

May 8, 2024

MEETING NOTICE

**SANTA CLARA VALLEY WATER DISTRICT
BOARD AUDIT COMMITTEE**

Members of the Board Audit Committee:

District 2 Director Barbara F. Keegan, Committee Chairperson
District 4 Director Jim Beall, Committee Vice Chairperson
District 1 Director John L. Varela, Committee Member

Staff Support of the Board Audit Committee:

Rick Callender, Esq., Chief Executive Officer
Carlos Orellana, District Counsel
Michele King, Clerk of the Board
Rita Chan, Acting Assistant Chief Executive Officer
Tina Yoke, Chief Operating Officer
Darin Taylor, Chief Financial Officer
Rachael Gibson, Chief of External Affairs
Chris Hakes, Chief Operating Officer
Aaron Baker, Chief Operating Officer
Brian Hopper, Sr. Assistant District Counsel
Leslie Orta, Sr. Assistant District Counsel
Joseph Aranda, Assistant District Counsel
Andrew Gschwind, Assistant District Counsel
Cecil Lawson, Deputy Administrative Officer
Marta Lugo, Deputy Administrative Officer
Tony Ndah, Deputy Administrative Officer
Emmanuel Aryee, Deputy Operating Officer
Bhavani Yerrapotu, Deputy Operating Officer
Alexander Gordon, Assistant Officer
Anthony Mendiola, Program Administrator
Manpreet Sra, Management Analyst
George Skiles, Partner, Sjoberg Evashenk Consulting

A Santa Clara Valley Water District regular Board Audit Committee Meeting has been scheduled to occur at 1:00 p.m. on Wednesday, May 15, 2024 in the Headquarters Building Boardroom located at the Santa Clara Valley Water District, 5700 Almaden Expressway, San Jose.

Members of the public may join the meeting via Zoom Teleconference at:
<https://valleywater.zoom.us/j/91608079873>.

The meeting agenda and corresponding materials are located on our website:
<https://www.valleywater.org/how-we-operate/committees/board-committees>.

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District Board Audit Committee Meeting

Headquarters Building Boardroom
5700 Almaden Expressway, San Jose, CA 95118

Join Zoom Meeting:
<https://valleywater.zoom.us/j/91608079873>

REGULAR MEETING AGENDA

**Wednesday, May 15, 2024
1:00 PM**

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

BOARD AUDIT COMMITTEE

Barbara F. Keegan, Chairperson - District 2
Jim Beall, Vice Chairperson - District 4
John L. Varela - District 1

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

Nicole Merritt
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-3262
nmerritt@valleywater.org
www.valleywater.org

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

Santa Clara Valley Water District

Board Audit Committee

REGULAR MEETING AGENDA

Wednesday, May 15, 2024

1:00 PM

Headquarters Building Boardroom
5700 Almaden Expressway,
San Jose, CA 95118
Join Zoom Meeting:
<https://valleywater.zoom.us/j/91608079873>

*****IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS*****

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at <https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf>

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=ToJpYCxXm0>

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

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not

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

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

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

Meeting ID: 916 0807 9873

Join by Phone:

1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

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

Notice to the public: Members of the public who wish to address the Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers' comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

- 3.1. Approval of April 12, 2024 Board Audit Committee Minutes. [24-0447](#)
Recommendation: Approve the minutes.
Manager: Candice Kwok-Smith, 408-630-3193
Attachments: [Attachment 1: 041224 BAC Minutes](#)

4. REGULAR AGENDA:

- 4.1. Receive Permitting Best Practices Audit Status Update. [24-0400](#)
Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.
Manager: Lisa Bankosh, 408-630-2618
Attachments: [Attachment 1: Audit Final Report](#)
[Attachment 2: Management Response](#)
[Attachment 3: Implementation Status](#)
[Attachment 4: PowerPoint](#)
- 4.2. Receive the Fiscal Year 2023-2024 Third Quarter Financial Status Update. [24-0402](#)
Recommendation: Receive the Fiscal Year 2023-2024 third quarter financial status update as of March 31, 2024.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Powerpoint](#)
- 4.3. Receive and Discuss Joint Power Authority (JPA) Audit Report for the Santa Clara Valley Habitat Conservation Program. [24-0417](#)
Recommendation: Receive and discuss JPA audit report for the Santa Clara Valley Habitat Conservation Program.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Santa Clara Valley HCP JPA Audit Report, FY23](#)
- 4.4. Discuss 2024 Annual Audit Plan and Provide Further Guidance as Needed. [24-0399](#)
Recommendation: A. Discuss 2024 Annual Audit Plan; and
B. Provide further guidance as needed.
Manager: Darin Taylor, 408-630-3068

- 4.5. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan. [24-0398](#)

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 BAC Work Plan.

Manager: Candice Kwok-Smith, 408-630-3193

Attachments: [Attachment 1: 2024 BAC Work Plan](#)

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.

6. ADJOURN:

- 6.1. Adjourn to Regular Meeting at 1:00 p.m., on June 19, 2024.

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 24-0447

Agenda Date: 5/15/2024
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Approval of April 12, 2024 Board Audit Committee Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: 041224 BAC Minutes

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

THIS PAGE INTENTIONALLY LEFT BLANK



BOARD AUDIT COMMITTEE MEETING
DRAFT MINUTES

SPECIAL MEETING SESSION
FRIDAY, APRIL 12, 2024
11:00 AM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A special 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 11:00 a.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, Enrique De Anda, Christopher Hakes, Brian Hopper, Cody Houston, Candice Kwok-Smith, Cecil Lawson, Patrice McElroy, Anthony Mendiola, Felicia Mendoza, Nicole Merritt, Carlos Orellana, Luz Penilla, Mario Rivas, Manpreet Sra, Charlene Sun, Darin Taylor, Cheryl Togami, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Valley Water Director Rebecca Eisenberg (District 7), Valley Water Director John L. Varela (District 1), Guest Guest, Katja Irvin (Sierra Club), and George Skiles (Sjoberg Evashenk Consulting).

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 who wished to speak.

2.1. Election of 2024 Board Audit Committee (BAC) Chairperson and Vice Chairperson.

Recommendation: Nominate and elect the 2024 BAC Chairperson and Vice Chairperson.

The Committee considered this Item without a staff presentation.

Public Comments:
None.

It was moved by Vice Chairperson Beall and seconded by Chairperson Keegan and unanimously carried that Chairperson Keegan remain Chairperson and Vice Chairperson Beall remain Vice Chairperson.

3. APPROVAL OF MINUTES:

3.1. Approval of March 20, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the March 20, 2024 Committee meeting.

Public Comments:
None.

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

4. REGULAR AGENDA:

4.1. Discuss Joint Power Authority (JPA) Audits and Provide Feedback.

Recommendation: Discuss JPA audits and provide feedback.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachments 1 and 2.

Darin Taylor, George Skiles, and Brian Hopper were available to answer questions.

Public Comments:
None.

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

- The Committee noted staff's review of the Delta Conveyance Design and Construction Authority and the Delta Conveyance Finance Authority financial audit reports did not highlight anything concerning or of significance.
- The Committee confirmed that the other five JPA financial audit reports would be provided to the Committee as they are made available.
- The Committee confirmed Valley Water's contribution to joint projects are related to the level of benefit received.

- The Committee noted the potential to pursue approval from the Board to expand the scope of the BAC's Audit Plan to review if the Water Supply Master Plan is addressing future increasing costs and requested BAC staff to follow up for the Water Supply Division's input.
- The Committee noted the potential option to conduct a performance audit focusing on Valley Water's participation in the Delta Conveyance project.
- The Committee requested staff follow up on updated construction cost estimates for the Delta Conveyance project at a future meeting.
- The Committee noted interest in confirming how much joint projects are going to cost, the fair cost allocation, confirmation of current cost allocation is appropriate, consideration of outside cost factors for imported water projects, assurance of guaranteed water, and anticipating potential vulnerabilities.
- Vice Chairperson Beall noted interest in cost details for the Los Vaqueros project.

4.2. Discuss 2024 Annual Audit Plan and Provide Further Guidance as Needed.

Recommendation: A. Discuss 2024 Annual Audit Plan; and
B. Provide further guidance as needed.

Darin Taylor 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 noted the following:

- The Committee confirmed support of continuing to look ahead, being fiscally prudent, ensuring the correct materials are available to make decisions, and awareness of the external factors affecting Valley Water.
- The Committee confirmed the Information Technology and Human Resources audits are currently at the stage of finalizing task orders.

4.3. 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 reconfirmed interest in future agenda items regarding the previous Committee requests for further details on the JPAs, the Water Supply Master Plan, and support of the presented upcoming BAC Work Plan agenda items.
- Vice Chairperson Beall requested a cost index of overall construction and labor costs to assist with identifying trends to be addressed as part of the Board Groundwater Rate Setting presentation.

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 re-elected Director Keegan as the 2024 Chairperson and Director Beall as the 2024 Vice Chairperson under Item 2.1; reconfirmed interest in receiving all JPA audits; updated cost estimates for Delta Conveyance, cost details for Los Vaqueros and follow up regarding BAC questions with Water Supply staff under Item 4.1; discussed and provided feedback on Annual Audit Plan under Item 4.2; and reconfirmed the request for a future agenda item for the Delta Conveyance for updated cost estimates, and Vice Chairperson Beall's request for a cost index for overall construction and labor costs under Item 4.3.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 1:00 p.m. on May 15, 2024.

Chairperson Keegan adjourned the meeting at 12:04 p.m., to the regular meeting at 1:00 p.m. on May 15, 2024.

Date approved:

Nicole Merritt
Assistant Deputy Clerk II



Santa Clara Valley Water District

File No.: 24-0400

Agenda Date: 5/15/2024

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive Permitting Best Practices Audit Status Update.

RECOMMENDATION:

Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

SUMMARY:

On October 13, 2020, the Board approved an update to the Annual Audit Work Plan as recommended by the Board Audit Committee (BAC) for the Permitting Best Practices Audit to be the next audit undertaken by TAP International, Inc. (TAP).

The Permitting Best Practices Audit Final Report was formally issued to the Community Projects Review Unit in April 2021 (Attachment 1). The Management Response was provided to TAP the following month (Attachment 2). A summary of the audit recommendations, management response, the May 15, 2023 BAC update, and the current implementation status is included as Attachment 3.

Staff will provide a progress report on the implementation of audit recommendations and will be prepared to address any questions the BAC may have regarding the individual recommendations and their implementation.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The Permitting Best Practices Audit Status Update is not subject to environmental justice analysis.

ATTACHMENTS:

- Attachment 1: Audit Final Report
- Attachment 2: Management Response
- Attachment 3: Implementation Status
- Attachment 4: PowerPoint

UNCLASSIFIED MANAGER:

Lisa Bankosh, 408-630-2618

THIS PAGE INTENTIONALLY LEFT BLANK



TAPInternational

Final Report

**Community Projects Review
Unit: Opportunities to
Improve Permit Processing**

May 2021

**Final Report by the Independent
Auditor to the Santa Clara Valley Water
District Board of Directors**



Date: May 20, 2021

Memorandum For: Board of Directors – Santa Clara Valley Water District (Valley Water)

From: Independent Auditor, TAP International, Inc.

Subject: Transmittal of TAP International Performance Audit Report

Attached for your information is our final report, *Community Projects Review Unit: Opportunities to Improve Permit Processing*. The audit objectives were to assess how alternative permit processing activities could benefit Valley Water and to compare Valley Water's permitting process with other local water agencies.

The audit found Valley Water's permitting process is not meeting customers' or its own expectations for timelines and communication, which can be addressed with the use of better tools, restructuring and collaboration. Various other local agencies have adopted alternative strategies and tools that could benefit Valley Water, including creating online portals to facilitate the submission of permit applications and the communication of the review status. To better publicize their services, some local agencies send letters to neighboring property owners to remind owners of the agency's property rights and how to access its services. In other areas of Community Projects Review Unit (CPRU) operations, the permit fee schedule needs updating and the establishment of a robust framework of financial management internal controls for invoicing and collection of payments.

The report contains 14 recommendations that will help the CPRU to streamline the permit process, improve communication with applicants, update its fee schedule for permit processing activities, and ensure the timely invoicing and recording the payment of invoices. Management generally agreed with these recommendations. Appendix D of this report contains management's response in detail.

TAP International, Inc.

Table of Contents

Section 1: Audit Highlights	3
Why the Audit Was Conducted	4
How the Audit Was Conducted	4
What the Audit Found	5
Recommendations	6
Section 2: Background and Methodology	9
Background	10
Methodology	11
Section 3: Key Findings	14
Finding 1: CPRU Provides Many Services to Protect Valley Water’s Assets and Interests, Beyond Issuing Encroachment Permits; Some Overlap the Role of Other Valley Water Units	15
Finding 2: CPRU’s Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication.....	17
Finding 3: Timeliness Concerns Attributed to Multiple Factors	20
Finding 4: Local Agencies’ Strategies Could Benefit Valley Water.....	25
Finding 5: Update Needed for Fee Schedule and Cost Recovery Strategy	27
Finding 6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments	33
Section 4: Acknowledgments	35
Appendices	37
APPENDIX A: Anonymized Survey Responses.....	38
APPENDIX B: Detailed Description of Valley Water’s Permit Process.....	42
APPENDIX C: Permits & Valley Water’s Water Resource Protection Ordinance	44
APPENDIX D: Management Response.....	45



Section 1: Audit Highlights

Why the Audit Was Conducted

The mission of the CPRU, located within Valley Water's Watershed Design & Construction Division, is to protect Valley Water's Watersheds and Water Utility assets and interests from external activities and threats as defined by Valley Water's Resources Protection Ordinance¹. Other units within the Watershed Design & Construction Division, in addition to CPRU, include the Land Surveying & Mapping Unit and the Real Estate Services Unit (RESU).

A performance audit evaluates the economy, efficiency, and effectiveness of programs, services, and operations. This performance audit was conducted because encroachment permit processing was identified as a higher risk area for potential improvement opportunities based on a 2018 risk assessment performed by the Independent Auditor.

This audit is important to the Board of Directors for the following reasons:

1. There are opportunities to reduce or offset costs to issue permits applications through streamlining of the permit process.
2. There are opportunities to reduce the overlap of services provided by CPRU and other Valley Water Units.
3. There are opportunities to enhance revenue collection through improved financial management.

How the Audit Was Conducted

The objectives of the audit were to:

1. Determine if alternate permit processing activities benefit Valley Water; and,
2. Assess how Valley Water's permitting process compares with other local agencies.

The audit work included: (1) interviews with CPRU staff and the CPRU Manager, who has been delegated the authority to issue encroachment permits, (2) an online survey of encroachment permit holders to whom CPRU issued a permit in fiscal year (FY) 2020, (3) analysis of financial data (financial audit, permits fees, invoices, salary tables), CPRU policies and procedures, organizational chart and other documentation related to the CPRU's operations, and (4) research into other California local agencies' approach to issuing encroachment permits and their current practices. Valley Water's ongoing effort to develop a new program to license or permit existing encroachments by residential property owners was not included in the scope of this audit; an audit of this program is included in the Annual Audit Work Plan of the Independent Auditor.

¹ Appendix C provides more information about Valley Water's Water Protection Ordinance.

What the Audit Found

This audit report discusses six key points:

- Demand for CPRU's variety of services has remained steady over the past decade and increased notably during the first three-quarters of FY2021. In addition to issuing encroachment permits, these services include flood plain information and analysis, technical assistance to other local agencies, California Environmental Quality Act (CEQA) compliance reviews, agreements for public recreational use like trails, negotiation of real property transactions and more. Some of CPRU's activities related to real estate, CEQA, and flood plain analysis overlap with the role of other Valley Water units. Utilizing services already offered by other Valley Water units could provide staff more time for permit processing.
- Valley Water permit process could be better at meeting customers' or its own expectations for timelines and communication, even though many reported overall satisfaction. Respondents to a voluntary, online survey of those issued permits in FY2020 said Valley Water did not meet about half of applicants' expectations for timeliness (55 percent) and communication (48 percent) but met or exceeded most (65 percent) survey respondents' expectations for professionalism.
 - ✓ The audit found that CPRU processed six out of every 10 permit applications within the stated goal of eight weeks during FY2018 to FY2020. Overall, the average time required to issue a permit was about 13 weeks in FY2018 to FY2020.
- Timeliness issues stem from multiple factors including staff turnover, inexperienced staff, manual processes, reported applicant difficulties meeting Valley Water's insurance requirements and, more notably, bottlenecks in the review and approval process. To better meet expectations for timeliness and communication, alternative strategies for permit processing can benefit Valley Water by improving the operational structure of CPRU's permit process and by adopting better tools designed to:
 - ✓ Ensure timely entry of applications into the CPRU database;
 - ✓ Assist staff and address bottlenecks through the standardization and documentation of policies and procedures;
 - ✓ Expedite automation of the permit process and improve records management;
 - ✓ Renew collaboration with neighboring public agencies to plan for large projects;
 - ✓ Support communications with regular customer service training for staff; and
 - ✓ Enhance tools to facilitate applicant compliance with Valley Water insurance requirements.
- Local agencies have adopted alternative strategies that could also benefit Valley Water, including creating online portals to facilitate the submission of permit applications, communicating the review status of permits, and using a project coordinator to manage the process allowing the engineer to focus on the technical review. To better publicize their services, some local agencies send letters to neighboring property owners annually

or when properties are sold to remind owners of the agency's property rights and how to access its services.

- Valley Water can benefit from an updated fee schedule, based on a fee study, to identify opportunities to close any gaps between permit fees collected and the cost to issue a permit.
- The establishment of a robust framework of financial management internal controls is needed to ensure accurate and timely invoicing and collection of payments for permit fees.

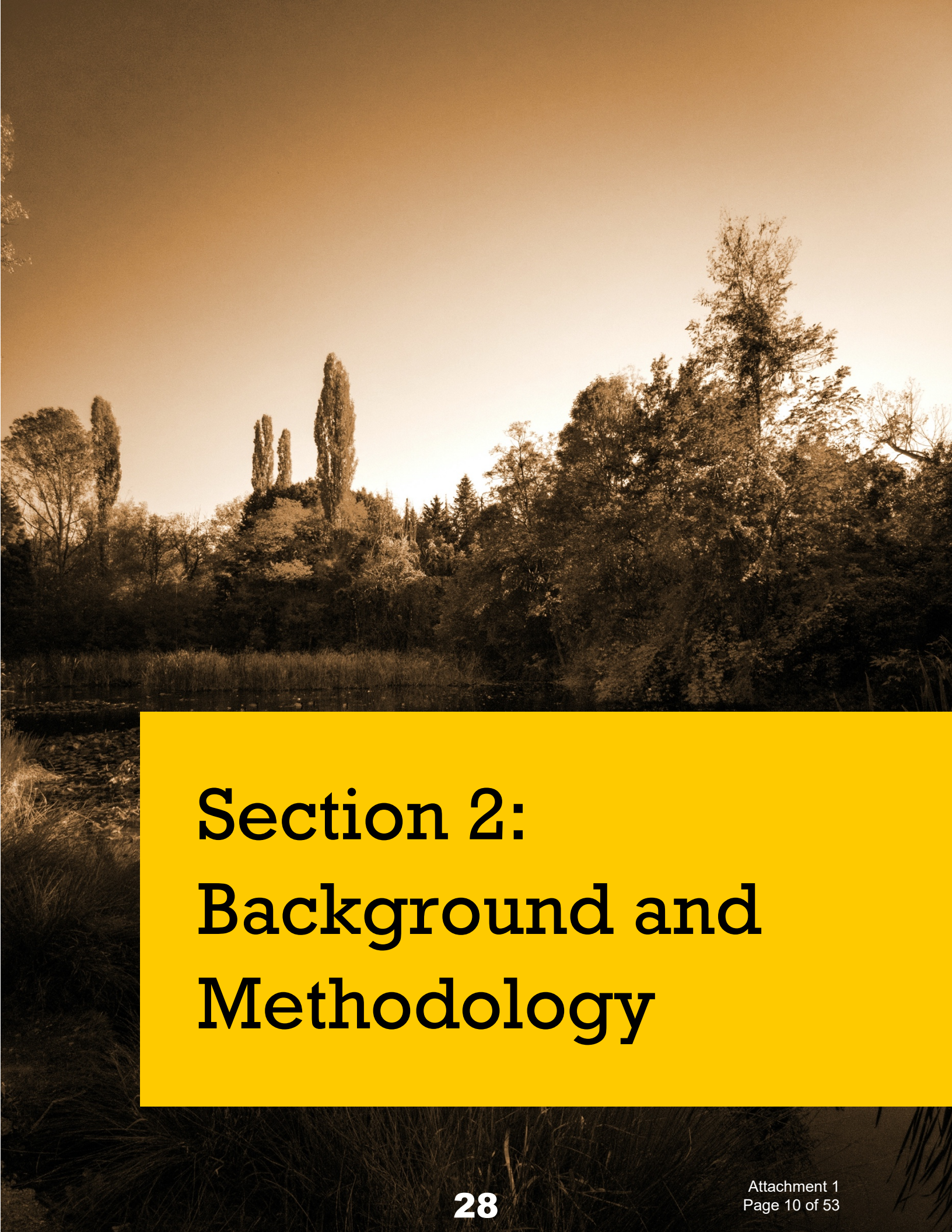
Recommendations

This audit report includes 14 recommendations for Valley Water to consider. These recommendations are designed to streamline CPRU services, address customer expectations for timely permit processing and communication, strengthen workflows and permit tracking, and add controls to CPRU financial management activities.

1. The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.
2. The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.
3. The CPRU Manager should develop and implement a training program that includes various courses on:
 - a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits.
 - b. Customer service, building on the training experience of some CPRU staff completed earlier this year.
 - c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements.
4. The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.
5. The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

6. The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:
 - a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
 - b. Expanded search function for researching past projects and permits.
 - c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
 - d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
 - e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
 - f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.
7. The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.
8. The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.
9. The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as:
 - a. Change the name of CPRU to a name that better describes its functions.
 - b. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.
 - c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.
10. Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.

11. The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.
12. The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.
13. The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments and deposits. One option to consider is to use Valley Water's core financial management information system.
14. The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.



Section 2: Background and Methodology

Background

What is an Encroachment Permit?

An encroachment permit is permission from Valley Water for another party to enter, modify or use a Valley Water facility, its property or right-of-way. Examples of permitted activities include accessing Valley Water property to install a fiber optic line or pipelines that cross Valley Water facilities, collect fish for biological testing, erect a fence, cleanup litter and debris, construct and maintain a telecommunications tower or build a bridge over a local waterway.

To protect Valley Water Watersheds and Utility assets and interests from external activities and threats, the Water Resources Protection Ordinance² requires that Valley Water determine – through the permit review process – that the proposed activity meets nine requirements based on “substantial evidence” that the activity:

1. Will not impede, restrict, retard, pollute, change direction of the flow of water, catch or collect debris carried by such water;
2. Is located where natural flow of the storm and flood waters will not damage or carry any structure or any part there of downstream;
3. Will not damage, weaken, erode, cause siltation, or reduce the effectiveness of the banks to withhold storm and flood waters;
4. Will be constructed to resist erosion and siltation and entry of pollutants and contaminants;
5. Will not interfere with maintenance responsibilities or structures placed or erected for flood protection, water conservation or distribution;
6. Conforms to the requirements of the District Water Resources Protection Manual; and
7. Meets the purpose and intent of the District Act.
8. Issuance of the Encroachment Permit is in the public interest; and
9. Issuance of the Encroachment Permit will not result in conflict with or detriment to existing of planned District facilities.

² Appendix C provides more information about Valley Water’s Water Protection Ordinance.

Methodology

Scope of Work

The CPRU's delivery of encroachment permit services from FY2018 through FY2020 are the focus of this audit. Valley Water's ongoing effort to develop a new program to license or permit existing encroachments by residential property owners was not included in the scope of this audit; a separate audit of this program is included in the Annual Audit Work Plan of the Independent Auditor.

Project Approach

To determine if alternate permit processing activities could benefit Valley Water and to assess how Valley Water's permitting process compares with other local agencies, the Auditor performed activities using six methods described below.

- Review and analysis of the following policies, procedures, and documentation of the CPRU:
 - Position descriptions of CPRU and current responsibilities/duties.
 - CPRU policies and procedures related to encroachment permit processing, invoicing, inspections and other CPRU operations.
 - Valley Water's Water Resources Protection Ordinance, Manual, and Guidelines & Standards for Land Use Near Streams.
 - Valley Water's Encroachment Permit Application/Request for Real Estate Services, amendment application, and fence cost share application.
 - Valley Water website for encroachment permits.
 - Valley Water organizational charts.
- Interviews with CPRU staff responsible for processing encroachment permit applications and inspecting permitted projects, include:
 - CPRU Manager
 - Staff Analyst
 - Associate Engineers
 - Assistance Engineers
 - Resident Construction Inspector
 - Supervising Engineering Technician
 - Supervising Program Administrator
- Implementation of an online survey of encroachment permit holders to whom CPRU issued a permit in FY2020. The survey used CPRU-provided email addresses of permit

holders with a response rate of 30 percent (29 of 96 permit holders). The survey instrument and results can be found in Appendix A.

■ Analysis of financial data including:

- FY2021 Adopted Budget
- Annual financial audit for FY2019
- Data extracted from the CPRU database by CPRU staff showing the total dollar amount of fees for each permit issued in FY2018 to FY2020
- Report showing the total dollar amount for each invoice from FY2018 to FY2020 (detailed fee data was not readily available)
- Outstanding unpaid invoices and amounts as of January 2021
- Valley Water salary tables
- Data extracted from the CPRU database by Valley Water IT staff showing the number of hours billed for reviews conducted in FY20

■ Analysis of permit data including:

- QMR for FY2018 to FY2020 for measures owned by CPRU.
- Data for permits issued in FY2018 to FY2020 extracted from the CPRU database by CPRU staff, including:
 - Pre-application content and disposition
 - Permit application content
 - Time to process the pre-application, application
 - Disposition of the permit application
 - Modifications to the application

■ Research into eight local agencies' permitting practices, including three cities and counties in the Bay Area and five water agencies in California. Information on the types of permits issued, permit application requirements and submission methods, was collected from the City of San Jose, City of Santa Rosa, and Santa Clara County. Additional information on permit and inspection fees, communication practices with customers, insurance requirements, and methods for publicizing the agency's permit services were collected from five California water agencies: San Diego County Water Authority, Santa Margarita Water District, Metropolitan Water District, Imperial Irrigation District, and the Coachella Valley Water District. The water agencies were selected based on the following criteria:

- Issues encroachment permits
- Located in California
- District boundaries include suburban areas
- Website includes permit application

This performance audit used qualitative evidence, documentary evidence, and other performance information to assess the CPRU efficiency of the encroachment permit process. The

Auditor took additional steps to corroborate and substantiate qualitative information described in the report per generally accepted government auditing standards.

