August 5, 2026

VIA EMAIL:

To: jvarela@valleywater.org, sballard@valleywater.org, rsantos@valleywater.org, jbeall@valleywater.org, nhsueh@valleywater.org, testremera@valleywater.org, reisenberg@valleywater.org, clerkoftheboard@valleywater.org

cc: greer.stone@paloalto.gov, lgauthier@smcgov.org, mdinan@cityofepa.org, dcombs@menlopark.gov, keith.reckdahl@paloalto.gov, keakin@redwoodcity.org, cttaylor@menlopark.gov, rabrica@cityofepa.org, tbyler@sfcjpa.org, ed.shikada@paloalto.gov, mrichardson@valleywater.org

Re: Request to Delay Project E5 KPI Modification Pending Consideration of Expanded Valley Water Technical Role – August 11, 2026 Public Hearing – Item 3.4 – File # 26-0638

Dear Chair Estremera and Board Members,

This letter further supplements our letters of July 2 and July 13, 2026 (Handouts 3.4-B and 3.4-C), submitted on my own behalf and on behalf of more than a dozen other families whose homes on Edgewood Drive in Palo Alto border San Francisquito Creek just upstream of Highway 101. We write to ask the Board to delay its decision on replacing the outcome-based KPI for Project E5 with a funding-only metric until this Board has had the chance to explore with the San Francisquito Creek JPA whether an expanded Valley Water technical role on Project E5 might be warranted. This request rests on Valley Water's own record from a single day, July 28, 2026.

On July 28, during the Board's Annual Audit Training Session (excerpts attached as Attachment A), Director Hsueh — Valley Water's representative to the SFCJPA — described a structural governance risk she watches for on JPAs like the SFCJPA: council members assigned to a JPA board treat that assignment as secondary to their primary role, rotate off every couple of years, and as a result the JPA board does not build lasting institutional commitment to the project. In her words, it becomes "kind of like a temporary assignment."

Later that same day, at the Board Audit Committee meeting (excerpt attached as Attachment B), staff reported that the SFCJPA had gone five years without a required financial audit, and that management letters from that audit process identified accounting-department understaffing, a single ledger cost center, and IT/data-integrity issues. The District's CFO told the Committee that the SFCJPA had seen these findings and, in his words, "are working on these things" — indicating the deficiencies are being addressed, not that they remain unaddressed.

Separately, on July 31, 2026 — three days after this Board and its Audit Committee received that picture of the SFCJPA's governance and financial-control history — the SFCJPA lost its Executive Director effective immediately, with no permanent successor in place and a three-person staff remaining.

Taken together, the picture this Board received on July 28 is of an agency whose governing board lacks consistent engagement and institutional continuity, as Director Hsueh described, and whose financial and operational controls have separately been flagged as needing improvement — now compounded by a sudden leadership vacuum. We do not believe this reflects poorly on the individuals involved; it reflects structural conditions described that day by Director Hsueh and by the Audit Committee's own findings — conditions that the sudden loss of the SFCJPA's Executive Director has now made especially difficult to manage.

The Board's Chief Audit Executive, George Skiles, addressed that same day how a board should respond to exactly this kind of capacity uncertainty: by building the systems and engagement needed to ensure the board has the information and assurance it needs, regardless of how capable or engaged any given agency is at a given moment. That points toward closer engagement, not a reduced standard of care.

Closer engagement is also, on the Board's own terms, a question of duty. Director Beall described JPA board members that day as carrying two roles: doing the work of the JPA itself and reporting back to the agency that appointed them on whether the JPA is delivering what that agency intended. Mr. Skiles went further, describing what he called the “three hats problem” — a director's simultaneous responsibility to Valley Water, to the JPA, and to the broader region the project serves. Relinquishing Valley Water’s own outcome standard for Reach 2 does not discharge any of those three responsibilities. It does not tell this Board whether the JPA is achieving what Valley Water sent its representative there to achieve; it does not serve the JPA, which — by the account this Board heard on July 28 — is not currently equipped to carry the project alone; and it does not serve the region, which is still waiting on 70-year flood protection. In deciding how to proceed, we ask the Board to hold all three roles in mind, not only the narrowest one.

We recognize that PMA's Finding 7 and the underlying KPI modification proposal were developed on the premise that Valley Water's technical leadership role transferred to the SFCJPA and need not be revisited. We ask the Board to consider what it heard on July 28, and what has happened since: now is not the time to treat that premise as settled. Of the SFCJPA's five member agencies, Valley Water is the only one with the civil engineering capacity, institutional continuity, and scale to provide sustained technical leadership on a project of Reach 2's complexity. The Board's representative and its trainer described these same conditions on July 28: a rotating, under-committed board, and now a JPA without executive leadership. Those are exactly the conditions under which sustained technical leadership matters most — and exactly the conditions under which the SFCJPA is least able to supply it on its own.

We recognize this is our own proposal, not a course of action the SFCJPA has agreed to or even been asked about. But the Board should not treat that as a reason to foreclose it before it's raised.

We are not asking the Board to resolve, on this record, whether the February 2023 leadership transfer was properly authorized, or whether PMA's audit independently verified its own premises. We are asking only that the Board hold off on finalizing a funding-only metric —

one that assumes Valley Water's more limited role is settled and permanent — until the possibility of an expanded Valley Water technical role has been explored, rather than foreclosed by default.

Thank you for your consideration.

