



Santa Clara Valley Water District Board Audit Committee Meeting

Teleconference Zoom Meeting

2:00 PM REGULAR MEETING AGENDA

Wednesday, November 18, 2020
2:00 PM

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

BOARD AUDIT COMMITTEE

Barbara Keegan, Chair, District 2
Gary Kremen, Vice Chair, District 7
Linda J. LeZotte, District 4

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

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**Santa Clara Valley Water District
Board Audit Committee
2:00 PM REGULAR MEETING
AGENDA**

Wednesday, November 18, 2020

2:00 PM

Teleconference Zoom Meeting

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

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

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

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

Join Zoom Meeting:

<https://valleywater.zoom.us/j/92008909366>

Meeting ID: 920 0890 9366

Join by Phone:

1 (669) 900-9128, 92008909366#

1. CALL TO ORDER:

1.1. Roll Call.

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

Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. 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.

[20-1065](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 102120 BAC Minutes](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

- 4.1. Receive and Discuss a Status Update on Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc. [20-0769](#)
Recommendation: Receive and discuss a status update on recommendations from the Contract Change Order Audit conducted by TAP International, Inc.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PowerPoint](#)
Est. Staff Time: 10 Minutes
- 4.2. Review and Approve the Updated 2020 Board Audit Committee Work Plan. [20-1005](#)
Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan; and
B. Approve the updated 2020 BAC Work Plan.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Updated 2020 BAC Work Plan](#)
- 4.3. Discuss the Potential for a Desk Review or Audit of the Sponsorship Program. [20-1010](#)
Recommendation: Discuss the potential for a desk review or audit of the Sponsorship Program.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes
- 4.4. Recommended Updates to Annual Audit Work Plan. [20-1011](#)
Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Annual Audit Work Plan](#)

5. INFORMATION ITEMS:

- 5.1. Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues. (Continued from August 19, 2020) [20-0789](#)
Recommendation: Discuss content and format of the Valley Water Comprehensive Annual Financial Report (CAFR) and determine whether or not to recommend policy changes to the full Board.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PAFR 2017-18 City of Los Altos](#)
[Attachment 2: PAFR 2018-19 Las Virgenes Water District](#)
Est. Staff Time: 10 Minutes
- 5.2. Receive an Update on the Status of the Quality and Environmental Management System (QEMS) Methodology Benchmarking Analysis. [20-1055](#)
Recommendation: Receive an update on the status of the on-going QEMS Methodology Benchmarking Analysis.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PowerPoint](#)
- 5.3. Receive an Update on the Status of the Safe, Clean Water Program Grant Management Audit. [20-1008](#)
Recommendation: Receive an update on the status of the on-going Safe, Clean Water Program Grant Management Audit.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Audit Progress Report](#)
Est. Staff Time: 5 Minutes
- 5.4. Receive an Update on the Status of the Permitting Best Practices Audit. [20-1009](#)
Recommendation: Receive an update on the status of the on-going Permitting Best Practices Audit.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PowerPoint](#)
Est. Staff Time: 10 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 at 2:00 p.m., on December 16, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

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Santa Clara Valley Water District

File No.: 20-1065

Agenda Date: 11/18/2020

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: 102120 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

Wednesday, October 21, 2020
2:00 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 2:00 PM.

1.1 Roll Call.

Committee members in attendance were District 2 Director Barbara Keegan, Chairperson presiding. Committee members participating by teleconference were District 4 Director Linda J. LeZotte, and District 7 Director Gary Kremen, constituting a quorum of the Committee.

Staff in attendance were M. Overland and E. Sans. Staff members participating by teleconference were R. Callender, Chief Executive Officer (CEO), M. King, Clerk, Board of Directors, G. Del Rosario, B. Hopper, N. Nguyen, D. Taylor, B. Yerrapotu, and T. Yoke.

Also, in attendance by teleconference were D. Callahan, K. Kousser, D. Kahn, and G. Macdonald, TAP International, Inc. (TAP).

2. 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 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 September 16, 2020, meeting. It was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that the amended minutes be approved.

4. ACTION ITEMS

4.1 Receive an Update on the Status of the Safe, Clean Water Program Grant Management Audit.

Recommendation: Receive an update on the status of the on-going Safe, Clean Water Program Grant Management Audit.

Mr. Drummond Kahn, and Ms. Greta Macdonald, TAP International Inc., reviewed the information on this item, per the attached Committee Agenda Memorandum, and the corresponding presentation materials contained in Attachment 1 were reviewed by TAP as follows: Mr. Kahn reviewed Slides 1 through 3; and Ms. MacDonald reviewed Slides 4 through 7.

The Committee noted the information, without formal action, and requested the following:

- Staff to place the progress report item on the November 18, 2020 Committee meeting agenda.

4.2 Approve the Final Audit Report for the Real Estate Services Audit for Presentation to the Full Board.

Recommendation: Approve the final audit report for the Real Estate Services Audit and direct staff and TAP International, Inc. to present to the full Board at a future Board meeting.

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

The Committee considered the attached Final Audit Report for the Real Estate Services Audit for Presentation to the full Board, and it was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that staff bring to the full Board the Final Audit Report for the Real Estate Services Audit for presentation to the full Board at the next available Board meeting, by roll call vote.

4.3 Receive and Discuss the District Counsel Audit Report.

Recommendation: A. Receive and Discuss the District Counsel Audit Draft Report; and
B. Approve Issuance of District Counsel Audit Draft Report.

Ms. Callahan reviewed the information on this item, per the attached Committee Agenda Memorandum, and Ms. Kate Kousser, TAP International, Inc., reviewed the information contained in Attachment 1.

The Committee noted the information and requested the following:

- TAP to make updates to the report for the term “entrepreneurial” and research Master Services Agreements for legal firms, TAP will issue the report to the District Counsel to kick-off the 15-day management response.

The Committee considered the attached District Counsel Audit Draft Report, and it was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried the issuance of District Counsel Audit Draft Report, by roll call vote.

Chairperson Keegan moved the agenda to Item 5.1.

Mr. Taylor reviewed the information on items 5.1, and 5.2, per the attached Committee Agenda Memorandums.

5.1 Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2019.

Recommendation: Receive and discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2019.

The Committee noted the information without formal action and requested the following:

- Staff to draft a full Board agenda item for presentation at the next available Board meeting.

5.2 Discuss Strategy to Establish Additional Auditors via a Master Services Agreement in conjunction with Options to Conduct the October 2021 Risk Assessment given that the Board Independent Auditing Services Agreement with TAP International expires on June 30, 2021.

Recommendation: Discuss strategy to establish additional auditors via a Master Services Agreement in conjunction with options to conduct the October 2021 Risk Assessment given that the Board Independent Auditing Services Agreement with TAP International expires on June 30, 2021.

The Committee noted the information without formal action and requested the following:

- Staff to proceed with Master Services Request for Proposal (RFP) for additional auditors to complement “Chief Audit Executive”;
 - Direct Keegan, Brian Hopper, and TAP to make additional updates to the BAC Audit Charter; and
- Staff to bring Risk Assessment discussion back to the Committee at the December 16, 2020 Committee meeting.

Chairperson Keegan returned the agenda to Item 4.4.

Mr. Darin Taylor, Chief Financial Officer, reviewed the information on items 4.4, and 4.5, per the attached Committee Agenda Memorandums.

4.4 Review and Approve the Updated 2020 Board Audit Committee Work Plan.

- Recommendation:
- A. Review and discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan; and
 - B. Approve the updated 2020 BAC Work Plan.

The Committee noted the information, without formal action, and requested the following:

- Staff to bring Line Item 100, Sponsorship Program, to the November 18, 2020 Committee meeting;
- District Counsel Classified Information item to be brought to the Committee at the December 16, 2020, Committee meeting; and
- Staff to add the progress report item for the Permitting Best Practices Audit to the November 18, 2020 Committee meeting agenda.

4.5 Recommend Updates to Annual Audit Work Plan.

- Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

The Committee noted the information, without formal action, and requested the following:

- Staff to include updates as previously approved by the full Board as the updated attachment for this standing BAC agenda item.

5. INFORMATION ITEMS

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

6.1 Clerk Review and Clarification of Committee Requests.

None.

7. ADJOURN

- 7.1 Adjourn to Regular Meeting at 2:00 p.m., on November 18, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Chairperson Keegan adjourned the meeting at 4:00 p.m., to the 2:00 p.m. Regular Meeting on November 18, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Max Overland
Assistant Deputy Clerk of the Board

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Santa Clara Valley Water District

File No.: 20-0769

Agenda Date: 11/18/2020
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Receive and Discuss a Status Update on Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

RECOMMENDATION:

Receive and discuss a status update on recommendations from the Contract Change Order Audit conducted by TAP International, Inc.

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 (Contract Change Order Audit), and real estate services. An amendment to the Board independent auditing services agreement was completed on June 7, 2019, 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.

Following Board approval of the amendment, 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 contract change order audit draft report was submitted to TAP, for later

discussion by the Committee at the following Board Audit Committee meeting in November 2019.

On November 18, 2019, Staff presented the Draft Management Response and the BAC requested for staff to correct, unify, and simplify analysis for the Contract Change Order Management Response. At the January 22, 2020, BAC meeting, the Contract Change Order Audit Management Response to Draft Report was provided.

At the February 19, 2020, BAC meeting TAP presented the Auditor Response to the Management Response for the Contract Change Order Audit Report. Upon Committee review of the Auditor Response, the Committee directed staff to present the approved final draft audit report and management response to the Board of Directors at the May 12, 2020, Board meeting.

The Committee requested staff to provide a periodic update on the status of the recommendations from the Contract Change Order Audit Report. The PowerPoint presentation for the Contract Change Order Audit Report update is provided as Attachment 1.

ATTACHMENTS:

Attachment 1: Update on Contract Change Order Audit

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Valley Water

Clean Water • Healthy Environment • Flood Protection



Construction Contract Change Order Management & Administration: Update on Contract Change Order Audit

Presented by: Roslyn Fuller, Deputy Administrative Officer of General Services

Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

Background & Intent

The audit examined construction contract change order business processes from initiation of a change order to reporting of change order to the Board of Directors.

The recommendations included in the final audit report are designed to mitigate the potential service and financial risks created by the issuance of change orders on large-scale capital construction projects

Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

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Recommendation #1: Update capital construction change order policies and procedures	Status
<p>a. Require an Independent Cost Estimate (ICE) by in-house and/or on-call cost estimator for change orders for capital construction contract over \$100 million or lower if determined by respective Chief Operating Officers (COO)</p> <p>Actions: Request for Proposals being developed to solicit professional cost estimators to provide ICE; cost estimating classes identified to train VW project managers for in-house estimates</p> <p>Target Implementation: Revised from December 2020 to August 2021</p>	In-progress
<p>b. Use a separate advisory body, Change Control Board (CCB) and Project Steering Committee (PSC) to review and recommend the approval of change orders</p> <p>Actions: CCB and PSC policies and procedures are being developed and subject matter experts will be included as required; percentage of change order will also be considered for CCB review.</p> <p>Target Implementation: Revised from December 2020 to August 2021</p>	In-progress
<p>c. Prohibit commencement of work until after formal approval of change order</p> <p>Actions: Delegation of Authority policies in development</p> <p>Target Implementation: Revised from December 2020 to Oct. 2021</p>	In-progress

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Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

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Recommendation #2: Enhance Constructability Reviews as part of the construction project design phase	Status
<p>a. All large-scale and higher risk projects currently require third party and /or peer review. Staff will secure consultant services to provide third party constructability reviews.</p> <p>Actions: Scope of work in development for consultant solicitations. New & existing Design review forms & Master Checklist to be revised for more substantive QA/QC process. Staff to be trained to assume collateral duties for in-house peer reviews.</p> <p>Target Implementation: Revised from December 2020 to August 2021</p>	In-progress
Recommendation #3: Enhance the review and approval process for change orders <ul style="list-style-type: none"> ▪ Create Capital Project Steering Committee (PSC) for large scale and high-risk projects for process and change order oversight as determined by the CEO 	Status
<p>Actions: The current change order flowchart will be revised to incorporate change order approval delegation to the Change Control Board (CCB). The PSC will provide oversight for projects over \$100 million and high-risk projects for both design and construction changes.</p> <p>Target Implementation: Revised from July 2021 to December 2021</p>	In-progress

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Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

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Recommendation #4: Create a Resource Service Office (RSO) <ul style="list-style-type: none"> • Businesses process and information system in support of large capital projects • Resources to support smaller capital projects • Integration of design and construction activities; policies & procedures; standardization; guidelines & checklists; continuous process improvement & performance base management system 	Status
<p>a. The term “Project Control Office” (PCO) will be used instead of Resource Services Office (RSO) as it’s more applicable to the functions of the Capital Construction and Watersheds Divisions under the newly created Integrated Water Management under the ACEO.</p> <p>Actions: Staff reviewed recommendation and is in the process of defining the roles and responsibilities of the PCO which will support and reduce the workload of project managers and avoid the silo effect.</p> <p>The PCO will support but not manage the following activities:</p> <ul style="list-style-type: none"> • Monitoring of design and construction activities • Contract management & change order process <p>Target Implementation: Revised from July 2021 to December 2021</p>	<p>In-progress</p>

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Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

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Recommendation #5: Transfer the responsibility to administer procurement activities on capital projects: centralization of all procurement activities; change order management; updating change order policies and procedures; spot audits for contract terms compliance	Status
a. The transfer of capital construction contracts procurement activities had been executed effective October 2019 to the newly established Construction Contracts and Support Unit	Completed
b. Contract Administration and change order management will remain unchanged with the project managers	N/A

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Construction Contract Change Order Management & Administration - Audit Recommendations & Responses



Recommendation #6: Promote the uniform implementation of change order management and administration: Establish criteria for contingency; updating Quality Management System Forms; enhance risk management process; enhanced project management training	Status
a. Contingency will continue to be separately approved by the Board of Directors for each capital construction project for transparency; criteria for contingency will not be established	N/A
b. Updating Quality and Environmental Management System (QEMS) Actions: <ul style="list-style-type: none"> • Prepare risk register with reference to past projects for insurance requirements and large projects costs and method risk mitigation • Identify list of quality records to be included in the contract file as well as standard electronic folder system Target Implementation: Revised December 2020 to December 2021 & continuous	In-progress
c. Training on essential project management skills is a continuous process for change order management and administration, continue to explore Federal, State, non-profit and professional organizations training programs Target Implementation: December 2021 & continuous	In-progress



Construction Contract Change Order Management & Administration - Audit Recommendations & Responses

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Recommendation #7: Develop, track, and report on performance metrics	Status
<p>Actions: Development of project plans that include performance metrics for all projects have been included within the CIP module of VENA. Currently Change Management Memorandum is required when schedule and/or budget tolerances in the project plan are exceeded. Additional performance metrics and key performance indicators (KPI's) for monitoring and reporting are also in development.</p> <p>Target Implementation: December 2021 and continuous</p>	In-progress

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QUESTIONS





Santa Clara Valley Water District

File No.: 20-1005

Agenda Date: 11/18/2020

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Review and Approve the Updated 2020 Board Audit Committee Work Plan.

