



MEMORANDUM

FC 14

TO: Board of Directors **FROM:** Board Audit Committee

SUBJECT: Board Audit Committee (BAC) **DATE:** October 22, 2024
September 18, 2024 Regular Meeting Summary.

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Wednesday, September 18, 2024.

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

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

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

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

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

The Committee received the information, took no formal action, and noted support for the potential audit topics: Capital Project Delivery, overall Contracting Performance Process, elements of the Water Supply Master Plan (WSMP) – imported water, water

usage/demand/forecasting/conservation, Valley Water's role in establishing JPAs, and the Labor Negotiations Process. The Committee noted the importance of reviewing the elements of the WSMP to assist with reducing the financial and environmental costs of larger projects, lowering water rates, reviewing cost allocations, boosting water conservation, and maximizing funding. The Committee confirmed that Board members not appointed to the BAC may address the Committee by formal memo sent in advance of a meeting. The Committee noted the Chief Audit Executive (CAE) will follow up with a refined audit topics list at a future BAC meeting for further discussion and will ensure to include Director Varela's feedback.

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

The Committee received the information, took no formal action, and confirmed this topic is for the BAC to discuss the 2024 Annual Audit plan and schedule only and noted any audit details will be discussed upon completion of the audits. The Committee noted the HR audit is in the fieldwork phase and the IT and Board Policies audits are in the planning phase. Vice Chairperson Beall requested further information on how the HR audit interviews are conducted by Moss Adams.

Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.

The Committee received the information, took no formal action, and noted Vice Chairperson Beall would not be available to attend the October 16, 2024, regular BAC meeting per being invited to attend the League of California Cities Annual Conference to receive a Lifetime Achievement Award and expressed support to reschedule to a special meeting through the Board Scheduler.

The 1:00 p.m. regular BAC meeting on October 16, 2024 was subsequently rescheduled to a special meeting at 10:00 a.m. on October 25, 2024.

Board member comments and suggestions can be forwarded to Nicole Merritt, Assistant Deputy Clerk II at (408) 630-3262 or by email to nmerritt@valleywater.org.