



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>

REGULAR MEETING AGENDA

**Wednesday, January 21, 2026
1:00 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 - 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

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

Santa Clara Valley Water District
Board Audit Committee
REGULAR MEETING
AGENDA

Wednesday, January 21, 2026

1:00 PM

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Expressway, San Jose, California

Join Zoom Meeting:

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

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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.

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- 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

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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.

- 2.1. Election of 2026 Board Audit Committee (BAC) Chairperson and Vice Chairperson. [26-0073](#)
Recommendation: Nominate and elect the 2026 BAC Chairperson and Vice Chairperson.
Manager: Wendy Ho, 408-630-3874

3. APPROVAL OF MINUTES:

- 3.1. Approval of December 19, 2025, Board Audit Committee Minutes. [26-0113](#)
Recommendation: Approve the minutes.
Manager: Wendy Ho, 408-630-3864
Attachments: [Attachment 1: 12192025 BAC Minutes](#)

4. REGULAR AGENDA:

- 4.1. Receive and Discuss 2025 Water Conservation Program Performance Audit Report with Management Response; Refer the Final 2025 Water Conservation Program Performance Audit Report to the Board. [26-0040](#)
Recommendation: A. Receive and discuss the 2025 Water Conservation Program Performance Audit Report with Management Response, and
B. Refer the final 2025 Water Conservation Program Performance Audit Report to the Board.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Wtr. Consv. Pgm. Perf. Aud. Final Rpt., Mgt. Resp.](#)
[Attachment 2: PowerPoint](#)
- 4.2. Receive and Discuss Audit Follow-up Conducted by Chief Audit Executive (CAE); and Provide Feedback As Needed. [26-0042](#)
Recommendation: A. Receive and Discuss audit follow-up conducted by CAE; and
B. Provide feedback as needed.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: 2020 Real Estate Audit Follow-Up Memo](#)
[Attachment 2: 2020 Perf. Audit of Real Estate Services Unit](#)

- 4.3. Request Chief Audit Executive (CAE) Activity Report from Sjoberg Evashenk Consulting, Inc. to Evaluate CAE Performance, and Direct CAE to Return to Present Report at a Later Date. [26-0043](#)

Recommendation: A. Request Chief Audit Executive (CAE) activity report from Sjoberg Evashenk Consulting, Inc. to evaluate CAE performance; and
B. Direct CAE to return to present report at a later date.

Manager: Darin Taylor, 408-630-3068

- 4.4. Discuss Board Audit Committee's (BAC) Annual Self-Evaluation Process of Calendar Year 2025 Activities; Provide Guidance Regarding Preferred Method to Conduct Process; and Direct Chief Audit Executive (CAE) to Conduct Self-evaluation Process and Return to Provide Summary of Discussions. [26-0044](#)

Recommendation: A. Discuss BAC's annual self-evaluation process of calendar year 2025 activities; and
B. Provide guidance regarding preferred method to conduct process; and
C. Direct CAE to conduct self-evaluation process and return to provide summary of discussions.

Manager: Darin Taylor, 408-630-3068

- 4.5. Discuss the Options to Extend Terms, Allow to Expire, or Terminate the On-Call Services Agreement with Board Auditor, Plante Moran, Which is Set to Expire Effective July 5, 2026. [26-0041](#)

Recommendation: A. Discuss options to extend terms, allow to expire, or terminate the On-Call Services Agreement with Board Auditor, Plante Moran, which is currently scheduled to expire effective July 5, 2026; and
B. Approve recommendation to:
i. Exercise option to extend the On-Call Services Agreement with Board Auditor, Plante Moran for one year; or
ii. Allow the expiration of the On-Call Services Agreement with Board Auditor, Plante Moran; or
iii. Exercise option to terminate the On-Call Services Agreement with Board Auditor, Plante Moran prior to the expiration date of July 5, 2026.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Executed Agreement](#)
[Attachment 2: Amendment No. 1](#)
[Attachment 3: Amendment No. 2](#)

- 4.6. Discuss the Status of the On-call Management Services Agreement for the Chief Audit Executive (CAE) and Recommend the Board of Directors Initiate a Request for Proposal (RFP). [26-0045](#)

Recommendation: A. Discuss the status of the On-call Management Services Agreement for the CAE, and
B. Recommend the Board of Directors initiate an RFP.

Manager: Darin Taylor, 408-630-3068

- 4.7. Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed [26-0046](#)

Recommendation: A. Discuss 2026 Annual Audit Plan; and
B. Provide feedback as needed.

Manager: Darin Taylor, 408-630-3068

- 4.8. Review and Discuss 2026 Board Audit Committee (BAC) Work Plan. [26-0047](#)

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

Manager: Wendy Ho, 408-630-3874

Attachments: [Attachment 1: 2026 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 February 18, 2026.



Santa Clara Valley Water District

File No.: 26-0073

Agenda Date: 1/21/2026
Item No.: 2.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Election of 2026 Board Audit Committee (BAC) Chairperson and Vice Chairperson.

RECOMMENDATION:

Nominate and elect the 2026 BAC Chairperson and Vice Chairperson.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Through its oversight of the audit process, the BAC provides the Board with independent advice and guidance regarding the adequacy and effectiveness of Valley Water's management practices and potential improvements to those practices.

As stated in Article 2 of the BAC Audit Charter, Officers of the Committee include the Committee Chair and Vice Chair, who serve as the Committee's primary and secondary facilitators and representatives. The Committee Chair and Vice Chair are elected by the Committee to serve a 1-year term. Nomination and election of the Chair and Vice Chair typically occurs annually at the start of the calendar year.

ENVIRONMENTAL JUSTICE IMPACT:

The election of BAC Chairperson and Vice Chairperson is not subject to environmental justice analysis.

ATTACHMENTS:

None.

File No.: 26-0073

Agenda Date: 1/21/2026
Item No.: 2.1.

UNCLASSIFIED MANAGER:

Wendy Ho, 408-630-3874



Santa Clara Valley Water District

File No.: 26-0113

Agenda Date: 1/21/2026
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Approval of December 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 IMPACT:

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

ATTACHMENTS:

Attachment 1: 12192025 BAC Minutes

UNCLASSIFIED MANAGER:

Wendy Ho, 408-630-3864



BOARD AUDIT COMMITTEE MEETING
DRAFT MINUTES

SPECIAL MEETING
FRIDAY, DECEMBER 19, 2025
10:00 AM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A special meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 10:00 a.m.

1.1 Roll Call.

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

District 6 Director Tony Estremera was not present.

Staff members in attendance were: Wade Blackard, James Bohan, Kevin Brown, Theresa Chinte, Enrique De Anda, Amy Fonseca, Rachael Gibson, Walter Gonzalez, Wendy Ho, Diahann Hudson (Solen), Candice Kwok-Smith, Cecil Lawson, Michael Lee, Dave Leon, Robert Marmito, Oliva Manaloto, Linda Mason, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Luz Penilla, Mario Rivas, Don Rocha, Clarissa Sangalang, Manpreet Sra, Charlene Sun, and Darin Taylor.

Public in attendance were: District 7 Valley Water Director Rebecca Eisenberg, Alex Bass-Guerrero, Emma Creighton, and Lydia Guterman (Vital Impact), and Roger Martinez and Jay Toledo (Vasquez & Company LLP).

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

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 November 19, 2025, Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

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

Public Comments:
None.

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

4. REGULAR AGENDA:

4.1. Receive Progress Report on Implementing the Grants Management Performance Audit Recommendations.

Recommendation: Receive Progress report on implementing the Grants Management Performance Audit recommendations.

Amy Fonseca reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachment 1, and Alex Bass-Guerrero reviewed the information contained in Attachment 2.

Amy Fonseca, Alex Bass-Guerrero, and Rachael Gibson were available to answer questions.

Public Comments:
None.

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

- The Committee discussed program improvements and opportunities to address challenges in the Standard Grant application process, including time required to complete the application, for potential follow-up by the Grants team.
- The Committee noted overall positive feedback, including the structure of the application's work plan and budget templates, and acknowledged staff's continued efforts to work with grantees to improve the applicant experience.
- The Committee expressed appreciation for staff's problem-solving mindset and helpful approach in treating non-profit organizations as partners.
- The Committee acknowledged that the overall grant application and grant agreement execution process has improved.
- The Committee expressed interest in continuing to follow up with grant applicants who had a positive experience to focus on what continues to go well.

4.2. Discuss the Valley Water Draft Annual Comprehensive Financial Report (ACFR) for the Fiscal Year (FY) Ending on June 30, 2025; and Recommend Acceptance by the Full Board.

Recommendation: Discuss the Valley Water draft ACFR for the FY ending on June 30, 2025, and recommend acceptance by the full Board.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo and Attachment 1, and Roger Martinez reviewed the information contained in Attachment 2.

Darin Taylor, Roger Martinez, Jay Toledo, Linda Mason, and Carlos Orellana were available to answer questions.

Public Comments:
None.

The Committee received and discussed the information, and noted the following:

- The Committee confirmed the report would be finalized by December 23, 2025, and targeted for presentation to the Board at the January 13, or January 27, 2026, meeting.
- The Committee confirmed satisfaction with the draft report, noted that the remaining open items are minor with no expected significant impact, and expressed support for allowing the Board sufficient time to review the final report and related correspondence.
- Vice Chairperson Ballard expressed interest in identifying when this audit was last brought back and what follow-up work was required, and noted the Board of Directors' budget impact is not expected to be significant within the overall agency's budget.
- The Committee expressed appreciation for the work performed by Oliva Manaloto and Legal staff.

It was moved by Vice Chairperson Ballard and seconded by Chairperson Beall and carried by majority vote to approve to recommend the Valley Water ACFR for the FY ending on June 30, 2025, for acceptance by the full Board.

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

Darin Taylor and Rachael Gibson were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, confirmed the audits are progressing and underway, and noted the update on the 2025 Annual Audit Plan.

Vice Chairperson Ballard expressed support for public outreach regarding the Demand, Affordability, and Elasticity Report.

4.4. Review and Discuss the Draft 2026 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 draft 2026 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 expressed support for a risk assessment workshop for the Board members, and noted the update on the draft 2026 BAC Work Plan.

4.5. 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 and Carlos Orellana were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the update on the 2025 BAC Work Plan and Linda Mason serving as the new BAC Legal support.

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 received, noted, and provided feedback on the progress report on implementing the Grants Management Performance Audit

recommendations under Item 4.1; discussed the Valley Water ACFR for FY ending on June 30, 2025 and approved recommending acceptance by the full Board under Item 4.2; noted update for 2025 Annual Audit Plan and support for public outreach regarding the Demand, Affordability, and Elasticity Report under Item 4.3; reviewed and noted the draft 2026 BAC Work Plan and support for a risk assessment workshop for the Board members under Item 4.4; and update for 2025 BAC Work Plan under Item 4.5.

6. ADJOURN:

- 6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m. on January 21, 2026.

Chairperson Beall adjourned the meeting at 11:22 a.m. The next regular meeting was scheduled to occur at 1:00 p.m. on January 21, 2026.

Nicole Merritt,
Deputy Clerk (Committee Meetings)

Date approved:

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Santa Clara Valley Water District

File No.: 26-0040

Agenda Date: 1/21/2026

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Receive and Discuss 2025 Water Conservation Program Performance Audit Report with Management Response; Refer the Final 2025 Water Conservation Program Performance Audit Report to the Board.

RECOMMENDATION:

- A. Receive and discuss the 2025 Water Conservation Program Performance Audit Report with Management Response, and
- B. Refer the final 2025 Water Conservation Program Performance Audit Report to the Board.

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 VI, Paragraph 5, Review of Final Audit Results/Notice to Board, the Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Plan. Upon finalization of the audits and any related reports, the Committee shall provide the Board with the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices. . ."

On December 12, 2023, the Board accepted the Risk Assessment conducted by the Chief Audit Executive (CAE). At its meeting on January 15, 2025, the BAC identified four (4) topics from the Risk Assessment to audit in Fiscal Year 2025 (FY25) and was approved by the full Board at its meeting on January 28, 2025, the Water Conservation Strategies audit being one of them.

The requested audit of Water Conservation Program focused on reviewing Valley Water's conservation strategies and evaluating Valley Water's overall approach to conservation and to identify best practices, opportunities to further enhance its strategic approach to promoting or incentivizing conservation, and lessons learned from past practices within Valley Water and other water agencies.

On December 16th, 2025, Baker Tilly Advisory Group (the auditor) submitted their audit report (Attachment 1) with the draft management responses (see Appendix D in the report) for BAC review and comment. The auditor will also provide a presentation regarding the audit (Attachment 2).

The BAC is requested to receive the 2025 Water Conservation Program Performance Audit Report with Management Response and refer the final report to the full Board at a future date.

ENVIRONMENTAL JUSTICE IMPACT:

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:

Attachment 1: Water Conservation Program Performance Audit Final Report with Management Responses
Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



As of June 3, 2025, Moss Adams LLP has merged with Baker Tilly.

Proprietary & Confidential

FINAL REPORT

Santa Clara Valley Water District

WATER CONSERVATION PERFORMANCE AUDIT

November 15, 2025

Baker Tilly Advisory Group, LP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500

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Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

I. Executive Summary

A. Introduction

Santa Clara Valley Water District (the District, Valley Water) engaged Baker Tilly Advisory Group, LP (Baker Tilly), formerly Moss Adams LLP, to conduct a performance audit to assess and further enhance its approach to water conservation strategies and incentives. The objectives of this performance audit were to:

- Evaluate the extent to which the strategies and approaches taken by Valley Water to promote or incentivize water conservation align with peer and best practices.
- Identify opportunities for improvement through lessons learned at Valley Water and other water districts.
- Review use of funds dedicated to conservation activities and corresponding performance measures.

B. Conclusions

We evaluated Valley Water's water conservation strategies and approaches against best practices and found that the District meets the best practices we reviewed. Valley Water demonstrates strong practices across key operational areas, including conducting water audits to understand system performance, minimizing water loss through the use of advanced metering infrastructure (AMI), and analyzing end-user demand to target efficiency programs and promote water conservation. [Section IV](#) includes more detail on these results.

We also evaluated Valley Water's strategies in comparison to peers and found that the District is generally aligned with peers in many areas. Like its peers, Valley Water sets measurable water conservation goals, achieves strong support for conservation efforts, and prioritizes outdoor water conservation and long-term demand management strategies in its water conservation efforts. We have incorporated information and lessons learned from peers throughout the report. [Appendix A](#) includes detailed peer benchmarking results.

We also found that Valley Water is meeting both of its established performance targets, which are related to achieving annual water use savings and increasing outdoor conservation program participation. [Section V](#) includes more detail on relevant performance measures and uses of funds. [Appendix B](#) also includes a detailed breakdown of Valley Water's uses of funds relevant to water conservation.

We identified three findings and recommendations to support Valley Water in continuing to improve its water conservation efforts. Our recommendations are intended to help the District improve water conservation strategies and activities. Summarized findings and recommendations are provided below. Detailed findings and recommendations are provided in [Section VI](#). Two findings are rated as medium-risk and one finding is rated as a low-risk. We did not identify any high-risk findings. Definitions of findings ratings are included in [Appendix C](#).

| FINDINGS AND RECOMMENDATIONS | | |
|------------------------------|-----------------------|---|
| MEDIUM-RISK FINDINGS | | |
| 1. | Finding | Valley Water's Water Conservation team is understaffed compared to peer agencies, which may limit capacity to manage workloads and poses risk to achieving the District's long-term conservation goals. |
| | Recommendation | To ensure the Water Conservation team can meet the District's long-term conservation goals, Valley Water should consider adding at least five additional staff to the Water Conservation team who are dedicated to stakeholder engagement and administrative and program support. |
| 2. | Finding | Valley Water employs a multiple channel outreach approach similar to its peers but does not currently have a formal integrated communications strategy. Along with limited staffing capacity, this may constrain its ability to effectively engage diverse and underserved populations and fully realize the potential of its water conservation programs. |
| | Recommendation | To build on the District's existing outreach activities, the Water Conservation team should work with other District departments, including the Office of Communications, to develop and implement a formalized, comprehensive, data-driven strategic engagement strategy that clearly defines target audiences, messaging priorities, and outreach methods. |
| LOW-RISK FINDINGS | | |
| 3. | Finding | The effectiveness of Valley Water's water conservation programs is constrained by capacity challenges and opportunities to improve alignment with the following key support departments: Procurement, Communications, and IT. |
| | Recommendation | <p>To address the capacity and coordination needs impacting water conservation activities, the District should:</p> <ul style="list-style-type: none"> A. Evaluate workload and staffing needs in the Procurement, Communications, and IT departments to ensure support for water conservation and other District priorities. B. Continue the current procurement audit to review and streamline procurement processes. <p>To facilitate better coordination, the Water Conservation team should:</p> <ul style="list-style-type: none"> C. Formalize collaboration efforts with the Communications department by establishing a clear framework that defines roles, responsibilities, and decision-making authority for the annual water conservation campaign. |

II. Background, Scope, and Methodology

Valley Water engaged Baker Tilly to conduct a performance audit to assess and further enhance the District's approach to water conservation strategies and incentives. The objectives of this performance audit were to:

- Evaluate the extent to which the strategies and approaches taken by Valley Water to promote or incentivize water conservation align with peer and best practices.
- Identify opportunities for improvement through lessons learned at Valley Water and other water districts.
- Review the use of funds dedicated to conservation activities and corresponding performance measures.

A. Background

The District is the primary water resources agency providing safe, clean water, flood protection, and stewardship of streams in Santa Clara County, California for 1.9 million residents—primarily through 13 water retailers. The District's water conservation programs promote and incentivize short- and long-term reduction in water use through rebates, sub-programs and services, outreach and education, and cost share agreements with retailers.

The Water Supply Planning and Conservation Unit is one of three teams within the District's Water Supply Division. While the other teams in this Division focus on recycled, purified, and imported water, the Water Supply Planning and Conservation Unit (Water Conservation team) supports Valley Water's mission by developing long-term water supply plans to ensure there is a reliable water supply. This team develops state and federally required plans, participates in various regional water supply planning efforts, and designs, implements, and evaluates demand management programs across five sectors to meet Valley Water's long-term water conservation goals.¹

Valley Water's conservation programs aim to reduce water use across residential, commercial, and institutional sectors by providing financial incentives, free resources, and technical support to promote long-term efficiency and drought resilience. The District offers a range of programs and resources aimed at conserving water, including landscape rebates, landscape surveys, commercial and facility rebates, irrigation equipment upgrades, rainwater capture rebates, graywater rebates, fixture replacement programs like the submeter rebate program, and tools to report water waste.²

Valley Water's long-term goals for meeting the County's future water needs are outlined in the Water Supply Master Plan 2040, which aims to outline the actions necessary to maintain a reliable and sustainable future water supply and ensure new water supply investments are effective and efficient.³

¹ [5. Division Summaries 0.pdf](#)

² <https://www.valleywater.org/watersavingsorg>

³ https://www.valleywater.org/sites/default/files/Water%20Supply%20Master%20Plan%202040_11.01.2019_v2.pdf

The four main goals of the Water Supply Master Plan 2040 are to:

1. Manage a reliable water supply
2. Ensure adequate supplies for future droughts
3. Follow a water supply strategy that ensures sustainability
4. Keep a monitoring and assessment plan on track

This performance audit was initiated due to interest from the District's Board of Directors (the Board) in gaining additional insight into Valley Water's water conservation strategies and activities.

B. Scope and Methodology

This report's findings and recommendations were developed based on interviews, document review, and best practices research, including peer comparisons. The study was conducted primarily between April and August 2025 and consisted of four major phases, described below.

| PROJECT METHODOLOGY | |
|----------------------------------|--|
| Project Phase | Description |
| 1. Startup and Management | <p>Phase 1 involved collaborative project planning with District management, including identifying interviewees, selecting documents for review, identifying peer water agencies and best practices sources for comparison, establishing timing and methods for sharing results, and defining reporting protocols.</p> <p>We held a kickoff meeting with designated District contacts to confirm expectations and discuss the overall project scope, logistics, deliverables, schedule, and progress reporting requirements. Roles and responsibilities of the audit team and District personnel were clarified, along with communication protocols and the format of deliverables.</p> <p>Throughout the engagement, we maintained rigorous project management, including regular status updates and quality assurance reviews to ensure all deliverables met client standards before submission.</p> |
| 2. Fact-Finding | <p>The second phase focused on executing planned activities such as interviews, document review, best practices research, and peer comparisons. We gathered current information and insights from District leadership and staff involved in water conservation and water supply planning.</p> <p>Documentation Review: We requested relevant documentation for review. We reviewed documents, including but not limited to organizational charts, performance reports, District strategic goals and workplans, budget presentations, and educational materials.</p> <p>Interviews: We conducted interviews with 12 members of District leadership and staff from the Water Supply Planning and Conservation, Communications, and IT departments to identify strengths, challenges, and opportunities for improvement in water conservation strategies and activities.</p> <p>Peer Benchmarking: In peer interviews, we compared Valley Water's water conservation strategies and activities, along with outreach and communication methods and challenges. In peer research, we compared organization-wide goals to better understand how organizations support conservation.</p> |

| PROJECT METHODOLOGY | |
|---------------------|--|
| Project Phase | Description |
| | <p>The following peers were included in this analysis:</p> <ul style="list-style-type: none"> • Alameda County Water District (ACWD) • Contra Costa Water District (CCWD) • Solano County Water Agency (SCWA) • Marin Municipal Water District (MMWD) • East Bay Municipal Utility District (EBMUD) • San Francisco Public Utilities Commission (SFPUC) <p>For full results, see Appendix A: Peer Benchmarking.</p> <p>Industry Best Practices: We researched industry best practices related to water conservation operations, including water tracking, demand analysis, planning, performance, equity, and related topics.</p> |
| 3. Analysis | Based on the information collected during fact-finding, we developed preliminary observations assessing Valley Water's conservation-related activities. These observations identified strengths, weaknesses, and opportunities for improvement, providing a foundation for further analysis and recommendations. |
| 4. Reporting | We communicated the results of our analysis, with findings and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report. |

C. Statement of Compliance with GAGAS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objectives.

III. Commendations

It is important to note the areas of strength and existing good practices that can be leveraged for further improvement within the District. The Baker Tilly team would like to note the following commendations:

- **Teamwork:** The Water Conservation team has fostered collaborative teamwork internally and with other divisions across Valley Water. Open communication and positive working relationships help ensure that staff remain aligned and can respond quickly to new challenges.
- **Strategic Planning:** Valley Water's Water Conservation team demonstrates thoughtful and strategic planning approaches. The unit's plans consistently include clear, well-defined goals to guide conservation efforts effectively. Among peer organizations, Valley Water distinguishes itself through the longevity of its plans, depth and detail of its strategies, and specificity of its goals.
- **Reporting and Transparency:** Valley Water provides relevant, publicly accessible information, including budget and annual comprehensive reports, and performance updates. The District makes a strong effort to ensure that this information is not only publicly available but also easy for stakeholders to access and understand. This commitment to openness helps build trust with the community and supports greater awareness and engagement around water conservation efforts.
- **Annual Reporting:** Valley Water meets best practices for financial reporting, including timely independent audits and oversight by an appointed audit committee. Additionally, the District ensures water quality compliance with methods approved by the U.S. Environmental Protection Agency (EPA) and provides publicly accessible annual program and water quality reports that align with best practices.
- **Performance Measurement:** The Water Conservation team has consistently met its performance targets within the last three fiscal years (FY), achieving an average annual water savings of 3,202 acre-feet and increasing total water savings from 80,073 to 85,204 acre-feet between FY 2022 and FY 2024. Additionally, program participation increased for commercial, industrial, and institutional (CII) customers overall in the last three fiscal years (see [Performance Measurement](#)). The team tracks and reports updates to the Water Supply and Demand Management Committee annually. The data-driven approach in these reports supports effective program management and ongoing efforts to meet conservation goals.

IV. Best Practices Review

We evaluated Valley Water’s water conservation strategies against industry standards and found that it meets identified best practices. Using governmental and public sources, including California guidelines and statewide and nationwide frameworks^{4, 5, 6, 7, 8, 9}, we confirmed that the District consistently aligns with recommended practices in operations, strategic goals, reporting, and performance measurement.

Valley Water, as a wholesaler, operates water conservation programs directly with the community and collaborates with local retailers to promote advanced metering and leakage reduction. The District demonstrates strong practices across key operational areas such as conducting water audits, using AMI, analyzing end-user demand, setting measurable goals, tracking performance, and supporting continuous improvement. Valley Water also uses best practices in outreach and program accessibility to promote equity and access within conservation programs. Its alignment with these best practices is summarized in the following table.

| WATER CONSERVATION OPERATION BEST PRACTICES | | | |
|--|---|---|---------------------|
| Topic | Best Practice | Valley Water Practice | Valley Water Status |
| Conduct Water Audits to Understand System Performance | Establish accountable, transparent, and recurring water audits focused on key loss volumes, accurate data, and organizational commitment. | Valley Water conducts rigorous, transparent water audits using state guidance and industry-standard tools, demonstrating a strong commitment to continuous improvement and stakeholder engagement. | Meets |
| Monitor, Meter, and Minimize Water Loss Using AMI | Use AMI data, utility partnerships, operational monitoring, and staff training to detect leaks and optimize water use, while leveraging rebates and integrating sustainability practices. | Valley Water meets best practices in monitoring, metering, and minimizing water loss by supporting retailers’ installation of AMI through partnerships and funding. AMI uptake is ahead of the planned schedule to implement AMI by 2040 ¹⁰ Valley Water’s monitoring and network system provides timely leak detection and integrates with existing operations, effectively supporting best | Meets |

⁴ [California Department of Water Resources: Water Audit Manual](#)

⁵ [California Department of Water Resources: Urban Water Use Efficiency Resource Management Strategy](#)

⁶ [EPA: Improving Water Management Using Advanced Metering Infrastructure Data: A Guide for Facility Managers](#)

⁷ [California Water Library: Plan writing as a policy tool: instrumental, conceptual, and tactical uses of water management plans in California](#)

⁸ [A Conservation Professionals’ Guide to Diverse, Equitable, and Inclusive Conservation Delivery with Historically Underserved Producers and Communities](#)

⁹ [WSP: Improving Water Conservation Through an Equity Lens](#)

¹⁰ [Valley Water Water Supply Master Plan 2040](#)

| WATER CONSERVATION OPERATION BEST PRACTICES | | | |
|--|---|--|-------|
| | | practices for monitoring and assessing water consumption. | |
| Analyze End-User Demand to Target Efficiency Programs | Implement a comprehensive suite of demand management measures—including audits, metering, rebates, education, conservation pricing, and drought risk assessments—to reduce water use across all customer sectors. | Valley Water uses advanced demand forecasting, community engagement, and a comprehensive suite of conservation programs—ranging from rebates to enforcement—to guide proactive data-driven water management and promote long-term sustainability. | Meets |
| Develop Written Plans with Clear, Measurable Goals | Develop a conservation plan with clear goals, community input, system profiling, demand forecasting, cost-effectiveness analysis, and a defined implementation and evaluation strategy. | Valley Water meets the EPA's guidance for strategic planning. The District defines current services and explores future services across decades in strategic plans. It has an action plan that satisfies EPA best practices and follows guiding principles. | Meets |
| Track Performance and Support Continuous Improvement | Conduct annual financial, performance, and water quality reporting in line with Government Finance Officers Association (GFOA) and EPA standards to ensure transparency, accountability, and public accessibility. | Valley Water meets best practices in financial, water quality, and program reporting through Generally Accepted Accounting Principles (GAAP)-compliant audits, EPA-approved water quality monitoring, and publicly available annual reports with performance measures aligned to industry standards. | Meets |
| Promote Equity and Access in Conservation Programs | Perform effective and equitable water conservation outreach with culturally tailored, accessible programs that build trust, reduce barriers, and engage underserved communities through practical support and ongoing partnerships. | Valley Water demonstrates a strong intentional focus on equity by tailoring outreach and services specifically to underserved communities, simplifying application processes, and addressing barriers such as language access. It provides relevant messaging to increase participation and conservation outcomes. | Meets |

V. Performance Measurement and Use of Funds

PERFORMANCE MEASUREMENT

The District's Water Supply Master Plan includes a Board goal of achieving water use savings of 99,000 acre-feet per year (AFY) by 2030. The Water Conservation team reports to the Water Supply and Demand Management Committee (WSDMC) on the following two performance targets, in support of this goal:

1. Valley Water must sustain drought-year-level participation in non-drought years to generate at least 2,400 AFY in additional savings annually.
2. Outdoor conservation and program participation by commercial, industrial, and institutional (CII), including multifamily residential (MF) sites, must increase.

