



## Santa Clara Valley Water District Board Audit Committee Meeting

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California  
Join Zoom Meeting: <https://valleywater.zoom.us/j/91608079873>

### SPECIAL MEETING AGENDA

**Tuesday, June 17, 2025  
2:00 PM**

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

BOARD AUDIT COMMITTEE  
Jim Beall, Chairperson - District 4  
Shiloh Ballard, Vice Chairperson - District 2  
Tony Estremera, Member - District 6

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](mailto:nmerritt@valleywater.org)

[www.valleywater.org](http://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**  
**SPECIAL MEETING**  
**AGENDA**

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Tuesday, June 17, 2025

2:00 PM

HQ. Bldg. Boardroom, 5700 Almaden  
Expressway, San Jose, California

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

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\*\*\*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/Committee 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=TojJpYCxXm0>

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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.

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**<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 March 19, 2025 Board Audit Committee Minutes. [25-0442](#)

Recommendation: Approve the minutes.

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

Attachments: [Attachment 1: 03192025 BAC Minutes](#)

#### 4. REGULAR AGENDA:

- 4.1. Receive Permitting Best Practices Audit Status Update. [25-0379](#)

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 Information Regarding 2025 Information Technology (IT) Performance Audit. [25-0378](#)

Recommendation: Receive information regarding the 2025 IT Performance Audit.

Manager: Darin Taylor, 408-630-3068

- 4.3. Receive and Discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects. [25-0381](#)

Recommendation: Receive and discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: SCO Final Subvention Audit Report](#)

- 4.4. Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2024-2025 Financial Audit, Presented by Vasquez and Company LLP. [25-0527](#)

Recommendation: Receive and discuss information regarding the upcoming FY 2024-2025 financial audit, presented by Vasquez and Company LLP.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: PowerPoint](#)



- 4.5. Receive the Fiscal Year 2024-2025 Third Quarter Financial Status Update. [25-0380](#)  
Recommendation: Receive the Fiscal Year 2024-2025 third quarter financial status update as of March 31, 2025.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: PowerPoint](#)
- 4.6. Discuss the Options to Extend Terms and Increase the Not-to-Exceed (NTE) amount, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2025. [25-0494](#)  
Recommendation: A. Discuss options to extend terms and increase the NTE amount, allow to expire, or terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc., which is currently scheduled to expire effective November 22, 2025; and  
B. Approve recommendation to the full Board to:  
i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year, and increase the NTE from \$800,000 to \$1,400,000;  
ii. Allow the expiration of the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc; or  
iii. Exercise option to terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. prior to the expiration date of November 22, 2025.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Executed Agreement](#)  
[Attachment 2: Amendment 1](#)
- 4.7. Discuss 2025 Annual Audit Plan (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed. [25-0377](#)  
Recommendation: A. Discuss 2025 Annual Audit Plan; and  
B. Provide feedback as needed.  
Manager: Darin Taylor, 408-630-3068

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

[25-0376](#)

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

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

Attachments: [Attachment 1: 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. The Next Regular Meeting is Scheduled at 1:00 p.m., on July 16, 2025.



# Santa Clara Valley Water District

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**File No.:** 25-0442

**Agenda Date:** 6/17/2025  
**Item No.:** 3.1.

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## **COMMITTEE AGENDA MEMORANDUM** **Board Audit Committee**

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

### **SUBJECT:**

Approval of March 19, 2025 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: 03192025 BAC Minutes

### **UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING  
**DRAFT MINUTES**

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**REGULAR MEETING SESSION  
WEDNESDAY, MARCH 19, 2025  
1:00 PM**

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(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

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

**1.1 Roll Call.**

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

The Board Member in attendance via Zoom utilizing AB 2449 due to illness was District 6 Director Tony Estremera.

Nicole Merritt requested that Director Estremera state for the record if there are any individuals over 18 years of age present in the room, and if so, state the general relationship to the individual and confirmed that all votes for the meeting would be roll call votes in compliance with AB 2449.

Director Estremera confirmed there were no individuals over the age of 18 present in the room.

Staff members in attendance were: Yvonne Arroyo, Emmanuel Aryee, Salam Baqleh, Lisa Bankosh, Ingrid Bella, Wade Blackard, Chris Cannard, Jessica Collins, Andy Gschwind, Robert Ewing, Rachael Gibson, Walter Gonzalez, Brian Hopper, Diahann Hudson, Candice Kwok-Smith, Cecil Lawson, Anna Lee, Dave Leon, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Olive Manaloto, Tony Ndah, Carlos Orellana, Max Overland, Luz Penilla, Alison Phagan, Mario Rivas, Don Rocha, Manpreet Sra, Kirsten Struve, Darin Taylor, Cheryl Togami, Kristen Yasukawa, Tina Yoke, and Beckie Zisser.

Public in attendance were: Valley Water District 7 Director Rebecca Eisenberg, Tammy Lohr-Schweitzer (Moss Adams), Kyle Miller and Scott Petree (Plante Moran), George Skiles (Sjoberg Evashenk Consulting), and Paul.

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

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

**3. APPROVAL OF MINUTES:**

**3.1. Approval of February 19, 2025 Board Audit Committee Meeting Minutes.**

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the February 19, 2025 Committee meeting.

Public Comments:  
None.

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

**4. REGULAR AGENDA:**

**4.1. Receive and Discuss 2024 Human Resources (HR) Performance Audit Report with Management Response; Refer the Final 2024 HR Performance Audit Report to the Board.**

Recommendation: A. Receive and discuss the 2024 HR Performance Audit Report with Management Response; and  
B. Refer the final 2024 HR Performance Audit Report to the Board.

Tammy Lohr-Schweitzer reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachment 2.

Darin Taylor, Tammy Lohr-Schweitzer, Patrice McElroy, and Anna Lee were available to answer questions.

Public Comments:  
None.

The Committee received the information, and noted the following:

- The auditor reviewed the seven commendations and five recommendations that resulted from the audit review.
- The BAC addressed questions covering the areas of trust and communication in change management initiatives in HR Operations. The auditor confirmed that HR staff have been and continue to work on best practice initiatives to increase trust and communication in HR operation processes.

- The BAC asked about how staff would track progress towards meeting their Key Performance Indicators (KPIs), and staff confirmed that specific staff are responsible for monitoring and ensuring follow-through, and that they utilize a number of Employee Engagement studies to help guide their efforts.
- The BAC expressed appreciation for the auditor's recommendation to develop a departmental operating plan and asked staff if there were enough resources to do the work. Staff confirmed that with the completion of a current recruitment as well as the procurement of additional consulting services that resource levels would be sufficient.
- The BAC expressed concern about technology and asked about guidance on how to pick the next Human Resources Information System (HRIS). HR staff confirmed that they are taking an active role with the right subject matter experts in the selection process of a new system.
- The BAC asked about the volume of EEO complaints at Valley Water and how that compares to other agencies. Staff confirmed that EEO complaints increased during the COVID pandemic, but that substantiated complaints were relatively low. Staff also informed the committee that they are in the process of hiring additional staff to assist in this area.

It was moved by Chairperson Beall and seconded by Vice Chairperson Ballard and unanimously approved the following Recommendation as amended by roll call vote:

- B. Refer the final 2024 HR Performance Audit Report to the Board with the comments and discussion from the BAC.

4.2. Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

- Recommendation:
- A. Receive a status update on the implementation of audit recommendations; and  
Audit Report with Management Response; and
  - B. Discuss timing of the next update.

Anthony Mendiola reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachments 1 and 2.

Anthony Mendiola, Darin Taylor, Lisa Bankosh, and Luz Penilla were available to answer questions.

Public Comments:  
None.

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

- Chairperson Beall noted interest in identifying the high priority audit recommendations not yet completed prior to the next 6-month report.
- The Committee confirmed that the challenges in implementing the 2021 Permitting Best Practices Audit recommendations are due to fluctuating staffing resources and crucial technology upgrades scheduled to be

completed by fiscal year 2026.

- The Committee confirmed that concerns and feedback are being requested from the Advisory Committees regarding Valley Water's proposed amended Conflict of Interest (COI) Code to assist with providing a recommendation to the Board.
- The Committee noted the potential of considering an alternative requirement/process other than the Form 700 to address the COI Code and reporting requirements for the Advisory Committee members.

4.3. Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

Recommendation: A. Discuss proposed updates to the Board Audit Committee Audit Charter; and  
B. Provide further direction as needed.

Brian Hopper reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachments 1, 2 and Handout 4.3-A.

Copies of Handout 4.3-A were distributed to the Committee and made available to the public.

Brian Hopper and George Skiles were available to answer questions.

Public Comments:  
None.

The Committee received the information, and noted the following:

- The Committee confirmed the process of developing the final draft of an audit report.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and unanimously approved by roll call vote for the proposed updates to the BAC Audit Charter to be referred to the Board for consideration.

4.4. Discuss the Results of the Board Audit Committee's (BAC) Annual Self-Evaluation for Calendar Year (CY) 2024.

Recommendation: Discuss the results of the BAC's Annual Self-Evaluation for CY 2024.

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

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

Public Comments:  
None.



The Committee received the information, and noted the following:

- The Committee confirmed that the limited investigations clause noted in the BAC Charter is not an audit, and that the Committee is authorized to use this tool if there is sufficient cause and concern regarding the potential of fraud, waste, or a violation of law/policy with Board oversight.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and unanimously approved by roll call vote for the results of the BAC's Annual Self-Evaluation for CY 2024 to be referred to the Board for consideration.

4.5. Receive and Discuss Report From Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding Their Performance in Calendar Year (CY) 2024, and Evaluate Performance of CAE.

- Recommendation:
- A. Receive and discuss a report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2024; and
  - B. Evaluate the performance of the CAE.

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

George Skiles was available to answer questions.

Public Comments:  
None.

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

- The Committee expressed support and appreciation for the CAE and the existing audit function/process and interest in a public outreach coordinated to highlight the work of the BAC.

4.6. Discuss the Process and Scope of the 2025 Annual Audit Training from Chief Audit Executive (CAE).

- Recommendation:
- Discuss the process and scope of the 2025 Annual Audit Training from CAE.

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

George Skiles, Anthony Mendiola, and Darin Taylor were available to answer questions.

Public Comments:  
None.

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

- The Committee noted support for the following potential audit training

topics: risk assessments, fundamentals of internal control in public sector agencies, and incorporating Diversity, Equity, and Inclusion (DEI) in performance auditing in the public.

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

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

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

George Skiles and Darin Taylor were available to answer questions.

Public Comments:  
None.

The Committee received the information, took no formal action, and noted the 2025 Annual Audit plan is on schedule.

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

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

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

Darin Taylor was available to answer questions.

Public Comments:  
None.

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

- The Committee noted the update and expressed support for canceling the BAC April 2025 meeting.

**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 approved to refer the final 2024 HR Performance Audit Report to the Board with the comments and discussion from the BAC under Item 4.1; received the status update on the Implementation of

Audit Recommendations and noted interest in identifying the high priority audit recommendations not yet completed under Item 4.2; approved the proposed updates to the BAC Audit Charter to be referred to the Board for consideration under Item 4.3; approved the results of the BAC's Annual Self-Evaluation for CY 2024 to be referred to the Board for consideration under Item 4.4; received and discussed performance report in CY 2024 from CAE and noted support for CAE's performance and noted request for interest in a public outreach highlighting the work of the BAC under Item 4.5; discussed and noted support for the potential audit training topics under Item 4.6; noted on schedule update for 2025 Annual Audit Plan under Item 4.7; and noted BAC Work Plan update and support for BAC April meeting cancellation under Item 4.8.

**6. CLOSED SESSION:**

6.1. CLOSED SESSION  
THREAT TO PUBLIC SERVICES OR FACILITIES  
Pursuant to Government Code Section 54957(a)  
Consultation with Alex Gordon, Acting Assistant Officer

6.2. District Counsel Report on Closed Session.

Brian Hopper reported that in regard to Item 6.1., the Committee met in Closed Session with all members participating with Director Estremera via teleconference and took no reportable action.

**7. ADJOURN:**

7.1. Adjourn to Regular Meeting at 1:00 p.m. on April 16, 2025.

Chairperson Beall adjourned the meeting at 3:37 p.m., to the regular meeting at 1:00 p.m. on May 21, 2025, per the Committee's support of canceling the BAC April 2025 meeting.

Nicole Merritt, Assistant Deputy Clerk II

Date approved:

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# Santa Clara Valley Water District

**File No.:** 25-0379

**Agenda Date:** 6/17/2025

**Item No.:** 4.1.

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## 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, 2024 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

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**File No.:** 25-0379

**Agenda Date:** 6/17/2025  
**Item No.:** 4.1.

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Attachment 4: PowerPoint

**UNCLASSIFIED MANAGER:**  
Lisa Bankosh, 408-630-2618



**TAP**International

# 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.*



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# 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 Ordinance<sup>1</sup>. 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.

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<sup>1</sup> 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

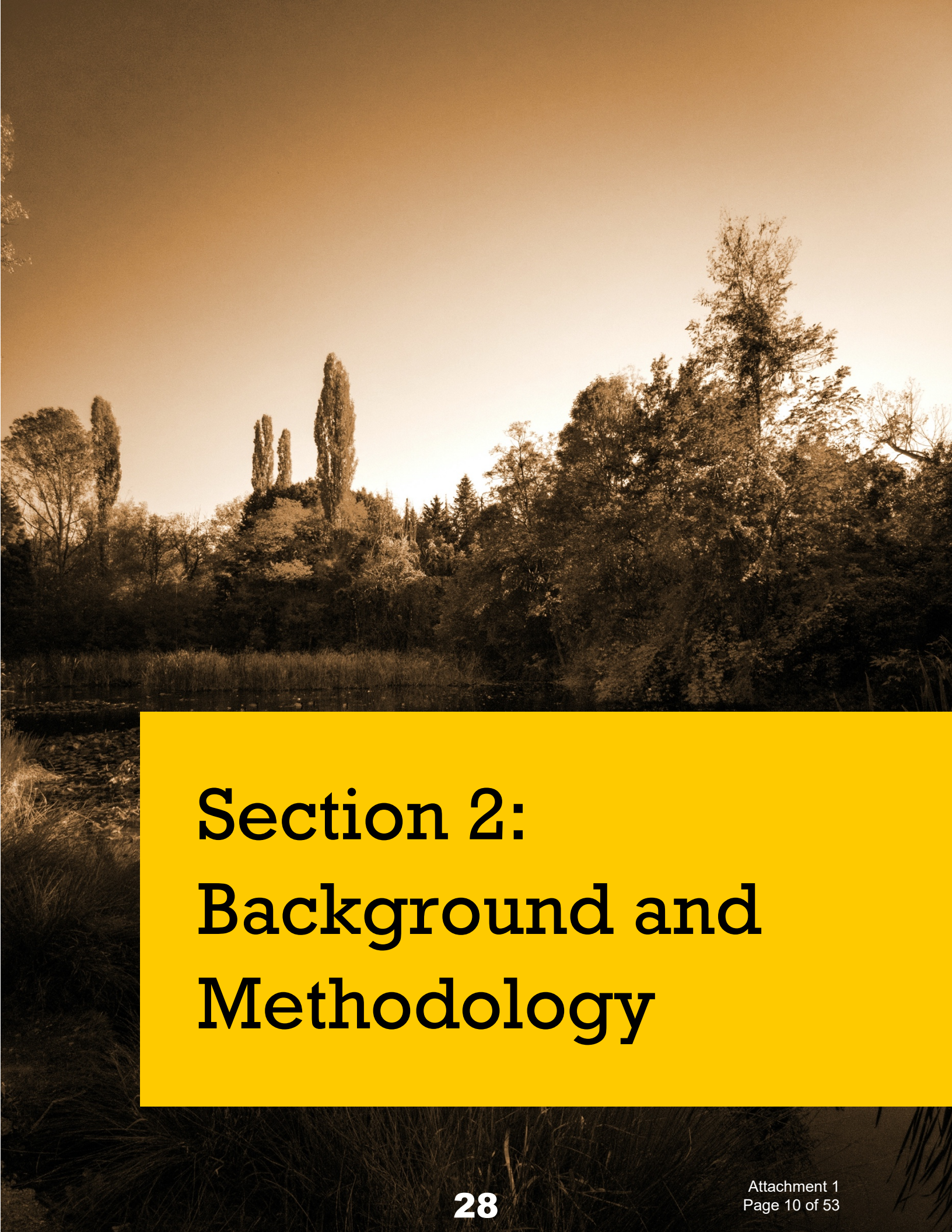
This audit report includes 14 recommendations for Valley Water to consider. These recommendations are designed to streamline CPRU services, address customer expectations for timely permit processing and communication, strengthen workflows and permit tracking, and add controls to CPRU financial management 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 Ordinance<sup>2</sup> 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.

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<sup>2</sup> 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.<sup>3</sup>

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.

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<sup>3</sup> 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.

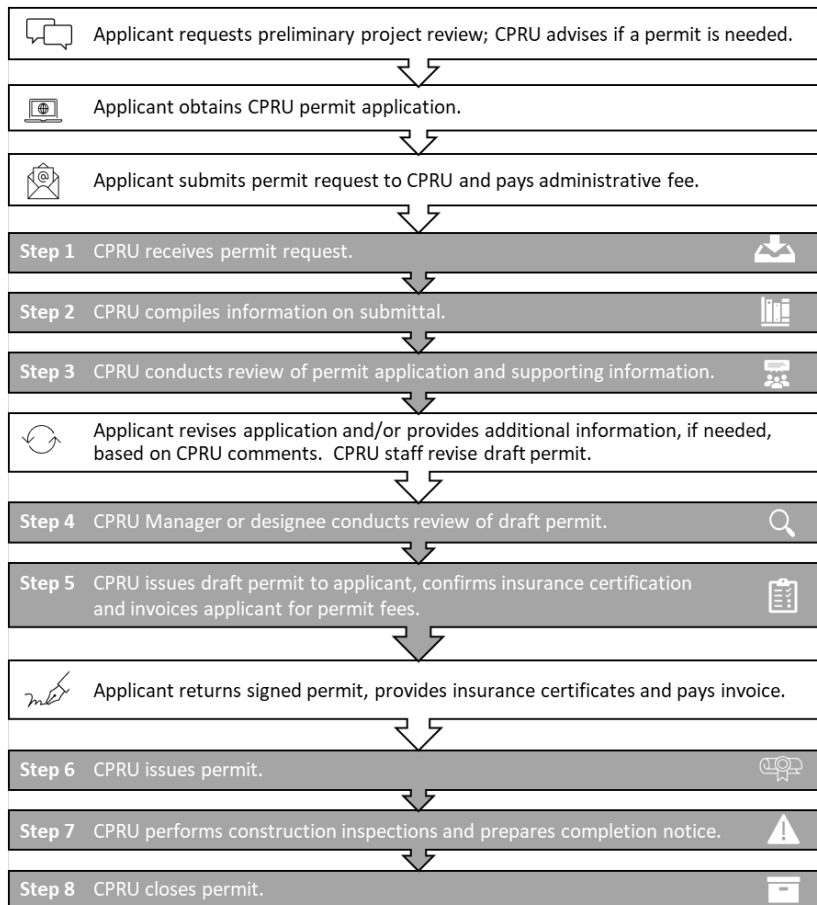
## Finding 2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication

### 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 Process<sup>4</sup>**



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

<sup>4</sup> 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.<sup>5</sup> 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.

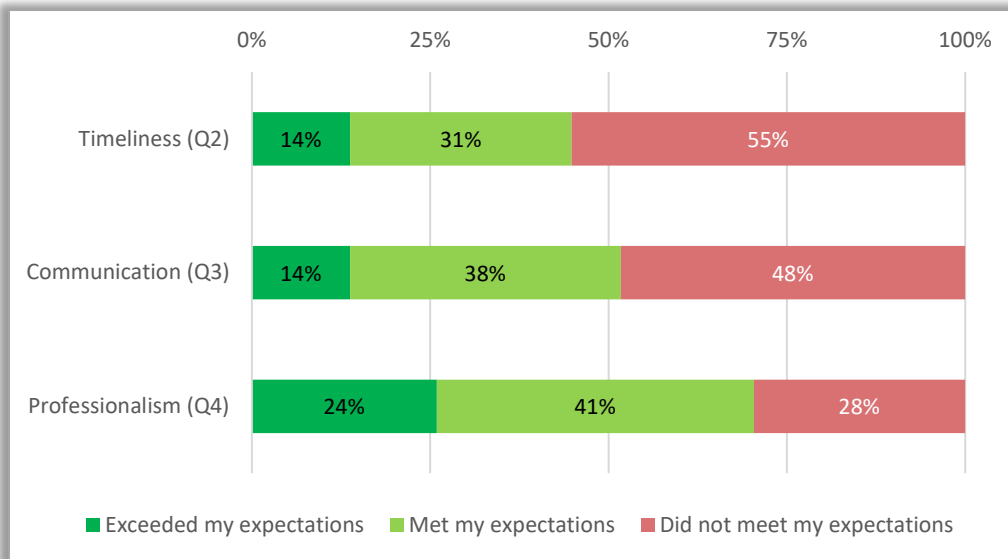
**Figure 2. Customer Satisfaction with Valley Water’s Encroachment Permit Process (Q1)**



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

<sup>5</sup> 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.<sup>6</sup> 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%
<b>Total</b>	<b>461</b>	<b>100%</b>	

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.

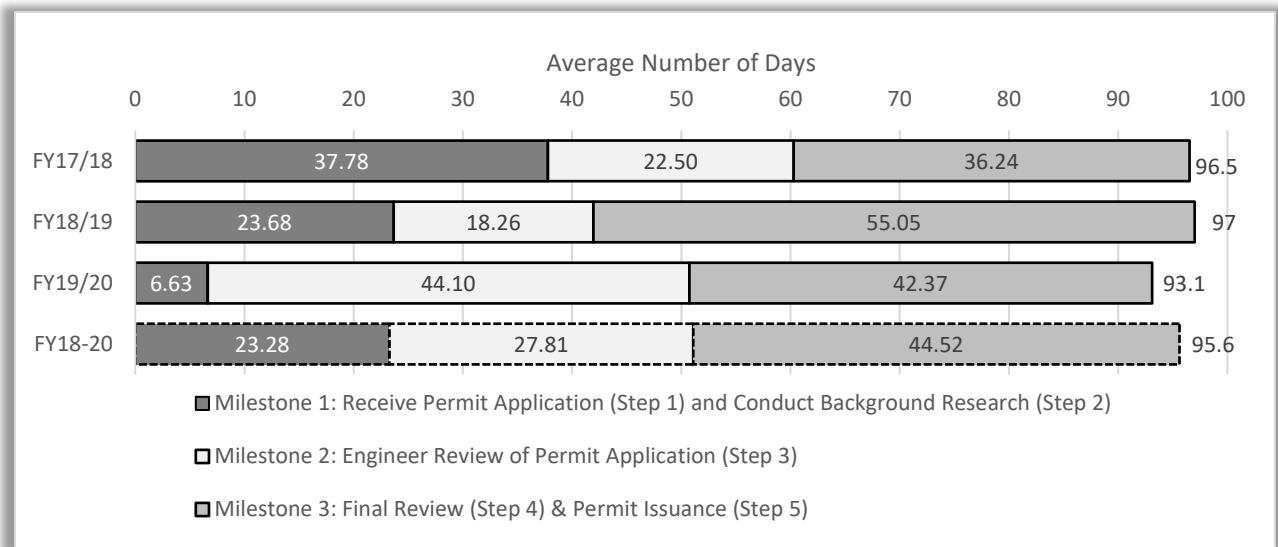
<sup>6</sup> CPRU staff explained that review times will vary depending on the size and complexity of the project and available Valley Water staff resources. Large, complex projects are often submitted to CPRU during the project’s planning phase, staff reported, and it is assumed that applicants would 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.<sup>7</sup> 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.<sup>8</sup>

### **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,

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<sup>7</sup> 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)."

<sup>8</sup> 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.<sup>9</sup>

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

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<sup>9</sup> 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.<sup>10</sup>

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

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<sup>10</sup> 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.<sup>11</sup> 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."

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<sup>11</sup> 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.<sup>12</sup> Water agencies may charge for the cost of processing the encroachment permit application, as well as the use of its lands for permitted activities.

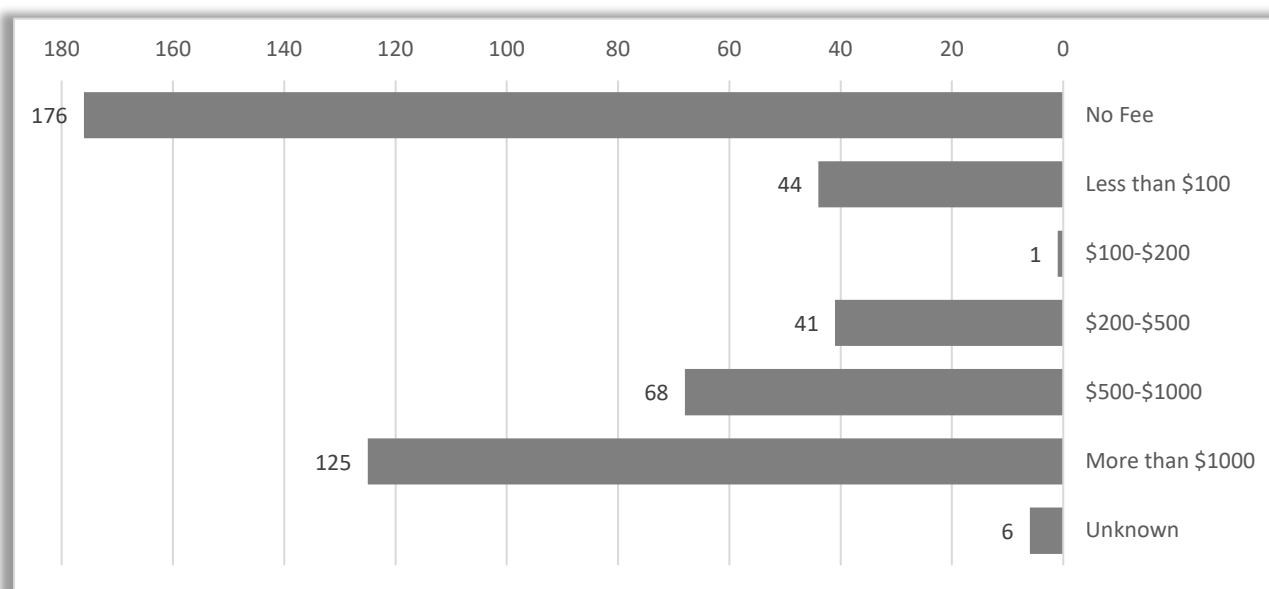
Water agencies generally do not recover their total costs from the activities they permit on their lands because they typically grant exemptions from the payment of fees to other public agencies and for certain permitted activities on its lands. For example, Valley Water exempts the following activities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

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<sup>12</sup> 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
<b>CPRU Budget</b>			
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
<b>Revenue from Permit Fees &amp; Invoices for All Services</b>			
Total Permit Fees for Issued Permits	<b>\$106,043.14</b>	<b>\$159,414.75</b>	<b>\$195,527.21</b>
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%
<b>Fee Payments as a Percentage of CPRU Budget</b>			
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.<sup>13</sup> 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.<sup>14</sup> 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 activities<sup>15</sup>. 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.

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<sup>13</sup> 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.

<sup>14</sup> 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."

<sup>15</sup> 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
	<b>TOTAL Administrative activities</b>			<b>4</b>	<b>14</b>	<b>\$195.41</b>	<b>\$1,022.83</b>

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.<sup>16</sup> 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
<b>2 hours or less</b>	132 (83%)	125 (76%)	24 (75%)
<b>2 to 10 hours</b>	23 (14%)	33 (20%)	7 (22%)
<b>10 or more hours</b>	4 (3%)	6 (4%)	1 (3%)
<b>Total</b>	<b>159</b>	<b>164</b>	<b>32</b>

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

<sup>16</sup> 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.<sup>17</sup>

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.

<sup>17</sup> 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.<sup>18</sup> 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

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<sup>18</sup> 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.



