

MOSS ADAMS<sub>LLP</sub>



FINAL AUDIT REPORT

Santa Clara Valley Water District  
Clean, Safe Creeks and Natural Flood Protection Program

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## I. EXECUTIVE SUMMARY

### A. INTRODUCTION

Measure B was approved by the voters of the County of Santa Clara in 2000 to provide for the establishment and levy of a special parcel tax to protect homes, schools, businesses, and roads from flooding and erosion; protect, enhance, and restore healthy creek and bay ecosystems; provide additional open space trails and parks along creeks; and provide clean, safe water in creeks and bays. Measure B provides 15 years of funding for the Clean, Safe Creeks and Natural Flood Protection Program (Program), which is in its 11<sup>th</sup> year. Measure B required the appointment of an external Independent Monitoring Committee (IMC) by the Santa Clara Valley Water District (SCVWD) Board of Directors to provide annual review of implementation of the intended results of the Program. In order to accomplish the goals and objectives of Measure B, the District prepared the *Clean, Safe Creeks and Natural Flood Protection Plan* (Plan).

At the encouragement of the IMC, the District's Board of Directors commissioned an audit of the Program. The purpose of the audit is to assess the extent to which the District is meeting the provisions, outcomes, and key performance indicators (KPIs) outlined in Measure B and the District's Plan.

The audit has two primary components: compliance and performance. Moss Adams assessed Program compliance relative to assessments, collections, expenditures, and financial reporting requirements. We evaluated Program performance relative to goals, KPIs, outcomes, and reporting. The primary techniques utilized to conduct the audit included:

- Interviews: We met with over two dozen personnel throughout the organization, including individuals responsible for compliance with the Measure and implementation of each Program activity.
- Document Review: We reviewed dozens of documents to understand relevant policies, procedures, and processes.
- Process Walkthroughs: We had District staff walk us step-by-step through processes associated with administering the Program.
- Testing: Using standardized sampling methods, we tested internal controls and compliance with policies and procedures.

**B. OBSERVATIONS**

Through the audit process, we gained broad and deep exposure to District management and staff with roles and responsibilities associated with the Program. It is evident that the District is comprised of a high-performing team of professionals.

District management and staff working on the Program can be characterized as:

- Mission-driven;
- Talented and hard working;
- Dedicated to achieving the Plan; and
- Committed to transparency and good stewardship of public funding.

District employees were extremely responsive to our information requests and forthcoming with ideas for improving economy, efficiency, and effectiveness, while being mindful of the need to meet public information and process obligations.

It is also evident that the IMC is highly committed to providing comprehensive review of Program implementation. For instance, the IMC has requested from the District information to support KPIs that go beyond those identified in Measure B in order to more fully assess the progress of implementing Program activities. The IMC has also provided recommendations to the District regarding activity funding.

**C. CONCLUSIONS**

In order to guide our assessment of compliance and performance, we established several audit objectives. Our findings for each audit objective are provided below.

Audit Objective	Summary of Findings
The special tax was levied and collected on each parcel of land in the District, or any zone thereof, in accordance with the provisions of Measure B.	Based on testing samples, the special tax was levied and collected in accordance with the provisions of Measure B, and exemptions for low-income, owner-occupied residential properties were applied in accordance with the provisions of Measure B.
The proceeds of the tax were used in accordance with the goals of the Program.	Based on testing samples, the tax proceeds were used for the Clean, Safe Creeks and Natural Flood Protection Program.

Audit Objective	Summary of Findings
<p>Overall correlation between Measure B, the District’s Plan, and Independent Monitoring Committee (IMC) Annual Reports.</p>	<p>There are inconsistencies between information presented in the Measure, the Plan, and IMC Annual Reports. Contributing factors include lack of a clear understanding of the role of the IMC and completion for all Program activities, the Plan is no longer reflective of current conditions, and inaccuracies are carried forward from one year to the next due to the review process. In addition, the District uses the IMC Annual Reports as its own annual report, even though the IMC Reports do not provide a full financial analysis or address activities for the upcoming year.</p>
<p>Implementation of Program activities in accordance with the Plan.</p>	<p>The District is not implementing the Program in full accordance with the Plan. Seven of nine capital projects in Activity 1.1 experienced delays of one to four years, five of nine capital projects in Activity 1.1 have accelerated project schedules, and current capital project cost estimates are approximately 28% higher than current allocations. The District does not have a policy to guide programmatic funding decisions when actual Program execution varies from planned or a transition plan for the Program’s sunset. The money set aside for maintenance may not be enough to meet the requirements of the assets created through the Program.</p>
<p>Achievement of Program outcomes in accordance with the Plan.</p>	<p>Although the District is on track to meet the majority of Program outcomes, the inability to secure federal funding could result in significantly less federal and state funding than originally planned, which has impacted capital project scopes and schedules and necessitated focus on KPIs established for “local funding” project scenarios.</p>
<p>Adequacy of Key Performance Indicators (KPIs) in conveying Program performance.</p>	<p>Some of the KPIs presented in Measure B are insufficient to accurately convey progress toward achieving outcomes.</p>

It is clear that the District is dutifully striving to 1) implement the Plan and 2) comprehensively report on implementation progress. However, there have been significant impacts to the District’s operating environment resulting from changes in the economy, federal funding, and regulatory requirements, which have affected the District’s ability to implement the Plan as originally anticipated. The District would be well served to update the Plan to reflect the changes that have occurred since inception of the Program, adjust implementation expectations accordingly, and inform the public of the situation, while remaining fully committed to achieving the intent of Measure B.

**D. RECOMMENDATIONS**

As we assessed compliance and performance, our findings and recommendations naturally fit into five groupings. Our recommendations are provided below, organized by the categories of compliance, policy, program management, projects, and reporting. Unless specified otherwise, recommendations are directed toward the District.

<b>Compliance</b>
III.A Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.
III.B 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.
III.C Continue to use District controls and processes for ensuring that proceeds from Measure B are used for the Clean, Safe, Creeks and Natural Flood Protection Program.

<b>Policy</b>
IV.A Establish a clear completion definition in the Plan for each Program activity consistent with the intent of Measure B.
IV.B Establish a process for making programmatic funding decisions.
IV.C Develop a transition plan reflecting an analysis of the various scenarios under which the Program may end.
IV.D Recalibrate the Plan to reconcile inconsistencies between the Measure and Plan, communicate the Plan’s intent, and resolve any lack of clarity regarding definitions of terms and concepts.
IV.E Clarify the roles and responsibilities of the IMC.

<b>Program Management</b>
V.A Update the Plan every five years to reflect changes in economic, policy, and regulatory conditions.
V.B Prepare an annual implementation plan for the Program, taking into consideration progress to date, a realistic look forward, and available funding.
V.C Clearly define a “local funding only” scenario for capital projects that are expected to receive federal funds.
V.D Continue to report progress toward KPIs, including explanations for any deviations.
V.E Ensure that all assets under the Program are included in the District’s asset management program.

<b>Projects</b>
VI.A Explain the reasons for project delays in IMC Annual Reports, and address the causes of delays and mitigation measures to get projects back on track in the District’s annual implementation plans.
VI.B Evaluate project schedules in light of capital and human resources to confirm whether they are achievable.
VI.C Explain the factors causing cost escalations in IMC Annual Reports, and report on mitigation measures, including scope reductions and other funding sources necessary to complete the projects, in the District’s annual implementation plans.

<b>Reporting</b>
VII.A Perform more rigorous review by the IMC of Program information provided by the District, and provide more rigorous quality control by the District of Program information provided to the IMC.
VII.B.1 Refine the District’s KPIs to make them more measurable and meaningful, while still remaining consistent with the intent of Measure B.
VII.B.2 Adjust performance measures in the IMC Annual Report to better align with the refined KPIs.
VII.B.3 Begin reporting on cost-effectiveness measures in the next IMC Annual Report.

## E. REPORT CONTENT

The balance of this report consists of seven sections. They include:

- Section II, Objectives, Scope, and Methodology;
- Section III, Findings and Recommendations for Compliance;
- Sections IV-VII, Findings and Recommendations for Policy, Program Management, Project, and Reporting; and
- Section VIII, Management Response.

Throughout this audit report, we will refer to outcomes and activities. Within the Program, there are outcomes, which are the four overarching goals of the Program. Within the outcomes there are activities, under which all Program dollars are spent. Achievement of Program outcomes is measured through KPIs.

## II. OBJECTIVES, SCOPE, AND METHODOLOGY

### A. BACKGROUND

On November 7, 2000, the voters of the County of Santa Clara passed a tax measure (Measure B) to provide for the establishment and levy of a special parcel tax to protect homes, schools, businesses, and roads from flooding and erosion; protect, enhance, and restore healthy creek and bay ecosystems; provide additional open space trails and parks along creeks; and provide clean, safe water in creeks and bays.

The tax will be assessed for a period of 15 years (July 1, 2001 through June 30, 2016) to carry out the goals and objectives of Measure B. The Santa Clara Valley Water District (District) prepared the *Clean, Safe Creeks and Natural Flood Protection Plan* (Plan) to achieve the goals and objectives of Measure B. The District is currently in its 11<sup>th</sup> year of the program.

### B. PROGRAM AUDIT SCOPE OF WORK

At the encouragement of the IMC, the Clean, Safe Creeks and Natural Flood Protection Program (Program) audit was commissioned by the Santa Clara Valley Water District Board of Directors. The purpose of the audit is to assess the extent to which the District is meeting the provisions, outcomes, and key performance indicators (KPIs) outlined in Measure B and the District's Plan. The audit was performed in accordance with Government Accountability Office (GAO) Generally Accepted Governmental Auditing Standards (GAGAS).

