</u>	<u>\$ 100,797</u>	<u>\$ 113,934</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,398	1,349	1,109	1,111	-	-
5,761	5,762	5,757	5,760	-	-
6,111	6,101	5,294	5,297	5,295	5,295
-	-	-	-	6,866	6,868
<u>\$ 13,270</u>	<u>\$ 13,212</u>	<u>\$ 12,160</u>	<u>\$ 12,168</u>	<u>\$ 12,161</u>	<u>\$ 12,163</u>
5.80	6.21	7.14	7.68	8.29	9.37

² The 2003A Certificates were refunded by the 2012A Certificates.

³ The 2004A and 2007A Certificates were refunded by the 2017A Certificates.

⁴ The 2004A and 2017A debt service payments exclude the portion paid by the District General Fund as this portion of debt service was not payable from benefit assessments (see Flood Control Master Resolution 94-60).

⁵ The Fiscal Year 2017 debt service coverage calculation was adjusted above to correct overstated debt service previously reported.



Valley Water

Clean Water • Healthy Environment • Flood Protection



Santa Clara Valley Water District

File No.: 19-1149

Agenda Date: 12/16/2019

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Develop the 2020 Board Audit Committee Work Plan.

RECOMMENDATION:

- A. Provide feedback and approve the 2020 Board Audit Committee Work Plan.
- B. Confirm 2020 Board Audit Committee monthly meeting schedule selecting the third Wednesday of each month beginning at 12:00 p.m.

SUMMARY:

Under 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. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

The 2020 Board Audit Committee Work Plan is included in Attachment 1.

ATTACHMENTS:

Attachment 1: 2020 Committee Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Board Audit Committee Meeting Dates														
1	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	On-going.
Board Audit Committee Management														
2	Review and update BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	On-going. Schedule open discussion as needed for topics of interest raised at prior BAC meetings.
3	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Full Board approved Annual Audit Work Plan on 6/25/19.
4	Prepare risk assessment tri-annually													Next Risk Assessment scheduled to be completed in October 2021.
5	Evaluate Board Auditor performance												•	
6	Provide status report to full Board quarterly													Report to be provided to Board in non-agenda the month after each BAC meeting.
7	Receive training from independent auditor annually	•												Scheduled for first meeting in 2020.
8	Conduct self evaluation annually	•												Scheduled for first meeting in 2020.
9	External Financial Auditor meeting with individual Board members													Schedule as needed.
Board Audit Committee Special Requests														
10	Review staff CAS update every 6 months				•									On-going. Combined with Procurement/CAS Mgmt. Audit Review.
11	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis			•										Provide overview of QEMS Process Improvement post ISO de-certification and provide benchmarking analysis for 2020.
Management and 3rd Party Audits														
12	Review QEMS Annual Internal Audit Report		•											Scheduled for early 2020.
13	Participate in financial statement audit procurement process													Next procurement scheduled for January 2022.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
14	Review draft audited financial statements											•		Financial auditor to present and contact Board members.
15	Review Procurement/CAS Management Audit Report				•									
16	Water Utility Fund Audit													Revenue/Cost Allocation audit between North/South zones.
17	Valuing Water as an Asset					•								Update on Research Valuing Water as an Asset
18	Review Contract Change Order Audit Report													Provide periodic update on progress being made since audit recommendations were provided.
Audit - District Counsel														
19	Receive notification of initiated District Counsel Audit													Complete.
20	Review District Counsel Audit Progress Report	•												On-going until audit complete.
21	Review District Counsel Audit Draft Report Presentation													
22	Review Response to District Counsel Audit Final Draft Report													
Audit - Real Estate														
23	Receive notification of initiated Real Estate Audit													Complete.
24	Review Real Estate Audit Progress Report	•												On-going until audit complete.
25	Review Real Estate Audit Draft Report Presentation													
26	Review Response to Real Estate Audit Final Draft Report													
Audit - Construction Project Management (Tentative)														
27	Receive notification of initiated Construction Project Management Audit													
28	Review Construction Project Management Audit Progress Report													On-going until audit complete.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
29	Review Construction Project Management Audit Draft Report Presentation													
30	Review Response to Construction Project Management Audit Final Draft Report													
Audit - Supervisory Control and Data Acquisition (Tentative)														
31	Receive notification of initiated Supervisory Control and Data Acquisition Audit													
32	Review Supervisory Control and Data Acquisition Audit Progress Report													On-going until audit complete.
33	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													
34	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													
Audit - Permitting Best Practices (Tentative)														
35	Receive notification of initiated Permitting Best Practices Audit													
36	Review Permitting Best Practices Audit Progress Report													On-going until audit complete.
37	Review Permitting Best Practices Audit Draft Report Presentation													
38	Review Response to Permitting Best Practices Audit Final Draft Report													
Audit - Risk Management (Tentative)														
39	Receive notification of initiated Risk Management Audit													
40	Review Risk Management Audit Progress Report													On-going until audit complete.
41	Review Risk Management Audit Draft Report Presentation													
42	Review Response to Risk Management Audit Final Draft Report													
Audit - Billing and Collections (Tentative)														

