

**COMMISSION OF SILICON VALLEY CLEAN WATER  
JOINT POWERS AUTHORITY  
REGULAR MEETING – Monday, November 18, 2019  
8:00 a.m.**

Pelican Conference Room  
Silicon Valley Clean Water  
1400 Radio Road, 2<sup>nd</sup> Floor  
Redwood City, California

**COMMISSIONERS**

COUNCIL MEMBER ALICIA AGUIRRE, REDWOOD CITY – CHAIR  
BOARD MEMBER GEORGE OTTE, P.E., WEST BAY SANITARY DISTRICT – VICE CHAIR  
MAYOR MARK OLBERT, SAN CARLOS – SECRETARY  
COUNCIL MEMBER WARREN LIEBERMAN, PhD., BELMONT – MEMBER

**MANAGER:** TERESA A. HERRERA

**ATTORNEY FOR THE AUTHORITY:** CHRISTINE C. FITZGERALD

**CONTROLLER:** KIMBRA MCCARTHY

**TREASURER:** MATTHEW ANDERSON

**AMERICANS WITH DISABILITIES ACT**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact SVCW (650) 591-7121. Notification in advance of the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting.

**AGENDA**

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

Any member of the public may address and ask questions of the Chair under this item relating to any matter within the Commission's jurisdiction that does not appear as a separate item on the Agenda. An opportunity will be provided for members of the public to address the Chair and ask questions about any item that is listed on the agenda at the time the Commission considers the item and before action is taken. If you address the Commission on a non-agenda item, please be aware that the Ralph M. Brown Act (Gov. C. § 54950 et seq.)

prohibits the Commission from acting on or discussing such matters at this meeting. Any such item may be referred to staff for a decision with regard to placing it on a future agenda for discussion, action or a report.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment
- B. Manager's Report
- C. Financial Reports
  - 1. Investment Report
  - 2. Quarterly Financial Report (1<sup>st</sup> Quarter FY19-20)
- D. Engineering Projects Status Update
- E. Commission Requested Staff-Level Action Items
- F. RESCU Program Design-Build Project Status Update

6. MATTERS OF COMMISSION MEMBER'S INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR

8. BUSINESS ITEMS

- A. CONSIDERATION OF RESOLUTION APPROVING UPDATE TO SILICON VALLEY CLEAN WATER INVESTMENT POLICY AND GUIDELINES

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION "S" TO ADMINISTRATIVE POLICY 1992-01 ESTABLISHING SILICON VALLEY CLEAN WATER'S INVESTMENT POLICY AND GUIDELINES

- B. CONSIDERATION OF RESOLUTION APPROVING UPDATE TO SILICON VALLEY CLEAN WATER RESERVE FUND POLICY AND PROCEDURES

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION "D" TO ADMINISTRATIVE POLICY 2013-03, "SVCW RESERVE FUND POLICY AND PROCEDURES"

- C. CONSIDERATION OF RESOLUTION DECLARING EXISTENCE OF AN EMERGENCY CONDITION AND APPROVING REPAIR OF ESSENTIAL FACILITIES (DMF FEED PIPE)

Proposed Action:

Move adoption of RESOLUTION DECLARING EXISTENCE OF EMERGENCY CONDITION REQUIRING IMMEDIATE EXPENDITURE OF FUNDS IN FURTHERANCE OF PUBLIC HEALTH, WELFARE AND SAFETY AND APPROVING AND RATIFYING EXECUTION OF CONTRACTS

FOR REPAIR OF ESSENTIAL PUBLIC FACILITIES RELATING THERETO (DMF FEED PIPE)  
(4/5<sup>ths</sup> weighted vote required)

9. CLOSED SESSION

- A. Conference with Legal Counsel – Existing Litigation (Gov't. Code §54956.9(d)(1))  
Re: *Daniel Child v. Silicon Valley Clean Water* (Santa Clara County SC No. 19CV355718)
- B. Conference with Legal Counsel—Anticipated Litigation  
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9 (1 potential case)
- C. Conference with Real Property Negotiators  
Pursuant to Government Code Section 54956.8  
Property Description: 379 Greendale, Redwood City, California  
SVCW Negotiators: SVCW Manager Teresa Herrera  
Negotiating Parties: Ishida  
Under Negotiation: Price and terms
- D. Conference with Real Property Negotiators  
Pursuant to Government Code Section 54956.8  
Property Description: 379 Greendale, Redwood City, California  
SVCW Negotiators: SVCW Manager Teresa Herrera  
Negotiating Parties: Wall  
Under Negotiation: Price and terms

10. RECONVENE IN OPEN SESSION – Announce action taken in Closed Session, if any.

11. ADJOURN

## CONSENT CALENDAR

### **NOTICE TO PUBLIC**

All matters listed under CONSENT CALENDAR are considered to be routine. There may be discussion on items on the CONSENT CALENDAR. All items will be enacted by one motion with a roll call vote unless members of the Commission, staff, or public request specific items be removed from the CONSENT CALENDAR for separate action.

#### 7. A. APPROVAL OF MINUTES – October 21, 2019

- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED OCTOBER 18, 2019 AND NOVEMBER 1, 2019 AND NECESSARY PAYMENTS THROUGH NOVEMBER 1, 2019.

- C. CONSIDERATION OF MOTION APPROVING TASK ORDER SCOPE AND BUDGET FOR NEXINITE DATA DEVELOPMENT AND REPORTING FOR SVCW'S ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE (CIP #9105)

##### Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR DATA AND REPORTING SOLUTIONS ASSOCIATED WITH THE ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE PROJECT (CIP #9105) IN THE AMOUNT NOT TO EXCEED \$173,350 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – NEXINITE LLC

- D. CONSIDERATION OF RESOLUTION APPROVING CONTRACTS FOR CONSTRUCTION OF SAF-MBR RESEARCH FACILITY INFRASTRUCTURE (CIP#9236)

##### Proposed Action:

Move adoption of RESOLUTION APPROVING CONTRACTS FOR CONSTRUCTION OF INFRASTRUCTURE IMPROVEMENTS FOR THE SAF-MBR PILOT RESEARCH PROJECT WITHOUT COMPETITIVE BIDDING FINDING THAT COMPETITIVE BIDDING WOULD BE UNAVAILING, WOULD NOT PRODUCE AN ADVANTAGE AND WOULD NOT BE IN THE PUBLIC INTEREST AND AUTHORIZING SVCW MANAGER TO APPROVE CONSTRUCTION CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE – SHEA PARSONS JOINT VENTURE (\$140,000) AND MORROW MEADOWS (\$140,000)

## AGENDA ITEM 5A

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**SAFETY MOMENT**

Thanksgiving Safety Tips



**Turkey Safety**

1. Buy and Store Carefully
  - Avoid fresh, stuffed turkeys; buy your turkey at least 1-2 days before you cook it, and keep it in the fridge; keep it in the freezer if you've bought it earlier
  - Buy pasture-raised and antibiotic and hormone-free turkeys
2. Defrost Properly
  - Thaw in the refrigerator (every 4-5 lbs. needs one day to thaw)
  - Submerge the turkey (wrapped in leak-proof packaging) in cold water (every 1 lb. needs 30 minutes to thaw) that should be changed every half hour
  - Microwave in a microwave-safe pan, removing any packaging and following the manufacturer's instructions
3. Cook Immediately after Thawing
  - Avoid slow cooking or partially cooking the turkey
  - Cooking temperature should be 165 degrees F at least
  - Opt to cook the stuffing separately
4. Use a thermometer on the innermost part of the thigh and wing, as well as the thickest portion of the breast, to ensure that the turkey is thoroughly cooked
5. Don't carve at once; give the juices time (~20 mins) to settle
6. Keep Clean!
  - Wash your hands with soap and water before and after handling food
  - Keep all surfaces and utensils clean
  - Never handle cooked and raw food together, in order to avoid cross-contamination
  - Keep raw meat away from vegetables or other uncooked food