RECOMMENDATION:

- A. Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan; and
- B. Approve the updated 2020 BAC 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.

As recommended by the Committee and approved by the full Board on October 13, 2020, the following updates were applied to the Committee Work Plan: (1) list the permitting best practices audit (Line Item 44) as the next audit to be undertaken by TAP; and (2) combine the two community engagement audits into one audit (Line Item 68). Per the October 21, 2020, Committee meeting, discussion of District Counsel Classified Information (Line Item 80) was selected to be brought forth at the December 16, 2020, Committee meeting.

Attachment 1 is the updated 2020 Board Audit Committee Work Plan. Upon review, the Committee may approve the updated 2020 Board Audit Committee Work Plan and/or make changes, as determined by the Committee.

ATTACHMENTS:

Attachment 1: Updated 2020 BAC Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
Board Audit Committee Meeting Dates														
1	Meeting Dates	•	•					•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2020, to meet monthly, on the third Wednesdays at Noon, with the exception of January.
Board Audit Committee Management														
2	Election of 2020 BAC Chair and Vice Chair	•	•											<u>Recommendation:</u> Nominate and elect the 2020 Board Audit Committee Chair and Vice Chair.
3	Board Audit Committee Audit Charter							•						<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
4	Review and Update 2020 BAC Work Plan	•	•					•	•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2020 Board Audit Committee Work Plan.
5	Discuss Scope of Annual Audit Training from Board Independent Auditor	•												<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
6	Receive Annual Audit Training from Board Independent Auditor							•						<u>Note:</u> Training will be given to the full Board on the audit process. Management to identify staff to attend the training. <u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor on the Audit Process.
7	Conduct Annual Self-Evaluation	•	•											<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Prepare Formal Report to provide to the full Board.
8	Receive and Discuss Board Auditor Activity Report to Evaluate Board Auditor Performance	•	•										•	<u>Recommendation:</u> Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor Performance.
9	Discuss Extension or Termination of Board Independent Auditor Contract for Board Independent Auditing Services Prior to Expiration of the Agreement Effective May 8, 2020.		•											<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective May 8, 2020; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc. for one year and increase the not-to-exceed amount by \$600,000 from \$1,005,000 to \$1,605,000.

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/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
10	Discuss the Options to Increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount							•						Recommendation: A. Discuss the Option to Increase the Board Independent Auditing Services Agreement; and B. Approve recommendation to the full Board to: 1. Exercise the option to increase the Board Independent Auditing services Agreement not-to-exceed amount by \$600,000 from \$1,005,000 to \$1,605,000; or 2. Continue with the current not-to-exceed amount of \$1,000,005 for the Board Independent Auditing Services Agreement with TAP International.
Board Audit Committee Special Requests														
11	Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor		•					•						Recommendation: Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor.
12	External Financial Auditor Meeting with Individual Board members													Note: Schedule as needed.
13	Provide status report to full Board quarterly													Note: Report to be provided to Board in non-agenda the month after each BAC meeting.
14	Discuss the Scope and Approach of the Ad-hoc Desk Reviews	•												Recommendation: Discuss the scope and approach of the ad-hoc Desk Reviews.
15	Grant Management Ad-hoc Desk Review		•					•	•					Recommendation: Discuss the status of the on-going desk review.
16	Hiring Practices Ad-hoc Desk Review		•					•						Recommendation: Discuss the status of the on-going desk review.
17	Board Agenda Preparation Ad-hoc Desk Review		•									•		Recommendation: Discuss the status of the on-going desk review.
18	Receive a Response to the Board Audit Committee's Inquiries Regarding the Real Estate Services Audit Report Findings												•	Recommendation: The BAC requested staff to return to the BAC with the following information: (1) information regarding the difference between Real Estate being first contact instead of CPRU; (2) information regarding the best practices regarding environmental assessments taking six months or if there is room for improvement; and (3) information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process in an effort to increase efficiency.
19	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract	•	•											Recommendation: Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.
20	Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues												•	Recommendation: Discuss and provide direction on the content and format of the Valley Water Comprehensive Annual Financial Report. A. Receive and discuss update on research regarding valuing water as an asset and other policy issues.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
21	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis													<p>Note: At the Dec '19 BAC meeting, the BAC approved new PO for \$25K min for Tanner Pacific, Inc. to prepare QEMS Methodology Benchmarking Analysis.</p> <p>Recommendation: Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.</p>
Management and Third Party Audits														
22	Review Draft Audited Financial Statements													<p>Recommendation: A. Review draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p>
23	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year													<p>Recommendation: Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.</p>
24	Receive QEMS Annual Internal Audit Report													<p>Recommendation: Receive information regarding the Quality and Environmental Management System.</p>
25	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.													<p>Note: Staff CAS update every 6 months.</p> <p>Recommendation: Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.</p>
26	Review Contract Change Order Audit Report													<p>Note: Staff periodic update.</p> <p>Recommendation: Receive and discuss a status update on the implementation of the recommendations made by TAP International, Inc. in the Contract Change Order Audit Report.</p>
27	Status Update on the Lower Silver Creek Watershed Project Audit													<p>Recommendation: Receive and discuss a status update on the State Controller Office Audit of Flood Control Subventions Program for Claim Numbers 86 - 91, submitted during the audit period, 08/01/2012 - 05/12/2016.</p>
28	Status Update on the Annual Federal Single Audit of Federal Grants Audit													<p>Recommendation: Receive and discuss a status update on the audit of an entity that expends \$750,000 or more of federal assistance received for its operations. Once completed, the Single Audit must be submitted to the Federal Audit Clearinghouse.</p>
29	Audit Recommendations Implementation Status													<p>Recommendation: Receive and discuss a status update on the implementation of audit recommendations.</p>

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Board Independent Auditor - TAP International, Inc. Items														
30	Review and Update Annual Audit Work Plan	•	•					•	•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.
Audit - Change Order														
31	Final Draft Management Response for the Contract Change Order Audit	•												<u>Recommendation:</u> Discuss the Final Draft Management Response to Draft Contract Change Order Audit Report.
32	Receive and Discuss Auditor Response to Final Draft Management Response for the Contract Change Order Audit		•											<u>Recommendation:</u> A. Receive and discuss the Auditor Response to the Final Draft Management Response to Draft Contract Change Order Audit Report; and B. Direct staff to have TAP International, Inc. to present the Final Draft Audit Report and Management Response to the Board of Directors.
Audit - Real Estate														
33	Review Real Estate Audit Progress Report	•	•											<u>Recommendation:</u> Receive an update on the status of the on-going audit.
34	Review Real Estate Audit Draft Report Presentation							•						<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
35	Review Response to Real Estate Audit Final Draft Report												•	<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - District Counsel														
36	Review District Counsel Audit Progress Report	•	•					•	•					<u>Recommendation:</u> Receive an update on the status of the on-going audit.
37	Review District Counsel Audit Draft Report Presentation												•	<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
38	Review Response to District Counsel Audit Final Draft Report												•	<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Grants Management														
39	Receive notification of initiated Grants Management Audit												•	<u>Note:</u> Audit Objectives - Performance audit of the efficiency and effectiveness of grant management and administration.
40	Review Grants Management Audit Progress Report												•	<u>Recommendation:</u> Receive an update on the status of the on-going audit.
41	Review Grants Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

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		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
42	Review Response to Grants Management Audit Final Draft Report												<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Permitting Best Practices														
43	Receive notification of initiated Permitting Best Practices Audit												• <u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	
44	Review Permitting Best Practices Audit Progress Report												• <u>Recommendation:</u> Receive an update on the status of the on-going audit.	
45	Review Permitting Best Practices Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
46	Review Response to Permitting Best Practices Audit Final Draft Report												<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Construction Project Management (Tentative)														
47	Receive notification of initiated Construction Project Management Audit												<u>Note:</u> Audit Objectives - What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?	
48	Review Construction Project Management Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
49	Review Construction Project Management Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
50	Review Response to Construction Project Management Audit Final Draft Report												A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Supervisory Control and Data Acquisition (Tentative)														
51	Receive notification of initiated Supervisory Control and Data Acquisition Audit												<u>Note:</u> Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	
52	Review Supervisory Control and Data Acquisition Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
53	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	

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January 1, 2020 to December 31, 2020

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		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
54	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Risk Management (Tentative)														
55	Receive notification of initiated Risk Management Audit													<u>Note:</u> Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).
56	Review Risk Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
57	Review Risk Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
58	Review Response to Risk Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Billing and Collections (Tentative)														
59	Receive notification of initiated Billing and Collections Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance Valley Water's billing and collection processes?
60	Review Billing and Collections Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
61	Review Billing and Collections Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
62	Review Response to Billing and Collections Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Accountability (Tentative)														
63	Receive notification of initiated Accountability Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance safe clean water audits?
64	Review Accountability Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
65	Review Accountability Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
66	Review Response to Accountability Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

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		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
Audit - Community Engagement (Tentative)														
67	Receive notification of initiated Community Engagement Audit													Note: Audit Objectives - Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement?
68	Review Community Engagement Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
69	Review Community Engagement Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
70	Review Response to Community Engagement Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Property Management (Tentative)														
71	Receive notification of initiated Property Management Audit													Note: Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
72	Review Property Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
73	Review Property Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
74	Review Response to Property Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Homelessness Analysis (Tentative)														
75	Receive notification of initiated Homelessness Analysis Audit													Note: Audit Objectives - How can Valley Water enhance its homelessness encampment clean-up activities that protect health and safety?
76	Review Homelessness Analysis Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
77	Review Homelessness Analysis Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
78	Review Response to Homelessness Analysis Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

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		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
Audit - Classified Information (Tentative)														
79	Receive notification of initiated Classified Information Audit												•	Note: Audit Objectives - To what extent does Valley Water's Counsel's Office appropriately classify confidential information?
80	Review Classified Information Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
81	Review Classified Information Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
82	Review Response to Classified Information Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Local Workforce Hiring (Tentative)														
83	Receive notification of initiated Local Workforce Hiring Audit													Note: Audit Objectives - What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?
84	Review Local Workforce Hiring Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
85	Review Local Workforce Hiring Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
86	Review Response to Local Workforce Hiring Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Equipment Maintenance (Tentative)														
87	Receive notification of initiated Equipment Maintenance Audit													Note: Audit Objectives - Is Valley Water adequately meeting the needs of equipment maintenance?
88	Review Equipment Maintenance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
89	Review Equipment Maintenance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
90	Review Response to Equipment Maintenance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Delta Conveyance (Tentative)														
91	Receive notification of initiated Delta Conveyance Audit													Note: Audit Objectives - What potential financial risks could occur on the California Water Fix project?
92	Review Delta Conveyance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
93	Review Delta Conveyance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
94	Review Response to Delta Conveyance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
BAC Work Plan Items Outside of the Current Term														
95	BAC Self-Evaluation Report													<u>Note:</u> Per the February 19, 2020 BAC meeting, the BAC Self-Evaluation form is to be completed and a formal report provided to the full Board at a future meeting.
96	Sponsorship Program													<u>Recommendation:</u> Discuss the potential for a desk review or audit of the Sponsorship Program.
97	Prepare risk assessment tri-annually													<u>Note:</u> Next Risk Assessment scheduled to be completed in October 2021.
98	Establishment of Additional Board Auditors													<u>Recommendation:</u> Discuss the potential master services agreement to recommend to the full Board for the establishment of additional Board Auditors.
99	Participate in financial statement audit procurement process													<u>Note:</u> Next procurement scheduled for January 2022.

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Santa Clara Valley Water District

File No.: 20-1010

Agenda Date: 11/18/2020

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Discuss the Potential for a Desk Review or Audit of the Sponsorship Program.

RECOMMENDATION:

Discuss the potential for a desk review or audit of the Sponsorship Program.

SUMMARY:

At the July Board Audit Committee (BAC) meeting, during the discussion of the Safe, Clean Water Program Grant Management ad-hoc desk review, Ms. Trish Mulvey, Palo Alto resident, requested that the Committee consider performing an audit regarding Valley Water's Sponsorship Program. The Committee requested that staff place this item on a future BAC meeting agenda for further discussion. The purpose of this agenda item is to have the requested discussion on whether or not to pursue any audit-related work on Valley Water's Sponsorship Program.

Valley Water's Sponsorship Program, managed by the Office of Government Relations, includes sponsorship of community activities that promote Valley Water's interests and mission. In Fiscal Year 2019 - Fiscal Year 2020, Valley Water sponsored 58 events and allocated \$100,000 to sponsor events. Through community-related partnerships and contributions, Valley Water is proactive in developing relationships with organizations that foster diversity and inclusion which helps Valley Water leverage its expertise and strengthen how services are delivered to local communities.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

File No.: 20-1011

Agenda Date: 11/18/2020

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Recommended Updates to Annual Audit Work Plan.

RECOMMENDATION:

Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (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 presented the final Risk Assessment Model to the BAC, which provided an assessment of 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 included input from Valley Water's Board of Directors, management, and staff, and was used to assist in the development of an Annual Audit Work Plan. The highest risk areas included procurement, contract change order management, succession planning, and fraud prevention.

On February 26, 2019, the Board approved the BAC's recommendation for TAP to conduct three performance audits. The three audits included performance audits of the District Counsel's office, contract change order management processes, and real estate services. On June 7, 2019, an amendment to the Board independent auditing services agreement was completed 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 25, 2019, the Board approved the Annual Audit Work Plan for FY 2018-2019 through FY 2020-2021 (Annual Audit Work Plan) (Attachment 1). In addition to carrying out audits in the Board approved Annual Audit Work Plan, the BAC shall discuss and propose any updates to the Annual Audit Work Plan, if necessary.