Assessment of the Reliability of Data

Section 9.2 of generally accepted government auditing standards require auditors to describe limitations or uncertainties with the reliability or validity of evidence if: (1) the evidence is significant to the findings and conclusions within the context of the audit objectives; and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions.

Auditors were unable to assess the integrity of the data extracted by staff from the CPRU database because electronic access to the CPRU's information system was not available.

Assessment of Internal Controls

Section 9.20 of generally accepted government auditing standards require auditors to assess the adequacy of internal controls if they are significant to the audit's objectives. The objectives of this performance audit did not require an internal control assessment, but policies and procedures and other controls were reviewed to identify potential improvements.

Audit Statement

The Auditor conducted this performance audit per generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. A draft report was provided to the CPRU Manager. Comments were incorporated as applicable throughout the report.



Section 3: Key Findings

Finding 1: CPRU Provides Many Services to Protect Valley Water's Assets and Interests, Beyond Issuing Encroachment Permits; Some Overlap the Role of Other Valley Water Units

Demand for CPRU's services has fluctuated over the past ten years and at the time of the audit, demand was high. For FY2021 to-date, the number of submittals is on track to exceed 1,000 requests, a level last recorded in FY2011. Over the first three quarters of FY2021, CPRU reported already having received 845 requests for its services, including encroachment permits. CPRU staff attribute the increased demand to an increase in construction projects during the COVID pandemic.

In addition to processing permit applications, CPRU staff provide other services to protect Valley Water's watersheds and utility assets and interests. These services include:

- Performing flood plain analysis;
- Conducting CEQA compliance reviews;
- Providing technical assistance to local agencies in reviewing hydraulic analysis and other issues affecting local water ways;
- Managing and negotiate Joint Use Agreements with cities and the County for recreational use of Valley Water property;
- Communicating and serving as an intermediary with State and Federal agencies for designated projects/permittees;
- Providing preliminary project reviews to determine if a permit is required;
- Negotiating and preparing licenses, cost share agreements, and land rights transfers for non-capital projects;
- Operating the USA (Underground Service Alert) Desk;
- Maintaining Valley Water GIS showing Valley Water property rights; location of all CPRU files, suspected and verified un-permitted encroachments, Adopt-a-Creek information (available locations, un-adoptable areas and adopted areas) and locations of Joint Use Agreements;
- Archiving record drawings and update drawing database;
- Maintaining and correcting the DEED database;
- Annual updating of Valley Water land rights on assessor maps; and,
- Responding to public records requests, access Valley Water requests, and public inquiries related to flooding information, land rights, land use restrictions, and use of Valley Water right of way.

CPRU staff perform at least three services – performing real estate transactions, conducting CEQA reviews and performing flood analysis – that are consistent with the role of other Valley Water

Units within the Watersheds Department. First, CPRU will process most aspects of a real estate transaction, including negating the terms, if the transaction is needed to issue an encroachment permit, while others will request these services from the RESU depending on the expertise of the individual. In addition, CPRU is responsible for performing other RESU-related activities, such as negotiating and preparing licenses, cost share agreements, and land rights transfers for non-capital projects, including the preparation of Board agenda memos on real estate related activities, although individual staff involved said they will request the RESU's assistance to obtain appraisals and close escrow. Staff explained that CPRU traditionally leads the real estate estimate transaction if an encroachment permit is involved or if the customer wants to dedicated property to Valley Water rather than having RESU accept responsibility.³

Second, qualified CPRU staff reported performing CEQA compliance reviews, a service that staff explained can also be provided and is sometimes referred to the Environmental Planner. Similarly, some CPRU staff perform flood analysis – if they have the qualifications – while other CPRU staff refer the analysis to the Hydrology, Hydraulics and Geomorphology Unit. By having other Valley Water units perform these time-sensitive functions, which CPRU staff described as having delayed their reviews of other less time-sensitive permit applications, the workloads for CPRU could be reduced and focused on permit review and disruptions further minimized.

³ In a prior audit examining Valley water's real estate services, the audit presented to the Board a matter for consideration; to assess the feasibility of consolidating the delivery of Valley Water real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. RESU did not agree with the consolidation.

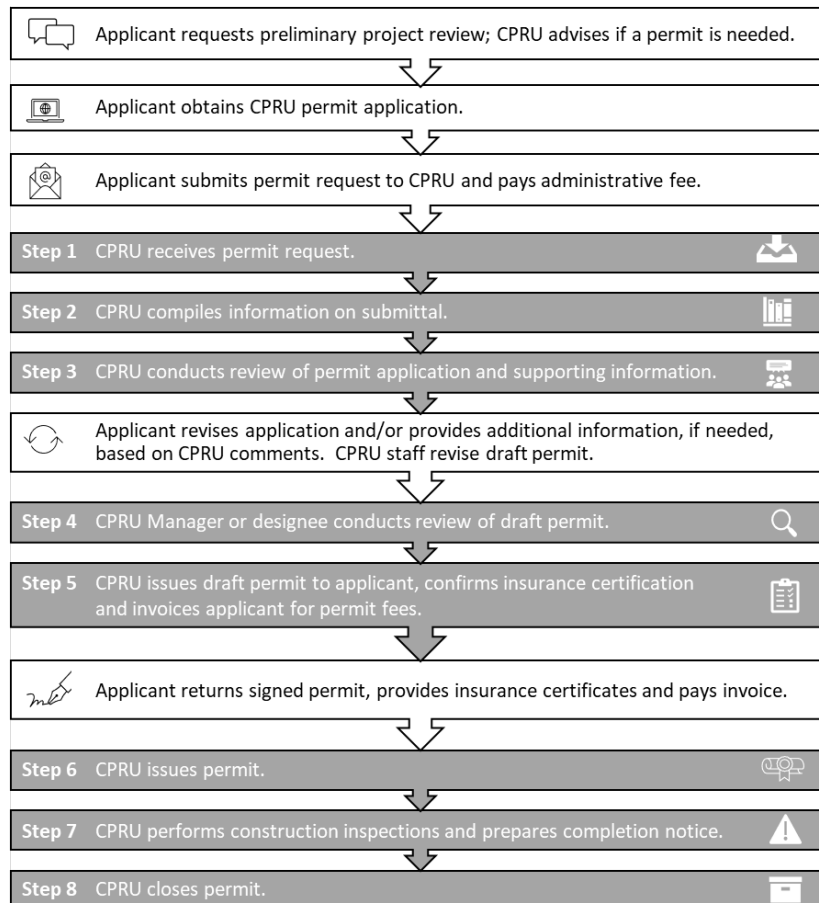
Finding 2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication

Permittees Want Faster Permit Processing and Better Communication with Applicants

Valley Water's permit process, shown in Figure 1, requires CPRU staff to collect, and share information from a variety of sources, including the applicant, Valley Water records, and

with other Valley Water units. Appendix B includes a more detailed description of the permit process, based on CPRU's policies and procedures for permit processing.

Figure 1. Overview of the CPRU Permit Process⁴



To assess customer satisfaction with Valley Water's encroachment permit process, the Independent Auditor surveyed applicants to whom CPRU issued encroachment permits in FY2018

⁴ Source: Independent Auditor analysis of CPRU policy and procedure "Review of Community Projects" effective date 6/11/2019 and interviews with CPRU staff.

to FY2020. Survey results show that almost two-thirds (62 percent) of 29 survey respondents reported overall satisfaction with Valley Water’s encroachment permit process, as shown in Figure 2 below.⁵ More than one-third (38 percent) of respondents reported their experience with the Valley Water Permit process was unsatisfactory. Staff reported that when CPRU receives complaints from applicants either directly by the customer or by communication from Valley Water Board members, the person receiving the complaint will attempt to address the applicants’ concerns.

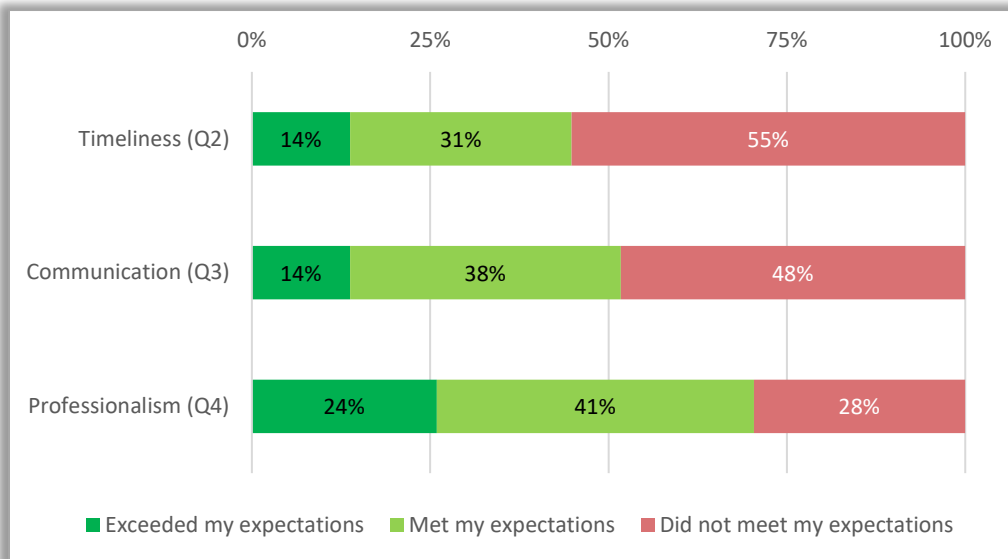
Figure 2. Customer Satisfaction with Valley Water’s Encroachment Permit Process (Q1)



Source: Independent Auditor survey of Valley Water customers issued permits in FY2020.

Survey results also show that CPRU did not meet about half of applicants’ expectations for timeliness (55 percent) and communication (48 percent), shown in Figure 3 below. However, most (65 percent) survey respondents said that Valley Water met or exceeded their expectations for professionalism, by providing courteous, clear, and complete answers to their questions regarding their permit application or the permit process.

Figure 3. Customer Satisfaction with Timeliness, Communication, and Professionalism of CPRU



Source: Independent Auditor survey of Valley Water customers issued permits in FY2020.

Survey respondents also offered their own suggestions for how Valley Water could improve its permit process. Eleven respondents asked for a faster review process and eight respondents asked for improved communication when permits are received and there are changes in the

⁵ Twenty-nine (29) of the 96 permit holders (30%) completed the voluntary survey, sent to the email address provided by the applicant. Appendix A contains the complete survey results. A survey was conducted because CPRU does not track customer complaints or collect other customer satisfaction data.

processing status. A respondent commented, “Everyone I have worked with at the Valley Water have been knowledgeable and helpful. Permit turnaround time has been measured in months instead of weeks for minor permits. There is not a process to let you know of the status of the permit.” And three respondents complimented CPRU, with one stating: “The CPRU office was great, they did an excellent job with processing my permit application.”

CPRU Has Mixed Success in Meeting Its Goals for Timely Permit Processing

CPRU has set the goal to review and issue an encroachment permit within six to eight weeks.⁶ Analysis of CPRU’s processing times for permits issued in FY2018 to FY2020 found that CPRU met the goal about half of the time,

when measured from the date of application submission. Although most applicants (84 percent) submitted a final project plan with their application, staff said that they must wait for this information to begin their review. When measured from the date the applicant had submitted the final project plan, CPRU met the goal for 61 percent of permits issued during FY2018 to FY2020, as shown in Figure 4. CPRU, overall, averaged a little over 13 weeks in FY2018 to FY2020 to issue a permit.

Figure 4. Timeliness of CPRU Permit Issuance

Processing Time	Submission of Final Plans to Permit Issuance		
	Number of Permits	% of Total Permits	Cumulative %
Less than 4 weeks	160	35%	
4-6 weeks	55	12%	
6-8 weeks	65	14%	61%
8-12 weeks	63	14%	
12-16 weeks	42	9%	84%
16-20 weeks	15	3%	
20-24 weeks	12	3%	90%
More than 6 months	49	11%	100%
Total	461	100%	

Source: Independent Auditor analysis of CPRU staff extraction of data from the CPRU database. Permits were excluded from the analysis if data was missing for key processing dates.

Note: The analysis includes all permit applications for all types of projects submitted. Data provided to the Auditor by CPRU did not identify the complexity or size of the project, nor differentiate between those types of requests that would be expected to require minimal, if any, revisions to the initial request and those that would be expected to have re-submissions as the projects develops.

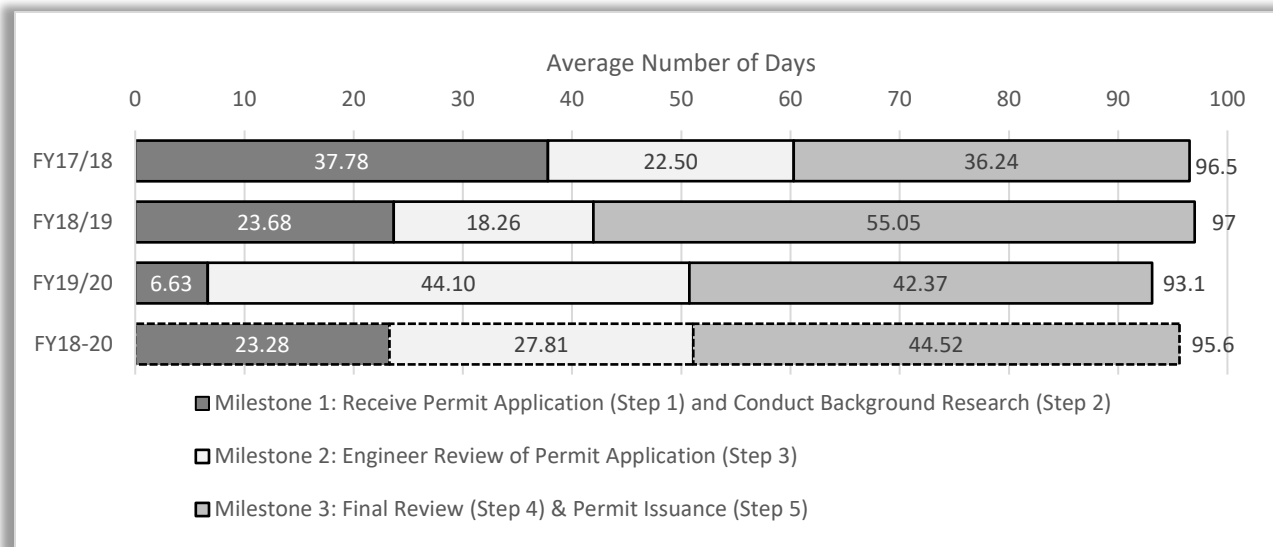
⁶ CPRU staff explained that review times will vary depending on the size and complexity of the project and available Valley Water staff resources. Large, complex projects are often submitted to CPRU during the project’s planning phase, staff reported, and it is assumed that applicants would not expect to receive a permit within the six-to-eight weeks of submission because the project is still in a planning phase.

Finding 3: Timeliness Concerns Attributed to Multiple Factors

Engineers Spend More Time Reviewing Permits

While the time to complete the first two steps of the permit process declined by almost a month (a change of 31.15 days) as shown in Figure 5, the engineer review time increased by three weeks (a change of 21.6 days), which can be partially attributed to recent turnover and vacancies in the positions responsible for the initial steps in the permit process. The resulting vacancies led to the temporary shifting of some responsibility for compiling background information in step 2 to the engineers conducting the permit review in step 3. Similarly, three of the eight engineers responsible for these activities had a year or less experience at the time of the audit.

Figure 5. Days to Complete Steps of CPRU Permit Processing, from Receipt to Issuance, FY2018 to FY2020



Source: Independent Auditor analysis of CPRU staff extraction of data from the CPRU database. Permits were excluded from the analysis if data was missing for key processing dates.

Bottlenecks Occur at the End of the Permit Review Process

The final review and permit issuance activities were generally the longest part of the permit process and revealed a bottleneck in the process. As shown in Figure 5 above, the amount of time CPRU spent on the final steps in the permit issuance process (Steps 4 and 5) averaged about six weeks (44.52 days) over the three fiscal years. Staff attributed the “bottleneck” to the CPRU Manager having many other responsibilities in addition to being the sole person with the authority to sign the permits. Staff estimated it can take up to a week for

the Manager to review to the draft permit and then additional time for staff to make any desired changes or corrections, which the CPRU Manager again reviews. Staff said this process can be repeated if the draft permit is also reviewed by an Associate Engineer. To help address this bottleneck, the CPRU Manager reported that Valley Water management has recently authorized the conversion of a vacant Associate Engineer position into a new Senior Engineer position to assist the CPRU Manager with the review of drafts permits and correspondence.

Permit Applicants Experience Challenges in Meeting Insurance Requirements

Another factor attributed to longer processing times is the time required for applicants to obtain proper insurance documentation from their providers and submit that documentation to CPRU for

subsequent approval. An applicant must submit the required insurance documentation along with any fees, before CPRU issues the final permit.⁷ Valley Water staff reported that applicants frequently struggle to provide the correct insurance documentation on the first attempt and often must contact their brokers for additional endorsements, delaying the issuance of the permit. Data was not available to assess the frequency or length of the delays to permit issuance caused by applicant struggles with the insurance requirement; CPRU does not track the number of permits that were delayed by applicants' efforts to meet the insurance requirements.

To prevent delays related to the submittal of required insurance documentation, CPRU staff said they take several actions. Staff will provide applicants with examples of the types of insurance documentation needed from insurance brokers during the review process; request applicants obtain the insurance documentation early in the application review process; and the CPRU Manager has plans to ask Risk Management to provide CPRU staff training on the insurance requirements.⁸

Some Permit Applications Are Not Recorded on a Timely Basis

Entry of permit applications into the CPRU Database is a key first step to timely processing & effective communication. Applicants can submit a permit application to CPRU using three different methods: (1) submitted via USPS mail to the CPRU;

(2) emailed or mailed directly to an Associate or Assistant Engineer known to the applicant; or (3) submitted by email to the CPRU dropbox. Having three different methods for submitting applications creates challenges in their recording and tracking. Staff explained that historically,

⁷ The encroachment permit application states: "Insurance: A certificate of insurance and additional insured endorsement acceptable to Valley Water must be provided prior to issuance of a Valley Water encroachment permit. Valley Water, its directors, officers, agents, employees, and volunteers must be named as additional insureds in the general, automobile liability, and worker's compensation insurance policies. Valley Water and the other foregoing individuals must remain as additional insureds until the later of: (i) the expiration for the Valley Water encroachment permit; or (ii) the completion of all of Applicant's activities on the Valley Water right-of-way. Specific requirements are shown on the Insurance Requirements information sheet (WF75113)."

⁸ The annual audit work plan of the Independent Auditor includes a separate review of Valley Water's insurance function and requirements.

they enter an application into the CPRU database within 24 hours of receipt and distribute the applications with supporting information to the engineers up to one week of receipt, which the Independent Auditor verified through an analysis of the permit data for FY2020.⁹

Nonetheless, CPRU staff acknowledged that some permits are not entered on a timely basis into the CPRU database. This issue occurs when (1) an applicant emails their application directly to an engineer for review and does not also submit the application to the CPRU dropbox for entry into the CPRU database, or (2) the engineer begins the review process without forwarding the application for data entry into the system. CPRU staff explained that applicants will send their applications directly to them, with the hope of reducing the permit process review time. Staff have admittedly overlooked applications because they were not entered into the CPRU database, delaying its review and processing. To prevent unrecorded applications, the CPRU Manager has instructed staff to forward all applications to the CPRU dropbox and for staff to request that all applicants use the CPRU email address to ensure the application is sent to the CPRU dropbox.

Permit Review Activities Need Better Standardization and Clarity

CPRU needs to standardize and document current application review practices. Heavy workloads (as well as the challenges that come with working from home due to the pandemic and fires), staff explained, has made it difficult

to set aside time for less experienced staff to be trained on the permit process, limiting their ability to work independently, and resulting in more time spent on revising the work performed during the final review process. While CPRU has created templates for completing Adopt-a-Creek, fence cost shares, license/permits, and utility crossing permits, development of review checklists for use by newer staff can ensure consistency and completeness of the work. The CPRU Manager acknowledged the importance of updating the Unit's remaining policies and procedures but has not found the time for the update.

CPRU has not established criteria for the order in which applications will be reviewed, if exemptions to that criteria are allowed and under what special circumstances authority could be delegated from the CPRU Manager to issue a permit. Without criteria, staff reported interrupting their review of an application to work on another application designated as a "higher" priority, extending the review process for the now lower priority application. Finally, the lack of formal and documented processes for time-intensive activities, such as obtaining input from other Valley Water units, adds time to this portion of the review process. While some Valley Water units are very responsive to CPRU requests for input into the permit review process, other units do not have designated points of contact, causing staff to spend additional time identifying the correct person to provide input. Staff reported waiting several weeks to months for these units to provide their input because of the absence of agreements on expected completion dates. The policies and procedures provided also do not address under what special circumstances – such

⁹ While more than three weeks were needed to complete the first two steps in the permit process in FY2018, this declined to about 6 days in FY2020.

as absences or large workloads – that may require delegation of the authority from the CPRU Manager to issue permits.¹⁰

Further definition and standardization of the roles and responsibilities of each CPRU staff person in the permit review process could also reduce review times. Traditionally, CPRU divided the District into regions and assigned staff to be experts in that region of the District and responsibility for reviewing all permit applications, requests for technical assistance, joint use agreements, and other public inquires impact that region. Staff turnover and the high volume of requests for assistance has forced CPRU to move away from this model for assigning workloads. An option for an updated model would be to dedicate staff to the review of certain types of “straightforward” permits – as is already the practice for the Technical Support team to draft fence cost sharing and adopt-a-creek permits – to reduce review times for these permit types.

Permit Processing is Primarily a Manual Process

The current permit process is manual; a paper file is created and CPRU’s permit review and approval is based on the hard copy documentation. Manual processes are prone to processing errors and require extensive effort to manage manual record keeping systems. Staff further

spend time printing emails, maps and other documents that are submitted electronically by applicants to create and maintain a paper file for each permit application.

In addition, limitations of the current permitting database have necessitated manual processing. For example, paper files must be created because the database only allows one PDF document to be uploaded for each file, requiring staff to consolidate all the supporting documentation into that single PDF for storage in the application. Accessing that uploaded documentation is difficult, staff said, because they cannot search the database. The database also does not support an electronic workflow of the permit process. For example, staff cannot use the database to send messages to applicants on the status of their application, on which staff reported dedicating, on average, half an hour or more each day sending emails or retuning phone calls to update applicants on their applications’ status.

Many of CPRU’s records are also stored only in physical files. Despite a recently completed effort by staff to create an electronic inventory of the boxes of the physical files, staff described their continuing efforts to search through file boxes to locate the desired permit file and then search again to find additional files of oversized as-built drawings and plans.

Valley Water has initiated efforts to replace the current CPRU database with an enhanced document storage and management system; the replacement of the CPRU database is one of two pilot projects planned before implementing the system agencywide. Desired features of a new system, in addition to those identified by CPRU staff above, include an information technology (IT) solution to automate applicant submission and entry of the application into the

¹⁰ The Water Resources Protection Ordinance defines the Permit Authority as, “District employee designated by the CEO to make decisions regarding the issuance of encroachment permits.”

CPRU database or its replacement and allowing applicants to self-check the status of their applications reducing time spent preparing correspondence.

Valley Water's IT management said the replacement system will be implemented during the summer of 2021 and can be configured to address some but not all CPRU desired features.¹¹ The new system is a cloud-based document management system (ECM) that will be configured to automate the workflow of Valley Water's permit process. The new system can also provide workflow management for documents, analytics dashboards and time tracking but does not have an invoicing function, a feature of the current CPRU database. IT management also plans to implement a new Customer Resources Management (CRM) system, as a tool for all Valley Water units, to use to communicate with external customers. IT management said further research is needed to determine if and how the systems can send notifications to permit applicants during the review process. Until the new ECM and CRM systems interface, CPRU may need to record information on a permit's status into both systems because the new document management system cannot be used on its own to send communications to customers.

CPRU Does Not Consistently Plan for Large Reviews

Renewal of regular consultations with Water Resources Protection Collaborative members could help CPRU plan ahead and minimize any disruption or delays to other permit applications from larger, tight-deadline or time-intensive

development projects. CPRU could conduct outreach with cities and other owners of properties adjacent to the District to identify upcoming large projects and pre-plan for the permits and other agreements, such as real estate transactions, to ensure these proposed projects will meet the requirements of the Water Resources Protection Ordinance. This type of advanced planning was the intent of the Collaborative that developed the *Guidelines* and Water Resources Protection Ordinance in 2005-2007, but a decade later and turnover of the Collaborative participants has led to a need for Valley Water to renew its efforts. Also, CPRU does not have a system in place to manage and monitor the status of its joint use agreements of Valley Water property. For example, Valley Water allowed an agreement with the City of San Jose to expire in FY2019 despite a QMS performance standard to monitor that "agreements with responsible partner agencies are in place for appropriate public access to District facilities."

¹¹ CPRU is one of two Valley Water units being used to pilot the new document management system, which IT plans to eventually implement throughout Valley Water.

Finding 4: Local Agencies' Strategies Could Benefit Valley Water

Some Agencies Utilize Online Customer Service Portals to Upload Permit Application and to Check Permit Status

Information was collected from eight local agencies on their permit processes and tools. Three cities have created online portals that allow applicants to submit a permit application and/or upload supporting documentation and

for applicants to obtain information about the status of their applications. These three localities estimated a two-to-four-week time frame for the initial review, after all supporting documentation is submitted, although the localities qualified that additional review time may be needed for complex projects. By automating the submission process, the online portal or a similar tool helps to reduce the chance of an application being overlooked.

As shown in Figure 6 below, the five water agencies we contacted issue encroachment permits and all report using similar methods as Valley Water for applications submission; like Valley Water, none used an online portal. Reported times for permit processing varied across the five agencies, with Valley Water's estimate falling in the middle. An official at one agency said they typically process permits within two weeks of submission, while another agency informs applicants that a minimum of four months is needed to complete the permit process for a "straightforward" permit such as day use of agency property. Agency staff explained that additional time is needed to process permits for land uses that require real estate transactions, review of construction plans for facilities such as solar farms or the development of housing. Most agencies said that the COVID pandemic had increased their processing times.