**Store leftovers properly to eliminate food poisoning**

- When serving, keep hot foods hot and cold foods cold!
- Refrigerate leftovers promptly, no more than two hours after food has been served
- Leftovers are most safely eaten within 3 days, or should otherwise be moved to the freezer
- Store food in shallow containers
- Reheated leftovers should be cooked to 165 degrees F; gravy should be boiled

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## AGENDA ITEM 5B

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Recurring and Upcoming Commission Actions  
Updated for November 2019 Meeting

January	February	March	April
<ul style="list-style-type: none"> <li>Long Range Financial Plan</li> <li>Review &amp; Update Debt Policy</li> </ul>		Budget Workshop	Budget Adoption
May	June	July	August
<ul style="list-style-type: none"> <li>Approve WIFIA Loan and Note Agreements</li> <li>Initiate Manager Performance Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Update Investment Policy</li> <li>Approve Resolution 77-6 "Personnel Resolution"</li> <li>Perform Manager Evaluation</li> <li>Approve WIFIA Agreement Amendment</li> </ul>	Commission Chair, Vice Chair, and Secretary Appointment	Conflict of Interest Update (Biennial; even-numbered years)
September	October	November	December
Review Reserve Funds Policy		<ul style="list-style-type: none"> <li>Approve Reserve Funds Policy and Investment Policy</li> </ul>	<ul style="list-style-type: none"> <li>Commission Meeting schedule for following year</li> <li>Audited Financial Statements</li> <li>Local Limits Public Hearing and Adoption</li> </ul>

 - Recurring Commission Actions

 - Upcoming Commission Actions

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## AGENDA ITEM 5C1

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**Silicon Valley Clean Water Authority  
Cash & Investments Summary Report  
October 31, 2019**

<b>Description</b>	<b>Market Value</b>	<b>% of Total Holdings</b>	<b>Yield</b>
<b><u>Reserve Accounts</u></b>			
Operating Reserve* - Securities	\$ 3,551,177	1.4%	1.82%
Operating Reserve - Money Market Fund Balance	115,995	0.0%	1.64%
CIP Reserve* - Securities	18,906,744	7.3%	1.93%
CIP Reserve - Money Market Fund Balance	318,783	0.1%	1.79%
Stage 2 Capacity Reserve* - Securities	12,725,697	4.9%	1.89%
Stage 2 Capacity Reserve - Money Market Fund Balance	272,530	0.1%	1.79%
<b>Total Market Value: Operating and Reserve Accounts</b>	<b>\$ 35,890,926</b>	<b>13.8%</b>	<b>1.90%</b>
<b>Total Accrued Interest: Operating and Reserve Accounts</b>	<b>183,213</b>		
<b>GRAND TOTAL, OPERATING AND RESERVE ACCOUNTS</b>	<b>\$ 36,074,139</b>		
<b><u>Bond and Notes Accounts</u></b>			
Zions Bank (Trustee)			
2018 Project Fund Account - CAMP	\$ 22,182,249	8.5%	2.00%
2018 Revenue Account - Cash	4,043	0.0%	1.45%
2018 Acquisition Account - Euro for TBM Purchase	1,511,803	0.6%	-
2019A Project Fund Account* - Securities	126,475,703	48.7%	1.71%
2019A Project Fund Account - Money Market Fund	26,781,114	10.3%	1.45%
2019A Cap-I Account* - Securities	27,333,596	10.5%	1.86%
2019A Cap-I Account - Money Market Fund	258,408	0.1%	1.45%
Bank of New York (Trustee)			
2009 Reserve Account - Securities	44	0.0%	1.65%
2009 Revenue FD Account - Money Market Fund 1	11	0.0%	1.66%
2014 Revenue Account	447	0.0%	1.87%
2014 Interest Account - Money Market Fund	13	0.0%	1.96%
2014 Principal Account - Money Market Fund	7	0.0%	1.95%
2014 COI Account - Cash	2	0.0%	
2015 Project Account - Cash	2	0.0%	
2015 Revenue Account	171	0.0%	1.79%
<b>Total Market Value: Bond Proceeds Accounts</b>	<b>\$ 204,547,614</b>	<b>78.7%</b>	<b>1.71%</b>
Accrued Interest: Bond Proceeds Accounts	559,132		
Uninvested Operating Cash (including outstanding checks)	4,657,473	1.8%	-
Local Agency Investment Funds (LAIF) Balance	14,785,036	5.7%	2.19%
<b>Total Cash &amp; Investments</b>	<b>\$ 260,623,394</b>	<b>100.0%</b>	<b>1.74%</b>

Matt Anderson, CPA

Chief Financial Officer / Assistant General Manager

\* Monthly report of security transactions and interest available upon request

**Silicon Valley Clean Water Authority**  
**Cash & Investments Summary Report**  
**October 31, 2019**

- 1. All operating fund accounts are in compliance with SVCW's Investment Policy, and all bond proceeds accounts are in compliance with the relevant bond documents.*
- 2. SVCW has adequate funding levels for more than six months of operations and claim payments, as referenced in CA Code Section 53646.*
- 3. Market valuations for the Operating and Reserve accounts along with the 2018 and 2019A bond proceeds accounts are provided by PFM Asset Management LLC (PFM). Generally, PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFM believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold.*
- 4. Market valuations for the 2009, 2014, and 2015 bond proceeds accounts are provided by Bank of New York Mellon.*
- 5. In accordance with Generally Accepted Accounting Principles (GAAP), month-end holdings and information are reported on a trade date basis.*
- 6. The yields shown for securities portions of the operating and reserve accounts and the 2019A bond proceeds accounts are the yields to maturity at cost.*
- 7. The yield for LAIF is the average monthly effective yield. Source: <https://www.treasurer.ca.gov/pmia->*
- 8. The yields shown for the PFM-managed money market funds are the Yield to Maturity at Cost, and the Yield to Maturity at Market sourced from the respective fund providers' statements. Yields for BNY-managed funds are Market Yields sourced from the respective fund providers' statements.*
- 9. The yield shown for CAMP is the monthly distribution yield.*



**Silicon Valley Clean Water**  
**Operating and Reserve Funds - Sector Allocation & Compliance October 31, 2019**

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,521,044	\$ 4,978,444	\$ 3,624,409	\$ 10,123,897	28.1%	100%	✓	(1.3%)
Federal Agency/GSE	1,634,303	8,510,379	5,583,472	15,728,154	43.6%	100%	✓	(3.6%)
Federal Agency CMO	16,251	1,298,772	792,838	2,107,861	5.8%	100%	✓	3.8%
Federal Agency MBS	4,926	300,916	210,838	516,679	1.4%	100%	✓	1.4%
Municipal	-	99,857	99,857	199,714	0.6%	100%	✓	(0.3%)
Corporate Notes	374,654	3,718,375	2,414,284	6,507,313	18.0%	30%	✓	0.8%
<b>Securities Sub-Total</b>	<b>\$ 3,551,177</b>	<b>\$ 18,906,744</b>	<b>\$ 12,725,697</b>	<b>\$ 35,183,618</b>	<b>97.5%</b>		✓	
Accrued Interest	11,978	105,713	65,522	183,213	0.5%			
<b>Securities Total</b>	<b>\$ 3,563,155</b>	<b>\$ 19,012,457</b>	<b>\$ 12,791,219</b>	<b>\$ 35,366,831</b>	<b>98.0%</b>			
Money Market Fund	115,995	318,783	272,530	707,308	2.0%	20%	✓	(0.9%)
<b>Total Investments</b>	<b>\$ 3,679,150</b>	<b>\$ 19,331,240</b>	<b>\$ 13,063,749</b>	<b>\$ 36,074,139</b>	<b>100%</b>			
<i>As % of 6/30/20 Target:</i>	<i>101%</i>	<i>99%</i>	<i>N/A</i>	<i>N/A</i>				

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## AGENDA ITEM 5C2

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**FINANCE STATUS REPORT****ISSUE**

Review Operating Fund Financial Update as of September 30, 2019. This Update is for the first quarter of the 2019-20 Fiscal Year.