The Board previously approved updates to the 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 included in the Annual Audit Work Plan, the BAC also identified three desk reviews to be performed by TAP: 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. These desk reviews are not full and formal audits, and they are designed to quickly identify the need, or lack of need, for a formal audit. To the extent formal audits are recommended as a result of the desk reviews, approval will be sought from the full Board before their initiation.

On July 21, 2020, the Board approved an update to the Annual Audit Work Plan to include the FY 2020-2021 Grants Management Audit, for a performance audit of the efficiency and effectiveness of grant management and administration.

At the September 16, 2020, BAC meeting, the Committee requested Staff to present proposed updates to the Annual Audit Work Plan to the full Board. At the full Board meeting held on October 13, 2020, the Board approved the following updates to the Annual Audit Work Plan as recommended by the BAC:

1. Approve the Permitting Best Practices Audit as the next audit to be undertaken by TAP;
2. Approve modifying the Annual Audit Work Plan such that the two community engagement audits (ID 21 and ID 30) are combined into one audit (ID 21); and
3. Approve modifying the Annual Audit Work Plan to note that the SCADA audit (ID 2) will be deferred and reconsidered during the next Risk Assessment given the master planning efforts underway for Valley Water's SCADA systems.

The BAC is requested to identify any potential changes to the Annual Audit Work Plan to recommend to the Board for approval.

ATTACHMENTS:

Attachment 1: Annual Audit Work Plan.

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 – OCTOBER 13, 2020

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	5		1,800-2,317	

*The SCADA audit (ID 2) will be deferred and reconsidered during the next Risk Assessment given the master planning efforts underway for Valley Water's SCADA systems.

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	
	<u>Grants Management</u>	<u>Performance audit of the efficiency and effectiveness of grant management and administration</u>	<u>Outsourced-TBD</u>	<u>Financial improvement</u> <u>Operational Best practices</u>
21	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement?	417-543	Financial Improvement Operational Best practices

	Property Management	<u>Is Valley Water implementing its 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
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Sub Total	8		1,125 -1,661	

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

***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

QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS	
AUDIT DESCRIPTION AND UNIT #	
Treated Water O&M DOO: TW Survey (customer service w/ WS DOO)	#515
Laboratory Services Unit	#535
North Water Treatment Operations Unit	#565
South Water Treatment Operations Unit	#566
Treatment Plant Maintenance Unit (North & South WTP)	#555
Water Quality Unit	#525
Water Utility Capital Division	
Capital Program Planning and Analysis Unit	#335
Construction Services Unit	#351
Pipelines Project Delivery Unit	#385
East Side Project Delivery Unit	#375
West Side Project Delivery Unit	#376
Dam Safety & Capital Delivery Division	
CADD Services Unit	#366
Dam Safety Program & Project Delivery Unit	#595
Design and Construction Unit #3	#333
Pacheco Project Delivery Unit	#377
Water Supply Division DOO: TW Survey (customer service w/ TW O&M DOO)	#415
Wells & Water Measurement Unit	#475
Watersheds Design and Construction Division	
Design and Construction Unit #1	#331
Design and Construction Unit #2	#332
Design and Construction Unit #4	#334
Design and Construction Unit #5	#336
Land Surveying and Mapping Unit	#367
Real Estate Services Unit	#369
Associated Business Support Areas	
Facilities Management Unit	#887
Infrastructure Services Unit/IT	#735
Equipment Management Unit	#885
Business Support & Warehouse Unit	#775
Purchasing & Consultant Contracts Services Unit	#820

Emergency Services & Security	#219
Environmental, Health & Safety Unit	#916
Workforce Development (Training)	#915
Core ISO Procedures: Continual Improvement Unit	#116
Office of Communications (Customer Service)	#172
Office of the Clerk of the Board (Customer Service)	#604

COMPLIANCE AND FINANCIAL AUDITS

FINANCIAL AUDITS
Financial Audits
Treasurer's Report
Appropriation's Limit
Compensation and Benefit Compliance (odd years)
Travel Expenses Reimbursement (even years)
Single Audit (if applicable)
WUE Fund Audit



Santa Clara Valley Water District

File No.: 20-0789

Agenda Date: 11/18/2020

Item No.: 5.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues. (Continued from August 19, 2020)

RECOMMENDATION:

Discuss content and format of the Valley Water Comprehensive Annual Financial Report (CAFR) and determine whether or not to recommend policy changes to the full Board.

SUMMARY:

The purpose of this agenda item is to discuss content and format of the Valley Water CAFR as well as certain CAFR related issues that could result in policy recommendations from the Board Audit Committee to the full Board.

CAFR Content and Format Flexibility

Following both Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) accounting pronouncements, the CAFR is structured and presented to meet a stringent set of requirements in order to receive the annual Certificate in Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The financial statements in the CAFR include governmental funds and enterprise funds, which are then consolidated into the Government-wide presentation. The financial statements, along with required Notes disclosures follow a specific checklist provided by GFOA. The CAFR is comprised of several parts including:

- The Letter of Transmittal
- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information

- Supplemental Information
- Statistical Section

There is more format and content flexibility as it relates to the Letter of Transmittal and Management Discussion and Analysis, both of which are controlled by management. However, there is very little format and content flexibility as it relates to the rest of the CAFR parts as they fall under a stringent set of requirements. Valley Water's CAFR is similar to other agencies who submit their CAFRs for the same recognition, including the City of Palo Alto.

To make Valley Water's financial statements more understandable to the public, Valley Water could prepare a Popular Annual Financial Report (PAFR) as a companion to the CAFR, which is also submitted to GFOA for an award. The PAFR is a much shorter document (typically about 15 pages) that is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. See Attachments 1 and 2 for PAFR examples from the City of Los Altos, and the Las Virgenes Water District respectively.

Water Inventory

Currently Valley Water does not recognize Water Inventory on the balance sheet. A review of California Water Enterprise Special Districts shows that some agencies carry water inventory on the balance sheet and some don't. Agencies that do include:

- Metropolitan Water District
- Easter Municipal water District
- Irvine Ranch Water District
- San Diego County Water Authority
- Santa Margarita Water District

Agencies that don't include:

- East Bay Municipal Utility District
- Contra Costa Water District
- Alameda County Water District
- Orange County Water District
- Marin Municipal Water District

As of June 30, 2020, Valley Water had 344,662 acre-feet (out of a 350,000 acre-fee allocation) in

Semitropic groundwater reserves. Utilizing a three-year average rate of \$331 acre-foot cost, the current valuation is approximately \$114 million. Staff is waiting for additional guidance from audit partners at Maze and Associates on how to best capture this inventory value for financial reporting purposes.

In addition, there was 61,462 acre-feet in local reservoir storage as of June 30, 2020. The vast majority of the water stored in local reservoirs comes from local runoff, as opposed to purchased imported water. Staff is waiting for additional guidance from audit partners at Maze and Associates on how to best determine a cost basis for this water inventory.

Groundwater in Santa Clara County is not owned by Valley Water, and therefore would not be inventoried, and other types of water inventory, such as water at treatment plants are relatively small, and therefore would be immaterial.

Per discussion with Valley Water's Bond Counsel and Financial Advisor, increasing assets on the balance sheet is likely to have minimal impact on Valley Water's credit ratings since Valley Water debt is secured by current revenues, not assets on the balance sheet which may be more typical for corporations. Instead, Valley Water's financial strengths for credit rating purposes are heavily dependent upon its management experience, Board willingness to raise rates to generate current revenues for current expense, debt service coverage ratio (two times net revenues or better), strength of local economy, and cash reserve balances (days cash on hand to cover operating expense).

Given that there is no legal or accounting rules board requirement to value water as inventory, doing so could be a policy recommendation from the Board Audit Committee to the full Board.

Allowance for Doubtful Accounts

The current accounting practice for valuing the Allowance for Doubtful Accounts at the end of the Fiscal Year entails reviewing the Outstanding Receivables report at year end, and based on the payment delinquency by period, a percentage is assigned to each balance to calculate an adjustment allowance. Outstanding receivables three years or greater are assigned an allocation of 75%, while outstanding receivables between two to three years are assigned an allocation of 50%, and receivables outstanding one to two years are assigned an allocation of 20%. Payments received after factoring into the allowance will reduce the outstanding receivable and the Doubtful Accounts allowance is adjusted up or down at year end. While this accounting practice is not reflected in a Valley Water policy, it is a common accounting procedure.

In terms of revenue collection practices, staff regularly analyzes aging accounts with past due balances. If amounts are not received after the invoiced due date, staff will generally initiate collection efforts in the following order:

1. Call and gently remind the customer that payment is past due and should be paid immediately.
2. If the past due amount remains unpaid, send the customer a written demand that payment has not been received and should be paid immediately. Demand letters state that staff will

seek judicial intervention by filing a lawsuit if the payment is not received within 30 days.

3. Based on the customer's current financial situation, a payment plan may be developed to recover the past due amount. Payment plans are usually structured to provide for full payment within 3-months.
4. If the past due amount remains unpaid greater than 30 days after a written demand was sent and agreement is not reached on a payment plan, staff will seek judicial intervention by filing a lawsuit (i.e. a small claims court action for past due amounts no more than \$5,000 and Santa Clara County Superior Court action for past due amounts greater than \$5,000).

The Board Audit Committee may consider recommending to the full Board, that the accounting practices related to the Allowance for Doubtful Accounts be elevated to a staff level or Board level policy.

Other Transparency or Policy Issues

Staff would be happy to research any other transparency or policy issues that the Board Audit Committee or Board may raise.

ATTACHMENTS:

Attachment 1: PAFR Example from City of Los Altos

Attachment 2: PAFR Example from Las Virgenes Water District

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



CITY OF LOS ALTOS

Popular Annual Financial Report

JULY 1, 2017 – JUNE 30, 2018



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The information in this report is drawn from the City of Los Altos Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2018. You may review the full CAFR online at losaltosca.gov/cafr or request a copy by contacting Administrative Services Director Sharif Etman at setman@losaltosca.gov. Questions about this report may be directed to Sharif as well.

CITY MANAGER'S MESSAGE

I am pleased to present the City of Los Altos Popular Annual Financial Report (PAFR) for the fiscal year (FY) ended June 30, 2018. The purpose of the PAFR is to provide an overview of the City's financial condition in an easy to understand format.

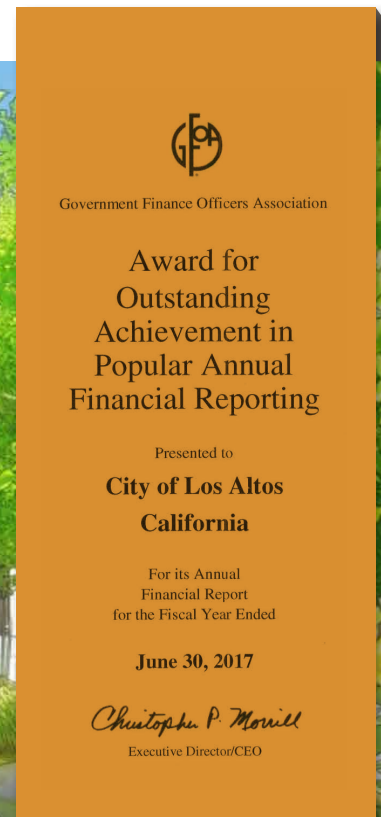
The City's first PAFR, mailed to you in December 2017, received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. Los Altos joins a small group of California municipalities to earn this award - a distinction we are immensely proud of.

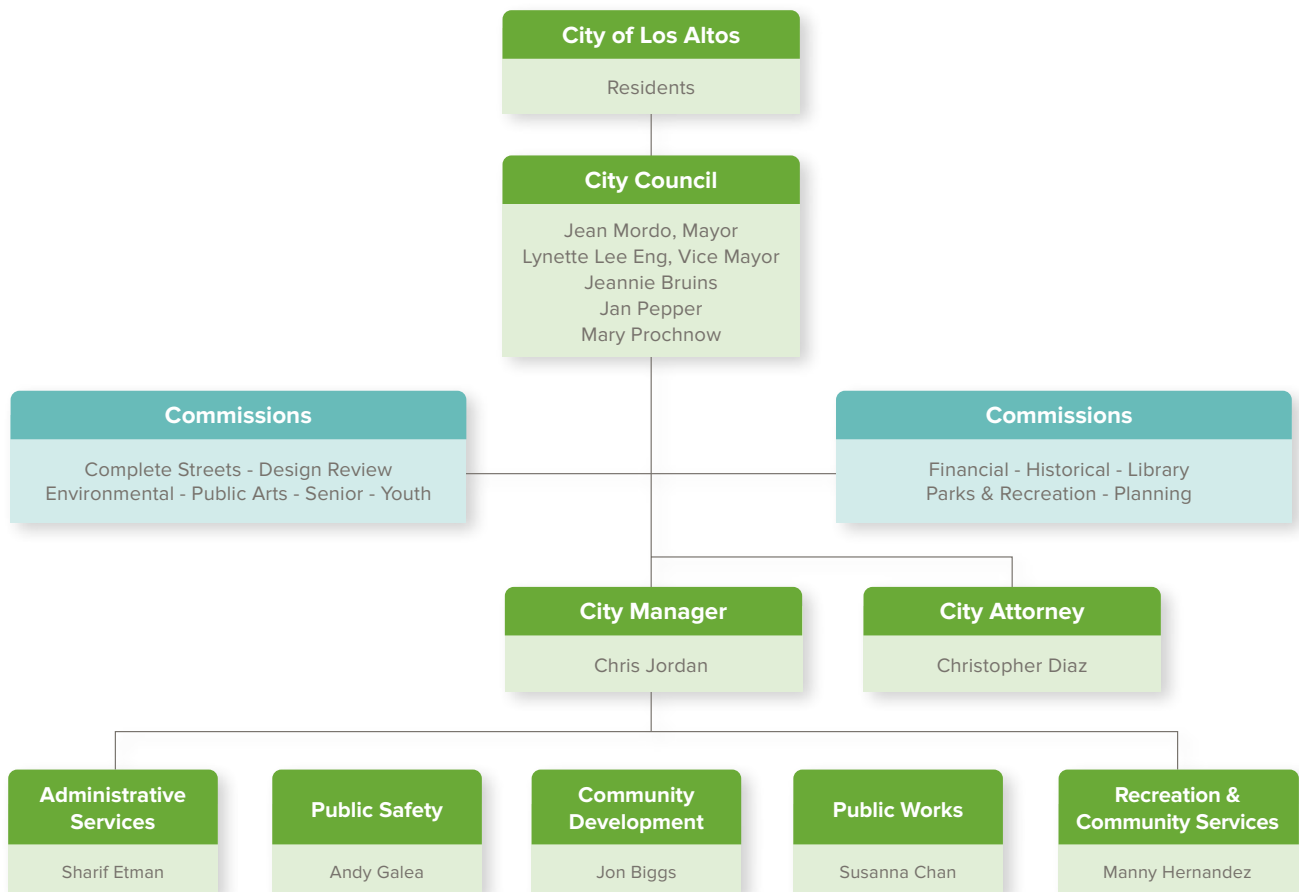
In addition to providing an overview of City financials, the PAFR presents an opportunity for the City to share information about important projects and activities. In the following pages you will learn more about the City Council's strategic priorities and progress made in each area over FY 2017/18.