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
43	Receive notification of initiated Billing and Collections Audit													On-going until audit complete.
44	Review Billing and Collections Audit Progress Report													
45	Review Billing and Collections Audit Draft Report Presentation													
46	Review Response to Billing and Collections Audit Final Draft Report													
Audit - Accountability (Tentative)														
47	Receive notification of initiated Accountability Audit													On-going until audit complete.
48	Review Accountability Audit Progress Report													
49	Review Accountability Audit Draft Report Presentation													
50	Review Response to Accountability Audit Final Draft Report													
Audit - Community Engagement (Tentative)														
51	Receive notification of initiated Community Engagement Audit													Audit Objectives: Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?
52	Review Community Engagement Audit Progress Report													On-going until audit complete.
53	Review Community Engagement Audit Draft Report Presentation													
54	Review Response to Community Engagement Audit Final Draft Report													
Audit - Homelessness Analysis (Tentative)														
55	Receive notification of initiated Homelessness Analysis Audit													On-going until audit complete.
56	Review Homelessness Analysis Audit Progress Report													

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
57	Review Homelessness Analysis Audit Draft Report Presentation													
58	Review Response to Homelessness Analysis Audit Final Draft Report													
Audit - Local Workforce Hiring (Tentative)														
59	Receive notification of initiated Local Workforce Hiring Audit													
60	Review Local Workforce Hiring Audit Progress Report													On-going until audit complete.
61	Review Local Workforce Hiring Audit Draft Report Presentation													
62	Review Response to Local Workforce Hiring Audit Final Draft Report													
Audit - Equipment Maintenance (Tentative)														
63	Receive notification of initiated Equipment Maintenance Audit													
64	Review Equipment Maintenance Audit Progress Report													On-going until audit complete.
65	Review Equipment Maintenance Audit Draft Report Presentation													
66	Review Response to Equipment Maintenance Audit Final Draft Report													
Audit - Community Engagement (Tentative)														
67	Receive notification of initiated Community Engagement Audit													Audit Objectives: What are the best practices in planning and facilitating community engagement?
68	Review Community Engagement Audit Progress Report													On-going until audit complete.
69	Review Community Engagement Audit Draft Report Presentation													
70	Review Response to Community Engagement Audit Final Draft Report													
Audit - Water Fix (Tentative)														

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2020 WORKPLAN
January 1, 2020 to December 31, 2020

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
71	Receive notification of initiated Water Fix Audit													
72	Review Water Fix Audit Progress Report													On-going until audit complete.
73	Review Water Fix Audit Draft Report Presentation													
74	Review Response to Water Fix Audit Final Draft Report													

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.



Santa Clara Valley Water District

File No.: 19-1157

Agenda Date: 12/16/2019

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Request Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance.

RECOMMENDATION:

Request Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor performance.

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.

On May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On February 26, 2019, after completion of a risk assessment exercise, the Board approved the Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee.

On June 25, 2019, the Board approved the Annual Audit Work Plan for FY 2018-2019 through FY 2020-2021.

Per the 2019 BAC Workplan, in December 2019, the BAC is tasked with evaluating Board Auditor performance. To perform this evaluation, the BAC requires a Board Auditor Activity Report from TAP. The purpose of this agenda item is to facilitate the official request of the Board Auditor Ends Report from TAP. The Annual Performance Report Outline (Attachment 1) will be discussed by the BAC at the December 2019 BAC meeting.

ATTACHMENTS:

Attachment 1: Annual Performance Report Outline

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

Outline

Independent Auditor Annual Performance Report

1. Overview of the Role of the Independent Auditor
2. Accomplishments
 - Number of Board meetings attended
 - Number of audits identified from the Board meetings
 - Number of BACs
 - Examples of support provided
 - Audit charter development
 - Input and examples of best practices
 - Review of external audit reports
 - Number of reports/documents prepared
 - Risk Assessment
 - Change order report
3. Planned Activities
 - Future audits planned
4. Conclusions

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 19-1158

Agenda Date: 12/16/2019

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Quality and Environmental Management System (QEMS) Methodology Benchmarking Analysis.

RECOMMENDATION:

Discuss Potential Scope of Work for QEMS Methodology Benchmarking Analysis and Provide Staff Feedback.