**DISCUSSION**

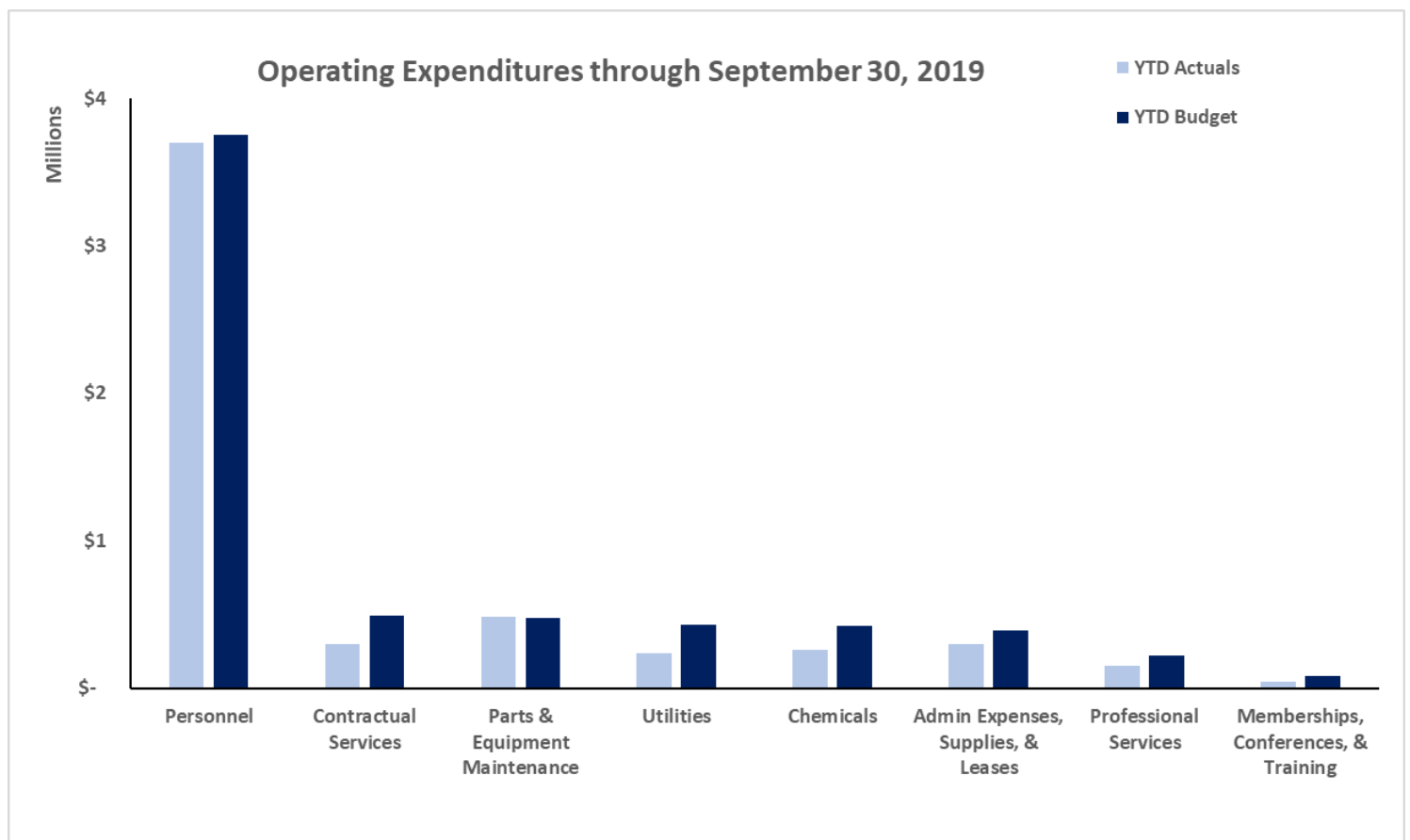
Staff presents to the Commission a financial update each quarter of the fiscal year. The below points highlight key findings found in the attached summary table.

**Revenue:** Year to date, actual revenues were less than budget by \$79 thousand (1.22%), due to timing of billing for stormwater inspection services. This will be remedied by end of the fiscal year. All Member contributions were paid in full and on time.

**Expense:** Through the first quarter operating expenses were \$5.48 million or \$791.8 thousand (12.6%) less than budget. Notable variances include:

- Personnel Expenses were \$58 thousand (1.6%) below budget. Health insurance premiums were less than expected, and staff incurred less overtime than planned.
- Contractual Services Expenses were \$191 thousand (39%) below budget due to timing of services such as solids disposal, tank cleaning, and laboratory analysis.
- Utilities Expense was \$188 thousand (44.2%) below budget. Timing of invoices accounts for \$79 thousand of the favorability (19% of budget). PG&E electricity rates are currently 16% below budgeted rates in the first quarter. Finally, the treatment plant while transferring to a new 12kv power line operated on generator power over six days, which reduced electricity demand by approximately 6%.
- Chemicals Expenses were \$163 thousand (38.6%) below budget. Aside from ordinary seasonality during dry weather (when chemical expense is less), approximately \$100 thousand of chemical expenses was not incurred due to delayed implementation of a new thickening process. Another \$20 thousand in nitrate dosing costs did not occur due to a delay in installing process equipment.
- Admin Expenses, Supplies, and Leases were \$93 thousand (23.9%) below budget due to timing of an operating permit (budgeted in first quarter for \$62 thousand). Additionally, the Laboratory, Safety, Information Services, and Environmental Services divisions generally purchase equipment and supplies later in the Fiscal Year.
- Professional Services Expenses were \$67 thousand (30.5%) below budget as less engineering and information services consulting services have been needed to date.
- Memberships, Conferences, & Training Expenses were \$34 thousand (43.2%) below budget due to the budget being a straight-line budget vs. timing of such charges.

Description	YTD Actuals	YTD Budget	Higher/ (Lower) vs. Budget \$	Higher/ (Lower) vs. Budget %
<b>Revenue:</b>	<b>\$ 6,409,201</b>	<b>\$ 6,488,444</b>	<b>\$ (79,243)</b>	<b>-1.22%</b>
<b>Expenditures:</b>				
Personnel	3,697,311	3,755,727	(58,416)	-1.6%
Contractual Services	298,564	489,690	(191,126)	-39.0%
Parts & Equipment Maintenance	484,877	478,038	6,839	1.4%
Utilities	238,277	426,939	(188,662)	-44.2%
Chemicals	260,698	424,479	(163,781)	-38.6%
Admin Expenses, Supplies, & Leases	299,240	393,046	(93,806)	-23.9%
Professional Services	154,571	222,533	(67,962)	-30.5%
Memberships, Conferences, & Training	45,791	80,643	(34,852)	-43.2%
<b>Total Expenditures:</b>	<b>\$ 5,479,329</b>	<b>\$ 6,271,089</b>	<b>\$ (791,760)</b>	<b>-12.6%</b>



## AGENDA ITEM 5D

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**ENGINEERING REPORT: OCTOBER 2019  
CAPITAL IMPROVEMENT PROGRAM**

**SAF-MBR Pilot (9236):** Build a pilot facility to perform grant-funded demonstrations of energy efficient secondary and tertiary treatment processes.

In 2017, SVCW was awarded a \$2,000,000 grant to create, with Stanford University, a demonstration project for the SAF-MBR (Stage Anaerobic Fluidized-bed Membrane Bio-Reactor) technology. Building upon the work done towards that effort, SVCW has applied for additional grants from the State Water Resources Control Board (SWRCB) and United States Bureau of Reclamation to expand the program to provide information on recycled water and nutrient removal applications. SVCW was awarded a \$350,000 grant from SWRCB through a Proposition 1 Pilot Project Grant.

Planned Commission Actions: Authorize Construction Contracts – November 2019

**RESCU Program (6008, 9501, 9502):** Design and construct conveyance system improvements.

SVCW has awarded progressive design build contracts to Barnard Bessac Joint Venture for the Gravity Pipeline (GP) Project and Shea Parsons Joint Venture for the Front of Plant (FoP) and Pump Stations Improvements (PSI) Projects. These projects are in varying states of design and construction. SVCW staff is tracking potential changes to the work to assure that they are completed within budget.