Figure 6. Estimated Permit Processing Times from Other California Water Agencies

Agency	Estimated Permit Processing Time
Valley Water	6-8 weeks
Other Water Agencies	4-12 weeks
	2 weeks
	4-6 months
	3-4 weeks
	4 weeks (30 days)

Source: Independent Auditor interviews with staff from water agencies.

One Agency Uses a Project Coordinator to Facilitate Communication and Timely Processing

One agencies used a slightly different model for communicating with the permittee in comparison to Valley Water. The agency assigns an Engineering Technician to serve in the role of project coordinator. The Engineering Technician coordinates the Engineer's review of the

technical aspects of the proposed activity, real estate services, input from other departments, manages the records, and serves as the point of contact for the applicant, and is responsible for all communication with the applicant to allow the Engineers more time to work on the technical reviews. At Valley Water, the Engineers assigned to review the application also serves as the project coordinator, because CPRU only has one Engineering Technician position, reducing the amount of time an Engineer has to work on their technical reviews.

Other Agencies Identify Themselves Differently; Renaming CPRU May Avoid Confusion

Some CPRU staff, when discussing the challenges they face in coordinating the permit review process with other Valley Water units and applicants, said the name CPRU – Community Projects Review Unit – hindered rather than helped explain what the Unit does,

creating confusing within Valley Water and among applicants who try to find the correct Valley Water unit responsible for permit processing.

As shown In Figure 7 below, four of the five units within other agencies have property, real estate, or right-of-way in their name because the two functions – issuing encroachment permits and executing real estate transactions – both require an assessment of the impact of the proposed activity on the District’s property rights and authorized uses of the District’s property.

Figure 7. Comparison of Unit Names Responsible for Permit Processing

Agency	Unit Names Responsible for Permit Processing
Valley Water	Community Projects Review Unit
Other Water Agencies	Property Management Group
	Engineering
	Secondary Land Use, Real Property Group
	Real Estate Section, Operational Resources
	Right-of-Way Division

Other Agencies Outreach Annually to Publicize Agency’s Permit Services

To publicize their services, two water agencies we contacted proactively contact owners of property adjacent to the District using two different methods to publicize their permitting services and prevent unintentional violations.

When ownership of adjacent property is transferred, one agency said they send a letter to the buyer and real estate agent explaining any restrictions and easements on the subject property. This agency said that although their property interest is on the title report, buyers often do not understand the implications. Another agency said, on an annual basis, they send a general letter to adjacent property owners to remind owners to seek permission for a variety of common uses of District property. CPRU does not conduct this type of outreach.

Finding 5: Update Needed for Fee Schedule and Cost Recovery Strategy

Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services

Many local water agencies, like Valley Water, own a large amount of property adjacent to the waterways and facilities that provide and deliver water to their customers. Prior to authorizing the use of their property for other activities, Valley

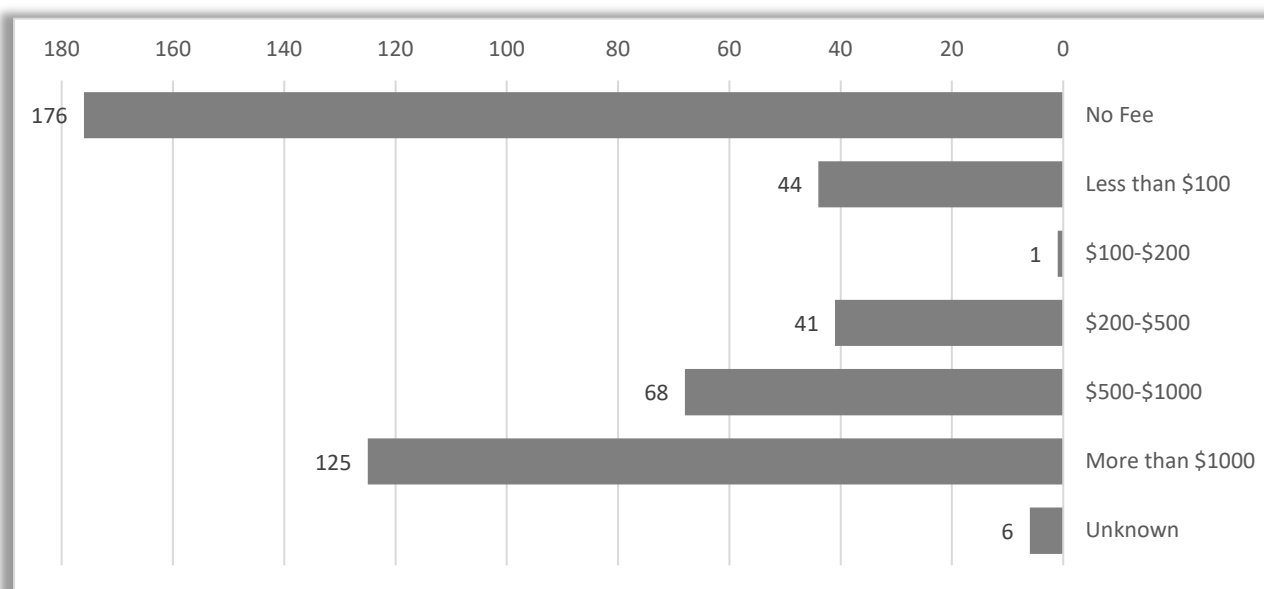
Water's Water Resources Protection Ordinance requires the agency to assess the impact of the proposed use and make certain findings, prior to using an encroachment permit for the use of its lands.¹² Water agencies may charge for the cost of processing the encroachment permit application, as well as the use of its lands for permitted activities.

Water agencies generally do not recover their total costs from the activities they permit on their lands because they typically grant exemptions from the payment of fees to other public agencies and for certain permitted activities on its lands. For example, Valley Water exempts the following activities from payment of fees, including the cost of processing an encroachment permit:

- Adopt-a-Creek permits.
- Fence cost sharing permits.
- Temporary pedestrian access for environmental studies, sampling, surveying, and organized events.
- Activities covered by agreements with other public agencies where there is already an exchange of benefits such as public access for recreational purposes allowed through joint use agreements.
- Preliminary reviews by CPRU staff to determine if a permit is required for the proposed activity.
- Public safety (such as fire and police) emergency or investigatory access involving crime or public safety (excluding training exercises).

As shown in Figure 8 below, over the three-year period FY2018 to FY2020, Valley Water did not charge a fee for 38 percent of 461 permits issued by CPRU. About 27 percent of the permit issued had more than \$1,000 paid in permit fees, including 10 permits that had fees of more than \$10,000.

¹² In accordance with the Water Resources Protection Ordinance and Resolution No. 10-86, the District may recover certain costs to administer permit and other real property transactions. All services provided by District staff must be tracked by pay period for each billable project. All billable hours tracked on this form will be billed to the customer.

Figure 8. Amount of Fees Paid for Permits Issued FY2018 to FY2020.

Source: Independent Auditor analysis of permit data extracted by CPRU staff from the CPRU database.

While Valley Water recovers only a small percentage of the CPRU budget from its permit fees and other invoiced services, there could be opportunities to close the revenue and expense gaps. When compared to its budget, payments for CPRU invoiced fees ranged from 7.2 to 11.5 percent of CPRU's budget for salaries and benefits. When compared to the CPRU's total budget, the total payments from CPRU invoices represent about 4.5 to 6.8 percent. As shown Figure 9, \$106,000 to over \$195,500 represent the majority of invoiced fees (except in FY2018). Of the total amount invoiced by CPRU for its services, in FY2020, about 78 percent were fees for issued permits. The remaining invoiced fees were from floodplain analyses or right-of-way transactions.

Figure 9. Fees Comprise a Small Percent of CPRU's Budget

	FY2018	FY2019	FY2020
CPRU Budget			
CPRU Budget	\$4,309,258.00	\$5,201,835.00	\$5,572,103.00
CPRU Salaries & Benefits	\$2,579,041.00	\$3,145,541.00	\$3,462,948.00
Revenue from Permit Fees & Invoices for All Services			
Total Permit Fees for Issued Permits	\$106,043.14	\$159,414.75	\$195,527.21
Total Payments from CPRU Invoices for All Services (includes Permits, Floodplain analyses, Right of way transactions)	\$292,673.12	\$197,579.03	\$249,450.18
Permit fees as a percent of all invoiced fees	36.2%	80.7%	78.4%
Fee Payments as a Percentage of CPRU Budget			
Total Payments/CPRU Budget	6.8%	3.8%	4.5%
Total Payments/CPRU Salaries & Benefits	11.4%	6.3%	7.2%

Source: Independent auditor analysis of CPRU Invoices, Permit Fees, and Valley Water Budgets.

Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery

Local agencies rely on fee schedules to help establish various charges for service. To ensure the public agencies receive adequate compensation, these fee schedules are periodically updated to reflect changes in the costs of services. Local agencies typically

review and update their fee schedules on a regular basis, including their fees for permit services. Despite increases in regional property values and administrative costs, Valley Water's permit fee schedule was last updated a decade ago, in 2011, and Valley Water has not established a mechanism to ensure it is periodically reviewed and updated.¹³ The CPRU Manager plans to work with Valley Water Financial Management and Planning Services to initiate the process to update the standard fee schedule.

Presently, Valley Water's current filing fee for an encroachment permit is \$250.¹⁴ The fees of other local water agencies are \$100, \$250, \$300, \$320, and \$500. Compared to other local water agencies, Valley Water's administrative processing fee for permit applications is the same as another local water agency but \$50-\$250 less than three other water agencies and about \$150 more than a much smaller water agency.

A key cost of processing permits is the salary costs of the staff providing the services. While not a comprehensive fee study, an analysis of Valley Water's salary costs for CPRU staff to perform the administrative activities required to process an encroachment permit found that \$250 may not be sufficient for these costs given that CPRU staff generally spent more time than the minimum estimated on these activities¹⁵. As shown in Figure 10 below, CPRU staff spend an estimated three to eight hours on the administrative activities. Using the salary ranges for the CPRU staff that currently perform these activities, the cost of the administrative activities is estimated to range from about \$195 to more than \$1,022 depending on the staff that perform the activities. This estimate does not include the cost to Valley Water for the equipment and other supplies that also add to the cost to conduct these administrative activities.

¹³ An audit of Valley Water's real estate services recommended, to enhance Valley Water's fiscal performance and asset management strategy, that the CEO should (a) conduct an annual review of the fee schedules maintained by Valley Water to ensure that the fees cover the costs to lease, license, and permit the use of its, and (b) shorten the duration and establish regular fee adjustments on future longer term lease agreements.

¹⁴ Water Resources Protection Ordinance section 2.3.1 states "All applications must be accompanied by a filing fee in an amount established by the Board."

¹⁵ Fee studies are conducted to help public agencies determine appropriate rates; a fee study examines the full costs of providing a service and identifies which costs are eligible for recovery through fees.

Figure 10. Estimate of Valley Water's Administrative Costs to Process a Permit Application

Steps in Permit Process Related to Administrative Activities		Hourly rate		Staff Estimate of Hours Spent on Task		Estimated Salary Cost of Administrative Activities (Range)	
		Min	Max	Min	Max	Min	Max
Step 1	Receive Permit Application (Engineering Technician)	\$37.21	\$47.63	1	2	\$37.21	\$95.26
Step 2	Compile Background Information (Sup. Engineering Technician & Engineering Technician)	\$37.21	\$65.68	2	10	\$74.42	\$656.80
Step 4	Conduct Final Review of Draft Permit (Engineering Manager)	\$79.05	\$100.94	0.5	1	\$39.53	\$100.94
Step 5	Issue Permit and Update Records (Staff Analyst)	\$44.25	\$56.61	0.5	1	\$44.25	\$169.83
	TOTAL Administrative activities			4	14	\$195.41	\$1,022.83

Source: Analysis of Valley Water salary tables and interviews with CPRU staff.

Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed

In addition to the application filing fee, CPRU charges applicants for time spent to review the activity proposed in the permit application. Neither the Water Resources Protection Ordinance and Manual, nor the

CPRU policies and procedures, provide guidance for the billing for staff review time. Generally, the time invoiced is about two hours even when time incurred could be more.

Analysis of time tracking records from FY2020 generally supports the CPRU staff's assessment of their practices to invoices a standard set of hours.¹⁶ CPRU recorded two hours or less time for most reviews, regardless of whether the time was recorded as billable (83%) or non-billable (76%), as shown in Figure 11 below. Of the 32 reviews where CPRU staff recorded both billable and non-billable hours, eight of the 32 records (25 percent) had more than two hours of billable time entered.

Figure 11. Distribution of the Number of Billable and Non-Billable Hours per Review, FY2020

Number of Hours Per Record	Billable Hours Only	Non-Billable Hours Only	Both Billable and Non-Billable Hours
2 hours or less	132 (83%)	125 (76%)	24 (75%)
2 to 10 hours	23 (14%)	33 (20%)	7 (22%)
10 or more hours	4 (3%)	6 (4%)	1 (3%)
Total	159	164	32

Source: Independent Auditor's analysis of data provided by CPRU, which was extracted by IT from the CPRU database.

¹⁶ The number of records with no time recorded was not provided.

Staff reasoned that permit applicants should not be charged for the extra administrative time it takes to locate the historical files needed for the review due to its ineffective records management, as discussed in previously in this report. While CPRU has begun to digitize and organize these historical files, progress has been slow because CPRU has chosen to review each file before it is scanned. Valley Water IT management said the implementation of a new document management system during the summer of 2021 should address the limitations of the current CPRU database and physical files. Other reasons staff do not charge for their actual time spent on permit processing include:

- Less experienced staff are not expected to charge applicants for the additional time it takes for them to become familiar with the history of the Valley Water location, facilities, and prior permitted activities.
- CPRU's policies and procedures do not incorporate risk management principles in its permit review. Every permit application has the same level of review, regardless of risk proposed by the activity.
- The administrative burden of having to enter their time in two systems, staff explained, did not justify the entering small amounts of review time for billing.
- Staff has tried to simplify time tracking and reporting for other Valley Water units that participate in the permit review process, but these efforts have not been successful in collecting the time spent by other units for billing purposes. Data was not available to assess the frequency with which other Valley Water units submitted their time spent on permit reviews and for which CPRU staff then invoiced the applicant.
- Individual CPRU staff expressed concern that if they were to invoice for the actual time they spend on each review, applicants would not be willing to pay the additional costs beyond the filing fee and would complain to the Board.

Rather than billing for a set amount of time for each permit review, an alternative approach would be to establish risk-based criteria for the minimum information required to complete a permit review, especially for low-risk activities or repeat types of permit requests. For example, staff said many permit applications from utility companies request similar types of access and present the same types of risk although the locations differ. The repetitive nature of these permit applications could be used to establish the minimum information needed for a permit review for this type of permit, potentially reducing processing times and processing costs.

An alternative to using the new system planned to replace the current CPRU database for invoicing, would be to record in the financial system the gross fees for all time charged and associated costs for the services provided, and then adjusts the fees for invoicing purposes. Although the invoice sent to the customer shows the net fees due only, using the financial system could provide Valley Water better information for revenue and cost recovery analysis.

Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections

Once a permit has been issued, depending on the type of permitted activity, Valley Water will schedule inspections at the location of the permitted activity to ensure compliance with the terms of the permit, guided by the Water

Resources Protection Ordinance and Manual. Staff reported that two inspections – typically a preliminary, pre-activity inspection and a second, post-activity inspection – are scheduled and conducted by one full-time inspector. The permittee is generally charged a flat fee for up to two inspections although some larger projects require additional inspections.¹⁷

CPRU staff explained that their flat fee of \$125 per inspection may not cover the actual cost of inspecting a permitted project because the amount of time spent on each inspection varies by the type, complexity, and location of the project. For example, staff described complex projects that required several hours and more than two inspections to review the plans, property, and completion of the paperwork. As shown in Figure 12 below, if the inspector spends more than two hours on an inspection, Valley Water has not recovered its salary costs (nor other materials costs) of the inspection.

Figure 12. Salary Cost for Inspections

Cost to Inspect Permitted Activities		Salary Cost (Hourly rate)		Staff Estimate Hours Spent on Task		Estimated Cost of Performing Inspection (Range)	
		Min	Max	Min	Max	Min	Max
Step 6	Inspection (Resident Construction Inspector)	\$50.06	\$64.07	2	10	\$100.12	\$640.70

Source: Independent Auditor's analysis of data provided by CPRU.

None of the local water agencies researched for this audit charged for inspections using a flat fee. To account for the differences in inspection requirements among permitted activities, other local water agencies reported that they charge an hourly rate for inspections instead of a flat fee. When the agency issues the permit, the agency collects a deposit based on the inspector's estimate of the types of inspections and time needed to perform the inspections. If the estimated cost exceeds the actual cost of the inspection, the agency returns the unused funds to the permit holder after the last inspection.

¹⁷ CPRU staff explained that the CPRU database does not track the number of inspections and a manual count of inspection forms would be required to determine the number performed per project.

Finding 6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments

Internal controls provide reasonable assurance that the objective of a business process, like invoicing for a service provided, will be consistently and properly performed. The audit found that CPRU does not have an automated billing and collection function nor strong internal controls.¹⁸ The issues identified include:

- Manual preparation of invoices for some public agencies.
- Incomplete tracking of all time spent on a permit.
- Absence of documented invoicing and revenue collection policies and procedures.
- Absence of controls to ensure that eligible permits have been invoiced and issued to the agency.
- Improper segregation of duties. Typically, the responsibility for the billing and collection of payments are assigned to multiple staff persons to ensure the proper execution and handling of invoices and payments. Within CPRU, the Staff Analyst is responsible for all financial management functions including the billing, collection and recording of the payments for invoiced services. Similarly, the Staff Analyst is responsible for the handling all aspects of the key deposits, which are required when CPRU gives a permit holder a key to gain access to Valley Water property to perform an activity. Proper segregation of duty would have one staff person accept and record the deposit and another process the return of the key and the permit holder's deposit.
- Absence of system and financial reconciliation. Reconciliation is another internal control used to ensure that payments have been properly collected and recorded, in particular when the permit system and Valley water financial system do not interface and automatically detect errors or other discrepancies. Staff reported that they had not been instructed to reconcile the payments records in the CPRU permit system with the records of the Valley Water financial system.

The absence of strong financial management controls has led to absence of recording and payment of invoices for two public transportation agencies that obtained permits from Valley Water. An undetermined number of invoices were not entered in the CPRU database; and some were never mailed and paid, resulting in a lost revenue opportunity although the magnitude of the financial loss is unknown. The CPRU Manager explained that the retirement of the CPRU staff

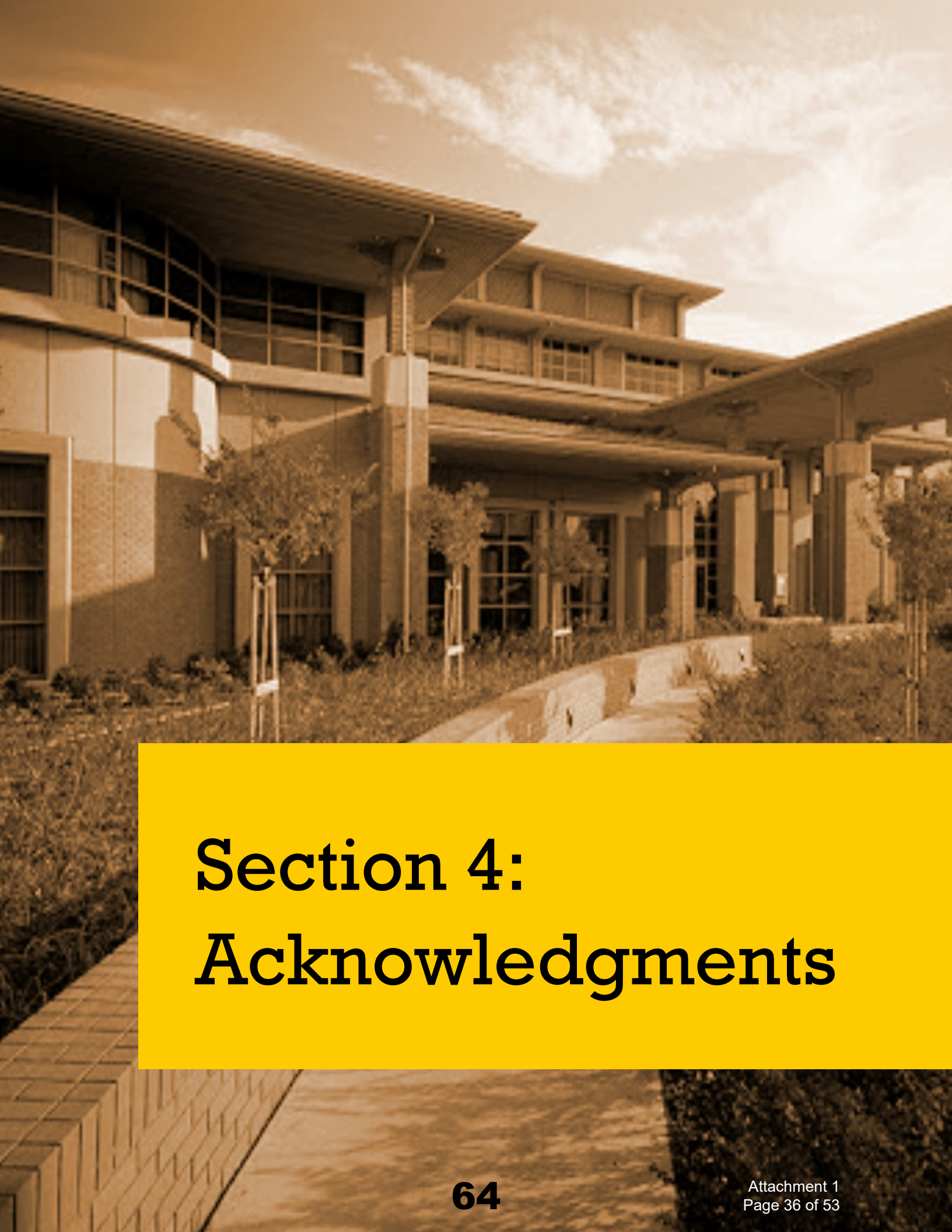
¹⁸ Staff explained that they use the CPRU permit system to input data, create an electronic invoice, and maintain a file record of those invoices, but they manually complete other activities, such as tracking the data used to generate the invoice, invoice approval, recording the receipt of invoice payments, and monitoring unpaid invoices.

responsible for managing the invoices, and the assignment of other staff to critical tasks, led to the oversight of these invoices.¹⁹

At the time of our review, CPRU implemented immediate action to initiate a process to reconcile the paper-based invoices with the CPRU database and seek payment for the outstanding invoices according to Valley Water agreements with the agencies. In addition, the Chief Financial Officer initiated efforts to work with CPRU to help strengthen internal controls to ensure accurate and timely invoicing and fee payments.

Valley Water's IT management said that the new document management system that will replace the CPRU's database will not have an invoicing function although time can be tracked. The new document management system will not be configured to interface with Valley Water's new financial management (ERP) system to allow CPRU to generate invoices. Potential use of Valley Water's new core financial management system to generate invoices and track and record payments (including key deposits) will help CPRU in its efforts to establish a robust internal controls framework and improve its financial reporting.

¹⁹ CPRU did not provide information on the number of invoices that were not entered in the CPRU database. For invoices that were entered into the CPRU database, at the end of December 2020, CPRU reported there were 15 unpaid invoices totaling \$13,831. Staff reported that for invoices recorded in the CPRU database, the system can generate a list of unpaid invoices and provides an automated alert to staff when an invoice is unpaid. However, staff must manually create and send via email a separate reminder to the customer if an invoice is not paid.



Section 4: Acknowledgments

ACKNOWLEDGMENTS

TAP International wishes to thank the Valley Water management and staff who participated in this audit from the following divisions and units:

- Community Projects Review Unit
- The Board of Directors
- Staff from other local agencies



Appendices

APPENDIX A: Anonymized Survey Responses

Valley Water
Customer Satisfaction Survey
Community Projects Resources Unit

****CONFIDENTIAL SURVEY****

Please help us improve Valley Water's permit services by completing this 60-second survey about your experience by **January 15, 2021**. You received this survey because Valley Water identified you as having recently requested a permit to perform work or initiate activity on property owned by the Santa Clara Valley Water District.

Valley Water has contracted with TAP International to conduct this survey. To learn more about TAP International, go to <https://tapinternational.org/>. If you would like to speak to us directly, please contact Denise Callahan or Kate Kousser of TAP International at 916.549.0831.

All responses will be kept confidential and identifying information removed.

OK

1. How would you rate your overall experience with the Valley Water permit process?

- ☐ Excellent
- ☐ Very Good
- ☐ Satisfactory
- ☐ Unsatisfactory
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Excellent	21%	6
Very Good	17%	5
Satisfactory	24%	7
Unsatisfactory	38%	11
Does not apply	0%	0
Total	100%	29

2. Did Valley Water process your permit application within a reasonable amount of time?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	13.79%	4
Met my expectations	31.03%	9
Did not meet my expectations	55.17%	16
Does not apply	0.00%	0
Total	100%	29

3. Did Valley Water staff keep you adequately and consistently informed of the status of your permit application?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	13.79%	4
Met my expectations	37.93%	11
Did not meet my expectations	48.28%	14
Does not apply	0.00%	0
Total	100%	29

4. Did you receive courteous, clear, and complete answers to your questions regarding your permit application or the permit process?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	24.14%	7
Met my expectations	41.38%	12
Did not meet my expectations	27.59%	8
Does not apply	6.90%	2
Total	100%	29

5. How could Valley Water improve the permit process?

DONE

Powered by
 SurveyMonkey
 See how easy it is to create a survey.

Answers to Question 5:

- The permit process is straight forward. What needs improvement is the way important information about field conditions and related observations are brought into the greater understanding of environmental conditions, their impact on the community, and methods for bringing to compliance issues that compromise the public safety and security.
- In my experience the permit took a very long time to get.