According to reporting to WSDMC, Valley Water is meeting both established performance targets.

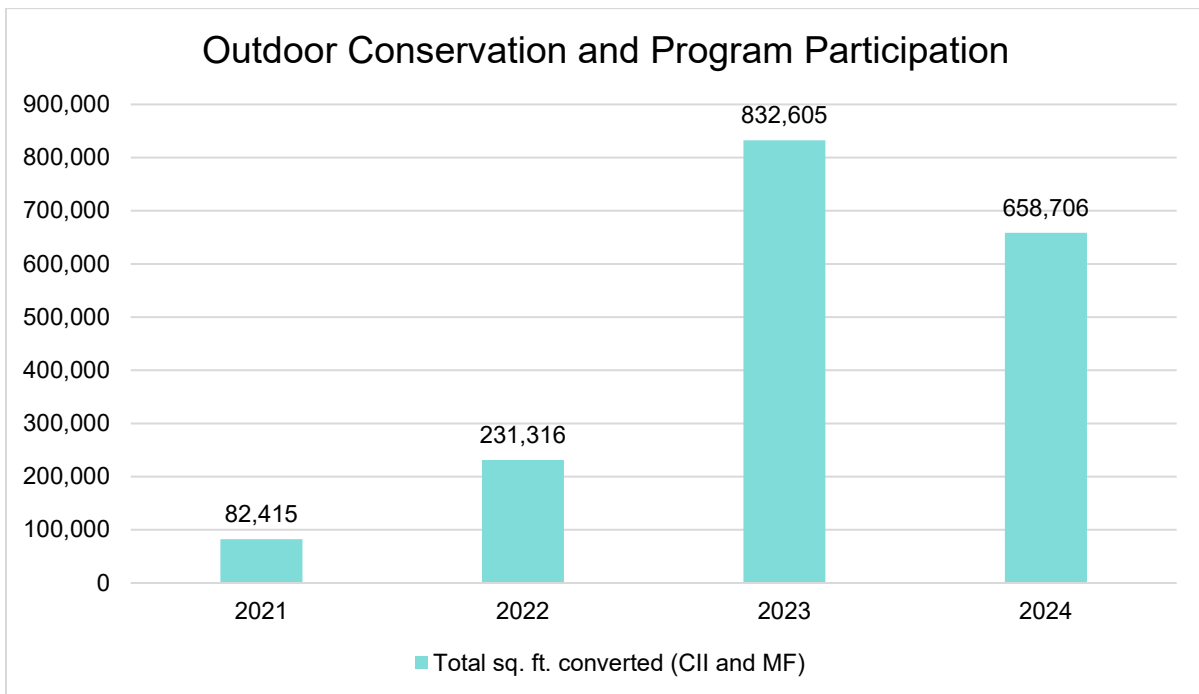
Valley Water is exceeding its goal to sustain drought-year level participation in non-drought years. Participation is measured in AFY. Within the last three fiscal years, additional savings averaged 3,202 AFY and total AFY increased from 80,073 to 85,204. It is important that Valley Water meets this annual performance target, as it ensures the District remains on track to meet the Board's 2030 goal described above.

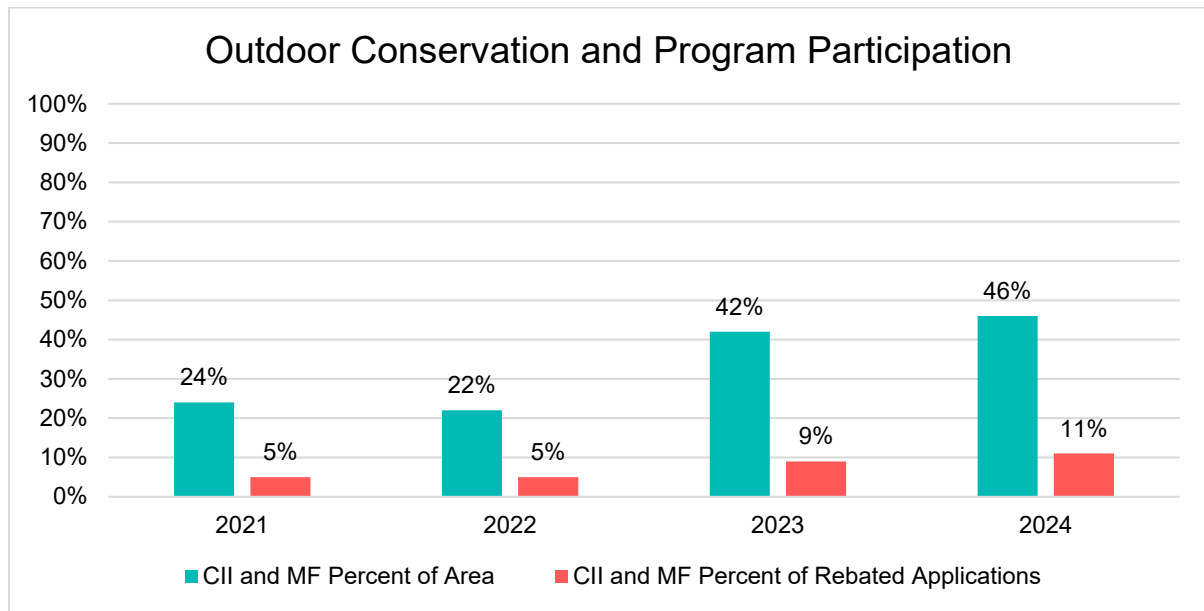
| Goal 1: Valley Water must sustain drought-year level participation in non-drought years to generate at least 2,400 AFY in additional savings annually | | |
|---|--------------------------------|-----------|
| Fiscal Year | AFY Increase in Annual Savings | Total AFY |
| 2022 | 3,489 | 80,073 |
| 2023 | 3,096 | 83,174 |
| 2024 | 3,022 | 85,204 |
| Average | 3,202 | 82,817 |

Valley Water's second performance measure is to increase outdoor conservation and program participation in CII and MF sites. To achieve this, the District offers turf removal and irrigation equipment rebates through its Landscape Rebate Program. Program participation by CII and MF sites is measured in square feet of converted site. Between FY 2021 and FY 2024, participation increased from 82,415 to 658,706 square feet. Program participation trends in single-family, CII, and MF decreased by 173,899 square feet between FY 2023 and FY 2024 but remained elevated from FY 2021 levels. Staff reported this is common because participation is typically elevated after a drought and then declines. Overall, participation has increased, suggesting progress toward the performance target.

Goal 2: Outdoor conservation and program participation by commercial, industrial, and institutional (CII), including multifamily residential (MF) sites, must increase

| Fiscal Year | Total Sq. Ft. Converted (Single-Family) | Total Sq. Ft. Converted (CII and MF) | Total | CII and MF Percent of Area | CII and MF Percent of Rebated Applications |
|-------------|---|--------------------------------------|-----------|----------------------------|--|
| 2021 | 258,644 | 82,415 | 341,059 | 24% | 5% |
| 2022 | 804,226 | 231,316 | 1,035,542 | 22% | 5% |
| 2023 | 1,153,764 | 832,605 | 1,986,369 | 42% | 9% |
| 2024 | 759,722 | 658,706 | 1,418,428 | 46% | 11% |





USE OF FUNDS

Valley Water’s water conservation programs fall under the Board’s E-2 Water Supply Services Ends policy and within that, the Water Supply (WS) 2.4 goal to increase regional self-reliance through water conservation and reuse. This Board goal comprises four objectives, as shown in the table below, and staff reported that the water conservation performance targets detailed above align with Objective 2.4.2 to incentivize water use efficiency and water conservation.

| E-2 WATER SUPPLY (WS) SERVICES | |
|---|--|
| WS Goal 2.4: Increase regional self-reliance through water conservation and reuse. | |
| WS Objective 2.4.1 | Maximize utilization of all demand management tools. |
| WS Objective 2.4.2 | Incentivize water use efficiency and water conservation. |
| WS Objective 2.4.3 | Promote, protect and expand potable and non-potable water reuse. |
| WS Objective 2.4.4 | Promote stormwater capture and reuse. |

According to budget documents, the Water Supply Services Ends Policy 2.4 was allocated a total of \$37,516,335 in FY 2025. Objective 2.4.2, where water conservation performance targets align, was allocated a total of \$17,860,692 as shown in the following table.

| WS Goal 2.4: Increase regional self-reliance through water conservation and reuse | | |
|---|---|--------------|
| 2.4.1 | Maximize utilization of all demand management tools | - |
| 2.4.2 | Incentivize water use efficiency and water conservation. | \$17,860,692 |
| 2.4.3 | Promote, protect, and expand potable and non-potable water reuse. | \$19,566,885 |
| 2.4.4 | Promote stormwater capture and reuse. | \$88,758 |
| Total | | \$37,516,335 |

Overall, Valley Water’s water conservation programs were allocated \$12,553,044 in FY 2025: a portion of the \$17,860,692 allocated to incentivize water use efficiency and water conservation, with the remaining \$5,307,648 used for the Guiding Principal #5 Reserve¹¹, a water utility enterprise fund that allows certain communities or agencies to receive Valley Water contributions in the form of additional, incremental, dedicated, and segregated funds. The allocation of \$12,553,044 supports the initiatives and activities that drive the performance measures detailed above. The table below breaks down the budget allocation for Valley Water’s water conservation programs, illustrating how funds are distributed across key expense categories to support program implementation and achieve performance goals. [Appendix B](#) includes a more detailed breakdown of expenses in these categories. Approximately 30% of the funding allocated to Valley Water’s water conservation programs (\$3,750,000) directly funds water conservation rebates provided to customers.

| Expense Category | FY 2025 Budget | % of Overall Budget |
|------------------------|----------------|---------------------|
| Salaries and Benefits | \$1,762,084 | 14% |
| Services and Supplies* | \$9,680,400 | 77% |
| Intra-District Charges | \$1,110,559 | 9% |
| Total | \$12,553,044 | 100% |

**The Services and Supplies expense category includes various expenses, including but not limited to technical and professional services, cost sharing agreements, and water conservation rebates. A full breakdown of expenses is included in [Appendix B](#).*

This funding enables implementation of outreach, incentives, and technical assistance efforts that contribute to the additional acre-feet saved annually and the growth in program participation—demonstrating an alignment between resource allocation and measurable conservation outcomes. The findings and recommendations detailed in the next section address risks that could impact Valley Water’s continued achievement of these goals.

¹¹ [Valley Water 2021/2022 Operating and Capital Budget, "Reserve Policy and Fund Balances"](#)

VI. Findings and Recommendations

A. Staffing

| | |
|-----------------------|---|
| 1. Finding | Valley Water's Water Conservation team is understaffed compared to peer agencies, which may limit capacity to manage workloads and poses risk to achieving the District's long-term conservation goals. |
| Recommendation | To ensure the Water Conservation team can meet the District's long-term conservation goals, Valley Water should consider adding at least five staff to the Water Conservation team who are dedicated to stakeholder engagement and administrative and program support. |

Staff reported that although they are meeting performance measures, there is limited bandwidth to complete other duties such as more targeted outreach, reviewing and reporting on customer feedback, and other strategic projects. The District's 2021 Water Conservation Strategic Plan briefly acknowledges that based on internal review, staffing levels were not adequate to achieve the District's long-term water conservation targets. The plan's modeling was based on a comparison of staffing levels at the time to other similar-sized agencies, and it recommended increasing staffing to at least 10 full-time equivalent employees to meet long-term conservation goals.

As shown in the following table, we compared Valley Water's current water conservation staffing to peers and found that the District has fewer water conservation staff per 100,000 population compared to its peers, indicating potential understaffing. Specifically, Valley Water has 0.37 full-time equivalent (FTE) staff per 100,000 people served, which is lower than the Alameda County Water District (ACWD) (1.15), Contra Costa Water District (CCWD) (1.54), Marin Municipal Water District (MMWD) (3.66), East Bay Municipal Utility District (EBMUD) (1.21), and San Francisco Public Utilities Commission (SFPUC) (0.48), though slightly higher than Solano County Water Agency (SCWA) (0.22). This suggests that Valley Water's conservation team has limited capacity relative to the population it serves. To align with the peer average, at least five additional FTEs would be needed on its Water Conservation team.

| | Santa Clara Valley Water District | ACWD | CCWD | SCWA | MMWD | EBMUD | SFPUC |
|--------------------------------------|-----------------------------------|----------|----------|-----------|----------|-----------|-----------|
| Approximate Population Served | 1,900,000 | 348,000 | 520,000 | 453,491 | 191,000 | 1,400,000 | 2,700,000 |
| Water Conservation FTE Staff | 7 | 4 | 8 | 1 | 7 | 17 | 13 |
| Ratio of Population to Staff | 271,429:1 | 87,000:1 | 65,000:1 | 453,491:1 | 27,286:1 | 82,353:1 | 207,692:1 |
| Staff Per 100,000 Population | 0.37 | 1.15 | 1.54 | 0.22 | 3.66 | 1.21 | 0.48 |

The high ratio of population served by each District conservation employee indicates that each staff member may likely manage a larger workload and have less bandwidth compared to peers, which could impact the team's capacity to continue planning, implementing, and supporting leading conservation programs. This limited staffing may lead to challenges in responding promptly to customer needs and maintaining proactive outreach efforts, which will ultimately impact the team's ability to meet program goals. In general, these results align with a previous benchmarking report conducted in 2024, which found that Valley Water's Water Conservation team has a higher workload with fewer staff than other comparable agencies.

The following challenges were identified due to understaffing:

- Commercial customers often require significant relationship-building, and the team's limited bandwidth can constrain their ability to engage as fully as desired. Additionally, identifying the appropriate contacts within the commercial sector can be complex. Similar challenges have been noted by peer agencies, indicating this is a common issue (see [Appendix A](#)). Despite these challenges, Valley Water has made progress through initiatives like the Large Landscape Program, which has engaged most retail water suppliers and contributed to reductions in overwatering across the service area. However, managing stakeholder engagement is resource-intensive, particularly for outdoor conservation programs that require tailored approaches and coordination with multiple retailers. While collaboration with the Communications team (see [Inter-Departmental Collaboration](#)) has contributed to marketing efforts, staffing limitations continue to influence the scale and reach of these activities. Addressing these capacity constraints can help enhance stakeholder engagement, support program implementation, and contribute to the District's ability to meet its long-term conservation objectives.
- Constrained staffing impacts the extent to which Valley Water can effectively connect the public to its wide range of conservation programs and resources, largely due to staffing constraints within the Water Conservation team. Staff expressed difficulty in clearly communicating the District's offerings, despite efforts to develop visual materials like infographics. While the District provides programs tailored to every property type and maintains positive feedback on key programs, the level of personalized outreach needed to fully engage diverse audiences exceeds current staff capacity, limiting the ability to provide comprehensive, concierge-level service. Addressing staffing gaps can assist with enhancing public engagement and advancing long-term water conservation goals.
- Staffing challenges have also affected District staff's ability to focus on longer-term projects such as documenting water models and standard operating procedures, which are important for succession planning and maintaining institutional knowledge. Staff also noted that urgent tasks and frequent meetings take priority, which can slow responses to customers and limit opportunities to streamline processes. Staff highlighted the need for additional administrative support and increased budget flexibility to better manage their workload and support program delivery. These factors are important as they influence the team's overall efficiency and ability to meet water conservation goals—especially in historically challenging areas such as commercial stakeholder engagement.

Recommendation

To ensure the Water Conservation team is adequately supported to meet the District's long-term conservation goals, Valley Water should consider increasing staffing levels within this team by at least five FTE. These positions should be added to assist with stakeholder engagement and administrative/program support, which can help reduce individual workloads and enhance capacity for program planning, implementation, relationship-building, and process improvement.

Peer agencies show a wide range of staffing models, with the number and types of positions varying based on organizational goals, program delivery methods, and service priorities. A common trend, however, is the inclusion of dedicated frontline staff such as field representatives and technicians who focus primarily on direct customer engagement, program delivery, and community events. These roles can help expand the District's presence in the community, increase program participation, and provide hands-on support for program adoption.

Another frequent feature among peers is dedicated administrative or program support staff who handle intake, scheduling, documentation, and customer follow-up. This allows technical staff to focus on program design, delivery, and evaluation rather than administrative tasks. While the right staffing mix depends on an agency's objectives, the presence of these functions in many peer organizations suggests efficacy in achieving high participation and efficient program operations.

B. Communications and Outreach

| | |
|------------------------------|---|
| <p>2. Finding</p> | <p>Valley Water employs a multiple channel outreach approach similar to its peers, but does not currently have a formal integrated communications strategy. Along with limited staffing capacity, this may constrain its ability to effectively engage diverse and underserved populations and fully realize the potential of its water conservation programs.</p> |
| <p>Recommendation</p> | <p>To build on the District's existing outreach activities, the Water Conservation team should work with other District departments, including the Office of Communications, to develop and implement a formalized, comprehensive, data-driven strategic engagement strategy that clearly defines target audiences, messaging priorities, and outreach methods.</p> |

The Water Conservation team partners with the Office of Communications on water conservation outreach campaigns, and the District is generally aligned with its peers in employing a multi-channel approach to customer and stakeholder engagement. This includes direct outreach through schools and agencies, advertising campaigns, surveys, and digital platforms. Additionally, the Water Conservation team collaborates with retailers, agencies, and community organizations to promote its programs and offers a solid foundation of public education and outreach, including the Water 101 Academy, translated materials, school and library partnerships, and promotion of conservation programs countywide.

While the District actively engages in these outreach activities, these efforts are not currently encompassed in a formal integrated engagement strategy to define target audiences, messaging priorities, and outreach methods. This can hinder effective messaging and targeted outreach to diverse audiences. Best practices and peer benchmarks indicate that effective water conservation outreach requires a cohesive communications strategy that aligns messaging across programs, uses diverse communication channels (e.g., email, social media, direct mail, in-person engagement), and incorporates data-driven targeting to reach underrepresented populations. While the Water Conservation team undertakes many of these activities in collaboration with the Office of Communications and other departments, the absence of a unified strategy and limited staffing capacity (see [Finding 1](#)) can limit the ability to fully coordinate outreach efforts and optimize outreach

impact. Additionally, increasing staff capacity to support outreach efforts is recognized as critical to enabling personalized engagement and maximizing program participation among community members and commercial enterprises.

Without a coordinated and strategic approach to outreach, Valley Water risks fragmentation in outreach efforts, missed opportunities to maximize program visibility and impact, and challenges in engaging underserved or hard-to-reach populations as well as commercial partners. This may lead to lower participation rates in conservation programs and reduced equity in access to resources, and could ultimately hinder the District's ability to achieve its long-term water conservation goals.

Recommendation

To build on the District's existing outreach activities and enhance the effectiveness of its water conservation efforts, Valley Water should develop and implement a formalized, comprehensive, data-driven strategic engagement strategy that clearly defines target audiences, messaging priorities, and outreach methods. This strategy should integrate messaging across all conservation programs and continue to leverage a diverse mix of communication channels—including email, social media, direct mail, community events, and in-person engagement—to ensure consistent and targeted outreach to a broad range of stakeholders. Typically, such strategies include at least the following:

- Clearly defined target audiences, including underserved and hard-to-reach populations, with prioritized messaging tailored to their needs
- Integrated and unified messaging across programs, to ensure consistency and reinforce key themes
- A diverse mix of communication channels such as email, social media, direct mail, community events, and in-person engagement to maximize outreach impact
- Data analytics and feedback mechanisms to continuously refine targeting and message effectiveness
- Coordinated collaboration among the various teams involved with communications (e.g., the Water Conservation team, Office of Communications, and External Affairs) to streamline planning and execution
- Consideration of staffing capacity needs to support personalized engagement and expanded outreach capabilities

The District currently undertakes many of these activities through its ongoing outreach efforts and partnerships. This recommendation seeks to build on these existing strengths by formalizing and integrating them into a cohesive, strategic framework that enhances coordination, messaging consistency, and targeted outreach effectiveness.

Additionally, as described in [Finding 1](#), Valley Water should consider increasing staffing capacity to enable more personalized, proactive engagement and manage the scope of activities included in the comprehensive plan. Clear roles and responsibilities should be established, along with measurable performance indicators, to monitor outreach effectiveness and guide continuous improvement.

By adopting an integrated data-informed engagement strategy and bolstering staff resources, Valley Water can improve program visibility, increase participation rates, and promote equitable access to

conservation programs. This will help the District advance its broader water conservation goals and better serve its diverse community.

C. Inter-Departmental Collaboration

| | |
|---|--|
| <p>3. Finding</p> <p>Recommendation</p> | <p>The effectiveness of Valley Water’s water conservation programs is constrained by capacity challenges and opportunities to improve alignment with the following key support departments: Procurement, Communications, and IT.</p> <p>To address the capacity and coordination needs impacting water conservation activities, the District should:</p> <ul style="list-style-type: none"> A. Evaluate workload and staffing needs in the Procurement, Communications, and IT departments to ensure support for water conservation and other District priorities. B. Continue the current procurement audit to review and streamline procurement processes. <p>To facilitate better coordination, the Water Conservation team should:</p> <ul style="list-style-type: none"> C. Formalize collaboration efforts with the Communications department by establishing a clear framework that defines roles, responsibilities, and decision-making authority for the annual water conservation campaign. |
|---|--|

Valley Water’s water conservation efforts are impacted by staffing limitations and coordination needs across key support departments: Procurement, Communications, and IT. Addressing capacity constraints and opportunities to improve cross-departmental coordination is critical to enhancing program delivery and achieving the District’s water conservation goals.

- **Procurement Team:** Staff reported processing issues with the Procurement team contributed to delays in securing vendors and contracts essential for program implementation, which can impact water conservation efforts. For instance, the contract for the vendor managing the District’s landscape rebate online application required an extension, but delays in contract processing resulted in a suspension period during which the system was unsupported. This interruption affected customer experience and program continuity. Additionally, staff reported that the lack of clarity and alignment on procurement processes at Valley Water can further complicate collaboration and slow water conservation initiatives. Clearer and more efficient processes within Procurement would enable more timely contract execution and support the Water Conservation team’s strategic goals. The District is currently conducting an audit of procurement processes to identify areas for improvement and enhance efficiency, which may also include consideration for process improvements.
- **Communications Team:** The District’s Communications team leads and establishes priorities for the District’s annual water conservation campaign, while the Water Conservation team supplies funding and meets regularly with Communications to coordinate this campaign. Staff report that collaboration with the Communications team continues to be optimized, with more frequent meetings (monthly during normal periods and biweekly during droughts), which facilitates better

coordination on water conservation outreach campaigns. According to staff, these campaigns have contributed to increased participation in conservation programs. However, some challenges remain with coordinating priorities and communication frequency, and there are opportunities to better align expectations to enhance coordination and partnership. The comprehensive plan described in [Finding 2](#) should support these ongoing efforts.

- **IT Team:** Staff reported the IT team generally provides strong technical support, including the development and maintenance of the District's website for water conservation program enrollments. However, the Water Conservation program relies on several software systems that are not fully integrated which results in ongoing inefficiencies and manual work. IT staff reported the recent unavailability of external consulting services delayed ongoing integration efforts. Additionally, due to staffing constraints in the Water Conservation team, delays in providing necessary information to IT have contributed to slower technical support and program delivery.

The Water Conservation team's success is closely tied to the capacity of and collaboration with these departments. By enhancing capacity, clarifying processes, and fostering stronger communication and alignment across departments, the District can improve the effectiveness and timeliness of its water conservation initiatives and better achieve its strategic objectives.

Recommendation

To address the capacity and coordination needs impacting water conservation activities, the District should take a comprehensive approach involving Procurement, Communications, and IT. It should evaluate workload and staffing needs across these departments, to ensure they have sufficient capacity to support water conservation and other District priorities effectively. Staffing considerations for Procurement can be included in the District's current audit of that area. Additionally, continuing the current procurement audit will help identify opportunities to streamline procurement processes, improve efficiency, and clarify procedures, which will reduce delays in securing vendors and contracts critical to program delivery.

To improve coordination, the Water Conservation team should formalize its collaboration with the Communications team by establishing a clear framework that defines roles, responsibilities, and decision-making authority for the annual water conservation campaign. This framework can be integrated into the broader communications strategy described in [Finding 2](#), helping to align efforts, clarify expectations, and enhance the effectiveness of outreach campaigns.

By addressing staffing capacity and process clarity and strengthening interdepartmental collaboration, Valley Water can improve the timeliness, efficiency, and impact of its water conservation initiatives, ultimately supporting the District's strategic goals.