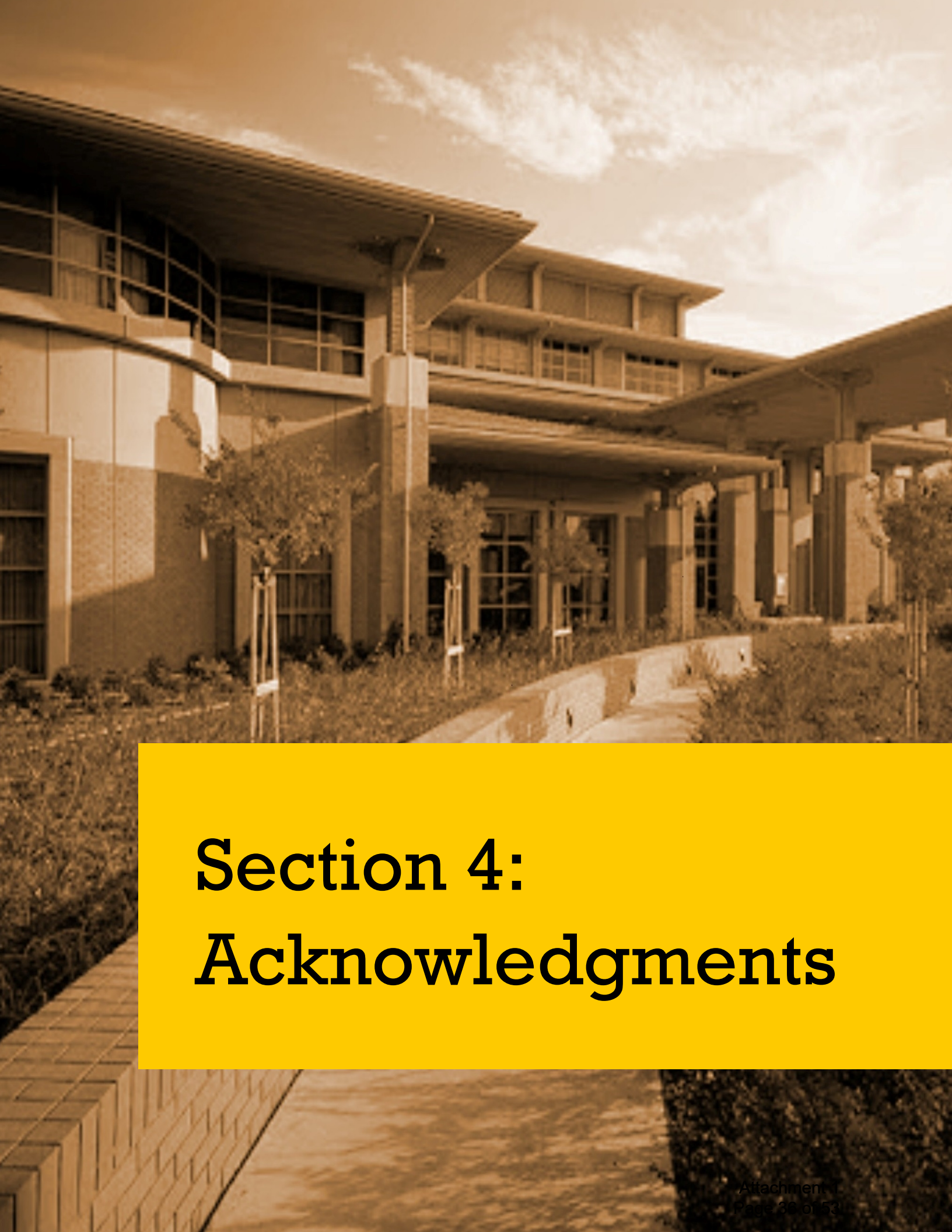
responsible for managing the invoices, and the assignment of other staff to critical tasks, led to the oversight of these invoices.<sup>19</sup>

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.

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<sup>19</sup> 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

<b>RECOMMENDATION 1</b> - 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.	
<p><b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b></p> <p>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.</p> <p><b>Target Implementation Date:</b> March 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></p> <p>Management's response generally satisfies the recommendation.</p> <p>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>).</p> <p>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>
<b>RECOMMENDATION 2</b> - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
<p><b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b></p> <p>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.</p> <p><b>Target Implementation Date:</b> June 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></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><b>RECOMMENDATION 3</b> - The CPRU Manager should develop and implement a training program that includes various courses on:</p> <ul style="list-style-type: none"> <li>a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits.</li> <li>b. Customer service, building on the training experience of some CPRU staff completed earlier this year.</li> <li>c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements.</li> </ul>	
<p><b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p><b>Target Implementation Date:</b> March 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></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><b>RECOMMENDATION 4</b> - 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><b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b></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><b>Target Implementation Date:</b> March 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></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>

<b>RECOMMENDATION 5</b> - 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.	
<p><b>MANAGEMENT RESPONSE:</b>  <b>Management partially agrees with the recommendation.</b></p> <p>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).</p> <p>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.</p> <p><b>Target Implementation Date:</b> October 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></p> <p>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>



**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.

<b>RECOMMENDATION 7</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees with this recommendation.</b>  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.  <b>Target Implementation Date:</b> June 2022	<b>INDEPENDENT AUDITOR RESPONSE:</b>  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.

<b>RECOMMENDATION 8</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees with this recommendation.</b>  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.  <b>Target Implementation Date:</b> March 2022.	<b>INDEPENDENT AUDITOR RESPONSE:</b>  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.

<b>RECOMMENDATION 13</b> - 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.	
<b>MANAGEMENT RESPONSE:</b> 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.  <b>Target Implementation Date:</b> June 2023 depending on research outcome.	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 14</b> - 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.	
<b>MANAGEMENT RESPONSE:</b> Management agrees and will approach the implementation of this recommendation in phases: <ol style="list-style-type: none"> <li>1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021).</li> <li>2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).</li> <li>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))</li> </ol> <b>Target Implementation Date:</b> Varies.	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

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## APPENDIX D: Management's Response

<b>RECOMMENDATION 1</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b>  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.  <b>Target Implementation Date:</b> March 2022	<b>INDEPENDENT AUDITOR RESPONSE:</b>  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.
<b>RECOMMENDATION 2</b> - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
<b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b>  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.  <b>Target Implementation Date:</b> June 2022	<b>INDEPENDENT AUDITOR RESPONSE:</b>  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.

<b>RECOMMENDATION 3</b> - The CPRU Manager should develop and implement a training program that includes various courses on: <ul style="list-style-type: none"> <li>a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits.</li> <li>b. Customer service, building on the training experience of some CPRU staff completed earlier this year.</li> <li>c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements.</li> </ul>	
<b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p><b>Target Implementation Date:</b> March 2022</p>	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 4</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees with the recommendation.</b>  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><b>Target Implementation Date:</b> March 2022</p>	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 7</b> - 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><b>MANAGEMENT RESPONSE: Management agrees with this recommendation.</b></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><b>Target Implementation Date:</b> June 2022</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></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>

<b>RECOMMENDATION 8</b> - 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><b>MANAGEMENT RESPONSE: Management agrees with this recommendation.</b></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><b>Target Implementation Date:</b> March 2022.</p>	<p><b>INDEPENDENT AUDITOR RESPONSE:</b></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>

<b>RECOMMENDATION 9</b> - 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"> <li>Change the name of CPRU to a name that better describes its functions.</li> <li>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.</li> <li>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.</li> </ol>	
<b>MANAGEMENT RESPONSE:</b> Management agrees with this recommendation. <ol style="list-style-type: none"> <li>CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit's name. (Target Date: March 2022)</li> <li>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)</li> <li>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)</li> </ol> <b>Target Implementation Date:</b> Varies	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 10</b> - Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	
<b>MANAGEMENT RESPONSE:</b> 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.  <b>Target Implementation Date:</b> August 2022	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 11</b> - 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.	
<b>MANAGEMENT RESPONSE:</b> 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.  <b>Target Implementation Date:</b> August 2022	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 12</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees with this recommendation.</b> 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) <b>Target Implementation Date:</b> Varies	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.



<b>RECOMMENDATION 13</b> - 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.	
<b>MANAGEMENT RESPONSE:</b> 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.  <b>Target Implementation Date:</b> June 2023 depending on research outcome.	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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.

<b>RECOMMENDATION 14</b> - 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.	
<b>MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases:</b> <ol style="list-style-type: none"> <li>1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021).</li> <li>2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).</li> <li>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))</li> </ol> <b>Target Implementation Date:</b> Varies.	<b>INDEPENDENT AUDITOR RESPONSE:</b> 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 CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</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.  Revised Target Implementation Date: December 2024 for Fee Rate Schedule and WRPO, December 2025 for Water Resources Protection Manual</p> <p><b>Status 05/2025: Ongoing</b>  <b>On April 14, 2025, the Board Policy and Monitoring Committee (BPMC) approved the staff recommendation to bring the updated Fee Rate Schedule to the full Board for consideration. The BPMC also considered the proposed changes to the Water Resources Protection Ordinance on April 14, 2025, but the BPMC recommended that the item be brought back to the BPMC when all three members are present to discuss. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</b></p> <p><b>Revised Target Implementation Date: June 2025 for Fee Rate Schedule, August 2025 for the WRPO, and December 2025 for Water Resources Protection Manual</b></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 applications to help meet customer expectations.	<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 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 5/2024: 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. CPRU is currently working with Contracts and Procurement staff to present a contract for CEO approval in May 2024 with the chosen implementer. For IT-based improvements, see Recommendation 6.  Revised Target Implementation Date: June 2026 (IT improvements)</p> <p><b>Status 5/2025: Ongoing.</b>  <b>Since April 2024, VW executed an agreement with Timmons Group for implementation services for the Cityworks Software. CPRU and IT have been working with the Timmons Group on the design requirements for Cityworks as a replacement for the current CPRU database. For IT-based improvements, see Recommendation 6.</b></p> <p><b>Revised Target Implementation Date: June 2026 (IT improvements)</b></p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	6	<p>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:</p> <p>a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.</p> <p>b. Expanded search function for researching past projects and permits.</p> <p>c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.</p> <p>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.</p> <p>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.</p> <p>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>	<p><u>Management Response:</u>  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</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 CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2024: Ongoing.  1. Ongoing. The RFP contract to implement Cityworks is anticipated to be presented to the CEO for approval in May 2024. The contract anticipates that the new online portal will take approximately 2 years to implement once the contract is awarded.  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.  Revised Target Implementation Date: June 2026</p> <p><b>Status 5/2025: Ongoing.</b>  <b>1. Ongoing. Work with the Timmons Group to implement Cityworks is underway. Timmons currently estimates that the new online portal will take approximately 1 year to implement. Cityworks will include all the functionality recommended by the audit items a thru e. Cityworks will reduce staff labor answering questions from customers on project status, allow for automated customer guidance on how to submit a complete application, and allow for dashboards to monitor and track customer submittals and timelines which the current database cannot do.</b>  <b>2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities.</b>  <b>3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management.</b></p> <p><b>Revised Target Implementation Date: June 2026</b></p>
Community Projects Review Unit (CPRU)	10	<p>Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.</p>	<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 5/2024: Ongoing. Finance staff has determined that their limited resources will not enable them to undertake the analysis. CPRU staff will undertake the analysis.  Revised Target Implementation Date: December 2024.</p> <p><b>Status update 05/2025: Ongoing</b>  <b>On April 14, 2025, the Board Policy and Monitoring Committee (BPMC) approved the staff recommendation to bring the updated Fee Rate Schedule to the full Board for consideration.</b></p> <p><b>Revised Target Implementation Date: June 2025.</b></p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
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 recommendation should be included in the annual audit work plan for 2023.</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. Revised Target Implementation Date: December 2024.</p> <p><b>Status update 5/2025: Ongoing</b> <b>On April 14, 2025, the Board Policy and Monitoring Committee (BPMC) approved the staff recommendation to bring the updated Fee Rate Schedule to the full Board for consideration.</b></p> <p><b>Revised Target Implementation Date: June 2025</b></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 5/2024: a. Complete b. Ongoing. See Recommendations 6, 10, and 11. Revised Target Implementation Date: Recommendation 6—June 2026 and Recommendations 10 and 11—December 2024.</p> <p><b>Status 5/2025:</b> <b>a. Complete</b> <b>b. Ongoing. See Recommendations 6, 10, and 11.</b></p> <p><b>Revised Target Implementation Date: Recommendation 6—June 2026, and Recommendations 10 and 11—June 2025.</b></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 5/2024: 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. Revised Target Implementation Date: Recommendation 2—December 2024 and Recommendation 6—June 2026</p> <p><b>Status 5/2025: Ongoing.</b> <b>See Recommendation 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing.</b></p> <p><b>Revised Target Implementation Date: Recommendation 6—June 2026</b></p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
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 billing and collections; cash management; monitoring of aging receivables; and reconciliation.	<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).  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 5/2024:  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.  Revised Target Implementation Date: June 2026</p> <p>Status 5/2025:  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>



# Valley Water

Clean Water • Healthy Environment • Flood Protection





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

Board Audit Committee



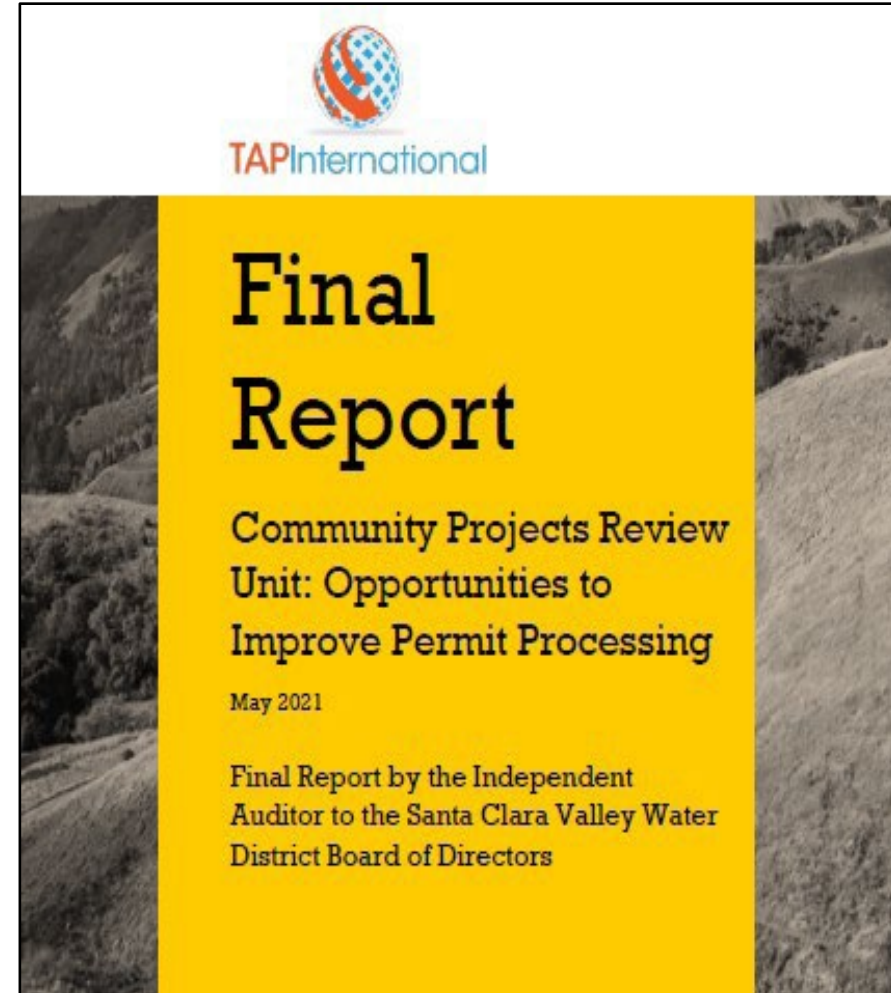
# CPRU Audit: Opportunities to Improve Permit Processing

**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

**Result:** 14 Multi-part Recommendations



# CPRU Audit: Recommendation Areas and Status Update

- 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)
- Improve financial controls and cost recovery (#10, 11, 12, 13, 14)

The Community Project Review Unit receives, reviews, and responds to external land development projects, studies, and plans to protect Valley Water assets and minimize impacts to water supply, flood protection, and environmental stewardship through implementation of the Water Resources Protection Ordinance.

## Seven Core Processes

Information  
Request

Early  
Consult

Technical  
Peer  
Review

Encroachment  
Permits

Violations

Agreements\*

Land Rights  
Transactions\*\*



\* Lands Management

\*\* Real Estate Services

# Implementation Progress

## FY 2023

- Streamlined standard permits and associated CEQA review.
- Completed workflow mapping for seven core processes, identified IT upgrade requirements (Cityworks).
- Launched Cityworks Implementer procurement process
- Created a Billing Process and Policy to address financial controls.
- Updated permit forms and increased webpage visibility.

# Implementation Progress

## FY 2024

- Realignment with Real Estate and Land Management Functions
- Finalized Cityworks Implementation contract, project kick-off

## FY 2025

- Significant progress on Cityworks implementation – on schedule
- Updated fees
- Revised Water Resources Protection Ordinance



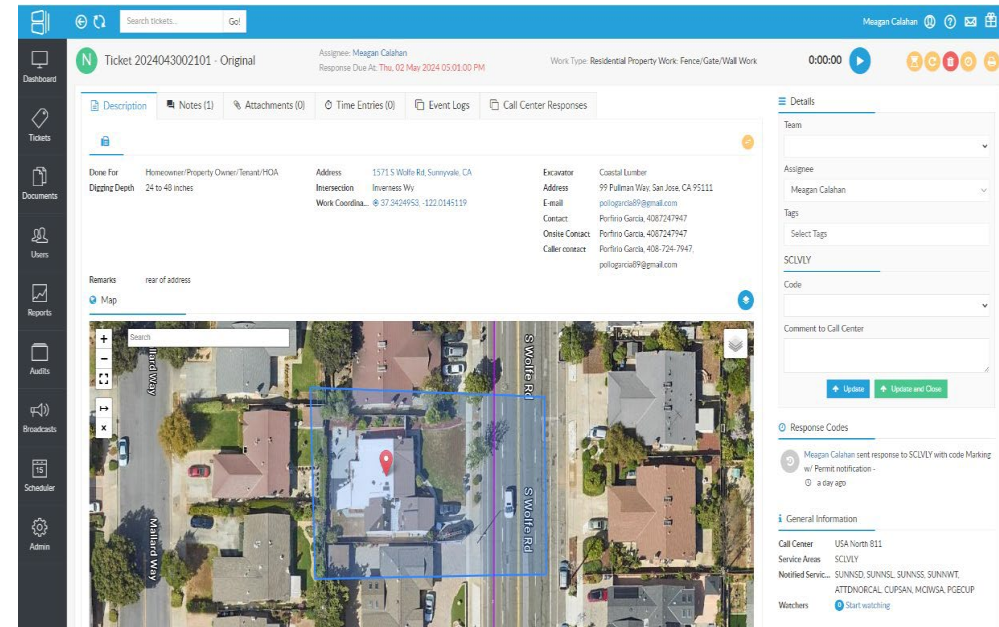
# Ongoing Recommendations

1. Recommendation 2 (partial): Revise Water Resources Protection Manual
2. Recommendations 6,11-14: Complete IT Upgrade Project and Financial Integration

# Recommendation 2 Confirm Core Functions and Standardize Processes

Status: Ongoing

- ✓ Updated Fee Schedule
- ✓ Updated WRPO
- ✓ Clarified duties
- ✓ Expanded GIS use
- ✓ Implemented staff training
- ☐ Update Water Resources Protection Manual



# Revision of Water Resources Protection Manual

Status: Ongoing

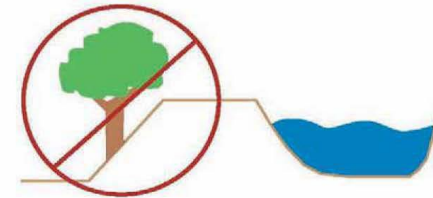
The Water Resources Protection Manual is a “how-to guide” for land development in Santa Clara County.

Major revisions will provide clear requirements for encroachment/use of Valley Water land and facilities.

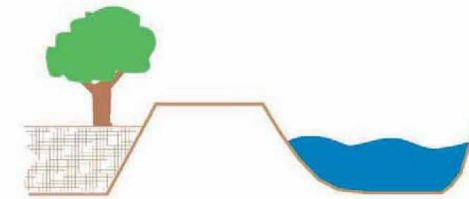
Revisions to be completed in 2025.

## 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.

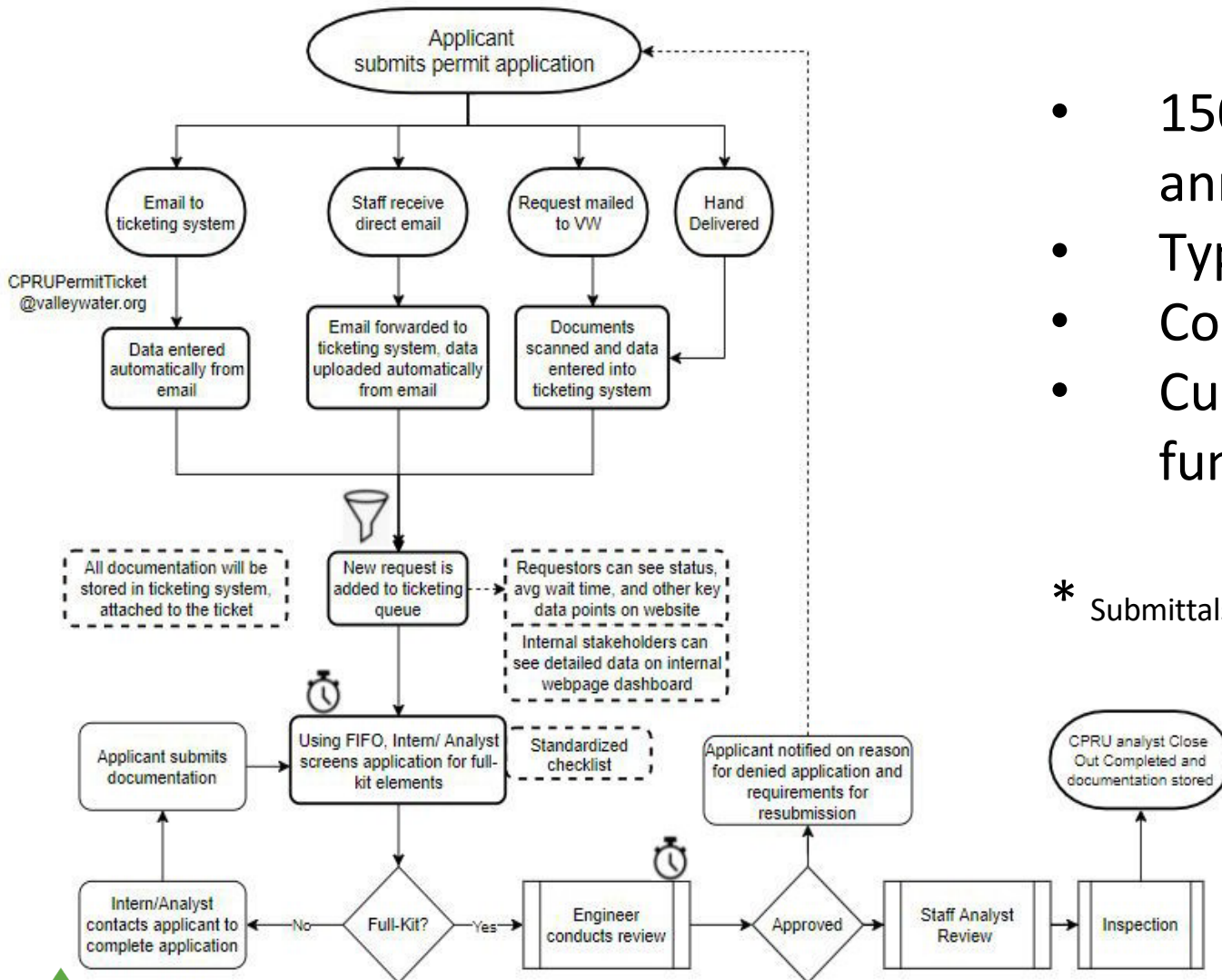


Trees may be planted on a levee if additional fill is placed on the levee.



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.

# Need for IT Upgrades



- 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**



# Need for IT Upgrades

## 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



## Status: Ongoing

- Manage customer relationship with online portal and dashboards
- Improve data management through integrating GIS and file storage
- Improve internal workflow by tracking review status and online plan review
- Integrate invoicing, monitoring of aging receivables

The screenshot displays the Cityworks Respond web application interface. The top navigation bar includes the Cityworks logo, a search icon, and user profile information. The main dashboard is titled 'Dashboard - Adopt-a-Creek Permit Dashboard' and features several key sections:

- New Permit Applications:** A table listing new permit applications with columns for Case Number, Case Type Description, Case Name, and Location. The table shows several entries for 'Adopt-a-Creek Permit'.
- Permit Applications - Resubmittal Required:** A section for applications requiring resubmittal, with a search bar and a table listing relevant cases.
- Site Visits to Complete:** A section for tracking site visits, with a search bar and a table listing tasks.
- Permit Applications Under Review:** A section for applications currently under review, with a search bar and a table listing relevant cases.
- Permits Pending Issuance:** A section for permits pending issuance, with a search bar and a table listing relevant cases.

The interface also includes a sidebar with navigation icons and a map view for site visits.



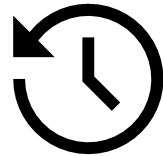
# Cityworks PLL

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



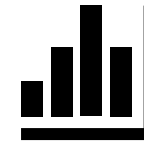
## Customer Convenience

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



## Increased Productivity

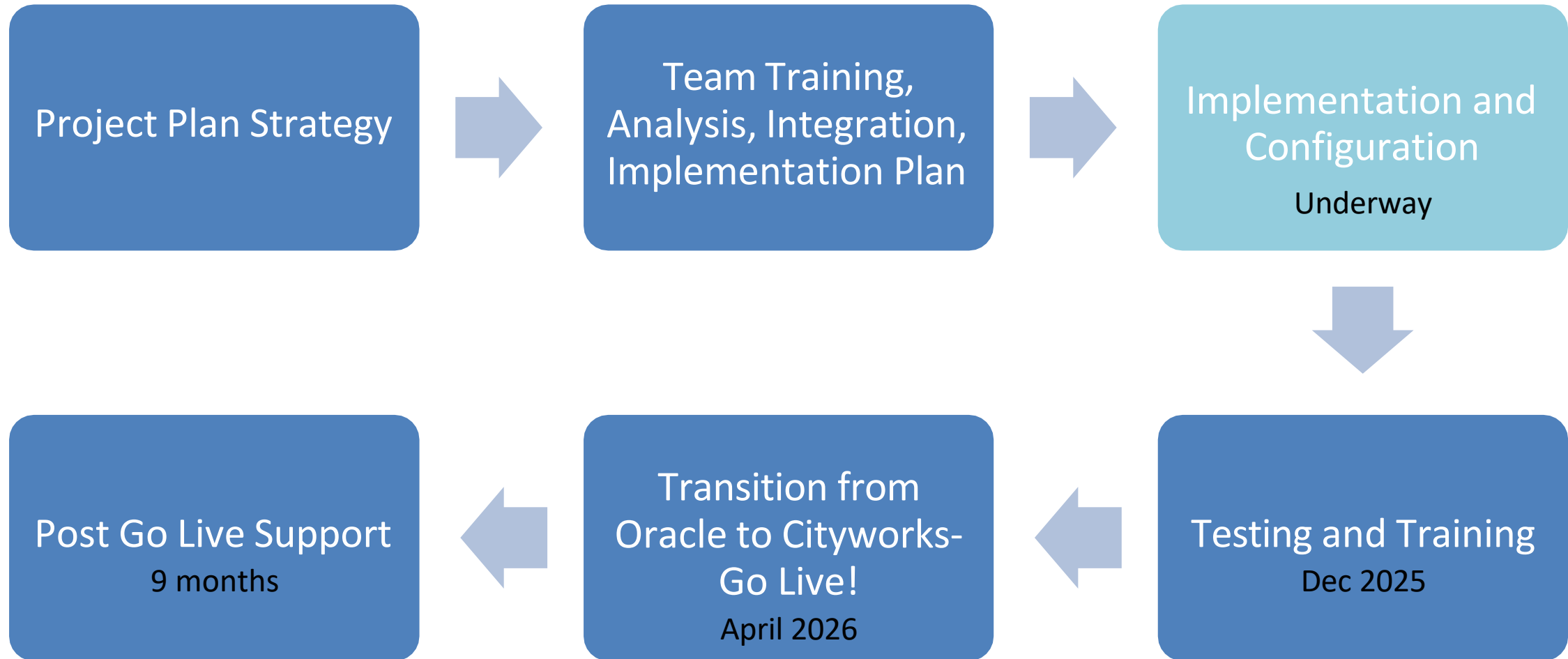
Configure templates and inboxes to help predict daily tasks and simplify processes.



## Data-Driven Decisions

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

# Cityworks Implementation Schedule



# Key Next Steps

- WRPM Expansion: FY26 Q2
- Cityworks implementation project Go Live: FY26 Q4
- **Audit recommendations fully implemented: FY26 Q4**

# QUESTIONS





# Santa Clara Valley Water District

**File No.:** 25-0378

**Agenda Date:** 6/17/2025

**Item No.:** 4.2.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive Information Regarding 2025 Information Technology (IT) Performance Audit.

### RECOMMENDATION:

Receive information regarding the 2025 IT Performance Audit.

### SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (Board) to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per the BAC Charter, Article VII, Paragraph 5, Comment Upon Draft Audit Responses, the Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.

On December 12, 2023, the Board accepted the Risk Assessment conducted by the Chief Audit Executive (CAE). At its meeting on December 20, 2023, the BAC identified four (4) topics from the Risk Assessment to audit in Fiscal Year 2024 (FY24), and the recommendation for three (3) of the topics, including the IT Performance topic, was approved by the full Board at its meeting on January 23, 2024.

The requested audit of IT practices focused on reviewing IT practices during the period between January 1, 2021, and December 31, 2023, including the areas of cybersecurity and disaster recovery planning. The purpose of this agenda item is to inform the BAC members regarding the audit.

In March 2025, Plante Moran (the auditor) completed the audit, and the audit recommendations are currently being implemented. Given concerns over cybersecurity, staff will provide periodic confidential updates to the BAC regarding this implementation.

### ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

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The proposed Recommendation(s) is not subject to environmental justice analysis. Actions taken by the Board Audit Committee are reviewed on a case-by-case basis.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



# Santa Clara Valley Water District

**File No.:** 25-0381

**Agenda Date:** 6/17/2025

**Item No.:** 4.3.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive and Discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

### RECOMMENDATION:

Receive and discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

### SUMMARY:

On July 9, 2024, the Board Audit Committee (BAC) was notified, per the BAC Charter, Article VII - Third Party and Management Initiated Audits, Item 3, Notice to Committee of Third-Party Audits, of the State Controller's Office (SCO) audit of Valley Water's Upper Guadalupe River (UGR) project, Coyote-Berryessa Creek Project (CBC), Lower Silver Creek Watershed Project (LSCW), South San Francisco Bay Shoreline Phase 1 Project (SSFBS), and Upper Llagas Creek Watershed (ULCW) project.

