MEMORANDUM

FC 14

TO: Board of Directors

FROM: Board Audit Committee

SUBJECT: Board Audit Committee (BAC)
May 20, 2026, Regular Meeting Summary

DATE: July 14, 2026

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Wednesday, May 20, 2026.

Receive Permitting Best Practices Audit Status Update.

The Committee received the information, took no formal action, and noted the audit implementation was initiated in early 2023 and that progress may take additional time because three system implementations are required for the database software to interact with other software, with beta testing currently underway. The Committee discussed the IT program upgrades and how the digital transformation strategy is expected to help prevent similar issues through technology enhancements. The Committee discussed the online permitting process and the associated challenges including the large volume of permit requests and limited staffing resources. The Committee noted that staff will continue using the Community Projects Review Unit name for the time being. The Committee noted that staff are exploring the potential to incorporate customer survey feedback through the CityWorks process. The Committee confirmed that updates are received annually, discussed the general close-out and final audit report process, and expressed interest in customer feedback on the progress.

Receive the Fiscal Year (FY) 2025-2026 Third Quarter Financial Status Update as of March 31, 2026.

The Committee received the information, took no formal action, and discussed the Local Agency Investment Fund (LAIF) and noted that Valley Water is approaching the $75 million maximum limit. The Committee noted that participation with local banks is well above the 4% target level. The Committee discussed Valley Water's current AA+ credit rating, the state's credit ratings, reserve funds, and refinancing opportunities to achieve cost savings. The Committee discussed the Anderson Dam Seismic Retrofit project and the Water Infrastructure Finance and Innovation Act (WIFIA) loan emphasizing the importance of securing the best financing possible for the project. The Committee noted that the contingency funds are a part of the planned expenditures for the Anderson Dam Seismic Retrofit project, their use will depend on the project's progress, and no separate reserve will be established to cover the contingency.

Jim Beall
Director, District 4
Board Audit Committee Chairperson

Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed.
The Committee received the information, took no formal action, and without further discussion confirmed the risk assessment timeline is anticipated to begin in August 2026, and noted the update on the 2026 Annual Audit Plan.

Review and Discuss 2026 Board Audit Committee (BAC) Work Plan.
The Committee received the information, took no formal action, and without further discussion, expressed interest in adding audit as general topic to an upcoming Board retreat, and noted the update on the 2026 BAC Work Plan.

The next special meeting is scheduled to occur at 1:00 pm on July 28, 2026.

Board members' comments and suggestions can be forwarded to Nicole Merritt, Deputy Clerk (Committee Meetings) at (408) 630-3262 or by email: nmerritt@valleywater.org

Jim Beall
Director, District 4
Board Audit Committee Chairperson