Appendix A: Peer Benchmarking

The following table compares Valley Water’s staffing and water conservation strategies and activities to its peers, including the Alameda County Water District (ACWD), Contra Costa Water District (CCWD), Solano County Water District (CCWD), Marin Municipal Water District (MMWD), East Bay Municipal Utility District (EBMUD), and San Francisco Public Utilities Commission (SFPUC). Data was pulled from publicly available information, including public-facing websites and documentation. We interviewed all peer organizations, and lessons learned from those conversations are incorporated throughout the report where relevant.

| Santa Clara Valley Water District | | ACWD | CCWD | SCWA | MMWD | EBMUD | SFPUC |
|--|--|---|---|---|---|---|---|
| Background | | | | | | | |
| Entity Type | Wholesaler | Retailer | Retailer and wholesaler | Wholesaler | Retailer | Retailer and wholesaler | Enterprise District - Retail and Wholesale |
| Operating Budget | FY 2024–2025 adopted budget: \$964,000,000 | FY 2024–2025 adopted budget: \$187,726,000 | FY 2025 expenditure budget: \$233,400,000 | FY 2024–2025 adopted budget: \$20,333,690 | FY 2024–2025 approved budget: \$163,798,389 | FY 2024–2025 budget: \$2,700,000,000 | FY 2024–2025 Adopted Budget: \$2,023,064,914 |
| Population Served | 1,900,000 | 344,000 | 520,000 | 453,491 | 190,000 | 1,400,000 | 2,700,000 |
| Staffing | | | | | | | |
| Total Number of FTEs | 841 | 242 | 323 | 30 | 243 | 1,928 | 2,836 |
| FTE Water Conservation Staff | 7 | 4 | 8 | 1 | 7 | 17 | 13 |
| Ratio of Staff to Population | 271,429:1 | 87,000:1 | 65,000:1 | 453,491:1 | 27,286:1 | 82,353:1 | 207,692:1 |
| Strategic and Planning Documents | | | | | | | |
| Has Strategic Plan | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Has Master/Long-Term Plan? | Yes | Has 25-Year CIP plan starting 2011 | No | No | Yes | Yes | Yes |
| Performance | | | | | | | |
| What specific goals or targets do you set for your water conservation efforts? | Valley Water sets water conservation goals in terms of total gallons saved, while also aiming to increase participation across programs. | ACWD uses a conservation model to set water savings targets and, outside of drought conditions, aligns goals with their long-term urban water use objectives. | CCWD tracks activity-based metrics (e.g., square feet converted, rebates issued) and ties them to modeled water savings targets developed by a consultant, while also emphasizing customer service outcomes and feedback. | SCWA primarily measures participation, assessing return on investment to determine program continuation, but does not set specific conservation targets beyond meeting regulatory expectations. | MMWD has set a long-term goal of reducing gallons per capita per day (to 114 by 2045) and also tracks water supply project savings through an acre-foot reduction target. | EBMUD has a goal of reducing demand to 70 million gallons per day by 2050 and updates progress through periodic demand studies, with the next update scheduled for 2027–2028. | SFPUC aligns its conservation efforts with state-mandated goals of making water conservation a permanent, ongoing practice. |

| | Santa Clara Valley Water District | ACWD | CCWD | SCWA | MMWD | EBMUD | SFPUC |
|--|--|--|--|---|--|--|--|
| How do you measure the effectiveness of your water conservation programs? | Valley Water uses a customized model based on Alliance for Water Efficiency methods to input participation rates and calculate acre-feet saved. | ACWD evaluates program effectiveness through customer feedback, clarity and accessibility of program design, and periodic surveys as part of broader planning efforts. ACWD also measures program effectiveness through participation levels and savings analysis. | CCWD measures effectiveness through customer responses, activity levels (e.g., lawn conversions), and estimated water savings, while also tracking engagement through events attended. | SCWA may review water savings but does not formally report them, noting that some programs (e.g., direct-install toilets) generate higher savings than others. | MMWD ties effectiveness to participation-driven savings goals, setting intentionally high targets (e.g., lawn conversion, graywater, rain barrels) based on past drought-era participation. MMWD also tracks gallons per capita per day at year-end in order to measure effectiveness. | EBMUD assesses effectiveness by tracking participant response to outreach, saturation levels, and “passive savings” from natural equipment replacement, supplemented with manufacturer data and legislative collaboration. | SFPUC measures effectiveness by comparing residential water use to homes of similar size and the regional average. |
| What metrics do you use to track water savings and program success? | Valley Water uses a conservation savings model with both passive and active savings calculations, supplemented by ordinance-based estimates. | ACWD prepares end-of-FY reports comparing actual savings against modeled target savings goals. | CCWD tracks outreach key performance indicators such as emails, clicks, and impressions, and surveys rebate applicants on how they heard about the program, though they note deeper analysis may be limited by staff capacity. | SCWA tracks the number of rebates issued and sometimes the associated water savings, but does not apply a formal water savings calculator. | MMWD measures participation-driven savings through targets such as lawn conversions, graywater systems, and rain barrels, with performance based on meeting or approaching these activity levels. | EBMUD tracks past and projected water use alongside customer satisfaction, administering surveys after all interactions and incentive programs. | SFPUC uses volume-based water savings metrics, though without formal reduction targets, while still prioritizing overall conservation. |
| What metrics or methods have you found to help effectively attribute water savings directly to your outreach activities? | Valley Water noted difficulty tracking water savings back to outreach actions, making it challenging to quantify how much their messaging saved water (except the Landscape Rebate Program). | ACWD measures outreach effectiveness by tracking participation increases in specific conservation programs, attributing water savings at the customer or account level with methods tailored to each activity (e.g., fixture upgrades vs. landscape replacement) and linking outreach success to measurable increases in program uptake. | Not provided. | SCWA does not apply direct water savings metrics but tracks rebate amounts, program popularity, and community or retailer feedback. Educational programs are evaluated by the number of students reached. | MMWD does not attribute water savings directly to outreach, instead counting savings through the conservation measure itself and evaluating campaign success with digital engagement metrics such as impressions, click-throughs, site revisits, and applications submitted. | EBMUD measures outreach impact through water savings analyses that compare pre- and post-consumption data against a control group, often using eight years of data (four years before and four years after program participation). | SFPUC tracks outreach effectiveness through digital engagement metrics (web visits, time on page, click-throughs, and conservation inquiries) and by monitoring application and enrollment rates in conservation programs. |

PEER BENCHMARKING LESSONS LEARNED

Programs

- Valley Water generally aligns with its peers in prioritizing outdoor water conservation and long-term demand management but stands out for its comprehensive sector coverage—including agriculture.

Engagement and Communication (see [Communications and Outreach](#) finding)

- Valley Water is generally aligned with its peers in employing a multi-channel approach to customer and stakeholder engagement, including collaboration with communications teams, direct outreach through schools and agencies, advertising campaigns, surveys, and digital platforms. Some peers leverage extensive community event participation, targeted demographic marketing, and tailored messaging based on customer data (such as EBMUD's geo-targeted campaigns and MMWD's focus on senior outreach).
- Valley Water shares common challenges with its peers in effectively engaging specific demographic groups, particularly older adults and certain commercial sectors. Some peers have implemented targeted programs and outreach strategies for underrepresented groups similar to Valley Water, such as ACWD's direct install and billing assistance programs for income-qualified customers and SFPUC's multilingual outreach efforts which help address language and socioeconomic barriers. Others, like EBMUD, focus on leveraging data and partnerships to better reach disadvantaged communities, while some districts acknowledge ongoing difficulties without specific targeted initiatives.

Performance Measures

- Valley Water is generally aligned with its peers in setting measurable water conservation goals, such as gallons saved and increasing program participation. Like Valley Water, many peer agencies have established clear data-driven targets, ranging from gallons per capita per day to long-term demand reduction goals and use models to project and track progress.
- Valley Water is generally aligned with its peers in using data-driven models to estimate water savings and evaluate program cost-effectiveness. Like Valley Water, many peer agencies incorporate participation rates, activity levels (such as square footage converted), and customer feedback into their assessments. Some agencies emphasize program adjustments based on customer needs and engagement metrics, while others focus on participation goals and broader measures like market saturation and passive savings.
- Valley Water is generally aligned with its peers in using models to estimate conservation savings, incorporating both active and passive water savings into their assessments.

Successes

- Valley Water is generally aligned with its peers in achieving strong support for conservation efforts, as evidenced by enthusiastic backing from the Board and management, consistent program participation—even in non-drought conditions—and recognition through awards. The District's effective use of interns and temporary staff, along with low complaint rates and positive participation survey results, highlight operational strengths. It shares many best practices with peer agencies, particularly in fostering organizational support and maintaining active customer engagement.

Challenges

- Valley Water is generally aligned with its peers in recognizing the complexity of balancing resource constraints, community engagement, and program effectiveness to meet conservation goals. Like Valley Water, many peer agencies emphasize the importance of partnerships and community participation, while grappling with challenges such as limited staff and budget, diverse customer needs, and the difficulty of motivating commercial customers. Peers highlighted the need for more creative and targeted outreach strategies, including engaging landscapers and leveraging technology.

Appendix B: Project by Account Detail

The following table includes a detailed breakdown of funds allocated to Valley Water's water conservation programs in fiscal year 2025, as reported in the District's budget documents.

| | Budgeted Amount |
|---|--------------------|
| Salaries and Benefits | |
| 51110 (Salaries-Permanent Employees) | \$951,903 |
| 51150 (Salaries-Overtime) | - |
| 51580 (Salaries-Earned Comp Time) | - |
| 52110 (Compensated Absences Accrual) | - |
| 55130 (Salaries-Paid Vacation/SL/PL/H) | \$182,296 |
| 55140 (Employee Benefits) | \$627,885 |
| Salaries and Benefits Total | \$1,762,084 |
| Services and Supplies | |
| 61690 (Other Technical Services) | \$2,745,000 |
| 61940 (Training & Instruction Service) | \$75,000 |
| 61990 (Other Professional Services) | \$1,390,000 |
| 64110 (Postage & Delivery Service) | - |
| 64150 (Recruitment/Publication Advertising) | \$10,000 |
| 64160 (Temporary Staff & Labor Service) | \$170,000 |
| 64190 (Other Business Support Service) | - |
| 64310 (Student Interns Services) | \$261,000 |
| 66110 (Office Supplies) | \$1,000 |
| 66130 (Computer Supplies) | \$1,000 |
| 66150 (Food & Beverage Catering) | \$1,000 |
| 66190 (Other Administrative Supplies) | - |
| 66240 (Safety Supplies/Minor Equipment) | - |
| 66270 (Uniform Program) | - |
| 66290 (Other Operating Supplies) | \$76,000 |

| | Budgeted Amount |
|---|---------------------|
| 67420 (Conference & Seminar Fees) | - |
| 67520 (Travel-Mileage Reimbursements) | \$200 |
| 67530 (Travel-Public Transportation) | - |
| 67540 (Travel-Lodging) | - |
| 67550 (Travel-Meals & Misc.) | \$200 |
| 67810 (Agreements-Cost Sharing) | \$1,200,000 |
| 67930 (Water Conservation Rebates) | \$3,750,000 |
| Services & Supplies Total | \$9,680,400 |
| Intra-District Charges | |
| 65110 (Intra District Vehicle Charges-Assigned) | \$12,029 |
| 65120 (Intra District Vehicle Charges-Pooled) | \$3,842 |
| 65250 (Intra District Risk Fund Charges) | \$95,190 |
| 65310 (Indirect Overhead - Full Cost) | \$780,561 |
| 65410 (Intra District Computer Equipment Charges) | \$218,938 |
| Intra-District Charges Total | \$1,110,559 |
| Total | \$12,553,044 |

Appendix C: Definitions of Findings Ratings

We assigned risk rankings to each finding based on our professional judgement. A qualitative assessment of high, medium, or low helps to prioritize implementation of corrective action.

| | |
|--------|--|
| High | Findings with a high likelihood of causing significant negative impact (i.e., pose a threat to achieving organizational objectives) if not promptly addressed. Recommendations from high-risk findings should be implemented as soon as possible (preferably within three months) |
| Medium | Findings with a moderate likelihood of causing negative impact if left unaddressed; these should be prioritized for corrective action to improve performance. Recommendations arising from medium-risk findings should be implemented in a timely manner (preferably within six months), to address moderate risks and strengthen or enhance efficiency. |
| Low | Findings with a low likelihood of causing significant negative impact (i.e., pose a threat to achieving organizational objectives) if not promptly addressed. Recommendations arising from low-risk findings should be implemented within 12 months. |

Appendix D: Management Response

| RECOMMENDATION | | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN |
|----------------|--|---|---|
| 1 | Finding: Valley Water's Water Conservation team is understaffed compared to peer agencies, which may limit capacity to manage workloads and poses risk to achieving the District's long-term conservation goals. | Water Supply Planning and Conservation Unit | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| | Recommendation: To ensure the Water Conservation team can meet the District's long-term conservation goals, Valley Water should consider adding at least five additional staff to the Water Conservation team who are dedicated to stakeholder engagement and administrative and program support. | | Response: This recommendation is consistent with the 2021 Water Conservation Strategic Plan findings, recommending an additional 6 full-time staff to meet the Board's 2040 goal. In 2021, three full-time staff were added. Since the program meets its annual water savings metric, the remaining three positions are documented as unfunded needs in the budget process. Additionally with the adoption of the Board's 2050 Target, an additional ten (10) full-time staff will need to be added to the program. Management will continue to monitor the programs progress towards meeting its annual metric to guide adding additional staff in a phased approach to be mindful of water rate affordability concerns. Implementation Date: Ongoing |
| 2 | Finding: Valley Water employs a multiple channel outreach approach similar to its peers but does not currently have a formal integrated communications strategy. Along with limited staffing capacity, this may constrain its ability to effectively engage diverse and underserved populations and fully realize the potential of its water conservation programs. | Water Supply Planning and Conservation Unit | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |

| RECOMMENDATION | | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN |
|----------------|---|--|--|
| | Recommendation: To build on the District's existing outreach activities, the Water Conservation team should work with other District departments, including the Office of Communications, to develop and implement a formalized, comprehensive, data-driven strategic engagement strategy that clearly defines target audiences, messaging priorities, and outreach methods. | | Response: Management agrees with this recommendation and will incorporate the development of a data-driven strategic engagement strategy as part of the 5-year update to the 2021 Water Conservation Strategic Plan. A RFP is under development with the goal of hiring a consultant in late 2026. Implementation Date: 2026-2028 |
| 3a | Finding: The effectiveness of Valley Water's water conservation programs is constrained by capacity challenges and opportunities to improve alignment with the following key support departments: Procurement, Communications, and IT. | Administrative Services/External Affairs | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| | Recommendation: To address the capacity and coordination needs impacting water conservation activities, the District should evaluate workload and staffing needs in the Procurement, Communications, and IT departments to ensure support for water conservation and other District priorities. | | Response: The Procurement and Information Technology teams have refined their processes to better track, manage, and enhance services that rely on externally managed IT contracts, thereby supporting water conservation initiatives and other Valley Water business functions more effectively. While the current staffing from the Office of Communications is sufficient to support the existing goals and outcomes defined by the Water Conservation and Communications business units, should the recommended cross-functional engagement strategy be developed and implemented, the need for additional staffing and workload evaluation would be warranted. Implementation Date: Completed |
| 3b | Finding: The effectiveness of Valley Water's water conservation programs is constrained by capacity challenges and opportunities to improve alignment with the following key support departments: Procurement, Communications, and IT. | Administrative Services/Procurement | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |

| RECOMMENDATION | | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN |
|----------------|--|---|--|
| | <p>Recommendation: To address the capacity and coordination needs impacting water conservation activities, the District should continue the current procurement audit to review and streamline procurement processes.</p> | | <p>Response: The Procurement and Information Technology teams have refined their processes to better track, manage, and enhance services that rely on externally managed IT contracts, thereby supporting water conservation initiatives and other Valley Water business functions more effectively.</p> <p>While the current staffing from the Office of Communications is sufficient to support the existing goals and outcomes defined by the Water Conservation and Communications business units, should the recommended cross-functional engagement strategy be developed and implemented, the need for additional staffing and workload evaluation would be warranted.</p> <p>Implementation Date: Completed</p> |
| 3c | <p>Finding: The effectiveness of Valley Water's water conservation programs is constrained by capacity challenges and opportunities to improve alignment with the following key support departments: Procurement, Communications, and IT.</p> | Water Supply Planning and Conservation Unit | <p><input checked="" type="checkbox"/> Agree</p> <p><input type="checkbox"/> Disagree</p> |
| | <p>Recommendation: To facilitate better coordination, the Water Conservation team should formalize collaboration efforts with the Communications department by establishing a clear framework that defines roles, responsibilities, and decision-making authority for the annual water conservation campaign.</p> | | <p>Response: The water conservation team meets with the Procurement, Communications, and IT teams on a monthly basis to facilitate coordinating various work activities and ensure that existing roles and responsibilities are well defined. During times of the development of water conservation campaigns, which are now year-round, meetings with the communications team occur every two weeks. With respect to communications, the Water Conservation Unit leads: campaign priorities and campaign funding. Creative development is collaborative and campaign execution and media buys are lead by the Communications team. Management will incorporate establishing a clear framework, roles, responsibilities and decision-making authority as part of the RFP under finding #2.</p> <p>Implementation Date: 2026-2028</p> |



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Santa Clara Valley Water District

WATER CONSERVATION PERFORMANCE AUDIT

Board Audit Committee Meeting

January 21, 2026

Agenda

01 OBJECTIVES AND SCOPE

02 METHODOLOGY

03 COMMENDATIONS

04 RESULTS, FINDINGS, AND RECOMMENDATIONS

Objectives and Scope

The purpose of this performance audit was to assess and further enhance Valley Water's approach to water conservation strategies and incentives. The objectives of this performance audit were to:

1. Evaluate the extent to which the strategies and approaches taken by Valley Water to promote or incentivize water conservation align with peer and best practices.
2. Identify opportunities for improvement through lessons learned at Valley Water and other water districts.
3. Review use of funds dedicated to conservation activities and corresponding performance measures.



Methodology

This audit was primarily conducted between April and August 2025 and consisted of project initiation and management, fact finding, analysis, and reporting. Fact-finding and analysis was informed by:

- **Interviews:** We conducted interviews with staff to identify strengths, challenges, and opportunities for improvement in water conservation strategies and activities.
- **Document and Information Review:** We reviewed documents, including organizational charts, performance reports, District strategic goals and workplans, budget presentations, and educational materials.
- **Industry Best Practice:** We researched industry best practices related to water conservation operations, including water tracking, demand analysis, planning, performance, equity, and related topics.
- **Peer Benchmarking:** We compared Valley Water's water conservation strategies and activities, outreach and communication methods, organization-wide goals, and challenges to six peer organizations identified in collaboration with the Conservation Team: Alameda County Water District, Contra Costa Water District, Solano County Water Agency, Marin Municipal Water District, East Bay Municipal Utility District, San Francisco Public Utilities Commission



Commendations

The Water Conservation team:

- Fosters collaborative teamwork internally and with other divisions across the District
- Demonstrates thoughtful and strategic planning approaches that include clear, well-defined goals to guide conservation efforts effectively
- Provides relevant, publicly accessible information with a commitment to openness that helps build trust and awareness with stakeholders
- Meets best practices for financial reporting, including timely independent audits
- Has consistently met performance targets for annual water savings and Conservation program participation within the last three fiscal years



Best Practices

We evaluated Valley Water's water conservation strategies against industry standards and found that it meets identified best practices in:

- Conducting water audits
- Using AMI
- Analyzing end-user demand
- Setting measurable goals
- Tracking performance
- Supporting continuous improvement

Valley Water also uses best practices in outreach and program accessibility to promote equity and access within conservation programs.



Performance Measurement

The District has a Board goal of achieving water use savings of 99,000 acre-feet per year (AFY) by 2030.

Two performance targets support this goal:

1. Valley Water must sustain drought-year-level participation in non-drought years to generate at least 2,400 AFY in additional savings annually.
2. Outdoor conservation and program participation by commercial, industrial, and institutional (CII), including multifamily residential (MF) sites, must increase.



Performance Measurement

Goal 1: Valley Water must sustain drought-year level participation in non-drought years to generate at least 2,400 AFY in additional savings annually

| Fiscal Year | AFY Increase in Annual Savings | Total AFY |
|-------------|--------------------------------|-----------|
| 2022 | 3,489 | 80,073 |
| 2023 | 3,096 | 83,174 |
| 2024 | 3,022 | 85,204 |
| Average | 3,202 | 82,817 |



Performance Measurement

Goal 2: Outdoor conservation and program participation by commercial, industrial, and institutional (CII), including multifamily residential (MF) sites, must increase

| Fiscal Year | Total Sq. Ft. Converted (Single-Family) | Total Sq. Ft. Converted (CII and MF) | Total | CII and MF Percent of Area | CII and MF Percent of Rebated Applications |
|-------------|---|--|-----------|----------------------------------|---|
| 2021 | 258,644 | 82,415 | 341,059 | 24% | 5% |
| 2022 | 804,226 | 231,316 | 1,035,542 | 22% | 5% |
| 2023 | 1,153,764 | 832,605 | 1,986,369 | 42% | 9% |
| 2024 | 759,722 | 658,706 | 1,418,428 | 46% | 11% |



Use of Funds

Valley Water's water conservation programs fall under the Board goal of increasing regional self-reliance through water conservation and reuse. Overall, water conservation programs were allocated \$12,553,044 of these funds.

WS Goal 2.4: Increase regional self-reliance through water conservation and reuse

| | | |
|-------|---|--------------|
| 2.4.1 | Maximize utilization of all demand management tools | - |
| 2.4.2 | Incentivize water use efficiency and water conservation. | \$17,860,692 |
| 2.4.3 | Promote, protect, and expand potable and non-potable water reuse. | \$19,566,885 |
| 2.4.4 | Promote stormwater capture and reuse. | \$88,758 |
| Total | | \$37,516,335 |



Use of Funds

| Expense Category | FY 2025 Budget | % of Overall Budget |
|------------------------|----------------|---------------------|
| Salaries and Benefits | \$1,762,084 | 14% |
| Services and Supplies* | \$9,680,400 | 77% |
| Intra-District Charges | \$1,110,559 | 9% |
| Total | \$12,553,044 | 100% |



Summary of Recommendations

Medium-Risk

- Consider adding at least five additional staff to the Water Conservation team who are dedicated to stakeholder engagement and administrative and program support
- Work with other District departments, including the Office of Communications, to develop and implement a formalized, comprehensive, data-driven strategic engagement strategy

Low-Risk

To address the capacity and coordination needs impacting water conservation activities, the District should:

- Evaluate workload and staffing needs in the Procurement, Communications, and IT departments
- Continue the current procurement audit to review and streamline procurement processes

To facilitate better coordination, the Water Conservation team should:

- Formalize collaboration efforts with the Communications department

Thank You

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Santa Clara Valley Water District

File No.: 26-0042

Agenda Date: 1/21/2026

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Receive and Discuss Audit Follow-up Conducted by Chief Audit Executive (CAE); and Provide Feedback As Needed.

RECOMMENDATION:

- A. Receive and Discuss audit follow-up conducted by CAE; and
- B. Provide feedback as needed.

SUMMARY:

At the February 15th, 2023, Board Audit Committee (BAC) meeting staff reported that the implementation of recommendations for the 2020 Real Estate Services Unit (RESU) audit were completed. The BAC members requested the CAE review the actions taken by staff to ensure the effectiveness of those actions.

According to the BAC Charter, Article VI, Paragraph 8 which states "The Committee may request a report regarding Valley Water's implementation of measures to address recommendations from individual audits. Where not all audit recommendations have been implemented, this shall be reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a Close-out Report. As designated by the Committee, the report shall be prepared by either the Auditor completing the audit or the Independent Auditor. Where no remedial measures have been identified by Valley Water management, the Close-out Report shall address whether management has elected to accept the associated risk or whether the risk no longer exists. Following consideration of the Close-out Report, the Committee may vote to close an audit where it is satisfied that the audit recommendations are adequately addressed or where the risk associated with any unaddressed recommendation is acceptable or no longer exists."

The purpose of this agenda item is to receive the CAE's audit follow-up report on the implementation status of recommendations provided in the Board-directed 2020 Real Estate Services Performance Audit, and to provide feedback to staff if needed.

ENVIRONMENTAL JUSTICE IMPACT:

The Audit Follow-up is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: 2020 Real Estate Audit Follow-Up Memorandum, January 14, 2026

Attachment 2: 2020 Performance Audit of Real Estate Services Unit

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

Client Memorandum

To: Board Audit Committee, Santa Clara Valley Water District
From: George Skiles, Partner, Sjoberg Evashenk Consulting, Inc.
Date: January 14, 2026
Subject: **Update on Audit Follow-Up of the 2020 Real Estate Services Performance Audit**

As the Independent Board Auditor for Santa Clara Valley Water District (Valley Water), the Board Audit Committee (BAC) asked that Sjoberg Evashenk Consulting, Inc. (SEC) conduct a follow-up review of the 2020 Real Estate Services Audit report, and Real Estate Services Unit's (RESU) implementation of the audit recommendations.

In 2020, Valley Water contracted with TAP International, Inc. to conduct an audit on their Real Estate Services Unit (RESU) to determine how RESU could improve its financial and service delivery performance; and made 12 recommendations and identified one matter for consideration to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of RESU's current operations.

In February 2023, Valley Water management informed the BAC that the 12 recommendations had been fully implemented. In September 2024, we presented to the BAC our conclusion that some recommendations remained unimplemented, and recommended that the BAC keep this performance audit open until full resolution of the audit's findings and recommendations can be confirmed.

This memo supplements our prior assessment and presents the current implementation status of all 12 recommendations as of December 2025. The status of the 12 recommendations is presented in Exhibit 1.

EXHIBIT 1. RESU'S STATUS IN IMPLEMENTING 12 RECOMMENDATIONS

| Implementation status | Number of recommendations |
|--|---------------------------|
| ✓ Implemented | 6 recommendations |
| ✓ Implemented in a different manner | 2 recommendations |
| 🔄 In process | 4 recommendations |
| ✗ Not implemented | 0 recommendations |

Recommendation #1: To improve RESU's timeliness of the real estate transactions process, Valley Water's CEO should ensure annual training is provided to all Valley Water divisions about the Valley Water real estate acquisition process, key steps, common pitfalls, and strategies to avoid these pitfalls. The

training should include a planning guide for use by Valley Water that shows the timeline for requesting services the information needed by RESU staff, and the time required to complete the service request.

Implemented in a Different Manner: RESU prepared an intranet-based Real Estate Services training video available to Valley Water employees, and this training video contained the recommended content. While the audit report recommended that management “ensure annual training is provided to all Valley Water divisions,” RESU could not demonstrate that every division within Valley Water reviewed the training video every year. Nevertheless, we find that the posting of the training video makes the information available and accessible to those that need it, and that the intent of this recommendation has been satisfied.

Recommendation #2: To enhance transparency and accountability of RESU current operations, the RESU Manager should:

- A. Stipulate which form is to be used across all projects and acquisitions that RESU, project managers, and project owners come to an agreement on “just compensation.”
- B. Define what information defines “just compensation.”
- C. Establish and routinely monitor and report on key performance measures, such as acquisition turn-around times, status of project manager requests, and outstanding “acquisition related” items needed by other Valley Water units.