Key components of the program audit included:

- Verifying compliance with the provisions of Measure B, and reporting on compliance and identifying and reporting on any opportunities for improvement or performance gaps;
- Assessing and determining the extent to which the District is meeting the Program's outcomes and key performance indicators outlined in the *Summary of Key Performance Indicators* chart (Table 1 - Resolution No. 2000-44) under Measure B on the November 7, 2000 General Election ballot;
- Assessing and determining the extent to which the District is meeting the four program outcomes outlined in the July 25, 2000 *Clean, Safe Creeks and Natural Flood Protection Plan, a 15-year plan to Preserve & Protect our Quality of Life*;
- Reviewing performance measurement and annual KPI reporting; and

- Assessing and determining if Measure B funds were collected and expended by the District in accordance with the tax measure.

GAGAS audits provide information used for oversight, accountability, transparency, and improvements of government programs and operations. They provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. GAGAS audits also provide objective analysis to assist management and those charged with governance and oversight in using the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

### C. MANAGEMENT RESPONSIBILITIES

District management has a number of responsibilities that were assessed as part of the Clean, Safe Creeks and Natural Flood Protection Program audit. These responsibilities included ensuring that:

- The District developed policies and procedures to ensure compliance with relevant laws and regulations;
- The District established controls to assure compliance with policies and procedures; and
- The District effectively administered, measured, and reported progress on Program implementation.

### D. PROGRAM AUDIT METHODOLOGY AND OBJECTIVES

The audit conducted by Moss Adams had two areas of focus relative to Measure B, and we developed audit objectives for each area. These areas include:

1. **Compliance** with assessment, collections, expenditures, and financial reporting requirements; and
2. **Performance** relative to goals, KPIs, outcomes, and reporting.

Our audit approach for each area and project deliverables is described below. Areas of audit focus were informed by a risk assessment that we performed through an iterative process of fact finding activities such as a kickoff meeting, interviews, document review, and walkthroughs.

## 1. Compliance Procedures

We reviewed the Santa Clara Valley Water District's policies and procedures for the Clean, Safe Creeks and Natural Flood Protection Program for fiscal year 2011, which covered the period from July 1, 2010 to June 30, 2011, as guided by Measure B. Key audit objectives included evaluating whether:

- The special tax was levied and collected on each parcel of land in the District, or any zone thereof, in accordance with the provisions of Measure B; and
- The proceeds of the tax were used in accordance with the goals of the Program.

We interviewed key personnel involved in complying with Measure B, and we performed walkthroughs of the tax levy process, as well as the process for expending the proceeds generated from the special tax. Interviews and walkthroughs ensured we understood the work flow related to compliance with the Program, as well as the key controls employed.

Based on the interviews and walkthroughs, we verified the processes employed by the District, as well as the key internal controls utilized. We updated our preliminary risk assessment based on insights gained from interviews and walkthroughs.

Key controls identified during the interview and walk through process were tested. Key controls included:

- The Board approved the annual increase in the tax levy.
- Parcel data from the County Assessor's Office was analyzed and reviewed. If changes were made to the parcel data, the reason for the change was documented.
- The tax levied annually for each parcel was automatically calculated by the system based on certain parameters.
- The District reconciled the total amount levied and certified for the fiscal year to the amount received semi-annually from Santa Clara County.
- Applications for low-income, owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were approved.
- Expenditures of the proceeds of tax levy funds were approved.

- Management prepared an annual budget for the Program and monitored actual expenditures of the tax proceeds to the budget.

We performed tests of internal controls and tests of compliance for adherence to the provisions of Measure B. Sample sizes were determined based on guidance from the American Institute of Certified Public Accountants Audit Guide, *Audit Sampling*.

Compliance tests included:

- The annual increase in the tax levy was in accordance with provisions of Measure B.
- The special tax for each parcel of real property was calculated in accordance with the provisions of Measure B.
- The exemption from the special tax for low-income, owner-occupied residential properties for taxpayers-owners who are 65 years of age or older was in accordance with the provisions of Measure B.
- Expenditures of the proceeds of the tax levy funds were used in accordance with the goals of Tax Measure B.

We documented and summarized the results of our tests of controls and compliance and performed follow-up procedures to ensure we were aware of all the facts and circumstances. We developed findings based on procedures performed during the testing process.

Throughout the compliance audit process, we analyzed whether there were any opportunities for improvement or performance gaps. We discussed our findings and recommendations with District management to verify facts contained in our findings and test the practicality of our recommendations.

## 2. Performance

We reviewed the Santa Clara Valley Water District's implementation of the Clean, Safe Creeks and Natural Flood Protection Program based on reporting from inception to date, which covers the period June 1, 2001 through July 31, 2011 and Independent Monitoring Committee (IMC) reports covering program years one (FY 2001-2002) through ten (FY 2010-2011). Key audit objectives included assessment of:

- Overall correlation between Measure B, the District's Plan, and IMC Annual Reports;
- Implementation of Program activities in accordance with the Plan;

- Achievement of Program outcomes in accordance with the Plan; and
- Adequacy of KPIs in conveying Program performance.

We conducted interviews with District personnel to gather the information necessary to assess the Program. Through interviews, we gained perspective on the extent to which the District is meeting program provisions, outcomes, and key performance indicators. Interviews included, but were not limited to, the following personnel:

- Chief Executive Officer;
- Government Relations Manager;
- Watershed Chief Operating Officer (or acting designee);
- Independent Monitoring Committee (IMC) Chair;
- Chief Financial Officer and staff; and
- Managers responsible for each outcome/activity.

Interviews were augmented with the review of key documents, such as:

- Tax Measure B from November 7, 2000 General Election ballot;
- Clean, Safe Creeks and Natural Flood Protection Plan, dated July 25, 2000;
- Ten (10) IMC Annual Reports;
- Relevant IMC and District Board meeting minutes; and
- Supporting documentation for assessing Program implementation.

Using the information gathered through interviews and document review, we assessed the extent to which the District is meeting the provisions, outcomes, and key performance indicators outlined in Measure B and the Plan. Our assessment included, but was not limited to, evaluating the:

- Extent to which the District is meeting the program's outcomes and key performance indicators outlined in the Summary of Key Performance Indicators (KPI) chart (Table 1 - Resolution No. 2000-44) under Measure B;
- Extent to which the District is meeting the program outcomes outlined in the Plan;
- Adequacy of the performance measurement and annual KPI reporting contained in the most recent IMC Annual Report.



Our assessment was based on best industry practices. We documented any relevant assumptions that were made as part of our findings or recommendations.

**E. DELIVERABLES**

Moss Adams was responsible for submitting four deliverables to the District. They included the Audit Plan, Draft Audit Report, Final Draft Audit Report, and Final Report.

We delivered to District management preliminary findings at the conclusion of the fact finding phase, findings and recommendations at the conclusion of the analysis phase, and a report presentation for meetings with the IMC, Board Audit Ad Hoc Committee (BAAHC), and District Board at the conclusion of the project. We also provided project briefings to the BAAHC. The timing of key project milestones is summarized below.

- Conducted Entrance Conference 01-26-12
- Submitted Audit Plan 02-23-12
- Presented Preliminary Findings to District Management 03-14-12
- Presented Draft Audit Report to District Management 05-02-12
- Presented Final Draft Audit Report to IMC 06-12-12
- Presented Final Draft Audit Report to BAAHC 06-13-12
- Presented Final Audit Report to District Board 06-26-12

**F. STATEMENT ON COMPLIANCE WITH GAGAS**

Moss Adams conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### III. COMPLIANCE FINDINGS & RECOMMENDATIONS

#### A. TAX LEVY AND COLLECTION

**Finding:** Based on testing the special tax levied on a sample of parcels in the District, the special tax was levied and collected in accordance with the provisions of Measure B.

**Recommendation:** Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.

#### B. EXEMPTIONS

**Finding:** Based on testing a sample of applications for exemption from the special tax for low-income owner-occupied residential properties for taxpayers-owners who are 65 years of age or older, exemptions were applied in accordance with the provisions of Measure B.

**Recommendation:** 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.

#### C. USE OF PROCEEDS

**Finding:** Based on testing a sample of expenditures funded with proceeds of Measure B, the proceeds were used for the Clean, Safe Creeks Program.

**Recommendation:** 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.

## IV. POLICY FINDINGS AND RECOMMENDATIONS

### A. PROGRAM COMPLETION

**Finding: The District does not have a clear understanding of completion for all Program activities.**

The District prepared the Plan in 2000 to present to the public how it intended to implement Measure B. District staff tend to view the Measure and Plan as one and the same. In some cases, neither the Measure nor the Plan states a clear definition of completion for Program activities.

The Plan's original intent was for all activities, including capital projects, to be completed by the time funding sunsets. The Plan states: "The district board anticipates that most flood protection projects currently planned should be completed by 2015." However, due to a variety of factors, some capital projects in Activity 1.1 will not be completed by 2015. In addition, some non-capital projects are partially funded by Program dollars and will continue in some form when the Program sunsets. The varying nature of activities funded by the Program (e.g., capital projects, operational activities with a defined completion, and operational activities with funding needs that extends beyond the Program) complicates the ability to define completion.

The Measure is clear in some cases, but not in others; some activities have a KPI-based completion milestone, while others do not have a specific KPI that could be used to determine completion. For example, the KPI for Activity 3.2 includes "equivalent of 100 acres of tidal or riparian habitat created or restored," so reaching that milestone could define completion. Conversely, the KPI for Activity 2.3 is "Reduce or prevent additional impairment of water," which is not conducive to defining project completion.

Some KPIs have already been achieved, others will be met as the Program nears completion, and others may not be met before the Program sunsets. For example, the KPI for Activity 1.2 is "remove approximately 120,000 cubic yards of sediment." As sediment tonnage removed depends on rainfall and is somewhat out of the control of the District, 120,000 cubic yards may or may not be achieved by sunset.

KPIs for Activity 1.1 are clearly defined by the number of parcels each capital project will protect. Three projects, including the Upper Guadalupe River, Berryessa Creek, and Upper Llagas Creek, have alternate KPIs for a local-only funding scenario. However, the scope of some capital projects has changed due to external factors (e.g., funding availability and environmental requirements) and may be completed without achieving the intended KPIs.