The SCO audited CBC claim numbers 48-61, LSCW claim numbers 92-97, SSFBS claim numbers 1-8, UGR claim numbers 56-61 and ULCW claim numbers 287-323 submitted to the Department of Water Resources (DWR) for the Flood Control Subvention Program for costs incurred for the period of March 1, 2015, through June 30, 2023.

In summary, the audit contained one finding, which resulted in a retention owed to Valley Water being reduced by \$10K from \$1.949 million to \$1.939 million.

The audit found that Valley Water claimed \$112.8K of unallowable costs but that \$102.8K of that had been properly adjusted by DWR and confirmed by the auditor. Prior to the audit, \$58.1K had already been adjusted because Valley Water (VW) had submitted claims that would have exceeded the \$8 million reimbursement budget specified in the funding agreement for the South San Francisco Bay Shoreline Project (SSFBS). The audit confirmed DWR's adjustments prior to the audit.



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An additional \$44.7K was adjusted, ultimately for the same reason, to prevent the claims submitted by VW from exceeding the \$8 million reimbursement budget for SSFBS. The audit records a finding related to the \$44.7K, in that Valley Water “did not follow DWR guidelines, which require claimants to obtain advance approval from the DWR for negotiated settlements and stipulated court judgments that exceed the high appraised value.” However, it should be noted that Valley Water staff were aware of the issue and had already replaced the ineligible costs with other eligible project costs per agreement from DWR, and that the auditor found the replaced costs to be eligible. Valley Water staff are fully aware of the process to request preapproval from DWR when parcel purchase costs exceed the appraised value, but in this case chose to reallocate those excess costs to another parcel purchase where the purchase costs were less than the appraised value and did so with permission from DWR.

Finally, the audit found that \$10K was unallowable due to an overstated appraisal value related to the Upper Guadalupe River (UGR) project, which was caused by a typographical error on the documentation from the appraiser, with which Valley Water staff agrees.

The SCO completed the audit in April of 2025, and the final audit report is provided in Attachment 1.

**ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

There are no environmental justice and equity impacts associated with this item. This action is unlikely to or will not result in adverse impacts and is not associated with an equity opportunity.

**ATTACHMENTS:**

Attachment 1: SCO Final Subvention Audit Report

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Audit Report**

### **FLOOD CONTROL SUBVENTIONS PROGRAM**

Coyote – Berryessa Creeks, Lower Silver Creek Watershed,  
South San Francisco Bay Shoreline Phase 1, Upper Guadalupe  
River, and Upper Llagas Creek Watershed Projects

*March 1, 2015, through June 30, 2023*



**MALIA M. COHEN**  
CALIFORNIA STATE CONTROLLER

April 2025



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

April 14, 2025

Mr. Jeremy Arrich, P.E., Manager  
Division of Flood Planning and Improvements  
Department of Water Resources  
3310 El Camino Avenue, Suite 124  
Sacramento, CA 95821

Dear Mr. Arrich:

The State Controller's Office audited Flood Control Subventions Program claims submitted by the Santa Clara Valley Water District (the district) to the Department of Water Resources (DWR). Our audit pertained to DWR claim numbers CBC 48 through CBC 61; LSCW 92 through LSCW 97; SSFBS 1 through SSFBS 8; UGR 56 through UGR 61; and ULCW 287 through ULCW 323, for the period of March 1, 2015, through June 30, 2023.

The district claimed costs of \$23,822,100 for the Coyote – Berryessa Creeks Project, Lower Silver Creek Watershed Project, South San Francisco Bay Shoreline Phase 1 Project, Upper Guadalupe River Project, and Upper Llagas Creek Watershed Project for the period of March 1, 2015, through June 30, 2023. Our audit found that \$23,709,297 is allowable and \$112,803 is unallowable. The costs are unallowable because the district claimed costs in excess of maximum allowable reimbursable costs, and it claimed unallowable land costs.

The State's share of allowable costs is \$19,453,704. The DWR reimbursed the district \$17,514,634 during the audit period; therefore, the district is owed the remaining balance of \$1,939,070.

If you have any questions regarding this report, please contact Efren Lose, Chief, Local Government Audits Bureau, by telephone at 916-324-7226, or email at [eloste@sco.ca.gov](mailto:eloste@sco.ca.gov).  
Thank you.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250  
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 | 916.324.8907  
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 | 323.981.6802

Mr. Jeremy Arrich

April 14, 2025

Page 2 of 2

KAT/am

Copy: Marisela Pavlenko, P.E., Program Manager  
Division of Flood Planning and Improvements  
Department of Water Resources  
The Honorable Tony Estremera, Chair  
Board of Directors  
Santa Clara Valley Water District  
Rick Callender, Chief Executive Officer  
Santa Clara Valley Water District  
Darin Taylor, Chief Financial Officer  
Santa Clara Valley Water District

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# Audit Report

## Summary

The State Controller's Office (SCO) audited Flood Control Subventions Program claims submitted by the Santa Clara Valley Water District (the district) to the Department of Water Resources (DWR). Our audit pertained to DWR claim numbers CBC 48 through CBC 61; LSCW 92 through LSCW 97; SSFBS 1 through SSFBS 8; UGR 56 through UGR 61; and ULCW 287 through ULCW 323, for the period of March 1, 2015, through June 30, 2023.

The district claimed \$23,822,100 during the audit period. Our audit found that \$23,709,297 is allowable and \$112,803 is unallowable.

Water Code stipulates the percentage of state funding by project cost category. Pursuant to Water Code section 12832, the DWR reimbursed the district 90% of eligible claimed costs, with the remaining 10% to be released subject to the completion of this audit. Based on our audit, the State's share of allowable project costs is \$19,453,704. The DWR reimbursed the district \$17,514,634 during the audit period; therefore, the district is owed the remaining balance of \$1,939,070.

## Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (California Water Code, Division 6, Part 6, Chapters 1 through 4), the DWR pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

In accordance with Water Code section 12585.5, the DWR reimburses the district for 70% of eligible costs associated with non-federal expenditures, land acquisition, and relocations. The DWR's *Guidelines for Reimbursement on Flood Control Projects* (DWR Guidelines) describe the compliance requirement for local agencies seeking reimbursement for the state share of federal flood control projects.

## Audit Authority

We conducted this performance audit in accordance with Water Code section 12832, which requires the SCO to perform audits of flood control projects. In addition, Government Code section 12410 provides SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed by the district, as presented in the Schedule, were allowable and in compliance with the DWR Guidelines.

Our audit pertained to DWR claim numbers CBC 48 through CBC 61; LSCW 92 through LSCW 97; SSFBS 1 through SSFBS 8; UGR 56

through UGR 61; and ULCW 287 through ULCW 323, for the period of March 1, 2015, through June 30, 2023.

To achieve our objective, we performed the following procedures:

- We gained an understanding of the district's internal controls that are significant to the audit objective by interviewing key personnel, by completing an internal control questionnaire, and by reviewing the district's organization chart.
- We evaluated and assessed control activities for the claim preparation process by inspecting documents and records, and by inquiring with key personnel.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it, by interviewing district officials knowledgeable about the data; and by tracing data to source documents, based on auditor judgment and non-statistical sampling. We determined that the data was sufficiently reliable for the purposes of achieving our audit objective.
- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- We reviewed the district's prior SCO audit and single audit reports.
- We reviewed the DWR's engineering reports and/or claims evaluations pertaining to the district's claims.
- We determined whether the district received revenues that should be offset against the flood program expenditures.
- We reviewed the district's claim detail for any condemnation interest and inquired of the district whether it had received interest on condemnation deposits.
- We determined whether the district received from DWR advances on its flood control project expenditures.
- We verified through sampling that the claimed costs were supported by proper documentation and eligible in accordance with the applicable criteria. Based on our risk assessment, we tested all items that were equal to or greater than the significant item amount (calculated based on materiality threshold). We also tested additional items that were valued less than the individual significant item amount, based on auditor judgment and non-statistical sampling.

We tested the following expenditures:

- Land – We tested \$6,079,115 of \$6,375,021 in total land, easement, and right-of-way acquisition costs claimed.
- Relocation – We tested \$3,825,485 of \$4,327,223 in total relocation costs claimed.
- Associated project costs – We tested \$53,553 of \$1,410,557 in total labor costs claimed.



- Services and supplies – We tested \$11,359,740 of \$11,709,299 in total services and supplies costs claimed.

For the selected sample, errors found were not projected to the intended (total) population.

We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that claimed costs are allowable for reimbursement.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Conclusion**

The district claimed \$23,822,100 in project costs for the Coyote – Berryessa Creeks Project, Lower Silver Creek Watershed Project, South San Francisco Bay Shoreline (SSFBS) Phase 1 Project, Upper Guadalupe River (UGR) Project, and Upper Llagas Creek Watershed Project for the period of March 1, 2015, through June 30, 2023. Our audit found that \$23,709,297 is allowable and \$112,803 is unallowable. The costs are unallowable because the district claimed costs in excess of maximum allowable reimbursable costs, and it claimed unallowable land costs.

Based on our audit, the State's share of allowable project costs is \$19,453,704. The DWR reimbursed the district \$17,514,634 during the audit period; therefore, the district is owed the remaining balance of \$1,939,070.

## **Follow-up on Prior Audit Findings**

The findings noted in our prior audit report, issued on August 31, 2022, have been satisfactorily resolved by the district.

## **Views of Responsible Officials**

We issued a draft audit report on January 28, 2025. The district's representative responded by letter dated February 6, 2025, agreeing with the audit results. This final audit report includes the district's response as an attachment.

## **Restricted Use**

This audit report is solely for the information and use of the district, the DWR, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record, and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

April 14, 2025

**Schedule—**  
**Summary of Project Costs**  
**May 1, 2015, through June 30, 2023**

Project Claim Number	Claimed Costs	DWR Adjustment to Claimed Costs	Audit Adjustment <sup>1</sup>	Allowable Costs	State Share	State Share of Claimed Costs	State Share of Allowable Costs	Amount Received by the District	Additional Amount Due to the District Pending Audit
CBC 2021-01 (48)	\$ 1,555	\$ -	\$ -	\$ 1,555	70%	\$ 1,088	\$ 1,088	\$ 979	\$ 109
CBC 2021-01 (49)	750	-	-	750	70%	525	525	473	53
CBC 2021-02 (50)	146,885	-	-	146,885	70%	102,819	102,819	92,537	10,282
CBC 2021-02 (51)	111,727	-	-	111,727	70%	78,209	78,209	70,388	7,821
CBC 2021-03 (52)	968,379	-	-	968,379	70%	677,866	677,866	610,079	67,787
CBC 2021-03 (53)	27,895	-	-	27,895	70%	19,527	19,527	17,574	1,953
CBC 2021-04 (54)	3,276	-	-	3,276	70%	2,294	2,294	2,064	229
CBC 2021-04 (55)	2,307	-	-	2,307	70%	1,615	1,615	1,453	161
CBC 2022-01 (56)	36,248	-	-	36,248	70%	25,374	25,374	22,836	2,537
CBC 2022-01 (57)	50,777	-	-	50,777	70%	35,544	35,544	31,989	3,554
CBC 2022-02 (58)	45,057	-	-	45,057	70%	31,540	31,540	28,386	3,154
CBC 2022-02 (59)	1,600	-	-	1,600	70%	1,120	1,120	1,008	112
CBC 2022-03 (60)	99,080	-	-	99,080	70%	69,356	69,356	62,420	6,936
CBC 2022-03 (61)	116,205	-	-	116,205	70%	81,344	81,344	73,209	8,134
<b>Total</b>	<b>1,611,741</b>	<b>-</b>	<b>-</b>	<b>1,611,741</b>		<b>1,128,219</b>	<b>1,128,219</b>	<b>1,015,397</b>	<b>112,822</b>
UGR 2021-01 (56)	288,259	-	-	288,259	70%	201,781	201,781	181,603	20,178
UGR 2021-01 (57)	71,129	-	-	71,129	70%	49,790	49,790	44,811	4,979
UGR 2021-02 (58)	43,000	-	-	43,000	70%	30,100	30,100	27,090	3,010
UGR 2021-03 (59)	143,000	-	-	143,000	70%	100,100	100,100	90,090	10,010
UGR 2021-04 (60)	445,000	-	(10,000)	435,000	70%	311,500	304,500	280,350	24,150
UGR 2021-04 (61)	4,198	-	-	4,198	70%	2,939	2,939	2,645	294
<b>Total</b>	<b>994,586</b>	<b>-</b>	<b>(10,000)</b>	<b>984,586</b>		<b>696,210</b>	<b>689,210</b>	<b>626,589</b>	<b>62,621</b>

## Schedule (continued)

Project Claim Number	Claimed Costs	DWR Adjustment to Claimed Costs	Audit Adjustment <sup>1</sup>	Allowable Costs	State Share	State Share of Claimed Costs	State Share of Allowable Costs	Amount Received by the District	Additional Amount Due to the District Pending Audit
SSFBS 2022-01 (1)	219,814	(5,528)	-	214,286	70%	153,870	150,000	135,000	15,000
SSFBS 2022-01 (2)	10,303,628	(97,275)	44,752	10,251,105	70%	7,212,540	7,175,774	6,430,003	745,771
SSFBS 2022-02 (3)	62,147	-	-	62,147	70%	43,503	43,503	39,153	4,350
SSFBS 2022-02 (4)	6,296	-	-	6,296	70%	4,407	4,407	3,966	441
SSFBS 2022-02 (5)	45,300	-	-	45,300	70%	31,710	31,710	28,539	3,171
SSFBS 2023-03 (6)	51,750	-	-	51,750	70%	36,225	36,225	32,603	3,622
SSFBS 2022-03 (7)	23,000	-	-	23,000	70%	16,100	16,100	14,490	1,610
SSFBS 2022-04 (8)	819,439	-	(44,752)	774,687	70%	573,607	542,281	516,247	26,034
<b>Total</b>	<b>11,531,374</b>	<b>(102,803)</b>	<b>-</b>	<b>11,428,571</b>		<b>8,071,962</b>	<b>8,000,000</b>	<b>7,200,001</b>	<b>799,999</b>
LSCW 2021-01 (92)	145,994	-	-	145,994	90%	131,395	131,395	118,255	13,139
LSCW 2021-01 (93)	247,737	-	-	247,737	90%	222,963	222,963	200,667	22,296
LSCW 2021-02 (94)	16,758	-	-	16,758	90%	15,082	15,082	13,574	1,508
LSCW 2021-02 (95)	47,617	-	-	47,617	90%	42,855	42,855	38,570	4,286
LSCW 2022-01 (96)	7,883	-	-	7,883	90%	7,095	7,095	6,385	710
LSCW 2022-01 (97)	15,244	-	-	15,244	90%	13,720	13,720	12,348	1,372
<b>Total</b>	<b>481,233</b>	<b>-</b>	<b>-</b>	<b>481,233</b>		<b>433,109</b>	<b>433,109</b>	<b>389,798</b>	<b>43,311</b>
ULCW 2022-01 (287)	1,575,051	-	-	1,575,051	100%	1,575,051	1,575,051	1,417,546	157,504
ULCW 2022-01 (288)	18,790	-	-	18,790	100%	18,790	18,790	16,911	1,879
ULCW 2022-01 (289)	134,505	-	-	134,505	100%	134,505	134,505	121,055	13,451
ULCW 2022-01 (290)	859,151	-	-	859,151	100%	859,151	859,151	773,236	85,915
ULCW 2022-01 (291)	334,797	-	-	334,797	100%	334,797	334,797	301,317	33,480
ULCW 2022-01 (292)	158,077	-	-	158,077	100%	158,077	158,077	142,269	15,808
ULCW 2022-01 (293)	11,000	-	-	11,000	100%	11,000	11,000	9,900	1,100
ULCW 2022-01 (294)	42,200	-	-	42,200	100%	42,200	42,200	37,980	4,220
ULCW 2022-02 (295)	806,198	-	-	806,198	100%	806,198	806,198	725,579	80,620
ULCW 2022-02 (296)	20,326	-	-	20,326	100%	20,326	20,326	18,293	2,033
ULCW 2022-02 (297)	40,570	-	-	40,570	100%	40,570	40,570	36,513	4,057
ULCW 2022-02 (298)	1,087,829	-	-	1,087,829	100%	1,087,829	1,087,829	979,047	108,783
ULCW 2022-02 (299)	9,895	-	-	9,895	100%	9,895	9,895	8,905	989
ULCW 2022-02 (300)	67,638	-	-	67,638	100%	67,638	67,638	60,874	6,764

## Schedule (continued)

Project Claim Number	Claimed Costs	DWR Adjustment to Claimed Costs	Audit Adjustment <sup>1</sup>	Allowable Costs	State Share	State Share of Claimed Costs	State Share of Allowable Costs	Amount Received by the District	Additional Amount Due to the District Pending Audit
ULCW 2022-02 (301)	114,300	-	-	114,300	100%	114,300	114,300	102,870	11,430
ULCW 2022-02 (302)	41,025	-	-	41,025	100%	41,025	41,025	36,923	4,103
ULCW 2022-02 (303)	5,500	-	-	5,500	100%	5,500	5,500	4,950	550
ULCW 2022-02 (304)	1,000	-	-	1,000	100%	1,000	1,000	900	100
ULCW 2022-02 (305)	58,300	-	-	58,300	100%	58,300	58,300	52,470	5,830
ULCW 2022-02 (306)	434,000	-	-	434,000	100%	434,000	434,000	390,600	43,400
ULCW 2022-02 (307)	88,100	-	-	88,100	100%	88,100	88,100	79,290	8,810
ULCW 2022-02 (308)	43,800	-	-	43,800	100%	43,800	43,800	39,420	4,380
ULCW 2022-02 (309)	141,400	-	-	141,400	100%	141,400	141,400	127,260	14,140
ULCW 2022-03 (310)	226,600	-	-	226,600	100%	226,600	226,600	203,940	22,660
ULCW 2022-03 (311)	1,114,915	-	-	1,114,915	100%	1,114,915	1,114,915	1,003,423	111,491
ULCW 2022-03 (312)	20,900	-	-	20,900	100%	20,900	20,900	18,810	2,090
ULCW 2022-03 (313)	248,000	-	-	248,000	100%	248,000	248,000	223,200	24,800
ULCW 2022-03 (314)	1,330,000	-	-	1,330,000	100%	1,330,000	1,330,000	1,197,000	133,000
ULCW 2022-03 (315)	2,000	-	-	2,000	100%	2,000	2,000	1,800	200
ULCW 2022-03 (316)	21,600	-	-	21,600	100%	21,600	21,600	19,440	2,160
ULCW 2022-03 (317)	14,000	-	-	14,000	100%	14,000	14,000	12,600	1,400
ULCW 2022-03 (318)	29,000	-	-	29,000	100%	29,000	29,000	26,100	2,900
ULCW 2022-03 (319)	29,000	-	-	29,000	100%	29,000	29,000	26,100	2,900
ULCW 2022-03 (320)	29,000	-	-	29,000	100%	29,000	29,000	26,100	2,900
ULCW 2022-03 (321)	29,000	-	-	29,000	100%	29,000	29,000	26,100	2,900
ULCW 2022-03 (322)	13,300	-	-	13,300	100%	13,300	13,300	11,970	1,330
ULCW 2022-03 (323)	2,400	-	-	2,400	100%	2,400	2,400	2,160	240
<b>Total</b>	<b>9,203,166</b>	<b>-</b>	<b>-</b>	<b>9,203,166</b>		<b>9,203,166</b>	<b>9,203,166</b>	<b>8,282,849</b>	<b>920,317</b>
<b>Grand Total</b>	<b>\$ 23,822,100</b>	<b>\$ (102,803)</b>	<b>\$ (10,000)</b>	<b>\$ 23,709,297</b>		<b>\$ 19,532,666</b>	<b>\$ 19,453,704</b>	<b>\$ 17,514,634</b>	<b>\$ 1,939,070</b>

<sup>1</sup>See the Finding and Recommendation section.<sup>2</sup>The State's share of allowable project costs represent the percentage of state funding, as stipulated in the California Water Code, for each project cost category.

# Finding and Recommendation

**FINDING—  
Unallowable land  
acquisition costs  
and partial  
reversal of  
Department of  
Water Resources  
adjustments**

The district claimed \$994,586 in costs for the UGR Project and \$11,531,374 in costs for the SSFBS Phase 1 Project. During the audit, we identified unallowable costs totaling \$54,752, which included \$10,000 in unallowable land costs from the UGR Project and \$44,752 in unallowable land costs from the SSFBS Phase 1 Project.

The \$10,000 in unallowable costs for the UGR Project resulted from an overstated appraisal value. We found that the certified appraisal value of \$445,000, which the district claimed for reimbursement, did not agree with the supporting appraisal report calculation of \$435,000.

The \$44,752 in unallowable costs for the SSFBS Phase 1 Project resulted from the district's negotiated settlement of \$469,752, which exceeded the appraised fair market value of \$425,000. The district did not request the necessary preapproval from DWR for the excess amount.

The district did not follow the DWR Guidelines, which require claimants to obtain advance approval from the DWR for negotiated settlements and stipulated court judgments that exceed the high appraised value. In addition, the district did not sufficiently review the certified appraisal value to ensure that the amounts calculated in the report agree with the supporting appraisal report calculation.

Section IV, Part D.1 of the DWR Guidelines states, in part:

Negotiated settlements and stipulated judgments may not exceed the local agency's high appraised value unless the advance approval of the Department [of Water Resources] has been obtained.

## **Department of Water Resources Adjustments**

In its initial processing of the claims, DWR made two adjustments to SSFBS Phase 1 Project claims totaling \$102,803 as excess claims, to reduce the State's share of allowable costs to the maximum allowable amount of \$8 million.

When we identified the unallowable land acquisition costs during the audit, the district contacted the DWR to discuss the audit adjustments. The district subsequently advised us that the DWR had agreed to shift and replace our \$44,752 adjustment with the excess project costs previously adjusted by the DWR. After confirming with the DWR its agreement with the district to shift costs, we performed an additional review of the previously adjusted costs to determine eligibility. We found the costs to be eligible and agreed with the cost shift, and partially reversed the DWR adjustments by \$44,752.



As a result, allowable costs are reduced by \$10,000, as shown in the following table:

<u>Claim Number</u>	<u>Category</u>	<u>SCO Adjustment</u>
UGR 2021-04 (60)	Land	(10,000)
SSFBS 2022-04(8)	Land	(44,752)
SSFBS 2022-01(2)	Services and supplies	44,752
Total		<u>\$ (10,000)</u>

#### Recommendation

We recommend that the district:

- Reduce its claim for the UGR Project by \$10,000; and
- Ensure that future claimed costs are eligible for reimbursement under DWR guidelines.

We also recommend that DWR adjust its records accordingly to reflect the partial reversal of its adjustments to SSFBS Phase 1 Project claims.

#### District's Response

. . . There was a \$10,000 adjustment resulting from an overstated appraisal value related to the [UGR] project, which was caused by a typographical error on the documentation from the appraiser.

The resulting financial impact to Valley Water will be a reduction in anticipated cost reimbursements by \$7,000, due to the overstated appraisal value related to the UGR project (\$10,000 adjustment  $\times$  70% reimbursement = \$7,000), with which Valley Water staff agrees. Valley Water will continue to seek advance approval from DWR whenever seeking reimbursement that exceeds the appraisal value. Additionally, Valley Water will maintain close collaboration with the Real Estate Services Unit to ensure that the most up-to-date reports are available for review.

**Attachment—  
Santa Clara Valley Water District's  
Response to Draft Audit Report**

---



Clean Water • Healthy Environment • Flood Protection

February 6, 2025

Efren Loste  
State Controller's Office  
Chief, Local Government Audits Bureau, Division of Audits  
Po Box 942850  
Sacramento, CA 94250

Subject: Upper Guadalupe River, Upper Llagas Creek, Coyote Berryessa, Lower Silver Creek and South San Francisco Bay Shoreline Subvention Claims

Dear Efren Loste:

The Santa Clara Valley Water District (Valley Water) is responding to the draft report dated January 28, 2025. Valley Water would like to thank you and the auditors for the thorough and thoughtful work in reviewing the subvention program claims.

The State Controller's Office (SCO) identified a total of \$112,803 in unallowable costs. Out of this, \$58,051 was already adjusted before the audit because Valley Water (VW) had submitted claims that would have exceeded the \$8 million reimbursement budget specified in the funding agreement for the South San Francisco Bay Shoreline Project (SSFBS). The audit confirmed DWR's prior adjustments.

An additional \$44,752 was adjusted, ultimately for the same reason, to prevent the claims submitted by VW from exceeding the \$8 million reimbursement budget for SSFBS. While the audit records a finding related to the \$44,752, it should be noted that Valley Water was aware of the issue and had already replaced the ineligible costs with other eligible project costs per agreement from DWR, and that SCO found the replaced costs to be eligible. It should also be noted that Valley Water is fully aware of the process to request preapproval from DWR when parcel purchase costs exceed the appraised value, but in this case chose to reallocate those excess costs to another parcel purchase where the purchase costs were less than the appraised value and did so with permission from DWR.

Finally, there was a \$10,000 adjustment resulting from an overstated appraisal value related to the Upper Guadalupe River (UGR) project, which was caused by a typographical error on the documentation from the appraiser.

The resulting financial impact to Valley Water will be a reduction in anticipated cost reimbursements by \$7,000, due to the overstated appraisal value related to the UGR project (\$10,000 adjustment X 70% reimbursement = \$7,000), with which Valley Water staff agrees.



Clean Water • Healthy Environment • Flood Protection

Efren Loste  
February 6, 2025  
Page 2 of 2

Valley Water will continue to seek advance approval from DWR whenever seeking reimbursement that exceeds the appraisal value. Additionally, Valley Water will maintain close collaboration with the Real Estate Services Unit to ensure that the most up-to-date reports are available for review.

According to the draft audit report, Valley Water is owed the remaining balance of \$1,939,070 in retention and Valley Water hopes to receive the remaining funding soon.

Please contact Simon Lo, Senior Management Analyst at 408-857-7036 or Stephanie Lei-Morales, Supervising Program Administrator at 408-891-2698 if you have any questions.

Regards,

DocuSigned by  
*Darin Taylor* 2/6/2025  
Darin Taylor  
Chief Financial Officer  
Office of the Chief Executive Officer

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250**

**[www.sco.ca.gov](http://www.sco.ca.gov)**

S24-FLC-0002

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# Santa Clara Valley Water District

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**File No.:** 25-0527

**Agenda Date:** 6/17/2025  
**Item No.:** 4.4.

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## **COMMITTEE AGENDA MEMORANDUM** **Board Audit Committee**

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

### **SUBJECT:**

Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2024-2025 Financial Audit, Presented by Vasquez and Company LLP.

### **RECOMMENDATION:**

Receive and discuss information regarding the upcoming FY 2024-2025 financial audit, presented by Vasquez and Company LLP.

### **SUMMARY:**

Vasquez and Company LLP will provide an overview of the financial audit process for Fiscal Year 2024-25.

### **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

There are no environmental justice and equity impacts associated with the FY 2024-25 financial audit.

### **ATTACHMENTS:**

Attachment 1: PowerPoint

### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



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# Valley Water

Clean Water • Healthy Environment • Flood Protection

**Santa Clara Valley Water District**

## **Presentation to the Board Audit Committee**

Fiscal Year Ending June 30, 2025

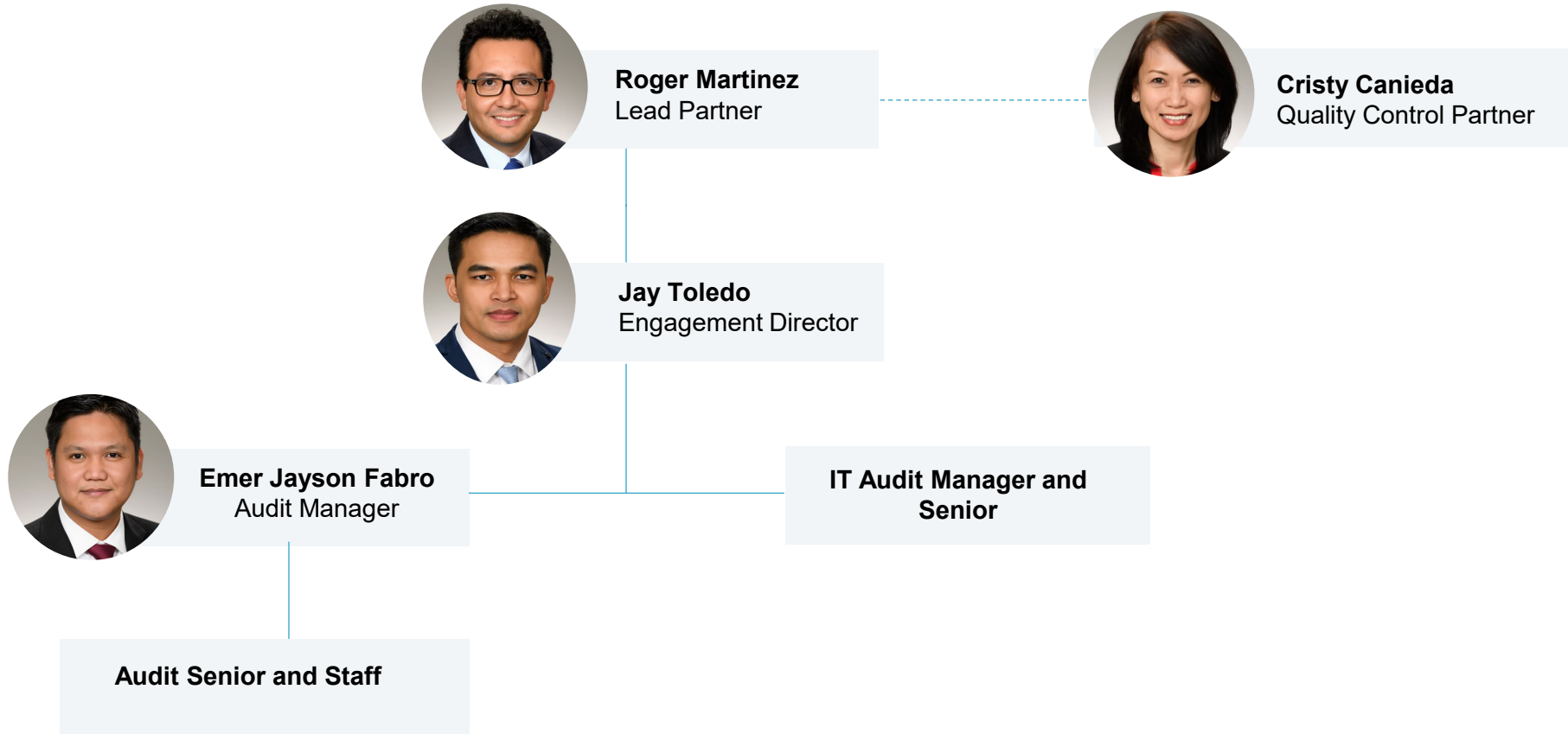
June 17, 2025

# / Table of Contents

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# / Engagement Team

## Santa Clara Valley Water District Engagement Team



# **/ FY2025 SCOPE OF SERVICES**



# / Scope of Services – FYE June 30, 2025

## **Financial Statement Audit**

- The audit will be completed no later than the end of December of each year.