Partially Implemented: RESU implemented the corrective actions associated with Recommendations 2(A) and 2(B) by providing the updated “Just Compensation” form (Engineering Unit Manager Authorization Form/Just Compensation Report) and a list of property acquisitions intended to demonstrate improved timeliness. Currently, RESU’s real estate acquisition timeline goal is about 12 months to complete a real estate acquisition transaction from the identification of the property to close of escrow. The 2020 audit report reported RESU’s acquisition timeline from appraised value to close of escrow was about six (6) months to complete the transaction. Based on our assessment, the average real estate acquisitions in 2025 took approximately 13 months, an improvement from 16 months in 2020. However, the real estate acquisition process remains short of RESU’s acquisition timeline goals.

This review also found that the corrective actions cited by RESU in response to Recommendation 2(C) have not been fully implemented. The tracking sheet used by RESU to monitor timeliness does not include key performance information such as key acquisition-related turnaround times, the status of project manager requests, or outstanding acquisition-related items needed from other Valley Water units. According to RESU management, for recent projects, RESU and the project team have maintained spreadsheets that list key dates, costs, and communications with owners.

Recommendation #3: To increase the effectiveness of RESU’s property management, the RESU Manager should update Valley Water’s RESU policies and procedures for property management to include residential property management, including procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when Fees are collected.

Implemented: RESU provided the updated *Nonresidential and Residential Property Management (W-630-099)* procedures, which now incorporate residential property management. Management also implemented oversight procedures to track non-residential insurance expirations and established regular property management meetings to address insurance, inspections, Home Owner Association (HOA) fees, and other property management issues. Additionally, Senior staff will oversee and address any insurance related issues that may arise and conduct regular property inspections.

Recommendation #4: To increase the effectiveness of RESU's property management, the RESU manager should establish procedures to track all staff costs, property maintenance expenses and revenue for all rental properties. RESU's annual report to the CEO should include financial analysis to determine whether Valley Water is covering its costs to maintain the leased/licensed properties to owns and the cost to lease/license property owned by others is fiscally prudent.

Partially Implemented: RESU provided copies of the Annual Net Income and Expense reports for Valley Water rental properties, which includes cost information related to property management and maintenance, but it does not include direct or indirect costs associated with RESU's in-house operating costs, including staff costs, as recommended. RESU indicated that it does not have sufficient staffing resources, such as a Staff Analyst, to identify, track, and analyze these cost components. Because of this, RESU has not captured the information needed to determine its own cost-effectiveness, including whether revenues fully support operating costs, and information needed to ensure licensing and lease rates are sufficient to fully cover costs.

Recommendation #5: To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment to process to help Valley Water staff identify real estate transactions that will need extensive participation and review by Valley Water District Counsel and a plan for key consultation points.

Implemented in a Different Manner: RESU reported that such a risk assessment process is atypical in the industry and that a more typical practice is to ensure RESU management is incorporated into project meetings early in the process to ensure productive communication and time to facilitate the acquisition process. RESU management provided examples of project meetings via an excel spreadsheet, and reports that they believe other stakeholder divisions are incorporating the RESU team at appropriate times to facilitate the acquisition process. Based on this, we believe the intent of the recommendation has been met.

Recommendation #6: To increase service delivery timeliness, Valley Water's CEO, in coordination with RESU's Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right of way agreements, with a goal of minimizing changes to these pre-approved standard contracts and reducing District Counsel's review time.

Implemented: RESU provided the updated right-of-way agreement template that was developed with District Counsel. The documentation demonstrates completion of the correction actions.

Recommendation #7: To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to assist project delivery teams with budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.

Implemented: As discussed in Recommendation 5, RESU staff reported ongoing early involvement in project design meetings. Based on this information the corrective actions have been fully implemented.

Recommendation #8: To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of property owner's appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes, if any, should be made to the Valley Water acquisitions process.

Partially Implemented: RESU management reported to Board Audit Committee that it had completed the one-time study and, as a result of this study, it was determined that 80 percent of property owners settled at the fair market appraisal value and the remaining 20 percent of property owners on average settled for more than 10 percent above the fair market appraised value. However, RESU was not able to provide documentation showing the completion of this study. According to RESU management, the study has been lost due to staff and management turnover.

While RESU has reduced the time to complete a transaction from 16 months in 2020 to 13 months in 2025, the purpose of the recommended one-time study was to identify factors that contributed to costs that exceeded expectations as well as unanticipated extensions of the timeline to close a transaction. According to RESU management, despite not being able to provide the results of the recommended study, these factors are largely known and include:

- Preliminary work, including survey and title search, right-of-way plans, and environmental studies.
- Appraisal, review, and offer
- Residential/Commercial tenant relocation if necessary
- Negotiations, which can take time and involve the property owner obtaining their own appraisal
- If the owner does not agree to the sale, legal proceedings may commence, including possible condemnation by court order

Further, according to RESU, it is not uncommon for acquisition of property rights to take over a year or often multiple years to complete. Willing parties on all sides must come to an agreement, otherwise the acquisition becomes a mediation (if agreed upon) or legal matter. An example is the current Coyote Creek Flood Protection Project (CCFPP), of which acquisition of over fifty (50) property rights has taken over two years and is not yet completed.

Recommendation #9: To ensure that Valley Water adheres to “just compensation” principles on delayed real estate acquisitions, Valley Water’s CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws.

Implemented: RESU provided the updated *Appraisal Real Property Program (W-630-101)* procedures, which now include criteria and processes for ordering updated appraisals. This demonstrates implementation of the corrective action.

Recommendation #10: To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water’s CEO should leverage use of the existing Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholders contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels.

Implemented: RESU developed a webpage that provides information about their services, contact details, and links to informative brochures. The webpage also includes guidance regarding the role of other Valley Water units (i.e., Community Projects Review Unit and Land Management), which could help address other real estate related inquiries. This resource supports consistent communication across RESU and other Valley Water units/divisions.

Recommendation #11: To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section.

Implemented: See explanation for Recommendation 10.

Recommendation #12: To enhance Valley Water’s fiscal performance and asset management strategy, 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 [land], and
- B. shorten the duration and establish regular fee adjustments on future longer-term lease agreements.

Partially Implemented: RESU implemented the corrective action associated with Recommendation 12(b) by demonstrating that their lease agreements shorten the duration and establish regular fee adjustments on longer-term lease agreements. We examined three lease/license agreements initiated after the issuance of the RESU audit in 2020, and found that all

three contained fee escalation clauses that allowed RESU to increase fees over the term of long-term leases/licenses.

However, the corrective action related to Recommendation 12A has not been fully implemented. Our review found no evidence that Valley Water conducts an annual review of the fee schedules specifically to ensure that the fees incorporated into RESU contracts cover the costs to lease, license, and permit the use of Valley Water property. According to RESU, this recommendation combines unrelated operational activities that cannot be treated the same. For instance, leasing rates are not determined based on cost of operations, but rather on an assessment of market conditions, and market conditions are evaluated differently between residential and non-residential properties. License and permit fees may more appropriately be based on cost of operations, but may also depend on the extent to which the licensed or permitted activity benefits Valley Water or the broader community. For these, however, much of the responsibility to update rate or fee schedules rests with Valley Water's Community Projects Review Unit (CPRU); RESU's involvement is generally limited to coordinating initial appraisals.

Nonetheless, the intent of this recommendation is not solely to ensure full cost recovery, but to provide Valley Water with sufficient cost and revenue information to support informed decision-making. This includes understanding the cost of administering leases and licenses, the revenue generated, and whether fees are aligned with operational costs, market conditions, or fair market considerations. Such information is critical to ensure fees are neither insufficient to support operations or set higher than warranted. This should include the direct and indirect costs of RESU's operating costs, as well as cost incurred by other supporting units upon which RESU relies to manage the agreements, such as related labor charges, permit processing, and accounting services.

Based on our analysis, we recommend that the BAC keep this performance audit open until full resolution of the audit's findings and recommendations are fully implemented and can be confirmed.



TAPInternational

Final Report

**REAL ESTATE
SERVICES CAN BE A
MORE EFFECTIVE
RESOURCE FOR
VALLEY WATER**

August 2020



Date: August 20, 2020

Memorandum For: Board Audit Committee

From: Independent Auditor, TAP International, Inc.

Subject: Transmittal of TAP International Performance Audit Report

Attached for your information is our draft report, *Real Estate Services Can be a More Effective Resource for Valley Water*. The audit objective was to determine how the Real Estate Services Unit (RESU) could improve its financial and service delivery performance.

Our audit identified a range of opportunities for Valley Water, across the agency, to improve its delivery of real estate services. The report offers recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of RESU current operations. Finally, the report offers a matter for consideration by the Board of Directors describing that RESU can become a strategic partner in addressing Valley Water's future water resources needs. Valley Water management generally agreed with all of the recommendations and matters for consideration described in this report. (see Appendix A).

TAP International, Inc.

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Audit Highlights

RESULTS IN BRIEF

Why the Audit Was Conducted

Efficient and effective service and delivery are key priorities for the Santa Clara Valley Water District (Valley Water) to accomplish the goals of providing safe and clean water, environmental stewardship, and flood protection. To support Valley Water priorities, the Real Estate Services Unit (RESU) buys, sells, and leases property for water supply, flood protection, and land stewardship projects. Until a specific property is needed for a project, RESU may lease or license the use of the property in accordance with Valley Water policies and public laws. Since 2015, RESU has acquired 249 properties through purchase or lease agreements.

Identified as having high potential to improve RESU operations, the Valley Water Board of Directors (Board) approved a planned performance audit of RESU that was conducted by the Independent Auditor (Auditor). The specific objective of the audit was to identify how RESU could improve its performance for financial and service delivery. It is important to note that the real estate transaction process for public agencies has more regulatory requirements to follow in comparison to the private commercial real estate sector.

How the Audit Was Conducted

The performance audit included an examination of organizational structures, operational effectiveness, employee roles and responsibilities, information collection and sharing, and policies and procedures. The audit work included: (1) interviews with staff working across Valley Water that have a role in the delivery of real estate and/or property management services; (2) analysis of a sample of 35 real estate transactions; and (3) analysis of service delivery and financial data and other documentation related to residential and non-residential property management.

What the Audit Found

RESU has successfully avoided the acquisition of property through the use of eminent domain laws, utilizing its authority 10 times since 2015. Adding to this accomplishment, RESU has implemented efforts to improve its service delivery by examining the workload of its staff, providing training on its acquisition process to some divisions when authorized to do so, and by closing acquisition files faster from about two years to 30 days. Further, RESU collected \$1.6 million in Fiscal Year 18-19 on 114 income-producing properties, but better reporting on expenses and other costs are needed to assess fiscal sustainability of RESU's property management activities.

RESU averages almost a year and half to complete a property acquisition, but challenges exist both within and outside of RESU's control to speed up the process. These challenges include, among others:

- The willingness of a property owner to sell their property, extent of negotiations and an owner's desire to request their own appraisal.
- Delays in project funding for property acquisitions and by other Valley Water Units in completing environmental assessments.
- Extensive involvement by the District Counsel's office in the acquisition process.

This audit report finally describes that while RESU is generally operating and performing in accordance with its role as a support unit, RESU can be a useful resource to position Valley Water strategically to meet its future watershed and water utility needs.

Twelve recommendations described below are designed to increase the efficiency and effectiveness of the RESU's property maintenance and acquisition processes. Greater participation by RESU in capital project planning meetings and use of other tools can address other challenges that impact RESU's delivery of services. For instance, updating fee schedules and re-examining flat rate lease agreements would close the gaps of lost revenue opportunities, and use of better software applications can provide useful performance monitoring. Other potential improvement opportunities include enhancing forms to document sound explanations for "just compensation" decisions and developing policies and procedures for ensuring insurance compliance by tenants on non-residential property. In addition, the Auditor presents one matter for consideration by the Board of Directors that would better position RESU to meet future needs.

RECOMMENDATIONS

1. To improve RESU's timeliness of the real estate transaction process, Valley Water's CEO should ensure annual training is provided to all Valley Water divisions about the Valley Water real estate acquisition process, key steps, common pitfalls, and strategies to avoid these pitfalls. The training should include a planning guide for use by Valley Water that shows the timeline for requesting services, the information needed by RESU staff, and the time required to complete the service request.
2. To enhance transparency and accountability of RESU current operations, the RESU Manager should:
 - (A) stipulate which form is to be used across all projects and acquisitions that RESU, project managers, and project owners come to an agreement on "just compensation".

(B) define what information defines “just compensation”,

(C) establish and routinely monitor and report on key performance measures, such as acquisition turnaround times, status of project manager requests, and outstanding “acquisition related” items needed by other Valley Water units.

3. To increase the effectiveness of RESU’s property management, the RESU manager should update Valley Water’s RESU policies and procedures for property management to include residential property management as well as procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when fees are collected.
4. To increase the effectiveness of RESU’s property management, the RESU manager should establish procedures to track all staff costs, property maintenance expenses and revenue for all rental properties. RESU’s annual report to the CEO should include financial analysis to determine whether Valley Water is covering its costs to maintain the leased/licensed properties it owns and the cost to lease/license property owned by others is fiscally prudent.
5. To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment process to help Valley Water staff identify real estate transactions that will need extensive participation and review by District Counsel and a plan for key consultation points.
6. To increase service delivery timeliness, Valley Water’s CEO, in coordination with RESU’s Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right-of-way agreements, with a goal of minimizing changes to these pre-approved standard contracts and reducing District Counsel’s review time.
7. To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to assist project delivery teams with budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.
8. To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of a property owner’s appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes, if any, should be made to the Valley Water acquisitions process.
9. To ensure that Valley Water adheres to “just compensation” principles on delayed real estate acquisitions, Valley Water’s CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict

between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws.

10. To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water's CEO should leverage use of the existing Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels.
11. To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section.
12. To enhance Valley Water's fiscal performance and asset management strategy, 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.

Matters for Consideration

Should the Valley Water Board desire to update the current role of RESU from providing support services only to be a proactive partner in strategy planning for future water management activities, the Board could consider the following:

1. Direct the CEO to develop a five-year strategic plan that includes a new mission, goals, and objectives for all Valley Water Real Estate Services (including asset management) that proactively meets the needs of future Valley Water projects, goals, and objectives. The strategic plan should include an implementation plan that addresses the following:
 - Define the future roles and responsibilities for each unit that delivers or helps to deliver real estate and asset management services. If Valley Water continues to use its current organizational structure to deliver real estate services, roles and responsibilities should be identified by each type of real estate service and asset management function and function

performed, clear lines of accountability created for each unit performing each task, and key points of coordination and collaboration across the units defined.

- Assess the feasibility of consolidating the delivery of its real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. Consolidation will make the real estate transaction process and property management activities more efficient and effective, as well as providing a one-stop shop to constituents.
 - Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics.
 - Develop a communication strategy that addresses how Valley water will promote a culture of information sharing and enterprise-wide decision making, both internally and externally, for delivery of its real estate services
 - Develop an asset management strategy.
2. Direct the CEO to begin a plan to implement a new, off-the-shelf real property and asset management software to track and capture all real property activities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU and CPRU. The system should support business analytics for real property management, enhancing delivery of real estate services using technology.



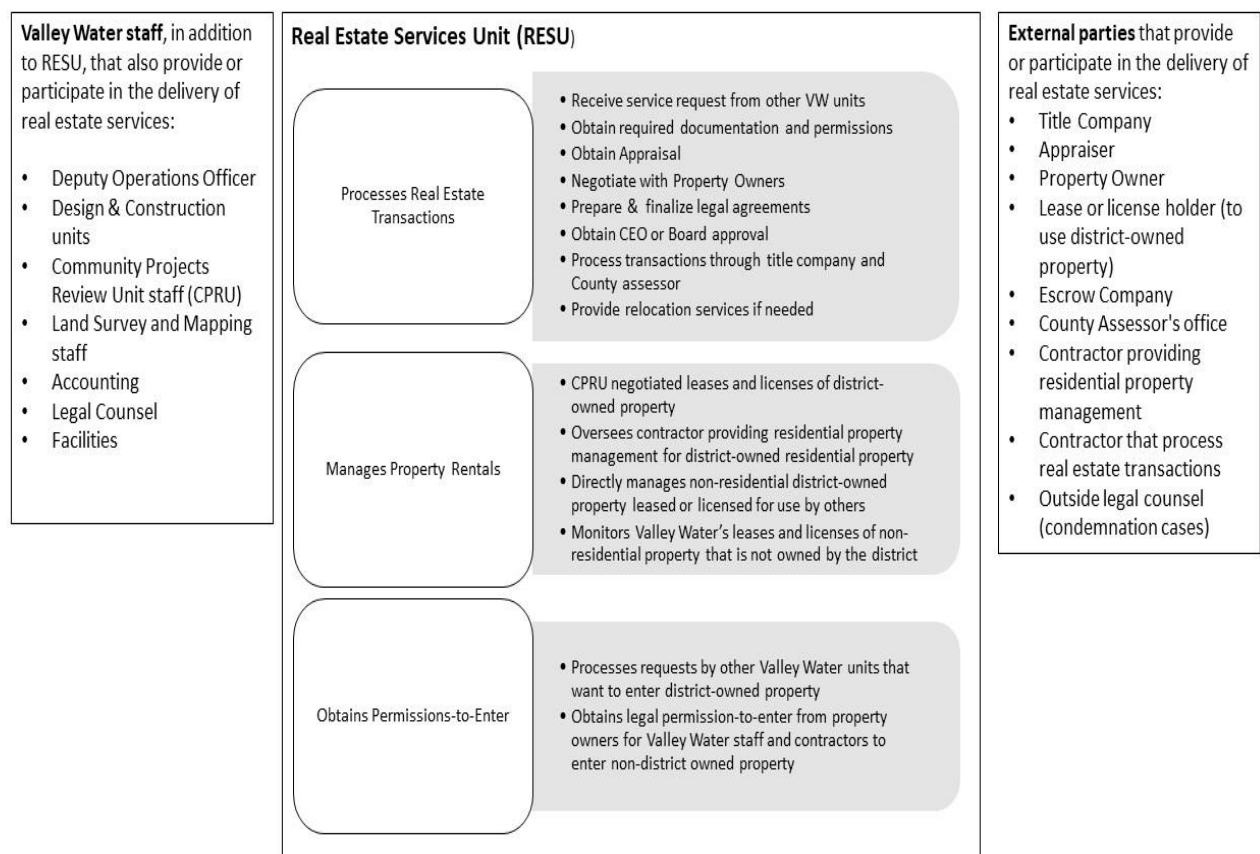
Background and Methodology

BACKGROUND

Who Delivers Real Estate Services at Valley Water?

RESU's mission is to provide real estate expertise in the acquisition, relocation, appraisal, and asset management services on behalf of Valley Water for current landholdings and land required for projects and operations. RESU provides three types of real estate services: (1) purchase, sale, exchange or dedication of property, (2) obtaining permission-to-enter property not-owned by Valley Water, and (3) property management.¹

Figure 1. The Real Estate Services Unit (RESU) Depends on the Collaboration of Other Stakeholders to Deliver Real Estate Services



¹ Real property includes land and improvements to the land. Easements provide access to and/or use of the land.

The activities implemented by RESU are in response to requests by other Valley Water units. These other units decide whether to begin the processing of buying or selling property or issuing encroachment permits and continue to have key responsibilities throughout the process. For example, project delivery units request property descriptions from the Land Surveying & Mapping Unit, obtains environmental assessments of the identified property, approve the cost of the acquisition and provide information about the project to RESU for the Board or CEO review and approval process.

The actions of other Valley Water divisions and units, including other external parties, can impact RESU's financial and service delivery performance. If these other units delay their acquisition related activities, then RESU in turn experiences delays. See Figure 1 for other units like District Counsel, General Accounting, and Facilities Management that help RESU in completing these requests for services.

RESU does not initiate the lease or permit process that allow for external parties either to enter or use Valley Water owned property. CPRU has this responsibility. RESU's role is to prepare lease agreements and monitor compliance of the terms and conditions authorized by CPRU. Accounting tracks the payment of the fees associated with each lease or permit, notifying the project owner of payment issues.

RESU uses contractors to assist when needed with real estate transaction processes. RESU maintains standing contracts with local vendors for title reports, appraisals, and escrow services. Valley Water also has a standing contract with Associated Right-of-Way Specialists (ARWS) to provide complete real estate transaction processing services.

What are the Legal Requirements and Valley Water's Goals to Process a Real Estate Transaction?

The California Constitution gives public agencies in California, like Valley Water, the power to acquire property rights for public purposes under state law.² State law requires Valley Water to notify the property owner of their rights, pay the property owner "just compensation" for the property based on an appraisal of its value, and make every reasonable effort to negotiate with the property owner before entering the condemnation process. Valley Water has incorporated the state requirements into its service delivery goals, as shown in Figure 2.

² California Constitution Article 1, Section 19(a): "Private property may be taken or damaged for a public use and only when just compensation, ascertained by a jury unless waived, has first been paid to, or into court for, the owner. The Legislature may provide for possession by the condemnor following commencement of eminent domain proceedings upon deposit in court and prompt release to the owner of money determined by the court to be the probable amount of just compensation."

Figure 2. Valley Water Goals and Objectives for Real Estate Services

| Valley Water Goals | Objectives |
|---|---|
| Promote “public confidence” in its real estate and relocation practices. | <ul style="list-style-type: none"> ■ Valley Water real property shall not be leased to employees, Board members, or their immediate family members. ■ Pay “just compensation”, based on an appraisal prepared by a qualified appraiser, for all real property except property dedicated to the District. ■ The Board approves all real estate transactions except for those delegated to staff for approval. |
| Provide uniform and equitable treatment to all property owners and Displaced Persons. | <ul style="list-style-type: none"> ■ Comply with federal and state legal requirements for displaced persons. |
| Minimize litigation with affected members of the public. | <ul style="list-style-type: none"> ■ Use reasonable efforts to acquire property. ■ Timely acquisition processes. ■ Acquire property through negotiated agreements. ■ Acquire property in a manner that minimizes undue hardship to property owners and occupants. ■ Assure consistent treatment to all owners and tenants. ■ Minimize unwarranted litigation. |

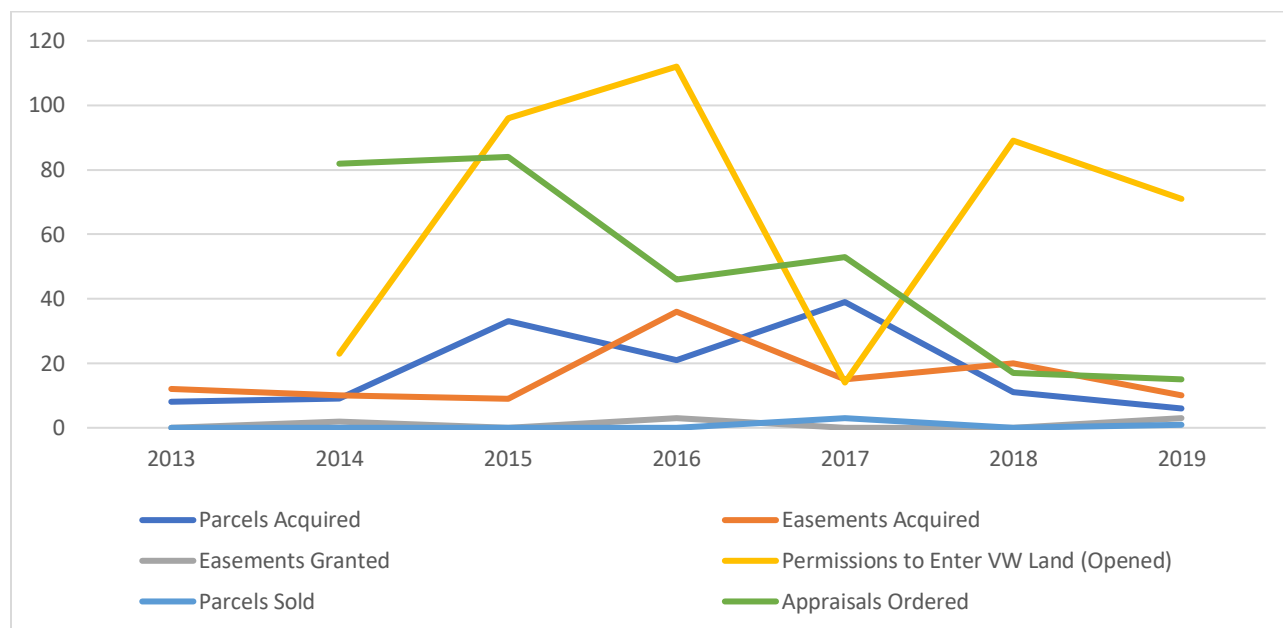
What Real Estate Services Has Valley Water Delivered?

Property Acquisitions

Valley Water’s acquisitions of parcels and easements has fluctuated over time. In 2013-14, RESU averaged 51 acquisitions per year between 2015-2017 that declined to about 24 per year between 2018 and 2019, as shown in Figure 3 below. However, the number of appraisals declined steadily between 2013-2019, from 82 appraisals in 2014 to 15 appraisals in 2019. The number of permissions-to-enter privately owned parcels averaged 67 per year between 2018 and 2019 after completing 14 in 2017.

The size and timing of capital projects drive RESU’s acquisition activities. Other activities performed by RESU (but not represented below) include ordering title reports, relocating tenants, and processing cases of eminent domain. Valley Water has filed 10 condemnation cases in court since 2015; nine of these cases occurred in 2015 and 2016.

Figure 3. RESU Real Estate Transaction Processing Activities



Lease and Licensing Management

RESU reported it administers leases and licenses for 78 non-residential properties: 55 properties owned by Valley Water and for 23 properties where Valley Water is the tenant. The 55 non-residential rental properties owned by Valley Water include two bridges, one building, and 20 parcels of land. Valley Water's leases and licenses of property owned by others include 11 parcels of land and one building. RESU staff said that its primary responsibilities are to (1) ensure that renters of Valley Water properties have up-to-date insurance and (2) conduct routine inspections of the property.