- I think staff did a good job on processing the encroachment application. The only reason I marked them down on #3 is that it would be nice if the system would confirm receipt of the application so I know it is being worked on. Otherwise, great job!
- Faster reviews, more timely responses.
- Everyone I have worked with at the Valley Water have been knowledgeable and helpful. Permit turn around time has been measured in months instead of weeks for minor permits. There is not a process to let you know of the status of the permit.
- Permit review process takes too long of time and feels unorganized.
- The application was applied for in June 2020 and was issued on Sept. 2020. Invoices and photos were submitted for reimbursement in Oct. 2020 and the District contact person was notified with a phone call on the same day. As of January 2021 still awaiting reimbursement. The only individual who has been helpful in this process, [omitted] who after being contacted for the second time on the timing of the reimbursement contacted me to advise me of the status and timing of when a check might be issued. COVID is no excuse for the lack of response and delays that were encountered. A timely response to the application and reimbursement, to at a minimum meet the District's own published timeline would be a start to improving the process.
- Provide an online status of permits, increasing staff to address projects in a timely manner, etc.
- Assigned permit engineer did not communicate at all for a very routine request after repeated follow-ups, application stated 2 weeks, yet it took nearly 3 months after escalating to supervisor.
- The CPRU office was great, they did an excellent job with processing my permit application.
- speed up the process...have all comments back at the same time. Took almost a year to get permit.
- Clear explanations of fees, reasonable fees (their automatically escalating annual fee in public ROW is outrageous), permit issuance in a timeframe similar to surrounding agencies.
- Speed up the approval/review process. The process took about 6 months to complete and did not get a proper response time from the technician after numerous calls and emails
- Speed it up. I did not receive my permit in time for work prior to start of rains - which were way late this year.
- Expedite it. Return phone calls.

APPENDIX B: Detailed Description of Valley Water's Permit Process

Before the formal permit process begins, a prospective applicant must determine if their planned project or activity will adversely affect Valley Water facilities, property, or right-of way by requesting a preliminary review by CPRU to assess whether the proposed project or activity is feasible and will require a permit. If a permit is required, the applicant must submit project related documentation, such as engineering plans, federal or state environmental permits obtained from other agencies, biological assessments, and as-builts drawings. The permit application states that an application is not considered complete until the applicant has submitted, "all the information, drawings, reports, and other documents required by Valley Water" that show "that the proposed work will not adversely impact Valley Water's interests, including without limitation, the hydraulics, hydrology, structural integrity, maintenance, and property rights of Valley Water's right-of-way."

Permit processing then proceeds with three steps: Step 1 - record receipt of the application and Step 2 - compile all pertinent background information about the affected CPRU property and update the District's GIS layers to show the application. For Step 2, CPRU Technical Support staff compile information from multiple sources: CPRU's records about the affected property, current assessor's parcel maps, registered well information, and District GIS layers. The CPRU Manager or designated Associate Engineers assign projects (permit application and the project plans) to CPRU's Asset Protection Support staff. For Step 3, the Asset Protection Support staff – comprised of Engineers – conducts additional research, coordinates the review of the proposed work by other Valley Water units, and reviews the application and file to ensure that the permit will meet Valley Water's conditions, land rights, CEQA compliance, and insurance requirements. If the permit requires a real estate transaction, the Engineer will negotiate and prepare licenses, cost share agreements, and land rights transfers for non-capital projects, and may also review the HSLA, plats and description, deed language, appraisals, title reports, and preparation of CEO approval Board agenda memo. Applicants then revise the permit application, if needed, based on the comments from Valley Water reviewers.

The Engineer's review of the permit may require extra steps to gather more information from applicants regarding the project, or to obtain input from other Valley Water units to assess the impact of the planned project on Valley Water facilities, property, or right-of-way. Once the Engineer has completed their review, the Engineer updates the CPRU database, prepares a draft permit and invoice, and submits the package to the CPRU Manager for review. If an assistant Engineer prepared the draft permit, an Associate Engineer may first review the draft and return to the Assistant for further revisions. Step 4 includes the review and approval of the draft permit by the CPRU Manager, and then in Step 5, the Staff Analyst sends the draft permit to the applicant for signature with the invoice for payment and submission of the insurance requirements. During the COVID pandemic's work-from-home orders, CPRU adopted the use of DocuSign to allow electronic signature of documents. The CPRU Manager signs the draft permit, making it effective,

after the applicant has returned the signed permit, payment for the invoice, and insurance certificates. In Step 6, CPRU's Resident Construction Inspector performs the inspections as required by the permit. Finally, under Step 7 and upon completion of the permitted work the Staff Analyst under Step 7 obtains and files as-built plans of any permitted work and updates the CPRU database with the status of the permitted work. A separate unit within CPRU is responsible for enforcement of unpermitted activities, which were outside the scope of this audit.

APPENDIX C: Permits & Valley Water's Water Resource Protection Ordinance

Representatives from Valley Water, 15 cities, Santa Clara County, business, agriculture, streamside property owner and environmental interests formed the Water Resources Protection Collaborative in 2002 to clarify and streamline local permitting for streamside activities. In 2005, the Collaborative developed (and Valley Water later adopted) the *Guidelines & Standards for Land Use Near Streams* to guide permitting activities by public agency members of the Collaborative. The *Guidelines* describe 11 permitting tools for Valley Water and other Collaborative members to follow when issuing encroachment or streamside construction permits, including highlighting steps for coordination between the applicant, permit authority (such as Valley Water, the County or one of the 15 member cities) with Valley Water and each other regarding the water resources impact of the proposed activity. Other permitting tools in the *Guidelines* include exempted land uses, definitions of a stream and bank, questions to illicit information to be provided by the applicant about the project and on plans submitted to the permit authority. The Collaborative last updated the *Guidelines* in July 2006.

In 2007, Valley Water adopted the Water Resources Protection Ordinance, so that a Valley Water permit is only required when a person enters, modifies, or otherwise uses a Valley Water facility, property, or right-of-way. Prior to the Ordinance, for construction and activities near streams, applicants were required to obtain a permit from Valley Water regardless of whether the planned construction or activity would impact District facilities or land rights. If the construction or activity does not affect Valley Water's facilities or land rights, then the applicant is only required to obtain a permit from a local land use agency (either a city or the county, if unincorporated). Local land use agencies, staff explained, will often consult with CPRU when the agency receives permit applicants that could affect local waterways.

APPENDIX D: Management's Response

RECOMMENDATION 1 - The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally satisfies the recommendation. This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (<i>Real Estate Services can be a More Effective Resource for Valley Water</i>). A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
RECOMMENDATION 2 - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

<p>RECOMMENDATION 3 - The CPRU Manager should develop and implement a training program that includes various courses on:</p> <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <ul style="list-style-type: none"> a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. <p>Target Implementation Date: March 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

<p>RECOMMENDATION 4 - The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.</p>	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit.</p> <p>Target Implementation Date: March 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 5 - The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

MANAGEMENT RESPONSE:

Management partially agrees with the recommendation.

In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6).

CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications.

Target Implementation Date: October 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 6 - The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:

- a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
- b. Expanded search function for researching past projects and permits.
- c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
- d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
- e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
- f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.

MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases:

1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)
2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)
3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)"

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 7 - The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects.

CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements.

Target Implementation Date: June 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 8 - The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

CPRU Manager and staff will coordinate with Risk Management Unit Manager to develop communication strategies and re-evaluate the existing insurance requirements to align with the most up-to-date standards in the insurance practices, to make it easier for applicants and insurance brokers.

Target Implementation Date: March 2022.

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 9 - The CPRU Manager, with the assistance of the Watershed’s Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as:

- a. Change the name of CPRU to a name that better describes its functions.
- b. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.
- c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water’s permit services, the reason for the permit process, and how to access the services.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

- a. CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit’s name. (Target Date: March 2022)
- b. CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022)
- c. CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water’s permit process, and how to access the services. (Target Date: June 2022)

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 10 - Valley Water’s CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.

MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.

Target Implementation Date: August 2022

INDEPENDENT AUDITOR RESPONSE:

Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 11 - The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.

MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.

Target Implementation Date: August 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 12 - The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022)

Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13)

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 13 - The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	
MANAGEMENT RESPONSE: Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 14 - The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	
MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases: <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) Target Implementation Date: Varies.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

APPENDIX D: Management's Response

RECOMMENDATION 1 - The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally satisfies the recommendation. This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (<i>Real Estate Services can be a More Effective Resource for Valley Water</i>). A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
RECOMMENDATION 2 - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 3 - The CPRU Manager should develop and implement a training program that includes various courses on: <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	
MANAGEMENT RESPONSE: Management agrees with the recommendation. <ul style="list-style-type: none"> a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. <p>Target Implementation Date: March 2022</p>	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 4 - The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit. <p>Target Implementation Date: March 2022</p>	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 5 - The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

MANAGEMENT RESPONSE:

Management partially agrees with the recommendation.

In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6).

CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications.

Target Implementation Date: October 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 6 - The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:

- a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
- b. Expanded search function for researching past projects and permits.
- c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
- d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
- e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
- f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.

MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases:

1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)
2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)
3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)"

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 7 - The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.	
<p>MANAGEMENT RESPONSE: Management agrees with this recommendation.</p> <p>CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects.</p> <p>CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements.</p> <p>Target Implementation Date: June 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 8 - The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.	
<p>MANAGEMENT RESPONSE: Management agrees with this recommendation.</p> <p>CPRU Manager and staff will coordinate with Risk Management Unit Manager to develop communication strategies and re-evaluate the existing insurance requirements to align with the most up-to-date standards in the insurance practices, to make it easier for applicants and insurance brokers.</p> <p>Target Implementation Date: March 2022.</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 9 - The CPRU Manager, with the assistance of the Watershed’s Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as: <ol style="list-style-type: none"> Change the name of CPRU to a name that better describes its functions. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water’s permit services, the reason for the permit process, and how to access the services. 	
MANAGEMENT RESPONSE: Management agrees with this recommendation. <ol style="list-style-type: none"> CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit’s name. (Target Date: March 2022) CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022) CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water’s permit process, and how to access the services. (Target Date: June 2022) Target Implementation Date: Varies	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 10 - Valley Water’s CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	
MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 11 - The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	
MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 12 - The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	
MANAGEMENT RESPONSE: Management agrees with this recommendation. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies	INDEPENDENT AUDITOR RESPONSE: Management’s response generally satisfies the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 13 - The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	
MANAGEMENT RESPONSE: Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 14 - The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	
MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases: <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) Target Implementation Date: Varies.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	2	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: Ongoing. CPRU is undertaking an update to the Water Resources Protection Manual, an update to the Water Resources Protection Ordinance, and an update to the Fee Rate Schedule to provide clarity for customers and clearer guidance on permit requirements. For IT-based improvements, see Recommendation 6.</p> <p>Status 5/2024: Ongoing. Staff is working with legal to finalize updates to the Water Resources Protection Ordinance. Updates on the Fee Rate Schedule are now scheduled to be performed by CPRU staff rather than finance staff due to limited staff resources in finance which delayed the rate analysis. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: December 2024 for Fee Rate Schedule and WRPO, December 2025 for Water Resources Protection Manual</p>
Community Projects Review Unit (CPRU)	5	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit	<p><u>"Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		applications to help meet customer expectations.	<p>Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: Ongoing. For IT-based improvements, see Recommendation 6.</p> <p>Status 5/2024: Ongoing. Since October 2022, CPRU decided on the Cityworks program being utilized by the Wells and Water Measurement Unit as the preferred CRM. A RFP advertised in summer of 2023 resulted in a chosen Cityworks implementer. The CEO just approved the contract in April 2024, and work with the chosen implementer will begin soon. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: June 2026 (IT improvements)</p>
Community Projects Review Unit (CPRU)	6	The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>functionality needed to strengthen permit processing, which include:</p> <ul style="list-style-type: none"> a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file. b. Expanded search function for researching past projects and permits. c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance. d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders. e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system. f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units. 	<p>1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)</p> <p>2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)</p> <p>3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)</p> <p>Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023:</p> <ul style="list-style-type: none"> 1. Ongoing. CPRU is working on a RFP for the creation of an online customer service portal which it anticipates bringing to the Board for approval by the of 2023. 2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities. 3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management. <p>Status 5/2024: Ongoing. 1. Ongoing. The CEO just approved the contract in April 2024, and work with the chosen implementer will begin soon. The contract anticipates that the new online portal will take approximately 2 years to implement.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities.</p> <p>3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management.</p> <p>Revised Target Implementation Date: June 2026</p>
Community Projects Review Unit (CPRU)	10	Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: Ongoing. Internal finance experts will resume the analysis and make recommendations upon completion of the water utility rate setting process for FY24.</p> <p>Status 5/2024: Ongoing. Finance staff has determined that their limited resources will not enable them to undertake the analysis. CPRU staff will undertake the analysis.</p> <p>Revised Target Implementation Date: December 2024.</p>
Community Projects Review Unit (CPRU)	11	The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: Ongoing. See recommendation 10.</p> <p>Status 5/2024: Ongoing. Finance staff has determined that their limited resources will not enable them to undertake the analysis. CPRU staff will undertake the analysis.</p> <p>Revised Target Implementation Date: December 2024.</p>
Community Projects Review Unit (CPRU)	12	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: a. Complete b. Ongoing. See Recommendation 6.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Status 5/2024: a. Complete b. Ongoing. See Recommendations 6, 10, and 11.</p> <p>Revised Target Implementation Date: Recommendation 6—June 2026 and Recommendations 10 and 11—December 2024.</p>
Community Projects Review Unit (CPRU)	13	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	<p><u>Management Response:</u> Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: Ongoing. See Recommendations 2 and 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing.</p> <p>Status 5/2024: Ongoing. See Recommendations 2 and 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing.</p> <p>Revised Target Implementation Date: Recommendation 2—December 2024 and Recommendation 6—June 2026</p>
Community Projects Review Unit (CPRU)	14	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases: a. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). b. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>billing and collections; cash management; monitoring of aging receivables; and reconciliation.</p>	<p>c. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13) Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: b. Complete. CPRU and Continual Improvement Team staff finalized a Billing Policy and Billing Process document based on the recommendations from MGO. CPRU will route the documents to management for approval and make the documents part of the QEMS system so that regular review and updates can occur.</p> <p>c. Ongoing. See Recommendations 2 and 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MuniBilling which created additional work to address the recommendation in the interim.</p> <p>Status 5/2024: a. Complete. b. Complete. c. Ongoing. See Recommendation 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MuniBilling which created additional work to address the recommendation in the interim.</p> <p>Revised Target Implementation Date: June 2026</p>

THIS PAGE INTENTIONALLY LEFT BLANK



Valley Water

Clean Water • Healthy Environment • Flood Protection



Permitting Best Practices: Community Projects Review Unit (CPRU) Performance Audit Progress Report

Board Audit Committee

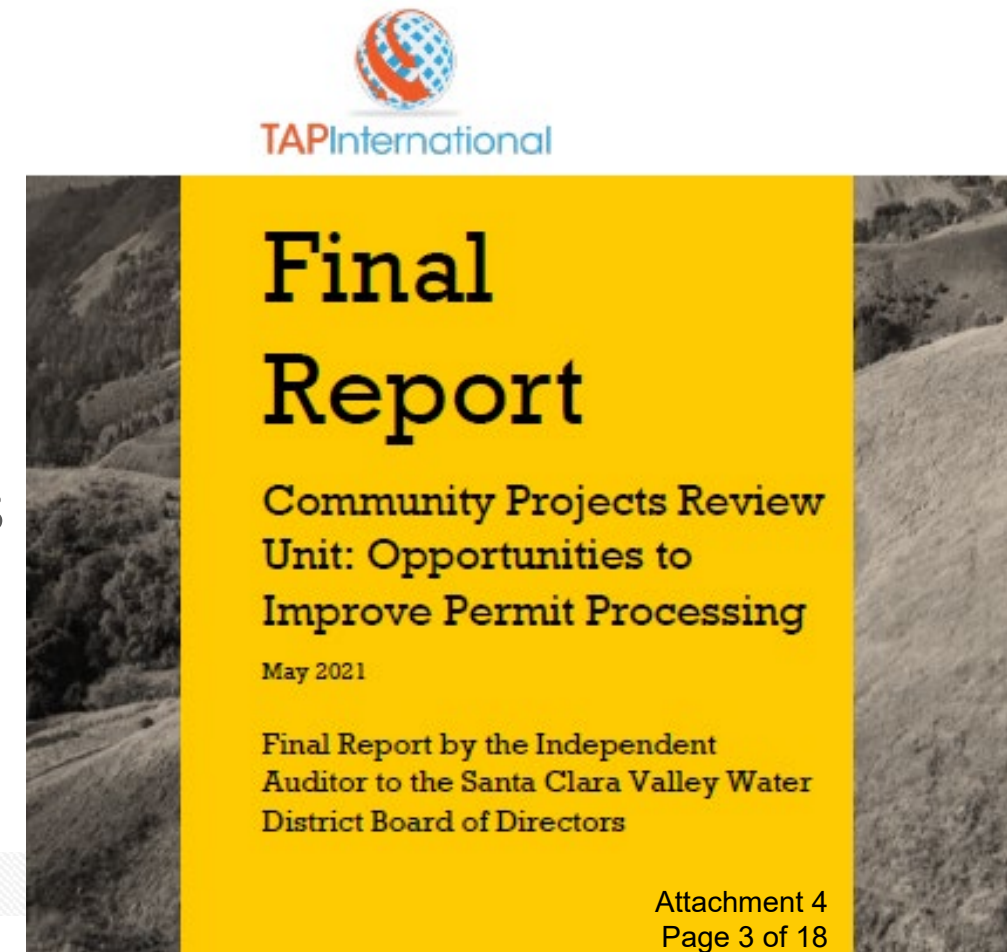
May 15, 2024
Attachment 4
Page 2 of 18

CPRU Audit: Opportunities to Improve Permit Processing

Objective: Assess alternate permit processes and peer agency comparison

Scope:

- Interview staff
- Online survey of permit holders
- Financial analysis
- Research permit practices of other agencies



CPRU Audit: Opportunities to Improve Permit Processing

Recommendation Areas supported by management

- Standardize and streamline permit processes, clarify roles (#1, 2, 3, 4)
- Modernize the customer request portal and tracking database (#6)
- Increase communication externally (#7, 8, 9)
- Financial controls and cost recovery (#10, 11, 12, 13, 14)

Customer Liaison (#5) partially supported by management

- IT enhancements will eliminate need for customer liaison

CPRU Audit: Opportunities to Improve Permit Processing--TODAY

Recommendation Areas supported by management

- Standardize and streamline permit processes, clarify roles (#1, 2, 3, 4)
- Modernize the customer request portal and tracking database (#6)
- Increase communication externally (#7, 8, 9)
- Financial controls and cost recovery (#10, 11, 12, 13, 14)

Customer Liaison (#5) partially supported by management

- IT enhancements will eliminate need for customer liaison

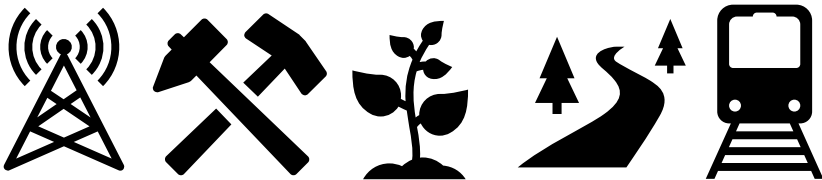
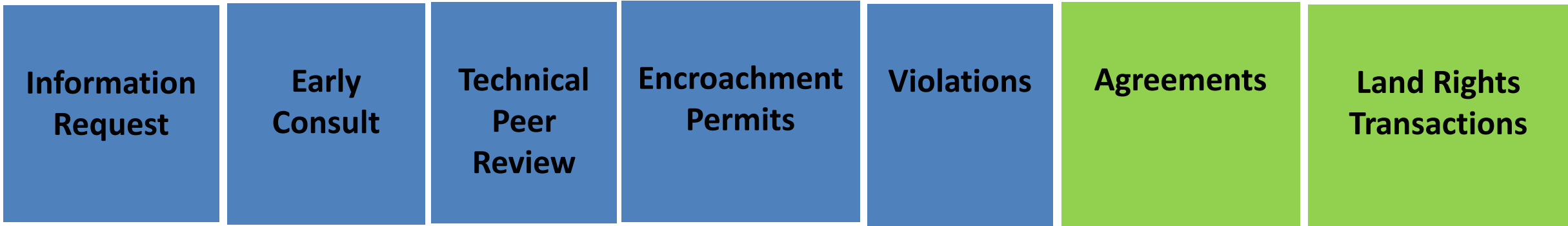
Key Accomplishments since May 2023

- Clarified and optimized CPRU staff roles
- Finalized contract for Cityworks Permitting, Licensing and Land (PLL) software and customer portal implementation
- Supported Customer Portal Best Practices Capstone project
- Assumed fee rate schedule and cost recovery analysis
- Finalizing Water Resources Protection Ordinance (WRPO) update



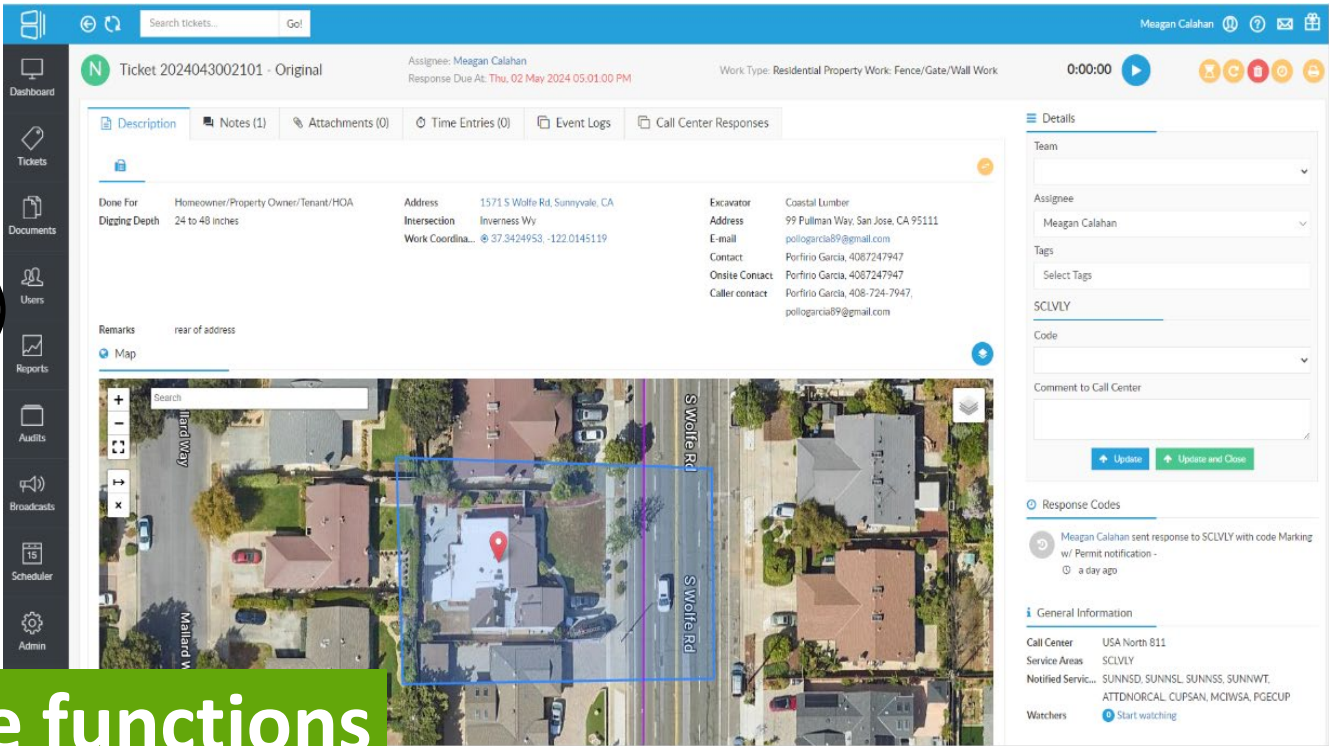
CPRU’s **critical function** is to protect Valley Water assets where community and land development activities overlap.

7 Core Processes



Recommendation 2 Confirm Core Functions and Standardize Processes

- ✓ **Clarification of roles and responsibilities** with Real Estate and Lands Management
 - Land rights transactions
 - Trail Joint Use Agreements
 - Property disposition
- ✓ **Geographic Information Systems (GIS)**
- ✓ **Staff training**



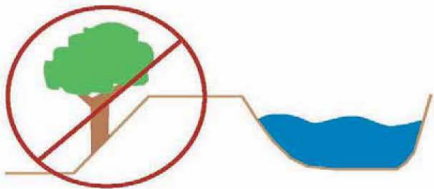
Status: Complete-confirm core functions

Status: Ongoing-standardize processes

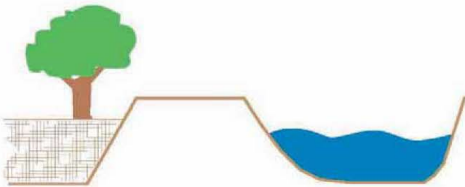
- ✓ Update **Fee Schedule**
- ✓ Update **Ordinance**
- ✓ Revise **Manual**
 - Clarify requirements
 - Update policies
 - Maintain flexibility

DESIGN GUIDE 6

PLACEMENT OF FILL AND
PLANTING OF TREES BY LEVEES



Plants with large root systems (trees and large shrubs) should not be placed on existing levees.



Trees may be planted on a levee if additional fill is placed on the levee.



The placement of fill on/next to the out board slope of the levee will reduce the height of the levee for aesthetics and improves the safety of the levee system. The height of the fill may vary. Geotechnical analyses may be needed to determine the impacts of the fill to the levee slope.