## **Single Audit**

- The audit reporting package must be submitted earlier of 30 days after the receipt of the report, or 9 months after the end of the fiscal year.

## **Water Utility Enterprise Fund Audit**

- The audit will take place after Valley Water District Annual Audit and will be completed no later than three months after the Valley Water District Annual Audit.



# / Scope of Services, Continued

## Review of Treasurer's Report

- To be prepared annually.
- The completion date of Treasurer's report will coincide with the completion date of the Valley Water District Annual Audit.

## Appropriation Limit Report

- To be prepared annually.
- The completion date of the Appropriation Limit Report will coincide with the completion date of the Valley Water District Annual Audit.

## Agreed upon procedures on Compensation and benefits Policy Compliance Report

- To be prepared biennially starting with the audit of fiscal year 2023.
- **This is applicable for fiscal year 2025**





# / Scope of Services, Continued

## Agreed upon procedures on Travel Expense Reimbursement Process and Procedures

- Report will coincide with the completion date of the Valley Water District Annual Audit. To be prepared biennially starting with the audit of fiscal year 2022.
- **This is not applicable for fiscal year 2025**

## Advanced Water Treatment Facility (AWTF) Audit

- Audit will take place after Valley Water Wide Annual Audit and will be completed no later than one month after the Valley Water District Annual Audit.

## Supplemental Services

- On an as needed basis

# **/ AUDIT OBJECTIVES**



# / Audit Objectives – Financial Statements



Reporting on  
Financial  
Statements of  
Valley Water.

Engagement  
focused on  
delivering service  
at three levels:

## **For the public and regulatory agencies**

- Independent opinions and reports that provide assurance on the financial information released by Valley Water.

## **For the Board of Directors**

- Assistance in satisfying their corporate governance compliance responsibilities.

## **For management**

- Observations and advice on financial reporting, accounting and internal control issues from our professionals.

# / Audit Objectives – Financial Statements, Continued



## Primary Objective:

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.



Auditing standards generally accepted in the United States of America (GAAS); and

The standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and

Audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the U.S. Office of Management and Budget's (OMB) Compliance Supplement.



Consider Valley Water's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements.

# / Audit Objectives – Other Reports

## Single Audit

- compliance requirements as subject to audit in the OMB Compliance Supplement

## Water Utility Enterprise Fund Audit

- 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.

# / Audit Objectives – Other Reports

## **Review of Treasurer's Report**

- District's compliance with the provisions of the California Government Code, the District's Investment Policy and the District's Staff Investment Guidelines related to the Quarterly Treasurer's Reports

## **Appropriation Limit Report**

- District's compliance in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

## **Agreed upon procedures on Compensation and benefits Policy Compliance Report**

- District's compliance with the requirements of the Board Policy on Executive Limitations Over Compensation and Benefits



# / Audit Objectives – Other Reports

## **Agreed upon procedures on Travel Expense Reimbursement Process and Procedures**

- District's compliance with its Travel and Subsistence Policy

## **Advanced Water Treatment Facility (AWTF) Audit**

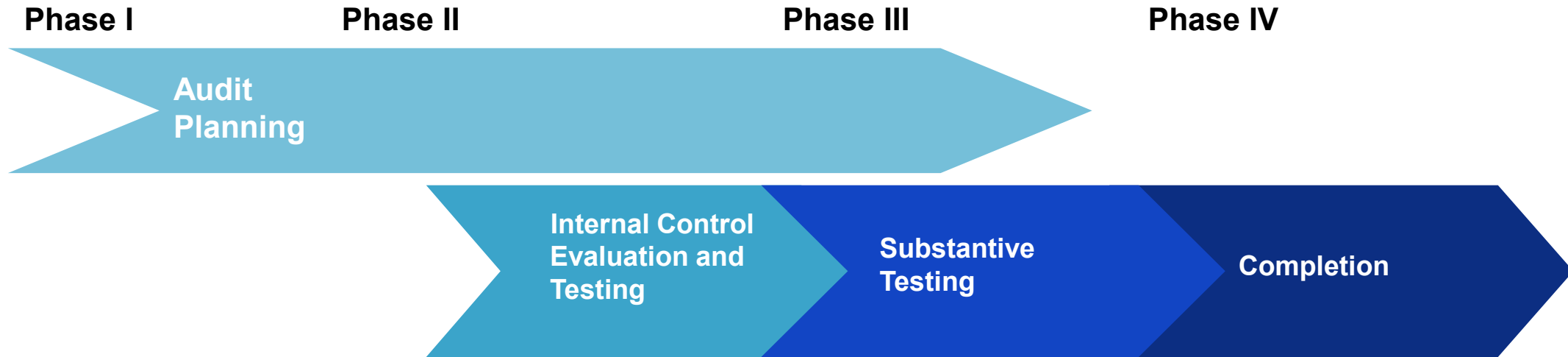
- Schedule of Operating Expenses in accordance with the financial reporting provisions of the Recycled Water Facilities and Programs Integration Agreement dated March 2, 2010 between the City of San Jose and the District



# / AUDIT STRATEGY



# / Audit Strategies



- Familiarize ourselves with changes to the operating environment
- Perform risk assessment procedures (assessment of inherent risk, control risk and risk of material misstatement)
- Perform preliminary analytical review
- Scope the audit, including procedures and locations
- Identify major program(s) for Single Audit testing.

- Perform fraud risk and evaluation procedures
- Consider regulatory matters and communications
- Assess internal control environment
- Evaluate the design and functioning of key controls
- Review the IT control environment
- Test selected controls including those over the administration of federal funds
- Conclude as to internal control effectiveness; draft internal control comments.

- Perform substantive audit procedures including confirmations with third parties, account analyses and review of source documents
- Conduct final analytical review
- Consider audit evidence sufficiency
- Conclude on critical accounting and financial reporting matters
- Draft compliance findings, if any
- Discuss proposed audit adjustments with management.

- Perform completion procedures (representation letter, update of audit evidence, final reviews)
- Assist in preparing the annual comprehensive financial report and other audit reports.
- Evaluate the basic financial statements and disclosures
- Draft auditor's reports on financial statements, internal controls and compliance, and other audit reports.
- Conduct exit conference, including audit adjustments, internal control and compliance findings and comments
- Issue auditor's reports and management letter.

# **/ SIGNIFICANT AUDIT AREAS**



# / Significant Audit Areas

Audit Focus Area	Risk/Concerns
Information Technology Controls	<ul style="list-style-type: none"><li>▪ The areas under review will include the following:<ul style="list-style-type: none"><li>✓ IT Organization and Management</li><li>✓ IT Policies and Procedures</li><li>✓ Change Management</li><li>✓ Information Security / User Access Management</li><li>✓ Computer Operations (including capacity planning, network management, and helpdesk)</li><li>✓ Incident Management</li><li>✓ Data Integrity (covering DRP, backup, restoration, and retention)</li></ul></li></ul>
Management override of controls	<ul style="list-style-type: none"><li>▪ Management may influence financial results by overriding controls.</li><li>▪ Journal entries and other adjustments are not properly supported</li></ul>
Implementation of new GASB Standards	<ul style="list-style-type: none"><li>▪ Risk of inaccuracies in documenting and implementing the new GASB standards, including required disclosures.</li></ul>

# / Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Cash and cash equivalents	<ul style="list-style-type: none"><li>▪ Misappropriation of assets.</li><li>▪ Cash balances exceeding federally insured limits.</li><li>▪ Cash equivalents reported in the financial statements do not agree with the amounts reflected in the account statements.</li></ul>
Investments	<ul style="list-style-type: none"><li>▪ Improper valuation and presentation in the financial statements</li><li>▪ Noncompliance with investment policy.</li></ul>
Inventory – Water Rights	<ul style="list-style-type: none"><li>▪ Inventory may be overstated or understated due to incorrect application of valuation methods</li></ul>
Receivables	<ul style="list-style-type: none"><li>▪ Receivables related to specific transactions may not exist.</li><li>▪ There may be a lack of control over receivables</li><li>▪ Receivables might not be properly recognized, affecting their collectability.</li><li>▪ Certain transactions may not be accurately identified or reported.</li></ul>
Revenue recognition	<ul style="list-style-type: none"><li>▪ Revenues are not properly recognized.</li><li>▪ Exchange and non-exchange contracts are not properly identified and recognized.</li></ul>

# / Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Capital Assets	<ul style="list-style-type: none"><li>Capitalization of assets and depreciation are not in accordance with Valley Water's policy.</li></ul>
Restricted Cash and Investments	<ul style="list-style-type: none"><li>Restricted cash may be improperly classified as unrestricted, affecting liquidity ratios and financial statement presentation.</li></ul>
Expenditures/ payroll	<ul style="list-style-type: none"><li>Expenditures may not comply with budgetary constraints and procurement policies.</li><li>Payroll costs are not accurately allocated and lack proper documentation of hours and rates.</li></ul>
Accounts payable, accrued liabilities, commitments and contingencies	<ul style="list-style-type: none"><li>Understatement of accounts payable and accrued liabilities.</li><li>Commitments and contingencies may not be properly recognized and/or disclosed in the financial statements.</li></ul>
Procurement	<ul style="list-style-type: none"><li>Procurement practices may not be in accordance with the applicable regulations and policies.</li></ul>
Commercial paper debt and bonds payable	<ul style="list-style-type: none"><li>Misclassification as long-term instead of short-term debt (or vice versa), affecting liquidity ratios.</li></ul>

# / Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Other Postemployment Benefits (OPEB), Net Pension Liability, Deferred Outflows and Inflows of resources and Pension Expense	<ul style="list-style-type: none"><li>▪ Related accounts may not be recorded in accordance with the requirements of GASB 68 and GASB 75.</li></ul>
Net Position	<ul style="list-style-type: none"><li>▪ Improper presentation and classification of net investment in capital assets, unrestricted and restricted funds.</li></ul>
Federal grants	<ul style="list-style-type: none"><li>▪ Uniform Guidance compliance is not reviewed to ensure that the expense are accurately categorized and reported for the single audit requirement.</li><li>▪ Grant expenditures are not reviewed for program compliance.</li><li>▪ Compliance requirements are not met.</li></ul>
Other Reports	<ul style="list-style-type: none"><li>▪ Risk of noncompliance with required laws and regulations</li></ul>
Financial statements disclosures	<ul style="list-style-type: none"><li>▪ Subsequent events may not be properly disclosed.</li></ul>



# **/ 2025 AUDIT TIMELINE**



# / 2025 Audit Timeline (ACFR)



TASKS	START	END
<b>PLANNING</b>		
Board Presentation Meeting	6/17/2025	6/17/2025
Fraud interviews	TBD	TBD
<b>YEAR-END AUDIT PROCESS</b>		
Entrance Meeting with Management	June 2025	June 2025
Interim Fieldwork	6/16/2025	6/20/2025
Final Fieldwork	8/11/2025	9/12/2025
Exit conference	9/30/2025	9/30/2025
<b>FINANCIAL REPORTING</b>		
Initial draft financial statements to be provided	10/21/2025	10/22/2025
Submission to auditors of ACFR for preliminary review	10/28/2025	10/28/2025
Submission to auditors of ACFR for final review	11/4/2025	11/4/2025
Presentation of DRAFT ACFR to Board Audit Committee	November 2025	November 2025
Signed audit opinion letter received from the auditors (Report) and auditors' reports	December 2025	December 2025
Presentation to the District Board	December 2025	December 2025

# / NEW GASB STANDARDS



## New GASB Standards

**GASB Statement No. 100** – *Accounting Changes and Errors Corrections* – an amendment of GASB Statement No. 62. The objective of this statement is to provide guidance for changes in the financial reporting entity, accounting principles, and estimates used to prepare financial information.

- Types of Accounting Changes/Corrections
  - Change in Accounting Principle
  - Change in Accounting Estimate
  - Change to or within the Financial Reporting Entity
  - Corrections of an Error
- RSI an SI
  - For change in accounting principle – do not restate periods earlier than those presented
  - Error correction – restate periods to the extent affected by the error, if practicable
- **Effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.**

## New GASB Standards

**GASB Statement No. 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.

- This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- To be implemented in FY 2025

## New GASB Standards

**GASB Statement No. 102**, Certain Risk Disclosures, requires entities to disclose critical information about their exposure to risk due to certain concentrations or limitations that could lead to financial distress or operational challenges. Specifically, this statement addresses financial reporting regarding **concentrations** and **constraints** that may have a substantial impact and negatively affect the level of service a government provides.

- This statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- To be implemented in FY 2025



# **/ RECENT ACCOUNTING PRONOUNCEMENTS**





# / GASB Statement No. 103 - Financial Reporting Model Improvements

## Recent Accounting Pronouncements

**GASB Statement No. 103**, *Financial Reporting Model Improvements*, provides targeted improvements to the financial reporting model that was established for state and local governments in 1999 by [GASB Statement No. 34](#), *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*.

- This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- To be implemented in FY 2026

# / GASB Statement No. 104 - Disclosure of Capital Assets

## Recent Accounting Pronouncements

**GASB Statement No. 104**, *Disclosure of Capital Assets*, effective for fiscal years beginning after **June 15, 2024**, requires governments to disclose concentration risks and external constraints that could significantly impact financial operations or service delivery within 12 months. Capital assets are subject to disclosure if they are critical to operations (e.g., a single treatment plant) or affected by constraints such as supply chain delays, labor shortages, or environmental regulations. Disclosures must describe the nature of the risk, its potential impact, and any mitigation actions taken.

# QUESTIONS

# / Contact Information

**Vasquez + Company LLP** has over 50 years of experience in performing audit, tax, accounting, and consulting services for all types of nonprofit organizations, governmental entities, and private companies. We are the largest minority-controlled accounting firm in the United States and the only one to have global operations and certified as MBE with the Supplier Clearinghouse for the Utility Supplier Diversity Program of the California Public Utilities Commission.

We are clients of the **RSM Professional Services+ Practice**. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.

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**THANK YOU FOR  
YOUR TIME AND  
ATTENTION.**





# Santa Clara Valley Water District

File No.: 25-0380

Agenda Date: 6/17/2025

Item No.: 4.5.

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## 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 2024-2025 Third Quarter Financial Status Update.

### RECOMMENDATION:

Receive the Fiscal Year 2024-2025 third quarter financial status update as of March 31, 2025.

### SUMMARY:

Valley Water's Fiscal Year 2024-25 Third Quarter closed on March 31, 2025. 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, 2025.

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

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**File No.:** 25-0380

**Agenda Date:** 6/17/2025  
**Item No.:** 4.5.

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**UNCLASSIFIED MANAGER:**  
Darin Taylor, 408-630-3068



# Q3 FY2024-25 Financial Status Update

Board Audit Committee, June 17, 2025

The FY 2024-25 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

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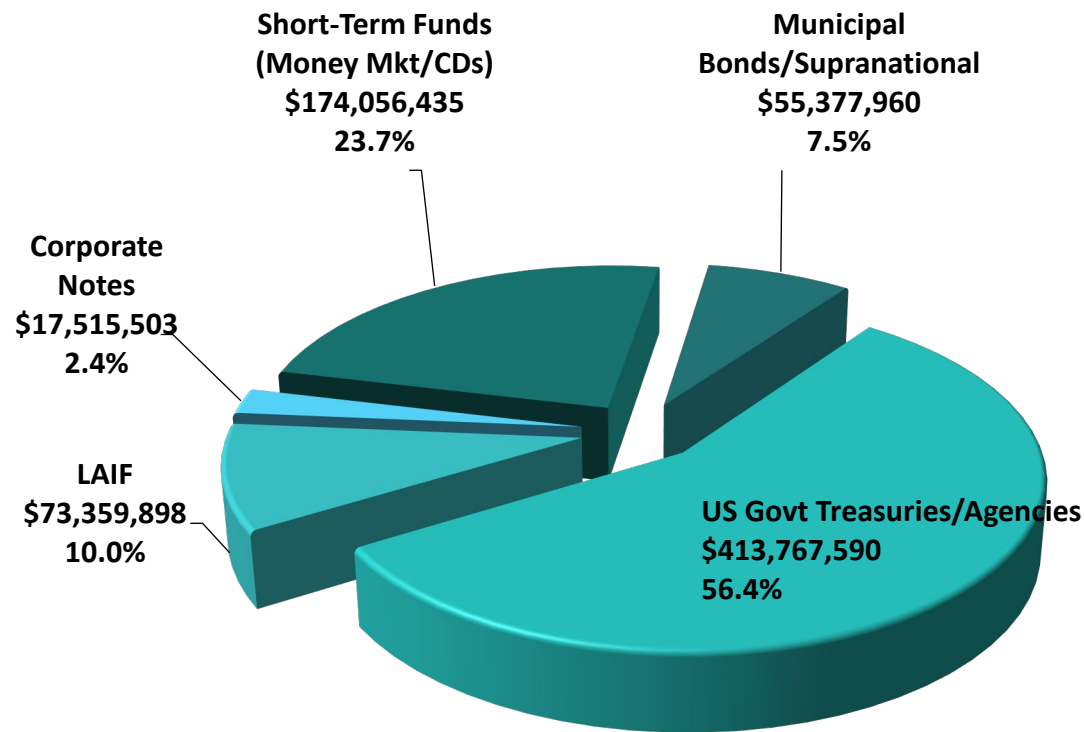
- **Financial Status**
  - **Cash and Investments**
  - **Debt Portfolio**
- **Q3 FY25 Financial Status Update**
  - **Revenue**
  - **Operating and Capital Expenditures**
  - **Reserves**

# Financial Status Update – Cash & Investments

*\$247 million or 34% of portfolio very liquid (LAIF & Short-Term deposits)*

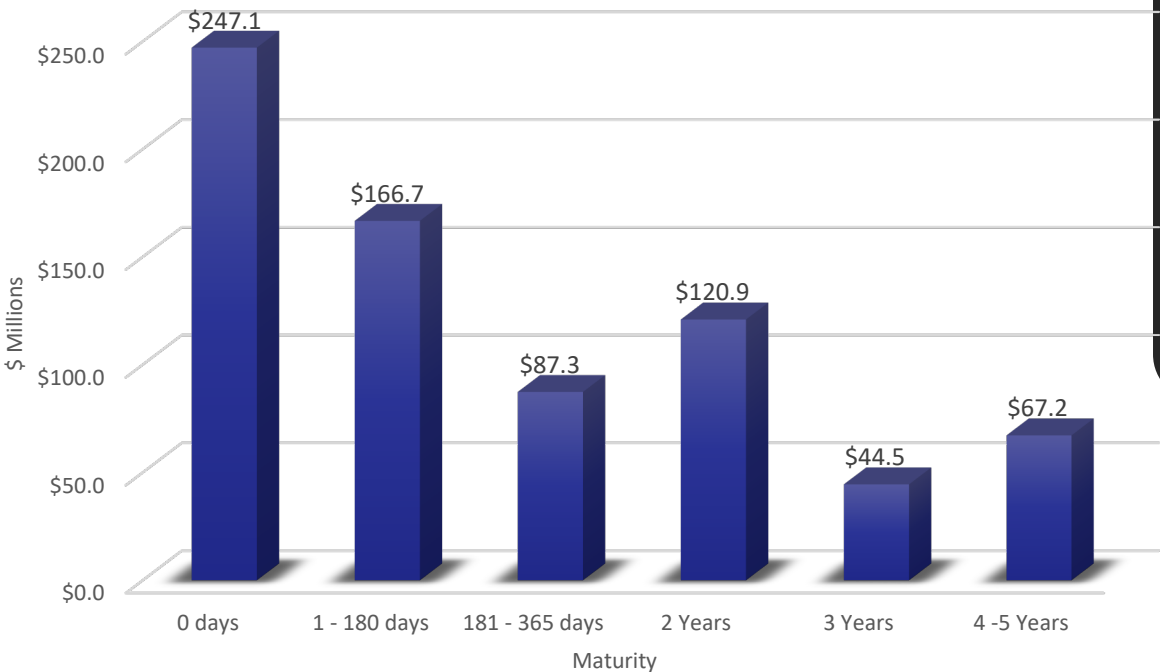
*Funds reinvested based on cashflow needs*

3



SCVWD Portfolio Book Value as of March 31, 2025: \$734,077,386

Valley Water Portfolio Aging Report  
March 31, 2025  
Portfolio Book Value: \$734 Million



valleywater.org

# Financial Status Update – Outstanding Debt

Outstanding Debt 3/31/25: \$1,306 Million

FY 2025 Debt Service Budget: \$98.6M  
Water Utility: \$83.8M  
Watersheds: \$5.7M  
Safe, Clean Water: \$9.1M



- Watersheds**
  - 2017A COPs
- Safe, Clean Water**
  - 2022A Bonds
  - 2022B Bonds
- Water Utility**
  - 2016A Bonds
  - 2016B Bonds
  - 2016C COPs
  - 2016D COPs
  - 2017A Bonds
  - 2017B Bonds
  - 2017C Bonds
  - 2017D Bonds
  - 2018A Bonds
  - 2018B Bonds
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  - 2020C COPs
  - 2020D COPs
  - 2023A Bonds
  - 2023B Bonds
  - 2023C1 COPs
  - 2023C2 COPs
  - 2023D COPs
  - 2024A-1 Bonds
  - 2024B-1 Bonds
  - 2024A-2 Bonds
  - 2024B-2 Bonds
  - 2024C Bonds

# Financial Status Update – Debt Portfolio

*Ample access to cash at low interest rates*

## **\$400M Short-term credit facilities**

- \$150M Bank Line of Credit with U.S. Bank
- \$250M CP Program

## **2025 Financing Plan**

- Application submitted to USACE to increase the Anderson Dam Seismic Retrofit Project WIFIA Loan by \$639M, from \$579M to \$1.2B
- Application submitted for \$653M CWIFP loan for Dam Safety Program to finance Almaden, Calero, and Coyote, and Guadalupe Dam Seismic Retrofit projects
- WIFIA Master Agreements: \$146.7M SCW (\$7M disbursed); \$579M Anderson (\$27M disbursed); \$1.4B Pacheco (\$0 disbursed)
- FY 2025 debt issuance plans:
  - WU \$236M
  - SCW \$70M
  - Board authorization ~May 2025; issuance~ August/September 2025

5

# Q3 FY25 - Revenues

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

6

(\$ in millions)	FY25 Adj Budget	Q3 FY25 Actuals	Q3 FY25 % Rec'd	Q3 FY24 Actuals	Q3 FY24 % Rec'd*
Groundwater Production Charges	\$ 184.7	\$ 117.4	64%	\$ 91.0	60%
Treated Water Revenue	211.7	149.7	71%	123.9	71%
Surface/Recycled Water Revenue	4.0	1.4	35%	1.4	39%
1% Ad-valorem Property Tax	148.4	97.6	66%	113.6	82%
Safe Clean Water Special Parcel Tax	53.5	30.0	56%	29.6	57%
Benefit Assessment	7.1	3.9	55%	3.9	57%
State Water Project Tax	28.0	16.2	58%	15.7	58%
Capital Reimbursements	42.4	12.5	29%	5.2	8%
Interest Income & Other	15.4	41.5	269%	34.2	261%
<b>Total Revenue</b>	<b>\$ 695.2</b>	<b>\$ 470.2</b>	<b>68%</b>	<b>\$418.5</b>	<b>66%</b>

\*Q3 FY25 % received based Q3 YTD Actuals divided by FY25 Adjusted Budget

(\$ in millions)	FY25 Adj Budget	Q3 FY25 Actuals	Q3 FY25 % Rec'd	Q3 FY24 Actuals	Q3 FY24 % Rec'd*
General Fund	\$ 12.4	\$ 9.1	73%	\$ 9.9	87%
Watershed Stream Stewardship Fund	141.0	96.3	68%	102.3	66%
Safe Clean Water Fund	86.2	39.2	45%	35.8	46%
Water Utility Enterprise Fund	447.9	320.4	72%	265.4	69%
Service Funds	0.6	1.3	217%	1.2	240%
Benefit Assessment Funds	7.1	3.9	55%	3.9	57%
<b>Total Revenue</b>	<b>\$ 695.2</b>	<b>\$ 470.2</b>	<b>68%</b>	<b>\$418.5</b>	<b>66%</b>

\*Q3 FY25 % received based Q3 YTD Actuals divided by FY25 Adjusted Budget

## Observations

- Q3 FY25 revenue was \$470.2M or 68% of FY25 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 \$117.4M or 64% of Budget and \$26.4M higher than Q3 FY24 actuals
- Treated water revenue \$149.7M or 71% of Budget and \$25.8M higher than Q3 FY24 actuals due to higher use and rates
- Capital reimbursements of \$12.5M, which varies year-over-year depending on progress of grant-funded projects
- Interest Income and Other \$41.5M, or 269% of budget, due to settlement payment and investment income on bond proceeds

# Q3 FY25 - Operating and Capital Expenditures

*Capital expenditures estimated to end FY below budgeted levels*

7

(\$ in millions)	FY25 Adj Budget	Q3 FY25 Actuals	Q3 FY25 % Spent	Q3 FY24 Actuals	Q3 FY24 % Spent
General Fund	\$ 90.6	\$ 55.8	62%	\$ 57.4	66%
Watershed Stream Stewardship Fund	94.3	58.3	62%	55.3	70%
Safe Clean Water Fund	38.2	22.6	59%	29.5	70%
Water Utility Enterprise Fund	391.8	223.6	57%	181.4	53%
Service Funds	48.9	30.5	62%	27.1	58%
Benefit Assessment Funds	5.8	5.8	100%	11.1	99%
<b>Total Operating Expenditures</b>	<b>\$ 669.6</b>	<b>\$ 396.5</b>	<b>59%</b>	<b>\$361.8</b>	<b>59%</b>

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

Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 3/31/25

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

(\$ in millions)	FY25 Adj Budget	Q3 FY25 Actuals	Q3 FY25 % Spent	Q3 FY24 Actuals	Q3 FY24 % Spent
General Fund	\$ 16.8	\$ 5.8	35%	\$ 1.3	17%
Watershed Stream Stewardship Fund	38.8	9.4	24%	13.1	32%
Safe Clean Water Fund	156.9	70.8	45%	40.2	33%
Water Utility Enterprise Fund	352.0	218.0	62%	204.5	52%
Service Funds	10.6	3.1	29%	4.9	50%
<b>Total Capital Expenditures</b>	<b>\$ 575.0</b>	<b>\$ 307.2</b>	<b>53%</b>	<b>\$264.0</b>	<b>46%</b>

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 3/31/25

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

## Observations

- Q3 FY25 Operating Expenditures of \$396.5M or 59% spent
- WSS Fund below target due to Encampment Management Prog.
- SCW Fund below target due to F9 Grants Partnership project and lower debt related expense (commercial paper)
- WUE Fund below target due to debt expense, expected in Q4, and San Felipe Division Deliveries project
- Service Funds, Risk Fund specifically, expenditures expected in Q4

- Q3 FY25 Capital Expenditures of \$307.2M or 53% of Adjusted Budget; percentage trending higher than last fiscal year
- GF 35% spent due to timing of the HQ Bldg., Small Caps / Facility Mgmt., and Security Upgrades & Enhancements projects
- WSS Fund 24% spent primarily due to the timing of the Watersheds Asset Rehab, Lower Guadalupe River Restoration and SF Bay Shoreline projects
- WU Fund 62% spent primarily due to Anderson Dam, RWTP Reliability Improvement, PWTP Residuals Management and Coyote Creek Flood Management Measures projects



# \*CIP FY25 Q3 – Expenditure Rate

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Fund	Total Projects	FY25 Q3 Expenditure Rate	Actuals	Q3 Planned Expenditure
<b>CIP</b>	<b>76</b>	<b>88%</b>	<b>\$281M</b>	<b>\$318M</b>
11 – General Fund	3	84%	\$5.8M	\$6.9M
12 – WSS	10	93%	\$7.6M	\$8.2M
26 – SCW	22	92%	\$67.8M	\$73.7M
61 – WU	39	87%	\$198.2M	\$226.8M
73 – IT	2	268%	\$955K	\$357K

$$\text{Expenditure Rate} = \frac{\text{Actual Expenditures}}{\text{Planned Expenditures}} \times 100\%$$

\*Does not include Capital Administrative Projects

# Reserve Balances

- FY25 Projected Year-end reserve balances higher than FY25 Adopted Budget due to unexpended operating and capital project funds

(\$ in millions)	FY25 Adopted Budget	FY25 Projected Year-end	FY25 Projected vs Adopted
<b>Restricted Reserves</b>			
Safe Clean Water Fund	\$ 114.9	\$ 200.2	\$ 85.3
Water Utility Enterprise Fund	37.8	44.7	6.9
<b>Restricted Reserves Subtotal</b>	<b>152.7</b>	<b>244.9</b>	<b>92.2</b>
<b>Committed Reserves</b>			
General Fund	14.8	24.3	9.5
Watershed & Stream Stewardship Fund	150.7	154.1	3.4
Water Utility Enterprise Fund	73.1	166.3	93.2
Service Funds	22.3	25.3	3.0
<b>Committed Reserves Subtotal</b>	<b>260.9</b>	<b>369.9</b>	<b>109.1</b>
<b>Total Reserves</b>	<b>\$ 413.6</b>	<b>\$ 614.8</b>	<b>\$ 201.2</b>

# Q3 FY25 Financial Update Summary

10

- 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 but better than last fiscal year
- 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 to complete critical operating projects



# Santa Clara Valley Water District

File No.: 25-0494

Agenda Date: 6/17/2025

Item No.: 4.6.