As reported at the May 2019 Commission meeting, the Bay Area Air Quality Management District's permit requirements required a change in odor control technology that will result in higher project costs. The impact of this change is still being determined and staff will recommend a Contract Change Order in the coming months to address this change.

Additionally, the Gravity Pipeline Project has experienced increased costs due to tariffs that have been announced or increased since the construction amendment was executed. An amendment will be forthcoming to account for those costs.

Planned Commission Actions: Approve Contract Change Order to FoP for Odor Control System – December 2019

Approve Contract Change Order for New Tariffs –  
January 2020

**Capital Improvement Program Update:** Annual Update to the CIP

The CIP is a living document and is updated approximately every year. The last update was adopted by the Commission in November 2018. An update to the CIP is being prepared and will be presented to the Commission in conjunction with the annual

Long-Range Financial Plan which is presented to the Commission and available for member agencies uses in January of each year.

Planned Commission Actions: Adopt 2020 CIP Update – January 2020

**Thickening Improvements – Phase 1 (9168):** Procure and install two rotary drum thickeners to thicken primary sludge.

At the March 2017 meeting, the Commission authorized purchase of two rotary drum thickeners to replace the Gravity Thickeners which are well beyond their useful lives. The rotary drum thickeners will thicken primary sludge before it enters the digesters and will be used for future recuperative thickening of the digester contents to improve digester volatile solids destruction resulting in increased digester gas production. In September 2017 Overaa Construction was awarded the construction contract to install the thickeners.

After an extended startup and commissioning process, the construction contract is nearly complete.

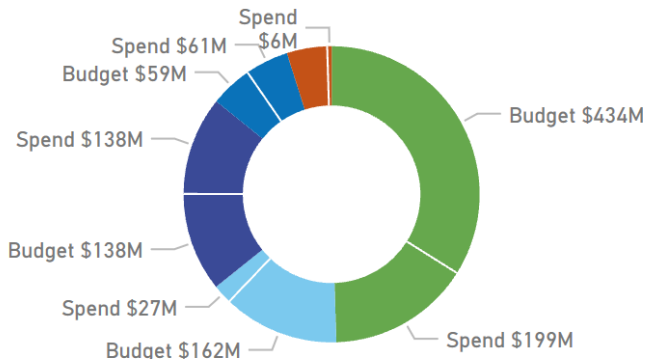
Planned Commission Actions: Accept Project/File Notice of Completion – January 2020

# CIP Spend Analysis

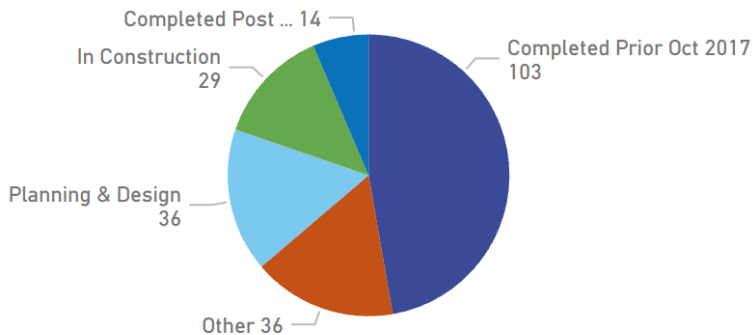
Project Phase	Project Count	2018 CIP Budget	Actual Spend	Remaining	% Unspent
Completed Prior Oct 2017	103	\$138,103,158	\$137,687,994	\$415,164	0.30%
Completed Post Oct 2017	14	\$58,806,039	\$60,548,113	\$-1,742,075	-2.96%
In Construction	29	\$434,311,619	\$199,338,572	\$234,973,047	54.10%
Planning & Design	36	\$161,982,232	\$27,106,050	\$134,876,182	83.27%
Other	36	\$56,363,374	\$6,145,658	\$50,217,715	89.10%
Total	218	\$849,566,422	\$430,826,387	\$418,740,035	49.29%



Budget and Spend by Project Phase



ProjectCount by Project Phase



This report is a snapshot of CIP spending and displays the cost of projects as they evolve from un-initiated to completed. Within each phase, actual expenditures is compared to the 2018 CIP Budget Plan to arrive at dollars remaining.

"Planning/Design" budget values are not fully encumbered and therefore not meant for comparison to actual expenditures. Only upon completion of the planning and design phase will project budget and actual expenditures be recategorized to "In Construction" and a good measure of budget adherence.

"In Construction" dollar values reflect encumbrances (Budget) and expenditures (Actual Spent to date); comparing these numbers describes budget adherence.

"Other" phase includes projects that are administrative in nature (e.g. SRF loan expenses, Insurance, etc) and/or projects that have not been initiated.

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## AGENDA ITEM 5E

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**Silicon Valley Clean Water**  
**Commissioners' Requested Action Items**

**NOVEMBER 18, 2019**  
**AGENDA ITEM 5E**

Updated: 11/03/2019

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
10/21/2019	1	Research video recording meetings	N/A		✓			Reach out to Menlo Park FD and Town of Atherton regarding video recording meetings.
	2	Change information on financial reports and RESCU updates	N/A			✓	11/03/2019	On financial reserves report, add comparison of reserves collected to policy targets. On RESCU report, add information on change orders issued on projects.
9/16/2019	1	Research viability of videoing meetings	10/21/2019			✓	10/21/2019	An agenda item was added to the agenda and discussion ensued. Further research was requested.
	2	Review necessity for roll call vote on agenda items	10/21/2019			✓	9/18/2019	Roll call votes are not necessary.
8/19/2019	1	Nepotism and Fraternization Policy	9/16/2019			✓	9/5/2019	Review member agencies' policies and compare with proposed. Item was brought back to Commission in September.
	2	Recycled Water Facilities	N/A			✓	8/23/2019	Review payment for facilities repair with RWC. Per the agreement, repairs are RWC's responsibility.
7/15/2019	1	No new items at this meeting						
6/17/2019	1	No new items at this meeting						Direction provided to Counsel and staff re: closed session items only
5/20/2019	1	Send Updated Agenda Item 5E				✓	5/20/2019	The incorrect version was included in the agenda packet. A corrected version was emailed to Commissioners on 5/20/19.
	2	Days Since Last Incident Sign - Pelican Board Room				✓	7/15/2019	The sign is on display in Pelican Room
4/15/2019	1	Maple Street Development	N/A	✓				SVCW and RWC staff coordinating efforts and messages to developer to protect mutual and exclusive interests.
3/18/2019	1	Emergency Declaration	4/15/2019			✓	4/10/2019	Ratified emergency declaration at April meeting
2/25/2019		No new items at this meeting						Direction provided to Counsel and staff re: closed session items only
1/28/2019		No new items at this meeting						

**Silicon Valley Clean Water**  
**Commissioners' Requested Action Items**

**NOVEMBER 18, 2019**  
**AGENDA ITEM 5E**

Updated: 11/03/2019

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
12/6/2018	1	Private property easements: keep Commission apprised if/when impasse during easement negotiations	2/25/2019			✓	6/28/2019	Easements for the two private property owners have been obtained without need for eminent domain.
11/8/2018	1	Draft Letter to County Manager for Commissioner Chair Signature	11/9/2018			✓	11/8/2018	Letter related to intended use of existing 48-in Force Main after Gravity Pipeline is put into use.
> One Year	1	8E - JPA Amendment; re-initiate "clean up" to JPA	N/A		✓			Make required and requested changes to the JPA a priority. Comments received; Manager to begin working on consolidation.
	2	When SVCW can begin exporting power to grid, make public for positive public relations standpoint	N/A		✓			While the 12kV switchgear is ready to export power, the contract with P.G.&E. and documentation with CA Energy Commission will not be complete until April 2020. Public notice will be prepared and distributed when appropriate.
	3	Project delay costs	N/A	✓			Ongoing	Inform Commission of any potential delays that could add time and costs to projects they have authorized.
	4	Connection Fees	NA		✓			Additional plant capacity evaluation is underway to ensure proper flow numbers are used in the calculations. Will be incorporated into upcoming JPA changes.