Information contained in this report is pulled from the City's Comprehensive Annual Financial Report, which is available online at losaltosca.gov/cafr. Feedback or questions about this report can be sent to Administrative Services Director Sharif Etman at setman@losaltosca.gov.



Christopher Jordan
City Manager





CITY OF LOS ALTOS AT A GLANCE

GENERAL INFORMATION

Total number employees	133
Population	30,743
Capital budget	\$12 M
Operating budget	\$36.3 M

POLICE

Arrests	211
Moving citations issued	1,203
Parking citations issued	1,879
Municipal code violations issued	115

RECREATION & COMMUNITY SERVICES

Classes/programs	2,724
Facility rentals	4,141
Field/gymnasium permits	3,556

PUBLIC WORKS

Crack sealing in lineal feet	174,040
Sewer cleaning and flushing in lineal feet	713,795
Catch basin/storm drain inlets cleaned	1,350
Street signs installed and replaced	320

PLANNING

Plan applications submitted	686
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BUILDING

Permits issued	1,795
Plan checks submitted	569
Inspections	6,479

TOP 10 TAX PAYERS

Property Tax is the City's single largest source of revenue, representing about 48% of general revenues. The top 10 Tax Payers contribute significantly to property tax revenues, further enabling the goals of the City Council to be met.

TAXPAYER	TOTAL ASSESSED VALUE	% OF CITY'S EST. TOTAL PROPERTY TAX REVENUE
Board of Trustees LSJU	\$86,779,819	0.59%
RLJ R Los Altos LP	\$65,906,770	0.45%
Los Altos Gardens II LP	\$54,402,179	0.37%
St Paul Fire and Marine Insurance Co	\$50,929,952	0.35%
Richard T Spieker Trustee	\$37,119,404	0.25%
Springwood Apartments	\$29,901,009	0.20%
Safeway	\$27,228,175	0.19%
Sutter Bay Medical Foundation	\$26,532,488	0.18%
KRC Los Altos Limited Partnership	\$23,671,378	0.16%
Compass Grand Los Altos LLC	\$23,636,281	0.16%

CITY COUNCIL PRIORITIES

The following topics were identified as priorities by City Council for the 2018 calendar year. A brief narrative describes progress made in each area over FY 2017/18.

Downtown Vision: City Council adopted the Downtown Vision Plan in August 2018. The Plan will serve as a guiding document as the community evaluates future development in the downtown. *(see page 12 for more information about the Downtown Vision Plan)*

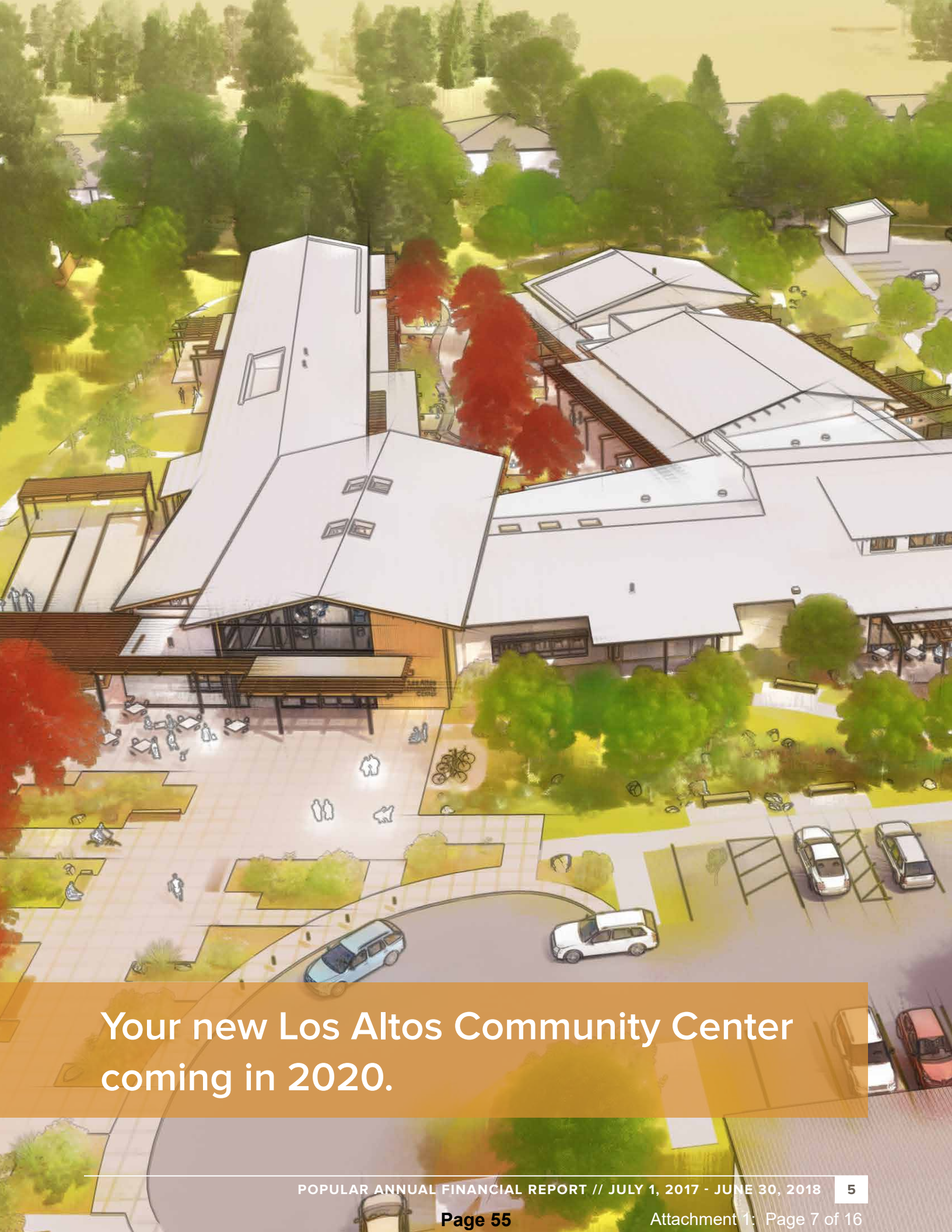
Community Center: Council approved the design for the new Community Center in September 2018. The construction documents are currently in progress and the project scheduled to go out for bids in spring/summer 2019. Groundbreaking is targeted for summer 2019 and project completion by the end of 2020. *(see page 10 for more information about the Community Center)*

10-year Capital Facilities and Operations, and Financial Capacity Analysis: Updated in November 2017, the 10-year plan commits \$10 million over FY 2017-20 to improve city streets. Further, the North County Library Authority Task Force is exploring redevelopment options for the Main Library, and the City's 5-year facilities plan includes construction of a new Emergency Operations Center at the Police Department.

Housing - Increase Housing and Affordable Housing: In May 2018, Council adopted a Short-Term Rental Prohibition Ordinance to help protect the City's housing stock as well as an Affordable Housing Impact Fee requiring all new development to pay a fee to mitigate impacts on the supply of affordable housing. An updated Accessory Dwelling Unit ordinance was adopted in June 2018 removing the minimum lot size requirement and allowed for units to be up to 1,200 sq. ft.

Traffic Safety: The City implemented resident-requested traffic calming projects on Loukes Avenue and completed design for five Safe Routes to School improvement projects. These projects are currently under construction and will positively impact student safety at over ten local schools. Staff continues to coordinate with neighboring jurisdictions on projects that cross city boundaries.





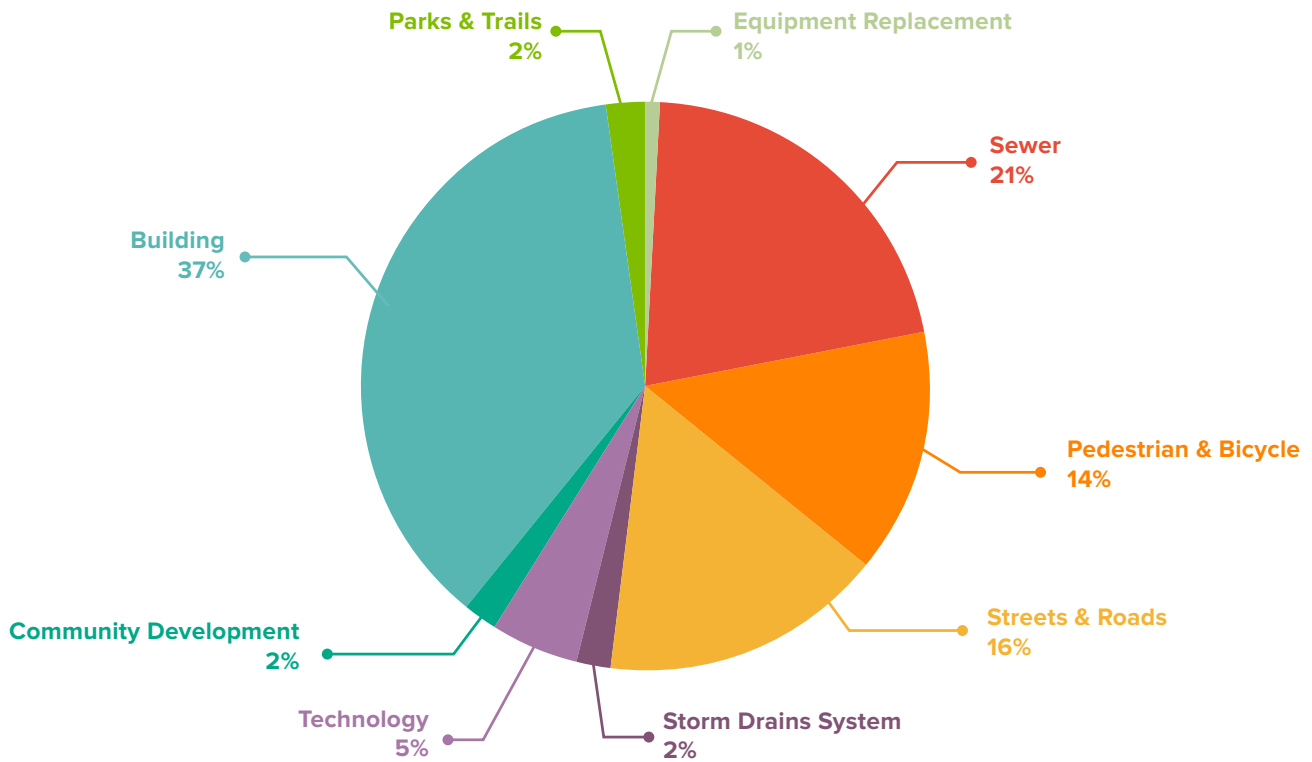
Your new Los Altos Community Center
coming in 2020.

MAKING YOUR DOLLARS COUNT

The City develops a 5-year Capital Improvement Program (CIP) that projects capital needs with a focus on public safety, transportation, street maintenance, parks, sewer systems, technology and general infrastructure.

In the FY 2018-22 CIP Budget, some key projects include the Los Altos Community Center, Safe Routes to School, annual road improvements and sewer system replacements.

5-YEAR CIP BUDGET BREAKDOWN BY KEY PROJECTS



COMPLETED PROJECTS

In FY 2017/18, the following Capital Improvement Projects were completed with a total value of \$6,130,513.

PROJECT NAME	TOTAL EXPENSES
Annual Street Resurfacing	\$2,539,582
City Hall HVAC System Upgrade	834,825
CIPP Corrosion Replacement	460,992
Street Slurry Seal	430,870
Covington Road Bicycle and Pedestrian Improvement	398,584
Illuminated Crosswalk Replacement	345,189
University Avenue Crosswalk Improvements	292,466
W. Edith Avenue and University Avenue Crosswalk Improvements	288,262
Street Striping	203,052
Commercial Wayfinding Sign Program	150,580
City Hall Roof Replacement	106,616
Annual Pathway Rehabilitation	53,415
Fremont Avenue Pedestrian Bridge Feasibility Study	26,080
	\$6,130,513



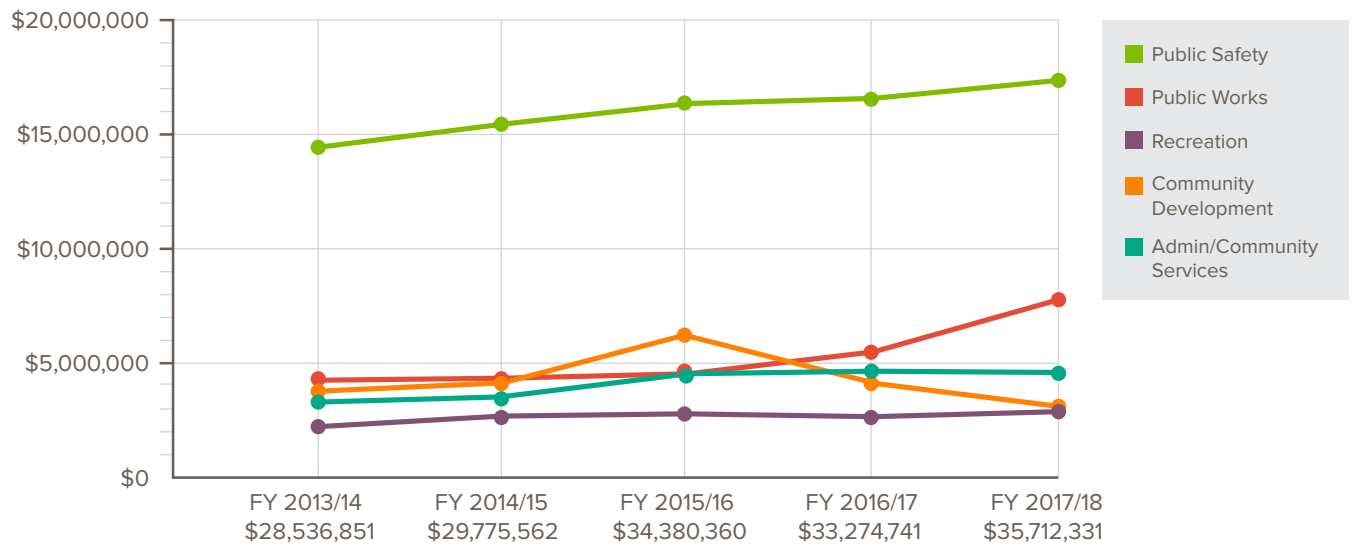
GOVERNMENTAL ACTIVITIES FOR REVENUE & EXPENSES

Property Tax continues to be the City’s single largest source of revenue representing about 48% of general government-wide revenues. The City’s General Fund revenues, excluding transfers, increased by \$2.1M, or 5.3% over the prior year. This increase is due to higher than anticipated revenues from property tax and transient occupancy tax. General fund revenues totaled \$41.2M for FY 2017/18.