SUMMARY:

Previously, staff presented an update on Valley Water's conformance with ISO for Valley Water's QEMS procedures and work instructions and provided information on the pros and cons of ISO certification of the QEMS at the January 22, 2018 and May 2, 2019 BAC meetings.

During the October 23, 2019, Board Audit Committee (BAC) meeting, the BAC requested for staff to provide an update of the Quality and Environmental Management System (QEMS) post ISO de-certification.

At the November 18, 2019, BAC meeting, the BAC requested to include a continuous improvement methodology benchmarking analysis.

Staff has developed for the BAC's discussion and feedback, a potential scope of work (Attachment 1) for an external consultant to assist with this effort.

ATTACHMENTS:

Attachment 1: QEMS Methodology Benchmarking Analysis Scope of Work

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

QUALITY & ENVIRONMENTAL MANAGEMENT SYSTEM (QEMS) METHODOLOGY BENCHMARKING ANALYSIS SCOPE OF WORK FRAMEWORK

1. **Goals (2-4 Weeks):** Develop the overall expected outcome (scope, time, budget)
 - a. Identify opportunities to improve QEMS process *specific to Capital Projects delivery*
 - b. Define metrics to determine success:
 - i. Number of jobs per Project Manager
 - ii. Capital amount per Project Manager
 - iii. Speed of implementation
 - iv. Capital amount in cost savings
 - v. Initiatives (Small and Local Business Enterprise(s), sustainability, social justice) having defined program and project level goals and how are they being measured to confirm compliance
2. **Benchmarking (2 Weeks):** Define the standards to compare Valley Water against
 - a. Identify other appropriate agencies:
 - i. Note: the May 2019 BAC Agenda 5.3 focused on ISO cert. These firms said they had QEMS-equivalent documentation: San Diego Wastewater Dept., Metro Water of SoCal, California Environmental Protection Agency (CEPA), etc.
 - ii. Suggest new agency(s): Monterey 1 Water, King County, WA, Seattle Public Utilities, etc.
 - b. Interview appropriate agencies
 - c. Evaluate continuous improvement processes implemented and effectiveness
 - d. Identify internal and external QA techniques/processes being used and properly resourced (staff and budget):
 - i. Do they implement an “Audit-as-you-go” program to expeditiously capture opportunities and mitigate risks?
 - ii. Do they perform an annual independent 3rd party performance audit?
3. **GAP & Opportunity Analysis (4 Weeks):** Internal quality control
 - a. Independent review by consultant
 - b. Capture learned lessons & suggestions from Valley Water management & staff
 - c. Re-evaluate QEMS
4. **Draft & Final Staff & BAC Reports/Presentations (6-8 Weeks):** Staff, BAC, and full Board
 - a. Define what was measured and why
 - b. Benchmarking findings
 - c. List of recommendations & suggestions on how to facilitate integration so BAC confirms adoption, implementation, and improvement achieved
5. **Budget:** Based on level of effort desired
 - a. Option 1. New PO for \$25k min
 - b. Option 2. Issue RFP
 - c. Option 3. Have TAP International, Inc. add the Tanner Pacific, Inc. team as a subcontractor and negotiate scope & budget

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 19-1150

Agenda Date: 12/16/2019

Item No.: 5.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Review and Update 2019 Board Audit Committee Work Plan.

RECOMMENDATION:

- A. Review the 2019 Board Audit Committee Work Plan; and
- B. Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan.

SUMMARY:

Under 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. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

The 2019 Board Audit Committee Work Plan is included in Attachment 1.

ATTACHMENTS:

Attachment 1: 2019 Committee Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

BOARD AUDIT COMMITTEE 2019 WORKPLAN

January 1, 2019 to December 31, 2019

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Board Audit Committee Meeting Dates														
1	Meeting Dates	•				•	•			•		•	•	On-going.
Board Audit Committee Management														
2	Draft Audit Charter	•												Complete.
3	Finalize Audit Charter						•							Complete. The Board approved the Audit Charter on August 27, 2019.
4	Review and update BAC Work Plan	•				•	•		•		•	•	•	On-going. Schedule open discussion as needed for topics of interest raised at prior BAC meetings.
5	Review and Update Annual Audit Work Plan						•		•		•	•	•	Full Board approved Annual Audit Work Plan on 6/25/19.
6	Prepare risk assessment tri-annually													Next Risk Assessment scheduled to be completed in October 2021.
7	Evaluate Board Auditor performance												•	
8	Provide status report to full Board quarterly													Report to be provided to Board in non-agenda the month after each BAC meeting.
9	Receive training from independent auditor annually													Scheduled for first meeting in 2020.
10	Conduct self evaluation annually													Scheduled for first meeting in 2020.
11	External Financial Auditor meeting with individual Board members													Schedule as needed.
Board Audit Committee Special Requests														
12	Review staff CAS update every 6 months											•		On-going. Combined with Procurement/CAS Mgmt Audit Review. Complete.
13	Review staff Form 700 procedure presentation					•								Complete.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2019 WORKPLAN