**Recommendation: Establish a clear completion definition in the Plan for each Program activity consistent with the intent of Measure B.**

Decisions will need to be made regarding the continuation of funding for operational activities that achieve their KPIs prior to Program sunset. As such, the District should establish a clear completion definition for each activity in the Plan to guide future funding decisions. The definition for each activity should clearly determine what specifically triggers completion (i.e., time, KPI, or expenditure), the application of any accumulated reserve funds, and what to do when a project has been completed but a KPI has not been met.

In addition, the completion definition for each activity should specify if funding is necessary beyond Measure B proceeds in order to achieve completion. This can apply to both capital projects and operational activities. For instance, some capital projects may not be completed by the end of FY 2015. Additionally, operational activities that are required by regulatory agencies should be noted, as funding post-Program sunset may be required. Clearly identifying these activities will help prioritize and inform management and funding decisions as the Program nears completion. (Also see Programmatic Funding Decisions recommendation.)

The table provided below identifies potential completion definitions for each activity:

Activity	KPI	Measure of Completion
1.1	Various construction projects for a total of up to 18,000 parcels protected, depending on the availability of federal funding	Per project, construction complete <i>or</i> number of parcels met
1.2	Remove approximately 120,000 cubic yards of sediment from unimproved creeks	120,000 yards removed
1.3	Preserve flood protection capacity for 40 miles of newly improved creeks	Maintenance set-aside funds spent
2.1	Reduce urban runoff pollutants in South County cities	Budgeted funds spent <i>or</i> measure sunsets
2.2	Respond to incidents within 2 hours of initial report	Budgeted funds spent <i>or</i> measure sunsets
2.3	Reduce or prevent additional impairment of water	Budgeted funds spent <i>or</i> measure sunsets

Activity	KPI	Measure of Completion
2.4	60 creek cleanup events. Response time to remove litter and graffiti of less than 5 working days. Additional safety fence around creeks is installed or repaired as needed.	60 cleanups conducted <i>or</i> measure sunsets
2.5	Assist county or other cities in reduction of pollutants in surface water	Budgeted funds spent <i>or</i> measure sunsets
3.1	Vegetation at mitigation sites properly monitored and managed to assure healthy habitat. Equivalent to 22,000 acres removed and maintained.	22,000 acres of habitat maintained
3.2	Equivalent of 100 acres of tidal or riparian habitat created or restored	100 acres created or restored
4.1	Community partnership to identify and provide public access to 70 miles of open space or trails along creeks	70 miles of trail or open space created

**B. PROGRAMMATIC FUNDING DECISIONS**

**Finding: The District does not have a policy to guide programmatic funding decisions when actual Program execution varies from planned.**

The Plan reflects the expectation that all activities would be accomplished as planned, and it does not provide guidance for shifting funding between activities in the case of deviation from plan. The lack of expected federal and state funds has impeded the District’s ability to complete capital projects on-time and at the scope defined in the Plan. In addition, significant reserves have accumulated for some activities, because activities have cost less than expected or activities have not been implemented to the extent planned. In some of these cases, it would seem that the District could reallocate funding from one activity to another, if doing so would enhance achievement of the intent of Measure B.

Some activities have achieved the KPIs established in Measure B. Per the 10-11 IMC report, an example includes:

- Activity 3.2, Habitat Restoration: “The District has met and exceeded the activity goal.” The KPI for this activity is 100 acres repaired or restored. To date, the District has repaired or restored more than 600 acres through Program funding.

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This activity involves an annual expenditure of over \$2 million and has accumulated reserves of over \$14 million.

Other activities have not yet achieved their KPIs, but less funding than planned is being spent and reserves are accumulating. Per the 10-11 IMC report, examples include:

- Activity 1.1, Calabazas Creek: Anticipated allocation of \$49.3 million; current estimated project cost \$11-12 million.
- Activity 2.1, Continue to reduce pollutants from urban runoff as a co-permittee with other local agencies and expand the program to Uvas/Llagas Watersheds: Accumulated reserve of \$76,000 to date (13% of total Program allocation).
- Activity 2.2, Hazardous materials management and incident response: Accumulated reserves of \$12,000 (3% of total Program allocation).
- Activity 2.3, Impaired water bodies improvement: Accumulated reserves of \$3.9 million (19% of total Program allocation).
- Activity 2.4, Neighborhood creeks frequently inspected and cleaned of litter and graffiti: Accumulated reserves of \$1.9 million (10% of total Program allocation).
- Activity 4.1, Provide additional trails and open space along creeks and watersheds: Estimated annual allocation of \$1.2 million, but spending in FY 10-11 was only \$72,000, and spending has always been less than allocated. Cumulative reserves total \$7.4 million (40% of total Program allocation).

Board approval is necessary to transfer Program funds between activities and outcomes. The Plan intended for frequent adjustments, stating: "Frequent monitoring will allow the water district to adjust priorities and resources quickly to ensure that services meet the board's policies." However, alternative scenarios for shifting Program funds were not submitted to the Board for consideration until March 2010, and were not approved at that time. Funding adjustments were approved by the Board in March 2011 and are anticipated to be acted upon in the coming years. Funding shifts were not recommended in 2012. Adjustments are documented in the Annual Implementation Plan section of this report.

### **Recommendation: Establish a process for making programmatic funding decisions.**

The District should build upon annual adjustment recommendations and develop a process to determine when and how to make decisions for transferring funds between activities and projects, while achieving the intent of Measure B for each activity. With the end of funding in sight and external funds at risk, decisions need to be made regarding

how to maximize productivity of existing funding, including how to utilize reserves. The District may wish to seek legal opinion about the feasibility of changing KPIs or outcomes.

Undertaking this process in a transparent manner will help the District to communicate the need for adjustments to the public. For instance, the needs of each capital project should be defined using, at a minimum, the District’s CIP criteria for flood protection projects. Additional criteria could be developed to consider the strategic goals of the Program. Criteria should recognize the unique characteristics of each project, differences in funding sources, and equity across the District.

**C. TRANSITION PLAN**

**Finding: The District does not have a transition plan for the Program’s sunset.**

The Program is nearing completion, and the District does not have a plan to transition operations once funding sunsets and outcomes are met. The Program is a major part of District operations, and many District staff are fully or partially funded by the Program. In addition, several Program activities are now required by federal and/or state regulations.

A number of the operational activities in Outcomes 2, 3, and 4 existed before the Measure was passed. They will continue to be part of the District’s regular work plan after 2016. However, the District does not have a post-Program plan for funding the portion of these activities that are supported by the Program. The table provided below shows the percentage of the operational activities funded by the Program.

Activity	Percent Funded by Program	Activity	Percent Funded by Program
1.2	10%	2.5*	100%
2.1	10%	3.1*	40%
2.2	30%	3.2	100%
2.3*	100%	4.1	100%
2.4*	60%		

\*Now fully or partially required by regulators

For instance, impaired water bodies improvement (Activity 2.3), litter cleanup (Activity 2.4), surface water quality partnerships (Activity 2.5), and vegetation management and habitat mitigation (Activity 3.1) are now wholly or partially required as part of the District's regular work plan. EPA and State of California water quality standards are regularly updated, and the amount of work required to meet these standards continues to increase.

More than 40 FTE positions were funded by the Program in FY 2011. As the construction of capital projects ramps up, additional positions are likely to be required and existing District staff will likely have to take on more Program work. Because most Program work is performed by permanent District staff that are not fully funded by the Program, transitioning their workloads when funding sunsets could be a challenge. Unlike grant-funded employees, their employment is not term-limited in accordance with their work.

**Recommendation: Develop a transition plan reflecting an analysis of the various scenarios under which the Program may end.**

The District should develop a transition plan for achieving Program outcomes, including human resource and funding requirements for ongoing, required activities. The plan should address the maintenance reserve fund and the capital project that is expected to extend beyond 2016.

Of particular importance is finding a stable, long-term funding source for required activities. The uncertainty of funding for these activities places the District at risk of losing grant monies and/or being fined for non-compliance.

Because the future of funding is uncertain at this point, the transition plan should, at a minimum, consider the following scenarios:

- Program extension through a new measure;
- Program extension through other funding sources; and
- No additional funding.

A transition plan should be based on realistic assumptions for funding, staffing levels, and implementation timelines. The plan should identify key staff and responsibilities. Knowledge transfer, including documenting processes and procedures, is also a key part of a transition plan. The transition plan should identify any risks to successful implementation, as well as potential risks to the community if the Program were to end.

## D. CONSISTENCY BETWEEN MEASURE, PLAN & ANNUAL REPORTS

**Finding: There are inconsistencies between information presented in the Measure, the Plan, and IMC Annual Reports.**

The District culture is to not deviate from the Plan, and the Plan document has not been updated since it was written. Because the Plan and Measure B are not completely consistent with one another or with the IMC Annual Reports, there continue to be discussions by the Board and IMC about the intent of the Plan and specific definitions of terms and concepts. These inconsistencies hamper the District's ability to report its performance and IMC's ability to review the District's performance.

Some of the inconsistencies are minor. For example, the number of parcels protected via the Sunnyvale East project is written as 1,618 in Measure B and 1,616 in the Plan; or the number of miles for Activity 4.1, which focuses on providing additional trails and open space along creeks and in watersheds, is identified as 70 miles in some places and 71 miles in others. Some inconsistencies are more significant. For instance, for Activity 2.2, Hazardous materials management and incident response including reservoirs for Uvas/Llagas Watersheds, the Plan indicates, "The water district will advertise and conduct 60 hazardous material disposal events in the Uvas and Llagas watershed over the life of the 15-year plan." This goal is not in Measure B or the IMC Annual Reports. Other inconsistencies between the Measure, Plan, and IMC reports include:

- Activity 1.1: The Coyote Creek project has no parcel count in Measure B, but it specifies that 1,400 parcels will eventually be protected in the Plan.
- Activity 1.1: Some original project schedules presented in the IMC Annual Reports are different from those in the Plan, including:
  - Calabazas Creek: Plan schedule is FY 04-12; IMC is FY 05-11
  - Berryessa Creek: Plan schedule is FY 05-12; IMC is FY 05-17
  - Upper Llagas Creek: Plan schedule is FY 01-17; IMC is FY 04-17
- Activity 1.3: There is an inconsistent number of miles presented as the KPI in:
  - Measure B: "Preserve flood protection capacity for *40 miles* of newly improved creeks maintained."
  - Plan: "Preserve flood protection capacity for *40 miles* of newly improved creeks maintained."
  - 2010-11 IMC report: "Preserve flood protection capacity for *46 miles* of newly improved creeks maintained."