KEY TAX REVENUE SOURCES

	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
Property Tax	\$21,428,501	\$19,863,197	\$18,775,472	\$17,479,882	\$15,586,329
Sales Tax	3,243,554	3,278,430	3,195,628	2,942,764	2,809,489
Business License	547,065	539,989	520,687	453,201	475,298
Utility Users	2,732,325	2,679,961	2,672,236	2,522,536	2,600,034
Transient Occupancy	3,072,982	2,985,201	2,608,368	2,450,488	2,168,556
Real Estate Transfer	732,409	668,242	617,355	616,500	583,581
Motor Vehicle License	16,530	14,046	12,119	12,281	12,639
Building Development	165,900	122,071	162,981	212,187	314,271
	\$31,939,266	\$30,151,137	\$28,564,846	\$26,689,839	\$24,550,197

The City’s expenses increased by \$2.4M, or 7.3% over the prior year. This increase is attributed to fully staffing previously vacant positions. The total operating expenses equaled \$35.7M for FY 2017/18.



The City’s revenue sources support its operating expenses and realized an operating surplus of \$5.5M, \$369K below the prior year. The revenue over expenses is used for the City’s operating reserves, capital projects and funding the increased cost of CalPERS retirement benefits.

STATEMENT OF NET POSITION

The Statement of Net Position reports all financial activity for FY 2017/18 and presents how the City's net position changes over time. The government-wide financial statements distinguish functions of the City 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 cost through user fees and charges (business-type activities). Governmental activities include general government services such as public safety, community development, public works and recreation. Business-type activities include sewer and solid waste collection management.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	FY 2017/18	FY 2016/17	FY 2017/18	FY 2016/17
Cash & Investments	\$62,893,649	\$61,567,878	\$14,442,173	\$12,862,007
Other Assets	3,449,368	3,698,982	81,929	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
Total Assets	\$129,282,680	\$121,518,089	\$23,974,361	\$21,574,109
Deferred Outflows of Resources				
Related to Pension	10,568,156	10,683,014	440,433	463,343
Related to OPEB	132,990	-	10,010	-
Bond Debt	1,125,000	1,245,000	-	-
Other Liabilities	44,268,275	38,768,234	2,234,325	1,657,821
Total Liabilities	\$45,393,275	\$40,013,234	\$2,234,325	\$1,657,821
Deferred Inflows of Resources				
Related to Pension	1,841,274	1,917,607	83,284	78,058
Related to OPEB	42,780	-	3,220	-
Net Position				
Investments in Capital	61,524,823	54,724,833	9,450,259	8,403,465
Net of Related Debt Restricted	10,619,763	11,498,200	-	-
Unrestricted	20,428,921	24,047,229	12,643,706	11,906,716
Change due to Implementation of GASB75	-	(403,249)	-	(35,189)
Total Net Position	\$92,573,507	\$89,867,013	\$22,093,965	\$20,274,992

The City ended FY 2017/18 on a governmental-wide basis with a net position (excess of assets over liabilities) equaled \$114.7M, an increase of \$4.2M, or 3.7% over FY 2016/17. This increase is attributed to the City receiving significant grant and capital contributions; funds used for infrastructure maintenance and improvements.

LOS ALTOS COMMUNITY CENTER

Let us first thank the many community members who contributed their thoughts and ideas as plans for the new Community Center were developed. The result of robust community engagement has led to a Community Center design the entire community can be proud of.

In December 2017, City Council received the Hillview Community Center Project Task Force (Task Force) recommendations for interior space allocation, site layout and exterior design of the new Community Center. The Task Force, consisting of eleven community members, gathered community input and worked with Noll & Tam Architects and City staff to arrive at the final design concept.

Task Force priorities included creating a high-quality, environmentally sustainable Community Center that highlights the unique character of Los Altos and serves all segments of the community. The new Community Center includes a café, dedicated space for seniors and teens, as well as indoor and outdoor community gathering space and flexible space to accommodate various recreational programs, activities and classes. Additional amenities include bocce ball courts, pickleball/basketball court, playground, commercial kitchen and a walking path around the building.





Prior to City Council's approval of the design review application in September 2018, plans were reviewed by the Complete Streets and Planning Commissions for traffic analysis, circulation, bicycle and pedestrian facilities as well as architectural and site design.

Members of the City's Environmental Commission were invited to participate in a LEED Charette along with staff and design and engineering consultants. The group reviewed and discussed the detailed LEED scorecard which rates sustainability elements and efforts such as water efficiency, sustainable sites, innovation and design process, indoor environmental quality, energy and atmosphere, and materials and resources. Within each category, LEED points may be given if targets are met for items such as heat island reduction, rainwater management, construction waste diversion from landfills, low-emitting interior components, acoustical performance, interior lighting levels, energy performance, and water and energy consumption. The Community Center has been designed to achieve LEED

Gold equivalency and will be an all-electric building with solar panels.

The City has actively engaged with existing users on the Civic Center Campus including representatives of the Bus Barn Theater, History Museum and Library to communicate plans and mitigate issues such as construction impacts, refuse locations and utilities. Additionally, the City has kept nearby residents informed of the project development through focused meetings and an Open House the entire community was invited to attend.

In January 2018, City Council confirmed a \$34.7 million project budget. The Community Center project is on schedule for construction documents to be developed for bidding in spring of 2019 with the next Council action to be approval of a construction contract anticipated in summer 2019. The project is on schedule to be completed in 2020. For more information, visit losaltosca.gov/CommunityCenter.

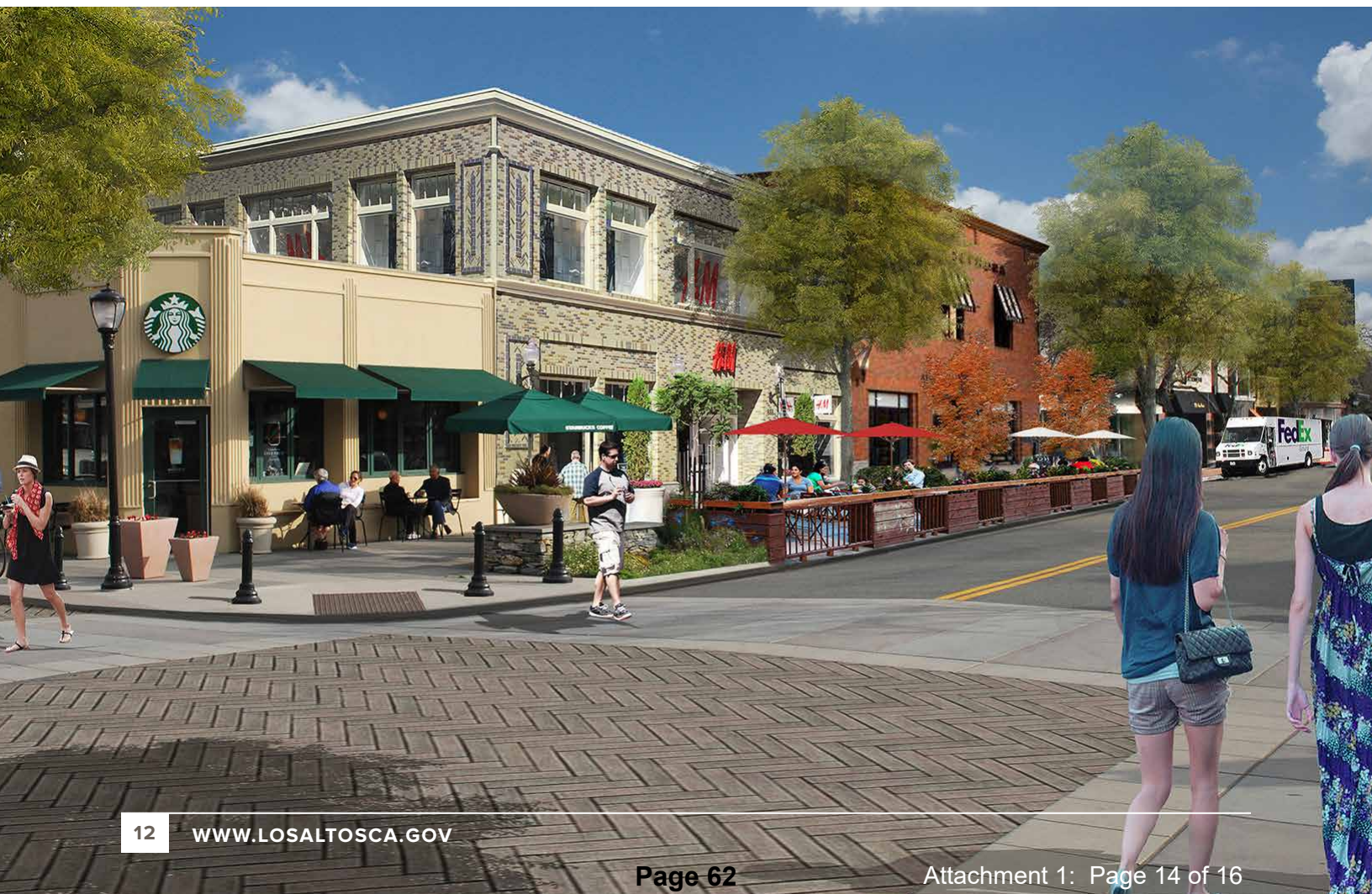
DOWNTOWN VISION

Downtown Los Altos is often described as having a village-like charm – a quality that is deeply valued by community members. Reflective of these values, City Council set a goal to develop a vision that balances community-expressed desires for increased vibrancy with the existing village character.

The Downtown Vision – developed through a robust community engagement process that included approximately 30 events and two community questionnaires – is intended to guide future change and development over the next 20 years. An economic and fiscal evaluation assisted in the creation of a strategy that will achieve the level of economic vitality envisioned by the Plan for the future of downtown Los Altos. This strategy provides the underlying foundation upon which other elements of the Downtown Vision were developed.

Several key themes emerged during community outreach events, which are represented in the final Downtown Vision Plan. Some attributes the community was collectively most supportive of include preserving the downtown’s unique character; encouraging outdoor dining and a greater variety of restaurants; strengthening bicycle safety and pedestrian-friendly walkability; introducing plazas to serve as community gathering spaces; increasing parking access and efficiency; and incorporating opportunities for a live theater, hotel, offices, affordable housing and mixed-use buildings that include a residential component.

The Downtown Vision Plan, while not a regulatory document, provides additional guidance and tools to the community, decision makers and staff as the City manages future change in the downtown area. The Plan maintains the exceptional character of Los Altos and honors its history and values while reflecting the City’s commitment to enhancing a sense of place and creating a local destination that is attractive for residents, businesses and visitors. The full Downtown Vision Plan is available online at losaltosca.gov/DowntownVision.



FINANCIAL OUTLOOK

The financial outlook for the City of Los Altos continues to be strong. The City has continued its tradition of good stewardship and integrity of public funds. As this report shows, the City has invested heavily in capital projects designed to address community needs while maintaining Los Altos as a great place to live and raise a family.

The California Public Employees' Retirement (CalPERS) employer contribution rates continue to rise due to the decline in projections of the investment return. In FY 2009/10, the City Council authorized the use of PERS reserve funds in the amount of \$3.5M to pay down retirement benefit costs. The City currently has an additional \$4M set aside in a CalPERS reserve fund for the anticipated future rising costs of retirement benefits.

Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This tax is paid by hotel guests for transient occupancy of any hotel or lodging in Los Altos. The revenue from this increased TOT is anticipated to generate approximately \$700,000 annually for unrestricted general revenue purposes, until ended by voters. This revenue will assist the City as it completes several high priority capital projects including the new Community Center.

For more information about City of Los Altos finances, you may review the full Comprehensive Annual Financial Report posted on the City website at losaltosca.gov/cafr.





Los Altos City Hall
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Los Altos, CA 94022
Tel: (650) 947-2700

www.losaltosca.gov

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The mission of our city staff, council, commissions, committees and volunteers is to foster and maintain the City of Los Altos as a great place to live and raise a family.

