



BOARD AUDIT COMMITTEE MEETING

# MINUTES

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**REGULAR MEETING SESSION  
WEDNESDAY, SEPTEMBER 18, 2024  
1:00 PM**

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(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 4 Director Jim Beall, Vice Chairperson, and District 2 Director Barbara F. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were: Emmanuel Aryee, Ingrid Bella, Sarah Berning, Rita Chan, Jessica Collins, Enrique De Anda, Amy Fonseca, Rachael Gibson, Walter Gonzalez, Christopher Hakes, Sheryl Higa, Brian Hopper, Diahann Hudson, Michele King, Candice Kwok-Smith, Emelia Lamas, Cecil Lawson, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Carmen Narayanan, Tony Ndah, Carlos Orellana, Luz Penilla, Alison Phagan, Don Rocha, Stephanie Simunic, Manpreet Sra, Charlene Sun, Darin Taylor, Odilia Teixeira, Cheryl Togami, and Tina Yoke.

Public in attendance were: Valley Water Director 7 Rebecca Eisenberg, Shiloh Ballard, Emer Jayson Fabro, and Roger Martinez (Vasquez and Company LLP.), Katja Irvin (Sierra Club), George Skiles (Sjoberg Evashenk Consulting) and XXX-XXX-0769.

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

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

**3. APPROVAL OF MINUTES:**

3.1. Approval of August 21, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the August 21, 2024 Committee meeting.

Public Comments:  
None.

It was moved by Vice Chairperson Beall and seconded by Chairperson Keegan and was carried by unanimous vote that the minutes be approved.

#### **4. REGULAR AGENDA:**

##### **4.1. Receive the Fiscal Year (FY) 2023-2024 Fourth Quarter Financial Status Update.**

Recommendation: Receive the (FY) 2023-2024 fourth quarter financial status update as of June 30, 2024.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and the corresponding materials contained in Attachment 1 were reviewed by staff as follows: Charlene Sun reviewed Slides 1 through 5, Enrique De Anda reviewed Slides 6 through 7, and Slides 8 through 9, and Luz Penilla reviewed Slide 7.

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

Public Comments:  
None.

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

- Vice Chairperson Beall confirmed the State of California Treasury Office manages the Local Agency Investment Fund (LAIF) and requested further details on the investment strategies; requested range of costs of bonds/Certificates of Participation (COPs) including fixed and variable rates/total interest rate paid on Valley Water debt; and requested details on the standards used by Valley Water for issuing debt. (Informal Board Member Request No. IBMR-24-0014)
- The Committee noted the strategic issuances of the debt process used to cover the Capital projects, confirmed no known negative implications to the rate projections per previous shortage of Capital project expenditures, and expressed support of the review of options to utilize the unused allocated Capital funds.
- The Committee noted the goal of 80% as generous for performance measures relating to Capital expenditures versus projections and expressed support of revisiting this topic in the future.

##### **4.2. Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year (FY) Ended June 30, 2023.**

Recommendation: Receive and discuss the audit report of the Water Utility Enterprise funds for the FY ended June 30, 2023.

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

Darin Taylor and Brian Hopper were available to answer questions.

Public Comments:  
None.

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

- Vice Chairperson Beall confirmed the annual Protection and Augmentation of Water Supplies (PAWS) report provides information for constituents regarding zone funding allocation.
- Vice Chairperson Beall requested information on the breakdown of the Safe Clean Water special tax revenue by municipality. (IBMR No. 24-0015)
- The Committee confirmed the Safe, Clean Water tax is related to the impermeable area owned by individual parcels and is based on a runoff formula calculated by the land use category rate and size of the parcel and the available tax exemption for low-income seniors.
- The Committee confirmed the Safe, Clean Water tax is generally around \$70-\$80 a year for a single-family home on a quarter acre lot in addition to required flood insurance if in a flood zone.

4.3. Discuss Potential Audit Topics for 2025 Annual Audit Plan and Provide Further Guidance as Needed.

Recommendation: Discuss potential audit topics 2025 Annual Audit Plan, and provide further guidance as needed.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo and per 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 noted support for the potential audit topics: Capital Project Delivery, overall Contracting Performance Process, elements of the Water Supply Master Plan (WSMP) – imported water, water usage/ demand/forecasting/conservation, Valley Water's role in establishing JPAs, and the Labor Negotiations Process.
- The Committee noted the importance of reviewing the elements of the WSMP to assist with reducing the financial and environmental costs of larger projects, lowering water rates, reviewing cost allocations, boosting

water conservation, and maximizing funding.

- The Committee confirmed that Board members not appointed to the BAC may address the Committee by formal memo sent in advance of a meeting.
- The Committee noted the Chief Audit Executive (CAE) will follow up with a refined audit topics list at a future BAC meeting for further discussion and will ensure to include Director Varela's feedback.

4.4. Discuss 2024 Annual Audit Plan (Including Information Technology (IT), Human Resources (HR), and Board Policies Audits) and Provide Feedback as Needed.

Recommendation: A. Discuss 2024 Annual Audit Plan;  
B. Provide feedback as needed;

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo and per 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 confirmed this topic is for the BAC to discuss the 2024 Audit plan and schedule only and noted any audit details will be discussed upon completion of the audits.
- The Committee noted the HR audit is in the fieldwork phase and the IT and Board Policies audits are in the planning phase.
- Vice Chairperson Beall requested further information on how the HR audit interviews are conducted by Moss Adams.

4.5. Review and Discuss the 2024 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 2024 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, and noted the following:

- The Committee noted Vice Chairperson Beall would not be available to attend the October 16, 2024, regular meeting per attending the League of California Cities Annual Conference to receive a Lifetime Achievement Award and expressed support to reschedule to a special meeting through the Board Scheduler.

**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 there were no items for Board consideration; noted the Committee received and provided feedback on Items 4.1 through 4.5; noted the IBMR from Vice Chairperson Beall regarding LAIF'S investment strategies and range of bonds/COPs, and the Committee's interest in revisiting the performance measures under Item 4.1; noted the IBMR from Vice Chairperson Beall regarding breakdown of the Safe, Clean Water special tax revenue by municipality under Item 4.2; and noted the Committee's support for rescheduling the October 16, 2024 regular meeting under Item 4.5.

**6. ADJOURN:**

6.1. Adjourn to Regular Meeting at 1:00 p.m. on October 16, 2024.

Chairperson Keegan adjourned the meeting at 2:32 p.m., to the subsequently rescheduled special meeting at 10:00 a.m. on October 25, 2024.

Nicole Merritt, Assistant Deputy Clerk II

Date approved: October 25, 2024

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