Attachment 4
Page 9 of 18

Valley Water uses the Water Resources Protection Manual to administer the [Water Resources Protection Ordinance](#)

WRPM REVISION

Right of Way Use Policy
Emerging Leaders Program

◀ Phase 1 - 2022

Right of Way Use Policy Project (Emerging Leaders Program)

Internal Stakeholder Review
Raw Water Operations
Watershed O&M Water Quality

◀ Phase 2 - 2024

Revise WRPM

External Stakeholder Review
Environmental groups
Private developers
Santa Clara County Parks
Roads and Airports
City Public Works

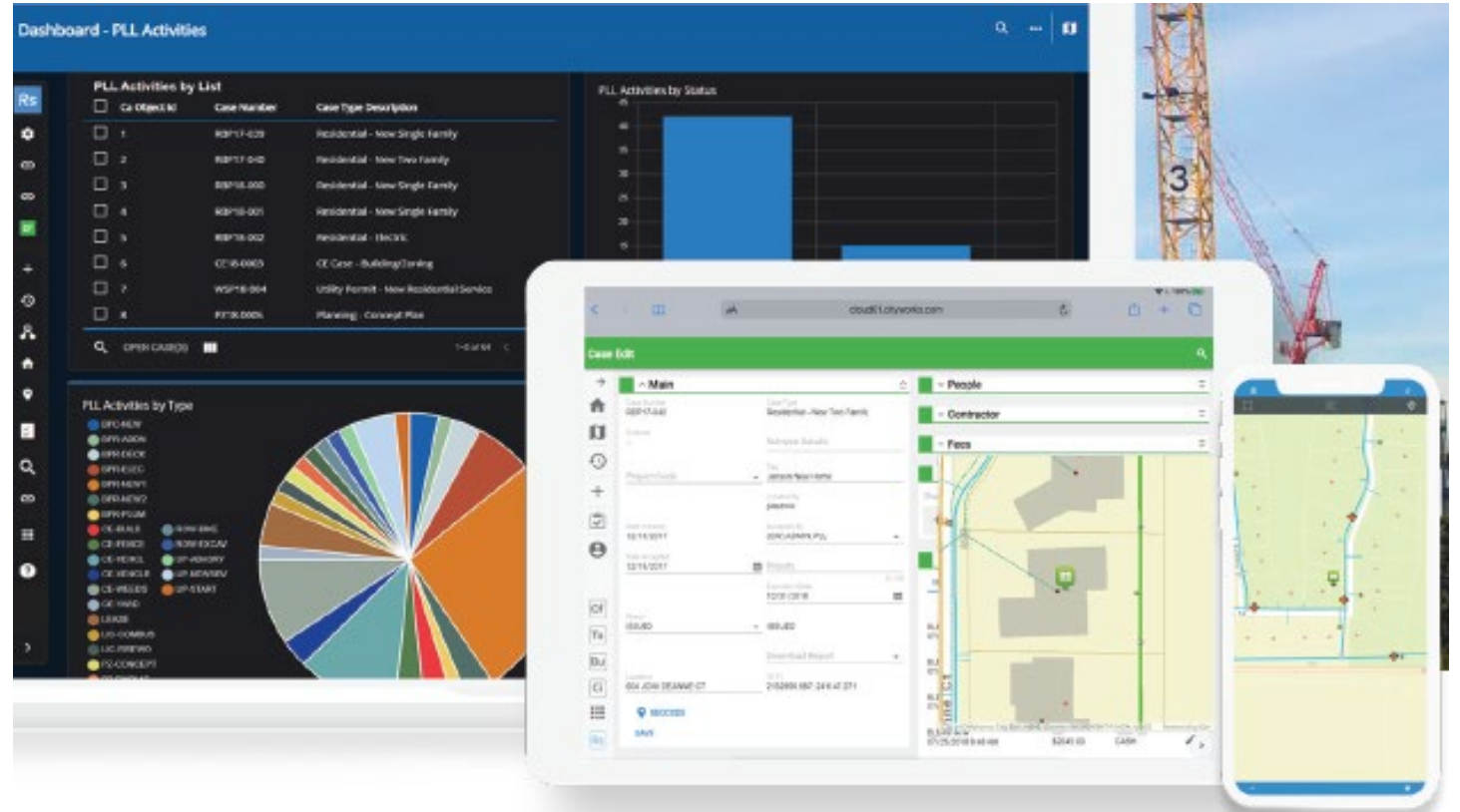
Phase 3 - 2025

Committee and Board Review
BPPC
EWRC
Public Hearing
Board Consideration

◀ Complete public process

CITYWORKS PLL Implementation Objectives

- Customer Relationship Management (CRM)
- Increase internal workflow efficiency
- Project request tracking and reporting dashboards
- Integrate invoicing with VW finance system
- Expand and integrate GIS capability



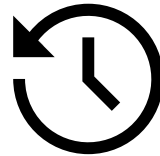
Cityworks PLL

The leading GIS-centric solution for permitting, licensing and land management—designed to simplify workflows for customers and staff.



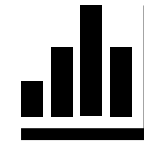
Customer Convenience

Let residents, contractors and others submit and track applications online with a user-friendly portal.



Increased Productivity

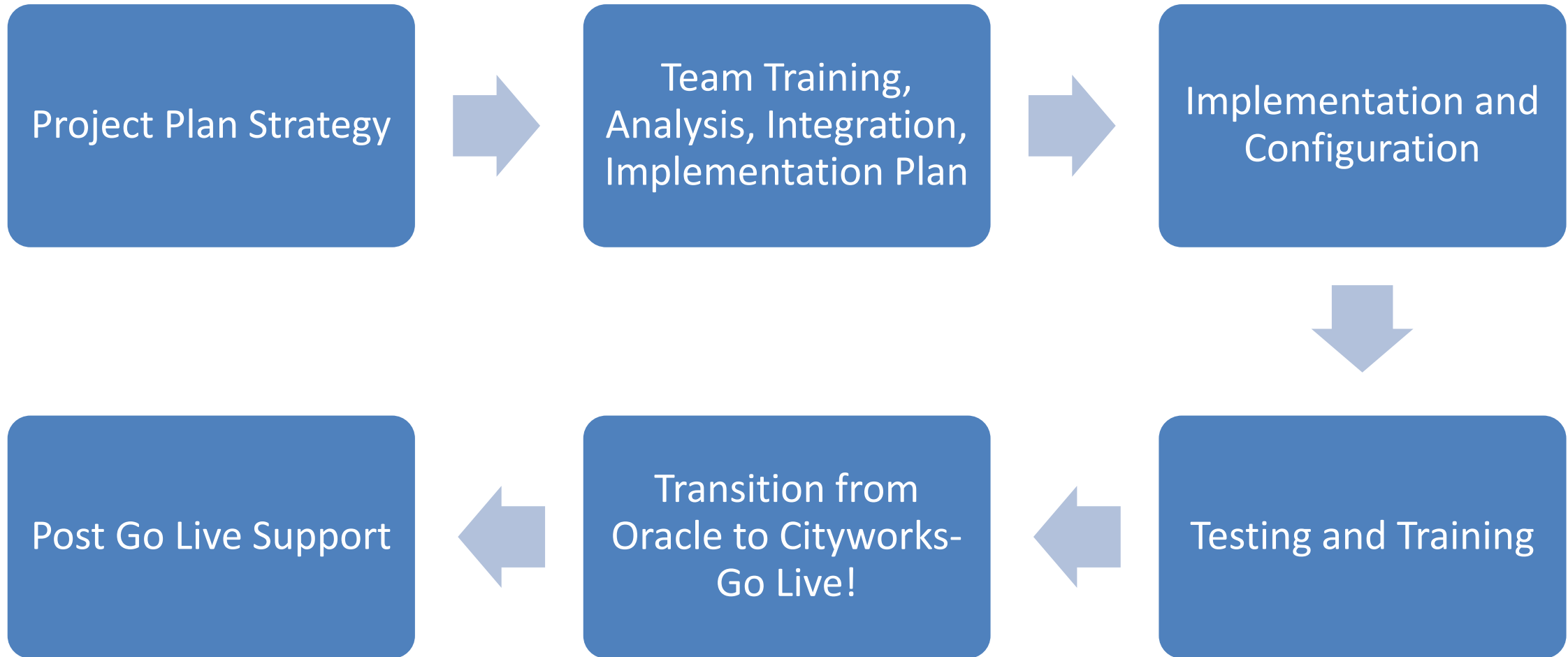
Configure templates and inboxes to help predict daily tasks and simplify processes.

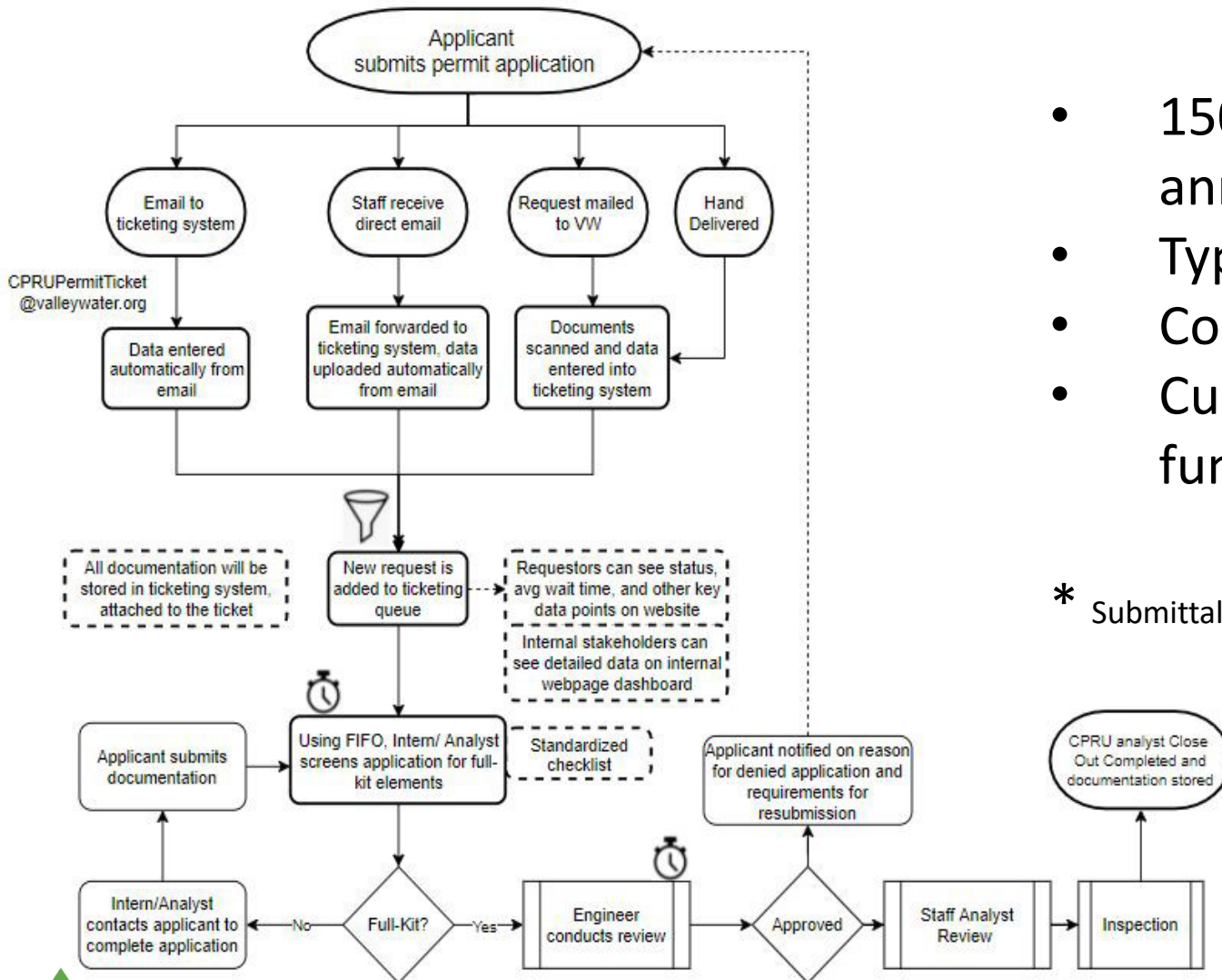


Data-Driven Decisions

Use dashboards, analytics and maps to visualize data, get insights and create accurate reports.

Cityworks PLL Implementation ~ 2 years





- 150 encroachment permits issued annually (1300 submittals *)
- Typical processing time = 12 wks
- Complex projects = more than 1 yr
- Current database has limited functionality

* Submittals includes permit resubmittals and non-permit requests

Status: Ongoing

Major Development Projects

- Lengthy negotiations to minimize impact to Valley Water
- Public/private partnerships
- Complex land rights transactions
- Require CEO/Board approval

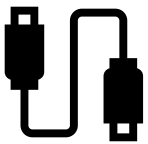
Examples

- Google West Channel Enhancement Project
- Caltrain Bridge over Guadalupe Reach 6





Cost recovery goal and comparative fee analysis underway by CPRU staff



Financial software tool for invoicing and collection to be addressed with Cityworks PLL implementation

Status: Ongoing

Key Next Steps

- Cityworks PLL implementation project begins: FY25 Q1
- Comparative fee analysis and cost recovery goal setting: FY25 Q2
- WRPO Update (Licensing Program and Clarifications): FY25 Q2
- WRPM Expansion: FY26 Q2
- IT/CPRU implements financial, content management, and permit tracking tools: FY26 Q4
- **Audit recommendations fully implemented: FY26 Q4**

QUESTIONS





Santa Clara Valley Water District

File No.: 24-0402

Agenda Date: 5/15/2024

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive the Fiscal Year 2023-2024 Third Quarter Financial Status Update.

RECOMMENDATION:

Receive the Fiscal Year 2023-2024 third quarter financial status update as of March 31, 2024.

SUMMARY:

Valley Water's Fiscal Year 2023-24 Third Quarter closed on March 31, 2024. The third quarter financial status update presentation (Attachment 1) summarizes cash and investment balances, the debt portfolio and includes a detailed comparison, and analysis, of the budget to actual status of revenues and expenditures for all funds as of March 31, 2024.

These financial statements have been prepared by Valley Water for informational purposes only and have not been audited by the external auditor. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency, nor are they authorized to post these financial statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the World Wide Web at <https://emma.msrb.org/>.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no environmental justice and equity impacts associated with this item.

ATTACHMENTS:

Attachment 1: Powerpoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK

Q3 FY2023-24 Financial Status Update

Board Audit Committee, May 2024

The FY 2023-24 unaudited financial statements contained herein have been prepared by Valley Water for information only and have not been audited by the external auditor. These financial statements remain subject to change by Valley Water and remain subject to review by external auditor. Changes made by the external auditor, including changes in response to the outsider auditor's review, could be material. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency nor post these statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale Valley Water bonds, notes or other obligations and investors and potential investors should rely on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the World Wide Web at <https://emma.msrb.org/>.

Agenda

2

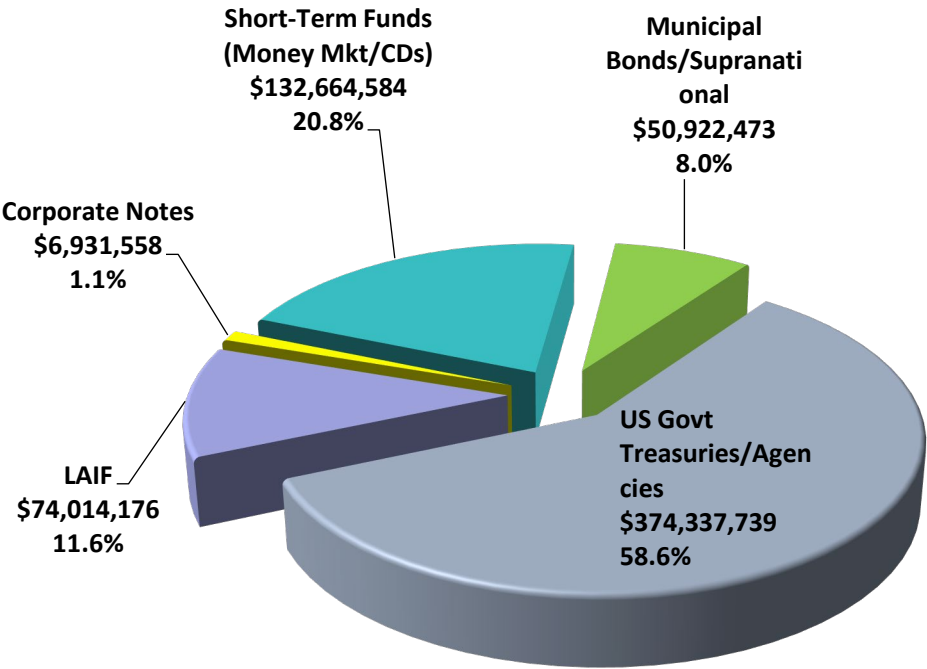
- **Financial Status**
 - **Cash and Investments**
 - **Debt Portfolio**
- **Q3 FY24 Financial Status Update**
 - **Revenue**
 - **Operating and Capital Expenditures**
 - **Reserves**

Financial Status Update – Cash & Investments

\$340M or 53% of portfolio very liquid (<=1-year maturity)

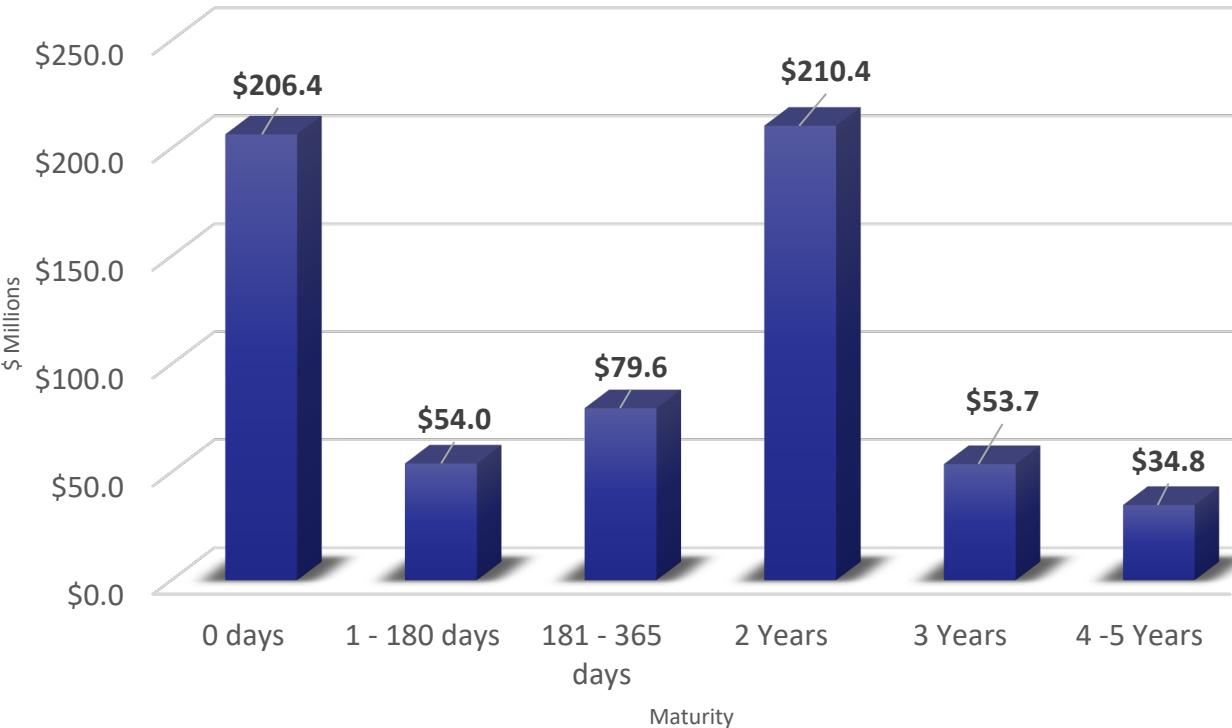
3

SCVWD Investment Portfolio Composition



SCVWD Portfolio Book Value as of March 31, 2024: \$638,870,529

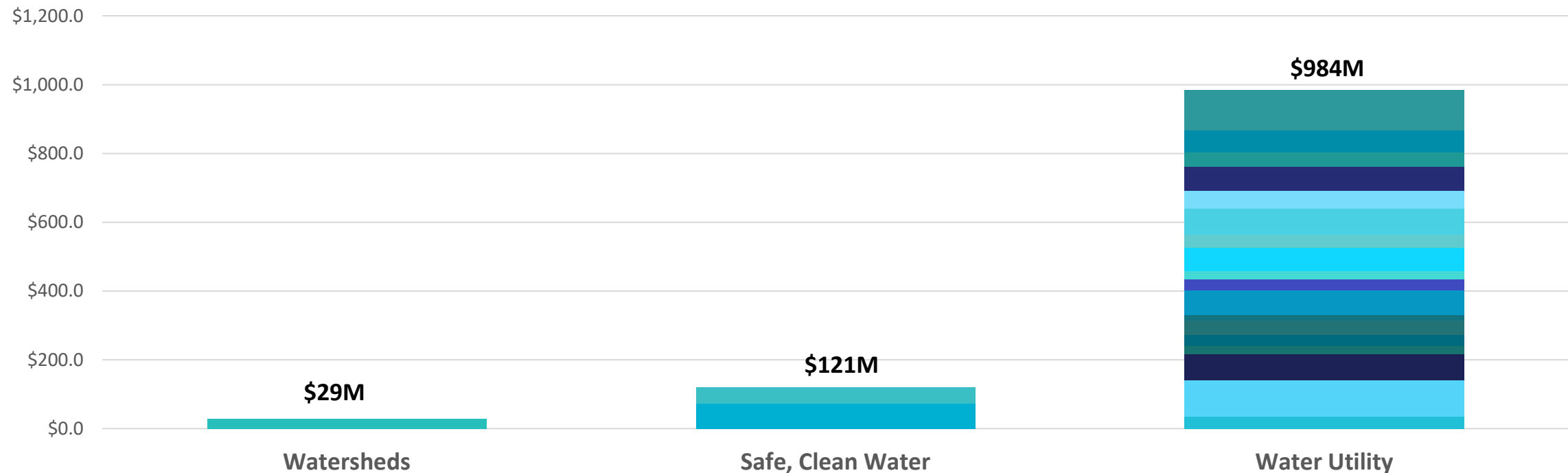
Valley Water Portfolio Aging Report
March 31, 2024
Portfolio Book Value: \$639 Million



Financial Status Update – Outstanding Debt

FY 2024 Debt Service Budget: \$92.9M
Water Utility: \$73.3M
Watersheds: \$11.6M
Safe, Clean Water: \$8M

Outstanding Debt 03/31/24: \$1,134 Million



- 2017A COPs 2022A Bonds 2022B COPs WU CP 2016A Bonds 2016B Bonds 2016C COPs
- 2016D COPs 2017A Bonds 2019A Bonds 2019B Bonds 2019C Bonds 2020A Bonds 2020B Bonds
- 2020C COPs 2020D COPs 2023A Bonds 2023B Bonds 2023C2 COPs 2023D COPs 2023C1 COPs



Financial Status Update – Debt Portfolio

Ample access to cash at low interest rates

\$320M short-term credit facilities

- \$150M Commercial Paper & \$170M Bank Line of Credit
 - US Bank Lead (\$150M), Community Bank of the Bay (\$5M), Bank of SF (\$7M), and First Foundation Bank (\$8M)
- Bank letter of credit solicitation summer 2024 to replace MUFG credit expiring in December 2024

2024 Financing Plan

- Board approved 2024 WU Financing Plan on January 23, 2024 to issue up to \$450M in refunding and new money debt
 - Board approval of Preliminary Official Statement required prior to issuance
 - Issuance date contingent on capital expenditure progress
- CWIFP Preliminary Applications for Anderson and Dam Safety Program submitted December 2023
 - USACE update in March 2024 indicated strong demand, but additional clearances needed prior to formal invitations
 - CWIFP loan requests: Anderson \$1.3B, Dam Safety \$787M

5

Q3 FY24 - Revenues

Revenues, except Capital Reimbursements, are anticipated to end the year at budgeted estimates

6

(\$ in millions)	FY24 Adj Budget	Q3 FY24 Actuals	Q3 FY24 % Rec'd	Q3 FY23 Actuals	Q3 FY23 % Rec'd*
Groundwater Production Charges	\$ 150.9	\$ 91.0	60%	\$ 75.2	62%
Treated Water Revenue	174.1	123.9	71%	105.4	75%
Surface/Recycled Water Revenue	3.6	1.4	39%	1.3	41%
1% Ad-valorem Property Tax	138.0	93.4	68%	89.0	71%
Safe Clean Water Special Parcel Tax	52.3	29.6	57%	28.3	57%
Benefit Assessment	6.9	3.9	57%	7.6	57%
State Water Project Tax	27.0	15.6	58%	16.1	60%
Capital Reimbursements	67.8	5.2	8%	23.3	63%
Interest Income & Other	13.1	29.9	228%	12.6	97%
Total Revenue	\$ 633.7	\$ 393.9	62%	\$ 358.8	68%

*Q3 FY24 % received based Q3 YTD Actuals divided by FY24 Adjusted Budget

(\$ in millions)	FY24 Adj Budget	Q3 FY24 Actuals	Q3 FY24 % Rec'd	Q3 FY23 Actuals	Q3 FY23 % Rec'd*
General Fund	11.4	\$ 8.2	72%	\$ 7.6	72%
Watershed Stream Stewardship Fund	154.1	85.3	55%	90.3	66%
Safe Clean Water Fund	77.6	35.8	46%	33.9	64%
Water Utility Enterprise Fund	383.2	259.5	68%	218.8	69%
Service Funds	0.5	1.2	240%	0.6	150%
Benefit Assessment Funds	6.9	3.9	57%	7.6	57%
Total Revenue	\$ 633.7	\$ 393.9	62%	\$ 358.8	68%

*Q3 FY24 % received based Q3 YTD Actuals divided by FY24 Adjusted Budget

Observations

- Q3 FY24 revenue was \$393.9M or 62% of FY24 Budget
- SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in fourth quarter of the fiscal year
- Groundwater production charges \$91.0M or 60% of Budget and \$15.8M higher than Q3 FY23 actuals due to higher water rates
- Treated water revenue \$123.9M or 71% of Budget and \$18.5M higher than Q3 FY23 actuals due to higher use and water rates
- Capital reimbursements of \$5.2M, which varies year-over-year depending on progress of grant-funded projects
 - NRCS reimbursement of \$22.4M has been moved to FY25
 - Reimbursement portions of Subventions and Measure AA grants, for Shoreline, received in April
- Interest Income and Other \$29.9M, or 228% of budget due to investment income on bond proceeds

Q3 FY24 - Operating and Capital Expenditures

Capital expenditures estimated to end FY below budgeted levels

7

(\$ in millions)	FY24 Adj Budget	Q3 FY24 Actuals	Q3 FY24 % Spent	Q3 FY23 Actuals	Q3 FY23 % Spent
General Fund	\$ 87.3	\$ 57.4	66%	\$ 54.5	67%
Watershed Stream Stewardship Fund	78.7	55.3	70%	49.9	66%
Safe Clean Water Fund	42.1	29.5	70%	16.2	47%
Water Utility Enterprise Fund	342.4	181.4	53%	183.9	58%
Service Funds	46.4	27.1	58%	27.1	88%
Benefit Assessment Funds	11.2	11.1	99%	10.9	98%
Total Operating Expenditures	\$ 608.1	\$ 361.8	59%	\$ 342.5	58%

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 3/31/24

(\$ in millions)	FY24 Adj Budget	Q3 FY24 Actuals	Q3 FY24 % Spent	Q3 FY23 Actuals	Q3 FY23 % Spent
General Fund	\$ 7.8	\$ 1.3	17%	\$ 1.7	24%
Watershed Stream Stewardship Fund	41.2	13.1	32%	39.5	67%
Safe Clean Water Fund	119.5	40.2	34%	37.9	51%
Water Utility Enterprise Fund	393.9	204.5	52%	185.8	50%
Service Funds	9.7	4.9	51%	3.1	35%
Total Capital Expenditures	\$ 572.1	\$ 264.0	46%	\$ 268.0	51%

Note 1: Capital Project Adjusted Budget includes Adopted Budget and prior year capital carryforward budget

Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 3/31/24

Note 3: % Spent is Q3 YTD Actuals divided by Adjusted Budget

Observations

- Q3 FY24 Operating Expenditures of \$361.8M or 59% of FY24 Adjusted Budget
- Watershed Stream Stewardship and Safe Clean Water Funds on target
- Benefit Assessment Funds expense occurred in Q3
- Service Funds, Risk Fund specifically, expenditures expected in Q4

- Q3 FY24 Capital Expenditures of \$264M or 46% of Adjusted Budget; percentage basis trending lower than last fiscal year
- General Fund lower than expected due to timing of the HQ Building and Small Caps, Facility Mgmt projects
- WSS Fund 32% spent primarily due to the timing of the Pond A4, Lower Guadalupe River Restoration and SF Bay Shoreline projects
- SCW Fund 34% spent primarily due to timing of the Sunnyvale E/W, Berryessa Creek, Llagas Creek Phase 2B, and San Francisquito projects and close of SF Bay Shoreline EIAs 1-4 project

Attachment 1

Page 7 of 9

Reserve Balances

- Based on anticipated pushout of capital reimbursements and debt financing for the SCW fund, from FY24 to FY25, Projected Year-end reserve balances expected to be lower than FY24 Adopted Budget

(\$ in millions)	FY24 Adopted Budget	FY24 Projected Year-end	FY24 Projected vs Adopted
Restricted Reserves			
Safe Clean Water Fund	\$ 185.8	\$ 97.3	\$ (88.5)
Water Utility Enterprise Fund	28.4	31.1	2.7
Restricted Reserves Subtotal	214.2	128.4	(85.8)
Committed Reserves			
General Fund	12.0	15.8	3.8
Watershed & Stream Stewardship Fund	159.9	140.2	(19.7)
Water Utility Enterprise Fund	67.2	73.4	6.2
Service Funds	20.7	24.3	3.6
Committed Reserves Subtotal	259.8	253.7	(6.1)
Total Reserves	\$ 474.0	\$ 382.1	\$ (91.9)

Q3 FY24 Financial Update Summary

9

- Performance of revenues expected to meet budget except for capital reimbursements (timing issue)
- Operating expenditures estimated to end FY within budgeted levels
- Q3 YTD capital expenditures trending lower than expected
- In August, Staff will bring to the Board recommended central budget adjustments to ensure that funding is carried over from the current fiscal year to the next in order to complete critical operating projects

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 24-0417

Agenda Date: 5/15/2024

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive and Discuss Joint Power Authority (JPA) Audit Report for the Santa Clara Valley Habitat Conservation Program.