CONNECT WITH THE CITY OF LOS ALTOS

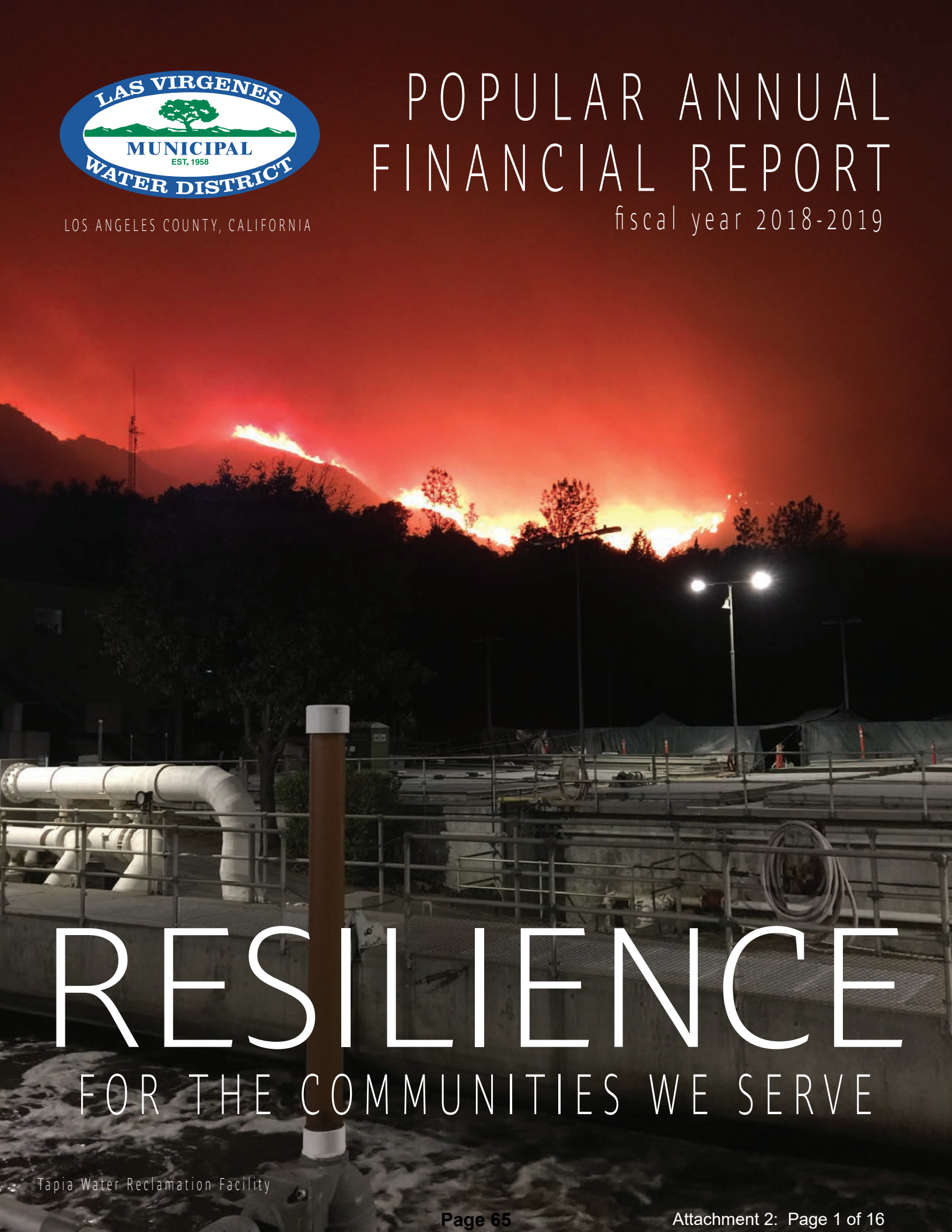
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LOS ANGELES COUNTY, CALIFORNIA

POPULAR ANNUAL FINANCIAL REPORT

fiscal year 2018-2019



RESILIENCE

FOR THE COMMUNITIES WE SERVE



Charles P. Caspary
Division 1



Lynda Lo-Hill
Division 2



Lee Renger
Division 3



Leonard E. Polan
Division 4



Jay Lewitt
Division 5

Founded in 1958, Las Virgenes Municipal Water District (LVMWD) is a special district that provides potable water, wastewater treatment, biosolids composting and recycled water services for a 122-square-mile service area located in Western Los Angeles County. LVMWD is organized under the Municipal Water District Law of 1911 (California Water Code 71000).

What is a “Popular Annual Financial Report”?

This Popular Annual Financial Report (PAFR) represents LVMWD’s ongoing commitment to transparency in its operations and governance. Additional information, including the District’s Annual Budget, Comprehensive Annual Financial Reports (CAFR), planning documents and more can be found at www.lvmwd.com/Financial-Reports. In recent years, the District has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada, for its CAFR and for its FY 2017-18 PAFR.

3 *A Letter from the General Manager*

Resilience is the capacity to recover quickly following disaster.

In November 2018, the resiliency of Las Virgenes Municipal Water District (District) was tested as the Woolsey Fire burned 96,949 acres, destroyed 1,643 structures, and killed three people. At the height of the fire, nearly 300,000 people were evacuated in western Los Angeles County and southeastern Ventura County. Within the District, over 80 square miles were burned, 521 customers had homes damaged or destroyed, and nearly all of the District's 70,000 residential customers were evacuated. The District suffered \$6.5 million in damages to its facilities, including the Rancho Las Virgenes Composting Facility and Westlake Filtration Plant.



Through the dedicated effort of staff, long-term disaster planning, and system design, the District was able to continue to serve water and process wastewater throughout the fire. By the end of Fiscal Year 2018-19, the District was able to recover all operations, with the exception of the Rancho Las Virgenes Composting Facility. The District continues to rebuild and repair fire damage and is continuing to seek recovery of fire-related expenses through its insurance carrier, the State of California Office of Emergency Management (CalOES) and the Federal Emergency Management Agency (FEMA). In addition to the fire damage repair, the District also began work on several resiliency projects including expanding the number of stationary and mobile generators, increasing system redundancy, and improving the District's emergency management systems.

The Woolsey Fire followed a persistent drought that lasted from 2011 through 2014. This five-year period represented the driest in California history and led to the District's effort, through the Las Virgenes – Triunfo Joint Powers Authority, to develop the Pure Water Project Las Virgenes – Triunfo. The project will take recycled water from the Tapia Water Reclamation Facility and treat it to drinking water standards to create a local supply of water, increasing resiliency during droughts and natural disasters. During Fiscal Year 2018-19, the design of the Pure Water Demonstration Project and Garden was nearly completed. The demonstration project, located at the District's headquarters campus, is a small-scale water treatment facility that replicates the full-scale project, while providing training for staff and an educational experience for the public on the process of how recycled is purified to become safe, clean, reliable drinking water.

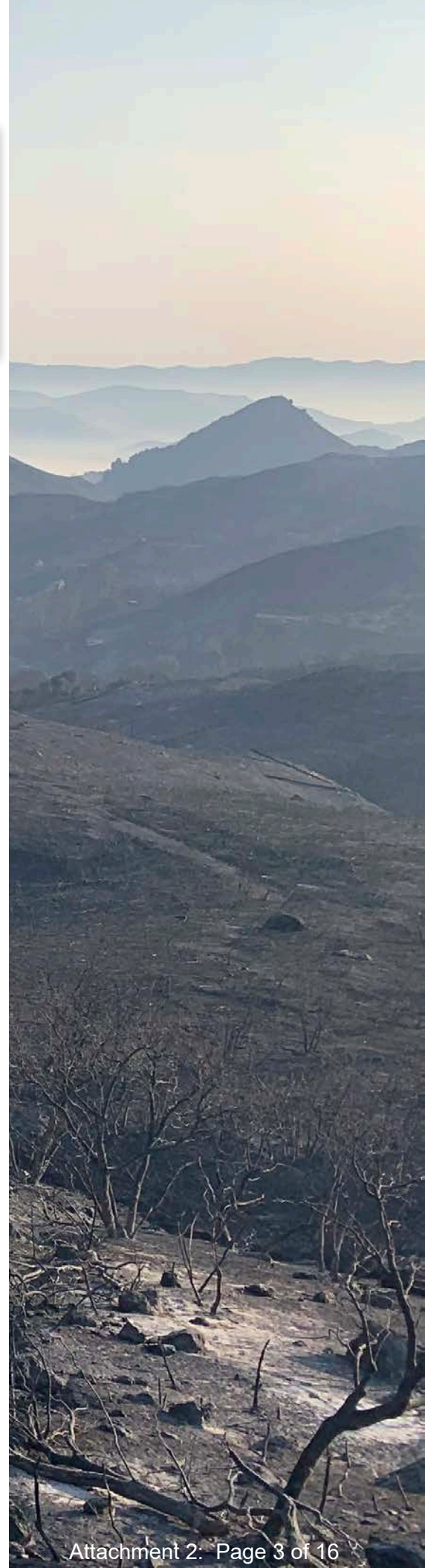
As we move forward, resilience will be key in a changing environment with more extremes in weather, longer fire seasons, and the constant threat of earthquakes. The Board and staff of Las Virgenes Municipal Water District are dedicated to have a high degree of resilience to continue to provide customers with reliable water and wastewater services into the future.

This report reflects the dedication of the Board and staff to provide high-quality, reliable, and safe water and sanitation services. It also provides a summary of the District's finances. I encourage you to review this document, along with the more detailed information found in the District's Comprehensive Annual Financial Report and Annual Budget, both of which are available at www.lvmwd.com/Financial-Reports.

Sincerely,

A handwritten signature in black ink that reads "David W. Pedersen". The signature is fluid and cursive, written in a professional style.

David W. Pedersen, P.E.
General Manager





We reliably deliver high quality drinking water to over 75,000 residents and businesses throughout western Los Angeles County.



We take all the water that flows from homes and businesses and treat it to a water quality standard suitable for irrigation or discharge to the ocean via Malibu Creek.

Treated wastewater or recycled water is distributed through 68 miles of pipes to 11 parks, 17 schools, 52 common areas for homeowners associations, 3 golf courses, and many street medians and parkways throughout the District.



Treated biosolids, a by-product of the wastewater treatment process, is transformed into EPA Class A compost at the Rancho Las Virgenes Composting Facility. This excellent soil amendment is available free of charge every Saturday.

5

The Las Virgenes–Triunfo Joint Powers Authority (JPA)

The JPA provides sanitation services for about 100,000 customers in western Los Angeles County and eastern Ventura County. Wastewater is treated at the Tapia Water Reclamation Facility, and the biosolids generated during this treatment are processed at the Rancho Las Virgenes Composting Facility. Both facilities are jointly owned and operated by the JPA. This partnership creates an efficient means to serve residents within the Malibu Creek watershed. The sanitation enterprise charges in this report reflect the total cost and revenue to provide these services for LVMWD customers. Financial statements of the JPA can be found at www.lvmwd.com/Financial-Reports.



In 1964, LVMWD Board members approved a Joint Powers Authority agreement with Triunfo Sanitation District (now Triunfo Water and Sanitation District), the signing of which is shown above.

Did You Know?

Wastewater entering the Tapia Water Reclamation Facility is 99% water and only 1% solid and inert material.





About the District

6



Established

1958

Budget 2018-2019

\$75.7 million

Governance

Five-member board of directors, publicly elected by geographic division

Water served 2018-19

Potable 18,384 acre-feet

Recycled 4,104 acre-feet

Customer Connections

Potable Water

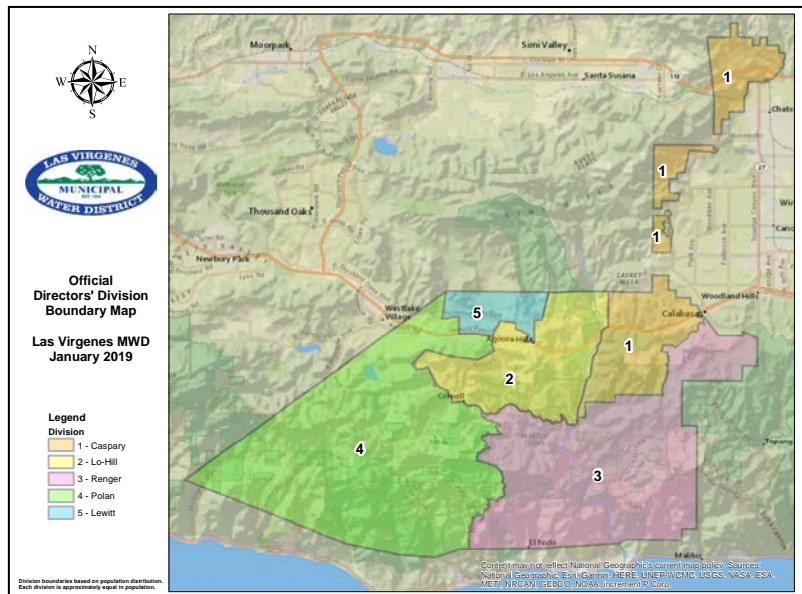
Residential 18,745

Commercial 830

Recycled Water 654

Service area

122 square miles



Population Served

LVMWD serves approximately 72,000 residents in Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and parts of unincorporated Los Angeles County. Triunfo Sanitation District, its Joint Powers Authority partner, provides sanitation services to 30,000 residents in Ventura County.

Annually, LVMWD performs extensive state-mandated testing for water quality contaminants by collecting over 1,200 samples, taken from various locations throughout the drinking water conveyance system, and routinely conducts over 11,000 laboratory analyses on those samples at state-certified water quality labs.

These daily tests are conducted by our highly trained and skilled LVMWD professional staff to ensure that your water is safe to drink. In California, water utilities are required by the State Water Resources Control Board and the Division of Drinking Water to undergo arguably the most stringent and comprehensive water quality testing in the United States, if not the world. Like always, LVMWD met or exceeded all of the standards for safe and high quality drinking water as established by the state.

LVMWD conducted a recent survey to better understand water preferences and the perceptions of tap water versus bottled water of our customers. Over 68 percent of respondents routinely drink tap water albeit 60 percent of these customers filter the water first (e.g. Britta Filter™, PUR™, ZeroWater™, AquaGear™, et al). These customers primarily preferred tap water because it was convenient (41%), was better for the environment (24%) or was more cost effective (18%).

When you turn the faucet on, the water flows. At LVMWD, we utilize an extremely experienced and dedicated staff to manage and maintain our potable water distribution system. Routine maintenance protocols, emergency responses and timely repairs ensure that delicious and safe LV Tap water is reliably delivered into our customer's home 24/7.

Tap water is extremely affordable. For instance, one gallon of LVMWD tap water costs less than a penny delivered to your home from the Sierra Nevada Mountains over 400 miles away. In comparison, the same amount of bottled water can easily exceed \$1, or 100 times the cost. Foregoing bottled water and drinking from the sink can result in significant savings for LVMWD customers.

Tap water is the most sustainable drinking water product available. Tremendous amounts of plastic waste pile up in in landfills and oceans as a result from the manufacturing and sale of single-use bottled water. According to research on the subject, humans on this planet collectively purchase one million single-use plastic bottles every minute, 91 percent of which do not get recycled (Trevor Nace, "We're Now At a Million Plastic Bottles Per Minute – 91% of which are not Recycled", www.forbes.com, 26 July, 2017, 5/28/19). For those single-use plastic bottles that are neither recycled nor placed in landfills, they end up in the environment where they are a visual blight and harmful to wildlife.