## AGENDA ITEM 5F

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Overview



RESCU Program describes eleven projects which constitute full replacement and rehabilitation of SVCW's conveyance system. RESCU includes the Gravity Pipeline, Front of Plant, Pump Stations, and Belmont Force Main projects. The Front of Plant includes six and Pump Stations includes four of the eleven projects. The Conveyance System Improvements Environmental Impact Report completed and adopted by the SVCW Commission in April 2017 covers work to be done under all the RESCU Program projects.

Available Budget

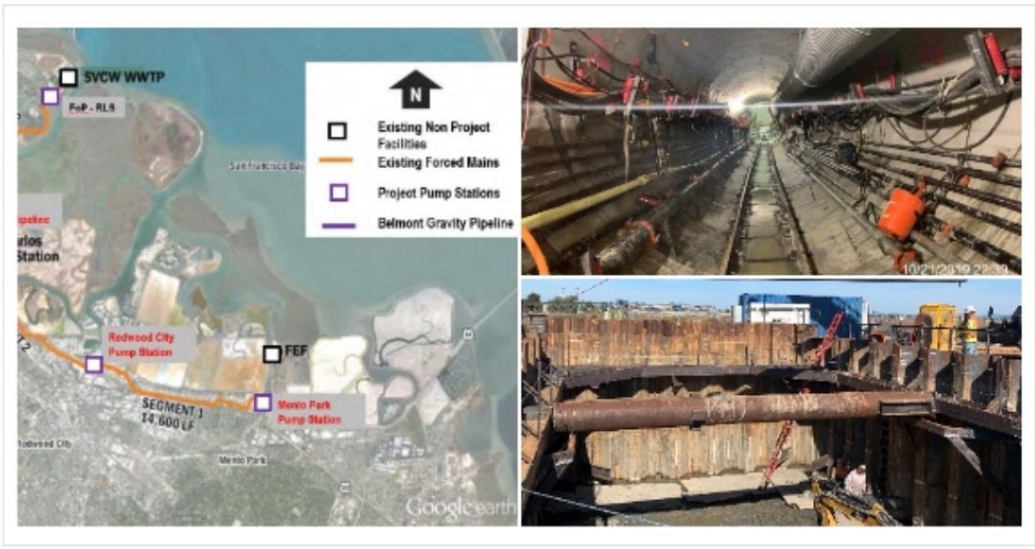
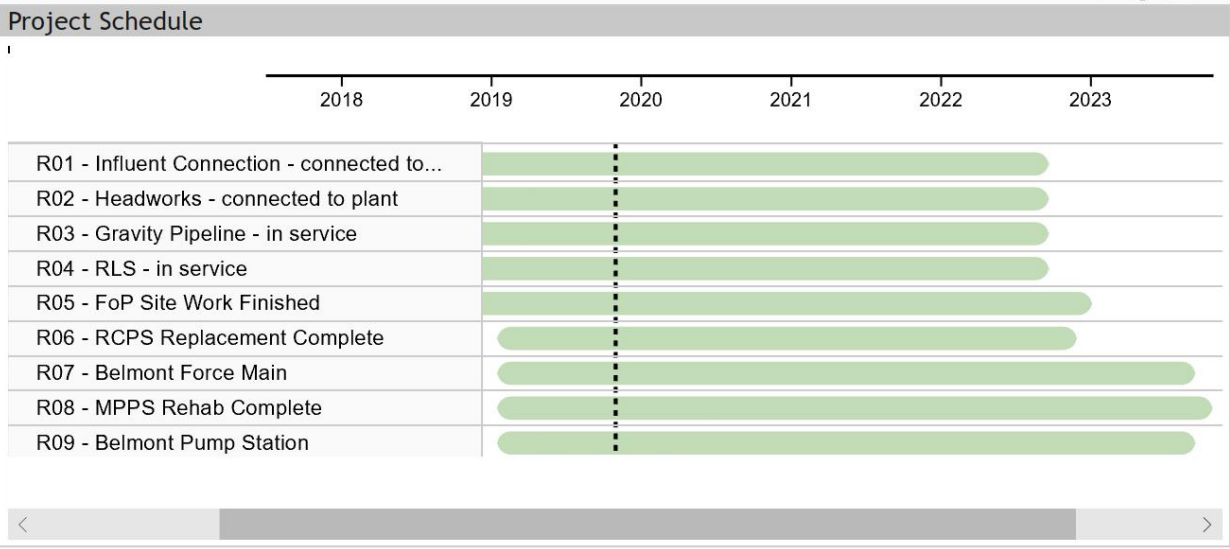
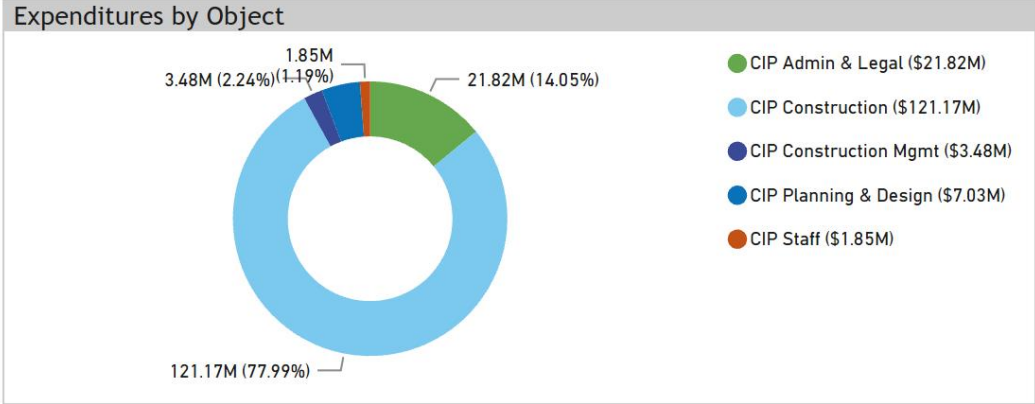
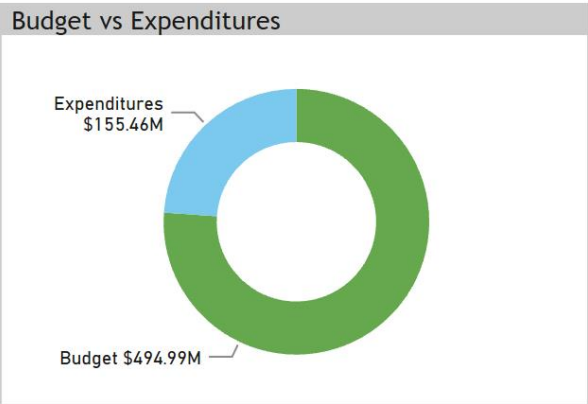
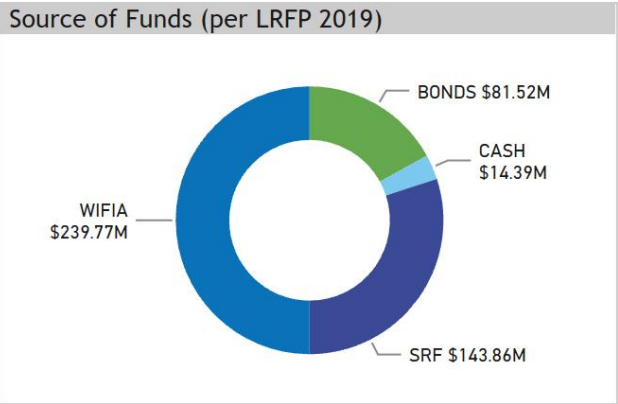
\$494.99M

Total Expenditure

\$155.46M

Remaining Budget

\$339.52M





# Front of Plant Progressive DB Project



The Front of Plant (FoP) Project consists of the design, construction, permitting, start-up, commissioning, and final acceptance for the Receiving Lift Station (RLS), Surge and Flow Splitter (SFS), Headworks Facility, Odor Control Facilities, Influent Connector Pipe, Storage and Chemical Offload Facilities, Civil site work, Emergency Overflow pipe to storage basin and related process support systems. Work is being implemented under a Progressive Design-Build procurement process in stages.