January 1, 2019 to December 31, 2019

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
14	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis					•								Provide overview of QEMS Process Improvement post ISO de-certification. Complete. Note: CIU will provide benchmarking analysis in 2020.
15	Review information on ISO Certification at other agencies					•								Complete.
Management and 3rd Party Audits														
16	Review QEMS Annual Internal Audit Report													Scheduled for early 2020.
17	Participate in financial statement audit procurement process													Next procurement scheduled for January 2022.
18	Review draft audited financial statements												•	Financial auditor to present and contact Board members.
19	Review Procurement/CAS Management Audit Report											•		Complete.
20	Water Utility Fund Audit								•					Complete. Revenue/Cost Allocation audit between North/South zones. Results available at August BAC Meeting.
21	FEMA Audits													FEMA National Flood Insurance Program Community Rating System 5-year Verification Audit to begin 8/6/19. Completion TBD.
22	Grant Audits													No upcoming audits.
23	CalPERS Employment of Retired Annuitants Audit													Audit Results: Valley Water did not fully complete the process of enrolling/reporting the hours of 3 out of 30 retired annuitants. Staff reported having made the required adjustments since the audit was conducted.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2019 WORKPLAN

January 1, 2019 to December 31, 2019

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
24	CalPERS Special Compensation Audit													In the process of reclassifying the plant operators' shift premium payments retroactively to 2013 as the last step to complete this audit. Staff will bring the audit report to the BAC meeting immediately following the availability of results.
25	CalPERS Temporary Upgrade Pay Audit											•		Audit to determine whether temporary upgrade pay reported by employers was in compliance with the Public Employees' Retirement Law. Auditors scheduled to perform audit onsite on 8/12/19 - 8/13/19. Staff will bring the audit report to the BAC meeting immediately following the availability of results. Complete.
Audit - Lower Silver Creek														
26	Review Lower Silver Creek Final Draft Audit Report	•												Complete. Final Audit Report presented to full Board on 2/26/19.
27	Review Lower Silver Creek Final Draft Mgmt Response	•												Complete.
Audit - Change Order														
28	Initiate Change Order Audit			•										Complete.
29	Review Change Order Audit Progress Report						•		•		•			On-going until audit complete.
30	Review Change Order Audit Draft Report Presentation										•			Complete.
31	Review Response to Change Order Audit Final Draft Report											•	•	
Audit - District Counsel														
32	Initiate District Counsel Audit					•								Complete.
33	Review District Counsel Audit Progress Report						•		•		•	•	•	On-going until audit complete.
34	Review District Counsel Audit Draft Report Presentation													

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2019 WORKPLAN

January 1, 2019 to December 31, 2019

#	ACTIVITY	Q1			Q2			Q3			Q4			NOTES
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
35	Review Response to District Counsel Audit Final Draft Report													
Audit - Real Estate														
36	Initiate Real Estate Audit					•								Complete.
37	Review Real Estate Audit Progress Report						•		•		•	•	•	On-going until audit complete.
38	Review Real Estate Audit Draft Report Presentation													
39	Review Response to Real Estate Audit Final Draft Report													
UPCOMING 2020 ITEMS														
	Receive training from independent auditor annually	•												Scheduled for first meeting in 2020.
	Conduct self evaluation annually	•												Scheduled for first meeting in 2020.
	Review QEMS Annual Internal Audit Report		•											Scheduled for early 2020.
	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis			•										Provide overview of QEMS Process Improvement post ISO de-certification and provide benchmarking analysis for 2020.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.



Santa Clara Valley Water District

File No.: 19-1215

Agenda Date: 12/16/2019

Item No.: *5.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Board Independent Auditor Report Update - TAP International, Inc.

RECOMMENDATION:

- A. Discuss the Annual Audit Work Plan and update, if necessary;
- B. Discuss the status of on-going audits;
- C. Discuss the Contract Change Order Audit Management Response to Draft Report; and
- D. Discuss the scope of work for the ad-hoc review audits of grants, Valley Water hiring practices, and Board Agenda preparation process.

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.

On May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On September 26, 2018, TAP International presented the final Risk Assessment Model to the BAC assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment Model developed heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment include input from Valley Water's Board of Directors, management, and staff and would be used to assist in the development of an Annual Audit Work Plan. The highest risk areas include procurement, contract change order management, succession planning, and fraud prevention.