LV Tap is our initiative to highlight the benefits tap water presents for our customers and the communities we serve. Delivering safe, high quality drinking water reliably to our customers is our mission and LV Tap is an expression of that dedication. So when you are thirsty, join the majority of our community and experience the affordability, sustainability and convenience LV Tap delivers when you "drink from the sink." www.ourLVTap.com



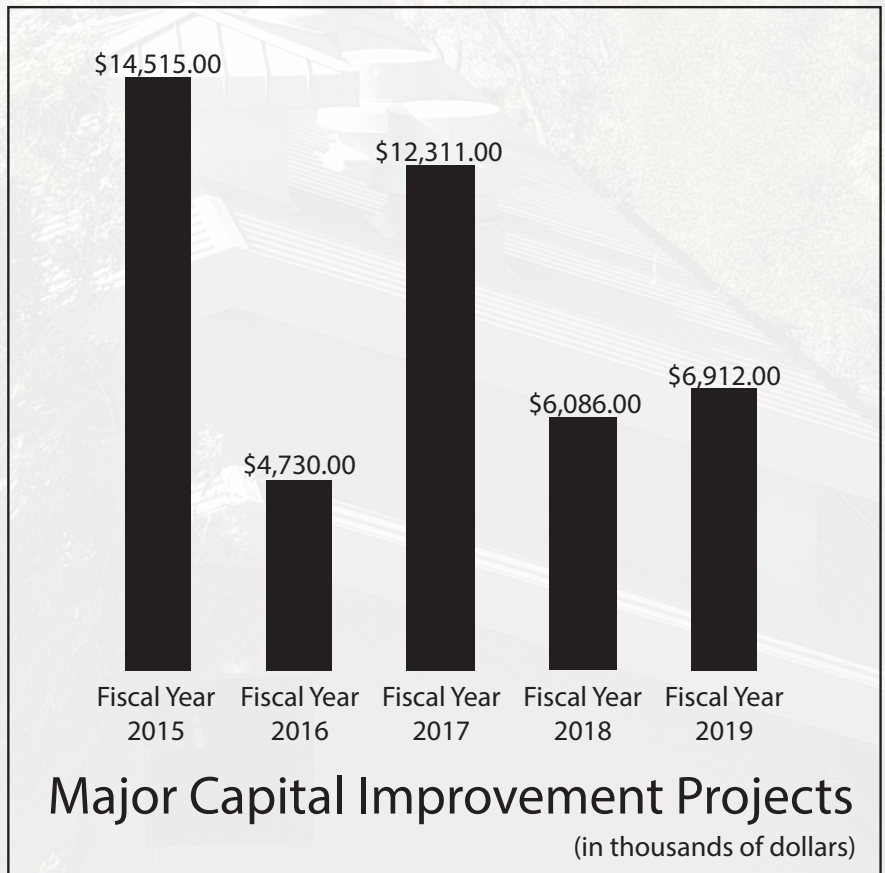


The District takes great pride in ensuring delivery of water and sanitation services to our customers through a comprehensive capital improvement program. Adequate investments are made to maintain a reliable system to address emergencies and unplanned service interruptions.

In Fiscal Years 2018-19 the District spent \$2.2 million on Process Air Improvements, \$1.9 million on the Tapia Water Reclamation Facility Rehabilitation, and \$1.9 million on the cleaning and repair of the Rancho Las Virgenes Composting Facility.

In Fiscal Years 2019-20, the District will be spending approximately \$6.5 million on Woolsey Fire related damages to the District's facilities. In November of 2018, the Board declared a state of emergency due to the Woolsey Fire that broke out on the afternoon of Thursday, November 8, 2018, in Ventura County. The District experienced significant damages at various facilities due to the fire. Since the event, staff has been working with the California Governor's Office of Emergency Services (CalOES), Federal Emergency Management Agency (FEMA), and the District's insurance provider on reimbursement for the damages.

In addition, in Fiscal Years 2019-20 the District will be spending \$3.5 million, it's share of the Las Virgenes-Triunfo Joint Powers Authority project, on construction of a demonstration facility located at the District's headquarters campus. Tour of the facility are intended to educate and promote public confidence in the treatment technology.



FY 2018-19 Financial Performance

Las Virgenes Municipal Water District (LVMWD or the “Agency”) uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements. The following table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. GAAP and auditing standards do not require the adopted budget to be included in the audited financial statements.

The District’s Fiscal Year 2018-19 financial results reflect a decrease in potable water sales, the District’s primary revenue source, as a result of the District’s targeted outreach efforts. Wasteful water use penalties impose increasing fines on customers who exceed their water budgets by 200%. Potable water sales decreased 1.75% and recycled water sales decreased 8.5% in Fiscal Year 2018-19. The overall financial position of the District is stable.

Las Virgenes Municipal Water District operates a Joint Powers Authority (JPA) with Triunfo Water and Sanitation District for the transmission and treatment of sanitation. Additional information about the JPA can be found in both the District’s Comprehensive Annual Financial Report and the JPA Audited Financial Statements on the District’s website at www.LVMWD.com/Financial-Reports.

**Financial Highlights**

The District’s net position increased by \$15.7 million to \$234.0 million

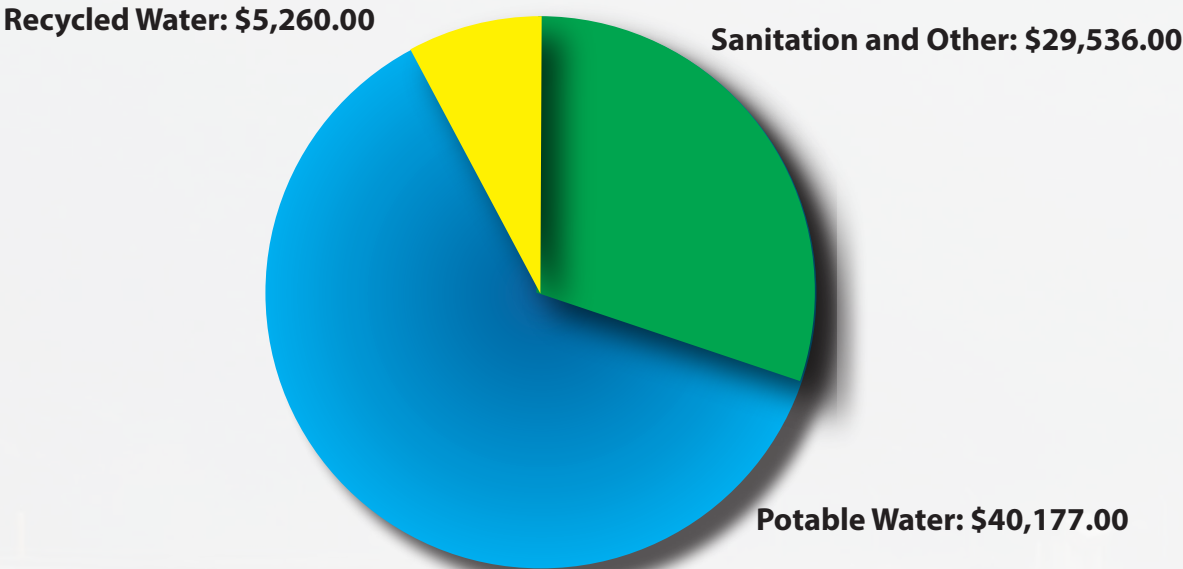
During the fiscal year, the District’s revenues decreased by 2.6% to \$64.9 million, expenses increased by 1.8% to \$43.1 million.

In Fiscal Year 2019, capital contributions to the District increased to \$3.9 million, 34.2% more than Fiscal Year 2018.

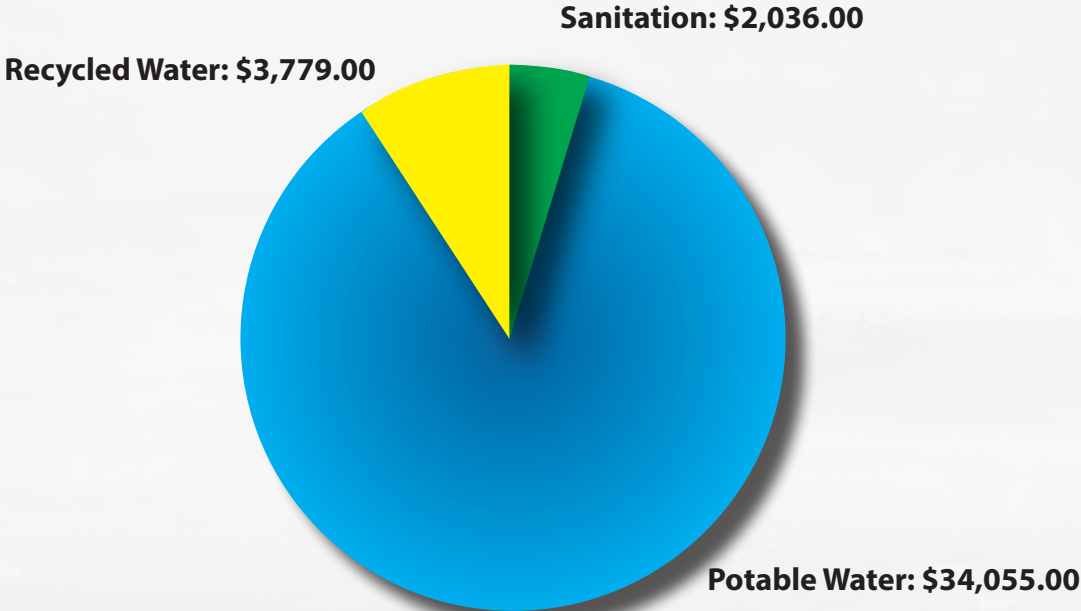
Did You Know?

Nearly 70% of the water delivered to LVMWD customers is used for irrigation.

Operating Revenue (in thousands of dollars)



Operating Expenses (in thousands of dollars)



Audit of Agency's Financial Statements by Independent Auditor

State statute requires an annual audit by independent Certified Public Accountants which is filed with the California State Controller's Office. The Agency's FY 2018-19 financial statements were audited by the Agency's auditor, The Pun Group LLP, Irvine, CA, in accordance with GAAP auditing standards, and the statements met the State Controller's Minimum Audit Requirements for California Special Districts. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report can be found in the Agency's Comprehensive Annual Financial Report (CAFR), available online at www.LVMWD.com/Financial-Reports.

The analysis of the District is focused on the Financial Statements. The statements provide information on whether the District, as a whole, is in a stronger or weaker financial position compared to the last year. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide a means to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

Condensed Statements of Net Position
(in thousands of dollars)

	FY 2018	FY 2018
Current and Other Assets	\$ 105,102	\$ 96,369
Capital Assets	123,727	124,526
Investment in JPA	64,137	62,521
Total Assets	\$ 292,966	\$ 283,416
Deferred Outflow of Resources	\$ 8,718	\$ 9,065
Long-Term Debt Outstanding	13,204	15,596
Net Pension Liability	16,055	20,493
Net OPEB Liability	19,301	19,183
Other Liabilities	15,466	16,592
Total Liabilities	\$ 64,026	\$ 71,864
Deferred Inflows of Resources	3,636	2,274
Net Position:		
Net Investment in Capital Assets,	\$ 111,229	\$ 109,794
Restricted	2,734	2,683
Unrestricted	120,058	105,866
Total Net Position	\$ 234,021	\$ 218,343

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>FY 2019</u>	<u>FY 2018</u>
Operating Revenues:		
Water Sales	\$ 45,437	\$ 46,250
Sanitation and Other	19,536	20,467
Non-operating Revenues:		
Taxes and Penalties	984	946
Interest Income and Other	4,195	1212
Total Revenues	\$ 70,152	\$ 68,875
Depreciation Expense	4,016	3,943
Other Operating Expenses	39,870	39,169
Share of JPA Net Expenses	13,958	13,718
Non-Operating Expenses	530	716
Total Expenses	\$ 58,374	\$ 57,546
Income (Loss) Before Capital	11,778	11,329
Capital Contributions	3,900	2566
Change in Net Position	<u>15,678</u>	<u>13,895</u>
Net Position - Beginning of Year:	<u>218,343</u>	<u>204,448</u>
Net Position - End of Year	<u>\$ 234,021</u>	<u>\$ 218,343</u>

The Condensed Statements of Revenues, Expenses and Changes in Net Position table to the left summarizes LVMWD's operating and non-operating revenues and expenses. The largest source of revenue is water sales to customers. Total revenues decreased by 2.6% in Fiscal Year 2018-19, while expenses increased by 1.8%. The increase in revenues was due to decreased water sales based on targeted outreach efforts. Expenses were stable with increases predominantly due to salary and benefit increases.

Definitions:

Capital Assets: Includes land, buildings, including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles, and equipment net of depreciation.

Currents and Other Assets: Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.

Deferred Outflow of Resources: Represents outflow of resources that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Long-Term Debt Outstanding: Payment due on LVMWD's 2009 Sanitation Refunding Bond that are more than 12 months in the future.

Other Liabilities: Payment due on obligations owed by LVMWD within the next 12 months.

Restricted Assets: Cash and investments set aside for a specific purpose.

Total Net Position: Equity associated with general government assets and liabilities.

Unrestricted Assets: Agency-owned assets that can be used for any purpose.

Capital Contributions: Funds that are used for capital and expansion projects.

Change in Net Position: The total of net income (loss) plus capital contributions.

Over the years and by the end of FY 2018-19, the District had invested \$240.2 million in a broad range of infrastructure including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles and equipment and an investment in Joint Venture of \$64.1 million.

Capital Assets
(In thousands of dollars)

	FY 2019	FY 2018	Dollar Change	Total Percent Change
Land	\$ 6,915	\$ 6,915	\$ 0	0.00%
Buildings and Improvements	22,094	22,094	0	0.00%
Machinery and Equipment	11,678	11,416	262	2.24%
Infrastructure	197,692	195,570	2,122	1.07%
Construction in Progress	1,855	1,290	565	30.46%
Subtotal	240,234	237,285	2,949	1.23%
Less Accumulated Depreciation	116,506	112,760	3,746	3.22%
Net Property, Plant and Equipment	123,728	124,525	(797)	-0.64%
Investment in Joint Venture	64,138	62,521	1,617	2.52%
Total Capital Assets	\$ 187,866	\$ 187,046	\$ 820	0.44%

Definitions:

Depreciation Expense: If an asset is expected to produce a benefit in future periods, some of these costs must be deferred rather than treated as a current expense. LVMWD records depreciation expense in its financial reporting as the current period's allocation of such costs.