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Discuss the Options to Extend Terms and Increase the Not-to-Exceed (NTE) amount, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2025.

### RECOMMENDATION:

- A. Discuss options to extend terms and increase the NTE amount, allow to expire, or terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc., which is currently scheduled to expire effective November 22, 2025; and
- B. Approve recommendation to the full Board to:
  - i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year, and increase the NTE from \$800,000 to \$1,400,000;
  - ii. Allow the expiration of the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc; or
  - iii. Exercise option to terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. prior to the expiration date of November 22, 2025.

### SUMMARY:

At its November 23rd, 2021 Board Meeting, the Board of Directors (the Board) approved the Board Audit Consultant Services agreement with Sjoberg Evashenk Consulting, Inc., to be the Chief Audit Executive (CAE) for the Board for a not-to-exceed amount of \$800,000 for a three year term. With this agreement, the CAE serves as advisor to the Board of Directors' Audit Committee (Board Audit Committee or BAC) in fulfilling its duties, responsibilities, and functions. Specifically, the CAE assesses operational risks and advises on potential audits to ensure Santa Clara Valley Water District is in compliance with its policies, procedures and regulations. The CAE also assists in preparing an annual program of audits with associated calendars, schedules and budgets and prepares formal and informal reports and presentations to the BAC and to the Board.

To date, the Consultant has performed an audit of the Capital Improvement Program (CIP), analyzed

the results of implemented audit recommendations to ensure effectiveness, conducted an organization-wide risk assessment, and developed the annual audit plan for fiscal years 2023, 2024, and 2025. The Consultant has also provided guidance and perspective for consideration by the BAC, conducted training sessions with the BAC members, and held 1-on-1 meetings with the Board members as part of the annual evaluation process.

The purpose of this item is for the BAC to discuss the options to extend terms and increase the NTE, allow the expiration of, or terminate the on-call services agreement with the CAE, prior to the expiration of the agreement. The agreement is set to expire on November 22, 2025. If the BAC chooses to recommend expiration or the termination of the agreement, staff will proceed with a new request for proposal to solicit a new CAE.

If the BAC chooses to recommend extending the agreement for 1 year, staff also recommends increasing the NTE amount by \$600,000 to a total of \$1,400,000 due primarily to the nature and complexity of the audits to be conducted by the auditor. If these recommendations are adopted by the BAC, staff will bring a second amendment to the full Board for approval.

**ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The amendment of an On-call Services Agreement is not subject to environmental justice analysis.

**ATTACHMENTS:**

Attachment 1: Executed Agreement

Attachment 2: Amendment #1

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



# Santa Clara Valley Water District

## **CONFORMED COPY**

**File No.:** 21-1127

**Agenda Date:** 11/23/2021

**Item No.:** 3.1.

### **BOARD AGENDA MEMORANDUM**

#### **SUBJECT:**

Approve the Agreement with Sjoberg Evashenk Consulting, Inc, CAS File 5183 for Board Audit Consultant Services 2021, for a not-to-exceed fee of \$800,000.

#### **RECOMMENDATION:**

Approve the Agreement with Sjoberg Evashenk Consulting, Inc, for Board Audit Consultant Services 2021 (Project) for a not-to-exceed fee of \$800,000.

#### **SUMMARY:**

With this agreement, the Consultant will serve as advisor to the Board of Directors' Audit Committee (Board Audit Committee) in fulfilling its duties, responsibilities, and functions. Specifically, the Consultant will assess operational risks and advise on potential audits to ensure Santa Clara Valley Water District is in compliance with its policies, procedures and regulations. The recommended audits may or may not be conducted by the Consultant. The Consultant will also assist in preparing an annual program of audits with associated calendars, schedules and budgets and prepare formal and informal reports and presentations to the Board Audit Committee and to the full Board of Directors.

#### **Consultant Selection Process**

On April 21, 2021, a Request for Proposal (RFP) for Board Audit Consultant Services 2021 was published on Valley Water's Contract Administration System (CAS). The RFP notification was sent to firms that are registered in CAS, under expertise code FS10 - Auditing Services. Valley Water received proposals from three consultant firms, Baker Tilly US, LLP, Moss Adams LLP, and Sjoberg Evashenk. An Evaluation Committee (EC), consisting of three subject matter experts with audit services of Valley Water, ranked the written proposals. Three firms, Baker Tilly US, Moss Adams LLP, and Sjoberg Evashenk Consulting, Inc. were invited to participate in the subsequent virtual oral interviews conducted on June 29, 2021.

Based on the combined (written and oral) rating scores, the EC recommended staff to proceed with the highest ranked firm, Sjoberg Evashenk Consulting, Inc., for contract negotiations.

**FINANCIAL IMPACT:**

The Agreement with Sjoberg Evashenk Consulting, Inc. for Board Audit Consultant Services 2021 has a not-to-exceed amount of \$800,000. The duration of this agreement spans multiple budget cycles. Funding for this item is partially included in Fiscal Year 2021-22, and the remainder will be requested by staff in future budget cycles for Fiscal Years 2022-23, 2023-24, and 2024-25 under project 60131014 (Continual Improvement).

**CEQA:**

The recommended action to approve the Agreement does not constitute a project under the California Environmental Quality Act (CEQA) because it does not have the potential to result in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Agreement

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



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for an electronic return receipt, see a retail associate for assistance. To receive a duplicate return receipt for no additional fee, present this USPS®-postmarked Certified Mail receipt to the retail associate.

- Restricted delivery service, which provides delivery to the addressee specified by name, or to the addressee's authorized agent.
- Adult signature service, which requires the signee to be at least 21 years of age (not available at retail).
- Adult signature restricted delivery service, which requires the signee to be at least 21 years of age and provides delivery to the addressee specified by name, or to the addressee's authorized agent (not available at retail).

- To ensure that your Certified Mail receipt is accepted as legal proof of mailing, it should bear a USPS postmark. If you would like a postmark on this Certified Mail receipt, please present your Certified Mail item at a Post Office™ for postmarking. If you don't need a postmark on this Certified Mail receipt, detach the barcoded portion of this label, affix it to the mailpiece, apply appropriate postage, and deposit the mailpiece.

**IMPORTANT: Save this receipt for your records.**

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<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		<p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</span></p> <p><b>X</b></p>	
<p>1. Article Addressed to:</p> <p>George J. Skiles Sjoberg Evashenk Consult. 455 Capitol Mall, Ste 700 Sacramento, CA 95814</p>		<p>B. Received by (Printed Name)</p> <p>C. Date of Delivery</p>	
<p>2. Article Number (Transfer from service label)</p> <p>7019 0700 0001 5807 9880</p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <span style="float: right;"><input type="checkbox"/> Priority Mail Express®</span></p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <span style="float: right;"><input type="checkbox"/> Registered Mail™</span></p> <p><input checked="" type="checkbox"/> Certified Mail® <span style="float: right;"><input type="checkbox"/> Registered Mail Restricted Delivery</span></p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <span style="float: right;"><input type="checkbox"/> Signature Confirmation™</span></p> <p><input type="checkbox"/> Collect on Delivery <span style="float: right;"><input type="checkbox"/> Signature Confirmation Restricted Delivery</span></p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery</p> <p><input type="checkbox"/> Insured Mail</p> <p><input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p>			

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PS Form 3811, July 2020 PSN 7530-02-000-9053 Domestic Return Receipt

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## STANDARD CONSULTANT AGREEMENT

(For Administrative (General) Consultant Contracts)  
Terms and Conditions Template  
Rev. B 5/11/2020-6/30/2021

This agreement (Agreement) is effective once fully executed (Effective Date), by and between SANTA CLARA VALLEY WATER DISTRICT (Valley Water), and SJOBERG EVASHENK CONSULTING, INC., a California corporation (Consultant), individually the Party or collectively the Parties.

WHEREAS, Valley Water desires certain services hereinafter described and Consultant affirms it has the requisite experience and expertise, and desires to provide such services.

NOW, THEREFORE, Valley Water and Consultant, for the consideration and upon the Terms and Conditions specified, agree as follows:

### SECTION ONE

#### SCOPE OF SERVICES

The Scope of Services (Services) to be performed pursuant to this Agreement is described in the Schedule(s), attached hereto and incorporated herein by this reference (Schedule(s)). Services described in each Schedule are considered a Scope of Services that is separate and apart from the Scope of Services described in another Schedule.

### SECTION TWO

#### DUTIES OF CONSULTANT

##### 1. Performance

- A. Each Scope of Services described in an attached Schedule(s) must be performed by Consultant, or at its direction, in a manner sufficient to meet the purposes specified in this Agreement. References to "Consultant" herein include those performing any portion of the Services at its direction such as Subconsultants, vendors, suppliers, subcontractors, and other business entities and individuals. Consultant will collaborate with Valley Water staff in engineering, operations, and maintenance units to be made aware of Valley Water operational constraints, procedures, or preferences relevant to Consultant's performance of the Services described in the attached Schedule(s).
- B. Unless the requirements for the Services described in the attached Schedule(s) are specifically modified in writing, Consultant must perform services and provide all deliverables as required.
- C. Consultant shall not undertake any Services not described in the attached Schedule(s) unless authorized in writing by Valley Water prior to the performance of such Services by issuance of a Task Order or pursuant to an amendment to this Agreement signed by both Parties.

## **2. Consultant Controlled Areas**

Consultant is responsible for the security and safety of the area(s) it controls wherein it is required to perform field operations pursuant to a Scope of Services.

## **3. Licensing – NOT USED**

Services performed by Consultant will be undertaken only by persons appropriately licensed, certified, or registered in California, as applicable to the Services described herein, when required by statutes or regulations, as well as pursuant to the relevant standard of care as described in subsection 11, Standard of Care. Consultant shall make available upon Valley Water's request, documentation of qualifications and licensing of personnel performing Services described herein.

## **4. Valley Water's Approval of Deliverables**

Deliverables prepared by Consultant, notwithstanding acceptance and approval by Valley Water, which Valley Water determines must subsequently be modified due to errors or omissions, will be corrected at no additional cost to Valley Water.

## **5. Errors and Omissions – NOT USED**

The Services may include preparation of deliverables by Consultant to be implemented in a public works construction project. Consultant is responsible for any direct or actual damages incurred by Valley Water which Valley Water determines result from Consultant's errors or omissions in Consultant's deliverables.

## **6. Valley Water Standardization Requirements**

Consultant shall perform the Services utilizing Valley Water nomenclature, standardized forms, software requirements, documented procedures, and best management practices. Consultant shall use Microsoft Office software that is compatible with Valley Water Microsoft Office software used at the time(s) Valley Water issues a Notice-to-Proceed (NTP) pursuant to this Agreement.

## **7. Consultant Key Staff and Subconsultants**

- A. Consultant's Key Staff and firms subcontracted by the Consultant (Subconsultants) assigned to perform the Services are identified in Attachment Three to the Scope of Services, Consultant's Key Staff and Subconsultants.
- B. The Project team organization chart and delegated responsibilities of each team member will be submitted to Valley Water for concurrence.
- C. Consultant may utilize Subconsultants, subcontractors, suppliers, or vendors it deems appropriate to the complexity and nature of the required Services.
  - 1) Consultant must obtain Valley Water's approval of all Subconsultants. Upon Valley Water's request, Consultant must provide copies of all Subconsultant agreements.

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  - 1) Consultant must obtain Valley Water's approval of all Subconsultants. Upon Valley Water's request, Consultant must provide copies of all Subconsultant agreements.



- 2) Consultant must require its delegates or Subconsultants to agree, in writing, to adhere to Terms and Conditions of this Agreement.
- D. Any delegation or use of Subconsultants by Consultant will not operate to relieve Consultant of its responsibilities as described in this Agreement.
  - E. If any of Consultant's designated key staff persons or Subconsultants fail to perform to the satisfaction of Valley Water, on written notice from Valley Water, Consultant will have 15 calendar days to remove that person from the Project and provide a replacement acceptable to Valley Water.
  - F. Consultant will not charge Valley Water for the time it takes Consultant's replacement personnel to obtain Valley Water-specific Project knowledge in the possession of the person(s) being replaced.

G. Consultant's Key Staff

Valley Water Project Manager may approve any revisions to Consultant's list of key staff assigned to the Project as an administrative modification to this Agreement, and such approval will be confirmed in writing.

H. Consultants Subconsultants

- 1) Valley Water Project Manager may approve any revisions to Consultant's list of authorized Subconsultants when the Subconsultant is deleted from the list and the Scope of Services is deleted from the Agreement or such services are assumed by the Consultant; such approval will be confirmed in writing.
- 2) Valley Water's authorized representative may approve any revisions to Consultant's list of authorized Subconsultants when a listed Subconsultant is replaced (to perform the same Scope) or a new Subconsultant is added (to perform new Scope), provided the firm complies with all insurance requirements established by Valley Water for such work; such approval will be confirmed in writing.

**8. Compliance with All Laws**

- A. Consultant's performance must be in compliance with the most current versions of any and all laws relevant to the Services it performs pursuant to this Agreement, including, but not limited to adherence to: all applicable governmental laws, statutes, ordinances, rules, codes, regulations, orders, and other requirements; governmental requirements applicable to state and federal compliance with the state and federal Endangered Species Act; state and federal water quality laws; and all other state and federal laws or regulations regarding environmental protection and compliance, health, safety, wages, hours, equal employment opportunity, nondiscrimination, working conditions, and transportation. In the event that Valley Water's assistance is necessary to achieve such compliance, Consultant shall promptly notify Valley Water.

- B. Consultant shall provide, at Valley Water's request, documentation demonstrating Consultant's compliance with all laws as described herein. After reasonable notice and according to reasonable conditions, Valley Water has the right to inspect and copy any records of Consultant regarding such compliance.
- C. Consultant represents and warrants that neither Consultant nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal government department or agency.

## **9. Occupational Safety and Health**

- A. Consultant will perform the Services in compliance with the most current versions of all laws, standards, rules, and regulations of the Occupational Safety and Health Act, and all state and federal laws and regulations relating to safety and health standards. Consultant shall perform the Services in compliance with, will furnish only supplies, articles, and equipment that comply with such laws, standards, and regulations.
- B. Consultant shall immediately notify Valley Water in the event of any personal injury accident or occurrence occurring during the performance of the Services. Upon Valley Water's request, Consultant shall provide Valley Water with documentation fully describing the accident and injury and the actions implemented to prevent similar occurrences.

## **10. Consultant as Independent Contractor**

Consultant will perform all services as an independent contractor and not an agent or employee of Valley Water. Consultant represents and warrants that it and its contractors who are performing any of the Services as Subconsultants will perform such services as an independent contractor, and neither Consultant nor Subconsultants nor their employees are the servants, agents or employees of Valley Water. Except as expressly provided in this Agreement, Valley Water exercises no direction, supervision or control over Consultant, its employees, agents, or Subconsultants.

## **11. Standard of Care**

- A. Consultant must possess and maintain during the term of this Agreement, all certifications, licenses, permits, and qualifications to perform the Services and prepare all deliverables. Consultant must perform all services and prepare all deliverables in accordance with those standards and practices of care, skill, and diligence that are generally recognized and customarily observed by competent persons in Consultant's area of specialty in the State of California at the time such services are rendered.
- B. Consultant shall perform the Services and prepare all deliverables without any errors or omissions, and in accordance with Section Two, Duties of Consultant, subsection 8, Compliance with All Laws.
- C. Consultant and its Subconsultants must perform the Services in compliance with all applicable written federal, state and local codes, statutes, laws, regulations, and ordinances, including, but not limited to, environmental, energy conservation, and



disabled access requirements as per the provisions of Section Two, Duties of Consultant, subsection 8, Compliance with All Laws.

- D. Consultant warrants that: all work under this Agreement shall be Consultant's original work and none of the services or inventions or any development, use, production, distribution or exploitation thereof will infringe, misappropriate or violate any intellectual property or other right of any person or entity (including, without limitation, Consultant); and Consultant has the full right to allow it to provide Valley Water with the assignments and rights provided for herein.

### **SECTION THREE**

#### **DUTIES OF VALLEY WATER**

##### **1. Available Data**

Valley Water will make available to Consultant all data and information in its possession and control and which it deems necessary to the preparation of the deliverables specified in the Schedule(s). Valley Water will actively aid and assist Consultant in obtaining such information from other agencies and individuals as it deems necessary. Valley Water is not responsible for providing data and information that it does not possess.

##### **2. Review of Deliverables**

- A. Valley Water will designate a Project Manager (Valley Water Project Manager) for purposes of administering and managing this Agreement.
- B. Consultant's progress in completing the Services will be reviewed by Valley Water's Project Manager at each milestone identified in the Schedule(s) and at such other time(s) at the discretion of Valley Water.
- C. Consultant must notify Valley Water in writing when it completes each deliverable described in the Schedule(s) and provide Valley Water with said deliverable. Deliverables deemed satisfactory and in compliance with this Agreement are subject to approval by Valley Water. Within 30 calendar days of receipt of each deliverable, Valley Water will either (1) notify Consultant that Valley Water accepts the deliverable, or (2) notify the Consultant that the deliverable is not acceptable and must be revised.
- D. If Valley Water advises Consultant that a deliverable must be revised due to errors or omissions by the Consultant, Consultant must correct, at no cost to Valley Water, those deficiencies as soon as possible and shall notify Valley Water upon completion of the revised deliverable and submit to Valley Water.
- E. Valley Water will then review the revised deliverable and within 30 calendar days of receipt, advise the Consultant if the revised deliverable is acceptable. All deficient deliverables will be revised at no cost to Valley Water and this process will continue until Consultant has corrected all deficiencies identified by Valley Water.

- F. None of the proposed changes or revisions or anything else in this Agreement will be construed to relieve the Consultant of professional or legal responsibility for the performance of the services as otherwise required by the Terms and Conditions of this Agreement. Corrections to any deliverable as a result of Consultant's errors or omissions will not result in additional costs or expenses to Valley Water.

### **3. Access to Valley Water Facilities**

Valley Water will facilitate access to Valley Water facilities as required for the Consultant to perform the Services.

## **SECTION FOUR**

### **FEES AND PAYMENTS**

#### **1. Total Not-to-Exceed Fees**

- A. Payment for all Services performed by Consultant to the satisfaction of Valley Water, as described in the Schedule(s) will be based on the Total Not-to-Exceed (NTE) Fees stated in Attachment One to the Schedule(s), Fees and Payments, for completion of the associated tasks. Valley Water will make payments to the Consultant according to the terms provided for herein and in Attachment One to the Schedule(s), Fees and Payments. Payments made by Valley Water to the Consultant for Services rendered will be considered full compensation for all personnel, materials, supplies, Subconsultant(s), equipment, reimbursable travel and per diem expenses incurred by the Consultant to perform the services.
- B. Upon the written approval of Valley Water Deputy Operating Officer referenced herein, unused fees from a completed or cancelled task may be re-allocated to a task that has not yet been completed, provided the Agreement Total Not-to-Exceed Fees is not exceeded. Transferring fees from a task not yet completed to a different task is not permitted.
- C. Upon the written approval of Valley Water Deputy Operating Officer referenced herein, the Scope of Services described in a task may be reduced or eliminated. If the Scope of Services of a task is reduced or eliminated, the portion of the fees attributable to that reduced or eliminated task may be allocated to revised existing tasks, or transferred to a Supplemental Services task, if provided for herein.
- D. Any reduction or elimination of tasks and any inter-task transfers will be clearly noted and described in the subsequent monthly progress report to Valley Water.
- E. Services to be performed pursuant to the Supplemental Services task, if provided for herein, will commence only after issuance of a fully executed Task Order.
- F. Automobile travel mileage expenses will be paid at the current IRS rate. Valley Water will not reimburse Consultant nor its Subconsultants for mileage nor travel time to and from Valley Water Headquarters and surrounding campus located at 5700 Almaden Expressway, San Jose, California. However, Valley Water will reimburse Consultant and its Subconsultants for mileage incurred from Valley Water Headquarters or Consultant's and Subconsultants' firm address, whichever is closer to the destination, to Project

site(s) and, if directed or authorized by Valley Water, to meeting locations with regulatory agencies, for community outreach activities and meetings, for partnering meetings, and Dispute Review Board meetings.

## **2. Consultant Monthly Invoices**

- A. Consultant's monthly invoices will be prepared in accordance with the terms of this Agreement, Section Four, Fees and Payments, and represent Services performed and reimbursable costs incurred during the identified billing period. Invoices must be consistent with Scope of Services described in the Schedule(s) attached hereto; and include the following:
- 1) Employee classification and name itemized with all labor charges by Service task,
  - 2) Summary of the amount Consultant has been billed by their Subconsultants and further detailed by Service task,
  - 3) Other direct charges and expenses by Service task,
  - 4) Other direct charges and expenses must reflect actual fees versus the Agreement Not-to-Exceed Fees as stated in Attachment One to Schedule(s), Fees and Payments, and
  - 5) To the extent that the Consultant is adding an administrative, processing, overhead or mark-up fee, Valley Water will not pay for such duplication of costs for both the Consultant and its Subconsultants.
- B. Before submitting monthly invoices, a progress report and draft invoice (in Adobe PDF format) will be provided by the Consultant for preliminary review by Valley Water Project Manager. Upon preliminary approval by Valley Water, the Consultant will mail the complete signed and dated hardcopy invoice, including all supporting documentation. Valley Water's preliminary review of the draft invoice does not represent final approval of the hardcopy invoice, but is intended to reduce potential for re-submittals of hardcopy invoice by Consultant.
- C. Each monthly invoice must include a monthly progress report that documents whether or not the Services are on schedule to be completed in accordance with the Project Schedule in Attachment Two to the Schedule(s), Schedule of Completion, which applies to the specific Scope of Services, and within the Agreement NTE Fees in accordance with Attachment One to the Schedule(s), Fees and Payments. The progress report shall document Services completed; document the execution of the tasks described in this Services; and enable Valley Water to evaluate the Consultant's progress and performance towards completion of the Services.
- 1) The monthly progress report shall include:
    - a. An assessment of actual versus planned progress in completing the Services, including a description of the tasks and deliverables completed to date;

- b. A look-ahead schedule listing deliverables and activities planned for the next two months;
- c. A statement that progress towards completion of the Services is on schedule and will be completed within the timeline set forth in the Schedule of Completion; or, if completion of the Services is not on schedule, then a statement of the anticipated length of the delay, the cause of the delay, measures proposed or taken to prevent or minimize the delay, and the schedule for implementation of such measures;
- d. A summary of performed tasks to date, an updated Project work plan including estimate of work required to complete this Agreement, explanation of any major variances in percentage of services to be completed compared to percentage of this Agreement NTE fees remaining, and any anticipated changes to this Agreement that may be necessary to complete the Services;
- e. For any proposed change to the Scope of Services, provide a summary of the proposed changes, including supporting rationale for such change;
- f. For each task, the percentage of the fees incurred for the task compared to dollar amount allocated to the task, the percentage of services performed versus the percentage of Agreement NTE fees incurred for such task, and explanation of any significant variances in percentage of services performed compared to percentage of fees incurred;
- g. A statement that all tasks, as specified in this Agreement, shall be completed within the NTE amount of the Agreement;
- h. Level of Small Business Enterprise (SBE) participation, if applicable, documenting the level of SBE participation throughout the Project; and
- i. Any changes in Consultant's key staff or Subconsultants.

D. Invoices will include a summary of labor expenditures, direct costs, and billed Subconsultant charges. Invoices, transmitted separately from the monthly progress reports, will be organized such that the billing categories correspond with the Services tasks.

E. Consultant shall send all invoices to:

- 1. Electronic copies to be sent via email: [APinvoice5750@valleywater.org](mailto:APinvoice5750@valleywater.org);
- 2. Hard Copies to be sent to:

Santa Clara Valley Water District  
 Attention: Accounts Payable  
 P.O. Box 20670  
 San Jose, CA 95160-0670

- F. In addition to ensuring that each invoice is accompanied with a progress report, Consultant must also ensure that each invoice contains the following information:
- 1) Agreement Number;
  - 2) Full Legal Name of Consultant/Firm;
  - 3) Payment Remit-to Address;
  - 4) Invoice Number;
  - 5) Invoice Date (the date invoice is mailed); and
  - 6) Beginning and end date for billing period that services were provided.
- G. Consultant shall invoice for its performance of the Services on a monthly basis consistent with the task fee breakdown stated in Attachment One to the Schedule(s), Fees and Payments, which applies to the specific Scope of Services.
- H. Valley Water's Project Manager will review Consultant's written invoice within five Valley Water business days of receipt, address any questions with Consultant's Contact-Principal Officer and approve the undisputed amount of the invoice within ten working days of receipt of the invoice. Valley Water will pay undisputed invoice amounts within 30 calendar days from date invoice is received by Valley Water's Project Manager.
- I. If Supplemental services are required, Consultant services will be provided on a time and material basis as described in the Schedule(s), Fees and Payments, will be performed by its staff members and Subconsultants' staff members at the lowest hourly and unit rates commensurate with the complexity of the required services.

### **3. Prevailing Wages – NOT USED**

- A. A portion of the Services to be performed pursuant to this Agreement may be considered "Public Works" subject to California Labor Code §1771, et. seq. and the applicable implementing regulations. If Consultant's Services includes such work, Consultant and its Subconsultants must comply with all Labor Codes applicable to prevailing wages.
- B. Labor Code §1720 provides as follows:
- "(a) As used in this chapter, "public works" means all of the following:
- (1) Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds, except work done directly by a public utility company pursuant to order of the Public Utilities Commission or other public authority. For purposes of this paragraph, "construction" includes work performed during the design, site assessment, feasibility study, and other preconstruction phases of construction, including, but not limited to, inspection and land surveying work, regardless of whether any further construction work is conducted, and work performed during the postconstruction phases of construction, including, but not limited to, all cleanup work at the jobsite. For purposes of this paragraph, "installation" includes, but is not limited to, the assembly and disassembly of freestanding and affixed modular office systems."
- C. Consultant and its Subconsultants shall not engage in the performance of public work, as defined in California Labor Code §1771.1, unless currently registered and qualified to perform public work pursuant to California Labor Code §1725.5.

- D. The General Prevailing Wage Rates issued by the California Department of Industrial Relations may be adjusted by the State throughout the term of this Agreement. Notwithstanding any other provision of this Agreement, Consultant will not be entitled to any adjustment in compensation rates in the event there are adjustments to the General Prevailing Wage Rates.
- E. This Agreement is subject to compliance monitoring and enforcement by the State of California Department of Industrial Relations. Upon request, the Consultant and Subconsultants must furnish the records specified in Labor Code §1776 directly to the Labor Commissioner, in a format prescribed by the Labor Commissioner.
- F. All records or documents required to be kept verifying statutory compliance with the prevailing wage requirement, such as certified payroll records, must be made available for audit at no cost to Valley Water, in electronic or hard copy format, at Valley Water's discretion, and hard copies made available at any time during regular business hours, upon written request by Valley Water.
- G. **California State Department of Industrial Relations Contractor and Sub-Contractor Registration Requirements**

Prior to Valley Water executing a Task Order for Services involving public works, as defined herein, Consultant, and its Subconsultant(s) performing public works, must provide evidence, in the form required by Valley Water, that Consultant and its Subconsultant(s) are in compliance with the California State Department of Industrial Relations Contractor and Sub-Contractor Registration Requirements.

#### 4. **Retention – NOT USED**

- A. Unless otherwise specified in Attachment One to the Schedule(s), Fees and Payments, when the total compensation payable pursuant to this Agreement exceeds \$20,000, ten percent of each invoice will be withheld by Valley Water and not paid to Consultant until 30 calendar days after the assigned Valley Water representative signs off the final approval for all Services/deliverables as stated in the applicable Schedule, Attachment Two Schedule of Completion, and Section Three, Duties of Valley Water, subsection 2. Review of Deliverables.
- B. Provided that at any time after 50% of the work has been completed, Valley Water may, at its sole discretion, determine that satisfactory progress is being made in the completion of the Agreement, and prospectively make the remaining progress payments in full. The retention previously withheld on the first 50% of the work will continue to be withheld until final agreement close out.

### **SECTION FIVE**

#### **SCHEDULE OF COMPLETION**

##### **1. Performance of Tasks**

Consultant will commence performing the tasks described in the Scope of Services of the

attached Schedule(s) to this Agreement upon receipt of the Notice-to-Proceed (NTP) issued by Valley Water.