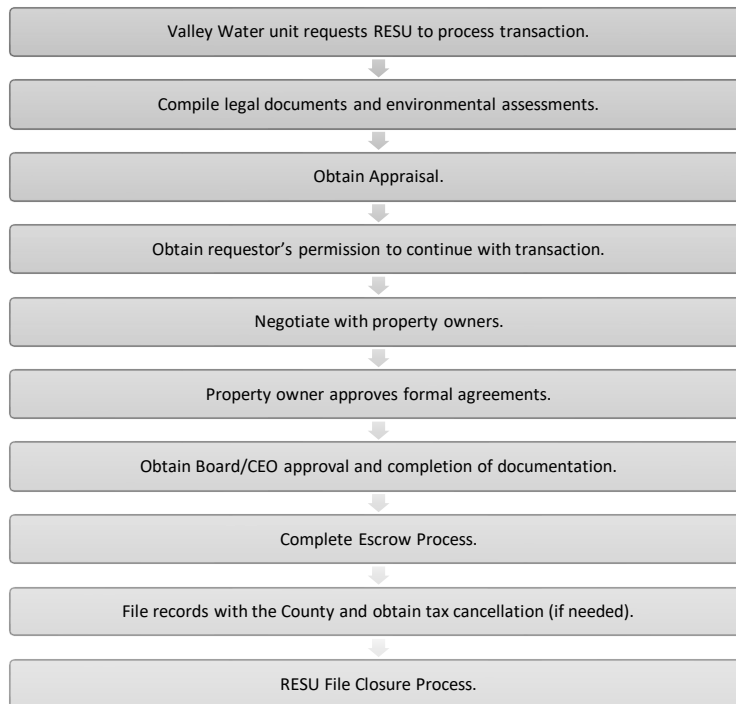
Valley Water outsources property management for 53 residential rental properties. RESU staff approves maintenance requests, and the Valley Water vendor performs all other property management activities, including the setting of rental rates.

Valley Water has budgeted about \$2.7 million for District Real Property Administration between FY 18 and FY 20 to provide real estate services. For FY20, Valley Water has budgeted about \$1.5 million for operations and \$1.2 million for capital expenses. The budget includes expenses for appraisals performed by contracted appraisers, environmental assessments performed by contractors, professional services support for processing real estate transactions, RESU's labor hours. Funding for RESU, Office of District Counsel, CPRU, and Land Surveying & Mapping is budgeted under the FY20 budget for District Property Administration.

How does the Valley Water Real Estate Acquisition Process Work?

RESU does not start the real estate transaction process. Instead, a project delivery unit must request RESU's help for RESU to start a real estate transaction. Figure 4 below shows the steps involved in RESU's property acquisition process.

Figure 4. Overview of the Valley Water Acquisition Process



AUDIT METHODOLOGY



Audit Objective

In 2018, the Auditor conducted an enterprise-wide audit risk assessment and identified real estate services as an area that needed further review. The objective of this performance audit was to determine how the RESU could improve its service delivery and financial performance.

Scope of Work

The scope of this audit examined the business processes implemented by RESU to deliver property management and acquisition services. The audit included data collection efforts among

other Valley Water units that participate directly in RESU's business processes, such as Community Project Resources Unit (CPRU), District Counsel's Office, Facilities Management Unit, and Valley Water project managers and engineers.

Project Approach

To address our audit objective, the Auditor performed the following activities:

- Examined the following Valley Water documents and work product to assess service delivery and financial performance and to identify potential improvement opportunities:
 - RESU organization chart
 - RESU policies and procedures
 - Valley Water Executive Limitations and other Board Policies
 - RESU job descriptions
 - RESU annual reports for FY17 to FY19 (Rental Property Income and Expense reports for the past three fiscal years)
 - RESU budgets for the past three years (FY20 Adopted)
 - Real Estate Transaction processing forms
 - SCVWD Standard Rate Schedule
 - Tracking sheet used to monitor the status of leases and licenses of non-residential property owned by Valley Water
 - Checklist used to purge files for preparation for closing Executive Limitation reports 6.7.1 for both anticipated and completed real estate transactions
 - Timeline to complete a real estate acquisition
 - Report of completed appraisals, appraisers over the past five years
- Interviewed RESU staff, project managers, unit managers and management in Valley Water's Watershed Design & Construction Division, CPRU and Design & Construction units, District Counsel's Office, Facilities Management Unit, Contractors, and Associated Right-of-Way Services to discuss RESU services.
- Examined the files (electronic and hard copy) for 34 total real estate transactions, including 24 acquisitions and 10 sales, exchanges, and dedications including one correction. Files were examined to assess the accuracy and completeness of the documentation and the timeliness of the real estate transaction process.
- Examined the leases and licenses of Valley Water-owned land, fee schedules, and terms and conditions to assess the financial performance of Valley's Water's property management activities.
- Reviewed the industry practices of California Department of General Services for acquisitions, Los Angeles Metropolitan Transportation Authority Program Management Plan (capital improvement infrastructure program), San Francisco Water Power Sewer-Land Use Framework; and U.S. Government Accountability Office Federal Real Property Asset

Management (Leading Practices) to determine the approach of real estate service delivery of other government entities that deliver large capital projects. We also reviewed the websites of California water districts and the California Department of Water Resources to identify what right of way and property acquisition information.

A SWOT analysis was applied to assess the service delivery and financial performance of the RESU and the other units that provide real estate services at Valley water, as illustrated in Figure 5 below. SWOT analysis identifies the strengths (S) and weaknesses (W) of the services delivered by the RESU and the broader opportunities (O) and threats (T) that challenge the delivery of real estate services by RESU and other Valley Water units. Once identified, the Auditor then evaluated the impact of each factor—helpful or harmful—toward the achievement of Valley Water’s goals for the delivery of its real estate services and financial performance. Finally, the Auditor identified who at Valley Water had the authority and responsibility for maximizing strengths, improving areas of weakness, taking advantage of opportunities, and addressing threats to service delivery and financial performance of real estate services.

Figure 5. SWOT Analysis of the Delivery of Real Estate Services by RESU and Other Valley Water Units

| | Factor | Potential Impact on Valley Water’s goals | Change Agent at Valley Water |
|------------------------------|--------------------------|--|---|
| Within RESU’s direct control | S Strength | Helpful | RESU Manager & staff: Maximize strengths & improve areas of weakness |
| | W Weakness | Harmful | |
| Outside RESU’s control | O Opportunity | Helpful | VALLEY WATER management: Take advantage of opportunities & address threats |
| | T Threat | Harmful | |

Assessment of the Reliability of Data

Section 9.2 of generally accepted government auditing standards require auditors to describe any 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. The Auditor assessed the reliability of RESU’s database and found key limitations affecting the sufficiency of the data for performance reporting. To address limitations in the data, such as missing data and other records, the Auditor manually reviewed files to extract needed information and/or relied on information provided by RESU management and staff.

Assessment of Internal Controls

Section 9.20 of generally accepted government auditing standards require auditors to assess the adequacy of internal controls if significant to the audit objectives. A review of internal controls was not applicable to this audit. However, during our review, when internal controls could be strengthened, such as fee schedule reviews, those issues were described.

This audit is known as a performance audit. A performance audit evaluates the economy, efficiency, and effectiveness of programs, services, and operations. TAP International conducted this performance audit per 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. The Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A draft report was provided to Valley Water for review. Comments were incorporated as applicable throughout the report. See Appendix A for formal agency comments to the recommendations included in this report.



Key Findings

Finding 1: RESU Has Worked to Improve Operations; Other Changes are Needed to Enhance Financial and Service Delivery

RESU Successfully Accomplished Board Guidance to Minimize Use of Eminent Domain to Acquire Property

One of Valley Water's goals for RESU is to minimize litigation with affected members of the public. Valley Water has successfully worked to prevent the use of the condemnation process (e.g. eminent domain) to acquire property. Since 2015, RESU, in coordination with the District Counsel's Office, triggered the process to acquire 10 properties or about four percent of its 249 acquisitions. RESU staff explained that its efforts to follow the Board's direction to exhaust all options to negotiate with property owners has minimized Valley Water's use of the legal process of condemnation for property acquisitions. When RESU used eminent domain, the agency's decisions were not due to failed voluntary negotiations with property owners. Instead, the agency chose to use eminent domain when property owners did not respond to Valley Water's requests to negotiate or when the property owner was not clearly stated in public records.

RESU has Self-Initiated Efforts to Improve the Timeliness of Real Estate Transactions

RESU staff cited two specific efforts to improve the timelines of real estate transaction processing, a Valley Water goal for real estate services. First, RESU has conducted training sessions, although on a limited basis. RESU depends on project delivery units to actively participate in the real estate transaction process, from promptly notifying RESU of its need for property transactions to participating in the transaction review and approval process. Capital projects staff said some of them have extensive experience working with RESU to process real estate transactions while other staff are less experienced. Capital projects staff added that understanding how the real estate transaction process works and the information requirements can prevent delays in processing. Recognizing the need for knowledge transfer, RESU had delivered training to Capital Projects staff within the Watersheds Division. RESU executive management has not yet authorized RESU to continue offering its training sessions to other Divisions.

Second, RESU staff has initiated efforts to close its files of completed transactions every month. Based on a review of 24 acquisitions, RESU took more than two years on average to update the RESU database (RESUdb) and check the Geographic Information System (GIS) layer to officially

close the file. Delays in closing files could result in untimely correction of errors in the GIS or key documents as well as untimely identification of missing files. Valley Water staff said that it could take months to close a real estate file because once it is closed, the file cannot be modified in the RESUdb system. RESU staff said that, until recently, staff had performed the file closure process bi-annually, but at the time of our review, staff reported performing file closure monthly.

In another area, RESU has attempted to change how it provides reports to the Valley Water Board to better align with its current practices. The Executive Limitation 6.7.1 states, “to provide public transparency, the CEO will provide a written report to the Board, in open session, before the acquisition, of anticipated properties to be acquired under EL6.7.1.” This Executive Limitation does not specify at what stage of the acquisition process (e.g. at the time preliminary project planning or when the property owner has agreed to the purchase price) the CEO should provide the Board a written report.

Presently, the CEO discloses the information during the preliminary project planning phase of capital projects in a quarterly report to the Board. RESU would like to discontinue including the Assessor’s Parcel Number (APN) number in their reports to the Board. RESU staff explained that disclosing the APN number at this point in the process could prematurely disclose agency intentions given that Valley Water may or may not ultimately acquire the property, needlessly alarming property owners. Our review of the issue determined that disclosing the APN number on the 6.7.1 reports may aid in the Board’s oversight responsibility to ensure that no potential conflicts of interest exists between Valley Water and the potential seller. There may exist an opportunity to both provide the Board the information needed to execute their oversight responsibility for these acquisitions by potentially increasing the frequency of 6.7.1 reporting to avoid disclosing potential properties too early in the process.

Opportunity to Enhance Key Forms that Document “Just Compensation”

State law requires public agencies to pay the property owner “just compensation” when acquiring

property, based on its fair market value and to give the property owner the right to obtain their own appraisal paid for by the public agency. RESU variously uses several key documents that determine and support the acquisition price under California’s “just compensation” requirements. These documents include:

1. Appraisal Report,
2. Appraisal Review Form completed by RESU staff,
3. Engineer Approval Form (EUMA),
4. Right-of-way Review and Approval Form or Board Agenda Memorandum, and,
5. Just Compensation memo.

The Auditor determined that a Just Compensation memo, EUMA and appraisal was used for some acquisitions but not for others. RESU policies and procedures do not stipulate which forms are required although RESU tries to include the EUMA form on all acquisitions.

There is no requirement for how Valley Water should document the details of how “just compensation” was determined. Documenting explanations will make the determination more transparent, easier to monitor, and ensure consistent treatment of affected property owners across transactions and projects.

Other potential improvement opportunities include the enhancement of key documents. For example, the Appraisal Review Form does not document the reason the RESU staff person, as the appraisal reviewer, does not inspect the property as part of the review. The Auditor identified that 11 of the deed-in-acquisitions in the sample reviewed did not have a reason stated why there was no inspection. RESU staff said that, because appraisers now routinely include digital photos in their reports, a physical inspection of the property by the RESU reviewer is not needed except under unique circumstances.

Opportunity to Update RESU's Property Management Policies and Procedures to Reflect Current Practices

There are currently opportunities to update the policies and procedures for property management. RESU began the process to develop formal policies and procedures for RESU's

management of residential property, given that Valley Water management had transferred responsibility for residential property management to RESU from Facilities Management.

An area in need of policy development include Valley Water's current practice for the payment of HOA fees from RESU's budget (District Property Administration) on residential properties. Currently, the RESU agent assigned to the acquisition is responsible for noting the fee in the file and ensuring that those are being paid. RESU staff said they would not incorporate this practice into their policies and procedures because the payment of HOA fees occurs rarely.

Another area in need of policy development is when to inspect non-residential properties. Current policies require RESU staff to “physically check (non-residential) properties at least every six months. RESU had last visited (within the last six months) 65 percent of the 55 non-residential properties that it owns. RESU did have a record of a visit date for 12 of these properties, and six properties were last visited in 2018. RESU staff said that certain non-residential properties are inaccessible or not easily accessed, making physical inspection difficult to conduct every six months.

Finally, how RESU monitors insurance compliance needs policy development. Current policies and procedures state that “insurance must be up-to-date and in compliance with lease terms.” Six tenants of non-residential properties had expired insurance at the time RESU's records were

reviewed. RESU staff said they had developed practices to monitor these properties and had recently completed their update of the policies and procedures to reflect that practice.

Opportunity to Expand Financial Analysis of Valley Water's Rental Properties

In an annual report to the CEO, the Deputy Operations Officer for Watershed Design & Construction and RESU present the income, expenses, and net income for

residential and non-residential rental properties. In FY19, RESU staff managed a total of 114 income-producing properties owned by Valley Water with a total net income of \$1.612 million (\$1.27 million from residential properties and \$345,780 from non-residential properties) according to RESU's annual report of the income and expenses from residential and non-residential rental properties.

Financial reports show that RESU collects more revenue in comparison to expenses, but these reports do not capture all necessary costs to help assess the operational efficiency of RESU. Cost information should include:

- (1) costs to maintain the property it has leased or licensed to others;
- (2) trends in the rental income and expenses;
- (3) expenses for Valley Water's non-residential property management including staff costs; and,
- (4) costs for the property that it leases from others.

Finding 2: Acquisitions Take Longer Than Expected

RESU's acquisition timeline estimates about 6 months to complete the transaction process from the date of appraised value to the close of escrow. The Auditor determined that the actual time to complete the acquisition process took longer, varying significantly from the 8-10 months to complete the acquisition process. Even when applying the method recommended by RESU³ to determine the average time required to complete a real estate acquisition, the average number

³ RESU staff said measuring from the date staff received a request for services and opened a corresponding RESU file for the acquisition is not an accurate measure of the timeliness of the acquisition process because the requestor often is still deciding whether to acquire the property and may wait to decide to proceed with the acquisition until after the appraisal is completed. RESU staff said that a better measure is from the date of appraised value to the date escrow closes (or when the County Assessor records the transaction) because this period includes the bulk of the transaction processing (e.g. Valley Water staff notify and negotiate with property owners, prepare, and sign the agreement documents, obtain CEO or Board approval for the acquisition agreement, and close escrow).

of days from the date of appraised value to escrow closing was about 16 months, a difference of almost a year.⁴

According to RESU staff, when estimating the amount of time needed to complete a property acquisition, the estimate is based on four assumptions. The first assumption is that the property owner is willing to sell to Valley Water. However, RESU staff said property owners are not always willing to sell, which adds time to the acquisition process, because the Board has directed RESU to acquire property using negotiated agreements. California law requires public agencies to make an offer to purchase property prior to beginning the condemnation process. If a property owner is unwilling to sell their property or does not respond to Valley Water's proposals, the property owner's delay in their response could increase the amount of time for negotiations. Information was not readily available in the RESU files to verify the extent to which property owners are non-responsive or unwilling to negotiate with Valley Water.

The second assumption is that environmental assessments (EIR & CEQA & HSLA) are completed before the acquisition process begins. However, RESU said that delays by other Valley Water units in completing environmental assessments require additional time to complete the acquisition process. Appraisers use the information found in the environmental assessments, in particular the hazardous substance liability assessment (HSLA), to help determine the appraised value of the subject property. The RESU property acquisition process requires, as appropriate, that the project manager/engineer order the HSLA. The Auditor determined that the completion of the HSLA memo did not occur until after the appraisal was performed for eight of the acquisitions in the sample reviewed.

The third assumption is that no hazardous substance liabilities are present on the property. When the HSLA finds potential liabilities, it can trigger another appraisal, requiring extra time and potentially additional costs for ordering the updated appraisal to include the HSLA memo's findings.

The fourth assumption is that acquisitions planned for a project are funded. RESU staff explained that delays in the funding for a project have occurred and lengthened the amount of time needed to complete a property acquisition, a factor outside of RESU's control. Some delayed acquisitions are eventually terminated because of the unanticipated cancellation of a project. Valley Water staff explained that it is hard to predict when these assumptions will not hold for the acquisition which affects the completion time.

Finally, other factors for property acquisition delays are present. First, additional time is needed for negotiations when the property owner obtains their own appraisal, which is beyond RESU's control. While information was not readily available to determine the total number of property owners that obtained their own appraisal or the impact on the acquisition timeline when this happens, analysis of EL 6.7.1 quarterly reports of completed acquisitions found that 20 percent

⁴ Based upon a sample of transactions reviewed by the Auditor.

of 96 property owners obtained their own appraisal and when an owner obtained their own appraisal, the purchase price always increased. For all 19 acquisitions on the EL 6.7.1 report, the owner's appraised value for these 19 acquisitions was, on average, \$218,287 more than the District's initial offer. (Median difference was \$62,100.) Further research is needed to develop a more accurate estimate of the impact on the acquisition timeline when an owner obtains their own appraisal and the effect on the purchase. This information could be used to help project delivery units in their budgeting and planning for property acquisitions. The RESU acquisition timeline could include information for project managers on how much time would be expected if the property owner obtained an appraisal.

Second, additional time is needed when legal counsel involvement in an acquisition is not limited to review of the final agreement documents prepared by RESU and, depending on the acquisition, may require their extensive participation in acquisition planning, property owner negotiations, and review of RESU prepared preliminary offers and agreements.⁵ RESU staff reported initiating efforts to help reduce the frequency and extent of District Counsel's review throughout the real estate transaction process, including requesting District Counsel's assistance to create a set of standard pre-approved templates that would reduce the need and extent for modifications to the current standard template for right-of-way agreements. Efforts to increase the efficiency of District Counsel's review of key documents used in the acquisition process, like those initiated by RESU or to better plan for District Counsel involvement, will require the collaboration of Valley Water management, project delivery units, and District Counsel to execute successfully.

⁵ RESU's files did not contain sufficient detailed information for the Auditor to verify the extent and effect of District Counsel involvement for each acquisition.

Finding 3: Better Engagement and Use of Other Tools Can Address Challenges that Impact Delivery of Real Estate Services

RESU Needs to Participate in Project Delivery Units' Planning & Budgeting for Property Acquisitions

Nonetheless, project delivery unit staff do not routinely invite RESU staff to participate in the planning or budgeting for real estate acquisitions. To reduce the amount of time it takes RESU to process planned acquisitions, RESU staff identified the need to be involved in project planning phases to help project staff identify potential challenges and alternative solutions for potential properties and real estate transactions. Efforts to troubleshoot potential challenges or delays in the acquisition process, during project planning, can reduce the administrative costs that Valley Water incurs when challenges or delays are encountered.

Valley Water Needs to Establish Criteria for Updating Appraisals

determine whether there is enough volatility in the real estate market for an updated appraisal of the value. While RESU staff said that they would make a recommendation to project delivery staff for an appraisal to be updated, it is the responsibility of the project delivery staff to request that RESU order an updated appraisal.

Competing priorities occur for project delivery staff when deciding whether to order an updated appraisal because ordering the updated appraisal may take several additional weeks, potentially bringing the acquisition process into conflict with project delivery goals. For example, on one acquisition reviewed by the Auditor, correspondence between project delivery staff and RESU staff showed concerns about how an updated appraisal could jeopardize the project delivery staff's ability to meet project deadlines. The correspondence cited concerns about the extra time and cost to complete an updated appraisal. Project delivery staff decided not to obtain an updated appraisal, but after the acquisition was complete, project delivery staff later obtained an updated appraisal for project reimbursement purposes. Valley Water management action would be needed to set criteria that triggers implementation of a second appraisal.

Valley Water policies and procedures state that project owners should invite RESU to coordinate and collaborate in the planning and budgeting for real estate transactions.

RESU policies and procedures provide, in part, that six months after the date of an appraisal, "staff" will

Enhanced Communication Activities Can Help Increase Public Confidence

A Valley Water goal for real estate services is to promote “public confidence” in its real

estate services. Effective communication is a critical success factor for this goal.

Opportunities to enhance communication are present in four areas. One of the opportunities include continuously informing affected property owners of the status of capital projects. Although Valley Water administers community meetings and workshops to discuss planned Valley Water capital construction and maintenance projects, these projects often take years for them to begin. Meanwhile, some property owners have sold their properties. For these new property owners, their first notification of Valley Water’s plans could be the acquisition notice sent by RESU.

Another communication opportunity is the need for better education and training of Valley Water staff on the roles and responsibilities of CPRU and RESU. Property owners often contact RESU for services to be provided by CPRU and vice versa. As a result, RESU staff have serviced customers because of confusion between the roles and responsibilities of CPRU and RESU.

In addition, there is a need to increase use of customer relations management (CRM) software applications. RESU staff explained that Valley Water’s customer relations management system (Access Valley Water) is not available for their use, but they individually track their correspondence with property owners and do not have any information of project delivery staff’s contacts with property owners. Valley Water can expand CRM use to include all staff, including real estate services. Such a system could systematically track contacts with customers/property owners across all the Valley Water units that may interact with a customer/property during a real estate transaction process. The CRM could track correspondence between project delivery staff, RESU staff, contracted environmental assessors, contracted appraisers over the course of several years during a real estate transaction.

Finally, another communication opportunity is to promote public confidence in Valley Water’s real estate services by providing additional information on the external Valley Water website and intranet. While there is information about leasing or purchasing of Valley Water’s properties on the Valley Water website, it is challenging to find information about the property acquisition process. Expanding the use of the Valley Water’s Intranet, Aqua.gov, could also help other units learn more about RESU’s responsibilities and how responsibilities for real estate services are allocated among Valley Water units. Presently, on Aqua.gov, RESU’s intranet site has a link to request real estate services through the On-Line Request System (OLRS) and a link to the “permission to enter” form but no explanation of the acquisition process or other real estate transactions. Posting more information on the intranet like the acquisition timeline and the explanations of the services provided could help staff (especially project owners) better understand RESU services.

Updating Old Fee Schedules Can Increase Revenue

uniformly.

Fee schedules are commonly used by public agencies to set and charge fees to constituents

In the review of lease agreements prepared by RESU, Valley Water has not updated the fee table used to set rates in lease agreements for telecommunication activities on Valley Water property (which are initiated by CPRU) since 2010. In a review of a limited number of transactions, the Auditor identified 14 lease agreements and 10 licenses without a rate adjustment date, meaning the lessor or licensee could have paid the same low fee for years. As a result, Valley Water has lost revenue opportunities on agreements. In one agreement allowing placement of fiber optic cables on Valley Water property, the term of the agreement was for 99 years at a flat rate of \$216 annually. Underground use fees in nearby City of Morgan Hill was 750 percent more. At this city's rate, Valley Water could yield up to \$53,559 more over the 99 years. RESU staff said that the rate had recently been increased to \$500 annually, but we could not verify if the related lease agreements had also been updated. The new rate does not include labor charges, permit processing, and accounting services to manage the agreement.

Given the limited reported capability of the RESU's database (RESUdb), we could not determine the full magnitude of potential opportunities to enhance revenue on the various agreements. RESU and CPRU staff both said that they had not initiated requests to update the fee schedule, explaining that fee schedule development was not within their area of responsibility. Valley Water management needs to clarify the maximum term of the lease agreements, when and how rate schedules should be updated, and which unit is responsible for setting and updating the fee schedule.

Better Software Applications and Other Tools Can Provide Useful Performance Monitoring

RESUdb is the information system used by RESU to support the delivery of its real estate services. RESU uses the system to electronically file key documents, capture correspondence, and monitor the progress of each real estate transaction.

Limitations in the RESUdb have created challenges to the consistent filing of key documents across RESU electronic files. Approximately two-thirds of the transaction files (electronic and hard copy) reviewed by the Auditor appeared to be missing (or have misfiled within) at least one or more key documents. For example, the Parcel Record, which is required for every file, was missing from eight of the 34 real estate transaction files reviewed. RESU staff explained that RESUdb had a limited number of document names that can be used to upload electronic files, resulting in maintaining documents in paper files. At the time of our review, RESU's database administrator said that RESUdb has 1,000s of files with the status "pending acquisition", which

means that a file was created but the acquisition had not occurred. At present, there is no sunset process or segregation of these records from the production database. An employee from the Information Technology Unit, who has since retired, developed the RESUdb.

The RESUdb software application does not have user-friendly reporting capability, nor was it configured for ease of understanding. A RESU vendor explained that despite receiving training, the RESUdb took too much time for the vendor to use and relied on RESU staff to file documents on their behalf. A separate management study would be needed to identify if other off the shelf software applications would meet RESU's needs.

RESUdb limits RESU ability to systematically report on the status of RESU activities to project staff. Project engineers participating in this audit reported the desire to have better information on the status of RESU's pending acquisitions. In the absence of data sharing, project engineers said that the frequency of communication with RESU staff varies. Some RESU staff actively monitor and share information while others do not share information as often

Finally, RESUdb cannot generate reports to measure RESU performance, such as the time to complete steps in the transaction process, which has hindered RESU's ability to implement performance management principles. While performance monitoring of operations is a standard practice for many Valley Water units, the current capability of the RESUdb hinders RESU's ability to formally implement and collect information on a standard set of performance measures (e.g. pending, initiated, partially complete, complete) or their overall success (e.g., average acquisition price, number of right-of-way agreements completed, etc.).

Other Issues Identified

Use of Real Estate Services Unit as a Strategic Partner Could Bring Significant Benefits to Valley Water

Valley Water's five-year plan describes plans for many large-scale projects—67 projects totaling \$6.4 billion for water supply, flood protection, and

water resources stewardship projects. Although RESU is implementing tasks and activities consistent with its support role to respond to service requests, RESU can be restructured to serve the role of a strategic partner in Valley Water's plans for water storage and property management. This way, financial and timeliness risks associated with property acquisitions and rights-of-way can be more effectively mitigated and built into Valley Water planning. However, RESU staff will need the support and assistance of Valley Water management to transform operations, especially implementing those activities that require coordination and collaboration across multiple units.

To be a strategic partner, RESU would need to have a comprehensive strategic plan to help identify and lay the groundwork on how RESU could better serve Valley Water. A strategic plan for real estate services could serve as one option that could include streamlining responsibility for real estate services especially where confusion occurs across Valley Water staff, Board members, and the public about the role and responsibilities of RESU, CPRU, Land Management Unit, and Facilities Management. Having business processes implemented across multiple units as well as a lack of a clear designation of responsibilities can undermine effective decision making and limit the ability of each unit to make improvements.

Valley Water may want to consider consolidating real estate services into a single unit. The California Department of Water Resources (DWR) and California Imperial Irrigation District (IID) have combined encroachments and permitting—functions that are currently performed by CPRU—with permissions-to-enter, acquisitions, easements right-of-way and property management—functions that are currently performed by RESU—into a unified Real Estate unit. RESU staff said that they did not think it necessary to integrate RESU and CPRU into the same unit for the fact both share the same Deputy Operating Officer (DOO) who can resolve issues of coordination and collaboration. Nonetheless, consolidating into one unit can better serve constituents and facilitate effective communication with property owners.