- Activity 2.4: The number of cleanup events either annually or over the life of the Program is inconsistent as follows:
  - Measure B: “60 cleanup events”
  - Plan: “60 cleanup events annually”
  - 2010-11 IMC report: “60 creek cleanup events (4 per year)”

A likely contributing factor to the aforementioned inconsistencies has been the lack of a District employee being formally assigned and exclusively dedicated to the role of owning implementation of the Plan or overseeing the Program as a whole. District staff report that in 2009, the Watershed Chief took on the role of Plan “owner.” However, it took some time for the District as a whole to gain awareness that the Watershed Chief had assumed those responsibilities.

**Recommendation: Recalibrate the Plan to reconcile inconsistencies between the Measure and Plan, communicate the Plan’s intent, and resolve any lack of clarity regarding definitions of terms and concepts.**

The Watershed Chief should formally serve as official “owner” of the Plan to reconcile inconsistencies. The Watershed Chief should undertake an effort to resolve existing inconsistencies, including definitions of terms and concepts. Staff support may be required to undertake this planning function. The recalibrated Plan should include a glossary of key terms and concepts, like that presented in the IMC Annual Reports. Where applicable, the Plan should explain how and why the recalibrated Plan differs from the Measure and 2000 Plan. Moving forward, any confusion regarding definitions, intent, or inconsistencies should be brought to the Watershed Manager for immediate resolution. (Also see Plan Accuracy recommendation.)

## E. ROLE OF THE IMC

**Finding: District Management and staff and IMC members report confusion regarding the role of the IMC.**

There is insufficient guidance provided in Measure B, Plan, Resolution 01-57, and Resolution 11-54 regarding the role of the IMC.

The following guidance is provided regarding the role of the IMC:

- Measure B – “an external, independent monitoring committee shall be appointed by the District Board of Directors to provide annual review of the implementation

of the intended results of the Clean, Safe Creeks and Natural Flood Protection Program funded by the special tax.”

- Plan (page 3.1) – “The water district board of directors will also appoint an external, independent monitoring committee who will conduct an annual review to evaluate implementation and effectiveness of the Clean, Safe Creeks and Natural Flood Protection plan.”
- Resolution 01-57: Establishes the purpose of the IMC as follows:
  - “1. The Independent Monitoring Committee shall provide an annual review of the implementation of the intended results of the Clean, Safe Creeks and Natural Flood Protection plan funded by the special tax. The committee will provide for regular meetings to be held not less than twice per year.
  2. The Independent Monitoring Committee shall produce a report documenting their annual review of the implementation of the intended results of the Clean, Safe Creeks and Natural Flood Protection plan.
  3. In monitoring implementation, the committee will reasonably inform itself to the extent necessary to determine the degree to which the District 15-year plan for Clean, Safe Creeks and Natural Flood Protection is being accomplished to date and is planned for the next period.
  4. The Independent Monitoring Committee shall provide the report to the Board, and this report shall be made available for all Santa Clara County residents.
  5. The District shall fund clerical support. “
- Resolution 11-54: This amendment to Resolution 01-57 did not modify the purpose of the IMC.

**Recommendation: Clarify the roles and responsibilities of the IMC.**

Develop an official charter for adoption by the Board of Directors to provide more detailed definition of the roles and responsibilities of the IMC. The charter should define the authority of the IMC, the content of the IMC’s annual report to the Board, the scope of their review, their ability to interpret the intent of the Plan, and the basis for determining progress of Plan implementation. For instance, the charter should provide clarity on what it means for the IMC to “evaluate implementation and effectiveness of the...plan” and what is expected of the IMC to “determine the degree to which the...plan...is planned for the next period.” The charter should also include a member conflict of interest statement and specifications for member qualifications.

## V. PROGRAM MANAGEMENT FINDINGS & RECOMMENDATIONS

### A. PLAN ACCURACY

**Finding: The Plan, written in 2000, is no longer fully accurate.**

District culture resists deviating from the Plan, written in 2000 before the passage of Measure B, because the voters approved specific outcomes. Since 2000, the economic, policy, and regulatory environments in which the District conducts business have changed significantly. Two recessions, in 2001-2002 and 2007-2009, impacted the District's ability to collect revenues, especially federal funds. At the policy level, the population of Santa Clara County has increased by 5.9% since 2000, new construction has impacted the physical environment, and the public's priorities have shifted. Regulatory changes have included FEMA construction codes and standards for flood protection, most recently updated in 2008, and state and federal permitting requirements, which have especially impacted activities 2.3, 2.4, 2.5, and 3.1. (See Transition Plan finding.)

In addition to the changes in the external environment, the District Board approved adjustments to the Plan in 2011 and 2012. It is expected that adjustments will continue to be recommended to the Board as the Program nears completion, activities are completed, and funding adjustments must be made.

**Recommendation: Update the Plan every five years to reflect changes in economic, policy, and regulatory conditions.**

As discussed in the Programmatic Funding Decisions finding, the Plan was drafted with the intent of frequent adjustments. Adjusting the Plan on a regular basis will enable the District to document what has changed and what can realistically be achieved under new conditions. Over the course of a 15-year program, updating every five years would allow for two adjustments (Year 6 and Year 11) during the life of the Program, as well as an adjustment towards the end of the Program to address utilization of remaining funds based on priorities after the Program sunsets.

Other capital programs adjust plans on a regular basis. For example, most departments of transportation have long-range transportation plans, which define priorities, capital projects, and strategic goals, typically ranging from 15 to 30 years. They also develop short-term transportation plans, typically covering six years, which specifically plan for capital project implementation related to the long-range plan.

Updates should address economic, policy, and regulatory changes and their associated impact on the activities to be accomplished by the Program. A financial forecast should be included, and any anticipated future events that may impact Program implementation should be considered. The financial forecast should reflect updated expenditures (original planned versus current actual or projected to completion) for all activities to “true-up” the Program budget with actual conditions and establish realistic completion expectations. The updated Plan should focus on leveraging existing resources to the fullest extent possible.

## B. ANNUAL IMPLEMENTATION PLAN

**Finding: The District uses the IMC reports as its own annual Program report, even though the IMC reports do not provide a full financial analysis or address activities for the upcoming year.**

The IMC’s role as defined in Measure B is “to provide annual review of the implementation of the intended results of the ... Program.” In other words, the IMC’s role is to look backward. The IMC issues an annual narrative report, to which District staff add a financial summary as an appendix. The District does not issue a separate annual report on the Program. IMC Annual Reports have grown in scope over time, reporting supplemental data related to Program implementation, which may not be necessarily under the scope of the IMC. While presenting a valuable look back at accomplishments, the IMC Annual Reports are not from the perspective of the District. As such, they are missing key elements of an annual plan, including a look forward and full financial analysis and forecast.

The Plan itself does not establish protocols or strategies for funding decisions. These decisions are typically made during the annual budgeting process, which occurs each year in May. In March 2010, the District presented a “Plan review and strategy adjustments” document to the Board. This document, which has since been presented to the Board annually, provides an overview of each activity to date, a financial outlook, and District implementation strategies. However, the Board does not adopt this document as an official annual report on Program activities.

Potential adjustments to the Program were first recommended to the Board in March 2010, yet District management and staff knew adjustments, due to lack of federal funds, may have been necessary as early as 2004. The second IMC report, covering FY 02-03, states that “the [IMC] is aware of the challenges that shortfalls in [federal and state] funding and high land costs can cause.” Nevertheless, the most recent IMC report from FY 10-11 states, “For the first time since its formation, the [IMC] has serious concerns that one of the four major outcome areas of the [Program] will not be achieved by 2016.”

The District culture of strict adherence to the Plan has made management reluctant to pursue significant adjustments. Funding adjustments must be approved by the Board, and the first adjustments were approved in 2011, when the Board approved delaying allocations for activities 3.2 and 4.1 in order to fund capital projects in Activity 1.1. The District has not yet reallocated these funds. District staff expect these adjustments will need to be made in 2013 or 2014. While these funds will help to move projects forward, they are not sufficient to fulfill Program outcomes. In March of 2012, the Board approved adjustments to the scope of capital projects in order to move forward without federal funds. The District will explore pursuing modified approaches to the San Francisquito, Upper Guadalupe, and Upper Llagas projects. With only four years remaining until Measure B tax collections end, these adjustments may not be sufficient to achieve Program outcomes.

**Recommendation: Prepare an annual implementation plan for the Program, taking into consideration progress to date, a realistic look forward, and available funding.**

With the opportunities for improvement noted in this report, the IMC Annual Report provides an adequate snapshot of the Program's progress toward achieving its outcomes. The District should undertake an annual implementation planning effort to guide decision-making for the upcoming year. The plan review and strategy adjustments, which have been presented to the Board every March since 2010, and the annual budgeting process are a good basis upon which to build a formal implementation plan.

Annual implementation planning will help the District to plan and communicate work on the Program for the coming year, with clear expectations for progress based on the level of available funding. It will formalize the process for asking the Board for adjustments to meet outcomes. It will facilitate the efficient allocation of Program dollars to meet outcomes, and provide an additional mechanism for measurement of progress.