## **2. Project Schedule Table**

Consultant will perform and complete the services described in the Scope of Service in accordance with the Project Schedule table (Project Schedule) as stated in Attachment Two to the Schedule(s), Schedule of Completion. Consultant will coordinate services with Valley Water to provide the timeline of all tasks and sub-tasks including the site visits, document review, meetings, and deliverables.

## **3. Monitoring of Project Schedule**

The approved Project Schedule will be monitored monthly. Changes to the schedule for performance of tasks and deliverables are subject to advance written approval by Valley Water.

## **4. Project Delays**

Consultant will make all reasonable efforts to comply with the Project Schedule as stated in the Attachment Two to the Schedule(s), Schedule of Completion. In the event the Project Schedule will be delayed, Consultant will notify Valley Water Project Manager as soon as possible, providing the reason why, the length of the delay, and a description of the actions being taken to address the delay. In the event Consultant is delayed in performance of its services by circumstances beyond its control, District may its discretion grant, a reasonable adjustment in the Project Schedule.

## **5. Changes to the Project Schedule**

District's Project Manager and Consultant may agree to modify the Project Schedule specified for Consultant's performance as an administrative modification to the Agreement and will confirm such modifications in writing.

# **SECTION SIX**

## **AGREEMENT MODIFICATIONS**

The Parties may agree to modify the Terms and Conditions of this Agreement by executing a written amendment hereto.

# **SECTION SEVEN**

## **TERM AND TERMINATION**

### **1. Term & Automatic Termination**

This Agreement encompasses all Services that Consultant is responsible to perform within the time limits and Not-to-Exceed Fees set forth herein. Consultant will not undertake to provide Services where it reasonably appears that the Services cannot be provided and expenses cannot be incurred within said total compensation limit and the applicable Not-to-Exceed Fees of any Task Order.



## **2. Valley Water Rights**

- A. **Suspension:** Valley Water may, by written notice to Consultant, suspend any or all Services pursuant to this Agreement or to any individual Task Order. Valley Water may subsequently terminate this Agreement or any Task Order for convenience, or determine to proceed. If a decision to proceed is not made within 90 days from the date of the notice of suspension, any decision to proceed must be conditioned upon execution of a new Notice-to-Proceed or Task Order.
- B. **Termination for Convenience:** Valley Water may, by written notice to Consultant, terminate all or part of this Agreement or any Task Order at any time for Valley Water's convenience. Upon receipt of such notice, Consultant will immediately cease all work as specified in the notice. If this Agreement or any Task Order is so terminated, Consultant will be compensated as set forth in subsection 3, Consultant's Compensation upon Termination or Suspension.
- C. **Termination for Breach:** If Consultant violates any of the covenants, agreements or stipulations of this Agreement or a Task Order, or if Consultant fails to fulfill in a timely and proper manner its obligations pursuant to this Agreement or any Task Order, and does not cure such failure or violation within 30 days (or a reasonable extension thereof, if requested, which extension will not be unreasonably withheld) after receipt of written notice from Valley Water specifying such failure or violation, Valley Water will thereupon have the right to terminate this Agreement and any or all uncompleted Task Orders by giving written notice to Consultant of such termination. Such notice will specify the effective date thereof, and Consultant will not be entitled to compensation for services or expenses beyond the specified termination date.
- D. If, after notice of termination for breach of this Agreement or any Task Order, it is determined that Consultant did not breach the Agreement or Task Order, the termination will be deemed to have been effected for Valley Water's convenience, and Consultant will receive payment that is allowed by this Agreement for a termination for convenience.
- E. The rights and remedies provided herein to Valley Water are in addition to any other rights and remedies provided by law, this Agreement, or a Task Order.

## **3. Consultant's Compensation Upon Termination or Suspension**

In the event of termination of this Agreement or any Task Order, or suspension of Services by Valley Water, Consultant shall receive compensation based on satisfactory performance, accepted by Valley Water, as follows:

- A. **For Direct Labor:** Consultant shall be entitled to receive compensation for all authorized direct labor performed prior to termination or suspension pursuant to the provisions of this Agreement or Task Order and all authorized labor expenses incurred to demobilize from the Project after the date of termination or suspension;
- B. **For Other Direct Costs and Expenses:** Consultant shall be entitled to receive compensation for all authorized other direct costs and expenses incurred prior to termination or suspension and all authorized expenses incurred to demobilize from the Project after the date of termination or suspension; and

- C. In no event shall the total compensation paid for any item of Service exceed the payment specified in the Agreement or applicable Task Order for that item of Service.

#### **4. Survival**

The Terms and Conditions of this Agreement, that by their context and a standard of reasonableness, are intended to survive termination, suspension, completion, and expiration of this Agreement, shall survive, including but not limited to, the following Sections and subsections: Independent Contractor Status, Confidentiality, Indemnification, Insurance Requirements, and Dispute Resolution, as well as any Consultant representations and warranties.

### **SECTION EIGHT**

#### **INDEMNIFICATION**

Notwithstanding any other provision of this Agreement, Consultant agrees to indemnify, defend and hold harmless Valley Water, its agents, officers, directors, and employees from and against any and all demands, claims, damages, losses and reasonable expenses, including but not limited to liabilities, obligations, claims, costs, reasonable expenses (including without limitation interest, penalties and reasonable attorney's fees), fines, taxes, levies, imposts, assessment, demands, damages or judgments of any kind or nature, whether in law or equity (including without limitation, death or injury to any person, property damage, administrative and judicial orders and consents, or any other loss) to the extent they arise out of, pertain to, or relate to the Consultant's negligence, recklessness, or willful misconduct. The foregoing does not limit any strict liability imposed onto the Consultant by law. The rights, duties, and obligations of the Parties as set forth above in this Section Eight, Indemnification, survive termination, expiration, completion, and suspension of this Agreement.

### **SECTION NINE**

#### **INSURANCE REQUIREMENTS**

Insurance requirements applicable to this Agreement are set forth in the Standard Consultant Agreement, Appendix Four, Insurance Requirements. Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, all insurance coverages as detailed in the Standard Consultant Agreement, Appendix Four, Insurance Requirements to the Standard Consultant Agreement, and comply with all provisions stated therein.

### **SECTION TEN**

#### **OWNERSHIP AND REUSE OF DELIVERABLE**

##### **1. Valley Water Ownership**

All deliverables and other materials prepared by Consultant, including computer programs and media developed by the Consultant, to perform the Services, during the term of this Agreement, will be and remain the property of Valley Water following payment in full to Consultant for each task or portion of a completed task, or in accordance with Section Seven, Term and Termination. In the event the work is not completed, the completed

portions thereof will become the property of Valley Water. Consultant will provide Valley Water with such deliverables and material at appropriate times during this Agreement. Consultant may retain a copy for its records. Consultant does not convey, assign, or transfer the intellectual property rights it has so as to limit its ability or right to develop, design, or provide services on other projects of or for its other clients.

## **2. Reuse of Instruments of Service**

If Valley Water desires to reuse the completed plans, specifications, or other deliverables, in total or in part, on project sites associated with this Agreement, or any other site, or to complete any incomplete portion of construction documentation which Valley Water has already paid Consultant, Valley Water will release Consultant from any liability incurred by Valley Water from reusing said deliverables.

## **3. Copies of Data**

Copies of data exchanged by, thru, and between Valley Water and Consultant that may be relied upon are limited to printed copies. Computer-generated files, disks, or tapes of text, data or graphics that are furnished are only for the mutual convenience of the Parties.

## **4. Computer-Generated Material**

Any risk of translation or reliance on information obtained or derived from the computer-generated material will be at the user's sole risk, and no representations are made, either express or implied, as to the long-term performance of data thus transferred.

## **5. Work for Hire**

Any and all original correspondence, memoranda, reports, designs, plans, specifications, data compilations, computer programs, or drawings delivered to Valley Water by Consultant according to the Terms of this Agreement, in or by any medium is deemed to be "work for hire" according to the copyright laws of the United States and the copyright will belong to Valley Water.

## **6. Copyright Claims**

Co-venturers, subcontractors, Subconsultants, suppliers, and vendors to Consultant are likewise bound by these copyright terms. Valley Water makes no copyright claim and requires no release for copyrighted material or trademarked names used incidentally by Consultant.

# **SECTION ELEVEN**

## **EQUAL OPPORTUNITY**

### **1. Equal Opportunity Employer**

The Valley Water is an equal opportunity employer and requires its consultants to have and adhere to a policy of equal opportunity and non-discrimination. In the performance of the Agreement, Consultant will comply with all applicable federal, state, local laws and

regulations, and will not discriminate against any subcontractor, employee, or applicant for employment in the recruitment, hiring, employment, utilization, promotion, classification or reclassification, transfer, recruitment advertising, evaluation, treatment, demotion, layoff, termination, rates of pay or other forms of compensation, and selection for professional development training (including apprenticeship), or against any other person, on the basis of sex (which includes pregnancy, childbirth, breastfeeding and medical conditions related to pregnancy, childbirth or breastfeeding), race, religion, color, national origin (including language use restrictions), ancestry, religious creed (including religious dress and grooming practices), political affiliation, disability (mental and physical, including HIV or AIDS), medical condition (cancer and genetic characteristics), genetic information, marital status, parental status, gender, age (40 and over), pregnancy, military and veteran status, sexual orientation, gender identity and gender expression, the exercise of family and medical care leave, the exercise of pregnancy disability leave, or the request, exercise, or need for reasonable accommodation.

## **2. Compliance with Applicable Equal Opportunity Laws**

The Consultant's policy must conform with applicable state and federal guidelines including the Federal Equal Opportunity Clause, "Section 60-1.4 of Title 41, Part 60 of the Code of Federal Regulations," Title VII of the Civil Rights Act of 1964 as amended; the Americans with Disabilities Act of 1990; the Rehabilitation Act of 1973 (Sections §503 and §504); the Age Discrimination Act of 1975 (42 U.S.C. §6101 et seq.); the California Fair Employment and Housing Act (Government Code Section 12900 et. seq.); and California Labor Code §1101 and §1102.

## **3. Investigation of Claims**

Consultant must designate a specific position within its organization to be responsible for investigating noncompliance with the anti-discrimination and anti-harassment provisions of this Agreement. Consultant must conduct a fair, prompt, and thorough investigation of all allegations directed to Consultant by Valley Water. In cases where such investigation results in a finding of discrimination, harassment, or hostile work environment, Consultant must take prompt, effective disciplinary action against the offender.

# **SECTION TWELVE**

## **MISCELLANEOUS PROVISIONS**

### **1. Entire Agreement**

This Agreement, which includes the Terms and Conditions, Appendices, the Schedule(s), Attachments to the Schedule(s), and all executed Task Orders, represents the entire understanding between the Parties hereto relating to the Services described in this Agreement and supersedes any and all prior proposals or agreements, whether written or oral, that may exist between the Parties. This Agreement may not be modified or amended except in writing as stated herein. To the extent that any Schedule conflicts with this Agreement, this Agreement shall control.

## **2. Formation of Agreement**

- A. No agreement between the Parties is formed until all applicable actions have been completed to the satisfaction of Valley Water. Valley Water Project Manager will not issue a Notice to Proceed until all required documents have been submitted and accepted by Valley Water
- B. Formation of an Agreement between the Parties requires accomplishment of the following:
  - 1) Execution of the Agreement by Consultant;
  - 2) Submission by the Consultant, and acceptance by Valley Water, of evidence of all required insurance coverages and documents;
  - 3) Submission by the Consultant, and acceptance by Valley Water, of evidence of all required Form 700 documents, if applicable;
  - 4) Submission by the Consultant, and acceptance by Valley Water, of all required Non-Disclosure Agreements (NDA) documents as provided in Attachment Four to the Schedule(s), Reference Materials, if applicable;
  - 5) Submission by the Consultant, and acceptance by Valley Water, of a Health and Safety Plan, if applicable;
  - 6) Any other requirements that are deemed necessary by Valley Water; and
  - 7) Execution of the Agreement by Valley Water.

## **3. No Assignment**

- A. The expertise and experience of Consultant are material considerations for Valley Water's award and execution of this Agreement. Consultant will not assign or transfer any interest in this Agreement nor the performance of any of Consultant obligations hereunder, without prior written consent of Valley Water in the form of an amendment executed by the Parties, and any attempt to so assign this Agreement, or any rights, duties or obligations arising hereunder, will be void and of no effect. Any assignment of monies due or to become due in accordance with this Agreement, will be to the extent permitted by law, and will be subject to all proper set-offs, deductions, and withholdings in favor of Valley Water.
- B. In no event, shall an assignment of any interest in this Agreement release the Consultant from its duties and responsibilities as described in this Agreement nor shall the Consultant be released from liability created by the provision of Services as described in this Agreement until such assignment takes effect. Any attempted or purported assignment without Valley Water's written consent in the form of an amendment executed by the Parties is null and void.

#### **4. Reasonableness**

Discretionary actions or approvals to be performed by the Parties will be exercised in a reasonable manner.

#### **5. Gifts**

Consultant hereby acknowledges that Valley Water policy prohibits the acceptance by Valley Water personnel of gifts of any kind from its contractors, consultants, suppliers or vendors. Consultant shall honor this policy by not sending or bringing gifts to Valley Water.

#### **6. Audits**

Consultant agrees that Valley Water and its agent(s) have the right to review, obtain, and copy all records pertaining to performance of this Agreement. Consultant agrees to provide Valley Water and its agent(s) with any relevant information requested, in electronic and hard copy format, at Valley Water's discretion, and will permit Valley Water and its agent(s) access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees (alternatively, by phone at Valley Water's discretion) and inspecting or copying books, records, accounts, computerized records, and other materials that may be relevant to the matter under investigation or subject to audit, such as by a government agency providing Valley Water with grant funds to pay for Consultant's services, for the purpose of determining compliance with this Agreement. Consultant further agrees to maintain such records for a period of three years after final payment as provided for in this Agreement.

#### **7. Force Majeure**

Neither Party will be held responsible for delays caused by acts beyond its control, such as acts of God or public enemies, utility or communication delays, or failures not caused by such Party's negligence or fault, accidents not caused by such Party's negligence or fault, labor disputes, war, or failure of the other Party to provide data as required pursuant to this Agreement.

#### **8. Binding Effect**

This Agreement is binding on the heirs, executors, administrators, successors and assigns of the Parties.

#### **9. Choice of Law and Venue**

The Parties agree that this Agreement is to be governed, construed and enforced in accordance with the laws of the State of California. The Parties also agree that the venue of any litigation arising out of or connected with this Agreement will lie exclusively in the state trial court or Federal District Court located in Santa Clara County in the State of California, and the Parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

## **10. Confidentiality**

- A. Due to the nature of the services Consultant will provide pursuant to this Agreement, there may be disclosures made to Consultant of detailed information about Valley Water's operations, including on a need-to-know basis information which may be protected from public disclosure by confidentiality laws, the attorney-client privilege, and/or other provisions of law which govern the nature and timing of disclosure of public information.
- B. Consultant understands and acknowledges that Valley Water staff members providing information to the Consultant do so with the understanding that such information will be handled appropriately.
- C. In the event Consultant receives such restricted or confidential information, Consultant will limit access to the information to only those of Consultant's employees, its subcontractors and its Subconsultants authorized by Valley Water to have the information.
- D. Consultant will notify Valley Water immediately of any request by any third party to have access to confidential information, and will not disclose the requested information without first receiving express written authorization from Valley Water.
- E. The requirements stated herein will survive completion, expiration, suspension, and termination of this Agreement.

## **11. Release of Information Prohibited**

Consultant is not permitted to provide any information concerning the Project to the media nor anyone other than authorized Valley Water personnel. Consultant will not release any information pertinent to the Project for publication, public disclosure, or in any other manner without first obtaining clearance and a release in writing from Valley Water. Any media inquiry at any time to Consultant relating to any matter concerning Services provided or requested to be provided pursuant to this Agreement will be referred immediately to Valley Water. Consultant will not communicate with the media regarding any such matter.

## **12. Conflict of Interest**

- A. Consultant represents that there exists no actual or potential conflict of interest concerning the services to be performed pursuant to this Agreement.
- B. Consultant represents that Consultant's performance required as stated in this Agreement does not require the breach of any agreement or obligation to keep in confidence the proprietary information of another party. Consultant will not bring to Valley Water, or use in the performance of Consultant's duties as described in this Agreement, any materials or documents of another party considered confidential or proprietary unless Consultant has obtained written authorization from such party, and the informed consent of Valley Water, for the possession and use of such materials.
- C. Consultant represents and warrants that during the term of the Agreement, Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant shall not act as a Consultant



or expert for any party in support of any potential or active claim or legal action against Valley Water by such party.

- D. CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION STATEMENT OF ECONOMIC INTEREST FORM 700 ("FORM 700"): Upon Valley Water's request, Consultant employees, officers, agents, Subconsultants, and subcontractors shall complete, execute, and submit a Form 700 as follows:
- 1) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, shall file, with Valley Water in a manner prescribed by Valley Water an Assuming Office Statement. The Assuming Office Statement shall be filed:
    - a. Within 30 calendar days of the effective date of this Agreement; and
    - b. Within 30 calendar days of Consultant hiring, adding, or promoting to a designated filer position employees, officers, agents, Subconsultants, and subcontractors to perform services pursuant to this Agreement.
  - 2) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement that filed an Assuming Office Statement shall file in a manner prescribed by Valley Water an amendment to their Form 700 anytime there is a change to their disclosure information.
  - 3) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement that filed an Assuming Office Statement shall file with Valley Water an Annual Statement in a manner prescribed by Valley Water during Valley Water's annual filing season, as determined by Valley Water.
  - 4) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform Services pursuant to this Agreement, that filed an Assuming Office Statement, shall file, in a manner prescribed by Valley Water, a Leaving Office Statement when one of the following occurs:
    - a. Upon termination of this Agreement; and
    - b. Within 30 calendar days of Consultant employees, officers, agents, Subconsultants, and subcontractors vacating a designated filing position (i.e., removed from the Project, promotion, demotion, transfer to non-designated position, end of employment, or as a result of changes in designated filer positions in Valley Water's Conflict of Interest Code).
  - 5) Consultant understands and agrees that its employees, officers, agents, Subconsultants, and subcontractors may be disqualified from providing services to Valley Water pursuant to the California Political Reform Act, Government Code (GC) §81000 et. Seq. and GC § 1090. If any of Consultant's employees, officers, agents, Subconsultants, and subcontractors are disqualified from providing services, on written notice from Valley Water's Project Manager, Consultant will have 15 calendar days to remove that employee(s), officer(s), agent(s), Subconsultant(s)', and

subcontractor(s)' employee(s) from the Project and provide a replacement acceptable to Valley Water.

- 6) The failure of Consultant's employees, officers, agents, Subconsultants, and subcontractors to file an Assuming Office, Annual, Amended, or Leaving Office Statement within the time prescribed by Valley Water is deemed a material breach and may result in termination of the Agreement for cause.

### **13. Task Orders**

- A. Some tasks and Services will be assigned to the Consultant through issuance of Task Orders. After the tasks and Services are identified and communicated to the Consultant by Valley Water Project Manager, Consultant will prepare a proposed Task Order (see Standard Consultant Agreement, Appendix Three Task Order Template). The proposed Task must identify the following:
  - 1) Description of the supplemental services, including deliverables;
  - 2) The total Not-to-Exceed Fees for Consultant to complete the services, including estimated number of hours per assigned staff to complete the services;
  - 3) Proposed staff that will be assigned to complete the services, including resumes if not previously provided to Valley Water's Project Manager;
  - 4) Estimated cost of each other direct cost and reimbursable expense, including any applicable fees;
  - 5) Schedule for completing the supplemental services; and
  - 6) Copies of applicable state and federal permits required to complete the services, unless previously provided to Valley Water.
- B. Consultant agrees that the Not-to-Exceed Fees specified in a proposed Task Order will be the product of a good faith effort in exercising its professional judgment. After an agreement has been reached on the negotiable items, the finalized Task Order will be signed by both Valley Water's authorized representative referenced in the Standard Consultant Agreement, Appendix One Additional Legal Terms (Appendix One), and Consultant's authorized representative.
- C. Consultant must not commence performance of work or services on a Task Order until it has been approved by Valley Water's authorized representative and Notice to Proceed has been issued by Valley Water Project Manager. No payment will be made for any services performed prior to approval or after the period of performance of the Task Order. The period of performance for Task Orders will be in accordance with dates specified in the Task Order. No Task Order will be written which extends beyond the expiration date of this Agreement. The total amount payable by Valley Water for an individual Task Order will not exceed the amount agreed to in the Task Order.
- D. Prevailing Wage Requirements: The Scope of Services may be considered by Valley Water to be "Public Works" requiring the payment of prevailing wages. See the Standard

Consultant Agreement Section Four, Fees and Payments, subsection 3. Prevailing Wages, and Appendix Three, Task Order Template.

#### **14. Good Neighbor**

Valley Water always strives to be a good neighbor to the community adjacent to its facilities. Consultant will ensure that disturbance to neighbors is minimized. Consultant, its staff, and Subconsultants will always interact with the members of the public in a polite and professional manner.

#### **15. Governmental Permits and Notifications**

Unless otherwise expressly stated herein or in an executed Task Order, Consultant represents and warrants that it has investigated the need for, and has or will procure, at its cost, and in its own name to the extent allowed by law, all governmental permits, notifications, approvals and inspections required for the performance of the Services. Consultant shall promptly notify Valley Water if any such permit or approval lapses, or is modified or revoked. If, pursuant to applicable law, any such permits or approvals must be procured in Valley Water's name, Consultant shall promptly so inform Valley Water and assist Valley Water in obtaining such permits or approvals.

#### **16. Taxes and Benefits**

Consultant has full and exclusive liability for the payment of, and Consultant will pay, any and all taxes and contributions for unemployment insurance, retirement benefits, workers' compensation insurance or benefits, life insurance, pensions, annuities and similar benefits and any other employment-related costs, obligations, and duties that may now or hereafter be imposed by law, collective bargaining agreements or otherwise with respect to persons employed by Consultant for the performance of Services pursuant to this Agreement.

#### **17. Nonwaiver of Rights**

The failure of either Party to this Agreement to object to or to take affirmative action with respect to any conduct of the other Party that is in violation of the terms of this Agreement will not be construed as a waiver thereof, or as waiver of any future breach or subsequent wrongful conduct.

#### **18. Notices**

Unless otherwise specified in this Agreement, all requests for written approval or legal notices must be sent to the representatives below. All notices will be deemed to have been given when made in writing and when delivered or mailed to the representatives of Valley Water and Consultant at their respective addresses as follows:

VALLEY WATER:

Deputy Officer, as listed in Section 1. Representatives, of the attached Schedule(s), Scope of Services

**CONSULTANT:**

Consultant Principal Officer, as listed in Section 1. Representatives, of the attached Schedule(s), Scope of Services

**19. No Third Party Beneficiaries**

Nothing in this Agreement, whether express or implied, shall be construed to give any person or entity, other than the Parties hereto, any legal or equitable right, remedy, or claim under or in respect of this Agreement or any covenants, conditions, or provisions contained herein.

**20. Severability**

If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.

**21. Debt Limitation**

This Agreement is contingent on the appropriation of sufficient funding by Valley Water for the services described in this Agreement. Valley Water is subject to laws or policies which limit its ability to incur debt in future years. Nothing in this Agreement shall constitute an obligation of future legislative bodies of Valley Water to appropriate funds for purposes of this Agreement.

**22. Appendices**

The following listed Appendices are incorporated herein by this reference as though set forth in full:

Appendix One - Additional Legal Terms  
Appendix Two - Dispute Resolution  
Appendix Three - Task Order Template  
Appendix Four - Insurance Requirements

**23. Schedule(s) and Attachments**

Schedule A-GEN, Scope of Services, and the following listed Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments  
Attachment Two - Schedule of Completion  
Attachment Three - Consultant's Key Staff and Subconsultants  
Attachment Four - Reference Materials

*(SIGNATURES FOLLOW ON NEXT PAGE)*

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IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

**SANTA CLARA VALLEY WATER DISTRICT**  
Valley Water

By:   
Tony Estremera  
Chair, Board of Directors

Date: 11/23/21

ATTEST:

  
Michele L. King, CMC  
Clerk, Board of Directors

**SJOBERG EVASHENK CONSULTING, INC.**  
Consultant

By:   
George J. Skiles  
Chair, Board of Directors

Date: 10-8-21

Consultant's Address:  
455 Capitol Mall, Suite 700  
Sacramento, CA 95814

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**STANDARD CONSULTANT AGREEMENT  
APPENDIX ONE  
ADDITIONAL LEGAL TERMS**

**1. Conflict of Interest for Future Services**

Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant shall not submit a proposal:

- A. For any agreement to be awarded for any project that is related to the services provided pursuant to this Agreement; - NOT USED
- B. In response to any request for proposal or Valley Water solicitation developed or prepared by or with the assistance of Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant; or
- C. For any single or sole source products/services related to the Services pursuant to this Agreement or have a financial stake in any single or sole source products/services resulting from this Agreement.

**2. Dispute Resolution**

If a dispute occurs between the Parties as a result of this Agreement, then the Parties agree to use the Dispute Resolution process outlined in the Standard Consultant Agreement, Appendix Two, Dispute Resolution.

**3. Small Business Enterprise (SBE) Participation - NOT USED**

**4. Task Order Approvals**

Task orders will not be issued against this Agreement.

- A. Services to be performed pursuant to a Task Order may only commence once a specific Notice to Proceed for that Task Order has been issued by Valley Water.
- B. Task Orders are subject to approval by Valley Water Chief Financial Officer unless delegated to an Assistant Operating Officer or Unit Manager.
- C. Valley Water Unit Manager(s) is authorized to approve individual Task Orders in an amount not-to-exceed \$ [Authorization Amount]. [NOT USED]
- D. The total not-to-exceed amount for any one Task Order shall not exceed \$ [NOT-TO-EXCEED AMOUNT]. [NOT USED]

**STANDARD CONSULTANT AGREEMENT  
APPENDIX TWO  
DISPUTE RESOLUTION**

**1. Consultant's Questions and Concerns**

Questions regarding the Terms and Conditions, and Services relating to this Agreement will be decided by Valley Water who will furnish the decisions to Consultant in writing within 30 days after receiving a written request from Consultant.

**2. Dispute Resolution**

**A. Alternate Dispute Resolution**

Valley Water intends to use Alternate Dispute Resolution (ADR) techniques including partnering and mediation to resolve disputes relating to the Project.

B. Consultant and its Subconsultants are expected to participate in all ADR efforts.

C. The cost of partnering training facilities and facilitator will be borne by Valley Water.

**3. Negotiations Before and During Mediation**

Negotiations to resolve disputes before and during mediation are initiated for settlement purposes only, are confidential, and are not binding unless otherwise agreed by Valley Water and Consultant.

**4. Voluntary Mediation**

**A. Initiation of Mediation**

Any Party to a dispute or claim may initiate mediation by notifying the other Party or Parties in writing.

**B. Request for Mediation**

A request for mediation must contain a brief written statement of the nature of the dispute or claim, and the names, addresses, and phone numbers of all parties to the dispute or claim, and those who will represent them, if any, in the mediation.

**C. Selection of Mediator**

- 1) Upon receipt of a written request for mediation, unless otherwise agreed by the Parties, within 14 days, the Parties will confer to select an appropriate mediator agreeable to all Parties.
- 2) If the Parties cannot agree on a mediator, they hereby agree to accept a mediator appointed by a recognized association such as the American Arbitration Association.

**STANDARD CONSULTANT AGREEMENT  
APPENDIX TWO  
DISPUTE RESOLUTION**

**D. Qualifications of a Mediator**

- 1) Any mediator selected must have expertise in the area of the dispute and be knowledgeable in the mediation process.
- 2) No person shall serve as a mediator in any dispute in which that person has any financial or personal interest in the result of the mediation.
- 3) Before accepting an appointment, the prospective mediator must disclose any circumstances likely to create a presumption of bias or prevent a prompt meeting with the Parties. Upon receipt of such information, the Parties will confer and decide whether to select another mediator.

**E. Vacancies**

If any mediator becomes unwilling or unable to serve, another mediator will be selected unless the Parties agree otherwise.

**F. Representation**

- 1) Any Party may be represented by person(s) of their choice who must have full authority to negotiate.
- 2) The names and addresses of such person(s) must be communicated in writing to both Parties and to the mediator.

**G. Time and Place of Mediation**

- 1) The mediator will set the time of each mediation session.
- 2) The mediation will be held at a convenient location agreeable to the mediator and the Parties, as determined by the mediator.
- 3) All reasonable efforts will be made by the Parties and the mediator to schedule the first session within 60 days after selection of the mediator.

**H. Identification of Matters in Dispute**

- 1) Parties shall comply with the process as required by the mediator with regard to providing the mediator with a memorandum setting forth its position with regard to the issues that need to be resolved. At the discretion of the mediator, or otherwise agreed by the Parties, the Parties may mutually exchange such memoranda.
- 2) At the first session, the Parties will be expected to produce all information reasonably required for the Mediator to understand the issue(s) presented. The mediator may require each Party to supplement such information.



**STANDARD CONSULTANT AGREEMENT  
APPENDIX TWO  
DISPUTE RESOLUTION**

**I. Authority of Mediator**

- 1) The mediator does not have authority to impose a settlement on the Parties but will attempt to assist the Parties in reaching a satisfactory resolution of their dispute.
- 2) The mediator is authorized to conduct joint and separate meetings with the Parties and to make oral and written recommendations for settlement.
- 3) Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the Parties agree and assume the expenses of obtaining such advice. Arrangements for obtaining such advice will be made by the mediator or the Parties, as determined by the mediator.
- 4) The mediator is authorized to end the mediation whenever, in the mediator's judgment, further efforts at mediation would not contribute to a resolution of the dispute between the Parties.