On February 26, 2019, the Board approved the Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee. The three audits include performance audits of the District Counsel's office, contract change order management processes, and real estate services.

An amendment to the Board independent auditing services agreement was initiated to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits. On June 7, 2019, the amendment was completed, therefore, TAP will initiate the performance audits of the District Counsel's office and real estate services. Following initiation of the audits, the Committee shall discuss the status of on-going audits

until the audits are completed.

On June 25, 2019, the Board approved the Annual Audit Work Plan for FY 2018-2019 through FY 2020-2021 (Attachment 1). In addition to carrying out audits in the Board approved Annual Audit Work Plan, the Committee shall discuss and update the Annual Audit Work Plan, if necessary.

On August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of TAP International, Inc.

Following Board approval of the three performance audits, TAP initiated the audit of contract change order management processes and discussed the audit scope with the BAC Chair. On October 23, 2019, Management Response to the Construction Contract Change Order Management and Administration audit draft report was initially submitted to TAP. At the November 18, 2019, BAC meeting, the BAC requested for staff to re-submit to TAP a revised Management Response, for later discussion by the Committee at the December 16, 2019, BAC meeting. Note: the revised Management Response to the Construction Contract Change Order Management and Administration audit draft report attachment will be provided via supplemental agenda memo.

As directed by the Board Audit Committee, TAP International updated the FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan to include the FY 2020-2021 Property Management Audit, to audit whether Valley Water is implementing the encroachment program consistent with the Board's guiding principles. As part of the FY 2020-2021 Ad-hoc Board Audits identified in the FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan, the Board Audit Committee also directed TAP to perform an ad-hoc review of the following: key controls and financial management regarding the extension of grants; risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process. The scope of work for the ad-hoc review audits of grants, Valley Water hiring practices, and Board Agenda preparation process will be discussed at the December 16, 2019, BAC meeting.

ATTACHMENTS:

Attachment 1: Annual Audit Work Plan
*Supplemental Agenda Memorandum

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

Santa Clara Valley Water District Annual Audit Work Plan, FY 18/19 to FY 20/21.

DRAFT AUDIT WORK PLAN – NOVEMBER 7, 2019
SANTA CLARA VALLEY WATER DISTRICT BOARD OF DIRECTORS DRAFT
ANNUAL WORK PLAN, FY 18/19 TO FY 20/21

OVERVIEW

The selection of audits is an important responsibility of the Audit Committee. The formulation of this audit work began in 2018 when the Valley Water's Board of Director provided input and approved the enterprise risk assessment that was administered across agency operations. The audit work plan is a culmination of a comprehensive effort to consider input on auditable areas from Valley Water employees, mid-level management, executive management, and Board Directors.

The proposed audit work plan considers factors that, if addressed, will provide opportunities to mitigate those risks and improve operations. These factors include:

- **Operational** – Are Valley Water programs/activities performed and services delivered in the most efficient, effective, and economical manner possible, and do they represent sound business decisions, including appropriate responses to changes in the business environment?
- **Financial** – Is there an opportunity to improve how Valley Water manages, invests, spends, and accounts for its financial resources?
- **Regulatory** – Do Valley Water programs and activities comply with applicable laws and regulations?
- **Health and Safety** – Are Valley Water services delivered in a manner that protects our residents and employees from unnecessary exposure to environmental factors?
- **Information Security** – Are Valley Water's information systems and networks protected against unauthorized access, use, disclosure, disruption, modification, inspection, recording, or destruction?

In addition, the proposed audit work plan considers several other factors in the selection of audits.

- **Relevance** – Does the audit have the potential to affect Board decision-making or impact Valley Water customers and residents?
- **Best Practices** – Does the audit provide the opportunity to compare current performance to best practices?
- **Return on Investment** – Does the audit have the potential for cost savings, cost avoidance, or revenue generation?
- **Improvement** – Does the audit have the potential to result in meaningful improvement in how Valley Water does its business?
- **Risk** - The audit work plan also considers risks related to major functions, as identified through a 2017 enterprise risk assessment conducted by TAP International.
- **Audit Frequency** – Individual Divisions at Valley Water should not be subject to more than two audits per year.

AUDIT WORK PLAN, FY 18/19 TO FY 20/21

This proposed audit work plan is divided into section. Section A describes ongoing non-audit (e.g. advisory) responsibilities of the Independent auditor and well as other quality assurance activities planned by executive management. Section B describes the audits planned for implementation by the Independent Auditor and other audits planned by Valley Water’s executive management.