Available Budget

\$137.81M

Total Expenditure

\$56.59M

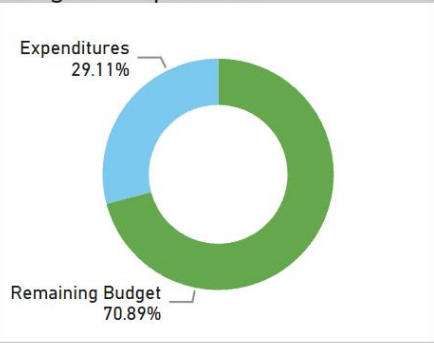
Remaining Budget

\$81.21M

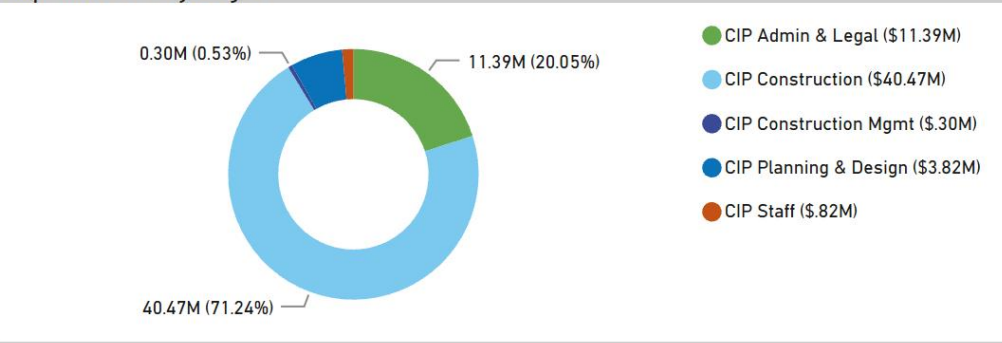
## Milestone Schedule

	Start	Finish
95 Percent (%) Design Documents	10/27/2019	11/1/2019
Stage 2C - RLS Shaft Construction	10/11/2018	2/25/2020
Headworks Completed/Early Start-Up	12/6/2018	10/24/2021
SFS/RLS Operational	12/6/2018	8/28/2022
Stage 2D - Balance of Stage 2 Work Final Completion	12/6/2018	10/20/2022

## Budget vs Expenditures



## Expenditures by Object



## Construction KPIs

31.55%  
% Complete

29.22%  
% Expenditures

As of : 2019 - 11



## Major Accomplishments this Period

Design	<ul style="list-style-type: none"> <li>- SPJV reissued the 95% design package.</li> <li>- SVCW reviewed asset tagging setforth by SPJV for compliance with SVCW's standards. SPJV to use tagging in their startup and testing plan.</li> <li>- SPJV to reissue the 95% design package and control narrative next month with the finalized asset tags.</li> <li>- Continued development of the odor control system and grit removal/washer systems as they relate to the FoP control narratives</li> </ul>
Procurement of Trade Packages	<ul style="list-style-type: none"> <li>- SPJV provided submittals for the grit pumps, magnetic flow meters, air and vacuum relief valves, and the Duperon barscreens/washer compactor for review.</li> <li>- SPJV is finalizing submittals of other major equipment (slide gates, bulkhead, elevator, VFDs, piping, odor control, HVAC) with preferred manufacturers for submission</li> <li>- WIFIA and SRF requirements compliance for trade packages are in progress</li> <li>- SPJV executed contracts with multiple subcontractors for upcoming work</li> </ul>
Construction	<ul style="list-style-type: none"> <li>- Completed placement of 12 of 29 wall panels for the Headworks Facility</li> <li>- Completed mass excavation of the RLS</li> <li>- Began mass excavation of the SFS</li> </ul>

## Potential Issues

Change order for odor control system.  
Credit for the deletion of the chemical storage system.  
New County/Local Sales Tax

## 3 - Month Look Ahead

	Start	End	November	December	January
Installation of Elevation 115' Walls	October 3, 2019	December 13, 2019	X	X	
RLS and SFS Concrete Base Slab Work	October 22, 2019	January 7, 2020	X	X	X
RLS and SFS Excavation Work	July 22, 2019	November 21, 2019	X		

## Project Changes

No project change orders at this time

## Safety Spot Light

Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0



# Gravity Pipeline Progressive DB Project



The Gravity Pipeline (GP) Project consists of the design, construction, permitting, start-up, commissioning, and closeout of approximately 17,600 feet of wastewater gravity FRP pipe inside a concrete-segment tunnel. The work includes three shafts and will interface directly with the Front of Plant (FoP) Project at the Surge & Flow Shaft (SFS). Work is being implemented under a Progressive Design-Build procurement process.

Available Budget

\$253.25M

Total Expenditure

\$94.95M

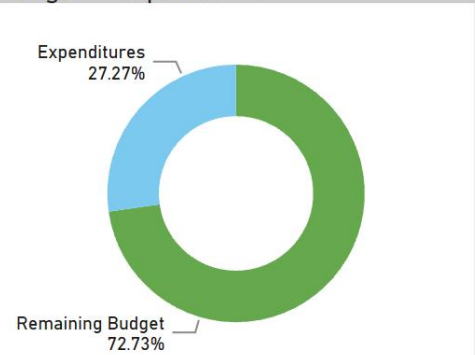
Remaining Budget

\$158.31M

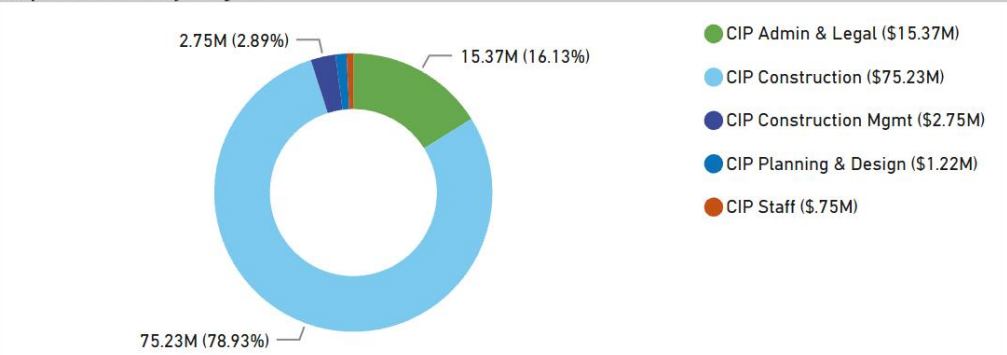
## Milestone Schedule

	Start	Finish
100% Design Documents		4/6/2020
Bair Island Shaft Construction	6/24/2019	2/14/2020
TBM Drive (AAS to Bair Island)	9/17/2019	6/26/2020
San Carlos Shaft Construction	6/4/2020	2/7/2022
TBM Drive (AAS to SFS)	9/1/2020	10/18/2021
FRP Pipe Installation	8/18/2021	5/10/2022
Final Commissioning		7/1/2022