**J. Privacy**

- 1) Mediation sessions are private.
- 2) The Parties and their representatives may attend mediation sessions.
- 3) Other persons may attend only with the permission of the Parties and with the consent of the mediator.

**K. Confidentiality**

Except as provided by California or federal law or regulation:

- 1) The mediator will not divulge any confidential information disclosed by the Parties or by witnesses in the course of the mediation.
- 2) All records, reports, or other documents received by a mediator while serving as mediator, are confidential.
- 3) The mediator must not be compelled to divulge such records or to testify in regard to the mediation in any adversary proceeding or judicial forum.
- 4) The Parties must maintain the confidentiality of the mediation and must not rely on, or introduce as evidence in any arbitration, judicial or other proceedings:
  - a. Views expressed, or suggestions made by the other Party with respect to a possible settlement of the dispute;
  - b. Statements made by the other Party in the course of the mediation proceedings;
  - c. Proposals made or views expressed by the mediator; and

**STANDARD CONSULTANT AGREEMENT  
APPENDIX TWO  
DISPUTE RESOLUTION**

- L. Whether the other Party had or had not indicated willingness to accept a proposal for settlement made by the mediator.  
No Stenographic Record

There shall be no stenographic record of the mediation.

**M. Termination of Mediation**

The mediation shall be terminated:

- 1) By the execution of a Settlement Agreement by the Parties;
- 2) By a written declaration of the mediator to the effect that further efforts at mediation are no longer worthwhile; or
- 3) By a written declaration of a Party or Parties to the effect that the mediation proceedings are terminated.

**N. Exclusion of Liability**

No mediator shall be a necessary Party in judicial proceedings related to the mediation.

**O. Interpretation and Application of These Mediation Provisions**

The mediator will interpret and apply these mediation provisions insofar as they relate to the mediator's duties and responsibility.

**P. Expenses**

- 1) The expenses of witnesses for each Party must be paid by the Party producing the witnesses.
- 2) All other expenses of the mediation, including required travel and other expenses of the mediator, and the expenses of any witness called by the mediator, or the cost of any proofs or expert advice produced at the direct request of the mediator, will be apportioned as the mediator finds appropriate or as otherwise agreed to by the Parties.

**5. Compensation for Participation in Mediation**

Neither Consultant nor Valley Water is entitled to compensation for time spent in or for negotiations or mediation to resolve questions or disputes between Consultant and Valley Water arising out of this Agreement.

**STANDARD CONSULTANT AGREEMENT  
APPENDIX THREE  
TASK ORDER TEMPLATE**

Task Order No. \_\_\_\_\_

Title: \_\_\_\_\_

Agreement: Standard Consultant Agreement \_\_\_\_\_ ("Agreement") Between the Santa Clara Valley Water District ("Valley Water") and \_\_\_\_\_ ("Consultant"), dated \_\_\_\_\_.

Valley Water: \_\_\_\_\_

Consultant: \_\_\_\_\_

**Dollar Amount of Task Order: Not-to-Exceed \$**\_\_\_\_\_

1. Upon full execution of this Task Order No. \_\_\_\_\_, as set forth in the Standard Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and the issuance of a Notice to Proceed by Valley Water Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the Notice to Proceed will be considered outside the contracted Scope of Services and will not be eligible for payment.
2. Both the Scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
  - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to Valley Water;
  - B. The total not-to-exceed fees amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification;
  - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees; and
  - D. Project schedule for completing the Scope of Services.
3. Consultant shall be compensated at fees or at the hourly rates established in Schedule(s), Attachment One, Fees and Payments, of the Agreement. Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order becomes effective on the date of full execution by authorized representatives of the Parties and remains in effect until the earlier of: completion of the tasks set forth in Attachment A; or [expected completion date].

**STANDARD CONSULTANT AGREEMENT  
APPENDIX THREE  
TASK ORDER TEMPLATE**

5. Copies of applicable local, state and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to Valley Water.
6. Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the Terms and Conditions of the Agreement.
7. Prevailing Wage Requirements - NOT USED

8. Signatures:

Signature:

\_\_\_\_\_  
NAME OF CONSULTANT FIRM  
[PRINT NAME]  
[PRINT TITLE]

\_\_\_\_\_  
DATE

Signature:

\_\_\_\_\_  
SANTA CLARA VALLEY WATER DISTRICT  
[PRINT NAME]  
[PRINT TITLE]

\_\_\_\_\_  
DATE

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**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**Please Note:** Failure to comply with the instructions below could result in a delay in receiving the Notice to Proceed. The District will not be responsible for time lost or costs incurred due to failure to comply with these requirements. Please note the check-list of documents needed at the end of this Appendix Four Insurance Requirements.

Without limiting the Consultant's indemnification of, or liability to, the Santa Clara Valley Water District ("District" or "Valley Water"), the Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, the following insurance coverages and provisions as listed below.

Consultant must provide its insurance broker(s)/agent(s) with a copy of these requirements and warrants that these requirements have been reviewed by Consultant's insurance agent(s) and/or broker(s), who have been instructed by Consultant to procure the insurance coverage required herein.

In addition to certificates, Consultant must furnish District with copies of all original endorsements affecting coverage required by this Appendix Four Insurance Requirements. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. **All endorsements and certificates are to be received and approved by District before the Agreement is executed.** In the event of a claim or dispute, District has the right to require Consultant's insurer to provide complete, certified copies of all required pertinent insurance policies, including endorsements affecting the coverage required by this Appendix Four Insurance Requirements.

If your insurance broker has any questions about the above requirements, please advise him/her to call Mr. David Cahen, District Risk Manager at (408) 630-2213.

**Certificates of Insurance**

Consultant shall furnish the District with a Certificate of Insurance. The certificates will be issued on a standard ACORD Form.

Consultant shall instruct their insurance broker/agent to submit all insurance certificates and required notices electronically in PDF format to the designated District Contract Administrator and email a copy to: [valleywater@ebix.com](mailto:valleywater@ebix.com).

The certificates will:

1. Identify the underwriters, the types of insurance, the insurance limits, the deductibles and the policy term;
2. Include copies of all the actual policy endorsements required herein; and
3. In the "Certificate Holder" box include:

**Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118  
Agreement/CAS No.5183**

**IMPORTANT: The agreement or CAS number must be included.**

**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

In the Description of Operations/Locations/Vehicles/Special Items Box:

1. Certificate Holder shall be named as Additional Insured;
2. District agreement or project number shall appear;
3. The list of policies scheduled as underlying on the Umbrella policy shall be listed; and
4. Waiver of Subrogation must be indicated as endorsed to all policies.

**If Consultant receives any notice that any of the insurance policies required by this Appendix Four Insurance Requirements may be cancelled or coverage reduced for any reason whatsoever, Consultant or insurer shall immediately provide written notice to the designated District Contract Administrator that such insurance policy required by this Appendix Four Insurance Requirements is canceled or coverage is reduced.**

**Maintenance of Insurance**

If Consultant fails to maintain such insurance as is called for herein, District, at its option, may suspend payment for work performed and/or may order Consultant to suspend all Consultant's work at Consultant's expense until a new policy of insurance is in effect.

**Renewal of Insurance**

Consultant will provide the District with a current Certificate of Insurance and endorsements within thirty (30) business days from the expiration of insurance.

Consultant shall instruct its insurance broker/agent to:

1. Submit all renewals of insurance certificates and required notices electronically in PDF format to: [valleywater@ebix.com](mailto:valleywater@ebix.com)
2. Provide the following information in the "Certificate Holder" box:

**Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118  
Agreement/CAS No. 5183**

**IMPORTANT: The agreement or CAS number must be included.**

Consultant must, at its sole cost and expense, procure and maintain during the entire period of this Agreement the following insurance coverage(s).

**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**Required Coverages**

- 1. Commercial General/Business Liability Insurance** with coverage as indicated:

**\$1,000,000** per occurrence / **\$1,000,000** aggregate limits for bodily injury and property damage

General Liability insurance must include:

- a. Coverage at least as broad as found in standard ISO form CG 00 01.
- b. Contractual Liability expressly including liability assumed under this contract.
- c. If Consultant must be working within fifty (50) feet of a railroad or light rail operation, any exclusion as to performance of operations within the vicinity of any railroad bridge, trestle, track, roadbed, tunnel, overpass, underpass, or crossway must be deleted, or a railroad protective policy in the above amounts provided.
- d. Severability of Interest.
- e. Broad Form Property Damage liability.

- 2. Business Auto Liability Insurance** with coverage as indicated:

**\$1,000,000** combined single limit for bodily injury and property damage per occurrence, covering all owned, non-owned and hired vehicles.

- 3. Professional/Errors and Omissions Liability** with coverage as indicated:

**\$1,000,000** per claim/ **\$1,000,000** aggregate

Professional/Errors and Omission Liability appropriate to the Consultant's profession, and must include:

- a. If coverage contains a deductible, or self-insured retention, it shall not be greater than one hundred thousand dollars (\$100,000) per occurrence/event.
- b. Coverage shall include contractual liability
- c. If coverage is claims-made:
  - i. Certificate of Insurance shall clearly state that the coverage is claims-made.
  - ii. Policy retroactive date must coincide with or precede the Consultant's start of work (including subsequent policies purchased as renewals or replacements).
  - iii. Policy must allow for reporting of circumstances or incidents that might give rise to future claims.
  - iv. Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of the contract of work.

- 4. Workers' Compensation and Employer's Liability Insurance**

Statutory California Workers' Compensation coverage covering all work to be performed for the District.

Employer Liability coverage for not less than **\$1,000,000** per occurrence.

**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**General Requirements**

With respect to all coverages noted above, the following additional requirements apply:

1. **Additional Insured Endorsement(s):** Consultant must provide an additional insured endorsement for Commercial General/Business Liability (for both on-going and completed operations) and Business Automobile liability coverage naming the **Santa Clara Valley Water District, its Directors, officers, employees, and agents, individually and collectively**, as additional insureds, and must provide coverage for acts, omissions, etc. arising out of the named insureds' activities and work. Other public entities may also be added to the additional insured endorsement as applicable and the Consultant will be notified of such requirement(s) by the District. **NOTE:** This section does not apply to the Workers' Compensation and Professional Liability policies.

(NOTE: Additional insured language on the Certificate of Insurance is **NOT** acceptable without a separate endorsement such as Form CG 20 10, CG 2033, CG 2037, or CG 2038. Editions dated 07/04 are not acceptable.)

2. **Primacy Clause:** Consultant will provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance contract) that consultant's insurance is primary with respect to any other insurance which may be carried by the District, its Directors, its officers, agents and employees, and the District's coverage must not be called upon to contribute or share in the loss. **NOTE:** This section does not apply to the Workers' Compensation policies.
3. **Cancellation Clause:** Consultant will provide endorsements for all policies stating that the policy will not be cancelled without 30 days prior notification to the District.
4. **Acceptability of Insurers:** All coverages must be issued by companies admitted to conduct business in the State of California, which hold a current policy holder's alphabetic and financial size category rating of not less than A- V, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the District's Risk Manager. Non-Admitted companies may be substituted on a very limited basis at the Risk Manager's sole discretion.
5. **Self-Insured Retentions or Deductibles:** Any deductibles or self-insured retentions must be declared to and approved by the District. At the option of the District, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the District, its officers, officials, employees and volunteers; or the Consultant shall provide a financial guarantee satisfactory to the Entity guaranteeing payment of losses and related investigations, claim administration, and defense expenses. Consultant agrees that in the event of a claim they will pay down any agreed upon SIR in a prompt manner as soon as bills are incurred in order to trigger the insurance related to the SIR.



**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

6. **Subconsultants:** The Consultant shall secure and maintain or shall be responsible for ensuring that all subconsultants performing the Contract Services secure and maintain all insurance coverages appropriate to their tier and scope of work in a form and from insurance companies reasonably acceptable to the District.
7. **Amount of Liability not Limited to Amount of Insurance:** The insurance procured by Consultant for the benefit of the District must not be deemed to release or limit any liability of Consultant. Damages recoverable by the District for any liability of Consultant must, in any event, not be limited by the amount of the required insurance coverage.
8. **Coverage to be Occurrence Based:** Except for Professional Liability, all coverage must be occurrence-based coverage. Claims-made coverage is not allowed.
9. **Waiver of Subrogation:** Consultant agrees to waive subrogation against the District to the extent any loss suffered by Consultant is covered by any Commercial General Liability policy, Automobile policy, Workers' Compensation policy described in **Required Coverages** above. Consultant agrees to advise its broker/agent/insurer and agrees to provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance contract) that subrogation has been waived by its insurer.
10. **Non-compliance:** The District reserves the right to withhold payments to the Consultant in the event of material noncompliance with the insurance requirements outlined above.

**STANDARD CONSULTANT AGREEMENT  
APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**CHECK LIST OF DOCUMENTS NEEDED**

<b>General Liability:</b>	A.	Limits (\$1,000,000)	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	
<b>Auto Liability:</b>	A.	Limits (\$1,000,000)	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	
<b>Umbrella:</b>	A.	Limits (\$)	
	B.	Primacy (Endorsement or policy language)	
<b>Workers Comp:</b>	A.	Limits (\$1,000,000)	
	B.	Waiver of Subrogation (Endorsement or policy language)	
	C.	Cancellation Endorsement	
<b>Professional Liability:</b>	A.	Limits (\$1,000,000)	
	B.	Cancellation Endorsement	

ConsultantGL1AL1PL1\_rev. 07.20.20 /CAS 10.06.21

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**SCHEDULE A-GEN  
SCOPE OF SERVICES**

**1. Representatives**

- A. Valley Water's representatives are as listed below. Unless otherwise provided in this Agreement, all correspondence to Valley Water must be addressed to Valley Water Project Manager (VWPM).

K. Anthony Mendiola (Valley Water Project Manager)  
Program Administrator  
Continual Improvement Unit  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118-3638

Phone: (408) 630-2437

Email: [AMendiola@valleywater.org](mailto:AMendiola@valleywater.org)

Darin Taylor (Division Operating Officer)  
Chief Financial Officer  
Financial Planning & Management Services Division  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118-3638

Phone: (408) 630-3068

Email: [dtaylor@valleywater.org](mailto:dtaylor@valleywater.org)

- B. Consultant's Project Manager is as listed below. All Valley Water questions pertaining to this Agreement shall be referred to Consultant's Project Manager.

George J. Skiles (Consultant Project Manager)  
Sjoberg Evashenk Consulting, Inc.  
Chair, Board of Directors  
455 Capitol Mall, Suite 700  
Sacramento, CA 95814

Phone: (916) 443-1300

Email: [george@secteam.com](mailto:george@secteam.com)

All Valley Water questions pertaining to this Agreement shall be referred to Consultant's Project Manager. All correspondence to Consultant shall be addressed to the address set forth above.

- C. Consultant's Principal Officer for this Agreement is as listed below. As per the Agreement, Section Twelve, Miscellaneous Provisions, subsection 18. Notices, all notices pertaining to this Agreement must be submitted to Consultant's Principal Officer.

George J. Skiles, Chair (Consultant Principal Officer)  
Sjoberg Evashenk Consulting, Inc.  
Chair, Board of Directors

## **SCHEDULE A-GEN SCOPE OF SERVICES**

455 Capitol Mall, Suite 700  
Sacramento, CA 95814

Phone: (916) 443-1300  
Email: [george@secteam.com](mailto:george@secteam.com)

### **2. Scope of Services**

- A. This Schedule A-GEN, Scope of Services describes the professional services to be performed by Consultant for the Valley Water's **Board Audit Consultant Services 2021** (Project). The Valley Water may, at its discretion, choose to negotiate an amendment to this Agreement with Consultant for additional services.

### **3. Project Objectives**

- A. The Santa Clara Valley Water District (Valley Water) is the wholesale provider of water in Santa Clara County. A Board of Directors elected by the citizens of Santa Clara County, governs Valley Water through a variety of methods ranging from public meetings and workshops to advisory committees and sub-committees. The Board's Audit Committee consists of three members of the Board. The Audit Committee develops a plan and initiates audits to evaluate and review various programs and functions of the District. The Committee also develops a priorities list and provides direction to staff regarding audit prioritization for Board audits. The plan and list are presented to the full Board for its consideration and approval.

### **4. Project Background**

- A. The mission of Valley Water is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

Valley Water is a public agency providing water supply, flood protection, and stream stewardship for Santa Clara County. Valley Water manages an integrated water resources system that includes the supply of clean safe water, flood protection and stewardship of streams on behalf of Santa Clara County's 2 million residents. Valley Water effectively manages ten dams and surface water reservoirs, three water treatment plants, a state-of-the-art water quality laboratory, and more than 275 miles of streams. For information about Valley Water, visit [www.valleywater.org](http://www.valleywater.org).

- B. The selected Audit consultant (Consultant) will serve as advisors to the Board of Directors' Audit Committee (Audit Committee) in fulfilling its duties, responsibilities and functions. Specifically, the Consultant will assess operational risks and advise on potential audits to ensure the District is in compliance with its policies, procedures and regulations. The recommended audits may or may not be conducted by the Consultant. The Consultant will also assist in preparing an annual program of audits with associated calendars, schedules and budgets and prepare formal and informal reports and presentations to the Audit Committee and the full Board of Directors.

## SCHEDULE A-GEN SCOPE OF SERVICES

### 5. Assumptions and Requirements

#### A. General Assumptions and Requirements

- 1) **Manage Scope of services.** Consultant shall manage the Scope of Services such that the work is completed within the Not-to-Exceed Fees limit and in accordance with the Project schedule and ensure that all services and deliverables meet Valley Water and Project objectives and requirements.
- 2) **Deliverable Format.** Consultant shall submit deliverables in both electronic and hardcopy format, if requested. Deliverables shall be submitted in PDF and native (editable) format, including Word documents, Excel spreadsheets, PowerPoint files, AutoCAD files, etc. The hard copy deliverables shall be printed in professional quality presentation and submitted in 5 (five) copies, if requested. Valley Water may require original copies of signed documents and/or scanned (Adobe PDF) versions.
- 3) **Review of Deliverables.** Valley Water will review and comment on all Project deliverables and forward to Consultant for revision and preparation of final versions. As determined by Valley Water, some of the deliverables may also be subject to review and comment from regulatory agencies and stakeholders following Valley Water review process. For each deliverable, Valley Water will collect comments from all Valley Water stakeholders and provide a single set of consolidated comments to Consultant. The comments provided by Valley Water staff during the workshops will be documented by Consultant as meeting minutes and will be included in the next revision of the documents.
- 4) **Valley Water Quality Environmental Management System.** Valley Water maintains a Quality Environmental Management System (QEMS) which has procedures, guidelines, and work instructions for the performance of various Valley Water work. If requested, Consultant will perform the applicable Agreement tasks and/or sub-tasks in accordance with the QEMS framework. In such situations, the VWPM will provide Consultant with the specific QEMS procedure, guideline, and/or work instruction prior to the preparation of such deliverables.
- 5) **Consultant Responsibility.** Consultant, with its expertise in performing the Services described herein, is responsible for making the appropriate assumptions in each task to complete each task's deliverables and to achieve the Project objectives of this Agreement as described in Section 3. Project Objectives.
- 6) **Document Control.** Consultant is responsible for establishing and maintaining its own document control system to execute this Scope of Services. An internal document control system for this Project is maintained by Valley Water.
- 7) **File Exchange Service.** Consultant will provide a file exchange service, accessible to all parties as designated by Valley Water, to facilitate communications; particularly of large files over three megabytes. Difficulties in

## **SCHEDULE A-GEN SCOPE OF SERVICES**

using and transmitting information with this exchange service shall be resolved by Consultant. In the event that transmitting or receiving information does not occur in a timely manner, Valley Water will not be responsible for delays in completing Project work. Consultant may need to coordinate with Valley Water's Information Technology Division to address any firewall issues and/or permissions required to allow for these communications.

### **B. Project-Specific Assumptions and Requirements**

- 1) Auditing Standards to be Followed:** To meet requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards (July 2018 Revision), the provisions of the Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- 2) Working Paper Retention and Access to Working Papers:**
  - A. All working papers and reports must be retained, at the auditor's expense, for a minimum of three years (3) years from the final termination date of this agreement unless the firm is notified in writing by Valley Water of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designee:
    - i. Valley Water
    - ii. Auditors or entities of which Valley Water is a sub recipient of grants
    - iii. State of California
    - iv. Parties designated by Valley Water as part of an audit quality review process
- 3) In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as "a significant deficiency in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize, and report program and financial data consistent with the assertions of management." Reportable conditions that are also material weaknesses shall be identified as such in the report.**
- 4) Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.**
- 5) Reports on compliance shall include all instances of noncompliance. Auditors shall be required to make an immediate written report of all irregularities and illegal acts of which they become aware to the following parties: Chairperson of**

## **SCHEDULE A-GEN SCOPE OF SERVICES**

the Board Audit Committee, District Counsel, Chief Administrative Officer.

- 6) Upon completion of the audit and prior to issuing any audit reports or the management letter, the auditor will participate in an exit conference with the Board Audit Committee. Such exit conference will be scheduled as part of a regular public meeting of the committee. The Board Audit Committee may request additional public presentations on any and all audits.

### **6. Scope of Services**

#### **Task 1 - Project Management**

- 1.1 The purpose of this task is for Consultant to manage this Scope of Services such that the work is completed within the not-to-exceed fees limit stated in Schedule A-GEN, Attachment One, Fees and Payments, and in accordance with the Project Schedule stated in Schedule A-GEN, Attachment Two, Schedule of Completion, while ensuring that all services and deliverables by the Consultant meet Valley Water and Project requirements.

#### **1.2 Kickoff Meeting**

Consultant will attend kickoff meeting with Valley Water. The purpose of the kickoff meeting is to introduce key Valley Water and Consultant team members to one another, acquaint all participants with the purpose of and expectations for the Project, describe team members' roles and responsibilities, describe Project procedures, and summarize scope and schedule.

- 1.3 **Project Design Work Plan.** Consultant will prepare a Project Design Work Plan in accordance with this Scope of Services.

- 1.3.1 The Project Design Work Plan shall include Project objectives, requirements, constraints, a detailed Project Schedule (showing major tasks and deliverables), a breakdown of Consultant's costs for the major tasks, a list of the Consultant's team members and their roles and responsibilities, communication protocols (internal and external), document control procedures, and other administrative procedures.

- 1.3.2 The Project Design Work Plan shall include a Project Quality Assurance and Quality Control (QA/QC) Plan documenting Consultant's procedures to ensure Consultant's services and deliverables meet Valley Water requirements and accepted practices and standards of the Consultant's profession. Valley Water reserves the right to request and review the Consultant's Project documentation demonstrating its adherence with their own quality assurance procedures.

- 1.4 **Progress Meeting and Workshops.** Valley Water and Consultant key staff and subconsultants, as determined necessary and appropriate by Consultant, subject to VWPM approval, or at Valley Water's direction, will coordinate and attend periodic progress meetings and workshops with Valley Water staff, regulatory and resource agencies, and review boards, as needed, to review, discuss and progress of the work. For each meeting or

## **SCHEDULE A-GEN SCOPE OF SERVICES**

workshop, the Consultant will prepare the meeting agenda and notes and submit them for review by Valley Water.

- 1.5 Weekly One-on-One Meetings with Valley Water.** Consultant Project Manager must provide a brief update of the team's work activities completed within the week, the look-ahead activities, and the issues and actions that require Valley Water's attention. The meeting schedule will be established by Valley Water, weekly/biweekly either in person, or by phone, at Valley Water's discretion.
- 1.6 Coordination and Communication with External Agencies.** Consultant will assist the VWPM with coordination and communication with appropriate regulatory or other agencies, as necessary, to execute this Scope of Services. This task includes support in drafting correspondence related to the Consultant's Project design activities as requested by Valley Water.
- 1.7 Public Outreach.** If requested, Consultant will provide support and assistance with Valley Water's public outreach activities. Such assistance may include coordination, preparation, and participation including, preparing presentation materials, attendance at meetings, preparation of newsletters, graphics, updates to the Project website, developing responses to questions, and other tasks as directed by the VWPM.
- 1.8 Project-Specific Sub-Tasks**
  - 1.8.1** Consultant shall recommend convening and attending meetings, workshops and consultations with Valley Water as needed to complete the tasks.

### **Task 1 - Deliverables**

- 1. Project Design Work Plan including QA/QC Plan (Draft, Draft Final and Final)
- 2. Meeting agendas, minutes, and presentations
- 3. Weekly or twice-a-week meetings/conference calls attendance and notes; frequency of meetings and/or calls will be at Valley Water's discretion

### **Task 2 – General Audit Services**

- 2.1** The Consultant shall manage the Scope of Services such that the work is completed within the fixed fee limit stated in a Task Order and in accordance with the schedule and ensure that all services and deliverables meet the Internal Audit Program requirements.
- 2.2** Valley Water maintains a Quality Environmental Management System (QEMS) which has procedures, guidelines, and work instructions for the performance of various Valley Water work. The Consultant shall perform the tasks and/or subtasks in accordance with the QEMS framework. As needed, Valley Water Project Manager will provide the Consultant with the specific QEMS procedure, guideline, and/or work instruction prior to the production of deliverables.
- 2.3** The Consultant will conduct an assessment of the current Audit Program and evaluate the audits and assessments currently underway. The Consultant's project services will



## **SCHEDULE A-GEN SCOPE OF SERVICES**

support the Audit Committee in fulfilling its duties, responsibilities and program objectives as follows:

### **A. General Audit Committee services**

1. Provide advice and recommendations on audits of government programs.
2. Develop an annual audit program, calendar and budget.
3. Conduct audits as directed by the Audit Committee.
4. Prepare and deliver formal and informal audit reports and presentations.
5. Attend Audit Committee and Board meetings.
6. Meet with Valley Water staff as needed.
7. Provide additional staff resources as determined by the Audit Committee.

### **B. Specific audit services**

The Consultant may conduct certain audits as directed by the Board. Following the completion of any audit the auditor shall issue a report that contains at a minimum:

1. An executive summary of the audit.
2. Methodology and data used.
3. The accuracy and fair representation of any financial transactions.
4. Compliance with applicable laws, regulations, voter mandates, and policies.
5. Effectiveness of internal controls governing Valley Water operations and finances.
6. Material strength and weaknesses of programs reviewed by the auditor.
7. Recommended improvements, if any.

Reports will be provided in both a written and an unalterable electronic format for use by Valley Water. All final audit reports are public documents under state and federal law and are to be made available upon any public request.

### **Task 2 – Deliverables**

1. To be determine on a task order issuance basis

### **Task 3 - Supplemental Services**

Valley Water may require, and the Consultant will perform, Supplemental Services on an as-needed basis. Prior to performing any Supplemental Services, Consultant must receive an approved Task Order issued by Valley Water and executed by both Parties. Refer to the Standard Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and Appendix Three, Task Order Template.

#### **3.1 Specific examples include:**

- 3.1.1 Training
- 3.1.2 Best Practices Research

#### **3.2 Additional Services.** Consultant will provide additional quantities of previously identified services as requested by Valley Water. Consultant will provide additional

## **SCHEDULE A-GEN SCOPE OF SERVICES**

services for any quantity of tasks and deliverables beyond those stated in Task 1 through 2 as Task 3 Supplemental Services, to include but not be limited to:

- 3.2.1 Additional meetings;
- 3.2.2 Additional time allotted for meetings;
- 3.2.3 Additional status/progress reports;
- 3.2.4 Additional phone conference calls;
- 3.2.5 Additional pages or copies of technical memoranda, plans, reports, drawings, and specifications; and
- 3.2.6 Additional public outreach visual material

### **7. Attachments**

The following A-Gen Standard Consultant Agreement listed Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments

Attachment Two - Schedule of Completion

Attachment Three - Consultant's Key Staff and Subconsultants

Attachment Four - Reference Materials

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**SCHEDULE A-GEN  
ATTACHMENT ONE  
FEES AND PAYMENTS**

**1. Total Authorized Funding**

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule(s) will not exceed a total amount of **\$800,000** (Not-to-Exceed or NTE). Under no conditions will the total compensation to Consultant exceed NTE Fee payment amount without prior written approval in the form of an amendment to this Agreement executed by Valley Water's Board of Directors (Board), or Chief Executive Officer, or designee, as authorized by the Board.

**2. Cost Breakdown**

The NTE compensation of this Agreement consists of the following task fee breakdown. No Services will be performed or fees paid by Valley Water to Consultant for Supplemental Services without prior written authorization by Valley Water as stated in this Agreement.

**COST BREAKDOWN**

<b>Task</b>	<b>Description</b>	<b>Not-to-Exceed Fees For Each Audit</b>
1	Project Management	\$25,000
2	<i>General Audit Services</i>	
	A. General Audit Committee Services	\$20,000
	B. Specific Audit Services	\$80,000
3	Supplemental Services	\$40,000
<b>Total Not-to-Exceed Fees For Each Audit</b>		<b>\$165,000</b>
<b>Total Not-to-Exceed Amount of This Agreement</b>		<b>\$800,000</b>

**SCHEDULE A-GEN  
ATTACHMENT ONE  
FEES AND PAYMENTS**

**3. Terms and Conditions**

A. Payments for Services performed, as described in this attached Schedule, which applies to the specific Services, will be based on the following terms:

- 1) Valley Water will pay for Services provided by Consultant according to the schedule of rates for professional, technical, and administrative personnel as well as materials and supplies as listed below in the Hourly/Unit Rate Schedule.
- 2) The stated hourly rates are effective for the term of this Agreement unless otherwise revised as indicated. After 12 months from the date this Agreement is entered into by parties ("anniversary date"), and each 12 months thereafter, these hourly rates may be negotiated by Consultant and Valley Water, provided Consultant submits written notice to Valley Water of Consultant's request to revise the hourly rates 90 calendar days prior to the anniversary date of this Agreement. Both parties will use as a benchmark for negotiations the percent change for the previous 12 months of the "Employment Cost Index (ECI), for total compensation for private industry workers, for the San Francisco-Oakland-San Jose, CA CSA Census region and metropolitan area (not seasonally adjusted)" as published by the U.S. Department of Labor, Bureau of Labor Statistics, or 2.6%, whichever is less. A negative index will result in rates remaining the same. Such rate revisions are subject to written approval by Valley Water's Deputy Operating Officer.