A successful annual implementation plan should include strategies for decision-making and priorities for spending across all activities. It should define in detail one-year targets for identifying progress toward the outcomes and associated KPIs and the specific actions that will be taken to meet the targets in the coming year. The plan should detail how the actions will be funded, who will be responsible, and when actions will take place.

For each capital project, the District should adjust project scope, schedule, and budgets in order to meet Program outcomes. The District should document causes for delays and mitigation measures to address these issues, including steps taken to secure additional funding. Changes in expected project allocations and updates to forecasted project costs should be documented and explained, along with mitigation measures to meet outcomes in

a changing financial landscape. Conducting an annual adjustment will help the District to achieve the Program outcomes.

The plan should communicate the changing economic and policy landscape as it impacts the Program. If updates to regulations have occurred or are anticipated in the coming year, the associated impact on activities should be explained. External factors that may be barriers to implementation, such as the permitting and environmental review processes and design standards, should be noted for each project.

### C. FEDERAL FUNDING AVAILABILITY

**Finding: The inability to secure federal funding could result in significantly less federal and state funding than originally planned, which has impacted capital project scopes and schedules and necessitated focus on KPIs established for “Local funding” project scenarios.**

In the 2000 Plan, three projects (Upper Guadalupe River, Upper Llagas Creek, and Berryessa Creek) had detailed funding scenarios based on the availability of federal funds. As stated in the Plan, the fully funded Upper Guadalupe River project would protect 6,989 parcels, while the local option would reduce risk but fully protect zero parcels. Similarly, the Upper Llagas Creek project would protect 1,397 parcels if fully funded, but only reduce risk if locally funded. A fully funded Berryessa Creek project would protect 1,814 parcels, while the local option would protect about 100 parcels.

All of these projects are at risk due to the lack of expected federal funds. Federal fund availability has been impacted by the economy, politics, Army Corps of Engineers priorities, and other factors beyond the District’s control. The funding status of these projects as of the latest IMC Annual Report is summarized below.

- *Upper Llagas Creek*: The federal share of \$65 million is uncertain. In addition, under a revised cost estimate, \$23 million in additional state subvention reimbursements would be necessary to proceed with the project. The project is currently in the planning and design phase. In an attempt to accelerate the project, the District began a process to take over the federal EIS/R consultant contract that had stalled due to lack of federal funding. The District and the City of Morgan Hill entered into an agreement to fund design with local funding in order to proceed. Lack of federal funds stalled design and planning for four years. In March 2012, the Board authorized District management to explore moving forward with the local-only alternative.

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- *Berryessa Creek:* This project has been reduced in scope from protecting 1,814 to 1,662 parcels. The District is working with the Corps on the reduced project, but even the reduced federal allocation of \$45.2 million is uncertain. In addition, the IMC Annual Report states that the District allocation is \$27.8 million, but the expected cost to the District is \$47.8 million. According to strategy adjustments presented to the Board in March 2012, the District is proceeding with this project assuming federal funds will be allocated.
- *Upper Guadalupe River:* The project schedule has been delayed three years due to lack of federal funds, so the schedule has been extended to 2019. The current federal share is \$136.7 million. In March 2012, the Board directed District staff to explore moving forward with a modified local project option, which requires \$13.9 million more than is currently allocated to the project. This reduced project could be funded by shifting funds from Activities 3.2 and 4.1 and from other capital projects.

An additional project, San Francisquito Creek, depends on a federal partnership. This project is sponsored by a joint powers authority, of which the District is a voting member. Because the District does not control the scope or schedule of this project, there is a risk that the District will not achieve the KPI. The District has been aggressive in sponsoring activities that the local sponsor would not normally conduct in order to move the project forward, however its ability to move forward is limited. The March 2012 adjustments approved by the Board recommend that the District explore an alternative scenario to meet its commitment under the Program.

State funding is at risk if federal partnerships are not preserved. The State of California will reimburse 70% of local costs for acquiring land and moving utilities if a project is a federal partnership. For example, if a federal partnership is not preserved for the Upper Llagas project, then the additional \$23 million in state subvention reimbursements needed to complete the project will also not be obtained, placing the entire project at risk. The District is doing everything it can to maintain federal partnerships, for which federal funding is not required.

While federal funding is uncertain, the District is proceeding with project design, permitting, and land acquisition for the Upper Llagas and Upper Guadalupe projects as if full funding will be provided in accordance with agreements with the Corps of Engineers. The District may be forced to choose between making a full project shovel-ready and accomplishing a reduced project. Adjustments approved in March 2012 detailed above show the District is moving toward an alternative solution for projects originally planned

to be supported by federal funding. These adjustments were not comprehensive, because the District is reluctant to scale back planning in the event that federal funds come through at some point. However, federally-funded options are becoming less realistic as the end of the Program nears. This uncertainty and inaction places the District at risk of not fully achieving Outcome 1.

**Recommendation: Clearly define a “local funding only” scenario for capital projects that are expected to receive federal funds.**

This recommendation is related to the Plan Accuracy finding. The Plan update should include a realistic local-only funding option for the three federally funded projects. The District should choose a specific milestone at which point it will decide whether to move forward with the local-only funding version. If additional or alternative planning and permitting is required, then these timelines and costs should be documented.

During this planning process, the District will need to determine the impacts of scaling back these projects. The District should use the current annual strategy adjustment recommendation process as a basis for this decision course. The sunk costs from planning for full scope for more than 10 years include land acquisition and maintenance costs. The District will need to determine what impacts the scaled-back projects will have on the District’s assets and policies and whether there is associated liability.

**D. PROGRESS TOWARD PERFORMANCE INDICATORS**

**Finding: The District is on track to meet a majority of Program outcomes.**

Outside of Activities 1.1 and 1.2, the District is meeting or exceeding all Program outcomes. The achievement of the KPIs for Activity 1.1 construction projects depends on securing funding and the District’s ability to accomplish the projects. The achievement of the Activity 1.2 KPIs is mostly dependent on environmental factors, and the work is proceeding as planned. A summary of the status of Program KPIs as presented in the FY 10-11 IMC report is provided below.

Activity	KPI	Status*
1.1		
Permanente Creek	Flood damage reduction for 1,664 parcels	Delayed 2 years, proceeding with accelerated schedule

Activity	KPI	Status*
San Francisquito Creek	Planning and design of an engineering plan	Delayed 4 years, proceeding with accelerated schedule
Sunnyvale West Channel	Flood damage reduction for 11 parcels	Delayed 2 years, proceeding with accelerated schedule
Calabazas Creek**	Flood damage reduction for 2,483 parcels	Delayed 1 year, proceeding with accelerated schedule
Sunnyvale East Channel	Flood damage reduction for 1,618 parcels	Delayed 1 year
Upper Guadalupe River	Flood damage reduction for 6,989 parcels	Schedule extended to 2019
Berryessa Creek	Flood damage reduction for 1,814 parcels	Schedule extended to 2016
Coyote Creek	Planning, design, and partial construction	Delayed 3 years
Upper Llagas Creek	Flood damage reduction for 1,397 parcels	Delayed 4 years, proceeding with accelerated schedule
1.2	Remove approximately 120,000 cubic yards of sediment from unimproved creeks	Not meeting goal but proceeding as planned
1.3	Preserve flood protection capacity for 40 miles of newly improved creeks	Proceeding as planned
2.1	Reduce urban runoff pollutants in South County cities	Proceeding as planned
2.2	Respond to incidents within 2 hours of initial report	Meeting goal
2.3	Reduce or prevent additional impairment of water	Meeting goal
2.4	60 creek cleanup events. Response time to remove litter and graffiti of less than 5 working days. Additional safety fence around creeks is installed or repaired as needed.	Meeting goal

Activity	KPI	Status*
2.5	Assist county or other cities in reduction of pollutants in surface water.	Goal met
3.1	Vegetation at mitigation sites properly monitored and managed to assure healthy habitat. Equivalent to 22,000 acres removed and maintained.	Exceeding goal
3.2	Equivalent of 100 acres of tidal or riparian habitat created or restored.	Goal met
4.1	Community partnership to identify and provide public access to 70 miles of open space or trails along creeks.	Proceeding as planned

\*per FY 10-11 IMC report, page 7

\*\*Note: Project is complete per March 27 report to Board

**Recommendation: Continue to report progress toward KPIs, including explanations for any deviations.**

The District should continue to annually report progress toward the KPIs established in Measure B. Where activities are not meeting their KPIs, a clear explanation of the deviation, causes, and potential impacts should be included. If programmatic or funding adjustments are necessary to meet the KPI, then these adjustments should be detailed in the annual implementation plan, as noted above.

**F. ASSET MANAGEMENT**

**Finding: As the District’s asset inventory grows under the Program, related maintenance has grown, and the money set aside may not be enough to meet the maintenance requirements associated with assets created through the capital program.**

Activity 1.3 is a set-aside fund for ongoing maintenance and operation (M&O) of the creeks improved under the Program. The Plan states that “revenue from the special tax will fund 70% of the maintenance necessary for newly-improved creeks,” although the Plan does not give a timeline for expenditures. While Program revenues have been less than planned, the amount of dollars set aside annually for this activity are proceeding as planned.

The District's current plan for ongoing maintenance of Program assets is to roll the assets into the regular maintenance program. In a 2011 presentation to the Board, the District reported that it expects to begin spending the maintenance reserve in 2017. Depending on the nature of maintenance and operations activities, the funds are projected to run out within 10 to 30 years. The funds are not prioritized in any manner, and there is not a plan for how the funds will be spent when maintenance is required.

The changing regulatory environment has increased the level of maintenance required. As a result, the fund may support less than 70% of maintenance activities. Additionally, as the capital program has increased the number of parcels acquired by the District, the maintenance and operations workload has increased accordingly. Capital projects increase, and sometimes complicate, the overall District workload for vegetation maintenance, litter and graffiti removal, sediment removal, hazmat response, and habitat restoration.

