

Santa Clara Valley Water District Management Response
Safe, Clean Water and Natural Flood Protection Program Performance Audit
Performance Audit Key Results – May 19, 2017

The audit addresses the first three years of the Safe, Clean Water and Natural Flood Protection Program with twelve key findings. The District’s management responses to these key findings appear below.

Compliance and Performance Audit Findings	Compliance and Performance Audit Recommendations	SCVWD Management Response
<p>Compliance Finding #1</p> <p>Based on testing a sample of parcels in the District, the special tax was levied and collected in accordance with the provisions of Measure B.</p>	<p>Recommendation</p> <p>Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.</p>	<p>The District acknowledges this finding and will continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.</p>
<p>Compliance Finding #2</p> <p>Based on testing a sample of applications, exemptions from the special tax for low-income owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were applied in accordance with the provisions of Measure B.</p>	<p>Recommendation</p> <p>Continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B.</p>	<p>The District acknowledges this finding and will continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B.</p>

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<p>Compliance Finding #3</p> <p>Based on testing a sample of expenditures, Measure B proceeds were used for the Safe, Clean Water Program.</p>	<p>Recommendation</p> <p>Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Clean, Safe Creeks and Natural Flood Protection Program.</p>	<p>The District acknowledges this finding and will Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Safe, Clean Water Program.</p>
<p>Performance Finding #1</p> <p>Staffing decreased at the end of the Clean, Safe Creek Program and has not increased with the start of the Safe, Clean Water Program. Project managers, particularly those responsible for Priority B, rely on temporary staff and interns to accomplish project milestones.</p>	<p>Recommendation</p> <p>Evaluate project staffing levels, considering current and future needs, and hire qualified staff, as necessary, to execute projects according to plan.</p>	<p>The District acknowledges this finding and added new positions in Fiscal Year 2017 and continues to evaluate resource needs and allocate resources as required and where funding permits.</p> <p>Regarding about Priority B specifically, the FY 2018 proposed budget includes one full-time position to support projects B1 (Impaired Water Bodies Improvement) and B2 (Interagency Urban Runoff Project). The District will continue to evaluate the program's staffing levels and available funding to hire staff as necessary to execute the projects per plan.</p>

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<p>Performance Finding #2</p> <p>Some KPIs focus on outputs rather than outcomes and do not address District success in achieving key objectives.</p>	<p>Recommendation</p> <p>Consider revising output-focused KPIs to better demonstrate District success in meeting intended outcomes.</p>	<p>The District acknowledges this finding; however, the District takes a cautious approach to proposing modifications to language that was voter-approved. Modifications can be recommended by the Board, District staff, the Independent Monitoring Committee, District advisory committees, or other stakeholders. Per the program's Change Control Process, modifications require a formal public hearing, which must be publicly noticed as set forth by Government Code Section 6066.</p>
<p>Performance Finding #3</p> <p>Grants management activities have been under-resourced and cumbersome to perform.</p>	<p>Recommendation</p> <p>Continue to take measures to centralize and strengthen grants management.</p>	<p>The District has hired a new Chief of External Affairs (CEA). The CEA will oversee the District's Government Relations and Communications Units, as well as a newly created Civic Engagement Unit.</p> <p>The CEA will hire a new Unit Manager for the Civic Engagement Unit and that manager will be responsible for overseeing grant activities for SCW Priorities B3, B7, and D3 and the District's volunteer and education programs.</p> <p>The Safe, Clean Water conservation grant program (A2) is currently managed by the Water Supply Planning and Conservation Unit. The reasons for keeping this grant program separate from the other SCW grant programs are two-fold:</p> <ul style="list-style-type: none"> • Water conservation subject matter experts are critical in properly evaluating and managing conservation grant proposals, accounting for changing statewide regulatory

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		<p>requirements and regular negotiations with District’s water retailers. Any number of those factors have impacts that could influence adaption of the water conservation grants as a public policy tool for the Board of Directors to achieve defined outcomes.</p> <ul style="list-style-type: none"> • Water conservation staff can provide better customer service to those seeking water conservation grants <p>It is recommended to keep management of the A2 grants in the Water Supply Planning and Conservation Unit.</p> <p>After the Community Engagement Unit Manager is hired, as part of normal operations, staffing needs and management of grant overhead costs will be evaluated, including exploring support of professional grant management firms.</p> <p><i>Action: Continue with proposed action to hire a Civic Engagement Unit Manager to oversee the SCW B3, B7, and D3 grant programs.</i></p>

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<p>Performance Finding #4</p> <p>Lack of planning and coordination between project managers and the Legal and Procurement Departments has hindered timely completion of key project initiation tasks.</p>	<p>Recommendation</p> <p>Establish a task force comprised of project managers and representatives from the Legal and Procurement Departments to identify ways to streamline project initiation.</p>	<p>Since the District relies on contractors to perform/assist with many critical functions, delays and other inefficiencies in the procurement processes have a detrimental impact on District projects and services.</p> <p>A previous outside audit identified several deficiencies and challenges. The work and performance of several District workgroups have an impact on the pace and quality of the Procurement process. It is for this reason that the Interim Chief Executive Officer (ICEO) made improving procurement processes (particularly Contracting) a major priority.</p> <p>As a result, the new Chief Operating Officer for Administrative Services (COO) plans to bring together a group of stakeholders to share ideas, develop new processes, make commitments, etc. with the goal of positively impacting current processes. The COO intends to use a consultant to facilitate the discussions using proven process improvement strategies/methods. This collaborative effort will involve stakeholders including managers from capital projects and staff representing contracts, purchasing, legal, risk, and IT.</p> <p><i>Action: The District will use the expertise of consultant, TechSolve, Inc., to undertake a process improvement effort of the entire contracting process. It is anticipated that the effort will occur in April-June and will result in new processes, forms, and standards which will be implemented soon thereafter.</i></p>