SECTION A

NON-AUDIT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2019-20 audit work plan:

Project	Scope	Planned Hours
Board of Director/Audit Committee Requests for Information	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80
Audit Training	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to BAC committee members at least annually.	2
Support services	Ongoing. Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks, such as the planning of a new ERP system.	40
QEMS – Independent Auditor	Ongoing. Provide services to ensure proper oversight and accountability.	As needed
Management reviews	Ongoing. Valley Water ‘s CEO as needed will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed

SECTION B: AUDIT SERVICES**AUDIT WORK PLAN – INDEPENDENT AUDITOR****FY 2018-19**

The following audits have been approved in FY 2018-19 by the Board of Directors and will continue into the FY 2019-20 audit work plan.

ID	Audit	Audit Objectives	Planned Hours
1	District Counsel Office Review	Are there structural, organizational, and process improvement opportunities for the District Counsel's Office?	664
5	Contract Change Order Processing	What types of business process improvements are necessary for contract change order processing?	429
6	Real Estate Review	How can the Real Estate improve its financial and service delivery performance?	574
Total	3 audits		1,667

FY 2019-20

The following audits have been selected for approval for the FY 2019-20 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Sub Total		620-800	
13	Construction project management	What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?	314-371	Financial Improvement Risk Best practices
2	SCADA audit	Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Information Security Relevance Improvement Risk
7	Permitting best practices	How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	171-229	Operational Best practices Improvement

4	Risk Management	Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).	143-260	Relevance Financial Operational Best practices
3	Billing and Collections audit	Are there opportunities to enhance Valley Water's billing and collection processes?	343-429	Relevance Financial Regulatory Improvement Risk Return on Investment
11	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
Sub Total	6		1,800-2,317	

FY 2020-21

The following audits have been selected for approval for the FY 2020-21 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits*	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Subtotal		620-800	
21	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?	371-457	Financial Improvement Operational Best practices
	Property Management	<u>Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?</u>	400	Operational
20	Homelessness analysis	How can the Valley Water enhance its homelessness encampment clean-up activities that <u>protect health and safety?</u>	290-371	Health and Safety Relevance Financial Operational

8	Classified information**	To what extent does the Valley Water’s Counsel’s office appropriately classify confidential information?	143-200	Relevance Operational
26	Local workforce hiring	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Operational
27	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial
30	Community engagement	What are the best practices in planning and facilitating community engagement?	46-86	Best practices Operational
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Sub Total	7		1,125 -1,661	

*Ad-Hoc Audits to be added to the Board performance plan upon identification and approval of review.

**This issue was included in the project plan for the performance audit of the District Counsel’s office.

AUDIT WORK PLAN – VALLEY WATER RESPONSIBILITY

FY 18/19 THRU FY 19-20

QEMS

AUDIT DESCRIPTION	Proposed Audit Schedule 2019											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS												
Treated Water O&M DOO: Customer Service Survey								x				
Laboratory Services Unit												x
North Treatment Operations Unit												x
South Water Treatment Operations Unit												x
Treatment Plant Maintenance Unit												x
Water Quality Unit											x	
Water Utility Capital Division												
Capital Program Planning and Analysis Unit												
Construction Services Unit												x
East Side Project Delivery Unit (merged with and renamed Pipelines Project Delivery Unit)				x								

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 19-1198

Agenda Date: 12/16/2019

Item No.: *5.2.

SUPPLEMENTAL BOARD AGENDA MEMORANDUM

SUBJECT:

Board Independent Auditor Report Update - TAP International, Inc.

REASON FOR SUPPLEMENTAL MEMORANDUM:

Management Response to the Construction Contract Change Order Management and Administration Audit Draft Report

RECOMMENDATION:

- A. Discuss the Annual Audit Work Plan and update, if necessary;
- B. Discuss the status of on-going audits;
- C. Discuss the Contract Change Order Audit Management Response to Draft Report; and
- D. Discuss the scope of work for the ad-hoc review audits of grants, Valley Water hiring practices, and Board Agenda preparation process.

SUMMARY:

The Management Response to the Construction Contract Change Order Management and Administration Audit Draft Report will not be provided via supplemental agenda memo for discussion at the December 16, 2019, Board Audit Committee Meeting.

The Management Response to the Construction Contract Change Order Management and Administration Audit Draft Report is currently pending further revision by Valley Water staff prior to being presented to the Board Audit Committee.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

File No.: 19-1198

Agenda Date: 12/16/2019
Item No.: *5.2.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 19-1174

Agenda Date: 12/16/2019

Item No.: *5.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Restrictions on Closed Session Meetings.

RECOMMENDATION:

Receive Information on the Board Audit Committee's Ability to Have Future Closed Session Meetings.