In March 2011, the Board approved a proposal to potentially spend this reserve fund to complete the Program's capital projects, with the fund being reimbursed by future state subventions or federal funds. This proposal has not been acted upon to date. However, the longer federal funds are not provided to the District, the greater the chance that the maintenance reserve will be used to fund construction. While this would help the District meet Program outcomes, the instability of federal funding presents a risk to future M&O activities. In addition, this \$7 million reserve is not sufficient to meet the Program's capital project objectives.

**Recommendation: Ensure that all assets under the Program are included in the District's asset management program.**

The District should conduct a review to ensure that all Program assets are included in the District's asset management program. These range from capital facilities to acquired, but undeveloped, parcels. Current asset conditions should be documented, and full M&O obligations should be defined in terms of activities, frequency, resource requirements, and projected cost per activity per year.

## VI. PROJECT FINDINGS & RECOMMENDATIONS

### A. DELAYS TO CAPITAL PROJECT SCHEDULES

**Finding: Seven of nine capital projects in Activity 1.1 experienced delays of one to four years.**

Given the pay-as-you-go nature of the Program, almost all capital construction will occur in the later years of the Program. However, it appears that design and planning were delayed for a number of these projects. In most cases, the lack and inconsistency of federal funding caused design, planning, and construction delays. In some cases, the IMC Annual Reports explained these delays as they occurred, while in other cases the causes of project delays have not been documented. Also, the IMC Annual Reports do not report the District's strategy for mitigating these delays.

Per the FY 10-11 IMC report, only two projects, Calabazas Creek and Upper Guadalupe, had completed the design phase. Capital project schedules have deviated from the original Program plan, as shown below:

Project	2000 Plan Schedule	Current Schedule*	Reason for Delay
Permanente Creek	2006-16	2008-15	Planning, per 05-06 IMC report
San Francisquito Creek	2006-10	2010-16	Federal planning funding delayed, per 03-04 IMC report. Federal design delayed 5 years, per 05-06 IMC report.
Sunnyvale West Channel	2006-10	2008-15	Planning; combined East and West projects extended planning, per 05-06 IMC report.
Calabazas Creek	2004-12	2005-11	Unknown; schedule change appeared in 09-10 IMC report with no explanation.
Sunnyvale East Channel	2007-16	2008-16	Assume planning; see above, however schedule change appeared in 09-10 IMC report with no explanation.
Upper Guadalupe River	2001-16	2001-19	Federal funds; delayed per 04-05, 07-08, 09-10, and 10-11 IMC reports. Congressional authorization; delayed per 05-06 and 06-07 IMC reports.

Project	2000 Plan Schedule	Current Schedule*	Reason for Delay
Berryessa Creek	2006-16	2005-15	Unclear; project shows start date of 2001 in all IMC reports until 09-10; schedule change appeared with no explanation.  Unknown; schedule extended to 2015 per 04-05 IMC report with no explanation.  Federal funds; project on hold per 06-07 and 07-08 IMC reports.
Coyote Creek	2001-16	2004-16	Unclear; schedule changed in 10-11 IMC report with no explanation; all earlier IMC reports show project work proceeding as planned.
Upper Llagas Creek	2003-16	2006-16	Federal funds; construction delayed per 02-03 IMC report, design and environmental delayed per 03-04 IMC report, overall delay per 08-09 IMC report.  Unclear; schedule change appeared in 09-10 IMC report with no explanation; all earlier IMC reports show work began in 01-02.

\*per FY 01-11 IMC report p. 7

**Recommendation: Explain the reasons for project delays in IMC Annual Reports, and address the causes of delays and mitigation measures to get projects back on track in the District’s annual implementation plans.**

For the most part, IMC Annual Reports identify delays as they occurred in the year under review. However, the reasons for delays are not always clear or reflected accurately in the project schedules as presented in the “Capital Program Schedule” exhibit or in individual project descriptions. The IMC should present the project schedules accurately and consistently throughout the report, and clearly explain reasons for delays. It may be helpful to the reader to compare the original and current project schedules for each project within the project description sections.

As mitigation measures are not within the scope of the IMC's review, the District's annual implementation plan should detail any causes for delays and mitigation measures to address these issues, including steps taken to secure additional funding. This is discussed in the Annual Implementation Plan recommendation.

## B. CAPACITY TO ACCOMPLISH CAPITAL PROJECTS

**Finding: Five of nine capital projects in Activity 1.1 have compressed schedules.**

Due to the pay-as-you-go nature of the program, it is expected that capital projects may experience delays until enough funding is amassed to begin construction. As noted above, however, most projects have experienced planning and design delays, in part due to the lack of expected federal funds. To meet the Program's outcomes by 2016, the District has accelerated the schedules of several projects. Per the FY 10-11 IMC report "Capital Program Schedule" exhibit, the following projects have compressed schedules:

Project	Original Schedule	Current Schedule	Years Compressed	Current Status*
Permanente Creek	2006-16	2008-15	3 years	Proceeding on target
San Francisquito Creek	2006-16**	2009-16	4 years	Proceeding on target with limited scope
Sunnyvale West Channel	2006-14**	2008-15	1 year	Proceeding on target
Calabazas Creek	2004-13**	2005-11	4 years	Complete
Upper Llagas Creek	2003-15**	2006-16	3 years	Proceeding on target with local-only funding option

\*Note: Current status per March 27, 2012 report to Board

\*\*Note: FY 10-11 IMC report schedule differs from 2000 Program plan schedule

The FY 10-11 IMC report states that all of these projects are proceeding as planned, although it also states that there are "serious concerns that major flood protection projects within Outcome 1 will not be achieved by 2016." Of the five projects with accelerated schedules, all but the Upper Llagas Creek project are funded with local dollars only. In March 2012, the District recommended to the Board that Upper Llagas move forward with a local-only project plan. It is unclear, however, whether the District has the fiscal capacity to accomplish all of these projects with limited time remaining and an unstable funding

picture. A capital program audit currently underway is expected to recommend strategies for accelerating District projects, including those under the Program.

It is also unclear whether the District has the human capital available to manage all the construction projects concurrently. For example, District staff reported that upcoming staff vacancies in the environmental office could slow permitting. As construction ramps up, additional personnel may be necessary to complete the capital program. The ability to hire qualified project managers in a timely manner and oversee eight projects concurrently presents a risk to the District.

**Recommendation: Evaluate project schedules in light of capital and human resources to confirm whether they are achievable.**

The District has continually made schedule adjustments at the project level to ensure project KPIs are met and Program outcomes are achieved. Since the District is planning for construction on all but the Upper Guadalupe project to be finished by the Measure's sunset in 2016, it should revisit the achievability of each project from the following perspectives: 1) funding adjustments between outcomes were only approved beginning in 2011, 2) Program funds in other outcome areas alone are not sufficient to meet the capital funding requirement, and 3) the District may need to increase staffing for the concurrent construction program.

Considering the current situation, the District should reevaluate capital project schedules and revise them if necessary. The District should approach each project schedule with the intent of meeting the KPI within a timely, yet realistic and achievable timeframe.

As noted in the Delays to Capital Project Schedules recommendation, the IMC Annual Report should consistently identify changes in schedule and the rationale for those adjustments.

### C. CAPITAL PROJECT COST ESCALATION

**Finding: Current capital project cost estimates are approximately 28% higher than current allocations.**

IMC Annual Reports present financial data for each Program activity, as well as a financial summary appendix to the report. Current capital project cost estimates presented in the FY 10-11 IMC report total \$655.7 to \$661.7 million. Anticipated allocations (original project costs inflated 3% per year for 15 years) are \$511.6 million. This 28% difference between capital project cost estimates and budget allocations is not explained in IMC Annual Reports.



Four projects, Sunnyvale East, Upper Guadalupe, Berryessa, and Upper Llagas, account for the cost escalations. The differences between anticipated allocations and estimated costs are documented below.

Project	Total Anticipated Allocation	Current Estimated Project Cost	Difference to District
Sunnyvale East	\$36.9 million	\$90 million	\$53.1 million
Upper Guadalupe	\$98.7 million	\$135.8 million District \$272.5 million total	\$37.1 million
Berryessa	\$27.8 million	\$47.8 million District \$93 million total	\$20 million
Upper Llagas	\$32.4 million	\$40 million District \$105 million total	\$7.6 million

Many factors have impacted the cost of capital project planning, design, and construction since costs were first estimated in 2000. Changing regulatory requirements, particularly with respect to environmental permitting, have increased planning and design work and mitigation requirements. In some cases, the scope of projects has changed based on input from communities or Army Corps of Engineers design revisions.

**Recommendation: Explain the factors causing cost escalations in IMC Annual Reports, and report on mitigation measures, including scope reductions and other funding sources necessary to complete the projects, in the District’s annual implementation plans.**

If project allocations and estimated costs continue to be presented in the IMC Annual Reports, then any gaps or changes should be explained. Presenting financial data in the IMC report is a de facto endorsement of the data. As such, the IMC reports should document reasons for changes in anticipated allocations and estimated costs. Alternatively, the IMC should remove financial data from its annual report.

As with schedule variances, changes in estimated project costs should be presented and explained in the District’s annual implementation plan.