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<p>Performance Finding #5</p> <p>Some project managers report challenges with appropriately prioritizing projects and coordinating with other priorities to meet timelines.</p>	<p>Recommendation</p> <p>Increase communication and collaboration among project managers and District stakeholders to ensure progress towards KPIs moves forward according to established plans.</p>	<p>The District acknowledges this finding.</p> <p><i>Action: Due to retirements, staff movements, and emergencies, such as winter storms, Watersheds has not been able to hold regular quarterly monitoring review meetings. Watersheds will resume the meetings to increase communications and collaboration among project managers.</i></p>
<p>Performance Finding #6</p> <p>There is an increase in demand for encampment cleanup due to homelessness issues. Priority B4 used future funding to meet current demand and may completely expend earmarked funds by 2019.</p>	<p>Recommendation</p> <p>Develop a plan for using the remaining Priority B4 resources and determine whether additional resources should be allocated.</p>	<p>The District acknowledges this finding.</p> <p><i>Action: The current level of demand for service beyond FY 2019 exceed the Safe, Clean Water funding for this work. Staff is planning to discuss options with the Board for additional funding sources to fund additional encampment cleanup.</i></p>

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<p>Performance Finding #7</p> <p>Demand for nitrate removal system rebates is lower than anticipated, so the District has only issued 12 of 1,000 planned rebates.</p>	<p>Recommendation</p> <p>Continue looking for innovative solutions to educate private well users and disperse nitrate rebates.</p>	<p>The District acknowledges this finding and will continue to look for innovative ways to inform private well users of the risks of elevated nitrate and to increase rebate program participation.</p>
<p>Performance Finding #8</p> <p>Project managers reported difficulty in collaborating with other agencies and expressed concerns that project progress and financial resources may be negatively impacted as a result.</p>	<p>Recommendation</p> <p>Ensure consistent stakeholder collaboration by establishing District-wide standards and adding stakeholder engagement steps to the project management process.</p>	<p>The District concurs with the auditor’s findings that meaningful stakeholder engagement and relationships with said stakeholders derives tremendous value for the District, helps protect the District’s reputation, and encourages future opportunities for collaboration.</p> <p>In fact, the Office of Government Relations is charged with engaging, fostering, and maintaining advocacy stakeholders for that express purpose, and the Office of Communications routinely engages, fosters, and maintains relationships with community stakeholders during specific projects for the same reason. In October 2016, the Office of Government Relations and Office of Communications were merged under the direction of one Deputy Administrative Officer, which both aligned and bolstered both Offices’ abilities to engage stakeholders in strategic and practical</p>

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		<p>fashion, to advance District priorities and achieve District project results. Consequently, stakeholder engagement has now benefited from and grown stronger through increased communication, broadened outreach, and more strategic engagement strategies.</p> <p>It is important to note, however, that stakeholder engagement strategies are designed to meet the needs of individual projects/initiatives while acknowledging and addressing diverse political and community sensitivities pertaining to each specific project/initiative. As a result, the Offices work closely together with the project team to develop detailed outreach plans for each project that outline specific stakeholder engagement strategies with roles for communications, government relations and the project team, stakeholders, and residents. These strategies also identify stakeholders and the appropriate District point(s) of contact, and tactics to be used in achieving stakeholder engagement, communications, and project outcomes.</p> <p>Given the diversity of both political and community landscapes that affect District projects, QMS and QEMS processes are limiting to the point of potentially hampering effective stakeholder engagement; instead, it is preferable to apply the auditor's recommendation that each project's assigned Public Information Representative continue to work closely with both their counterparts in Government Relations and on the project team as these outreach plans and stakeholder engagement strategies, roles, and tactics are developed, so that all parties are on the</p>

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		<p>same page at the beginning, and understand what is expected of them. In this way, effective stakeholder engagement and collaboration will be undertaken and carried out in a consistent yet adaptive manner.</p>
<p>Performance Finding #9</p> <p>Some projects have required additional funding for materials and supplies to leverage increasing volunteer resources.</p>	<p>Recommendation</p> <p>Consider establishing a civic engagement role to manage volunteer sign-ups, data and tracking, community engagement, and materials for all projects.</p>	<p>The District concurs with the auditor’s recommendation about the importance of establishing a civic engagement role to manage volunteer sign ups, data and tracking, community engagement, materials for all projects may improve volunteer engagement and maximize resource capacity.</p> <p>The District has hired a new Chief of External Affairs (CEA). The CEA will oversee the District’s Government Relations and Communications Units, as well as a newly created Civic Engagement Unit.</p> <p>The CEA will hire a new Unit Manager for the Civic Engagement Unit and that manager will be responsible for overseeing grant activities and the District’s volunteer and education programs.</p> <p>The job classification of the current manager of the volunteer program is Public Information Representative II.</p> <p><i>Action: Once hired, the Civic Engagement Unit Manager, along with the CEA, will evaluate the volunteer program and make changes to the volunteer program structure, as necessary.</i></p>