Valley Water may want to revamp RESU to improve financial performance by maximizing the value from Valley Water's real property assets. While a landlord of many types of property, Valley Water does not have a comprehensive and innovative asset management plan for these properties that could help enhance revenue received from these properties. Although current policies and procedures assign responsibility to RESU for "asset management services for current

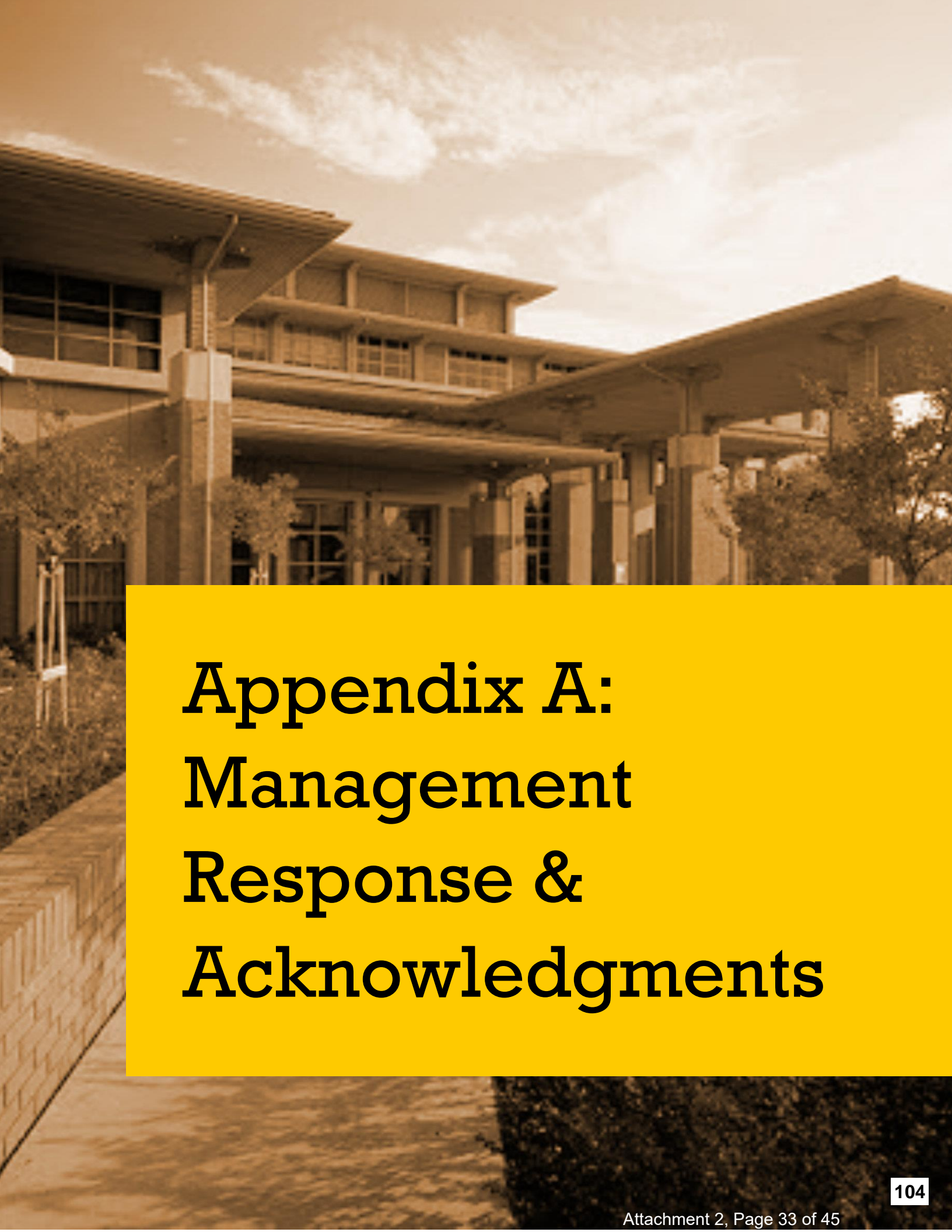
landholdings and land required for projects and operations,” RESU staff said that formal delegation of this responsibility had not occurred even though no other Valley Water unit is responsible for coordinating, identifying, and implementing value enhancement solutions for unused and underutilized Valley Water owned properties. Without a clear strategy for asset management Valley Water risks underutilizing properties, not routinely identifying surplus property promptly, and not collecting proper fees for leases and licenses.

A new strategic partner role for RESU could advance the use of business analytics. Quality data is a component of an effective government asset management framework.⁶ At present, RESU uses a home-grown system—RESUdb—that serves more as a data warehouse. More advanced software could allow analytics on historical acquisitions to help leverage negotiations, provide for up-to-date status information on pending acquisitions to Capital and Watershed Divisions project managers and engineers, and provide for performance reporting on the efficiency and effectiveness of RESU services.

Finally, Valley Water will need a communication strategy. A communications plan defines: (1) the message; (2) who communicates that message; (3) when the message will be communicated; (4) the tools and format of the communications; and (5) how the organization will track and maintain the connections created by the communications. Valley Water staff said the organization has, in place, pieces of the communication plan, such as pre-approved templates for written communications with property owners and brochures describing Valley Water’s real estate process and property owner rights.

If Valley Water’s Board would like RESU to have a more strategic role in accomplishing Valley Water’s mission, then it should consider directing the CEO to address other matters for Board consideration described on page 9 of this report.

⁶ Asset management, according to the GAO, is “the coordinated activity of an organization to realize value from assets.” GAO defined asset management activities include: (1) developing an understanding of how each organization’s assets contributes to its successes; (2) managing and investing in those assets in such a way as to maximize that success; and (3) fostering a culture of effective decision making through leadership support, policy development, and staff training.



Appendix A: Management Response & Acknowledgments

MANAGEMENT'S RESPONSE



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| <p>RECOMMENDATION 1 - To improve RESU's timeliness of the real estate transaction process, Valley Water's CEO should ensure annual training is provided to all Valley Water divisions about the Valley Water real estate acquisition process, key steps, common pitfalls, and strategies to avoid these pitfalls. The training should include a planning guide for use by Valley Water that shows the timeline for requesting services, the information needed by RESU staff, and the time required to complete the service request.</p> | |
| <p>a. MANAGEMENT RESPONSE: Management agrees with this recommendation.</p> <p>RESU staff will update and provide a training presentation to new and existing staff in capital engineering, operations and maintenance that require real estate services regarding Valley Water real estate acquisition processes. The training will include information on key steps, information needed for real estate service, common pitfalls, strategies to avoid pitfalls, and approximate timelines for completing a typical acquisition. In addition, RESU will create an online tutorial and place it on Aqua.gov website for easy reference and convenience of all Valley Water staff.</p> <p>Target Implementation: July 2021</p> | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Valley Water management's response satisfies the recommendation.</p> |
| <p>RECOMMENDATION 2 - To enhance transparency and accountability of RESU current operations, the RESU Manager should:</p> <ul style="list-style-type: none"> A. stipulate which form is to be used across all projects and acquisitions that RESU, project managers, and project owners come to an agreement on "just compensation". B. define what information defines "just compensation", C. establish and routinely monitor and report on key performance measures, such as acquisition turn-around times, status of project manager requests, and outstanding "acquisition related" items needed by other Valley Water units. | |
| <p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>RESU will implement the following actions:</p> <ul style="list-style-type: none"> • Use a "Just Compensation Approval Form" for all transactions involving appraisals to be approved by the Senior Real Estate Agent and Project Manager. • Research best practices defining "Just Compensation" and include that information in Real Estate procedures. • Work with project managers and project owners to establish a real time report on key performance measures, such as | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Valley Water management's response satisfies the recommendation.</p> |

| | |
|--|--|
| <p>acquisition turnaround times, status of real estate transaction requests, and other outstanding items related to each real estate transaction request.</p> <p>Target Implementation: July 2021</p> | |
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| <p>RECOMMENDATION 3 - To increase the effectiveness of RESU's property management, the RESU Manager should update Valley Water's RESU policies and procedures for property management to include residential property management, including procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when Fees are collected.</p> | |
| <p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>RESU has begun working on some improvement activities that are related to this recommendation. Status of those items are described below:</p> <ul style="list-style-type: none"> • Updating existing property management policies and procedures to include residential property management. • Implemented oversight by Senior staff to track non-residential insurance expirations. Residential structures owned by Valley Water are covered by Valley Water insurance policies managed by the Risk Management Unit. • Planning to coordinate a weekly property management schedule to do on-site property inspections. • Currently only one HOA fee is invoiced annually related to a District property, and it has been paid in accordance with the invoice terms. <p>Target Implementation: July 2022</p> | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Valley Water management's response satisfies the recommendation, except for policy and procedure development for the payment of HOA fees. We encourage RESU as they continue work on implementing this recommendation to ensure to develop policies for the payment of HOA fees. Although an infrequent occurrence, formal documentation in policies supports consistency and guidance when the event occurs.</p> |

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| <p>RECOMMENDATION 4 - To increase the effectiveness of RESU's property management, the RESU Manager should establish procedures to track all staff costs, property maintenance expenses and revenue for all rental properties. RESU's annual report to the CEO should include financial analysis to determine whether Valley Water is covering its costs to maintain the leased/licensed properties it owns and the cost to lease/license property owned by others is fiscally prudent.</p> | |
| <p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>As reported in the audit report, annually staff prepares a summary in a non-agenda submittal to the Board on the income, expenses, and net income for residential and non-residential rental properties. RESU Manager will work with accounting staff to retrieve and include the following information in the annual summary of rental income and expenses to the Board:</p> <ol style="list-style-type: none"> 1. Costs to maintain the property it has leased or licensed to others. | <p>INDEPENDENT AUDITOR RESPONSE: To assist the Board in its oversight responsibility, the annual summary should include a determination of whether Valley Water is covering its costs to maintain the</p> |

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| 2. Trends in the rental income and expenses. 3. Expenses for Valley Water’s non-residential property management including staff costs; and 4. Costs for the property that it leases from others. Target Implementation: July 2021 | leased/licensed properties it owns. |
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| RECOMMENDATION 5 - To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment process to help Valley Water staff identify real estate transactions that will need extensive participation and review by Valley Water Counsel and a plan for key consultation points. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU staff will create a check list for potential risk factors associated with complicated acquisitions, for example, relocation or hazardous material issues, unwilling owner, or potential eminent domain matters. RESU will review potential risk factors with the project team early in the planning process to identify potential high-risk acquisitions and mitigation issues so that adequate schedule and budget can be considered for the project. RESU will also engage Legal counsel on complex legal issues and timing to resolve. Target Implementation: December 2021 | INDEPENDENT AUDITOR RESPONSE: Valley Water management’s response satisfies the recommendation. |

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| RECOMMENDATION 6 - To increase service delivery timeliness, Valley Water’s CEO, in coordination with RESU’s Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right of way agreements, with a goal of minimizing changes to these pre-approved standard contracts and reducing District Counsel’s review time. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU will work with Legal Counsel Office to identify and create standard templates for various right of way agreements. Standard templates may be considered for the following real property interests: <ul style="list-style-type: none"> • Temporary Construction Easement • Temporary Construction Easement and Permanent Easement • Fee-Full Take • Fee-Partial Take • Fee, Temporary and Permanent Easement • Ingress/Egress Easement • Permanent Easement Target Implementation: July 2022 | INDEPENDENT AUDITOR RESPONSE: Valley Water management’s response satisfies the recommendation. |

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| <p>RECOMMENDATION 7 - To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to assist project delivery teams with budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.</p> | |
| <p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>Valley Water’s current practice for capital improvement projects is to include key subject matter experts on its core project team. For projects that require right-of-way acquisitions, the project teams always include RESU staff. RESU staff serves as a task leader in planning and executing right-of-way acquisitions for each project. RESU staff input has always been requested and then incorporated into each project’s schedule and budget. Deputies of Capital Improvement Projects will ensure that each capital improvement project, that require acquisition of right-of-way, continue to have participation of RESU staff as a key core team member.</p> <p>Target Implementation: On-going</p> | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>The audit found that RESU staff were not always included in the early phases of project planning. Capital Project staff are solely responsible for defining and planning acquisitions and RESU executes the real estate transaction process for the acquisition as defined by Capital Project staff. The purpose of the recommendation is for Capital Projects staff, when defining the parameters of each acquisition, to consult with RESU to prevent delays to the acquisition timeline in the execution of the transaction process that occurs later in the project lifecycle.</p> |

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| RECOMMENDATION 8 - To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of a property owner's appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes, if any, should be made to the Valley Water acquisitions process. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU will research how to best complete a one-time study of the impact of property owner appraisals on acquisition purchase prices and to identify the differences in appraisal methodologies that led to different appraised values. The evaluation will also include the impact of a property owner's appraisal on the time to complete an acquisition. Based on evaluation, RESU will recommend and made changes, if any, to RESU procedures for property acquisition. Target Implementation: December 2021 | INDEPENDENT AUDITOR RESPONSE: Valley Water management's response satisfies the recommendation. |

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| RECOMMENDATION 9 - To ensure that Valley Water adheres to "just compensation" principles on delayed real estate acquisitions, Valley Water's CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU will evaluate and update current policy and procedures regarding appraisal life expectancy (usually 6 months) and determine a trigger for requesting an updated appraisal in coordination with project team or owner. RESU staff will monitor status of each acquisition and recommend necessary updated appraisal to avoid delay to the acquisition schedule. Target Implementation: December 2021 | INDEPENDENT AUDITOR RESPONSE: Valley Water management's response satisfies the recommendation. |

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| RECOMMENDATION 10 - To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water’s CEO should leverage use of the existing Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU will discuss with Information Technology (IT) Department the needs to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners. RESU will invite other units that interact with property owners, such as Community Projects Review Unit (CPRU) or other units in Watershed or Water Utility on this discussion. As IT Department develops or acquires proper software to support the tracking of external stakeholder contacts, they will provide training on this new tool to RESU, CPRU, and other. Target Implementation: July 2022 | INDEPENDENT AUDITOR RESPONSE: Valley Water management’s response satisfies the recommendation. |

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| RECOMMENDATION 11 - To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section. | |
| MANAGEMENT RESPONSE: Management agrees with the recommendation. RESU will work with Office of Communications to create a webpage site on valleywater.org to provide information to the public about the Real Estate Services Unit and the real estate acquisition process. The webpage will also include information on property owner rights, a FAQ page and related standard brochure, “When the Water District Buys Your Property”. The webpage will also provide information on who at Valley Water to contact regarding acquiring or using a property right from Valley Water or doing property transaction with Valley Water. Target Implementation: July 2022 | INDEPENDENT AUDITOR RESPONSE: Valley Water management’s response satisfies the recommendation. |

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| <p>RECOMMENDATION 12 - To enhance Valley Water’s fiscal performance and asset management strategy, the CEO should:</p> <ul style="list-style-type: none"> 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 [land], and B. shorten the duration and establish regular fee adjustments on future longer-term lease agreements. | |
| <p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>CPRU will conduct an annual review of the Valley Water’s fee schedules to ensure that the fees cover the cost to lease, license, and permit the use of its land. Currently, appraisals are performed for every request to establish fair market value. CPRU will recommend to the CEO revisions to the fee schedules as needed. We will include a clause in each lease/license to adjust the annual rate based on the Consumer Price Index (CPI) for San Francisco-Oakland-San Jose area. Additionally, for leases that have a term longer than 10 years, we will include a clause to review and revise the rate every 10 years.</p> <p>Target Implementation: December 2021</p> | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Valley Water management’s response satisfies the recommendation.</p> |

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| <p>OTHER MATTERS FOR CONSIDERATION - Should the Valley Water Board desire to update the current role of RESU from providing support services only to be a proactive partner in strategy planning for future water management activities, the Board could consider the following:</p> <ul style="list-style-type: none"> A. Direct the CEO to develop a five-year strategic plan that includes a new mission, goals, and objectives for all Valley Water Real Estate Services (including asset management) that proactively meets the needs of future Valley Water projects, goals, and objectives. The strategic plan should include an implementation plan that addresses the following: <ul style="list-style-type: none"> 1. Define the future roles and responsibilities for each unit that delivers or helps to deliver real estate and asset management services. If Valley Water continues to use its current organizational structure to deliver real estate services, roles and responsibilities should be identified by each type of real estate service and asset management function and function performed, clear lines of accountability created for each unit performing each task, and key points of coordination and collaboration across the units defined. 2. Assess the feasibility of consolidating the delivery of its real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. Consolidation will make the real estate transaction process and property management activities more efficient and effective, as well as providing a one-stop shop to constituents. 3. Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics. 4. Develop a communication strategy that addresses how Valley water will promote a culture of information sharing and enterprise-wide decision making, both internally and externally, for delivery of its real estate services 5. Develop an asset management strategy. |
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| <p>B. Direct the CEO to begin a plan to implement a new, off-the-shelf real property and asset management software to track and capture all real property activities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU and CPRU. The system should support business analytics for real property management, enhancing delivery of real estate services using technology.</p> | |
| <p>MANAGEMENT RESPONSE: Management agrees to the additional recommendations.</p> <ul style="list-style-type: none"> • Management agrees that the roles and responsibilities of RESU and CPRU can be clarified and communicated better so that the public can have a better understanding of the services provided and proper points of contact at Valley Water. • Management agrees that the roles and responsibilities for real property asset management need to be developed and implemented and Valley Water has already begun this effort. In 2019 Valley Water created the Lands Management Program to lead agency-level coordination for many of the broad aspects pertaining to lands management activities. The lands management function is resided in the Watershed Business Planning & Analysis Unit (WBPAU). Additional information on the roles and responsibilities of those 3 units will be posted on Valley Water Web Page as needed so the public can understand better and know who to contact for services provided by those 3 units. <p>Target Implementation: July 2021</p> <ul style="list-style-type: none"> • Management does not agree with the recommendation to combine RESU and CPRU to make real estate transaction process property management activities more efficient and effective, as well as providing a one-stop shop to constituents. Currently, RESU and CPRU are in the Watersheds Design & Construction Division under the Chief Operating Officer Watersheds. These units have clear roles and responsibilities and a portion of their functions involves Valley Water real property. They coordinate and collaborate with each other and other units/operations for management and protection of Valley Water real properties. RESU is responsible for real estate services which includes buying and selling property, leasing and licensing of non-residential and residential properties, as well as negotiation, appraisal, title, and relocation services. CPRU is responsible for protecting Valley Water Watersheds and Water Utility assets and interests from external activities and threats as defined by the Water Resources Protection Ordinance. CPRU accomplishes this through the review of development projects from external parties and | <p>INDEPENDENT AUDITOR RESPONSE:</p> <p>The Auditor has presented these as matters for consideration only. We commend Valley Water for their proactive response. The matter regarding assessing the feasibility of consolidating the CPRU and RESU units were developed with an emphasis on improving service delivery for Valley Water residents. Upon completion of clarifying roles and responsibilities between the two units, identify opportunities for continued collaboration and coordination to better serve customers.</p> |

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| <p>issuance of encroachment permits for activities on Valley Water rights of way, and ordinance enforcement for activities undertaken without appropriate permits. The issuance of encroachment permits for long term uses of Valley Water property may include a license or lease which is established by CPRU staff and managed by RESU.</p> <p>Target Implementation: On-going operations</p> <ul style="list-style-type: none"> • Management agrees that having a central location for information related to its real property can facilitate effective evaluation and decision making. Data about Valley Water's real property is collected and analyzed by CPRU and WBPAU. CPRU is responsible for verifying the accuracy of land rights data shown in GIS and to correct the Land Parcels, Fee, and Easement layers for Valley Water real property. As needed, CPRU staff provides corrections to the County of Santa Clara Assessor to ensure that Valley Water's ownership data is represented accurately in County of Santa Clara's records. WBPAU is in the process of procuring and implementing an Enterprise Content Management (ECM) system that will be utilized as an agency-wide central repository for documents and information pertaining to Valley Water land rights and obligations. As appropriate, metadata and summarized information on real property documentation will be incorporated in the ECM system so that Valley Water staff can query and retrieve real property information and perform analytics-based evaluations as needed to support strategic decision-making. Part of the Land Management Program will enhance the utilization of Geographic Information System (GIS) functionality to expand access to information on real property rights and obligations, and will advance the integration of internal GIS systems with many of the documents and associated information that will be stored in the ECM system. <p>Target Implementation: July 2022</p> <ul style="list-style-type: none"> • Management agrees to develop a communication strategy that addresses how Valley water will promote a culture of information sharing and enterprise-wide decision making. We are planning to: <ul style="list-style-type: none"> ○ Develop, enhance, and/or consolidate internal and external web pages to provide easily accessible information to Valley Water staff and the public pertaining to real estate services program descriptions, policies and processes, roles and responsibilities, and contact information. | |
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| <ul style="list-style-type: none"> ○ Hold regularly scheduled internal coordination meetings with relevant business areas to ensure strategic alignment, information sharing, and coordinated execution of business processes. ○ Explain the utilization of information technology solutions to aid in the access and distribution of real property information to contribute to coordinated and strategic decision-making. ○ In addition to maintaining the Fee and Easement GIS layers, CPRU has created layers for: Adopt-a-Creek locations (adopted and available segments), Encroachments (Fee, Easement and Suspected), Joint Use Agreement locations (with links to the JUA documents), and is in the process of populating a layer representing the locations of Agreements and Leases (which will also contain links to the relevant documents). These are all updated as new information becomes available. The Adopt-a-Creek and Encroachment layers (with the exception of the Suspected Encroachments) are available to all staff via the GIS data menu. The Joint Use Agreement layer has been made available to the Maintenance and Vegetation Management staff to facilitate their work and will be added to the data menu shortly. ○ Members of the public can request deed information about our Fee and Easement rights and pipeline or creek plans at any time. <p>Target Implementation: July 2021</p> <ul style="list-style-type: none"> • Management agrees with the recommendation to develop an asset management strategy. WBPAU is developing the Lands Management Program and is responsible for coordination for many of the broad aspects pertaining to lands management activities. WBPAU will continue to develop and implement an integrated real property asset management strategy to align the acquisition, sustainment, use, and disposal of real property with agency goals, objectives, and service delivery requirements. Several of the components of a real property asset management strategy noted below are currently in development and will continue to be advanced by the Lands Management Program in collaboration with RESU, CPRU, and other business areas throughout Valley Water: <ul style="list-style-type: none"> ○ Short and long-term asset management goals and objectives. ○ A strategic property evaluation process for real property acquisition (fee and easement), surplus sale, and easement termination. | |
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| <ul style="list-style-type: none"> ○ Integrated process(es) for the planning and budgeting, acquisition, sustainment, and disposition of real property. ○ Leveraging of information technology solutions to inventory and track real property assets and provide centralized access to real property documents and information. ○ Coordination for the planning and execution of corrective, preventative, and deferred maintenance. ○ Consolidated information on real property ownership and current use. ○ Land use planning assessments. ○ Use of industry standards and benchmarks for continuous improvement. ○ Mechanisms to periodically measure progress, assure continued relevance, and update asset management strategy as necessary. <p>Target Implementation: July 2022</p> <p>C. RESU will work with Information Technology (IT), CPRU and Facilities Management to collaboratively analyze the current software systems and capabilities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU. RESU will work with IT staff and discuss future integrations and updates which will include feedback from other departments involved in the Real Estate/Property Management and Asset Management processes. RESU will implement training for staff which will provide transparency on the basic uses of the current RESU system by providing tutorials and help menus for continued assistance. The end product and objective are to ensure that Valley Water staff has all the tools needed to access Valley Water owned property information, as needed in a clear and easy to access method.</p> <p>Target Implementation: July 2022</p> | |
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ACKNOWLEDGEMENTS



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

- Watersheds Design and Construction Division
- Real Estate Services Unit
- Community Projects Review Unit
- Information Technology & Administrative Services Division
- Facilities Management Unit
- Office of the District Counsel

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Santa Clara Valley Water District

File No.: 26-0043

Agenda Date: 1/21/2026

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Request Chief Audit Executive (CAE) Activity Report from Sjoberg Evashenk Consulting, Inc. to Evaluate CAE Performance, and Direct CAE to Return to Present Report at a Later Date.

RECOMMENDATION:

- A. Request Chief Audit Executive (CAE) activity report from Sjoberg Evashenk Consulting, Inc. to evaluate CAE performance; and
- B. Direct CAE to return to present report at a later date.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full 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 III, Paragraph 9, the BAC is tasked annually with evaluating Board Auditor performance. The purpose of this agenda item is to request the Board Auditor Activity Report from the CAE to assist in performing the evaluation.

Past activity reports from the CAE provided a summary of accomplishments and activities, meeting attendance, task order completion, and a financial overview.

For this agenda item, the Committee is expected to either request the CAE to report on similar areas as addressed in past reports or on areas as determined by the Committee.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

ATTACHMENTS:

File No.: 26-0043

Agenda Date: 1/21/2026
Item No.: 4.3.

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0044

Agenda Date: 1/21/2026

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss Board Audit Committee's (BAC) Annual Self-Evaluation Process of Calendar Year 2025 Activities; Provide Guidance Regarding Preferred Method to Conduct Process; and Direct Chief Audit Executive (CAE) to Conduct Self-evaluation Process and Return to Provide Summary of Discussions.

RECOMMENDATION:

- A. Discuss BAC's annual self-evaluation process of calendar year 2025 activities; and
- B. Provide guidance regarding preferred method to conduct process; and
- C. Direct CAE to conduct self-evaluation process and return to provide summary of discussions.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

The BAC Audit Charter provides detailed guidance regarding how the BAC should carry out its functions and to guide the work of the CAE, Sjoberg Evashenk Consulting, Inc.

According to Article 10, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

In past years, the BAC has utilized two different approaches to conduct the self-evaluation process, including filling out a questionnaire for the CAE to analyze and summarize, and having the CAE conduct interviews with committee members. For the past 3 calendar years, the BAC has requested the CAE to conduct interviews with each member of the BAC to obtain insight regarding the Committee's performance as well as opportunities for improvement.

The purpose of this agenda item is to discuss the initiation of the annual self-evaluation process for calendar year 2025 activities, provide guidance to the CAE, and direct the CAE to complete the evaluation of the BAC.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0041

Agenda Date: 1/21/2026

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss the Options to Extend Terms, Allow to Expire, or Terminate the On-Call Services Agreement with Board Auditor, Plante Moran, Which is Set to Expire Effective July 5, 2026.