**B. Reimbursable Expenses**

- 1) All reimbursable expenses not already covered in overhead may include, but are not limited to, mapping, rendering, printouts, leased equipment, mailing and delivery services, printing services, film and processing, plotting, and supplies. These other direct expenses as approved by Valley Water Project Manager will be billed on monthly basis at actual cost.
- 2) Equipment purchased on behalf of Valley Water that costs \$50 or more must receive the prior written approval of Valley Water Project Manager. All equipment purchased on behalf of and paid for by Valley Water shall become the property of Valley Water and be delivered to Valley Water prior to expiration of this Agreement.
- 3) Travel expenses are reimbursed at actual costs. Travel and overnight accommodations, including per diem, required for performance of this Agreement will be paid at reasonable cost not to exceed the U.S. General Services Agency Per Diem Rates for Sunnyvale/Palo Alto/San Jose, California area, provided prior approval has been obtained from Valley Water Project Manager. For air travel, Valley Water will pay the cost of a coach class or equivalent ticket. Where air travel is required, Valley Water will pay the total cost of taxi, rideshare, public transportation, or a rental car, which may include insurance, gas, car fee, and taxes and will be paid at the actual costs incurred. Vehicle rental is limited to a compact or economy model, unless prior approval has been obtained from Valley Water Project Manager for a different type of vehicle.

**SCHEDULE A-GEN  
ATTACHMENT ONE  
FEES AND PAYMENTS**

- 4) Expenses incurred by the Consultant, including for Subconsultants, subcontractors and vendors, including lab services, will be reimbursed at actual cost. Consultant shall provide invoices for all such services regardless of cost.
- C. For staff with rates exceeding the rate of \$230/hr, the Consultant must obtain written approval from the Valley Water Project Manager as to the number of hours per task prior to that individual working on the Project.
- D. **Prevailing Wage Requirements – NOT USED**

**SCHEDULE A-GEN  
ATTACHMENT ONE  
FEES AND PAYMENTS**

**HOURLY/UNIT RATE SCHEDULE**

<b>CLASSIFICATION/STAFF</b>	<b>HOURLY/UNIT RATE</b>
<b>Consultant: Sjoberg Evashenk</b>	
Partner	<b>\$230</b>
Director	<b>\$180</b>
Manager	<b>\$135</b>
Senior Consultant	<b>\$115</b>
Associate Consultant	<b>\$90</b>
<b>Subconsultant(s): NONE</b>	

NOTE: <sup>1</sup> – Rates listed above apply if services requested are not related to Schedule A-GEN.

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**SCHEDULE A-GEN  
ATTACHMENT TWO  
SCHEDULE OF COMPLETION**

1. This Agreement commences on the Effective Date, subject to accomplishment of all conditions to formation of an agreement listed in the Agreement at Section Twelve, Miscellaneous Provisions, subsection 2. Formation of Agreement.
2. This Agreement expires **three (3) years** after the Effective Date, unless, prior to its expiration, its term is modified by a written amendment hereto signed by both Parties.
3. Valley Water and Consultant may agree to modify the schedule specified for Consultant's performance as an administrative modification to the Agreement and will confirm such modification in writing.

**PROJECT SCHEDULE**

<b>Task</b>	<b>Description</b>	<b>Duration From Notice to Proceed (months)</b>
1	Project Management	Duration of Agreement
2	General Audit Services	Duration of Agreement
3	Supplemental Services	Duration of Agreement

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**SCHEDULE A-GEN  
ATTACHMENT THREE  
CONSULTANT'S KEY STAFF AND SUBCONSULTANTS**

1. Consultant's key staff assigned to the Project are as follows:

Team Member	Classification	Project Role	Contact Information
George Skiles	Partner	Chief Audit Executive	455 Capitol Mall, Suite 700 Sacramento, CA 95814 <a href="mailto:george@secteam.com">george@secteam.com</a> (916) 443-1300
Lynda McCallum	Partner	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 <a href="mailto:lynda@secteam.com">lynda@secteam.com</a> (916) 443-1300
Catherine Brady	Partner	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 <a href="mailto:cathy@secteam.com">cathy@secteam.com</a> (916) 443-1300
Lien Luu	Director	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 <a href="mailto:lien@secteam.com">lien@secteam.com</a> (916) 443-1300
Nicole Dyer	Director	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 <a href="mailto:nicole@secteam.com">nicole@secteam.com</a> (916) 443-1300

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**SCHEDULE A-GEN  
ATTACHMENT FOUR  
REFERENCE MATERIALS**

<b>Ref No.</b>	<b>Description</b>
1	Santa Clara Valley Water District Non-Disclosure Agreement (NDA) and Personal Non-Disclosure Agreement (PNDA)
2	ISO 9001 and 14001 standards (to be provided after award)
3	Annual Audit Work Plan

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**AMENDMENT NO. 1 TO AGREEMENT A4570A  
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT  
AND SJOBERG EVASHENK CONSULTING, INC.**

This Amendment No. 1 (Amendment), effective as of the date it is fully executed by the Parties, amends the terms and conditions of the Standard Consultant Agreement A4570A (Agreement) dated November 23, 2021, between SANTA CLARA VALLEY WATER DISTRICT (District or Valley Water) and SJOBERG EVASHENK CONSULTING, INC., (Consultant), collectively, the Parties.

**RECITALS**

**WHEREAS**, the Consultant is currently under an Agreement to provide Board Audit Consultant Services; and

**WHEREAS**, the Agreement currently expires on November 23, 2024; and

**WHEREAS**, the Parties desire to amend the Agreement to extend the agreement term to allow Consultant to continue to provide board audit consultant services to the Board of Directors' Audit Committee, and make administrative updates.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements stated herein and notwithstanding anything to the contrary stated in the Agreement, District and Consultant hereby agree to amend the Agreement as follows:

1. Agreement, Standard Admin-GEN Consultant Agreement, Section Twelve, Miscellaneous, subsection 23. Schedules and Attachments is amended to state as follows:

“23. Schedules and Attachments

Schedule Admin-GEN, Scope of Services, and the following Attachments are incorporated herein by this reference as though set forth in full:

Attachment One to Schedule Admin-GEN Scope of Services, Fees and Payments  
(UNCHANGED)

Revised Attachment Two to Schedule Admin-GEN Scope of Services, Schedule of Completion (REVISED)

Attachment Three to Schedule Admin-GEN Scope of Services, Consultant's Key Staff and Subconsultants (UNCHANGED)

Attachment Four to Schedule Admin-GEN Scope of Services, Reference Materials  
(UNCHANGED).”

2. Appendix Four, Insurance Requirements is amended as set forth in Revised Appendix Four, Insurance Requirements, attached hereto and incorporated herein by this reference.
3. Attachment One, Fees and Payments is amended as set forth in Revised Attachment One, Fees and Payments, attached hereto and incorporated herein by this reference.
4. Attachment Two to Schedule Admin-GEN, Schedule of Completion, Section 2. is amended to state as follows:

“2. This Agreement expires on November 23, 2025 unless, prior to its expiration, its term is modified by a written amendment hereto, signed by both Parties.”

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT  
AND SJOBERG EVASHENK CONSULTING, INC.**

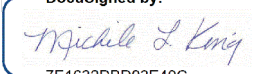
5. All other terms and conditions of the Agreement A4570A, not otherwise amended as stated herein, remain in full force and effect.

**IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS AMENDMENT NO. 1 TO AGREEMENT A4570A THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.**

**SANTA CLARA VALLEY WATER DISTRICT**  
Valley Water

By:  Signed by:  
74DF7C772804475...  
Nai Hsueh  
Chair, Board of Directors

Date: September 24, 2024

AT  DocuSigned by:  
7E1632DBD93E40C...  
Michele L. King, CMC  
Clerk, Board of Directors

**SJOBERG EVASHENK CONSULTING, INC.**  
Consultant

By:  Signed by:  
6B9C8B3AC8C54C5...  
George J. Skiles  
Chair, Board of Directors

Date: 8/29/2024

Consultant's Address:  
455 Capitol Mall, Suite 700  
Sacramento, CA 95814

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**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**Please Note: Failure to comply with the instructions below could result in a delay in receiving the Notice to Proceed. The District will not be responsible for time lost or costs incurred due to failure to comply with these requirements. Please note the check-list of documents needed at the end of this Revised Appendix Four Insurance Requirements.**

Without limiting the Consultant's indemnification of, or liability to, the Santa Clara Valley Water District ("District" or "Valley Water"), the Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, the following insurance coverages and provisions as listed below.

Consultant must provide its insurance broker(s)/agent(s) with a copy of these requirements and warrants that these requirements have been reviewed by Consultant's insurance agent(s) and/or broker(s), who have been instructed by Consultant to procure the insurance coverage required herein.

In addition to certificates, Consultant must furnish District with copies of all original endorsements affecting coverage required by this Revised Appendix Four Insurance Requirements. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. **All endorsements and certificates are to be received and approved by District before the Agreement is executed.** In the event of a claim or dispute, District has the right to require Consultant's insurer to provide complete, certified copies of all required pertinent insurance policies, including endorsements affecting the coverage required by this Revised Appendix Four Insurance Requirements.

If your insurance broker has any questions about the above requirements, please advise him/her to email the Valley Water Risk Manager at: [RiskManager@valleywater.org](mailto:RiskManager@valleywater.org)

**Certificates of Insurance**

Consultant shall furnish the District with a Certificate of Insurance. The certificates will be issued on a standard ACORD Form.

Consultant shall instruct their insurance broker/agent to submit all insurance certificates and required notices electronically in PDF format to the designated District Contract Administrator and email a copy to: [valleywater@ebix.com](mailto:valleywater@ebix.com).

The certificates will:

1. Identify the underwriters, the types of insurance, the insurance limits, the deductibles and the policy term;
2. Include copies of all the actual policy endorsements required herein; and
3. In the "Certificate Holder" box include:

**Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118  
Agreement No. A4570A / CAS No.5183**

**IMPORTANT: The agreement or CAS number must be included.**

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

In the Description of Operations/Locations/Vehicles/Special Items Box:

1. Certificate Holder shall be named as Additional Insured;
2. District agreement or project number shall appear;
3. The list of policies scheduled as underlying on the Umbrella policy shall be listed; and
4. Waiver of Subrogation must be indicated as endorsed to all policies.

**If Consultant receives any notice that any of the insurance policies required by this Revised Appendix Four Insurance Requirements may be cancelled or coverage reduced for any reason whatsoever, Consultant or insurer shall immediately provide written notice to the designated District Contract Administrator that such insurance policy required by this Revised Appendix Four Insurance Requirements is canceled or coverage is reduced.**

**Maintenance of Insurance**

If Consultant fails to maintain such insurance as is called for herein, District, at its option, may suspend payment for work performed and/or may order Consultant to suspend all Consultant's work at Consultant's expense until a new policy of insurance is in effect.

**Renewal of Insurance**

Consultant will provide the District with a current Certificate of Insurance and endorsements within thirty (30) business days from the expiration of insurance.

Consultant shall instruct its insurance broker/agent to:

1. Submit all renewals of insurance certificates and required notices electronically in PDF format to: [valleywater@ebix.com](mailto:valleywater@ebix.com)
2. Provide the following information in the "Certificate Holder" box:

**Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118  
Agreement No. A4570A / CAS No. 5183**

**IMPORTANT: The agreement or CAS number must be included.**

Consultant must, at its sole cost and expense, procure and maintain during the entire period of this Agreement the following insurance coverage(s).

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**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**Required Coverages**

**1. Commercial General/Business Liability Insurance** with coverage as indicated:

**\$1,000,000** per occurrence / **\$1,000,000** aggregate limits for bodily injury and property damage

General Liability insurance must include:

- a. Coverage at least as broad as found in standard ISO form CG 00 01.
- b. Contractual Liability expressly including liability assumed under this contract.
- c. If Consultant must be working within fifty (50) feet of a railroad or light rail operation, any exclusion as to performance of operations within the vicinity of any railroad bridge, trestle, track, roadbed, tunnel, overpass, underpass, or crossway must be deleted, or a railroad protective policy in the above amounts provided.
- d. Severability of Interest.
- e. Broad Form Property Damage liability.

**2. Business Auto Liability Insurance** with coverage as indicated:

**\$1,000,000** combined single limit for bodily injury and property damage per occurrence, covering all owned, non-owned and hired vehicles.

**3. Professional/Errors and Omissions Liability** with coverage as indicated:

**\$1,000,000** per claim/ **\$1,000,000** aggregate

Professional/Errors and Omission Liability appropriate to the Consultant's profession, and must include:

- a. If coverage contains a deductible, or self-insured retention, it shall not be greater than one hundred thousand dollars (\$100,000) per occurrence/event.
- b. Coverage shall include contractual liability
- c. If coverage is claims-made:
  - i. Certificate of Insurance shall clearly state that the coverage is claims-made.
  - ii. Policy retroactive date must coincide with or precede the Consultant's start of work (including subsequent policies purchased as renewals or replacements).
  - iii. Policy must allow for reporting of circumstances or incidents that might give rise to future claims.
  - iv. Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of the contract of work.

**4. Workers' Compensation and Employer's Liability Insurance**

Statutory California Workers' Compensation coverage covering all work to be performed for the District.

Employer Liability coverage for not less than \$1,000,000 per occurrence.

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**General Requirements**

**With respect to all coverages noted above, the following additional requirements apply:**

1. **Additional Insured Endorsement(s):** Consultant must provide an additional insured endorsement for Commercial General/Business Liability (for both on-going and completed operations) and Business Automobile liability coverage naming the **Santa Clara Valley Water District, its Directors, officers, employees, and agents, individually and collectively**, as additional insureds, and must provide coverage for acts, omissions, etc. arising out of the named insureds' activities and work. Other public entities may also be added to the additional insured endorsement as applicable and the Consultant will be notified of such requirement(s) by the District. **NOTE:** This section does not apply to the Workers' Compensation and Professional Liability policies.

(**NOTE:** Additional insured language on the Certificate of Insurance is **NOT** acceptable without a separate endorsement such as Form CG 20 10, CG 2033, CG 2037, or CG 2038. Editions dated 07/04 are not acceptable.)

2. **Primacy Clause:** Consultant will provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance contract) that consultant's insurance is primary with respect to any other insurance which may be carried by the District, its Directors, its officers, agents and employees, and the District's coverage must not be called upon to contribute or share in the loss. **NOTE:** This section does not apply to the Workers' Compensation policies.
3. **Cancellation Clause:** Consultant will provide endorsements for all policies stating that the policy will not be cancelled without 30 days prior notification to the District.
4. **Acceptability of Insurers:** All coverages must be issued by companies admitted to conduct business in the State of California, which hold a current policy holder's alphabetic and financial size category rating of not less than A- V, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the District's Risk Manager. Non-Admitted companies may be substituted on a very limited basis at the Risk Manager's sole discretion.
5. **Self-Insured Retentions or Deductibles:** Any deductibles or self-insured retentions must be declared to and approved by the District. At the option of the District, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the District, its officers, officials, employees and volunteers; or the Consultant shall provide a financial guarantee satisfactory to the Entity guaranteeing payment of losses and related investigations, claim administration, and defense expenses. Consultant agrees that in the event of a claim they will pay down any agreed upon SIR in a prompt manner as soon as bills are incurred in order to trigger the insurance related to the SIR.
6. **Subconsultants:** The Consultant shall secure and maintain or shall be responsible for ensuring that all subconsultants performing the Contract Services secure and maintain all insurance coverages appropriate to their tier and scope of work in a form and from insurance companies reasonably acceptable to the District.

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

7. **Amount of Liability not Limited to Amount of Insurance:** The insurance procured by Consultant for the benefit of the District must not be deemed to release or limit any liability of Consultant. Damages recoverable by the District for any liability of Consultant must, in any event, not be limited by the amount of the required insurance coverage.
8. **Coverage to be Occurrence Based:** Except for Professional Liability, all coverage must be occurrence-based coverage. Claims-made coverage is not allowed.
9. **Waiver of Subrogation:** Consultant agrees to waive subrogation against the District to the extent any loss suffered by Consultant is covered by any Commercial General Liability policy, Automobile policy, Workers' Compensation policy described in **Required Coverages** above. Consultant agrees to advise its broker/agent/insurer and agrees to provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance contract) that subrogation has been waived by its insurer.
10. **Non-compliance:** The District reserves the right to withhold payments to the Consultant in the event of material noncompliance with the insurance requirements outlined above.

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**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED APPENDIX FOUR  
INSURANCE REQUIREMENTS**

**CHECK LIST OF DOCUMENTS NEEDED**

<b>General Liability:</b>	A.	Limits ( <b>\$1,000,000</b> )	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	
<b>Auto Liability:</b>	A.	Limits ( <b>\$1,000,000</b> )	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	
<b>Umbrella:</b>	A.	Limits (\$)	
	B.	Primacy (Endorsement or policy language)	
<b>Workers Comp:</b>	A.	Limits ( <b>\$1,000,000</b> )	
	B.	Waiver of Subrogation (Endorsement or policy language)	
	C.	Cancellation Endorsement	
<b>Professional Liability:</b>	A.	Limits ( <b>\$1,000,000</b> )	
	B.	Cancellation Endorsement	

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**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED ATTACHMENT ONE  
FEES AND PAYMENTS**

**1. Total Authorized Funding (UNCHANGED)**

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule(s) will not exceed a total amount of **\$800,000** (Not-to-Exceed or NTE). Under no conditions will the total compensation to Consultant exceed NTE Fee payment amount without prior written approval in the form of an amendment to this Agreement executed by Valley Water’s Board of Directors (Board), or Chief Executive Officer, or designee, as authorized by the Board.

**2. Cost Breakdown (UNCHANGED)**

The NTE compensation of this Agreement consists of the following task fee breakdown. No Services will be performed or fees paid by Valley Water to Consultant for Supplemental Services without prior written authorization by Valley Water as stated in this Agreement.

**COST BREAKDOWN**

<b>Task</b>	<b>Description</b>	<b>Not-to-Exceed Fees For Each Audit</b>
1	Project Management	\$25,000
2	<i>General Audit Services</i>	
	A. General Audit Committee Services	\$20,000
	B. Specific Audit Services	\$80,000
3	Supplemental Services	\$40,000
<b>Total Not-to-Exceed Fees For Each Audit</b>		<b>\$165,000</b>
<b>Total Not-to-Exceed Amount of This Agreement</b>		<b>\$800,000</b>

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED ATTACHMENT ONE  
FEES AND PAYMENTS**

**3. Terms and Conditions (UNCHANGED)**

A. Payments for Services performed, as described in this attached Schedule, which applies to the specific Services, will be based on the following terms:

- 1) Valley Water will pay for Services provided by Consultant according to the schedule of rates for professional, technical, and administrative personnel as well as materials and supplies as listed below in the Hourly/Unit Rate Schedule.
- 2) The stated hourly rates are effective for the term of this Agreement unless otherwise revised as indicated. After 12 months from the date this Agreement is entered into by parties ("anniversary date"), and each 12 months thereafter, these hourly rates may be negotiated by Consultant and Valley Water, provided Consultant submits written notice to Valley Water of Consultant's request to revise the hourly rates 90 calendar days prior to the anniversary date of this Agreement. Both parties will use as a benchmark for negotiations the percent change for the previous 12 months of the "Employment Cost Index (ECI), for total compensation for private industry workers, for the San Francisco-Oakland-San Jose, CA CSA Census region and metropolitan area (not seasonally adjusted)" as published by the U.S. Department of Labor, Bureau of Labor Statistics, or 2.6%, whichever is less. A negative index will result in rates remaining the same. Such rate revisions are subject to written approval by Valley Water's Deputy Operating Officer.

**B. Reimbursable Expenses (UNCHANGED)**

- 1) All reimbursable expenses not already covered in overhead may include, but are not limited to, mapping, rendering, printouts, leased equipment, mailing and delivery services, printing services, film and processing, plotting, and supplies. These other direct expenses as approved by Valley Water Project Manager will be billed on monthly basis at actual cost.
- 2) Equipment purchased on behalf of Valley Water that costs \$50 or more must receive the prior written approval of Valley Water Project Manager. All equipment purchased on behalf of and paid for by Valley Water shall become the property of Valley Water and be delivered to Valley Water prior to expiration of this Agreement.
- 3) Travel expenses are reimbursed at actual costs. Travel and overnight accommodations, including per diem, required for performance of this Agreement will be paid at reasonable cost not to exceed the U.S. General Services Agency Per Diem Rates for Sunnyvale/Palo Alto/San Jose, California area, provided prior approval has been obtained from Valley Water Project Manager. For air travel, Valley Water will pay the cost of a coach class or equivalent ticket. Where air travel is required, Valley Water will pay the total cost of taxi, rideshare, public transportation, or a rental car, which may include insurance, gas, car fee, and taxes and will be paid at the actual costs incurred. Vehicle rental is limited to a compact or economy model, unless prior approval has been obtained from Valley Water Project Manager for a different type of vehicle.

**AMENDMENT NO. 1 TO AGREEMENT A4570A  
REVISED ATTACHMENT ONE  
FEES AND PAYMENTS**

- 4) Expenses incurred by the Consultant, including for Subconsultants, subcontractors and vendors, including lab services, will be reimbursed at actual cost. Consultant shall provide invoices for all such services regardless of cost.
- C. For staff with rates exceeding the rate of \$248.41/hr, the Consultant must obtain written approval from the Valley Water Project Manager as to the number of hours per task prior to that individual working on the Project.
- D. Prevailing Wage Requirements – NOT USED**

**HOURLY/UNIT RATE SCHEDULE**

<b>CLASSIFICATION/STAFF</b>	<b>ORIGINAL HOURLY/UNIT RATE EFFECTIVE 11/23/21</b>	<b>ORIGINAL HOURLY/UNIT RATE EFFECTIVE UPON COMMENCEMENT OF AMENDMENT NO. 1</b>
<b>Consultant: Sjoberg Evashenk</b>		
Partner	\$230	\$248.41
Director	\$180	\$194.41
Manager	\$135	\$145.81
Senior Consultant	\$115	\$124.21
Associate Consultant	\$90	\$97.20
<b>Subconsultant(s): NONE</b>		

NOTE: <sup>1</sup> – Rates listed above apply if services requested are not related to Schedule A-GEN.

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# Santa Clara Valley Water District

**File No.:** 25-0377

**Agenda Date:** 6/17/2025

**Item No.:** 4.7.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

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

### RECOMMENDATION:

- A. Discuss 2025 Annual Audit Plan; and
- B. Provide feedback as needed.

### SUMMARY:

On November 20, 2024, the Chief Audit Executive (CAE) presented the proposed topics for the 2025 Annual Audit Plan to the Board Audit Committee (BAC) based on his individual interviews with each of the Board members. The BAC discussed and ultimately agreed to recommend the following topics to the full Board:

- 1) Capital project delivery activities, including Valley Water's overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.
- 2) Centralized and decentralized contracting processes, including:
  - a. Determining consistency with Santa Clara Valley Water District (Valley Water) policies, procedures, best practices, and other relevant guidance;
  - b. Assessing timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
  - c. Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies, professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and
  - d. Benchmarking research, including the extent to which Valley Water's procurement

practices compare with other public sector agencies.

- 3) Water conservation strategies, including evaluating Valley Water's relationships with other water agencies, evaluating best practices among water districts, assessing how monies dedicated to conservation activities are being spent, and identifying opportunities to enhance Valley Water's conservation goals.
- 4) Water usage and demand forecasting, including identifying best practices employed by benchmark agencies, and how forecasting models are used to inform the Water Supply Master Plan.

At its meeting on January 28, 2025, the Board approved the audit assignments and respective target start dates for each audit:

- 1) Capital Project Delivery
  - assign to Sjoberg Evashenk with possible start in late Q2 2025 and conclude in Q1 of 2026
- 2) Centralized and Decentralized Contracting Practices
  - assign to Sjoberg Evashenk with possible start in Q2 2025 and conclude in Q4 of 2025
- 3) Water Conservation Strategies
  - assign to Moss Adams with possible start in Q1 2025 and conclude in Q3 of 2025
- 4) Water Usage and Demand Forecasting
  - assign to Moss Adams with possible start in Q3 2025 and conclude in Q1 of 2026

### **Current Status of Audit Projects**

- 1) Capital Project Delivery
  - Project kickoff meeting is expected to be held in July 2025, pending execution of the task order.
- 2) Centralized and Decentralized Contracting Practices
  - Project kickoff meeting held on May 29, 2025, and the audit is currently in the planning phase.
- 3) Water Conservation Strategies
  - Project kickoff meeting held on April 3, 2025, and the audit is currently in the fieldwork phase.
- 4) Water Usage and Demand Forecasting
  - Project kickoff meeting is expected to be held in Q3 2025

The purpose of this agenda item is to discuss the 2025 Annual Audit Plan, discuss any new related information as appropriate, and receive any feedback the BAC deems appropriate.

### **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

There are no Environmental Justice impacts associated with this item. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of

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**File No.:** 25-0377

**Agenda Date:** 6/17/2025  
**Item No.:** 4.7.

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Directors.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



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# Santa Clara Valley Water District

**File No.:** 25-0376

**Agenda Date:** 6/17/2025

**Item No.:** 4.8.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

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

### RECOMMENDATION:

Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

### 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.

Since the last report provided at the March 19<sup>th</sup>, 2025, BAC meeting, there have been minor changes to the BAC Work Plan based on the cancellation of the April and May meetings. Specifically, the following topics were added to the June agenda:

- 2021 Permitting Best Practices Audit Recommendation Status Update
- 2024 Information Technology Audit Report
- Subventions Audit Report
- Financial Status Periodic Update

Looking forward, the topics of discussion identified for the July 16<sup>th</sup>, 2025, BAC Meeting can be summarized as follows:

1. Review of Joint Powers Authority Audits

2. 2025 BAC Work Plan
3. 2025 Annual Audit Plan
4. Receive Annual Audit Training

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: 2025 BAC Work Plan

**UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193

# BOARD AUDIT COMMITTEE 2025 WORKPLAN

January 1, 2025 to December 31, 2025

		Jan-15	Feb-19	Mar-19	Apr-16 Cancelled	May-21 Cancelled	Jun-17	Jul-16	Aug-20	Sep-17	Oct-15	Nov-19	Dec-17
DATE: No. of Topics:		5	6	8	2	2	8	4	6	5	4	4	3
#	Board Audit Committee Management												
1	<a href="#">Conduct Annual Self-Evaluation</a>	•		•									
2	<a href="#">Receive and Discuss CAE Activity Report to Evaluate Performance</a>	•		•									
3	<a href="#">Election of BAC Chair and Vice Chair</a>		•										
4	<a href="#">Discuss Board Audit Committee Audit Charter</a>			•									
5	<a href="#">Discuss Scope of Annual Audit Training</a>			•									
6	<a href="#">Receive Annual Audit Training</a>							•					
7	<a href="#">Review and Update BAC Work Plan</a>	•	•	•	•	•	•	•	•	•	•	•	•
8	<a href="#">Provide Draft BAC Work Plan for Upcoming Year</a>												•
Board Audit Committee Special Requests													
9	<a href="#">Review of Joint Powers Authority (JPA) audits</a>							•					
10	<a href="#">Discuss Board's CAE Contract (expires 11/22/25)</a>						•						
11	<a href="#">Discuss the purpose of Board directed audits</a>	•											
Board-directed Audits													
12	<a href="#">2020 SCW Program Grants Management</a>		•						•				
13	<a href="#">2021 Permitting Best Practices</a>						•						
14	<a href="#">2023 CIP Performance</a>								•				
15	<a href="#">2024 Human Resources Audit</a>			•									
16	<a href="#">2024 Information Technology Audit</a>						•						
17	<a href="#">2024 Board Policies and Compliance Audit</a>												
18	<a href="#">2025 Audit - TBD</a>												
CAE Standing Topics													
19	<a href="#">Review and Update Annual Audit Plan</a>	•	•	•	•	•	•	•	•	•	•	•	•
20	<a href="#">Discuss next Annual Audit Plan</a>								•	•			
21	<a href="#">Discuss Draft 2026 Annual Audit Plan</a>										•		
22	<a href="#">Discuss Proposed 2026 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2026 Annual Audit Plan with assignments for Board Approval</a>											•	
Miscellaneous 3rd-Party Financial Audits													
23	<a href="#">Financial Status - Periodic Updates</a>		•				•			•			
24	<a href="#">Audit Report of the Water Utility Enterprise Funds</a>									•			
25	<a href="#">Audited Financial Statements</a>						•					•	
26	<a href="#">Single Audit Report</a>		•										
27	<a href="#">Subventions Audit Report</a>						•						
Staff Standing Topics													
28	<a href="#">Audit Recommendations Implementation Status</a>			•					•				
29	<a href="#">Receive Audit Analysis Report from CAE</a>										•		
Committee Clerk Action Items (not included in count shown in Row 3 above)													
30	<a href="#">Provide BAC Summary Report to full Board</a>	•	•	•	•	•	•	•	•	•	•	•	•

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