RECOMMENDATION:

Receive and discuss JPA audit report for the Santa Clara Valley Habitat Conservation Program.

SUMMARY:

At its regular March 20, 2024, meeting, the Board Audit Committee (BAC) reviewed the information noted below regarding JPAs for which Valley Water is a member, including the associated level of Valley Water investment in each:

1. Delta Conveyance Design and Construction JPA;
 - a. Valley Water portion of capital investment estimated at \$627M plus \$2.5M per year in operations and maintenance costs (both figures in 2023 \$'s)
2. Delta Conveyance Finance Authority;
 - a. Provides financing for Delta Conveyance Design and Construction JPA
3. Los Vaqueros Reservoir JPA:
 - a. Valley Water portion of capital investment estimated at \$202M plus \$3.2M per year in operations and maintenance costs (both figures in 2023 \$'s)
4. Pajaro River Watershed Flood Prevention Authority;
 - a. Valley Water pays a \$10K annual membership fee
5. San Francisquito Creek JPA;
 - a. Valley Water portion of capital investment estimated at \$80M per FY 2024 -28 Board adopted CIP plus \$250K per year operations and maintenance cost beginning in FY 2027
6. Santa Clara Valley HCP JPA;
 - a. Valley Water pays land cover impact fees to the JPA averaging \$700K per year since 2013. The fees are essentially regulatory permit fees, which provide budget for conservation actions (eg, land acquisition, habitat restoration) as well as general

administration of the JPA. Fees in FY 2025 are anticipated to be above average due to the Anderson Dam Seismic Retrofit Project.

7. San Luis & Delta Mendota Water Authority Board;
 - a. Valley Water pays \$3M to \$4M per year in operations and maintenance fees and membership dues to SLDMWA for imported water, and another \$1M to \$2M per year for water transfers. The B.F. Sisk Dam Raise participation would be facilitated by SLDMWA.

The committee then requested to review the Fiscal Year 2023 financial audits of each of the seven JPAs as per its authority under Article IX of the BAC Charter.

At the April 12, 2024, BAC meeting two (2) JPA financial audit reports were provided:

- FY 2023 Delta Conveyance Design and Construction Authority
- FY 2023 Delta Conveyance Finance Authority

As of the writing of this memo, one (1) additional JPA financial audit report became available regarding the Santa Clara Valley Habitat Conservation Program JPA and is provided as Attachment 1.

Staff will continue to monitor the other JPAs for their respective audit reports and will provide them at future BAC meetings as they become available.

The purpose of this item is to review and discuss the attached JPA financial audit report.

BAC Charter Background regarding JPA Audits

A summary of the JPA audit review activities authorized under Article IX of the charter is provided below:

- Through its review of JPA audits, the Committee may evaluate:
 - Whether the JPAs are complying with applicable legal requirements;
 - The financial condition of the JPAs;
 - Whether the JPAs are complying with the terms of their respective JPA Agreements;
 - Whether Valley Water's interests are being met;
 - Whether there are any trends of concern in the activities of the JPA;
 - Whether there are any recommended areas for future audits for the JPA; and
 - Any specific questions of Valley Water's Board.
- The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.
- In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
- The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.

The Committee's authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water's formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

Review of JPA audits is not subject to environmental justice analysis.

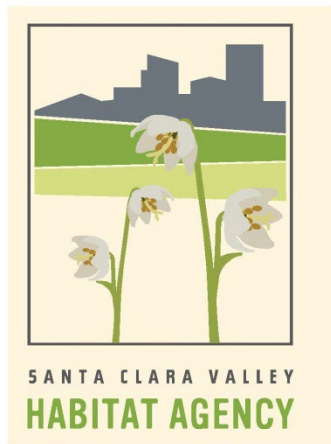
ATTACHMENTS:

Attachment 1: Santa Clara Valley Habitat Conservation Program, FY23

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK



TO: Public Advisory Committee

FROM: Julia Jakubek, Finance Director

SUBJECT: Receive Fiscal Year 22-23 Audit Report

RECOMMENDED ACTION: Receive the Santa Clara Valley Habitat Agency Audit Report and Audit Report presentation for the fiscal year ended June 30, 2023.

BACKGROUND: The Habitat Agency commenced the audit of financial statements of the government activities and major funds in September of 2023. We retained the certified public accountant Maze & Associates, and assisted and facilitated them, led by David Alvey, CPA, during fieldwork and finalization of the financial statements. Maze & Associates published the findings on October 25, 2023. We will be presenting highlights of the financial statements and audit today. Significant audit findings were as follows:

- The auditors proposed no audit adjustments and issued an unmodified opinion.
- The auditors encountered no significant difficulties in dealing with the Habitat Agency during the audit and found no allegations of fraud, no unusual transactions, and no abuse or wasteful spending.
- The auditors found no material misstatements and no material weaknesses in internal control.
- There were no disagreements between Maze & Associates and the Habitat Agency during the audit.
- Maze & Associates did not audit the Habitat Agency's required supplementary information (RSI) and did not express an opinion or provide any assurance on the RSI.
- All accounting estimates were reasonable and the financial statement disclosures were deemed to be neutral, consistent, and clear.

FISCAL IMPACT: The fee paid to Maze & Associates for the Audit Report – Year Ended June 30, 2023, was \$19,500.00.

ATTACHMENTS:

Attachment A - Santa Clara Valley Habitat Agency Financial Statements and Memorandum on Internal Control – Year Ended June 30, 2023

Attachment B – Financial Report Presentation

ATTACHMENT A

**SANTA CLARA VALLEY HABITAT AGENCY FINANCIAL STATEMENTS AND
MEMORANDUM ON INTERNAL CONTROL – YEAR ENDED JUNE 30, 2023**

**SANTA CLARA VALLEY
HABITAT AGENCY**

FINANCIAL STATEMENTS

June 30, 2023



SANTA CLARA VALLEY HABITAT AGENCY
Table of Contents
For the Fiscal Year Ended June 30, 2023

Independent Auditor’s Report..... 1

Management’s Discussion & Analysis 5

Basic Financial Statements:

Statement of net position..... 14

Statement of activities 15

Governmental funds balance sheet 16

Reconciliation of the governmental funds balance sheet to the statement of net position..... 17

Governmental funds revenues, expenditures, and changes in fund balances..... 18

Reconciliation of the statement of revenues, expenditures, and changes
in governmental fund balances to the statement of activities..... 19

Notes to financial statements 21

Required Supplementary Information:

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
General Fund..... 32

Note to required supplementary information 33

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
 Santa Clara Valley Habitat Agency
 Morgan Hill, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Santa Clara Valley Habitat Agency (Agency), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Agency as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Pleasant Hill, California
October 25, 2023

This Page Left Intentionally Blank

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

This section of Santa Clara Valley Habitat Agency (the "Agency") annual financial report presents a discussion and analysis of the Agency's financial performance for the year ended June 30, 2023. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

On June 30, 2023, the Agency's net position increased from \$54,006,577 in 2022 to \$63,786,836.

Changes to net position resulted from the changes in the following items shown in the statement of activities.

- Program revenue, grants and contributions totaled \$15,240,112; while operating expenses totaled \$6,332,765.
- General revenues were \$872,912 which includes total investment earnings of \$771,471 comprised of \$392,368 interest income and \$379,103 unrealized gains on investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the Agency's activities and comprise the Statement of Net Position and the Statement of Activities. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner like a private-sector business.

The *statement of net position* provides information about the financial position of the Agency as a whole, including all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position and reported on the full accrual basis, like that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Agency's programs. The statement of activities explains in detail the change in net position for the year.

All the Agency's activities are grouped into governmental activities. These services are supported by the Agency's general revenues and by specific program revenues such as developer fees.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objects. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Agency are classified as governmental funds.

Governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, i.e., the Agency's basic services are reported in the governmental fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The government fund financial statements provide detailed information about each of the Agency's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedule presents the detail of these non-major funds. Major funds present the major activities of the Agency for the year and may change from year to year because of changes in the pattern of the Agency's activities.

For the fiscal year ended June 30, 2023, the Agency's major funds are as follows:

Governmental funds:

- General Fund
- Permanent Fund

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information is presented concerning the Agency's budgetary comparison schedules on general fund, special revenue fund and endowment permanent fund. The Agency adopts an annual appropriated budget for each major fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$63,786,836 at the close of the fiscal year.

	Net Position		
	Governmental Activities		
	2023	2022	Increase (Decrease)
Assets :			
Current assets	\$ 21,746,475	\$ 20,950,840	\$ 795,635
Capital assets, net	43,569,060	33,772,554	9,796,506
Total assets	65,315,535	54,723,394	10,592,141
Liabilities :			
Current liabilities	1,366,718	571,580	795,138
Noncurrent liabilities	161,981	145,237	16,744
Total liabilities	1,528,699	716,817	811,882
Net Position :			
Net investment in capital assets	43,569,060	33,772,554	9,796,506
Restricted	6,228,077	5,005,519	1,222,558
Unrestricted	13,989,699	15,228,504	(1,238,805)
Total net position	\$ 63,786,836	\$ 54,006,577	\$ 9,780,259

This schedule is prepared from the Agency's Statement of net position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Current assets increased from \$20,950,840 to \$21,746,475. Capital assets increased from \$33,772,554 to \$43,569,060. Current liabilities increased from \$571,580 to \$1,366,718. Noncurrent liabilities increased from \$145,237 to \$161,981. Net position on June 30, 2023, increased to \$63,786,836 from \$54,006,577 in 2022. The increase is due mainly to an increase in capital assets of \$9,796,506. The Agency was able to acquire significant capital assets in fiscal year 2023 due to increased revenues across the board, including Habitat Plan fee revenue, grants and contributions, and investment and other revenue.

SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

Analysis of Changes in Net Position

In fiscal year 2023, total program revenues increased by \$11,833,442 and interest and other revenue increased by \$1,143,007. Net position increased by \$9,780,259.

<u>Change in Net Position</u>			
	<u>Governmental Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Revenues			
Program revenues :			
Charges for services	\$ 5,576,422	\$ 2,401,669	\$ 3,174,753
Grants and contributions	9,663,690	1,005,001	8,658,689
Total program revenue	15,240,112	3,406,670	11,833,442
General revenues :			
Interest and other revenue	872,912	(270,095)	1,143,007
Total revenues	\$ 16,113,024	\$ 3,136,575	12,976,449
Operating expenses	6,332,765	3,754,850	2,577,915
Change in net position	9,780,259	(618,275)	10,398,534
Net position, beginning of year	54,006,577	54,624,852	(618,275)
Net position, ending	\$ 63,786,836	\$ 54,006,577	\$ 9,780,259

Charges for services increased from \$2,401,669 to \$5,576,422. Grants and contributions increased from \$1,005,001 to \$9,663,690. General revenues increased from (\$270,095) to \$872,912. In fiscal year 2022, there was an unrealized loss on investment which caused a negative balance in general revenues; this was not repeated in the current year. Total expenses increased from \$3,754,850 to \$6,332,765.

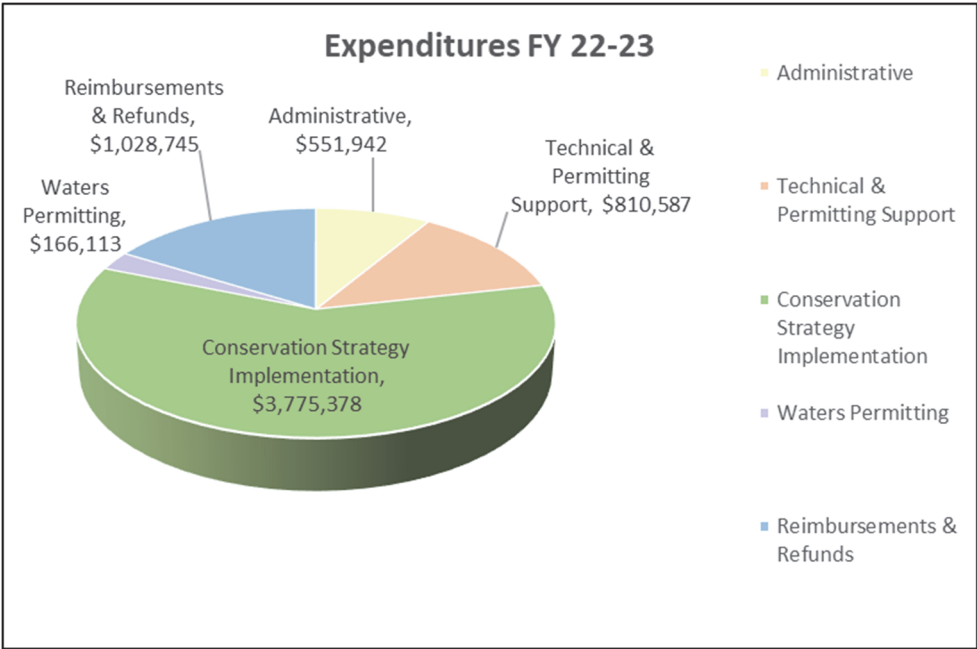
In fiscal year 2023, total program revenues increased by \$11,833,442. Habitat Plan fee revenue increased and grant revenue was received to fund land acquisitions and operating expenses.

	<u>Operating Expenses</u>		
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Administrative	\$ 551,942	\$ 461,471	\$ 90,471
Technical & Permitting Support	810,587	467,970	342,617
Conservation Strategy Implementation	3,775,378	2,600,119	1,175,259
Waters Permitting	166,113	135,783	30,330
Reimbursements & Refunds	1,028,745	89,507	939,238
Total	\$ 6,332,765	\$ 3,754,850	\$ 2,577,915

SANTA CLARA VALLEY HABITAT AGENCY
Management’s Discussion and Analysis
Year Ended June 30, 2023

Administrative expenses increased due mainly to an increase in personnel costs including hiring of a Senior Land Management & Monitoring Specialist as well as a part-time Finance Manager, both of which were deemed necessary to support the Agency’s growing operations. Technical and Permitting Support increased as Habitat Plan Amendment obligations focused on analysis and preparation of all draft documents. Field project implementation activities increased in the current year due mainly to increases in research monitoring and adaptive management, land management activities, and wetland restoration and creation. Waters permitting saw an uptick in activity due to the Agency integrating the Clean Water Act permits with the Habitat Plan permit. Reimbursements and refunds increased mainly due to one large refund issued in fiscal year 2023. This refund was issued to a co-permittee for previously contributed services fees that were instead converted to land-in-lieu of cash services fees. The refund was issued in the current fiscal year and the land-in-lieu was contributed in July 2023 and will be recorded as revenue in FY 23-24.

The following is a graphic illustration of operating expenses for the year ended June 30, 2023:



SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

Capital Assets

As of June 30, 2023, the Agency owned the following capital assets:

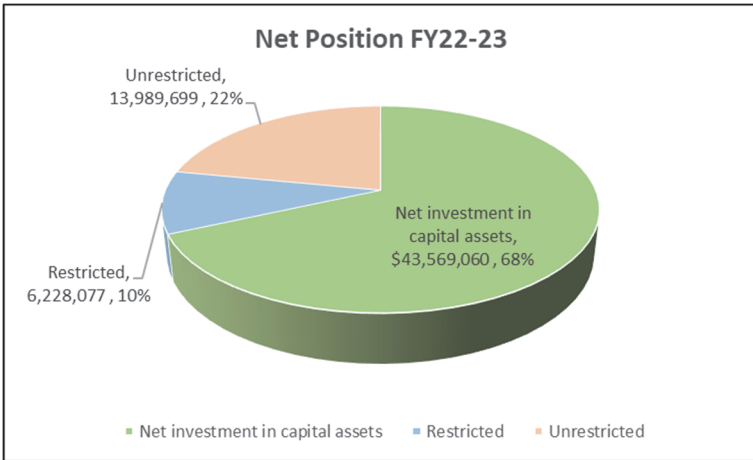
	Capital Assets		
	2023	2022	Increase (Decrease)
Land	\$ 42,887,569	\$ 33,107,508	\$ 9,780,061
Building & Improvements	684,063	644,710	39,353
Vehicle	61,208	61,208	-
Accumulated Depreciation	(63,780)	(40,872)	(22,908)
Total	<u>\$ 43,569,060</u>	<u>\$ 33,772,554</u>	<u>\$ 9,796,506</u>

Net Position

The change in net position of \$9,780,259 is primarily due to net investment in capital assets. There was also an increase in restricted accounts with a similar decrease in unrestricted accounts due mainly to contributions to the Endowment as mandated by the Habitat Plan.

	Analysis of Net Position		
	2023	2022	Increase (Decrease)
<u>Net Position</u>			
Net investment in capital assets	\$ 43,569,060	\$ 33,772,554	\$ 9,796,506
Restricted	6,228,077	5,005,519	1,222,558
Unrestricted	13,989,699	15,228,504	(1,238,805)
Total	<u>\$ 63,786,836</u>	<u>\$ 54,006,577</u>	<u>\$ 9,780,259</u>

The following is a graphic illustration of net position as of June 30, 2023:



SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

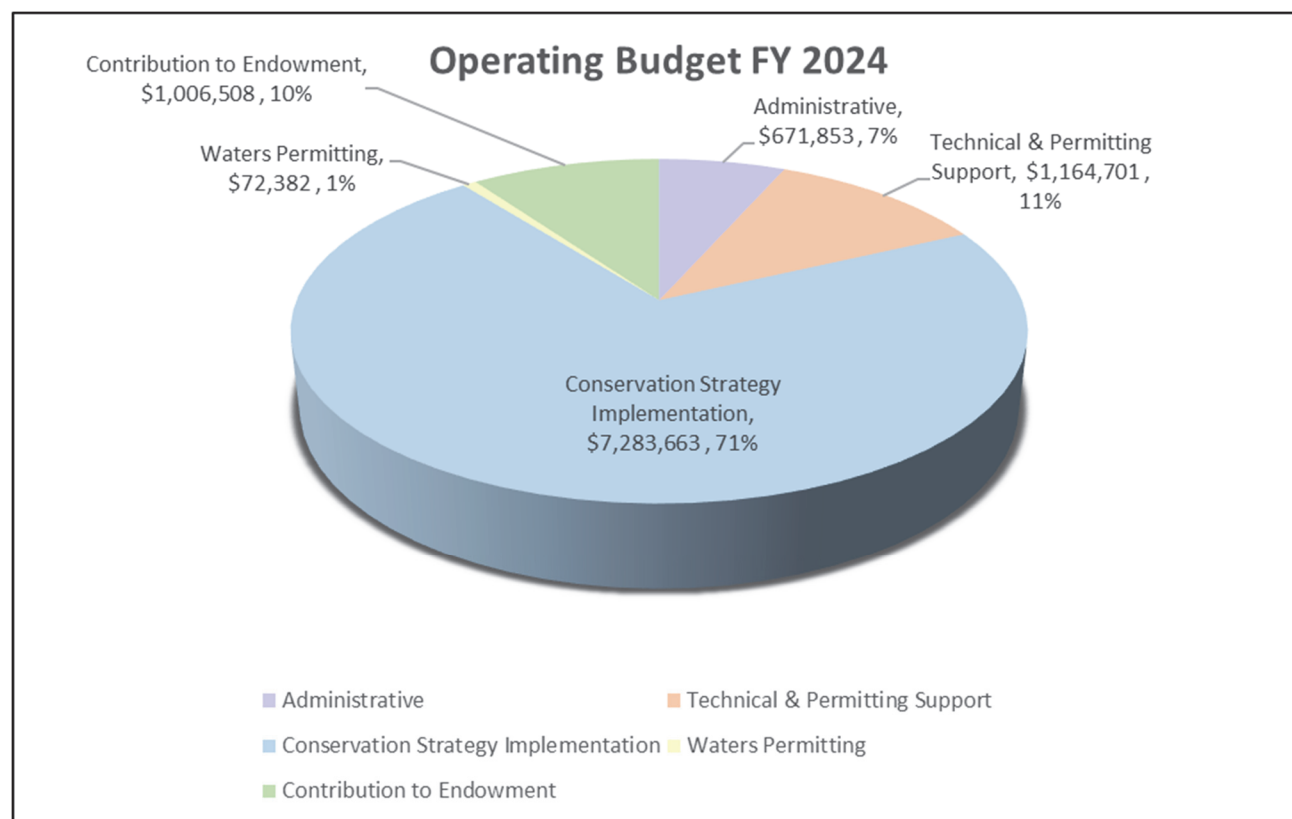
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

As the Agency continues to develop programs to implement the Habitat Plan and obtains grant funding, the ongoing creation of monitoring programs to control costs is critical as is the monitoring of the impact of land acquisitions on cash flow requirements. The Agency's endowment and program maintenance are currently being implemented through strategic agreements which contribute to fulfillment of the Habitat Plan.

In considering the Agency's Budget for fiscal year 2023-2024, the Governing Board and management used the following criteria. The key assumptions in our revenue forecast were:

- Operating revenue was carefully considered to be at least as much as / no less than prior year actuals.
- Other revenue has fluctuated in recent years as grants are awarded for research and land acquisition opportunities as needed. Ongoing budgetary issues are carefully considered as federal, state, and local agencies revise their outgoing awards.

Operating expenses for Fiscal Year 2023-24 are anticipated to be approximately \$10,199,107. Below is a graphic illustration of appropriations proposed for fiscal year 2023-2024:



SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2023

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Santa Clara Valley Habitat Agency – 535 Alkire Avenue, Suite 100, Morgan Hill, CA 95037.

FINANCIAL STATEMENTS

Santa Clara Valley Habitat Agency
Statement of Net Position
June 30, 2023

	Governmental Activities	Component Unit Friends of the SCVHA
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,947,883	\$ 35,902
Investments (Note 2)	17,924,520	
Accounts receivable	1,763,269	-
Interest receivable	93,954	-
Prepaid items	16,849	-
Non-current assets:		
Capital assets (Note 3):		
Non-depreciable	42,887,569	-
Depreciable, net	681,491	-
Total assets	65,315,535	35,902
Liabilities		
Accounts payable and other current liabilities	1,354,538	-
Unearned Revenue	12,180	-
Long-term liabilities:		
Compensated absences:		
Due in one year	16,198	-
Due in more than one year	145,783	-
Total liabilities	1,528,699	-
Net Position		
Net investment in capital assets	43,569,060	-
Endowment	6,228,077	35,902
Unrestricted	13,989,699	-
Total net position	\$ 63,786,836	\$ 35,902

The accompanying notes are an integral part of these financial statements.