RECOMMENDATION:

- A. Discuss options to extend terms, allow to expire, or terminate the On-Call Services Agreement with Board Auditor, Plante Moran, which is currently scheduled to expire effective July 5, 2026; and
- B. Approve recommendation to:
 - i. Exercise option to extend the On-Call Services Agreement with Board Auditor, Plante Moran for one year; or
 - ii. Allow the expiration of the On-Call Services Agreement with Board Auditor, Plante Moran; or
 - iii. Exercise option to terminate the On-Call Services Agreement with Board Auditor, Plante Moran prior to the expiration date of July 5, 2026.

SUMMARY:

At its March 28th, 2023, Board Meeting, the Board of Directors (the Board) approved the On-Call Consultant agreement with Plante Moran for a three-year term. The Consultant serves as one of the auditing firms for the Board's auditor pool and is a resource for the Board to conduct audits, analyze processes, and recommend improvements to achieve best industry practices.

To date, the Consultant has performed an IT Performance Audit. The audit focused on two main areas of interest: 1) The National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) v2.0; and 2) Penetration testing and vulnerability assessment. Plante Moran performed a variety of technical security tests including external and internal penetration testing, vulnerability scanning, physical impersonations, and a SCADA review.

The current agreement is nearing the end of the initial three-year term of a maximum five-year agreement that includes two (2) one-year options to extend the terms after the initial three years. A recommendation to extend the term will allow staff to proceed into year four (4) of the maximum five-

year contract. Additionally, no new funding will be required to implement this change.

The purpose of this item is for the BAC to discuss the options to extend terms, allow the expiration of, or terminate the on-call services agreement with the Consultant, prior to the expiration of the agreement. The agreement is set to expire on July 5, 2026. If the BAC chooses to recommend expiration or the termination of the agreement, staff may propose a new request for proposal to solicit a replacement firm for the Board's auditor pool.

If the BAC chooses to recommend extending the agreement for 1 year, staff will execute a time extension amendment accordingly.

ENVIRONMENTAL JUSTICE IMPACT:

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

ATTACHMENTS:

Attachment 1: Executed Agreement

Attachment 2: Amendment No. 1

Attachment 2: Amendment No. 2

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



STANDARD ON-CALL CONSULTANT AGREEMENT

Terms and Conditions Template (General Administration)
4/1/2023 – 4/30/2024]

This agreement (Agreement) is effective once fully executed (Effective Date), by and between SANTA CLARA VALLEY WATER DISTRICT (Valley Water or District), PLANTE MORAN, PLLC d/b/a Plante Moran a Michigan limited liability partnership (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, Scope of Services, attached hereto and incorporated herein by this reference (Schedule). Valley Water may require Consultant to provide all or a portion of these services (Services) through subsequently executed task orders (Task Orders). Task Orders will be in the form of the template described in Section Twelve, subsection 13. Task Orders and in the Standard On-Call Consultant Agreement, Appendix Three, Task Order Template. These Services will be provided on an on-call basis (On-Call).

SECTION TWO

DUTIES OF CONSULTANT

1. Performance

- A. Each Scope of Service described in an attached Schedule must be performed by Consultant, or at its direction, 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.
- B. Unless the requirements for the Services described in the attached Schedule 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 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 the Scope of Services.

3. Licensing

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.

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

Consultant is responsible for any direct or actual damages incurred by Valley Water that are proximately caused by Consultant's breach of this Agreement in the performance of Services, if, and to the extent, so determined by a court of competent jurisdiction or, where agreed, through alternative dispute resolution which Valley Water determines result from Consultant's errors or omissions in Consultant's deliverables.

6. Valley Water Standardization Requirements

- A. Consultant shall perform the Services utilizing Valley Water nomenclature, standardized forms, software requirements, documented procedures, and best management practices in accordance with applicable professional standards. Consultant shall use Microsoft Office software at the time(s) Valley Water issues a Notice to Proceed pursuant to this Agreement.

7. Consultant's Key Staff and Subconsultants

- A. Consultant's 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 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.
 - 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. Consultant's 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 that apply to it in the performance of the Services it performs pursuant to this Agreement, including, but not limited to adherence to: all applicable governmental laws, statutes, ordinances, rules, codes, and regulations. 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 applicable laws as described herein.
- 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, in each case to the extent applicable to Consultant. 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 to Plante Moran or Contractor staff assigned to perform Services, or becomes aware 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.

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. 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 Project Manager at each milestone identified in an executed Task Order or at such other time(s) at the discretion of Valley Water.
 - C. Consultant must notify Valley Water in writing when it completes and has submitted to Valley Water each deliverable as per an executed Task Order. 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. Valley Water's review of deliverables under this section shall not infringe upon Consultant's independence as an auditor or its compliance with recognized auditing standards."
 - 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.
- 3. 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, as determined by Valley Water, will not result in additional costs or expenses to Valley Water. **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 Fixed Not-to-Exceed Fees

- A. Payment for all Services performed by Consultant to the satisfaction of Valley Water as described in the Schedule will be based on fixed rates within the Total Fixed Not-to-Exceed (NTE) Fees stated in the Schedule, Attachment One, 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 Schedule, Attachment One, 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, and reimbursable travel expenses incurred by the Consultant to perform the Services. All Service requests will be made by Valley Water on an as-needed basis, subject to future Task Order(s) executed by Valley Water and Consultant.
- B. It is understood and agreed that this total is an estimate, and that the actual amount of Services requested by Valley Water may be less. There is no guarantee, either expressed or implied, as to the actual dollar amount that will be authorized under this Agreement.
- C. The Schedule, Attachment One, Fees and Payments, sets forth the hourly rates and fixed fee amounts, if any, for Services Consultant may perform pursuant to an executed Task Order.
- D. Services to be performed pursuant to a Task Order will commence only after written approval by both Valley Water's authorized representative referenced in the Standard On-Call Consultant Agreement, Appendix One, Additional Legal Terms, and Consultant's authorized representative.
- E. Notwithstanding any other provision of this Agreement, Valley Water agrees to pay Consultant in accordance with the terms set forth in an executed Task Order. Consultant represents and warrants that the amounts charged to Valley Water for Services do not exceed the amounts normally charged by Consultant to other customers for similar Services.
- F. Upon the written approval of Valley Water, the Services described in a Task Order task may be reduced, revised or eliminated.

- G. Automobile travel mileage expenses will be paid at the current Internal Revenue Services (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 such as with regulatory agencies, for community outreach activities and meetings, for partnering meetings, and Dispute Review Board meetings.

2. Consultant Invoices

- A. Consultant's 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 and executed Task Orders; 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) A description of the site where Services were performed, if applicable;
 - 4) The name of Valley Water staff requesting Services
 - 5) The dates when Services were performed;
 - 6) Other direct charges and reimbursable expenses by Task Order task;
 - 7) Other direct charges and expenses must reflect actual fees versus the Task Order not-to-exceed fees as stated in the Schedule(s), Attachment One, Fees and Payments; and/or Task Orders;
 - 8) The total amount due for completing the Services specified in that Task Order, which must not exceed the not-to-exceed amount specified in that Task Order; and
 - 9) 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. Invoices will include a summary of labor expenditures, direct costs, and billed Subconsultant charges. Invoices will be organized such that the billing categories correspond with the Task Order.

C. Notwithstanding language to the contrary in an executed Task Order, the Consultant must invoice Valley Water for a Task Order within 30 calendar days of Valley Water accepting the deliverables of that Task Order.

D. Consultant shall email all invoices to: APinvoice5750@valleywater.org

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

E. Consultant must also ensure that each invoice and corresponding attachments contains the following information:

- 1) Agreement Number;
- 2) Task Order Number;
- 3) Full Legal Name of Consultant/Firm;
- 4) Payment Remit-to Address;
- 5) Invoice Number;
- 6) Invoice Date (the date invoice is mailed);
- 7) Detailed description of Services provided, including the "distribution account(s)" for those Services
- 8) Number of hours spend by each person performing services and a brief description of the Services performed by each person; and
- 9) Beginning and end date for billing period that services were provided.

F. Consultant shall invoice for its performance of the Services as stated in an executed Task Order on a monthly basis consistent with the task fee breakdown stated in Attachment A to the Task Order(s). Unless otherwise specified in a Task order, Consultant will be paid for the Services as described in an executed Task Order.

G. Valley Water 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 Project Manager.

H. Invoice Disputes

1. Valley Water may in good faith assert a bonafide dispute as to all or a portion of fees specified in any invoice. If any portion of an amount due to Consultant under this Agreement is subject to a bonafide dispute between the Parties, within 30 calendar days of Consultant's delivery of the invoice on which a disputed amount appears, Valley Water will notify Consultant in writing of the specific items in dispute, and will describe Valley Water's reason(s) for disputing each such item.

2. Consultant and Valley Water Project Manager must act in good faith to resolve this dispute in a timely manner. If the dispute is not resolved by the Consultant and Valley Water Project Manager within 30 calendar days of Consultant receiving Valley Water's written notice of dispute, Consultant and Valley Water will attempt to resolve the Dispute pursuant to Appendix Two to the Standard On-Call Consultant Agreement, Dispute Resolution.
 - I. Consultant's Services will be performed by its staff members and Subconsultants' staff members based on the fixed rates within the Total Fixed Not-to-Exceed (NTE) Fees stated in the Schedule, Attachment One, Fees and Payments, for completion of the associated tasks.
 - J. Consultant shall ensure that its personnel performing services pursuant to this Agreement document their time doing so.
3. **Prevailing Wages – NOT USED**
 4. **Retention – NOT USED**

SECTION FIVE

SCHEDULE OF COMPLETION

1. Performance of Tasks

Consultant will commence performing the tasks described in the Scope of Services of an executed Task Order upon receipt of the Task Order Notice to Proceed (NTP) issued by Valley Water.

2. Task Order Schedule

Consultant will perform and complete the Services in accordance with the schedule (Schedule) as described in each Task Order. Consultant will coordinate Services with Valley Water to provide the timeline of all tasks and subtasks including the site visits, document review, meetings, and deliverables.

3. Project Delays

Consultant will make all reasonable efforts to comply with the Schedule as stated in a Task Order. In the event the Task Order 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 will be delayed in performance of its Services by circumstances beyond its control, Valley Water may, at its discretion, grant a reasonable adjustment in the Schedule.

4. Changes to the Schedule.

Valley Water's Project Manager and Consultant may agree to modify the Schedule specified for Consultant's performance in an executed Task Order as an administrative modification to the Task Order 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.

No Task Order will be written which extends beyond the expiration date of this Agreement. Consultant will not undertake to provide Services where it reasonably appears that the Services cannot be performed and completed within the Term of this Agreement. Uncompleted and/or unfinished Task Orders will co-terminate with this Agreement.

2. Valley Water and Consultant 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. Consultant will not be entitled to compensation for Services rendered 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 and Consultant 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. Valley Water's acceptance shall not be unreasonably withheld. Such compensation shall be as follows:

- A. Direct Labor: Consultant shall be entitled to receive compensation for all authorized direct labor performed prior to termination 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; and
- B. Other Direct Costs and Expenses: Consultant shall be entitled to receive compensation for all authorized other direct costs and expenses incurred prior to termination and all authorized expenses incurred to demobilize from the Project after the date of termination;
- 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 caused by or allegedly caused by 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 On-Call 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 On-Call Consultant Agreement, Appendix Four Insurance Requirements, and comply with all provisions stated therein.

SECTION TEN

OWNERSHIP AND REUSE OF DELIVERABLES

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 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, through, 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 computer-generated material is 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 – NOT USED**6. Copyright Claims – NOT USED****SECTION ELEVEN****EQUAL OPPORTUNITY****1. Equal Opportunity Employer**

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 Michigan and other legal requirements including Title VII of the Civil Rights Act of 1964 as amended; the Americans with Disabilities Act of 1990; the Rehabilitation Act of 1973 (§503 and §504); and the Age Discrimination Act of 1975 (42 U.S.C. §6101 et seq.).

3. Investigation of Claims

Consultant must designate a specific position within its organization to be responsible for investigating allegations of non-compliance with 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 action against the offender.

SECTION TWELVE

MISCELLANEOUS PROVISIONS

1. Entire Agreement

This Agreement, which includes the Terms and Conditions, Appendices, the Schedule Attachments to the Schedule, and all executed Task Orders, represents the entire understanding between the Parties hereto relating to the Services described in this Agreement and its executed Task Orders incorporated herein by this reference hereto 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 this Agreement between the Parties requires accomplishment of the following, as applicable:
 - 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, Reference Materials, if applicable;
 - 5) Any other requirements that are deemed necessary by Valley Water; and

6) 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 electronic copies of Consultant records related to this Agreement 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, unless legally restricted from doing so, and will not disclose the requested information without first receiving express written authorization from Valley Water unless disclosure is legally required. Where the Consultant determines disclosure is legally required, it shall not disclose the requested information without Valley Water written authorization until it has allowed Valley Water reasonable time in which to obtain judicial relief.
- E. Notwithstanding the aforementioned Confidentiality requirements, upon the request of Valley Water Project Manager Consultant and its Subconsultants shall execute Valley Water's most current Non-Disclosure Agreement in effect at that time.

- F. 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, shall not act as a Consultant or expert for any party in support of any active legal action against Valley Water by such party. However, Consultant may testify in any legal proceeding in response to a subpoena.

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 On-Call Consultant Agreement, Appendix Three, Task Order Template). The proposed Task Order must identify the following:
 - 1) Description of the 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 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 On-Call Consultant Agreement, Appendix One Additional Legal Terms 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.

14. Good Neighbor

Valley Water always strives to be a good neighbor to the community adjacent to its facilities. To the extent, and while, Consultants performs the Services at Valley Water's premises, Consultant, its staff, and Subconsultants will always interact with any members of the public at Valley Water's premises in a polite and professional manner.

15. Governmental Permits and Notification – NOT USED

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. 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.

19. 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.

20. 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.

21. Notices

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

VALLEY WATER:

Deputy Operating Officer, as listed in the attached Schedule, Scope of services, Section 1. Representatives, of the attached Schedule, Scope of Services, Section 1. Representatives.

CONSULTANT:

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

22. Appendices

The following Standard On-Call Consultant Agreement Appendices are incorporated herein by this reference as though set forth in full:

On-Call Management Services for Auditing Support
Standard On-Call Consultant Agreement-Admin-Gen
Ver. 6/20/23

Agreement No. A4820G / PB File No. VW0163

Appendix One - Additional Legal Terms
Appendix Two - Dispute Resolution/NOT USED
Appendix Three - Task Order Template
Appendix Four - Insurance Requirements

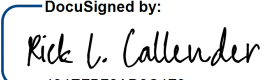
23. Schedule and Attachments

Schedule OC, Scope of Services, and the following list of 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

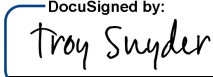
IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

SANTA CLARA VALLEY WATER DISTRICT
Valley Water

By: 
Rick L. Callender, Esq.
Chief Executive Officer

Date: 7/6/2023

PLANTE MORAN, PLLC D/B/A PLANTE MORAN
Consultant

By: 
Troy Snyder
Partner

Date: 6/21/2023

Consultant's Address:
3000 Town Center, Suite 100
Southfield, Michigan 48075

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**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX ONE
ADDITIONAL LEGAL TERMS**

1. Conflict of Interest for Future Services

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 – NOT USED

3. Small Business Enterprise (SBE) Participation – NOT USED

4. Task Order Approvals

- 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's Deputy Operating Officer unless delegated to an Assistant Operating Officer or Unit Manager.
- C. District 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]
- E. Consultant must acknowledge receipt and respond to Valley Water's request to submit a Cost Proposal within five (5) business days or within the time specified in Valley Water's request.

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**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX TWO
DISPUTE RESOLUTION**

NOT USED

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**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX THREE
TASK ORDER TEMPLATE**

Task Order No. _____

Title: _____

Agreement: Standard On-Call Consultant Agreement _____ (Agreement) by and 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 On-Call 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;
 - D. The distribution detail for each service, direct cost, and reimbursable expense. This information must be included in the invoice for the services authorized under this task order; and
 - E. Project schedule for completing the Scope of Services.
3. Consultant shall be compensated at fixed fees or at the hourly rates established in Schedule OC, Attachment One, Fees and Payments, of the Agreement. Consultant agrees that it will

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**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX THREE
TASK ORDER TEMPLATE**

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].
- 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

**STANDARD ON-CALL 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.

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 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 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

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. A4820G / PB No. VW0163**

IMPORTANT: The agreement or CAS number must be included

On-Call Management Services for Auditing Support
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**STANDARD ON-CALL 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:

1. Submit all renewals of insurance certificates and required notices electronically in PDF format to: 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. A4820G /PB No. VW0163**

IMPORTANT: The agreement or PB 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 ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS**

Required Coverages

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

Commercial general liability
Each occurrence \$1,000,000
Damage to rented premises (each occurrence)
\$1,000,000
Med exp (any one person) \$1,000,000
General aggregate \$2,000,000
Products – Comp/op agg \$2,000,000

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:

Automobile liability – hired and non-owned vehicles only
Combined single limit (each accident)
\$1,000,000

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

Professional/Errors and Omissions Liability
Per claim \$1,000,000

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

**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS**

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

Workers' compensation statutory
E.L. each accident \$1,000,000
E.L. disease – ea employee \$1,000,000
E.L. disease – policy limit \$1,000,000

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.

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

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**STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS**

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 Valle Water. 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 require 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 ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS**

CHECK LIST OF DOCUMENTS NEEDED

| | | | |
|--------------------------------|----|---|--|
| General Liability: | 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 | |
| Auto Liability: | 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 | |
| Umbrella: | A. | Limits (\$) | |
| | B. | Primacy (Endorsement or policy language) | |
| Workers Comp: | A. | Limits (\$1,000,000) | |
| | B. | Waiver of Subrogation (Endorsement or policy language) | |
| | C. | Cancellation Endorsement | |
| Professional Liability: | A. | Limits (\$1,000,000) | |
| | B. | Cancellation Endorsement | |

Appendix Four ConsultantGL1AL1PL1_rev. 07.20.20/6.20.23

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SCHEDULE OC 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's Project Manager (VWPM).

K. Anthony Mendiola (Valley Water Project Manager)
Program Administrator
Continual Improvement Team
Financial Planning & Management Services Division
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-2437

Email: AMendiola@valleywater.org

Darin Taylor
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

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

Troy Snyder, CICA (Consultant Project Manager or CPM)
Engagement Partner
Plante Moran
3000 Town Center, Suite 100
Southfield, MI 48075

Phone: (248) 223-3273

Email: troy.snyder@plantemoran.com

- C. The 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 the Consultant's Principal Officer.

Adam Rujan (Consultant Principal Officer)

SCHEDULE OC SCOPE OF SERVICES

Partner
Plante Moran
3000 Town Center, Suite 100
Southfield, MI 48075

Phone: (248) 352-2500
Email: adam.ruian@plantemoran.com

2. Scope of Services

The objective of this Agreement for on-call Services is for the Consultant to perform On-Call Management Services for Auditing Support (Project).

The Consultant's project services will support the Board Audit Committee in fulfilling its duties, responsibilities and program objectives as follows:

A. General Board Audit Committee services

- 1) Conduct performance audits as directed by the Board Audit Committee.
- 2) Prepare and deliver formal and informal audit reports and presentations.
- 3) Attend Board Audit Committee and Board meetings as needed.
- 4) Meet with Valley Water staff as needed.
- 5) Provide additional staff resources as determined by the Board Audit Committee.

B. Specific Audit Services

The Consultant will conduct certain performance audits as directed by the Board through the Board Audit Committee.

- 1) Following the completion of any audit the auditor shall issue a report that contains at a minimum:
 - a. An executive summary of the audit.
 - b. Methodology and data used.
 - c. The accuracy and fair representation of any financial transactions.
 - d. Compliance with applicable laws, regulations, voter mandates, and policies.
 - e. Effectiveness of internal controls governing Valley Water operations and finances.
 - f. Material strength and weaknesses of programs reviewed by the auditor.
 - g. Recommended improvements, if any.
- 2) Reports will be provided in an unalterable electronic format and/or written format as requested for use by Valley Water.
- 3) All final audit reports are public documents under state and federal law and are to be made available upon any public request.

C. Audit Plan & Priorities List

The Board Audit Committee's Multi-Year Audit Work Plan and current Risk Assessment will be provided by Valley Water.

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SCHEDULE OC SCOPE OF SERVICES

3. Project Objectives

- A. The performance audits should entail objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program or function against objective criteria including best industry practices where applicable.
- B. The performance audits may entail a broad or narrow scope of work, apply a variety of methodologies, and involve various levels of analysis, research, or evaluation.
- C. The performance audits could encompass a wide variety of objectives, including assessing program effectiveness and results, economy and efficiency, internal control, compliance with legal or other requirements or other analysis.
- D. The performance audits will provide information to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective actions and improve public accountability.
- E. All Services required pursuant to this Agreement will be provided only on an as-needed/as-requested basis by the issuance of an authorized Task Order by Valley Water to the Consultant(s). A project scope will be developed for each task order, including deliverables for a total not-to-exceed amount. No work will be performed without a task order. Any necessary references needed for work under a Task Order will be provided along with issuance of a Task Order. The Consultant(s) will perform services on a Task Order Basis as authorized by the VWPM, as set forth in the Standard On-Call Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders.

4. Background

- A. The mission of the Santa Clara Valley Water District, now known as 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.

- B. 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 Board Audit Committee develops a plan and initiates audits to evaluate and review various programs and functions of Valley Water. The Committee also develops a Risk Assessment and provides guidance to staff regarding audit prioritization for Board audits. The audit work

SCHEDULE OC SCOPE OF SERVICES

plan and Risk Assessment are presented to the full Board for its consideration and approval.

The Board of Directors has established the following Board Committees to assist in developing and recommending policies, and providing comment on activities in the implementation of Valley Water's mission for board consideration:

<https://www.valleywater.org/how-we-operate/committees/board-committees>

5. Intent

- A. Valley Water intends to award one or more separate consultants to perform on-call, as needed, on-call technical support on a variety of water supply and planning issues during the same timeframe, each for a three-year term and as outlined herein. Task orders will be issued on a competitive basis when conflicts of interest do not exist. There is no guarantee of any amount of work that will be given to the selected firms.
- B. Task Orders will not be issued to Consultant when Consultant cannot perform the Services due a conflict of interest or if all funds in this Agreement have been expended.
- C. Conflict of Interest. In addition to Valley Water's General Terms and Conditions, the following will apply with regard to conflict of interest:
 - 1) Consultant may be awarded multiple Task Orders pursuant to this agreement, for the same Valley Water project.
 - 2) Consultant is precluded from performing services for any other entity, or in any other capacity for Valley Water, on the same Valley Water project, for which a Task Order has been issued.
 - 3) If Consultant is already performing services on a Valley Water project, unrelated to this Agreement, in any capacity, a Task Order related to that project will not be issued pursuant to this Agreement.

6. 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 electronic format and/or 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

SCHEDULE OC SCOPE OF SERVICES

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 the 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 the Consultant. The comments provided by Valley Water staff during the workshops will be documented by the 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, the Consultant will perform the applicable Agreement tasks and/or sub-tasks in accordance with the QEMS framework. In such situations, the VWPM will provide the 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.** The 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 using and transmitting information with this exchange service shall be resolved by the 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 2007 Revision), the provisions of the Single Audit Act Amendments of 1996, the provisions of

SCHEDULE OC SCOPE OF SERVICES

U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the International Organization for Standardization (ISO) 9001:2015, Quality Management System, and ISO 14001:2015, Environmental Management System.

- 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), unless the firm is notified in writing by the SCVWD 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:
 - (1) Intentionally omitted
 - (2) Auditors or entities of which the SCVWD is a sub recipient of grants
 - (3) State of California
 - (4) Parties designated by the SCVWD 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 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.

C. Valley Water Contract and Resources: The auditor's principal management contact at Valley Water will be the Program Administrator of the Continual Improvement Team. The Program Administrator will be available to assist the Board Audit Committee and the

SCHEDULE OC SCOPE OF SERVICES

auditor in completing the activities as outlined in this request for proposal. The Program Administrator will act as liaison between the Board Audit Committee and the auditor and assist in coordinating the activities of the Board Audit Committee.

- 1) The Clerk of the Board is responsible for scheduling and posting all meetings of the Board Audit Committee in compliance with state law.
- 2) The Finance Department staff will be available to assist the auditor by providing financial information, documentation and explanations.
- 3) The staff of the Santa Clara Valley Water District and responsible management personnel will be available to assist the auditor by providing program information, documents and explanations as needed to complete any and all audits.

D. The consultant auditor will be expected to provide their own office workspace and equipment. The District may provide reasonable workspace, access to telephones and photocopying services.

7. Scope of Services Tasks

The On-Call Scope of Services will generally include, but is not limited to the following below. Tasks and deliverables will be determined on a task order basis.

Task 1 - General Audit Services

- 1.1** The Consultant shall manage the Scope of Services such that the work is completed within the fixed not-to-exceed 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.
- 1.2** 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 contract 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.
- 1.3** Specific Sub-Tasks
 - 1.3.1** Project Management and Coordination. Provide project management and coordination of assigned task orders, conduct project meetings with VWPM and Valley Water staff to review progress of assigned task orders. Prepare monthly status reports detailing progress of assigned task orders. Meeting Agendas, Minutes, and Presentations.
- 1.4** The Consultant's project services will support the Board Audit Committee in fulfilling its duties, responsibilities and program objectives as follows:
 - 1.4.1** Conduct performance audits as directed by Board Audit Committee.

SCHEDULE OC SCOPE OF SERVICES

- 1.4.2 Prepare and deliver formal and informal audit reports and presentations.
- 1.4.3 Attend Board Audit Committee and Board Meetings, if requested.

Task 1 - Deliverables

- 1. Formal and informal performance audit reports and presentations.
- 2. Attendance and participation at Board Audit Committee and Board Meetings as requested.

Task 2 - Specific Audit Services

The Consultant will conduct certain audits as directed by the Board through the Board Audit Committee.

- 2.1** Following the completion of any audit the auditor shall issue a report that contains at a minimum:
 - 2.1.1 An executive summary of the audit.
 - 2.1.2 The methodology and data used.
 - 2.1.3 A discussion/analysis of the accuracy and fair representation of any financial transactions within the audit.
 - 2.1.4 A discussion/analysis of program compliance with applicable laws, regulations, voter mandates, and policies.
 - 2.1.5 The effectiveness of internal controls governing District operations and finances.
 - 2.1.6 The material strengths and weaknesses of programs reviewed by the auditor.
 - 2.1.7 Recommended improvements, if any.
- 2.2** Reports will be provided in a written and an unalterable electronic format for use by Valley Water.
 - 2.2.1 All final audit reports are public documents under state and federal law and are to be available upon any public request.

Task 2 - Deliverables

- 1. Audit reports

8. Attachments

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

**SCHEDULE OC
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 and in all approved Task Orders will not exceed a total amount of **\$000,000** (Not-to-Exceed or NTE). Under no conditions will the total compensation to the Consultant exceed this NTE 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. It is understood and agreed that this total is an estimate, and the total amount of Services to be requested by Valley Water may be less. **There is no guarantee, either expressed or implied, as to the actual dollar amount that will be authorized pursuant to this Agreement.**

2. Terms and Conditions

A. Payments for Services performed, as described in each Task Order, which applies to the specific Services, will be based on the following terms:

- 1) Valley Water will pay for Services provided by the Consultant according to the 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.