## VII. REPORTING FINDINGS & RECOMMENDATIONS

### A. IMC REPORT OVERSIGHT AND QUALITY CONTROL

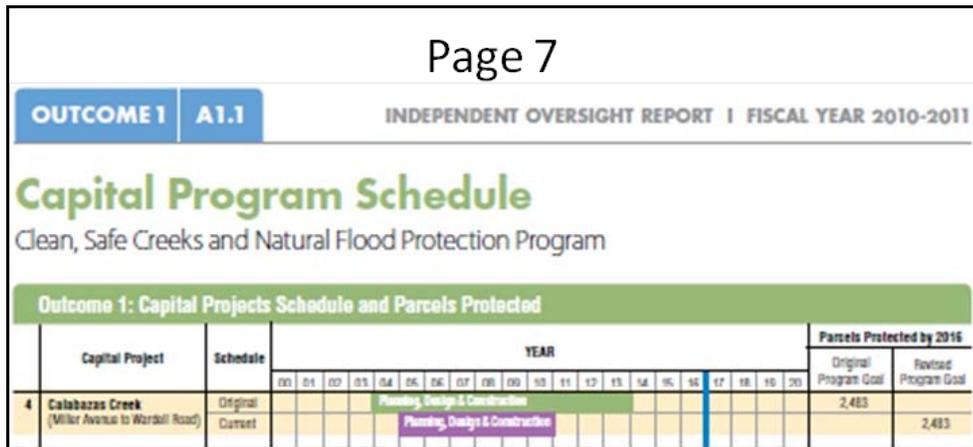
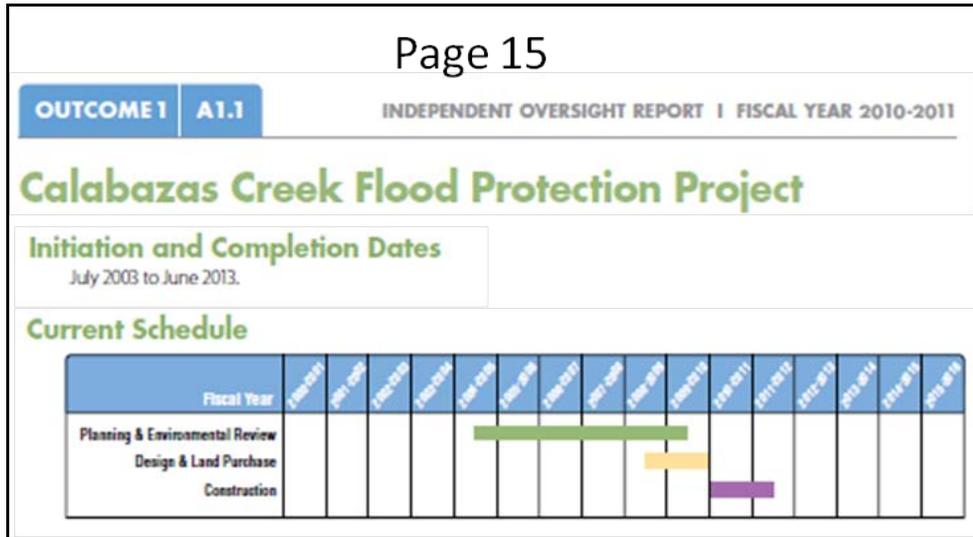
**Finding: Inaccuracies and inconsistencies in the annual IMC reports are carried forward from one year to the next due to the review process.**

The IMC's role as prescribed in Measure B is "to provide annual review of the implementation of the intended results of the Clean, Safe Creeks and Natural Flood Protection Program funded by the special tax." While the IMC's review includes a significant amount of data, the reports reflect gaps in cost data, inconsistencies in schedule data without explanation, and data accuracy issues.

The IMC does not write a new oversight report each year. Instead, District staff update the report from the previous year, and the IMC reviews the updated document. The report itself has grown more than 20 pages in length and includes a significant amount of supporting data. In addition, the report update process, which takes six months each year, may be overly burdensome for District staff. Failure to make adjustments to report content and structure limit the scope of the IMC's critique. For example, the Sunnyvale East and West projects were combined in FY 05-06, but they continue to be presented as separate projects in the IMC report.

The report's "front matter," featuring an overview of the Program and prior year activities, does not necessarily align with the individual project and activity summaries. For example, the 10-11 IMC report says "the IMC documents its serious concerns that major flood protection projects within Outcome 1 will not be achieved by 2016." However, the individual project summaries show all projects proceeding as planned, and the report also states, "Where possible, projects will be completed ahead of schedule." These differences could be, in part, due to the timing of report preparation, whereby the report covers the previous fiscal year, but it is prepared during the subsequent fiscal year when more up-to-date information is available.

The schedules of many of the capital projects differ between the exhibit on page 7 and individual project summaries. It is unclear which schedule is correct, especially when schedules printed on the same page are different. For example, three different schedules (FY 04-05 to FY 10-11, FY 03-04 to FY 12-13, and FY 04-05 to FY 11-12) are presented in the FY 10-11 IMC report for the Calabazas Creek project. These are shown below:



Also in the FY 10-11 IMC report, schedules are presented differently between similar exhibits for the Permanente Creek, San Francisquito Creek, Calabazas Creek, Upper Guadalupe River, and Berryessa Creek projects. Project schedules differ on the same page between the narrative and exhibits on project summary pages for the San Francisquito Creek, Calabazas Creek, and Upper Guadalupe River projects. The presentation of dates in the “current schedule” exhibits is also inconsistent. For example, June 2015, December 2015, and June 2016 are each presented as the mid-point of FY 2015-16. In addition, the “current schedule” exhibits are not consistent with the Outcome 1 summary table on page 27. For instance, the Sunnyvale West and East Projects are listed in the table as currently in a different phase than what is shown in the project exhibits.

Schedule inconsistencies also appear in the IMC reports year-to-year. For example, the Berryessa Creek project schedule is presented in IMC reports as beginning in 2001 in every IMC report until FY 09-10, in which the project start date is shown as 2005. The Coyote Creek project schedule was also altered in the FY 10-11 report to 2004, despite work beginning in 2001. A similar inconsistency appears for the Upper Llagas Creek project, which is shown in every IMC report up to FY 09-10 as beginning in 2001, yet the start date in the FY 09-10 and 10-11 reports show a start date of 2006. Throughout the reports, work on these projects is reported as progressing beginning in 2001.

When capital project schedules and costs vary from plan, the IMC Annual Reports, in some cases, show the variance but do not explain the variance. The IMC states that each project will be completed as planned; however, assuming the benchmark for capital project completion is adherence to budget and schedule, these projects are not proceeding as planned. As noted in the Capital Project Cost Escalation finding, four projects have cost variances that are not explained in the IMC Annual Report. For example, the Sunnyvale East project is shown in the IMC Annual Report with a total anticipated allocation of \$36.9 million and current estimated project cost of \$90 million. This \$53.1 million difference in project cost and Program allocation is not explained, and an alternative source of funds is not identified, yet the IMC states that the project is proceeding as planned.

There are also irregularities with performance measures in the IMC Annual Reports. For instance, within each activity summary, “How This Activity Will Be Measured” and “What is being measured?” do not always reflect the same performance measure. In addition, performance measures in the IMC Annual Reports do not always match those in the Plan. The example provided below demonstrates these differences for Activity 4.1, for which “What is being measured?” is much less than “How This Activity Will Be Measured.”

**OUTCOME 4** | **A4.1**

**How This Activity Will Be Measured**

The miles of trails and acres of open space and parks created or planned for as a result of the Program will be measured. Both the actual miles of new trails constructed and the miles of additional access provided by construction will be reported. This activity will also be measured by the total number of agreements entered into as a result of the Program. The District will describe the dollars expended to achieve the results of the program and specify where District land or right of way is provided.

**What is being measured?**

Miles of additional trails or open space provided along creeks and in watersheds.

**Recommendation: Perform a more thorough review by the IMC of Program information provided by the District, and provide more rigorous quality control by the District of information provided to the IMC.**

The IMC should perform a rigorous review of all dates, facts, and figures in the most recent report. Beginning with next year's IMC Annual Report, the IMC should include explanations from the District for deviations from project schedules and cost estimates defined in the original Plan and evaluate progress against forward-looking benchmarks established in the District's annual implementation plan. These benchmarks should be specifically related to the KPIs in Measure B to ensure consistency with the intent of the Measure. Explanations for deviations from cost and schedule are addressed in other recommendations. In addition, the IMC should acknowledge in its cover letter to the report that corrections have been made to accurately reflect the status of projects and activities.

In order to improve the quality of its review, the IMC could consider alternatives to its current review process. The IMC should consider reducing the length and scope of the annual report, and explore alternate reporting mechanisms, such as a presentation to the Board or a performance dashboard. Each year the IMC report should be approached "fresh" versus focusing on only what changed from the previous report. The IMC should evaluate the District's progress against that fiscal year's annual implementation plan. At a minimum, a synopsis of the District's annual implementation plan should be included in the information provided to the IMC for consideration while preparing its annual report.

## **B. PERFORMANCE INDICATOR SUFFICIENCY**

**Finding: Some of the KPIs presented in Measure B are insufficient to accurately convey progress toward achieving outcomes.**

In some cases, the Program KPIs included in Measure B are not sufficient to meaningfully report progress. KPIs should be specific, measurable, practical, and quantifiable. For example, the Activity 2.4 KPI of "60 creek cleanup events" is quantifiable. However, the Activity 2.5 KPI of "Assist county or other cities in reduction of pollutants in surface water" is not quantifiable. Because the KPIs are activity-level, other data such as cost-effectiveness, could be valuable in reporting the progress of the Program.

One consequence of this lack of specificity is that, more than ten years into the implementation of the Program, there is still debate within the District regarding how to interpret the KPIs. In addition, the IMC does not always use the Measure B KPIs to measure progress. The "How This Activity Will Be Measured" section of each activity summary in the IMC Annual Reports varies from the KPIs. This is understandable, since the IMC has



needed to interpret the intent of the less specific KPIs over time in order to produce a meaningful performance report.

The inherent latitude given to the IMC for reporting to non-specific KPIs has also increased the scope of IMC reporting. Many IMC measures (Activities 1.1, 1.2, 2.4, 3.1, 3.2, and 4.1) include supporting data that does not directly support the KPI. This data is valuable from a programmatic standpoint, but it does not necessarily fall under the purview of the IMC, since it is not specified in Measure B or the Plan.