SANTA CLARA VALLEY HABITAT AGENCY
Statement of Activities
For the fiscal year ended June 30, 2023

	<u>Expense</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
Governmental activities						
Natural environment	\$ 6,332,765	\$ 5,576,422	\$ 3,198,685	\$ 6,465,005	\$ 8,907,347	\$ -
Total program expenses	6,332,765	5,576,422	3,198,685	6,465,005	8,907,347	-
 Component Unit:						
Friends of the SCVHA	29,901	-	-	-	-	(29,901)
Total program revenues	29,901	-	-	-	-	(29,901)
 General Revenues						
General Revenues:						
Investment Earning					771,471	-
Other revenue					101,441	-
Total general revenues					872,912	-
Change in net position					9,780,259	(29,901)
Net position, beginning of year					54,006,577	65,803
Net position - end of year					\$ 63,786,836	\$ 35,902

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Balance Sheet
Governmental Fund
June 30, 2023

	General Fund	Mitigation Fee Permanent Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 1,068,630	\$ 879,253	\$ 1,947,883
Investments	13,057,436	4,867,084	17,924,520
Accounts receivable	1,281,529	481,740	1,763,269
Interest receivable	93,954	-	93,954
Prepaid expenditures	16,849	-	16,849
Total assets	<u>\$ 15,518,398</u>	<u>\$ 6,228,077</u>	<u>\$ 21,746,475</u>
Liabilities			
Accounts payable and other current liabilities	\$ 1,354,538	\$ -	\$ 1,354,538
Unearned revenue	12,180	-	12,180
Total liabilities	<u>1,366,718</u>	<u>-</u>	<u>1,366,718</u>
Fund Balances			
Nonspendable:			
Prepaid expenditures	16,849	-	16,849
Endowment	-	6,228,077	6,228,077
Unassigned	14,134,831	-	14,134,831
Total fund balance	<u>14,151,680</u>	<u>6,228,077</u>	<u>20,379,757</u>
Total liabilities and fund balance	<u>\$ 15,518,398</u>	<u>\$ 6,228,077</u>	<u>\$ 21,746,475</u>

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Reconciliation of Balance Sheet to the Statement of Net Position
June 30, 2023

Fund balances - total governmental funds	\$ 20,379,757
Amounts reported for governmental activities in the statement of net position are different because:	
Capital Assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	43,569,060
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	<u>(161,981)</u>
Net position of governmental activities	<u><u>\$ 63,786,836</u></u>

The accompanying notes are an integral part of these financial statements.

**Santa Clara Valley Habitat Agency
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2023**

	General Fund	Mitigation Fee Permanent Fund	Total Governmental Funds
Revenues			
Charges for service	\$ 4,762,303	\$ 814,119	\$ 5,576,422
Intergovernmental grants	3,198,685	-	3,198,685
Investment earnings	340,322	431,149	771,471
Miscellaneous	101,441	-	101,441
Total revenues	<u>8,402,751</u>	<u>1,245,268</u>	<u>9,648,019</u>
Expenditures			
Current:			
Natural government	6,270,403	22,710	6,293,113
Capital outlay	3,354,409	-	3,354,409
Total expenditures	<u>9,624,812</u>	<u>22,710</u>	<u>9,647,522</u>
Excess of expenditures over revenue	<u>(1,222,061)</u>	<u>1,222,558</u>	<u>497</u>
Net change in fund balance	(1,222,061)	1,222,558	497
Fund balance - beginning of year	<u>15,373,741</u>	<u>5,005,519</u>	<u>20,379,260</u>
Fund balance - end of year	<u><u>\$ 14,151,680</u></u>	<u><u>\$ 6,228,077</u></u>	<u><u>\$ 20,379,757</u></u>

The accompanying notes are an integral part of these financial statements.

**Santa Clara Valley Habitat Agency
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the fiscal year ended June 30, 2023**

Net change in fund balances - total governmental funds	\$	497
--	----	-----

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However in the
statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Current year capital outlays		3,354,409
Depreciation		(22,908)

Donations of capital assets increase net position in the Statement of Activities
but does not appear in the governmental funds because they are not
financial resources.

		6,465,005
--	--	-----------

Some expenses reported in the statement of activities do not require the use
of current resources and therefore are not reported as expenditures in
governmental funds:

Change in compensated absences		(16,744)
--------------------------------	--	----------

Change in net position of governmental activities	\$	9,780,259
---	----	-----------

The accompanying notes are an integral part of these financial statements.

This Page Left Intentionally Blank

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

Organization. The Santa Clara Valley Habitat Agency (Agency) was formed in April 2013, and is responsible for implementing the Habitat Plan, which was developed by the Santa Clara Valley Transportation Agency, Santa Clara Valley Water District, County of Santa Clara, and the Cities of Gilroy, Morgan Hill, and San Jose (the Permittees). The Habitat Plan covers about two-thirds of the area of Santa Clara County. The Habitat Plan provides streamlined state and federal permitting for public and private projects, while offering a comprehensive and effective way to address impacts of those projects on endangered and threatened species and their habitats. The most significant role of the Agency is to acquire and manage a Reserve System of properties which will serve as mitigation for project impacts and contribute to the recovery of the species covered by the Habitat Plan.

The Agency coordinates with science advisors, outside consultants, and other land management agencies to ensure adequate and coordinated Habitat Plan implementation. The Agency includes, as part of staff or contract resources, a network of scientists, administrators, and other specialists that oversee and carry out planning and design, habitat restoration, monitoring, and adaptive management programs. The Agency is a Joint Powers Authority (JPA) composed of the Cities of Gilroy, Morgan Hill, and San Jose, and Santa Clara County. The JPA is limited to the four participating jurisdictions because the Joint Exercise of Powers Act requires that a JPA can only exercise powers held by all the participating agencies. Of the agencies participating in Plan formation, only four jurisdictions had the authority to adopt the Habitat Plan, all the Permittees have a role in the Agency. The Agency has two decision-making bodies, a Governing Board composed of JPA members and an Implementation Board composed of all Permittees. The Permittees include the Cities of Gilroy, Morgan Hill, and San Jose, County of Santa Clara, Valley Water, and Santa Clara Valley Transportation Authority.

Financial Reporting Entity. The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the Agency's (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the Agency, and each represents a functionally independent operation. The Agency's component unit is fiscally dependent on the Agency and provides services primarily to the Agency.

Discretely Presented Component Unit. The financial reporting entity consists of the primary government, Santa Clara Valley Habitat Agency (the "Agency"), organizations for which the primary government is financially accountable, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Agency as the governing body and can impose its will on the following organization, establishing financial accountability:

- Friends of the Santa Clara Valley Habitat Agency, a California Nonprofit Public Benefit Corporation

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the Agency overall. Eliminations have been made to minimize double counting of internal activities. These statements display the governmental activities of the Agency. Governmental activities generally are financed through revenues from nonexchange transactions including Co-Permittee covered project mitigation fees and grants.

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from mitigation fees, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency’s governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements. The fund financial statements provide information about the Agency’s funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Agency reports two funds – the General Fund and mitigation fee permanent fund.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements. The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements. Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Nonexchange transactions, in which the Agency receives value without directly giving equal value in return, include revenues from mitigation fees and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned revenue. Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Expenses/expenditures. On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

Fund Accounting. The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into two major funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

The Mitigation Fee Permanent Fund is used to report resources that are legally restricted. Interest earnings are added to the principal and cannot be spent until permit fees are no longer charged. On July 31, 2013, the California Department of Fish and Wildlife signed a permit to allow the Agency to be responsible for the management, enhancement, or restoration of grassland, including serpentine grassland, chaparral and northern coastal scrub, oak and conifer woodland, riverine and riparian forest, and wetlands and ponds within the land boundaries of the Agency. The permit is subject to suspension, revocation, or termination by action of the Director of CDFW in accordance with the terms of the permit. It is unknown whether the permit will expire or be reissued. Furthermore, to plan for the suspension, revocation, or termination of the permit, the implementation plan of the Santa Clara Valley Habitat Agency included a provision for the establishment of an endowment. If or when the Agency no longer charges permit fees, it is anticipated that the endowment principal will be fully funded by the interest on the endowment created by the endowment fee, a component of the current permit fees.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Below shows the endowment fee for each type of permit:

	Total Mitigation Fees Permanent Fund
Charges for Service:	
Land cover fees	\$ 321,835
Serpentine fees	10,544
Burrowing Owl fees	481,740
Total contributions to permanent funds	<u>\$ 814,119</u>

C. Budget and Budgetary Accounting

The Agency adopts an annual budget on or before September 30 of each fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Governing Board may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the Agency are subject to annual review by the Governing Board; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

D. Prepaid Expenditures

The Agency has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The Agency has chosen to report the expenditure during the period benefited.

E. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	5 to 15 Years
Structure	15 to 50 Years

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

H. Compensated Absences

The Agency's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

I. Net Position

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, capital asset related debt net of unspent bond proceeds, deferred charges, and retention payable.

Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's practice is to apply the restricted component of the net position first, then use the unrestricted component of net position as needed.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Agency's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

On June 30, 2023, the Agency reported the following cash and investments:

	General Fund	Endowment Permanent Fund	Total	Friends Component Unit
Cash in banks and on hand	\$ 1,068,630	\$ 879,253	\$ 1,947,883	\$ 35,902
Sand Hill Investment	2,057,609	4,867,084	6,924,693	-
Local Agency Investment Fund	10,999,827	-	10,999,827	-
Total cash and investments	<u>\$14,126,066</u>	<u>\$ 5,746,337</u>	<u>\$19,872,403</u>	<u>\$ 35,902</u>

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy limits the amount invested in a single equity to no more than 10% of the total cost of the direct account portfolio and specific sectors or industries will not represent any more than 25% of the direct portfolio market value. With the exception of U.S. Government securities and Federal Government Agency securities, no more than 5% of the portfolio may be invested in a single issuer.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 - 24 Months	25 - 60 Months
US Treasury Bonds	\$ 2,057,609	\$ 2,057,609	-	\$ -
Mutual Funds	2,118,114	2,118,114	-	-
ETP's	2,694,818	2,694,818	-	-
Local Agency Investment Fund	10,999,827	10,999,827	-	-
Money Market Funds	54,152	54,152	-	-
Total	<u>\$ 17,924,520</u>	<u>\$ 17,924,520</u>	<u>\$ -</u>	<u>\$ -</u>

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Carrying Amount	Minimum Legal Rating	AAA	Aaa	Not Rated
US Treasury Bonds	\$ 2,057,609	N/A	\$ 273,641	\$ 1,779,244	\$ 4,724
Mutual Funds	2,118,114	N/A	-	-	2,118,114
ETP's	2,694,818	N/A	-	-	2,694,818
Local Agency Investment Fund	10,999,827	N/A	-	-	10,999,827
Money Market Funds	54,152	N/A	-	-	54,152
Total	<u>\$ 17,924,520</u>	<u>N/A</u>	<u>\$ 273,641</u>	<u>\$ 1,779,244</u>	<u>\$ 15,871,635</u>

Concentration of Credit Risk. The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund).

The Agency's deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investment that were subject to custodial credit risk. The amount of funds in excess of the Federal Deposit Insurance Corporation coverage was \$1,698,683.

Investment in State Investment Pool (LAIF). The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair market value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the account records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value of Investments. The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and it is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the LAIF are made in the basis of \$1 and not fair value.

Investment Type	Fair Market Value Measurement
Sand Hill Investment	Level 1
Local Agency Investment Fund	Amortized Cost

SANTA CLARA VALLEY HABITAT AGENCY
Notes to Financial Statements
June 30, 2023

NOTE 3 – CAPITAL ASSETS

The Agency capital asset activity for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Balance June 30, 2023
Capital assets not being depreciated:			
Land	\$ 33,107,508	\$ 9,780,061	\$ 42,887,569
Total capital assets not being depreciated	33,107,508	9,780,061	42,887,569
Capital assets being depreciated:			
Building and improvements	644,710	39,353	684,063
Machinery, equipment and vehicles	61,208	-	61,208
Total capital assets being depreciated:	705,918	39,353	745,271
Less accumulated depreciation for:			
Building and improvements	(17,623)	(16,788)	(34,411)
Machinery, equipment and vehicles	(23,249)	(6,120)	(29,369)
Total accumulated depreciation	(40,872)	(22,908)	(63,780)
Total capital assets being depreciated, net	665,046	16,445	681,491
Total capital assets	\$ 33,772,554	\$ 9,796,506	\$ 43,569,060

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amount due Within one Year
Governmental activities					
Compensated Absences	\$ 145,237	\$ 125,631	\$ 108,887	\$ 161,981	\$ 16,198
Total Long-Term Liabilities	\$ 145,237	\$ 125,631	\$ 108,887	\$ 161,981	\$ 16,198

NOTE 5 – LITIGATION

At June 30, 2023, there were no matters of litigation involving the Agency or which would materially affect the Agency's financial position should any court decisions on pending matters not be favorable to such entities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SANTA CLARA VALLEY HABITAT AGENCY
General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the Year Ended June 30, 2023

	Budget Amounts (unaudited)		Actual	Variance with
	Original	Final	Results	Final Budget
				Positive
				(Negative)
Revenue				
Charges for services	\$ 3,500,000	\$ 3,500,000	\$ 4,762,303	\$ 1,262,303
Intergovernmental grants	5,000,000	5,000,000	3,198,685	(1,801,315)
Investment earnings	-	-	340,322	340,322
Miscellaneous	-	-	101,441	101,441
Total Revenue	<u>8,500,000</u>	<u>8,500,000</u>	<u>8,402,751</u>	<u>(97,249)</u>
Expenditures				
Current:				
Natural environment	3,799,852	5,178,477	6,270,403	(1,091,926)
Capital outlay	-	-	3,354,409	(3,354,409)
Total Expenditures	<u>3,799,852</u>	<u>5,178,477</u>	<u>9,624,812</u>	<u>(4,446,335)</u>
Excess of Revenue				
Over (Under) Expenditures	<u>4,700,148</u>	<u>3,321,523</u>	<u>(1,222,061)</u>	<u>(4,543,584)</u>
CHANGE IN FUND BALANCES	<u>\$ 4,700,148</u>	<u>\$ 3,321,523</u>	<u>(1,222,061)</u>	<u>\$ (4,543,584)</u>
Fund balances - beginning			15,373,741	
Fund balances - end of year			<u>\$ 14,151,680</u>	

See Notes to Required Supplementary Information

SANTA CLARA VALLEY HABITAT AGENCY
Note to Required Supplementary Information (Unaudited)
June 30, 2023

Note 1 – Budgetary Basis of Accounting

Budgets for the general fund and special revenue grant fund are prepared on the generally accepted accounting principles basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with material differences between them.

Annual budget requests are submitted by the Agency's staff to the Agency Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the Agency Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

Excess of expenditures over budget due mainly to the acquisition of a property that was incremental to the final approved budget. This acquisition was approved by the Executive Officer and was within his authorization threshold previously approved by the Governing Board.

This Page Left Intentionally Blank

SANTA CLARA VALLEY HABITAT AGENCY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2023

This Page Left Intentionally Blank

SANTA CLARA VALLEY HABITAT AGENCY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Other Matters	3
<i>Required Communications</i>	7
Significant Audit Matters.....	7
Qualitative Aspects of Accounting Practices	7
Difficulties Encountered in Performing the Audit.....	8
Corrected and Uncorrected Misstatements.....	8
Disagreements with Management.....	8
Management Representations	8
Management Consultations with Other Independent Accountants	8
Other Audit Findings or Issues	8
Other Matters.....	9

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

Governing Board
 Santa Clara Valley Habitat Agency
 Morgan Hill, California

In planning and performing our audit of the basic financial statements of Santa Clara Valley Habitat Agency, as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Santa Clara Habitat Agency internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Clara Habitat Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Clara Habitat Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the Agency.

This communication is intended solely for the information and use of management, Governing Board, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
 October 25, 2023

This Page Left Intentionally Blank

**SANTA CLARA VALLEY HABITAT AGENCY
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2023**

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2023/24:

GASB 100 – *Accounting for Changes and Error Corrections*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

**SANTA CLARA VALLEY HABITAT AGENCY
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2023**

EFFECTIVE FISCAL YEAR 2024/25:

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

**SANTA CLARA VALLEY HABITAT AGENCY
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2023**

GASB 101 – Compensated Absences (Continued)

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

This Page Left Intentionally Blank

REQUIRED COMMUNICATIONS

Governing Board
Santa Clara Valley Habitat Agency
Morgan Hill, California

We have audited the basic financial statements of the Santa Clara Valley Habitat Agency (Agency), California, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are included in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates – Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency’s financial statements were:

Estimate of Depreciation: Management’s estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1E to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures – The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Agency's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Governing Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated October 25, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

This information is intended solely for the use of the Governing Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

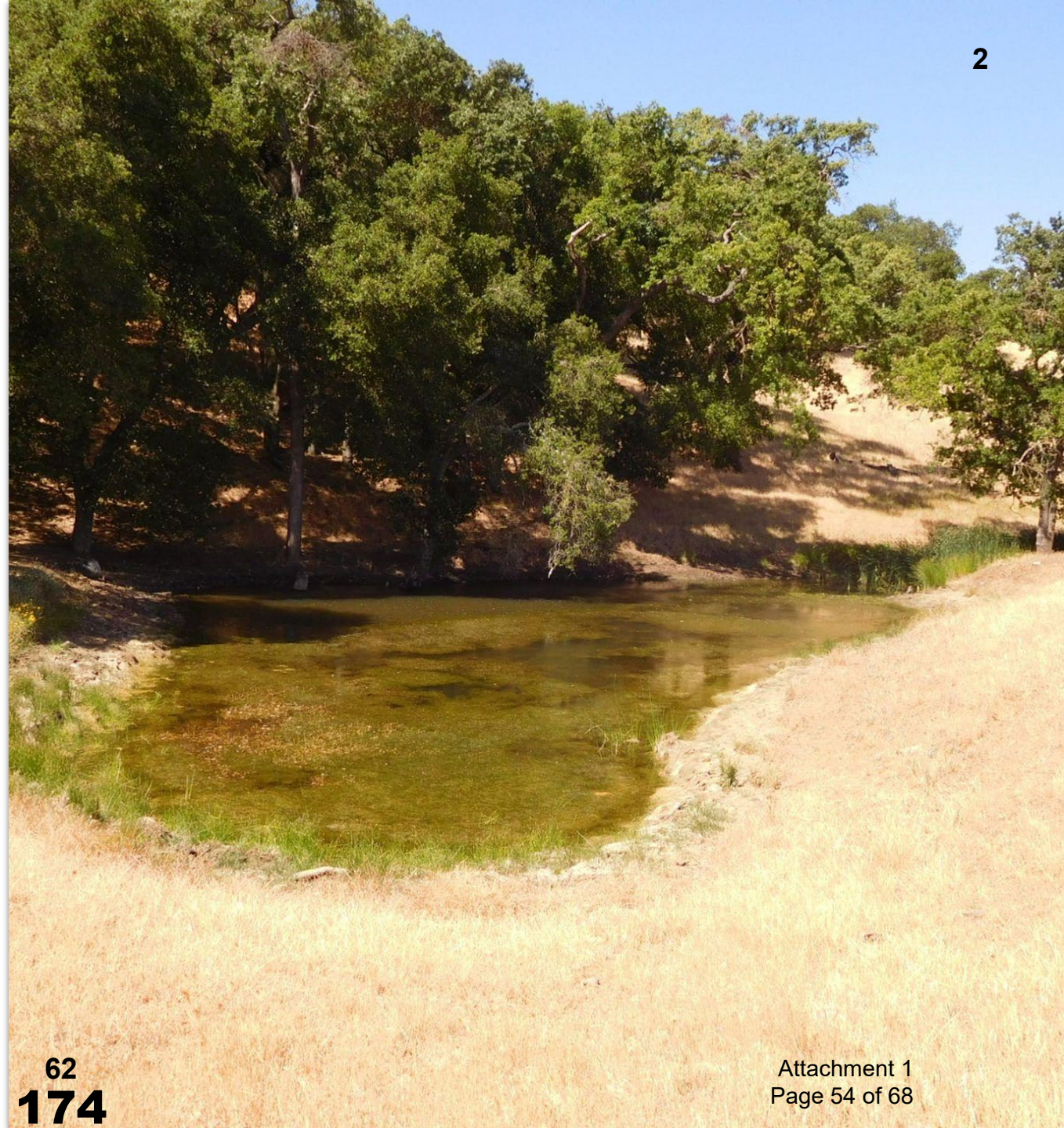
Pleasant Hill, California
October 25, 2023

This Page Left Intentionally Blank

ATTACHMENT B
FINANCIAL REPORT PRESENTATION

FINANCIAL REPORT

SANTA CLARA VALLEY HABITAT AGENCY
FY 2022-2023



Key Highlights FY 22-23

- Balance sheet and Net position are strong, with a \$9.8M increase from the prior year.
- Much better economic environment for investments than the prior year.
- Revenues were also healthy this year driven by :
 - Operating Grants and Contributions, and
 - Fee revenue from Co-Permittees.
- Expenses increased accordingly as restoration activities increased.
- Positive audit results.

Audit Opinion & Internal Controls

- Unmodified opinion. We passed the audit with no issues.
- No proposed audit adjustments.
- No material weaknesses in internal control identified.
- No indications or allegations of fraud.
- No difficulties with management.
- No unusual transactions noted.
- All accounting estimates were deemed reasonable.
- The financial statement disclosures were deemed neutral, consistent, and clear.
- No abuse or wasteful spending.

Assets



Primary Government	2023	2022	\$ Difference	% Difference
Cash & Investments	\$ 19,872,403	\$ 20,398,986	\$ (526,583)	-2.6%
Accounts Receivable	\$ 1,763,269	\$ 521,974	\$ 1,241,295	70.4%
Due from Component Unit	\$ -	\$ -	\$ -	
Interest Receivable	\$ 93,954	\$ 24,642	\$ 69,312	73.8%
Prepaid Items	\$ 16,849	\$ 5,238	\$ 11,611	68.9%
Capital Assets, net of accumulated depreciation	\$ 43,569,060	\$ 33,772,554	\$ 9,796,506	22.5%
Total Assets	\$ 65,315,535	\$ 54,723,394	\$ 10,592,141	16.2%
Component Unit	2023	2022	\$ Difference	% Difference
Cash & Investments	\$ 35,902	\$ 65,803	\$ (29,901)	-83.3%
Total Assets	\$ 35,902	\$ 65,803	\$ (29,901)	
Consolidated Total Assets	\$ 65,351,437	\$ 54,789,197	\$ 10,562,240	16.2%

Total Cash + Investments + A/R increased by \$715K.

(A/R balance represents revenues collected within 60 days of year-end close – it is effectively cash.)

Strong cash balance.

Nearly \$10M in capital asset additions in FY 22-23.

Capital purchases were primarily strategic land & easement purchases made with the goal of furthering the objectives of the Habitat Plan.

Liabilities



Primary Government	2023	2022	\$ Difference	% Difference
Accounts Payable & Other Liabilities	\$ 1,354,538	\$ 559,400	\$ 795,138	58.7%
Unearned Revenue	\$ 12,180	\$ 12,180	\$ -	0.0%
Compensated Balances	\$ 161,981	\$ 145,237	\$ 16,744	10.3%
Total Liabilities	\$ 1,528,699	\$ 716,817	\$ 811,882	53.1%
Component Unit	2023	2022	\$ Difference	% Difference
Due to Primary Government	\$ -	\$ -	\$ -	
Total Liabilities	\$ -	\$ -	\$ -	
Consolidated Total Liabilities	\$ 1,528,699	\$ 716,817	\$ 811,882	53.1%

Total liabilities increased by \$812K due mainly to an increase in A/P.

This increase in A/P is directly driven by just one payable of \$733K, which was paid in August 2023.



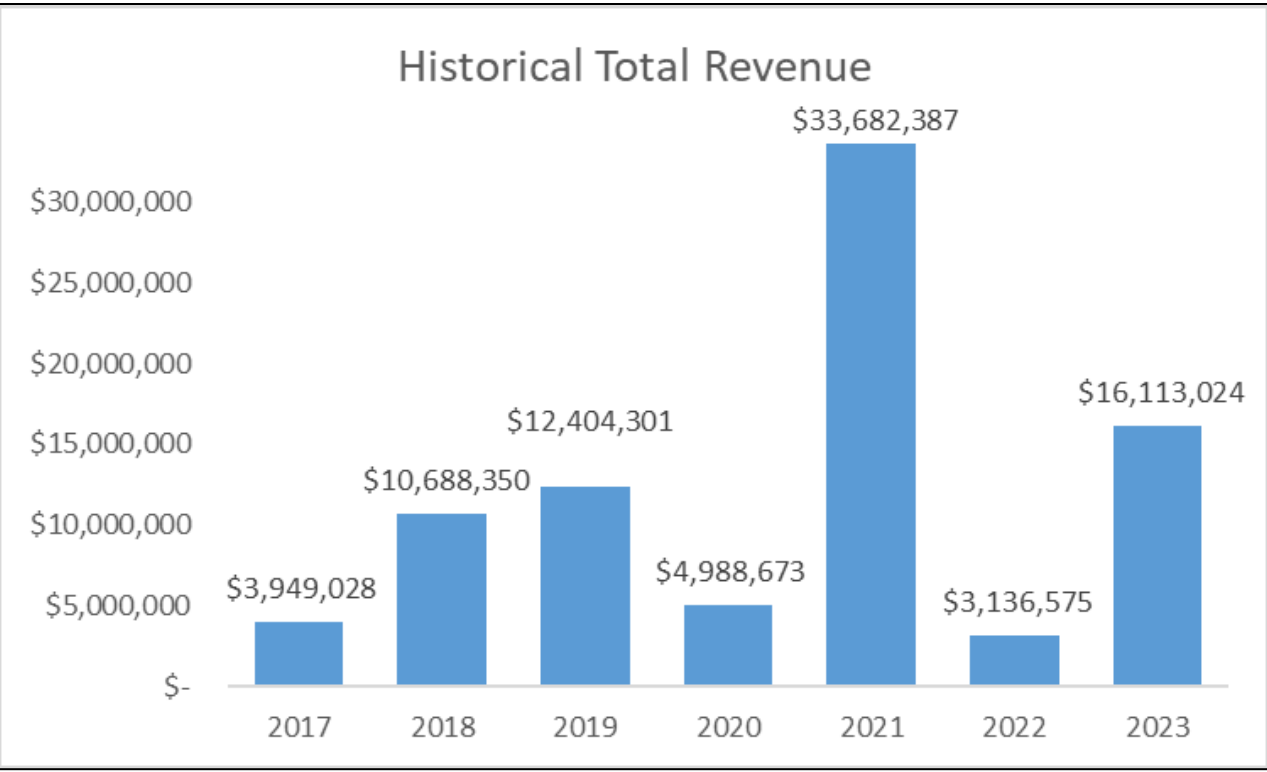
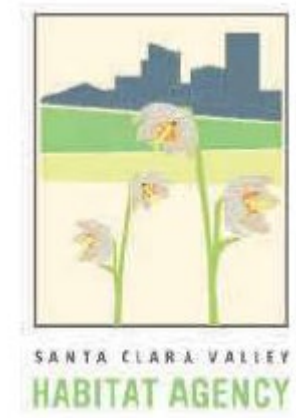
Net Position

Primary Government	2023	2022	\$ Difference	% Difference
Restricted	\$ 6,228,077	\$ 5,005,519	\$ 1,222,558	19.6%
Net Investment in Capital Assets	\$ 43,569,060	\$ 33,772,554	\$ 9,796,506	22.5%
Unrestricted	\$ 13,989,699	\$ 15,228,504	\$ (1,238,805)	-8.9%
Total Net Position	\$ 63,786,836	\$ 54,006,577	\$ 9,780,259	15.3%
Component Unit	2023	2022	\$ Difference	% Difference
Restricted for Natural Environment	\$ 35,902	\$ 65,803	\$ (29,901)	-83.3%
Total Net Position	\$ 35,902	\$ 65,803	\$ (29,901)	
Consolidated Total Net Position	\$ 63,822,738	\$ 54,072,380	\$ 9,750,358	15.3%

Total Net Position increased by \$9.8M and 15.3%, due mainly to the increase in Capital Assets.