A. 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 (VWPM) will be billed on a monthly basis at actual cost linked to each Agreement Task, provided that the Task total NTE amount is not exceeded. Consultant shall provide receipts for each other direct expense item(s) with monthly invoices submitted.
- 2) Equipment purchased on behalf of Valley Water that costs \$50 or more must receive the prior written approval of Valley Water Project Manager (VWPM). All equipment purchased on behalf of Valley Water 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 (VWPM). For air travel, Valley Water will pay the cost of a coach class or equivalent ticket. Where air

**SCHEDULE OC
ATTACHMENT ONE
FEES AND PAYMENTS**

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 (VWPM) for a different type of vehicle.

- 4) No markup will apply for Consultant to manage Subconsultants, subcontractors and vendors, including lab services.
- 5) For staff with rates exceeding the rate of \$[RATE LIMIT]/hr., the Consultant must obtain written approval from the Valley Water Project Manager (VWPM) as to the numbers of hours per task prior to that individual working on the Project. [NOT USED]

B. Prevailing Wage Requirements – NOT USED

HOURLY/UNIT RATE SCHEDULE

| CLASSIFICATION/STAFF | HOURLY/UNIT RATE YEAR 1 | HOURLY/UNIT RATE YEAR 2 | HOURLY/UNIT RATE YEAR 3 |
|---|--|--|--|
| Consultant: Plante Moran, PLLC | \$250 | \$262 | \$268 |
| Subconsultant: Talson Solutions, LLC | \$250 | \$262 | \$268 |

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**SCHEDULE OC
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 has a three (3) year term, with two one-year renewal options that may be exercised at the sole discretion of Valley Water. The exercise of the options must be in the form of a written amendment signed by both Parties
3. Each Task Order will state the schedule for Consultant's performance of that Task Order.
4. Valley Water and Consultant may agree to modify the schedule specified for Consultant's performance in an executed Task Order, as an administrative modification to the Task Order and will confirm such modification in writing.

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**SCHEDULE OC
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 |
|--------------------|-----------------------------|---------------------|---|
| Troy Snyder | Engagement Partner | Partner | 3000 Town Center, Suite 100 Southfield, MI 48075 troy.snyder@plantemoran.com (248) 223-3273 |
| Adam Rujan | Colleague Partner | Partner | 3000 Town Center, Suite 100 Southfield, MI 48075 adam.ruian@plantemoran.com |
| Matthew Bohdan | Engagement Principal | Principal | 3000 Town Center, Suite 100 Southfield, MI 48075 matthew.bohdan@plantemoran.com |
| F. Alex Brown | Cybersecurity Principal/SME | Principal | 3000 Town Center, Suite 100 Southfield, MI 48075 alex.brown@plantemoran.com |
| Caroline Smythe | Engagement Manager | Manager | 3000 Town Center, Suite 100 Southfield, MI 48075 caroline.smythe@plantemoran.com |
| Emily Fletcher | Cybersecurity Staff | Senior Consultant | 3000 Town Center, Suite 100 Southfield, MI 48075 emily.fletcher@plantemoran.com |
| Briana Solorio | Internal Audit | Consultant | 3000 Town Center, Suite 100 Southfield, MI 48075 briana.solorio@plantemoran.com |
| Holly Morgan | Internal Audit | Consultant | 3000 Town Center, Suite 100 Southfield, MI 48075 holly.morgan@plantemoran.com |

2. The following Subconsultants are authorized to perform Services for this Agreement:

| Firm | Team Member | Project Role | Contact Information |
|-----------------------|--|--------------------------------|----------------------------|
| Talson Solutions, LLC | Robert Bright Kenneth Brozowski Jennifer Venth Yvette Suarez Vasquez Ethan Johnston Emily Olinsky | Capital/Construction Audit/SME | - |

**SCHEDULE OC
ATTACHMENT FOUR
REFERENCE MATERIALS**

| Ref No. | Description |
|----------------|--|
| 1 | Santa Clara Valley Water District Non-Disclosure Agreement (NDA) (FC 1650) |
| 2 | ISO 9001 and 14001 standards (to be provided after award) |
| 3 | Annual Audit Work Plan as of 01/11/2022 https://scvwd.legistar.com/LegislationDetail.aspx?ID=5366628&GUID=20E9ACC9-E180-4CE5-921A-40BDA7D7F13C&Options=&Search= |

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Project Manager: K. Anthony Mendiola
 Extension: 2437
 Date: June 22, 2023

AGREEMENT APPROVAL REQUEST

CAS/PB FILE NO.: VW0163

CONTRACT NAME:

Standard On-Call Agreement (Agreement) between the Santa Clara Valley Water District and Plante Moran, PLLC

RECOMMENDATION:

Approve and execute the Agreement between the Santa Clara Valley Water District (Valley Water) and Plante Moran, PLLC (Consultant) for the On-Call Management Services for Auditing Support (Project).

EL-5 COMPLIANCE:

EL-5.1.2 provides: A Board Appointed Officer (BAO) shall not make a single Consultant Service contract greater than \$225,000 unless authorized by the Valley Water Board of Directors. The recommended action is in full compliance with EL-5.1.2 as the total amount of the Agreement is not greater than \$225,000.

CEQA COMPLIANCE:

The recommendation action 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.

SUMMARY:

With this agreement, the Consultant will serve as the second on-call auditor for the Board of Director's Audit Committee (Board Audit Committee), in addition to Moss Adams, to complement the Chief Audit Executive (CAE), currently held by Sjoberg Evashenk Consulting, Inc. in fulfilling its duties, responsibilities, and functions. Specifically, the Consultant will conduct performance audits as directed by the Board Audit Committee, prepare and deliver formal and informal audit reports and presentations, and attend Board Audit Committee and Board meetings as needed. This action will help the Board Audit Committee meet the requirement in Article 3, Section 8 of its charter which says that "The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that no single firm conducts a disproportionate number of audits in a given fiscal year.

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 Board Audit Committee develops a plan and initiates audits to evaluate and review various programs and functions of Valley Water. The Committee also develops a Risk Assessment and provides guidance to staff regarding audit prioritization for Board audits. The audit work plan and Risk Assessment are presented to the full Board for its consideration and approval.

Consultant Selection Process:

Prior to publishing the RFP, staff conducted outreach to 318 firms that were registered under National Institute of Governmental Purchasing, Inc. (NIGP) Category Codes; under category code 91804 –

Contract Name: Standard On-Call Agreement (Agreement) between the Santa Clara Valley Water District and Plante Moran, PLLC

Accounting/Auditing/Budget Consulting, category, which is one of 8 targeted categories within Valley Water's Procurement Portal, Planet Bids (PB) prior to publishing the RFP. Staff also issued advertisements in the SJ Post and SBEINC.com prior to publishing the RFP.

On July 13, 2022, staff published a Request for Proposals (RFP) for On-Call Management Services for Auditing Support by sending it to 332 firms that were registered under NIGP Category Codes; 91804 – Accounting/Auditing/Budget Consulting, which is one of 8 targeted categories within Valley Water's Procurement Portal PB.

A total of two (2) proposals were received on August 2, 2022, from the following firms, Moss Adams LLP and Plante Moran, PLLC. Of the total 332 firms informed of the solicitation, 25 firms confirmed to be prospective bidders in the Valley Water Procurement Portal.

An Evaluation Committee (EC), consisting of three panelists from Valley Water with subject matter expertise, evaluated and ranked the written proposals and oral interviews. Based on combined written and oral rating score, the EC recommended that staff undertake contract negotiations with Moss Adams LLP. Staff subsequently decided to award a second agreement to the next highest ranked firm which is currently in negotiations.

Staff recommended Board approval of the Standard Consultant Agreement with Moss Adams LLP to provide On-Call Management Services for Auditing Support, for a not-to-exceed fee of \$500,000. Board approval of the Standard Consultant Agreement with Moss Adams LLP was on March 23, 2023.

Staff completed negotiations with the next highest ranked firm, Plante Moran, PLLC. Staff recommends award of the second on-call agreement with the second highest ranked firm for CEO approval.

Consultant Agreement and Scope of Services:

The Agreements include the following required tasks:

Task 1 – General Audit Services

Task 2 – Specific Audit Services

There is no guarantee of any minimum of work or compensation to the Consultant under the Agreement. The top-ranked consultant, Moss Adams LLP, will provide as-needed consulting services for up to \$500,000 in fees, for an initial three-year term, with two one-year renewal options that may be exercised at the sole discretion of Valley Water. The second-ranked firm, Plante Moran, PLLC will provide as-needed consulting services for up to \$225,000 in fees, for an initial three-year term, with two one-year renewal options that may be exercised at the sole discretion of Valley Water in the event that Moss Adams LLP has a conflict of interest with performing services on a particular project or Moss Adams LLP does not have adequate resources to meet VW's needs.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

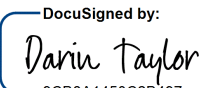
The not-to-exceed amount of the agreement is \$225,000. No funds will be encumbered at this time. On-Call services will be charged in accordance with each approved task order to budgeted funds from the respective project.

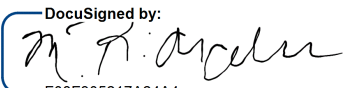
Contract Name: Standard On-Call Agreement (Agreement) between the Santa Clara Valley Water District and Plante Moran, PLLC

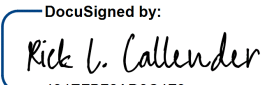
ATTACHMENTS:

- 1. Standard On-Call Consultant Agreement between Santa Clara Valley Water District and Plante Moran, PLLC (original will be executed in DocuSign)

APPROVALS:

DocuSigned by:

6/26/2023
Date
Darin Taylor
Chief Financial Officer
Financial Planning and Management
Services

DocuSigned by:

7/3/2023
Date
Melanie Richardson, P.E.
Assistant Chief Executive Officer

DocuSigned by:

7/6/2023
Date
Rick L. Callender, Esq.
Chief Executive Officer

**AMENDMENT NO. 1 TO AGREEMENT A4820G
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT
AND PLANTE MORAN, PLLC DBA PLANTE MORAN**

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 On-Call Consultant Agreement A4820G (Agreement) dated July 6, 2023, between SANTA CLARA VALLEY WATER DISTRICT (District or Valley Water) and PLANTE MORAN, PLLC DBA PLANTE MORAN, (Consultant), collectively, the Parties.

RECITALS

WHEREAS, the Consultant is currently providing professional auditing services for Valley Water's On-Call Management Services for Auditing Support Project;

WHEREAS, the Agreement currently expires on July 6, 2025; and

WHEREAS, the Parties desire to correct the Agreement's not-to-exceed amount for the Consultant to provide professional auditing services for Valley Water's On-Call Management Services for Auditing Support Project.

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

1. The Agreement, Standard On-Call Consultant Agreement, Section Twelve, subsection 23. Schedules and Attachments, is amended to state as follows:

"23. Schedules and Attachments. Schedule OC, 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 (REVISED)
Attachment Two – Schedule of Completion (UNCHANGED)
Attachment Three – Consultant's Key Staff and Subconsultants (UNCHANGED)."
Attachment Four – Reference Materials (UNCHANGED)."

2. Attachment One to Schedule OC, Fees and Payments, Section 1 are amended to state as follows:

"1. Total Authorized Funding

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule and in all approved Task Orders will not exceed a total amount of \$225,000 (Not-to-Exceed or NTE). Under no conditions will the total compensation to the Consultant exceed this NTE 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. It is understood and agreed that this total is an estimate, and the total amount of Services to be requested by Valley Water may be less. There is no guarantee, either expressed or implied, as to the actual dollar amount that will be authorized pursuant to this Agreement.

Amendment No. 1 to Agreement A4820G
Standard On-Call Consultant Agreement-Gen-Admin
On-Call Management Services for Auditing Support
Ver: 8/2/2023

Agreement No. A4820G / PB File No. VW0163

**AMENDMENT NO. 1 TO AGREEMENT A4820G
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT
AND PLANTE MORAN, PLLC DBA PLANTE MORAN**

3. All other terms and conditions of the Agreement A4375G, Amendment No. 1 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 A4820G THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

SANTA CLARA VALLEY WATER DISTRICT
Valley Water

DocuSigned by:
Alicia Fraumeni
By: _____
DCCC476B58DB436...
Alicia Fraumeni
Acting Purchasing & Consultant Contracts
Services Manager

Date: 8/3/2023

**PLANTE MORAN, PLLC DBA PLANTE
MORAN**
Consultant

DocuSigned by:
Troy Snyder
By: _____
9BF4D2650072475...
Troy Snyder
Partner

Date: 8/2/2023

Consultant's Address:
300 Town Center, Suite 100
Southfield, Michigan 48075

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**AMENDMENT NO. 2 TO AGREEMENT A4820G
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT
AND PLANTE MORAN, PLLC DBA PLANTE MORAN**

This Amendment No. 2 (Amendment), effective as of the date it is fully executed by the Parties, amends the terms and conditions of the Standard On-Call Consultant Agreement A4820G (Agreement) dated July 6, 2023 and Amendment No. 1 dated August 3, 2023 between SANTA CLARA VALLEY WATER DISTRICT (District or Valley Water) and PLANTE MORAN, PLLC DBA PLANTE MORAN, (Consultant), collectively, the Parties.

RECITALS

WHEREAS, the Consultant is currently providing professional auditing services for Valley Water's On-Call Management Services for Auditing Support Project;

WHEREAS, the Parties desire to increase the Not-To-Exceed fee to provide funds for Consultant to continue providing professional auditing services for Valley Water's On-Call Management Services for Auditing Support Project.

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

1. The Agreement, Standard On-Call Consultant Agreement, Section Twelve, subsection 23. Schedules and Attachments, is amended to state as follows:

"23. Schedules and Attachments. Schedule OC, Scope of Services, and the following listed Attachments are incorporated herein by this reference as though set forth in full:

Revised Attachment One – Fees and Payments (REVISED)
Attachment Two – Schedule of Completion (UNCHANGED)
Attachment Three – Consultant's Key Staff and Subconsultants (UNCHANGED)."
Attachment Four – Reference Materials (UNCHANGED)."

2. Attachment One to Schedule OC, Fees and Payments, Section 1 is amended to state as follows:

"1. Total Authorized Funding

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule and in all approved Task Orders will not exceed a total amount of \$500,000 (Not-to-Exceed or NTE). Under no conditions will the total compensation to the Consultant exceed this NTE 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. It is understood and agreed that this total is an estimate, and the total amount of Services to be requested by Valley Water may be less. There is no guarantee, either expressed or implied, as to the actual dollar amount that will be authorized pursuant to this Agreement."

**AMENDMENT NO. 2 TO AGREEMENT A4820G
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT
AND PLANTE MORAN, PLLC DBA PLANTE MORAN**

3. All other terms and conditions of the Agreement A4820G, Amendment No.1, 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. 2 TO AGREEMENT A4820G THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

SANTA CLARA VALLEY WATER DISTRICT
Valley Water

Signed by:
By: Melanie Richardson
F08F305217A24A4...
Melanie Richardson, P.E.
Interim Chief Executive Officer

Date: 12/18/2025

PLANTE MORAN, PLLC DBA PLANTE MORAN
Consultant

DocuSigned by:
By: Troy Snyder
9BF4D2650072475...
Troy Snyder
Partner

Date: 12/10/2025

Consultant's Address:
300 Town Center, Suite 100
Southfield, Michigan 48075

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Santa Clara Valley Water District

File No.: 26-0045

Agenda Date: 1/21/2026

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 Status of the On-call Management Services Agreement for the Chief Audit Executive (CAE) and Recommend the Board of Directors Initiate a Request for Proposal (RFP).

RECOMMENDATION:

- A. Discuss the status of the On-call Management Services Agreement for the CAE, and
- B. Recommend the Board of Directors initiate an RFP.

SUMMARY:

The current CAE agreement with Sjoberg Evashenk Consulting, Inc. (A4570A/CAS5183) is set to expire on November 22, 2026 after the completion of the five-year agreement including the initial three-year term and two one-year time extensions. To ensure continuity of audit operations and allow sufficient time for the incoming CAE to complete the tri-annual risk assessment and develop the recommended 2027 audit plan by November 30, 2026 as required by the Audit Charter, staff recommends that the BAC proceed with the proposed timeline for the RFP process to select a new CAE:

- 1) January 21, 2026 (BAC Meeting):
 - a) Request BAC recommendation to the full Board to initiate an RFP for a new CAE agreement.
- 2) February 10, 2026 (Board Meeting):
 - a) Seek Board approval to initiate the RFP.
 - b) If approved, staff will work with Procurement to issue the RFP.
- 3) August 25, 2026 (Board Meeting)
 - a) Request Board approval of the new CAE agreement
 - i) If Sjoberg is re-selected, the risk assessment can begin in August.
 - ii) If a new firm is selected, Sjoberg will complete activities through November 22, 2026
 - iii) If a new firm is selected, the new CAE firm can initiate the Risk Assessment in August.

In the past, the Board Audit Committee (BAC) has expressed a desire to be involved in the evaluation process to select the CAE. During the last CAE procurement process, the BAC selected one of its

members to join two staff members on the Evaluation Committee to ensure the BAC's interests and desires informed the selection process. In this way, the evaluation process was conducted in a manner that maintained the integrity of the procurement process and was unaffected by the Brown Act. The BAC is requested to provide direction on whether or not to assign a committee member to the Evaluation Committee for this procurement (assuming full Board approval). If a BAC member is not assigned to the Evaluation Committee, then the Evaluation Committee would be comprised of staff only.

ENVIRONMENTAL JUSTICE IMPACT:

There are no environmental justice impacts associated with this item.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0046

Agenda Date: 1/21/2026

Item No.: 4.7.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed

RECOMMENDATION:

- A. Discuss 2026 Annual Audit Plan; and
- B. Provide feedback as needed.

SUMMARY:

On November 19, 2025, the Chief Audit Executive (CAE) presented the proposed topics for the 2026 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) Risk Assessment, including developing the 2026 Risk Assessment pursuant to Section 7.4 of the BAC Charter for the purpose of identifying and prioritizing potential audit topics and informing future audit plans.
- 2) Asset Management, including reviewing and evaluating Valley Water's infrastructure maintenance programs, encompassing various elements related to operations and maintenance. This includes assessing how Valley Water develops and maintains its asset inventories. The evaluation will include:
 - a. Valley Water's methods and approach to determining the condition of existing assets.
 - b. Practices related to scheduling predictive and preventative maintenance, monitoring maintenance backlogs, and work order scheduling.
 - c. The extent to which Valley Water relies on outsourced service providers to augment in-house resources, and how well inventories are planned, maintained, and optimized to enhance overall operational efficiencies.
 - d. The use of asset management software or systems to extend the lifespan of critical infrastructure while minimizing operational costs.
- 3) Pacheco Reservoir Project, including evaluating whether best practices were followed during

each phase of the project through termination of the project.

- 4) Investigations Process, including evaluating the effectiveness, efficiency, and integrity of Valley Water's processes for investigating allegations of employee, Board officer, and Board member misconduct, including:
- a. Adherence to applicable laws, policies, collective bargaining agreements, and ethical standards governing workplace investigations.
 - b. Appropriate separation of duties and independence in the handling of investigations involving management, senior leadership, or Board members;
 - c. Timeliness in the initiation, conduct, and resolution of investigations;
 - d. Consistent standards, procedures, and outcomes across similar cases;
 - e. Clear roles, responsibilities, and reporting lines for Human Resources staff, investigators, management, legal counsel, and appropriate oversight;
 - f. Accurate, complete, and secure maintenance of investigation case records;
 - g. Implementation of recommendations and identification of systemic issues or patterns of misconduct; and
 - h. Consistency with the practices of other public, private, and non-profit organizations related to complaint intake, investigation processes, and outcomes.

At its meeting on December 9, 2025, the Board approved the audit assignments and respective target start dates for each audit:

1. Risk Assessment
 - Assign to the Chief Audit Executive
 - Anticipated start date to be determined following the selection of the next CAE
2. Asset Management
 - Assign to Plante Moran
 - Anticipated start in Q1 of Calendar Year 2026
3. Pacheco Reservoir Project
 - Assign to Sjoberg Evashenk Consulting
 - Anticipated start in Q3 of Calendar Year 2026
4. Investigations Process
 - Assign to Baker Tilly Advisory Group
 - Anticipated start in Q2 of Calendar Year 2026

Audits Pending from Prior Years

Several audit projects initiated in the prior year remain in progress:

- The Board Policy Compliance Audit remains in the fieldwork stage due to resource issues on both sides.
- The Capital Project Delivery audit commenced later than anticipated and has progressed to the fieldwork stage, with completion projected for Q2 2026.

- The Centralized and Decentralized Contracting Practices audit has progressed to the fieldwork stage, but experienced delays extending its expected completion to Q1 2026.
- The Water Conservation Strategies audit is currently in the reporting phase. A presentation to the BAC has been provided under a separate agenda item.
- The Water Usage and Demand Forecasting audit is now in the reporting stage. A preliminary draft report for review is anticipated in late January 2026.

The purpose of this agenda item is to present and discuss the 2026 Annual Audit Plan and receive any feedback the Board deems appropriate.

ENVIRONMENTAL JUSTICE 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 Directors.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0047

Agenda Date: 1/21/2026

Item No.: 4.8.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Review and Discuss 2026 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.

The 2026 BAC work plan (Attachment 1) identifies planned discussion topics for the upcoming year and when those topics may appear before the committee. Following the December 19, 2025, BAC meeting, during which the Draft 2026 BAC Work Plan was presented, an item regarding the 2025 Water Conservation Audit was added to the January 21, 2026, BAC meeting agenda for presentation of the final audit report and management responses.

Looking forward, the topics of discussion identified for February 18, 2026, BAC Meeting can be summarized as follows:

1. Financial Status - Periodic Update
2. Single Audit Report
3. Audit Recommendation Implementation Status Update
4. 2026 BAC Work Plan
5. 2026 Annual Audit Plan

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

ENVIRONMENTAL JUSTICE 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: 2026 BAC Work Plan

UNCLASSIFIED MANAGER:

Wendy Ho, 408-630-3874

BOARD AUDIT COMMITTEE 2026 WORKPLAN

January 1, 2026 to December 31, 2026

| | | DATE: | Jan-21 | Feb-18 | Mar-18 | Apr-15 | May-20 | Jun-17 | Jul-15 | Aug-19 | Sep-16 | Oct-21 | Nov-18 | Dec-16 |
|---|--|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | No. of Topics: | 9 | 5 | 8 | 2 | 4 | 5 | 2 | 4 | 7 | 6 | 3 | 3 |
| # | Board Audit Committee Management | | | | | | | | | | | | | |
| 1 | Discuss and Conduct Annual Self-Evaluation | | • | | • | | | | | | | | | |
| 2 | Request and Discuss CAE Activity Report to Evaluate Performance | | • | | • | | | | | | | | | |
| 3 | Discuss Board Audit Committee Audit Charter | | | | • | | | | | | | | | |
| 4 | Discuss Scope of Annual Audit Training | | | | • | | | | | | | | | |
| 5 | Receive Annual Audit Training | | | | | | | • | | | | | | |
| 6 | Review and Update BAC Work Plan | | • | • | • | • | • | • | • | • | • | • | • | • |
| 7 | Provide Draft BAC Work Plan for Upcoming Year | | | | | | | | | | | | | • |
| Board Audit Committee Special Requests | | | | | | | | | | | | | | |
| 8 | Review of Joint Powers Authority (JPA) audits | | | | | | | • | | | | | | |
| 9 | Discuss Initiating Chief Audit Executive RFP | | • | | | | | | | | | | | |
| 10 | Discuss Plante Moran Contract (expires 07/05/26) | | • | | | | | | | | | | | |
| Board-directed Audits | | | | | | | | | | | | | | |
| 11 | 2021 Permitting Best Practices | | | | | | • | | | | | | | |
| 12 | 2023 CIP Performance | | | | | | | | | | • | | | |
| 13 | 2024 Human Resources Audit | | | | • | | | | | | | | | |
| 14 | 2024 Information Technology Audit (Closed-Session) | | | | • | | | | | | | | | |
| 15 | 2024 Board Policies and Compliance Audit | | | | | | | | | | | | | |
| 16 | 2025 Water Conservation Audit | | • | | | | | | | | | | | |
| 17 | 2025 Centralized and Decentralized Contracting Practices | | | | | | | | | | | | | |
| 18 | 2025 Capital Project Delivery Audit | | | | | | | | | | | | | |
| 19 | 2025 Water Usage and Demand Forecasting Audit | | | | | | | | | | | | | |
| 20 | 2026 Audit - TBD | | | | | | | | | | | | | |
| Other Audits | | | | | | | | | | | | | | |
| 21 | 2024 SCW Program Performance Audit | | | | | | | | | | | • | | |
| CAE Standing Topics | | | | | | | | | | | | | | |
| 22 | Review and Update Annual Audit Plan | | • | • | • | • | • | • | • | • | • | • | • | • |
| 23 | Discuss next Annual Audit Plan | | | | | | | | | • | • | | | |
| 24 | Discuss Draft 2027 Annual Audit Plan | | | | | | | | | | | • | | |
| 25 | Discuss Proposed 2027 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2027 Annual Audit Plan with assignments for Board Approval | | | | | | | | | | | | • | |
| Miscellaneous 3rd-Party Financial Audits | | | | | | | | | | | | | | |
| 26 | Financial Status - Periodic Updates | | | • | | | • | | | | • | | | |
| 27 | Discuss Audit for upcoming Fiscal Year (presented by Vasquez) | | | | | | | • | | | | | | |
| 28 | Audit Report of the Water Utility Enterprise Funds | | | | | | | | | | • | | | |
| 29 | Audited Financial Statements | | | | | | | | | | | • | | |
| 30 | Single Audit Report | | | • | | | | | | | | | | |
| Staff Standing Topics | | | | | | | | | | | | | | |
| 31 | Audit Recommendations Implementation Status | | | • | | | | | | • | | | | |
| 32 | Receive Audit Analysis Report from CAE | | • | | | | | | | | | • | | |
| Committee Clerk Action Items (not included in count shown in Row 3 above) | | | | | | | | | | | | | | |
| 33 | Provide BAC Summary Report to full Board | | • | • | • | • | • | • | • | • | • | • | • | • |
| 34 | Election of BAC Chair and Vice Chair | | • | | | | | | | | | | | |
| BAC Topics for Future Work Plan | | | | | | | | | | | | | | |
| 35 | Provide Report on Tri-annual Risk Assessment (Target CY 2026) | | | | | | | | | | • | | | |

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