SUMMARY:

At the November 18, 2019 Board Audit Committee (BAC) meeting, the BAC requested District Counsel staff to provide a non-confidential memorandum addressing the BAC's ability to have closed session meetings on special topics, and to place the memorandum on the December 16, 2019 BAC meeting agenda for discussion.

The memorandum on Restrictions on Closed Session Meetings is included as Attachment 1.

ATTACHMENTS:

Attachment 1: Restrictions on Closed Session Meetings

UNCLASSIFIED MANAGER:

Brian Hopper, 408-630-2765

THIS PAGE INTENTIONALLY LEFT BLANK

MEMORANDUM



TO: Board Audit Committee

FROM: Brian C. Hopper

SUBJECT: Restrictions on Closed Session Meetings

DATE: November 27, 2019

At the October 23, 2019, Board Audit Committee (BAC) meeting, a question was raised regarding under what occasions the BAC might be able to meet in closed session. As set forth below, given its oversight role, the BAC may only meet in closed session where there is both a statutory basis for closed session and the closed session relates to the actual power and purpose of the BAC. Given the broad range of audits and Limited Investigations that may be conducted in the future, the propriety of closed session will need to be evaluated on a case-by-case basis.

Discussion

The Ralph M. Brown Act¹ generally requires that public agencies hold their meetings in public. Pursuant to Santa Clara Valley Water District (Valley Water) Governance Policy GP-8.3,² board committees, such as the BAC, must conduct their meetings in accordance with the Brown Act. As an exception to the public meeting requirement, agencies may conduct closed sessions for specified statutory reasons and must provide notice of such closed sessions on regular meeting agendas.³ Notably, closed sessions are legally prohibited except as expressly authorized.⁴ The specific statutory grounds for closed session applicable to Valley Water overall are as follows⁵:

- Conference with real property negotiator (Govt. Code § 54956.8);
- Conference with legal counsel – existing litigation (Govt. Code § 54956.9(d)(1));
- Conference with legal counsel – anticipated litigation (Govt. Code § 54956.9(d)(2)-(4));
- Threat to public services or facilities (Govt. Code §§ 54957(a), 54956.5(c));
- Public employee appointment (Govt. Code § 54957);
- Public employment (Govt. Code § 54957);
- Public employee performance evaluation (Govt. Code § 54957);
- Public employee discipline or dismissal (Govt. Code § 54957(b));
- Hearing complaints or charges against a public employee by another person or employee, unless the [accused] employee requests a public session (Govt. Code § 54957(b));

¹ Govt. Code §§ 54950-54963

² GP 8.3 holds as follows: "Board Committees will conduct their meetings in accordance with the provisions of the Brown Act (Open Meetings Law), even when the Brown Act would not otherwise apply to the committee due to its nature, function, or duration. If an exception of this policy is deemed to be in the best interest of the District, the reason for the exception will be identified at the time the Board or Chair creates the committee."

³ Govt. Code § 54954.2(a).

⁴ Govt. Code § 54956.9(b).

⁵ Statutory provisions which do not apply to Valley Water are omitted as irrelevant to this discussion.

Examples of closed session justifications inapplicable to Valley Water include, but are not limited to, the following:

- Case review or planning (multijurisdictional law enforcement agency) (Govt. Code § 54957.8);
- Consideration of whether an applicant for a license or license renewal, who has a criminal record, is sufficiently rehabilitated to obtain the license (Govt. Code § 54956.7);
- Investment of Pension Funds (Govt. Code § 54956.81); and
- Records of certain health plans; meetings on health plan trade secrets (Govt. Code § 54956.87)

- Conference with labor negotiator (Govt. Code § 54957.6); and
- Response to confidential final draft audit report [from the Bureau of State Audits] (Govt. Code § 54956.75).⁶

It is not enough that the matter to be discussed is sensitive, involves privacy rights, or could place Valley Water in an embarrassing or disadvantageous position if made public. There must be a clear statutory basis to justify having a closed session meeting.⁷

Where committees of a public agency are involved, there are additional restrictions. The closed session *must* relate to the powers and duties of the committee conducting the closed session to be valid. For example, the Attorney General has determined that an Airport Commission, whose purpose was to advise the Board of Supervisors on airport matters, could conduct a closed session with legal counsel with respect to litigation controlled by the Board.⁸ In a later opinion, the Attorney General determined that a committee formed by a school district's board of trustees to make recommendations on the selection of a superintendent, could meet in closed session to interview the candidates.⁹ Similarly, in *Gillespie v. San Francisco Public Library Commission*,¹⁰ the court held that a city's library commission properly met in closed session to consider appointment of an employee even though the mayor had power to make the final selection from the commission's list of nominees.