For example, the first IMC performance measure for Activity 3.2 in the FY 2001-2002 report was “tracking the amount of environmental restoration and the pre- and post-conditions of the fisheries, riparian habitat or wetlands.” By FY 2010-2011, this measure had changed to “tracking the implementation of environmental enhancement ... acreage, as well as protection for endangered species; removal of fish migration barriers/installation of fish ladders; removal of non-native, invasive plants; and re-vegetation of native plant species.” Accordingly, the number of pages devoted to Activity 3.2 in the IMC report has increased from two pages in 2003 to six pages in 2008 and nine pages in 2012.

The differences between the KPIs in Measure B and the IMC performance measures are detailed in the table below, with the IMC measure taken from the FY 2010-11 IMC report.

<b>Activity 1.1</b>	
<b>KPI</b>	Various construction projects for a total of up to 18,000 parcels protected, depending on federal and state funding levels
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Yearly progress of parcels protected in comparison to voter-approved Program schedule</li> <li>2. Amount of funding expended for each project</li> </ol>
<b>Activity 1.2</b>	
<b>KPI</b>	Remove approximately 120,000 cubic yards of sediment from unimproved creeks
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. The amount of sediment removed that is funded by the Program</li> <li>2. Overall creek capacity restored</li> </ol>
<b>Activity 1.3</b>	
<b>KPI</b>	Preserve flood protection capacity for 40 miles of newly improved creeks
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Maintenance funded by the Program</li> <li>2. Overall creek capacity restored once capital projects completed and maintenance is ongoing</li> </ol>

<b>Activity 2.1</b>	
<b>KPI</b>	Reduce urban runoff pollutants in South County cities
<b>IMC measure</b>	Implementation of pollution prevention activities
<b>Activity 2.2</b>	
<b>KPI</b>	Respond to incidents within 2 hours of initial report
<b>IMC measure</b>	Number of calls and time to respond to calls
<b>Activity 2.3</b>	
<b>KPI</b>	Reduce or prevent additional impairment of water
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Naming and describing the number and type of impaired water bodies</li> <li>2. The change in impaired water body designations</li> </ol>
<b>Activity 2.4</b>	
<b>KPI</b>	60 creek cleanup events. Response time to remove litter and graffiti of less than 5 working days. Additional safety fence around creeks is installed or repaired as needed.
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Annual number of cleanup events</li> <li>2. Cumulative amount of trash removed from area creeks</li> <li>3. Number of calls for service versus time to respond to calls</li> </ol>
<b>Activity 2.5</b>	
<b>KPI</b>	Assist county or other cities in reduction of pollutants in surface water
<b>IMC measure</b>	Annual number of partnerships and collaborative supported countywide to address general surface water quality
<b>Activity 3.1</b>	
<b>KPI</b>	Vegetation at mitigation sites properly monitored and managed to assure healthy habitat. Equivalent to 22,000 acres removed and maintained.
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Acreage of vegetation managed</li> <li>2. Acreage of removal of non-native and invasive vegetation</li> </ol>
<b>Activity 3.2</b>	
<b>KPI</b>	Equivalent of 100 acres of tidal or riparian habitat created or restored
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Implementation of environmental enhancement acreage</li> <li>2. Removal of fish mitigation barriers and installation of fish ladders</li> <li>3. Removal of non-native, invasive plants</li> <li>4. Re-vegetation of native plant species</li> </ol>

Activity 4.1	
<b>KPI</b>	Community partnership to identify and provide public access to 70 miles of open space or trails along creeks
<b>IMC measure</b>	<ol style="list-style-type: none"> <li>1. Miles of trails and acres of open space and parks created or planned: actual miles of new trails; and miles of additional access provided by construction</li> <li>2. Total number of agreements entered into</li> <li>3. Dollars expended to achieve results</li> <li>4. Location of land or right of way</li> </ol>

**Recommendation 1: Refine the District’s KPIs to make them more measurable and meaningful, while still remaining consistent with the intent of Measure B.**

While the KPIs passed in Measure B cannot be changed, the District should refine its approach to KPIs to better communicate progress toward achieving Program outcomes. During the Plan recalibration process, KPIs should be assessed for measurability, specificity, and significance, and revised as necessary. The following KPIs could be refined for more effective reporting. Suggested modifications are listed below.

- **Activity 1.1:** Various construction projects for a total of about 18,000 parcels protected

*Suggested modification:* As the number of parcels protected can change during design and planning, often due to factors outside the District’s control, a refined KPI would measure whether each project’s planning, design, and construction were proceeding on-time and within budget.
- **Activity 1.3:** Preserve flood protection capacity for 40 miles of newly improved creeks

*Suggested modification:* The activity is a program reserve for maintenance after the Program is complete. As such, the KPI at this time should measure whether the funds are being set aside as planned.
- **Activity 2.1:** Reduce urban runoff pollutants in South County cities

*Suggested modification:* The activity is to form partnerships to reduce pollutants in the cities of Gilroy and Morgan Hill. Measure the number of partnerships and collaborative efforts entered into under the activity.
- **Activity 2.3:** Reduce or prevent additional impairment of water

*Suggested modification:* Align reporting with the regulatory measure by specifying and describing actions taken to reduce pollutant loading.

- **Activity 2.5:** Assist county or other cities in reduction of pollutants in surface water

*Suggested modification:* The activity is to form partnerships to address surface water quality. Measure the number of partnerships formed and sustained under the activity.

- **Activity 3.1:** Vegetation at mitigation sites properly monitored and managed to assure healthy habitat. Equivalent to 22,000 acres removed and maintained.

*Suggested modification:* The first sentence of the KPI is not specific or measurable. Determine whether the activities in this sentence are part of the 22,000 acres; if not, then determine how to specifically measure maintenance and monitoring of mitigation sites associated with the Program.

## **Recommendation 2: Adjust performance measures in the IMC Annual Report to better align with the refined KPIs.**

Performance measures as presented in the IMC Annual Reports under “How This Activity Will Be Measured” differ from the KPIs in Measure B. (Note that these differ from “What is being measured?” which is also presented in the IMC report, detailed in the “IMC Oversight” section of this report.) Once the KPIs are refined, the IMC performance measures should align to the KPIs. More focused performance measures will in turn concentrate the IMC’s attention toward the most important information and avoid inundating the IMC with supporting data.

The following IMC report measures should be modified to better align with KPIs:

- **Activity 1.1:** Yearly progress of parcels protected in comparison to voter-approved Program schedule; Amount of funding expended for each project

*Suggested modification:* Based on how the KPI is refined following Recommendation 1, specifically measure the on-time and on-budget status of each project, such as hitting key project milestones. “Progress of parcels protected” is a measure of project completion and could be included as supporting data in the report. Per-project spending is not an effective measure of progress or performance.

- **Activity 1.2:** The amount of sediment removed that is funded by the Program; Overall creek capacity restored

*Suggested modification:* “Overall creek capacity restored” does not directly support the KPI, and should be removed as a performance measure. It can be detailed in the report for added value.
- **Activity 1.3:** Maintenance funded by the Program; Overall creek capacity restored once capital projects completed and maintenance is ongoing

*Suggested modification:* Based on how the KPI is refined following Recommendation 1, specifically measure the amount of funds reserved against the planned benchmark.
- **Activity 2.1:** Implementation of pollution prevention activities

*Suggested modification:* Based on how the KPI is refined following Recommendation 1, specifically measure the level of pollutants and/or partnerships against a benchmark.
- **Activity 2.2:** Number of calls versus time to respond to calls

*Suggested modification:* Measuring the number of public requests for service does not directly support the KPI. Remove this as part of the measure and report only average time to respond to calls. Number of calls can be detailed in the report for added value.
- **Activity 2.3:** Naming and describing the number and type of impaired water bodies; The change in impaired water body designations

*Suggested modification:* Based on how the KPI is refined as a result of Recommendation 1, specifically measure the level of pollutants against a benchmark.
- **Activity 2.4:** Annual number of cleanup events; Cumulative amount of trash removed from area creeks; Number of calls for service versus time to respond to calls

*Suggested modification:* Measuring progress as an increase in the cumulative amount of trash removed conflicts with the goals of other programs, like pollution prevention. Remove this part of the measure. As with Activity 2.2, measuring the number of public requests for service does not directly support the KPI. The measure should be average time to respond to calls for service, as well as the annual number of cleanup events.

- **Activity 3.1:** Acreage of vegetation managed; Acreage of removal of non-native and invasive vegetation

*Suggested modification:* Based on how the KPI is refined following Recommendation 1, the second measure may or may not be necessary.

- **Activity 3.2:** Implementation of environmental enhancement acreage; Removal of fish mitigation barriers and installation of fish ladders; Removal of non-native, invasive plants; Re-vegetation of native plant species

*Suggested modification:* “Implementation of environmental enhancement acreage” directly supports the KPI. The other measures provide supporting data that can be detailed in the report for added value.

- **Activity 4.1:** Miles of trails and acres of open space and parks created or planned (Actual miles of new trails, Miles of additional access provided by construction); Total number of agreements entered into; Dollars expended to achieve results; Location of land or right of way

*Suggested modification:* “Actual number of miles of trails and open space created” and “total number of agreements entered into” support the KPI. The other measures provide supporting data that can be detailed in the report for added value.

### **Recommendation 3: Begin reporting on cost-effectiveness measures in the next IMCA Annual Report.**

Because the Program KPIs are activity-level, the District should report annually on the performance of the Program as a whole. A cost-effectiveness measure communicates accountability to the public that dollars are being spent responsibly and in accordance with the intent of the Measure, as well as communicating credibility to stakeholders. Cost-effectiveness data is relevant and generally understandable to all audiences. It can also be used to help the District more efficiently manage the Program.

The District should choose one or more meaningful cost-effectiveness measures to report at the Program level. The financial summary section of the IMC Annual Report already presents two data points that would be appropriate as cost effectiveness measures:

- Program management and support spent for Outcome 1 as a percentage of total program funds spent; 3.7% in FY 2010-2011
- Percent of allocated program management and support funds spent for all activities; 114% in FY 2010-2011

## VIII. MANAGEMENT RESPONSE

A management response has been prepared by District management, and it is provided under separate cover.



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