Income (Loss) Before Capital Contributions: The difference between total revenue less total expenses.

Net Position: The sum of total net position at the beginning of the fiscal year plus the change in net position resulting in ending net position at the end of the fiscal year.

Non-Operating Revenues and Expenses: Revenues and expenses that are incidental to LVMWD's main purpose and derived from activities not directly related to LVMWD's operations: taxes and penalties, interest earnings and rental income, and costs associated with debt.

Operating Expenses: Expenses incurred in the provision of potable water, sanitation, and recycled water services.

Operating Revenues: Revenues received for the sale of water to customers, services, inspections, and programs provided by LVMWD.

JPA Expense: LVMWD and Triunfo Sanitation District established a Joint Powers Authority (JPA) to construct, operate, maintain and provide for the replacement of joint sewerage system. The share of JPA net expenses is LVMWD's allocation of compined net revenue.

LVMWD maintains an “AA” rating from Standard & Poor’s for the refunding revenue bonds. One area that demonstrates the District’s financial strength and future borrowing capability is seen in its debt coverage ratio. Current bond covenants require that the debt coverage ratio must be greater than 1.10. The debt coverage ratio for FY 2019 was 2.59%.

Debt Coverage Ratio				
(In thousands of dollars)				
		<u>FY 2019</u>	<u>FY 2018</u>	<u>Total Percent Change</u>
Total Operating Revenues	\$	18,922	\$ 18,818	0.55%
Total Operating Expenses (less depreciation)		11,803	11,421	3.34%
Net Earnings		<u>7,119</u>	<u>7,397</u>	<u>-3.76%</u>
Maximum Annual Debt Service		2,751	2,752	-0.04%
Debt Coverage Ratio		<u>2.59</u>	<u>2.69</u>	<u>-3.72%</u>

Did You Know?

The water that LVMWD serves to our customers travels over 400 miles and begins as snow in the Sierra Nevada Mountains.



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Las Virgenes Municipal Water District
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO



Dedicated to providing high-quality water service in a cost-effective and environmentally sensitive manner.

Our business values:

High Level of Customer Satisfaction	Transparency and Community Engagement	Highly Effective Workforce	Safe, High Quality Water	Protection of Public Health and the Environment
Maximum Reuse and Resource Recovery	Sound Financial Management	Reliable Water Supplies and Service	Sound Planning and Appropriate Investment	Innovative and Efficient Operations

Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, CA, 91302

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www.LVMWD.com
www.ourpureh20.com



Santa Clara Valley Water District

File No.: 20-1055

Agenda Date: 11/18/2020

Item No.: 5.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Quality and Environmental Management System (QEMS) Methodology Benchmarking Analysis.

RECOMMENDATION:

Receive an update on the status of the on-going QEMS Methodology Benchmarking Analysis.

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.

At the January 14, 2020, BAC meeting, staff developed for the BAC's discussion and feedback, a potential scope of work for an external consultant to assist with this effort. The BAC requested for staff to move forward with the scope of work for an external consultant to assist with the QEMS Methodology Benchmarking Analysis.

On January 29, 2020, the purchase order was fully executed with Tanner Pacific, Inc. Due to the COVID 19 Shelter-in-place (SIP) orders issued in the month of March, committee meetings were postponed until further notice. With approval from the Board Chair, Committee meetings were authorized to resume in July 2020. Activities associated with this effort began in August with Task 1 recommencing in September.

The purpose of this presentation (Attachment 1), provided by Tanner Pacific, Inc., is to update the committee on the status of the QEMS Methodology Benchmarking Analysis.

ATTACHMENTS:

Attachment 1: PowerPoint Presentation

File No.: 20-1055

Agenda Date: 11/18/2020
Item No.: 5.2.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

**QEMS Methodology
Benchmarking
Analysis Study**

Project Update



Board Audit Committee



November 18, 2020

Project Purpose

As directed by the BAC, this effort is to identify opportunities to improve QEMS process specific to capital projects delivery.



QEMS Methodology Benchmarking Analysis

Project Update

Project Schedule



QEMS Methodology Benchmarking Analysis

Project Update

Task #	Description	Date(s)
1	Document Review	Completed
2	Project Initiation & Planning Mtg	Completed
3	Submit Draft Questionnaire to District	11/13/20
4	Issue Questionnaire to Peer Agencies	12/01/20
5	Interview District Leadership & Practitioners	12/01/20 – 12/18/20
6	Talley Questionnaire Results	01/05/21
7	Submit Draft Report to Leadership	01/15/21
8	Submit Draft Report to BAC	02/03/21
9	Receive BAC Input & Finalize Report	02/26/21
10	Submit Final Report	03/01/21

Preliminary List of Peer Agencies

* Maximum Sample Size limited to 15 Agencies

1. San Francisco Public Utilities Commission
2. East Bay Municipal Utilities District
3. Contra Costa Water District
4. Sacramento County Flood Control Agency
5. Metropolitan Water District of Southern California
6. Los Angeles County Flood Control District
7. San Diego County Water Authority
8. Padre Dam Municipal Water District
9. Denver Water
10. Las Vegas Valley Water District
11. Seattle Public Utilities
12. King County Wastewater Treatment Department



QEMS Methodology Benchmarking Analysis

Project Update

NOTES:

The following preliminary list of California Agencies was selected based on their similarities with Valley Water which include functionality, size, and capital project portfolio. Additional out-of-state agencies have been added based on their similar size of capital portfolio and progressive standards for program management, quality management and inclusion of social and community initiatives.

Based on prior experience, 60% response rate is expected. TPI will contact Respondents to optimize response rate.

Thank You!

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Santa Clara Valley Water District

File No.: 20-1008

Agenda Date: 11/18/2020

Item No.: 5.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Safe, Clean Water Program Grant Management Audit.

RECOMMENDATION:

Receive an update on the status of the on-going Safe, Clean Water Program Grant Management Audit.

SUMMARY:

On January 14, 2020, the Board of Directors approved TAP International's updated FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan, as recommended by the Board Audit Committee (BAC). In addition to the FY 2020-2021 ad-hoc Board Audits included in the Annual Audit Work Plan, the Board Audit Committee also identified three desk reviews to be performed by TAP International: key controls and financial management regarding the extension of grants under the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program); risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process.

On February 19, 2020, the BAC discussed the status of the Safe, Clean Water Program Grant Management ad-hoc desk review. The Board's Independent Auditor, TAP International, recommended that an auditor with expertise on grant management, conduct a performance audit of the Safe, Clean Water Grant Program.

At its regular meeting of July 15, 2020, the Board Audit Committee voted to recommend that the Board approve a Board audit of the Grant Management Program and further recommended that the services be provided through the existing agreement with TAP - a sub-consultant with subject matter expertise in grants management would be utilized to provide this service. On July 21, 2020, the Board approved this performance audit to be placed on the Board Audit Committee's Annual Audit Work Plan. The BAC received additional information at its August 2020 BAC meeting to facilitate a discussion of audit objectives for a proposed scope of work based on the desk review.

On September 2, 2020, independent contractors, Greta MacDonald and Drummond Kahn, initiated the Grant Management Performance Audit to assess whether Valley Water can provide assurance that risks are being managed appropriately and whether or not the department's internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices.

Additionally, it will assess the timeliness of grant/contract approvals, and grant payments.

Following initiation of the audit, the Committee shall discuss the status of the on-going audit progress report (Attachment 1) until the audit is completed.

ATTACHMENTS:

Attachment 1: Grants Management Program Audit Progress Report

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

PROJECT STATUS REPORT

PROJECT SUMMARY

REPORTING TIMEFRAME	PROJECT NAME	PREPARED BY
October 17, 2020 - Current	Grants Management and Administration Audit	Drummond Kahn and Greta Macdonald

WORK CONDUCTED

PHASE	% DONE	TASK DESCRIPTION
Planning	100%	Completed audit plan based on risk assessment
Implementation	90%	Completed grantee survey and follow up discussions
		Completed grant file testing
		Completed gap analysis, continued best practice review and compiled workpapers
Reporting		Began preliminary draft report for submission to Civic Engagement for technical comments

WORK TO BE CONDUCTED WITHIN THE NEXT TWO WEEKS

PHASE	TASK DESCRIPTION
Implementation	Complete any outstanding follow up with Civic Engagement staff
	Complete best practices analysis and finalize audit workpapers
Reporting	Conduct exit conference with Civic Engagement
	Conduct quality control review of workpapers
	Complete draft report for submission Civic Engagement for management comments

ITEMS NEEDING ATTENTION

None at this time.		
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Santa Clara Valley Water District

File No.: 20-1009

Agenda Date: 11/18/2020

Item No.: 5.4.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Permitting Best Practices Audit.

RECOMMENDATION:

Receive an update on the status of the on-going Permitting Best Practices Audit.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (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 presented the final Risk Assessment Model to the BAC, which provided an assessment of 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 included input from Valley Water's Board of Directors, management, and staff, and was used to assist in the development of an Annual Audit Work Plan. The highest risk areas included procurement, contract change order management, succession planning, and fraud prevention.

The Board previously approved updates to the 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 included in the Annual Audit Work Plan, the BAC also identified three desk reviews to be performed by TAP: 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. On July 21, 2020, the Board approved an update to the Annual Audit Work Plan to include the FY 2020-2021 Grants Management Audit, for a performance audit of the efficiency and effectiveness of grant management and administration.

At the September 16, 2020, Board Audit Committee meeting, the Committee requested Staff to seek full Board approval that the Permitting Best Practices Audit be selected as the next audit from the Annual Audit Work Plan to be undertaken by TAP International, Inc. At the full Board meeting held on October 13, 2020, the Board approved the update to the Annual Audit Work Plan as recommended

by the BAC that the Permitting Best Practices Audit be the next audit to be undertaken by TAP International, Inc.

Following initiation of the audit, the Committee shall discuss the status of the on-going audit progress report (Attachment 1) until the audit is completed.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

VALLEY WATER: PERFORMANCE AUDIT OF CPRU'S PERMIT PROCESS

NOVEMBER 2020



TAPInternational

AUDIT OBJECTIVES

1. How does Valley Water's permitting process compare with other agencies?
2. Can alternative permit processing activities benefit Valley Water?

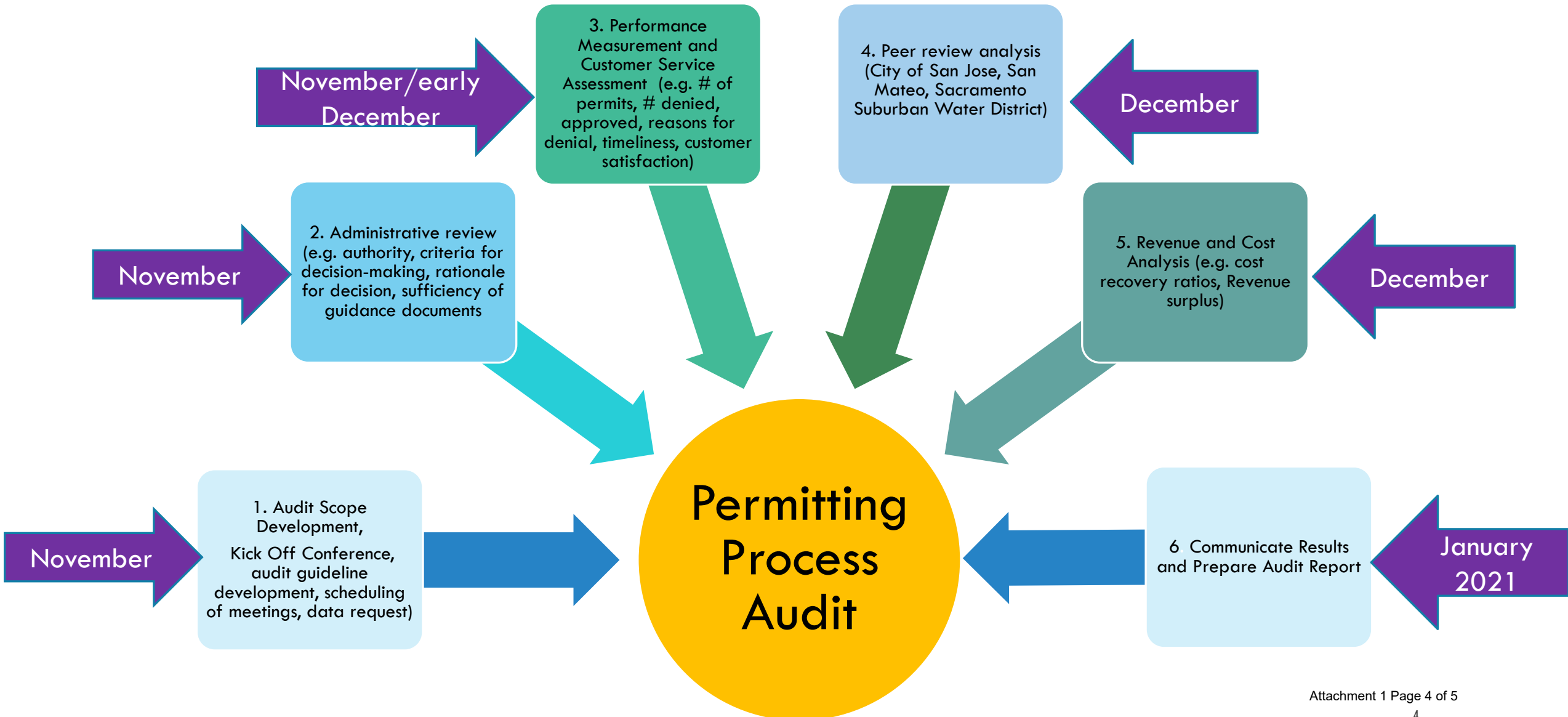
AUDIT APPROACH

Time Period: FY 17-18, FY 18-19, FY 19-20

Permit types: Customer permits to perform work on Valley Water property.

(Excludes residential encroachment issues which will be examined at a future date due to current changes taking place)

AUDIT APPROACH



TIMELINE



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