In this case, the BAC's Audit Charter defines the committee's purpose and scope. The BAC assists the full Board by identifying potential areas for audit and audit priorities, and reviews, updates, plans, and coordinates execution of Board audits.¹¹ The BAC is also responsible for providing the Board with independent, objective advice on the adequacy of Valley Water management arrangements with respect to the aspects of the management of Valley Water being evaluated.¹² Given the BAC's defined purpose, for a closed session to be warranted, it would need to be carried out in furtherance of the BAC's oversight and advisory function.

While it is impossible to anticipate every type of situation that may arise, the following are illustrative examples of appropriate and inappropriate closed session subjects for the BAC:

Inappropriate:

- Conference with labor negotiator (Govt. Code §54957.6). Under this statute, the purpose for the closed session would be to give direction to the agency's labor negotiators regarding salaries, salary schedules, compensation paid in the form of fringe benefits, etc. Even if the BAC audited the labor negotiation process at Valley Water or how any particular labor negotiation was conducted, the BAC would not be giving direction to the labor negotiator regarding a particular negotiation or making a recommendation to the full Board regarding what direction to give the labor negotiator. The audits would relate to past negotiations. Consequently, there would not be valid grounds for a closed session meeting.

⁶ Please note, this statute does not provide grounds to meet in closed session to consider *any* draft audit report. Instead, it is limited to situations where a local agency (such as Valley Water) has received a confidential final draft audit report from the Bureau of State Audits, and it wishes to discuss its response to that report. (Govt. Code § 54956.75).

⁷ Govt. Code § 54956.9(b).

⁸ 67 Ops. Cal. Atty. Gen. 111 (1984).

⁹ 80 Ops. Cal. Atty. Gen. 308 (1997)

¹⁰ *Gillespie v. San Francisco Public Library Commission* (1998) 67 Cal.App.4th 1165.

¹¹ BAC Audit Charter, Article I.

¹² *Id.*

- Conference with real property negotiator (Govt. Code §54956.8). Under this statute, the purpose for the closed session would be to discuss with the agency's negotiator(s) the price and terms of payment for the purchase, sale, exchange, or lease of real property.¹³ The BAC would not have grounds for a closed session meeting to discuss any audit of past real estate transactions, since the purpose of the meeting would not be to give guidance to the real property negotiator on a pending transaction or to recommend that the Board provide the negotiator with such guidance.

Appropriate

- Response to confidential final draft audit report [from the Bureau of State Audits] (Govt. Code § 54956.75). Under this statute, the purpose of the closed session is to discuss the agency's response to a final draft audit of the Bureau of State Audits.¹⁴ If the California Bureau of State Audits ever conducted an audit of Valley Water and provided a final draft audit report, given the BAC's express role regarding Valley Water initiated and third-party audits, it would be appropriate for the BAC to conduct a closed session to discuss the response and what recommendation to make to the full Board regarding the response. Please note, this closed session justification is limited to audits conducted by the Bureau of State Audits.
- Threat to public services or facilities (Govt. Code §54957(a)). Under this statute, local agencies may conduct closed sessions with security consultants or security operations managers on matters posing a threat to the security of public buildings, threats to the security of essential public services, or a threat to the public's right of access to public services or facilities. Given the BAC's role in providing the Board with objective advice on the adequacy of Valley Water management's arrangements, one potential area of inquiry would be these threats and the adequacy of management's response thereto. To the extent that an audit was conducted on one of these subjects, the BAC could arguably conduct a closed session to discuss the results *so long as* the closed session discussion included a security consultant or security operations manager (as required by the statute), and the BAC made recommendations to the full Board.

Conclusion

The BAC may conduct closed session meetings with its Independent Auditor so long as: (a) there is a clear statutory basis for the meeting under the Brown Act, and (b) the purpose of the closed session falls squarely within the powers and responsibilities of the BAC. The propriety of a requested closed session will need to be evaluated on a case-by-case basis depending upon

¹³ Guidance from the Attorney General has further narrowed the scope of these discussions. 94 Ops. Cal. Atty. Gen. 82 (2011) (the exception must be narrowly applied and may not be used to discuss any and all aspects of a proposed real estate transaction. Only (1) the amount of payment a local agency is willing to pay or accept in a real estate transaction; (2) the form, manner and timing of such payment; and (3) other items essential to arriving at the authorized price and payment terms are appropriate topics.)

¹⁴ Once the audit report has become public, however, any discussion of it must be in open session unless specifically exempted from this requirement by some other provision of law. (Govt. Code §54956.75(b).)

the specific nature of the underlying audit or Limited Investigation conducted, and the stated purpose for the closed-door discussion.



Brian C. Hopper
Sr. Assistant District Counsel

c: Board of Directors, N. Camacho, M. King, D. Taylor, TAP International, Inc., Attorneys