## Budget vs Expenditures



## Expenditures by Object



## Construction KPIs

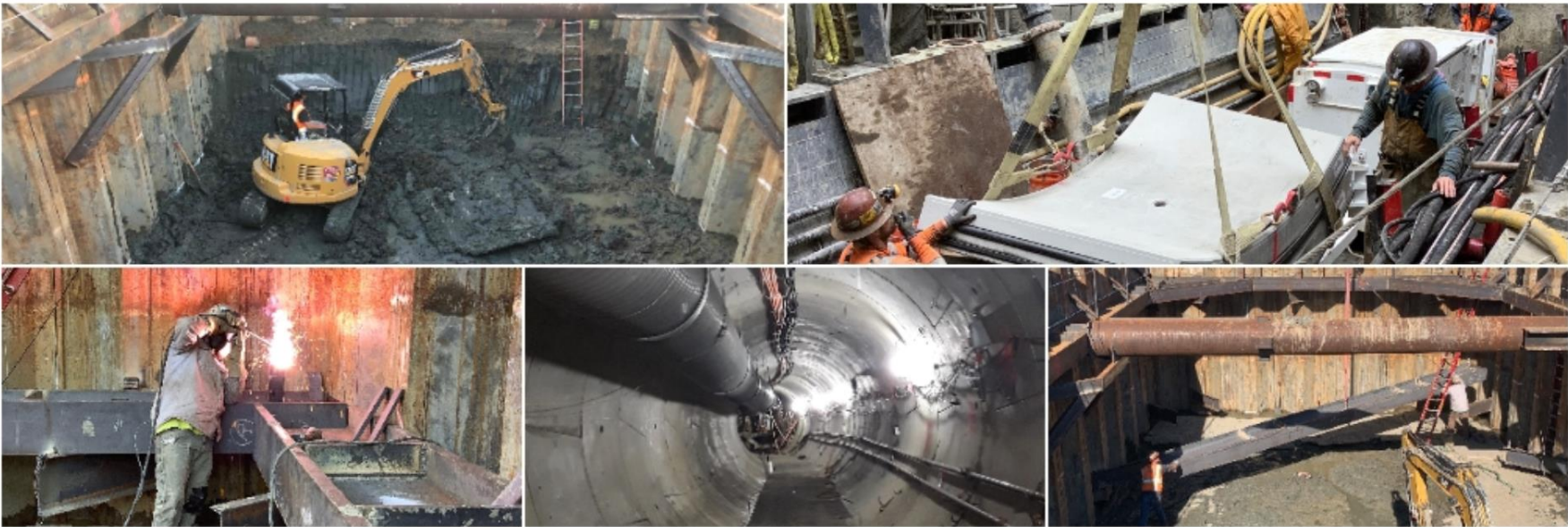
33.33%

% Complete

30.00%

% Expenditures

As of : 2019 - 11





Major Accomplishments this Period	
▼	
Design	<div>- Issued for Construction Specifications under development</div> <div>- 60% Design for San Carlos and Bair Island connecting pipework/inlets was submitted and under review</div>
Procurement of Trade Packages	<div>- Pipe Storage contract executed</div> <div>- Outreach in conformance with SRF and WIFIA funding requirements</div>
Construction	<div>- BBJV completed the first stage of TBM assembly in tunnel and constructed 49 rings (245 LF)</div> <div>- BBJV excavated to level 2 of the Bair Island Shaft</div>

Potential Issues
County Permits and Easements.
New County Sales Tax
Tarrifs on Chinese Steel

3 - Month Look Ahead					
	Start	End	November	December	January
100% Design Completion	August 10, 2018	March 11, 2020	X	X	X
Bair Island Shaft Excavation	September 30, 2019	November 26, 2019	X		
First Shipment of FRP Pipe	November 15, 2019	December 25, 2019	X	X	
Launch TBM for Bair Island Drive	September 17, 2019	May 8, 2020	X	X	X

Project Changes
No project change orders at this time

Safety Spot Light	
Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0



# Pump Stations



All SVCW pump stations require replacement or rehabilitation. Menlo Park PS will be rehabilitated. Redwood City PS will be replaced. Belmont PS will be rehabilitated. San Carlos PS is no longer needed due to the new gravity pipeline; flows from San Carlos and Belmont will enter into the gravity pipeline via a drop structure at the current San Carlos pump station site. Flows from the MPPS and RCPS will flow through the new 48-inch force main to a drop structure at Inner Bair Island. This project also includes replacement of the Belmont Force Main and will be implemented via a Progressive Design-Build Process.

Available Budget

\$103.93M

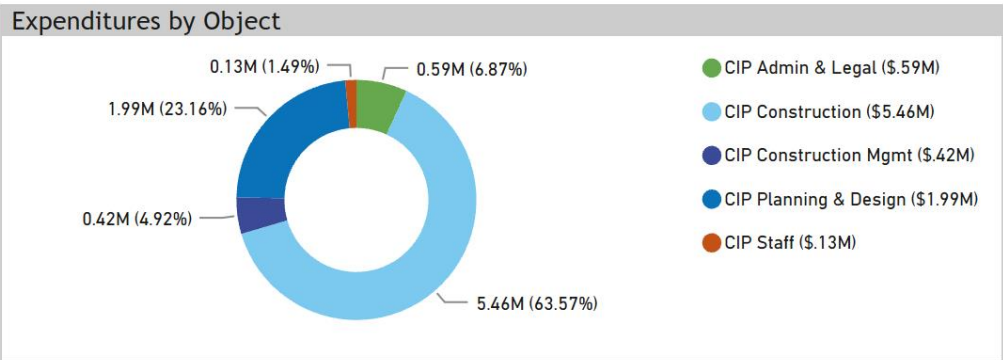
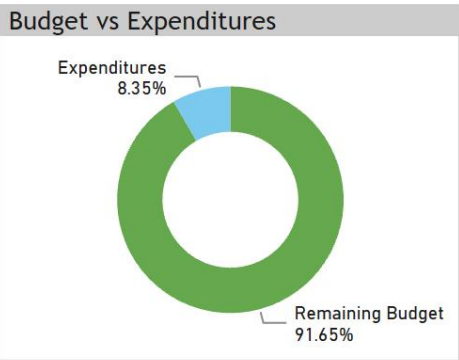
Total Expenditure

\$9.66M

Remaining Budget

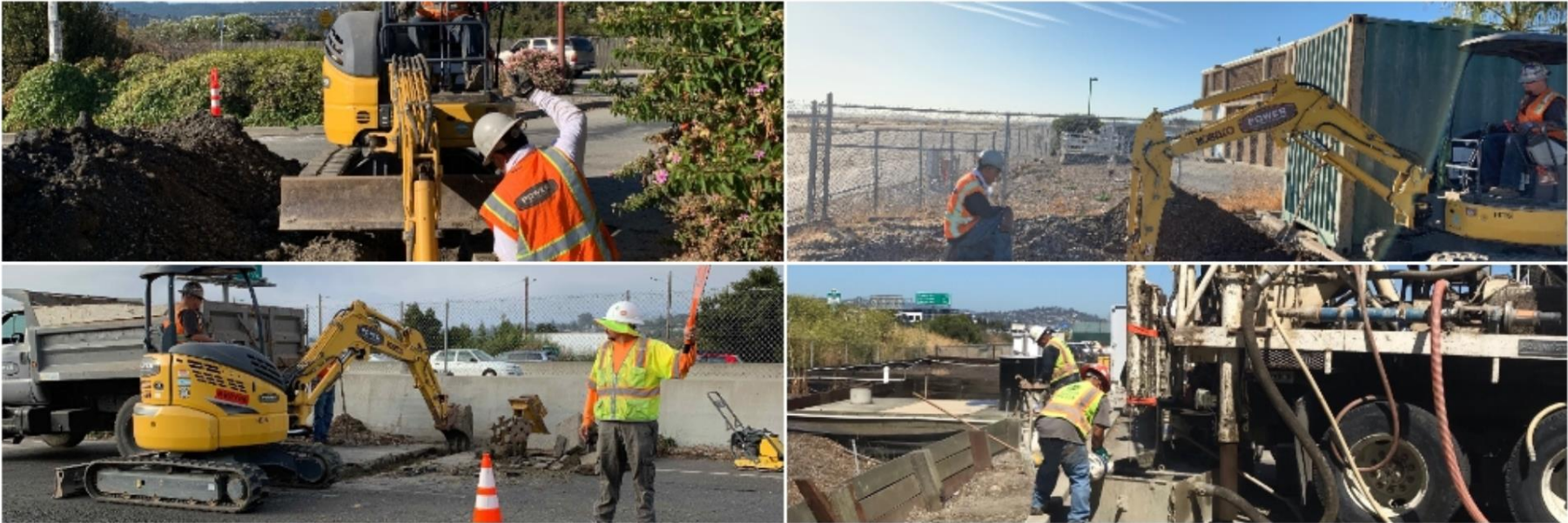
\$94.46M

Milestone Schedule		
	Start	Finish
PSI Project Procurement process approved by Commission	7/13/2018	7/13/2018
Recommend Award of DB Agreement to Commission	2/25/2019	2/25/2019
Basis of Design Report (BODR)	7/1/2019	10/7/2019
30 Percent (%) Design Documents	7/2/2019	9/19/2019
60 Percent (%) Design Documents	8/19/2019	12/9/2019
Stage 1 Services Complete		1/17/2019



Phase 2 is scheduled to start on 1/20/2020.

