



BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING
WEDNESDAY, SEPTEMBER 17, 2025
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:00 p.m.

1.1 Roll Call.

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

Staff members in attendance were: Emmanuel Aryee, Kevin Brown, Rita Chan, Jessica Collins, Enrique De Anda, Amy Fonseca, Walter Gonzalez, Candice Kwok-Smith, Cecil Lawson, Dave Leon, Olive Manaloto, Jennifer Martin, Anthony Mendiola, Nicole Merritt, Carlos Orellana, Max Overland, Luz Penilla, Don Rocha, Alison Phagan, Amandeep Saini, Stephanie Simunic, Manpreet Sra, Charlene Sun, Darin Taylor, Odilia Teixeira, Kristen Yasukawa, Bhavani Yerrapotu, and Tina Yoke.

Public in attendance were: Valley Water District 7 Director Rebecca Eisenberg, and George Skiles (Sjoberg Evashenk Consulting).

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

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

3. APPROVAL OF MINUTES:

3.1. Approval of August 20, 2025, Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the August 20, 2025 Committee meeting.

Public Comments:
None.

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

4. REGULAR AGENDA:

4.1. Receive Update on the Implementation of the Management Response to the 2023 Capital Improvement Program (CIP) Process Performance Audit.

Recommendation: Receive the status update on the implementation of the Management Response to the 2023 CIP Process Performance Audit.

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

Luz Penilla, Tina Yoke, Carlos Orellana, and George Skiles were available to answer questions.

Public Comments:
None.

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

- The Committee noted that staff are engaging with other government agencies regarding the CIP performance measurement system and have received positive feedback, along with interest in collaborating on a benchmark study to better understand practices across agencies.
- The Committee discussed the process for when cost increases exceed the approved project budget including how the Board is notified and noted staff are continuing to develop the tools and metrics to provide quick access to the status of projects to assist management with staying on schedule and budget.
- The Committee noted the cost estimator tool that assists staff in annually evaluating trends and provides cost escalation information to be incorporated into proposed project costs.
- The Committee confirmed the CIP process by which procurement teams are integrating and coordinating with the project managers to ensure contract compliance.
- The Committee noted collaborating staff are collecting, tracking, and compiling together an annual report for review by the Chiefs which incorporates the use of Artificial Intelligence (AI).
- The Committee noted interest in utilizing internal staff rather than contractors to streamline smaller or medium sized projects and confirmed that Projectmates may be modified to manage the contracts in coordination with other CIP tools to support both in-house and future projects.

- The Committee noted the California Public Contract Code (PCC) § 21161 requirement for a formal competitive bidding process for any project exceeding \$50,000 unless an exception applies such as channel protection.
- The Committee noted interest in developing a system for consultants to report significant developments to the Board Committees and the public.
- The Committee noted that the Chief Audit Executive (CAE) would conduct a follow-up review towards the end of the fiscal year when the CIP audit recommendations were fully implemented.

4.2. Receive the Fiscal Year 2024-2025 Fourth Quarter Financial Status Update.

Recommendation: Receive the fiscal year 2024-2025 fourth quarter financial status update as of June 30, 2025.

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

Handout 4.2-A, revised Slide 7 of Attachment 1 was distributed to the Committee and made available to the public.

Charlene Sun, Enrique De Anda, Luz Penilla, and Darin Taylor were available to answer questions.

Public Comments:
None.

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

- The Committee noted appreciation for staff's continued work and confirmed that the target is 80% of the budget for upcoming fiscal year capital expenditures with the implementation of the CIP performance measurement system referenced under Item 4.1
- The Committee confirmed that staff are reviewing the impact of the surface/recycled water revenue budget versus actuals.

4.3. Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2024.

Recommendation: Receive and discuss the audit report of the Water Utility Enterprise funds for the fiscal year ended June 30, 2024.

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

Darin Taylor was available to answer questions.

Public Comments:

None.

The Committee received the information, took no formal action, and without further discussion noted the audit report.

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

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

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

George Skiles was available to answer questions.

Public Comments:
None.

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

- The Committee expressed support for including the Pacheco Reservoir Expansion Project close out audit as a potential audit topic consistent with a previous Board request and noted the value of reviewing recent employment survey data to obtain staff perspectives.
- The Committee confirmed the other potential audit topics on the list were as follows: risk assessment, review of board governance models, evaluation of Board members roles regarding Joint Power Authority (JPA) agreements, and a performance audit of District-wide asset management practices.

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

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

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion noted the update on the 2025 Annual Audit Plan.

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

Recommendation: Review and discuss topics of interest raised at prior

BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

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

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, noted the update on the BAC Work Plan, and confirmed the BAC October 15, 2025 meeting date to discuss the draft 2026 Annual Audit Plan in preparation for a Board proposal targeted for the end of November 2025.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

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

Nicole Merritt confirmed the Committee received the update on the implementation of the management response to the 2023 CIP Process Audit, noted support for staying up to date on changes including cost increases, how the system compares to other government agencies, looking at medium sized projects, and utilizing internal staff under Item 4.1; received and noted the fiscal year 2024–2025 fourth quarter financial status update under Item 4.2; received and noted the audit report of the water utility enterprise funds under Item 4.3; discussed and provided feedback of additional audit topics for the 2026 Annual Audit Plan under Item 4.4; noted the 2025 Annual Audit Plan update under Item 4.5; and noted the 2025 BAC Work Plan under Item 4.6.

6. ADJOURN:

6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m. on October 15, 2025.

Chairperson Beall adjourned the meeting at 2:19 p.m. The next regular meeting is scheduled to occur at 1:00 p.m. on October 15, 2025.

Nicole Merritt,
Deputy Clerk (Committee Meetings)

Date approved: October 15, 2025

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