Strong Net Position.

Historical Revenues



Historically, revenues have fluctuated significantly, with FY 22-23 being a healthy year.

The bulk of 2023 revenues came from capital grants and contributions (\$6.5M) and from Charges for Services (\$5.6M).



Revenues

Higher permit revenue this year from Co-Permittees (based entirely on Co-Permittee activity).

	2023	% of total	2022	% of total	\$ Difference	% Difference
Charges for Services	\$ 5,576,422	34.6%	\$ 2,401,669	76.6%	\$ 3,174,753	56.9%
Operating Grants & Contributions	\$ 3,198,685	19.9%	\$ 1,005,001	32.0%	\$ 2,193,684	68.6%
Capital Contribution	\$ 6,465,005	40.1%	\$ -	0.0%	\$ 6,465,005	
Investment Income/(Loss) & Other Revenue	\$ 872,912	5.4%	\$ (270,095)	-8.6%	\$ 1,143,007	130.9%
Total Revenue	\$ 16,113,024		\$ 3,136,575		\$ 12,976,449	80.5%

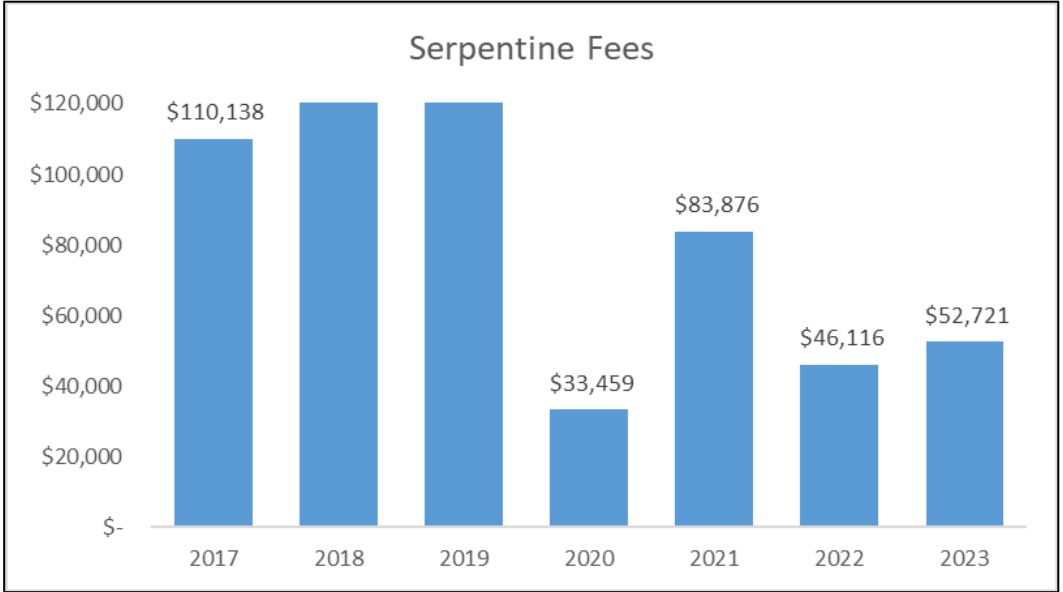
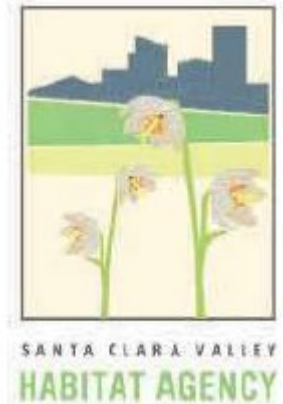
Operating Grants & Contributions of \$3.2M were awarded in the current year.

Capital contribution revenue was the largest portion of current year revenue and included contributions of conservation easements.

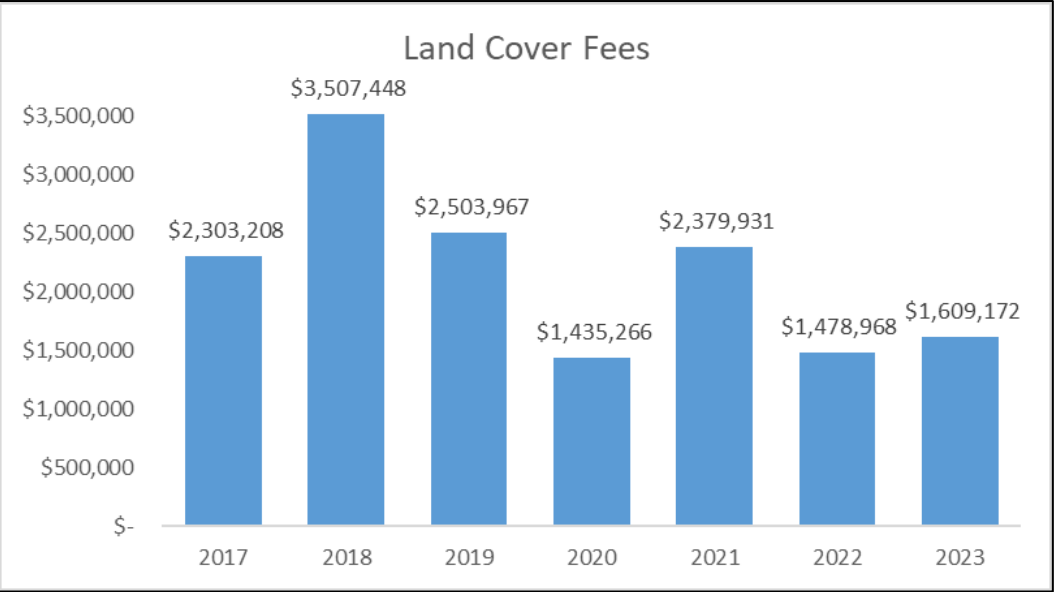
Other Revenue includes \$771K of Investment earnings in 2023.

In the prior year, market conditions were significantly worse with Investment losses of (\$404K). This favorable swing is the main driver of the total increase.

Select Revenue by Type

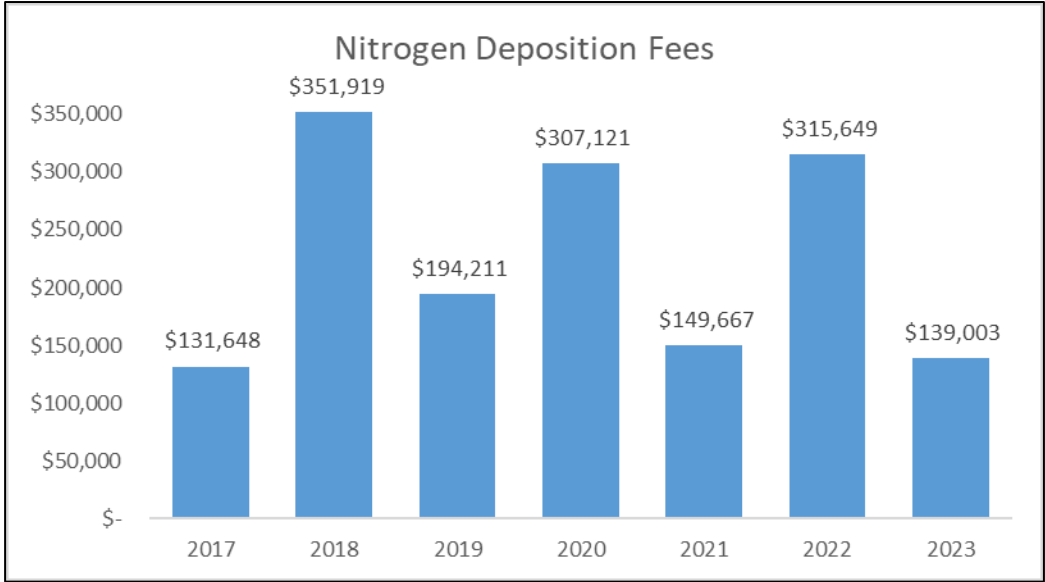
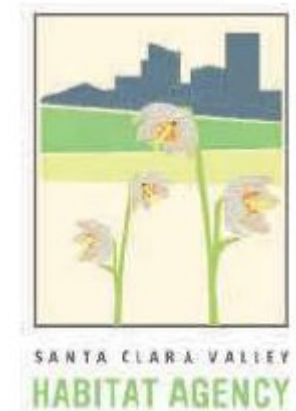


Serpentine fees are higher per acre compared to other reserve lands. These costs are for (1) land acquisition, (2) reserve management and maintenance, and (3) monitoring, research, and scientific review. Incremental costs for Serpentine lands associated with categories (2) and (3) are funded by the nitrogen deposition fee. The Serpentine fee is needed only for Serpentine land acquisition.

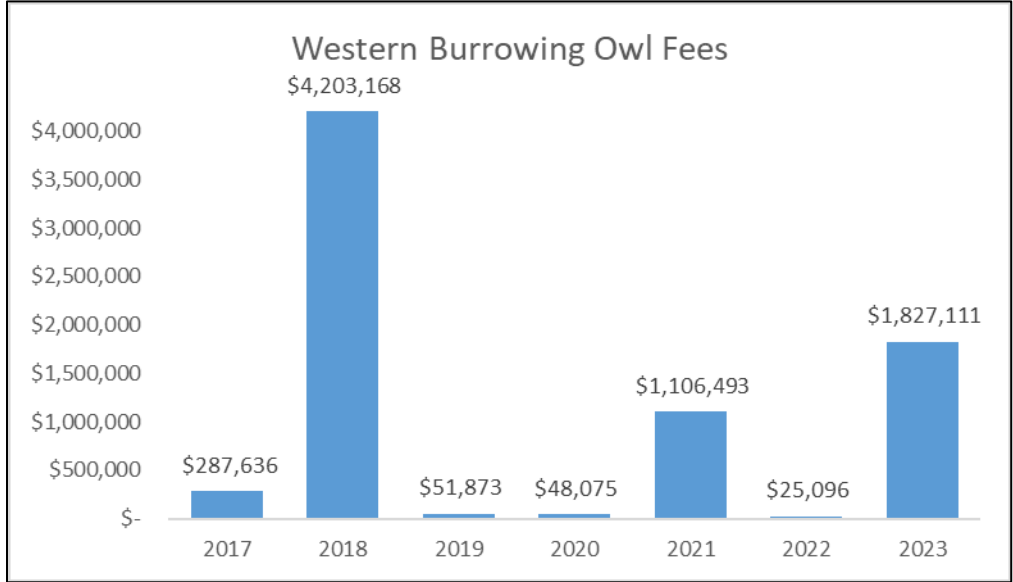


Land Cover Fees cover all Plan costs not otherwise funded by one of the other development fees.

Select Revenue by Type

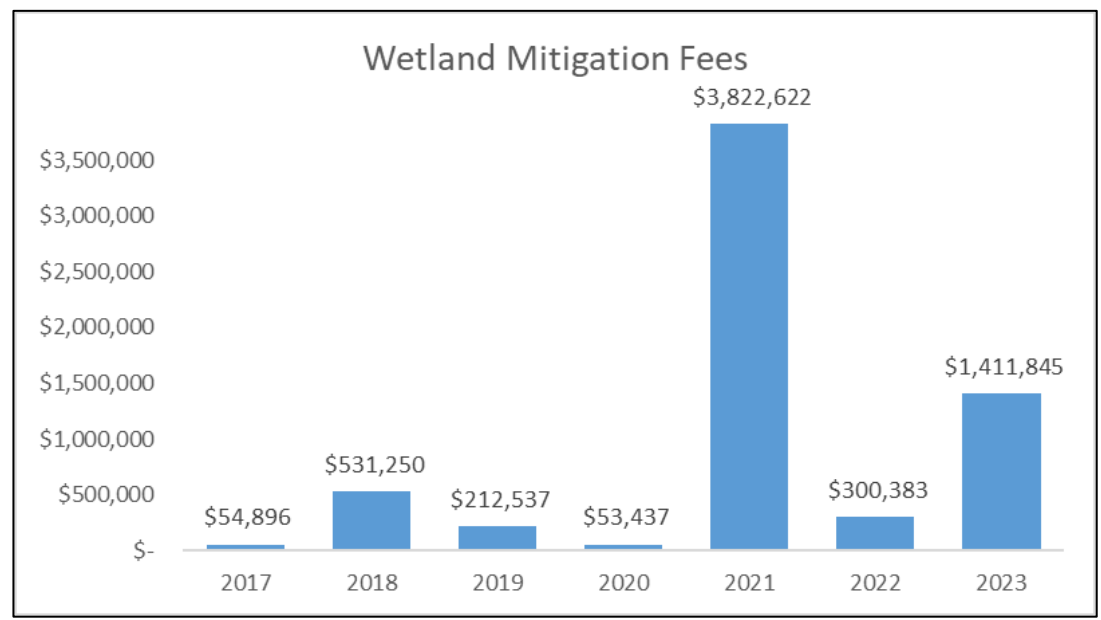
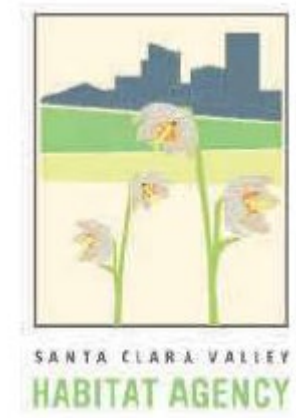


Nitrogen deposition fees are related to fees where an increase in vehicle traffic and other sources of airborne nitrogen compounds.



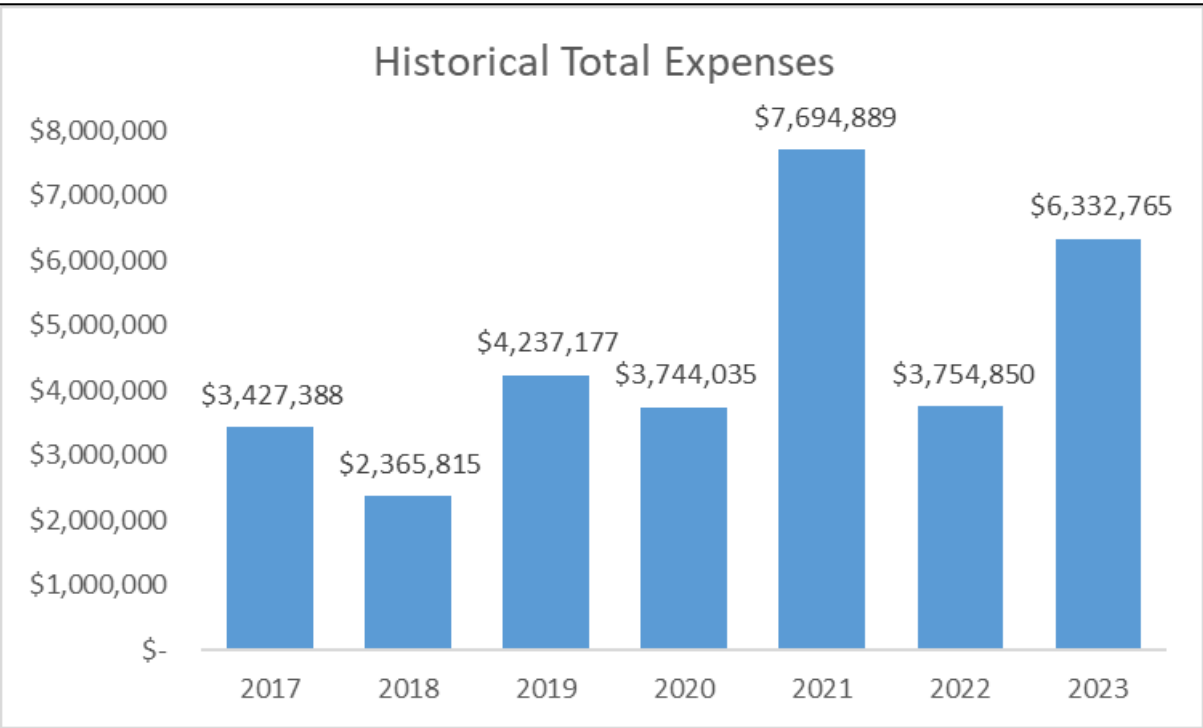
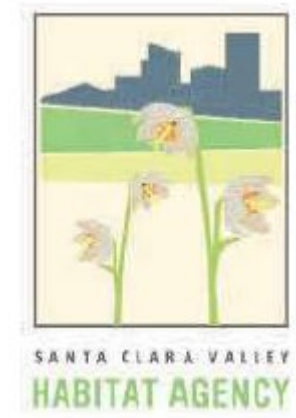
Western burrowing owl fees are related to any development on where nesting habitat is impacted.

Select Revenue by Type



Wetland mitigation fees do not need to be segregated based on land cover type (Willow Riparian, Central California Sycamore, etc.). Implementation of the Plan will track acres of development impacts and acres of restoration/creation by wetland type to ensure that revenues are expended based on impacts.

Historical Expenses



Expenses can fluctuate significantly depending on the activity of the Agency, especially conservation strategy implementation, which was significant in the current year.

Expenses



	2023	% of total		2022	% of total	\$ Difference	% Difference
Administrative	\$ 551,942	8.7%		\$ 461,471	12.3%	\$ 90,471	16.4%
Technical & Permitting Support	\$ 810,587	12.8%		\$ 467,970	12.5%	\$ 342,617	42.3%
Conservation Strategy Implementation	\$ 3,775,378	59.6%		\$ 2,600,119	69.2%	\$ 1,175,259	31.1%
Waters Permitting	\$ 166,113	2.6%		\$ 135,783	3.6%	\$ 30,330	18.3%
Reimbursements & Refunds	\$ 1,028,745	16.2%		\$ 89,507	2.4%	\$ 939,238	91.3%
Total Expenses	\$ 6,332,765			\$ 3,754,850		\$ 2,577,915	40.7%

*Reimbursements & Refunds increased by \$939K in 2023.
Driven mainly by two refunds issued in FY 22-23.*

Reimbursements to Co-Permittees = \$89,507

Total Refunds = \$939,238

Total expenses increased by \$2.6M, driven mainly by CSI & refunds issued.

City of San Jose Regional Wastewater Facility = \$733,039

PG&E = \$206,117

Conservation Strategy Implementation costs are directly tied to field projects.

This year, there were numerous restoration and construction projects including Pacheco Creek, Pacheco Pass, CROSP, Calero Mitigation, Pajaro River, and the San Felipe Creek.

Questions?

Thank you!



PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 24-0399

Agenda Date: 5/15/2024

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss 2024 Annual Audit Plan and Provide Further Guidance as Needed.

RECOMMENDATION:

- A. Discuss 2024 Annual Audit Plan; and
- B. Provide further guidance as needed.

SUMMARY:

The purpose of this agenda item is to discuss the 2024 Annual Audit Plan, discuss any new related information as appropriate, and provide any guidance the BAC deems appropriate.

2024 Annual Audit Plan Background

On November 15, 2023, the Chief Audit Executive (CAE) presented the 2023 Risk Assessment Final Report to the Board Audit Committee (BAC) assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment analysis helped to develop heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water's Board of Directors (the Board), executives, and management and were used to help develop the proposed 2024 Annual Audit Plan. The CAE identified and discussed with the BAC the 12 audit topics identified as the highest priority in the Risk Assessment. The BAC then instructed the CAE to present the same information to the full Board for discussion and feedback.

On December 12, 2023, the 2023 Risk Assessment Final Report was presented to the Board for discussion. The CAE received feedback from the Board and discussed that feedback at the December 20, 2023, BAC meeting. The BAC members agreed on four (4) audit topics as the proposed 2024 Annual Audit Plan. The proposal was recommended to the full Board for approval at their January 23, 2024, meeting.

During the December 20, 2023, BAC meeting, the CAE recommended staggering the start dates for

the audits and assigning a portion of the audit engagements to the pool of firms available to the BAC. Furthermore, the CAE proposed that Sjoberg Evashenk Consulting conduct two of the audits (Capital Project Delivery and Board Policies), and the other two firms available to the BAC perform the remaining two audits (Human Resources and Information Technology). The BAC received the information but gave no guidance at that time.

At the January 23rd, 2024, Board meeting the Board approved three (3) of the proposed topics to proceed as the 2024 Annual Audit Plan, and instructed staff to delay one of the topics to Calendar Year 2025 (CY 25). The three (3) audit topics identified to proceed in CY 24 are as follows:

- 1) Compliance with and Progress Toward Meeting Board Policies
- 2) Human Resources
- 3) Information Technology

The Capital Project Delivery audit topic was delayed to CY 25 to allow staff time to fully implement recommendations from prior audits.

At its February 23rd, 2024, BAC Meeting the CAE proposed the following schedule intended to achieve the completion of each performance audit by December 2024, with the potential that one audit, the performance audit of Valley Water's compliance with and progress toward meeting board policies, may extend into early 2025.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Information Technology												
Human Resources												
Board Policies												

The CAE also proposed that each of three audit firms in the Board's auditor pool be assigned one of the audits. Specifically, the CAE recommends assigning Information Technology to Plante Moran, Human Resources to Moss Adams, and Board Policies to Sjoberg Evashenk Consulting. The BAC voted to present the information to the full Board during one of its regular public meetings in March.

At its March 26th, 2024, Board meeting, the Board agreed with the BAC's recommendations and approved the 2024 Annual Audit Plan.

Further Audit Plan Related Discussion

At the March 20, 2024, Board Audit Committee Meeting, the committee expressed interest in learning more about whether financial audits are prepared by agencies with which Valley Water has contracts (the discussion seemed to revolve around imported water contracts). Accordingly, staff is looking into providing an informational update at a future Board Audit Committee on Valley Water's key imported water contracts, including any information regarding financial audits associated with those contracts.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The Annual Audit Plan is not subject to environmental justice analysis. The Annual Audit Plan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 24-0398

Agenda Date: 5/15/2024

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

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.

SUMMARY:

Per the BAC's Charter, Article III, Paragraph 6.2, "The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee."

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change.

At the time this memo was drafted, there was only one minor change to the work plan. An additional topic was identified for the May BAC meeting so staff could provide the BAC with the third of seven JPA financial audits requested by the BAC members.

Looking forward, the topics of discussion identified for the June 19, 2024, BAC Meeting can be summarized as follows:

1. Receive Annual Audit Training
2. 2024 BAC Work Plan
3. Discuss the Board's CAE Contract (expires 11/22/24)
4. Annual Audit Plan for CY 2024
5. Audited Financial Statements

Upon review, the BAC may make changes to be incorporated into the work plan.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:

Attachment 1: 2024 BAC Work Plan

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

BOARD AUDIT COMMITTEE 2024 WORKPLAN

January 1, 2024 to December 31, 2024

		DATE:											
		No. of Topics:											
		Jan-17	Feb-23	Mar-20	Apr-12	May-15	Jun-19	Jul-17	Aug-21	Sep-18	Oct-16	Nov-20	Dec-18
#	Board Audit Committee Management	5	6	7	4	5	5	2	9	3	2	4	2
1	Conduct Annual Self-Evaluation	•		•									
2	Receive and Discuss CAE Activity Report to Evaluate Performance	•		•									
3	Election of BAC Chair and Vice Chair		•		•								
4	Discuss Board Audit Committee Audit Charter			•									
5	Discuss Scope of Annual Audit Training			•									
6	Receive Annual Audit Training					•							
7	Review and Update BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•
Board Audit Committee Special Requests													
8	Review of Joint Powers Authority (JPA) audits			•	•	•							
9	Discuss Board's CAE Contract (expires 11/22/24)					•							
Board-directed Audits													
10	2020 SCW Program Grants Management	•						•					
11	2021 Permitting Best Practices				•								
12	2023 CIP Performance							•					
13	2024 Audit - TBD												
14	2024 Audit - TBD												
15	2024 Audit - TBD												
16	2024 Audit - TBD												
CAE Standing Topics													
17	Review and Update Annual Audit Plan	•	•		•	•	•	•	•	•	•	•	•
18	Discuss next Annual Audit Plan							•					
19	Discuss the draft Annual Audit Plan, and Recommend Proposed Audit Topics for Board Approval										•		
Management-directed, Program-required, & 3rd-Party Audits													
20	2022 QEIMS Improvements Implementation							•					
21	2012 SCW Program Performance Close-out Audit			•									
22	2023 IT Surplus Equipment Audit		•										
Miscellaneous 3rd-Party Financial Audits													
23	Financial Status - Periodic Updates		•			•			•				
24	Audit Report of the Water Utility Enterprise Funds							•					
25	Audited Financial Statements					•					•		
Staff Standing Topics													
26	Audit Recommendations Implementation Status		•					•					
27	Receive QEIMS Annual Internal Audit Report							•					
Committee Clerk Action Items (not included in count shown in Row 3 above)													
28	Provide BAC Summary Report to full Board	•	•	•	•	•	•	•	•	•	•	•	•

THIS PAGE INTENTIONALLY LEFT BLANK