Respectfully,

Jeffrey Shore
On behalf of Edgewood Drive neighbors
Palo Alto, California

Attachments:

A. Excerpts, Valley Water Board of Directors Special Meeting, Annual Audit Training Session, July 28, 2026
B. Excerpt, Valley Water Board Audit Committee Meeting, July 28, 2026

cc: Greer Stone, Chairperson, SFCJPA Board
Lisa Gauthier, Vice-Chairperson, SFCJPA Board
Drew Combs, SFCJPA Board Member
Mark Dinan, SFCJPA Board Member
Keith Reckdahl, SFCJPA Alternate Director, City of Palo Alto
Kaia Eakin, SFCJPA Alternate Director, San Mateo County Flood and Sea Level Rise
Cecilia Taylor, SFCJPA Alternate Director, City of Menlo Park
Ruben Abrica, SFCJPA Alternate Director, City of East Palo Alto
Tess Byler, Acting Executive Director, SFCJPA
Ed Shikada, City Manager, City of Palo Alto
Melanie Richardson, Interim CEO, Valley Water

ATTACHMENT A

Excerpts, Valley Water Board of Directors Special Meeting

Annual Audit Training Session

July 28, 2026

(slightly edited for context and clarity)

[Slide 7 — Governance is an Ecosystem (continued)]

Director Beall [26:42–28:07/1:07:13]

The board members of JPAs have responsibility to the JPA as a member to do all the functioning similar to the functions they do here, but they also have the function of representing the interest and the policies of the agency that they come from in the JPA. So, there's like two responsibilities. The second one comes from the direction of the main agency to the JPA: What we are trying to achieve with this? What is our goal? What are we achieving with this JPA? Like why do we want to participate in this JPA? And defining that, and then having policies about where we're going, and then maybe having possibly regular reportings on what's going on in the JPAs would help. Would help a lot, I think. But you have two roles. You have the role of being on the JPA and watching and planning the projects and doing all the good stuff they do in the JPA, but also the other role is reporting back to the agency which appointed you to that JPA.

Director Ballard [29:27–29:57/1:07:13]

I think . . . they're all different. Some of them, you know, there's someone who has a full-time job that serves on a city council and is now appointed to an additional role, and they're barely paying attention. You know, it's like kind of the "tragedy of the commons" thing where everybody is thinking someone else is being responsible, and so it can be a bad governance structure, and then you have some JPAs that are really strong.

Director Hsueh [30:00–32:08/1:07:13]

I'll jump in. I currently serve on the San Francisquito Creek JPA, and the things that you just presented are the very issues that I am concerned about as the representative for Santa Clara Valley Water District. I heard what Director Beall just said, and I agree with him that there's two roles that, in my mind, the second role that we're there to represent the interest of Santa Clara Valley Water District. I'm appointed by this Board. So, what this Board asks me to do, and the scope of authority that I have, needs to come from my Board, and then I'm equipped to go to this JPA Board and then perform my role. And Director [Ballard] just said that, and I think it's also right that for some of these JPAs, particularly for city council members to sit on the JPA, it's often that the issue of the JPA is really at their lowest priority. I mean they have a day job. They serve on city council with all kinds of community issues, and then they're assigned to this JPA, and then two years later, another person has been assigned, and so the situation is just not creating . . . I guess, dedication to the JPA. It's kind of like a temporary assignment, that kind of thing.

George Skiles [38:28–39:21/1:07:13]

I've also observed JPAs exactly as you've described. Where board members are not that engaged, and it's almost an afterthought. It's a response, but it's not the job they applied for, but it's one they got in addition to the one that they applied for. How do you . . . ? You can't guarantee with every district or JPA that you're going to have a very active and engaged board. You can't guarantee that every board member is going to be engaged, but you can try to ensure that the boards that you're on are developing systems to ensure that that board, effective or not, has the information that it needs so that it can be effective. So that's why I wanted to focus on this ecosystem component because internal audit is just a small part of that broader system.

[Slide 14 — Governance Principles Do Not Stop at Valley Water]

George Skiles [56:16–57:22/1:07:13]

But this is where I wanted to get back to the JPAs and discussing, whichever board you're on, right? You're exercising independent judgment and making informed decisions. That's why I wanted to focus on that ecosystem. You're providing oversight, protecting public resources, and fulfilling fiduciary responsibilities as members of the board that you're sitting on. So, right now, Valley Water, when you're sitting on a board of a JPA, serving the interests and fulfilling the fiduciary responsibilities that you're required to on that board and serving the interests of the JPA, and again, this is where you have the three hats problem. . . . This tension I think is natural, but it's one that certainly you, as board members, but many elected officials at the local government level, face as you serve on other boards and need to make decisions that are in the best interests of that particular board, and so I think that's a natural tension.

ATTACHMENT B

Excerpt, Valley Water Board Audit Committee Meeting

July 28, 2026

(slightly edited for context and clarity)

[Item 4.3 — Receive and Discuss Financial Audit Reports for FY 2025 from Valley Water's Joint Powers Authority Partners]

Darin Taylor (CFO) [54:18–55:18/1:29:20]

And then the next one is the San Francisquito Creek JPA. So, in your packet, you'll have five years' worth of reports. So, they played catch up, and we still do not have FY25, but we've got the five years prior to that in your packet, and I do want to point out that in your packet, the auditors, beginning on page 315 of your packet, submitted a letter, a management letter, where they talked about other audit findings or issues, and documented several findings. And you probably saw that in your packet that talked about the absence of the annual audit for several years, deficient accounting department staffing and use of a single general ledger cost center for numerous projects and then issues with computers crashing and that type of thing. And so, we know that the that the JPA has seen this report, and they are working on these things. But I did want to make sure that you all saw that in your packet.