No % Complete or % Expenditures available at this time.





## Major Accomplishments this Period

- Design
- MPPS Rehab and Belmont Gravity Pipeline 60% designs is under review by SVCW.
  - RCPS 60% design is in development by SPJV.
  - Ongoing coordination with GP project.
  - Potholing for utility-locating completed at proposed CARV replacement locations along the Segment 1 Force Main was completed.
  - Signifcant work on EIR update this period (Belmont PS replaced with Gravity Pipe) EIR update to be completed November.

## Potential Issues

No issues to note for this period.

## 3 - Month Look Ahead

	Start	End	November	December	January
60% Design Package	August 19, 2019	December 9, 2019	X	X	
BIM Model Development, Analysis, and Support	October 8, 2019	January 20, 2020	X	X	X
BODR & 30% Design Documents	May 24, 2019	December 9, 2019	X	X	
Control Strategy / Narratives Development	May 23, 2019	November 15, 2019	X		
Cost Modeling Development and Estimates	May 3, 2019	December 13, 2019	X	X	
Design & Construction Phasing Plan	May 27, 2019	November 15, 2019	X		
Modeling	May 24, 2019	December 3, 2019	X	X	
P&ID, Master Equipment & I/O List Development	July 2, 2019	November 15, 2019	X		
Permitting & Public Outreach Support	February 28, 2019	January 20, 2020	X	X	X
Preliminary Staffing & Staff Training Plan	October 9, 2019	November 1, 2019	X		
Preliminary Startup, Testing and Acceptance Plan	September 30, 2019	December 6, 2019	X	X	
Proposed Stage 2 Amendment	December 16, 2019	January 20, 2020		X	X

## Project Changes

No project change orders at this time

## Safety Spot Light

Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0

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## AGENDA ITEM 7A

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**MINUTES OF SILICON VALLEY CLEAN WATER  
REGULAR MEETING – October 21, 2019  
8:00 a.m.**

**ITEM 1**

**CALL TO ORDER**

The meeting was called to order at 8:00 a.m.

**ITEM 2**

**ROLL CALL - Commissioners Duly Appointed by Each Agency**

Council Member Alicia Aguirre, Redwood City - Chair  
Board Member George Otte, P.E., West Bay Sanitary District – Vice Chair  
Mayor Mark Olbert, Mayor, San Carlos – Secretary  
Council Member Warren Lieberman, PhD., Belmont

**Staff, Consultants and Visitors Present**

Teresa A. Herrera, SVCW Manager  
Christine C. Fitzgerald, SVCW Legal Counsel  
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager  
Kim Hackett, SVCW Authority Engineer  
Arvind Akela, SVCW Engineering Director  
Jessica Mangual, SVCW Secretary Pro Temp  
Derek Rampone, City of Redwood City  
Theresa Yee, City of Redwood City  
Aren Hansen, Brown & Caldwell  
Jim Lewis, member of the public

**ITEM 3**

**PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was recited by those in attendance.

**ITEM 4**

**PUBLIC COMMENT**

Public comment was deferred to after Agenda Item 8A as it related to Agenda Item 8B.

Chair, Alicia Aguirre, informed the Commissioners that due to a previous commitment she would have to leave the meeting early and, therefore, moved that the Closed Session be held first after which Vice Chair, George Otte, would take over Chairing the meeting in Ms. Aguirre's absence.

**Motion/Second: Mr. Lieberman / Mr. Olbert**

The Motion carried by Unanimous Vote

**ITEM 9A**  
CLOSED SESSION

Closed Session was called to order at 8:02 a.m.

**ITEM 10**  
RECONVENE FROM CLOSED SESSION

Open Session reconvened at 8:20 a.m.

As to Closed Session Item 9A, the Commission unanimously voted to defend the legal action entitled Daniel Child vs Silicon Valley Clean Water. The case is a Reverse Public Records Act action in which the plaintiff seeks to prevent disclosure of certain records under the California Public Records Act.

**ITEM 5A THROUGH ITEM 5F**  
SAFETY MOMENT AND REPORTS

Before the Safety Moment was presented, it was noted that SVCW has gone 275 days without a reportable safety incident; this is a record for SVCW.

This month's Safety Moment concerned tips for Autumn home maintenance.

The Manager's Report included updates on the sale of the Greendale house and the SRF loan. The Commissioners were informed that SVCW's Holiday Potluck Luncheon will be on Wednesday, December 11, 2019, and invitations will be distributed soon.

The Financial Reports were given after which questions from the Commissioners were addressed. Information will be added on the financial reports to note where reserves stand in relation to targets set by policy.

There was no further discussion on the Engineering Projects Status Update or Commission-requested action items. On the RESCU report, information related to change order amounts will be added to future reports.

**ITEM 6**  
MATTERS OF COMMISSION MEMBER'S INTEREST

There were no comments.

**ITEM 7**  
CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR ITEMS 7A THROUGH 7G

A. APPROVAL OF MINUTES – September 16, 2019

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED AUGUST 26, 2019, AUGUST 30, 2019, SEPTEMBER 6, 2019 AND SEPTEMBER 20, 2019 AND NECESSARY PAYMENTS THROUGH SEPTEMBER 20, 2019

C. CONSIDERATION OF RESOLUTION AMENDING MASTER SERVICES AGREEMENT FOR RGM AND ASSOCIATES

Proposed Action:

Move adoption of RESOLUTION CONSENTING TO ASSIGNMENT OF MASTER SERVICES AGREEMENT FOR PROFESSIONAL CONSULTING SERVICES – RGM KRAMER INC.

D. CONSIDERATION OF RESOLUTION APPROVING AGREEMENT FOR GRANT FUNDING THROUGH THE STATE WATER RESOURCES CONTROL BOARD

Proposed Action:

Move adoption of RESOLUTION AUTHORIZING MANAGER TO NEGOTIATE AND EXECUTE AGREEMENTS WITH THE STATE WATER RESOURCES CONTROL BOARD, STANFORD UNIVERSITY, AND RELATED CONTRIBUTORS FOR CONSTRUCTION OF SKID SCALE NUTRIENT REMOVAL AND WATER REUSE TECHNOLOGY IN A PILOT PLANT

E. CONSIDERATION OF MOTION APPROVING TASK ORDER SCOPE AND BUDGET FOR KENNEDY/JENKS ENGINEERING DESIGN SERVICES FOR THE PRIMARY EFFLUENT CHANNEL PROTECTIVE COATING, HATCH, AND LAUNDER REPLACEMENT PROJECT (CIP #9014)

Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR DESIGN SERVICES RELATED TO THE PRIMARY EFFLUENT CHANNEL PROTECTIVE COATING, HATCH, AND LAUNDER REPLACEMENT PROJECT (CIP# 9014) IN THE AMOUNT NOT TO EXCEED \$238,790 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS CONSULTANTS

F. CONSIDERATION OF RESOLUTION APPROVING CONTRACT CHANGE ORDERS TO TWO RESCU PROJECTS: GRAVITY PIPELINE AND FRONT OF PLANT

Proposed Action:

Move adoption of RESOLUTION AUTHORIZING THE SILICON VALLEY CLEAN WATER MANAGER TO APPROVE CONTRACT CHANGE ORDERS FOR THE GRAVITY PIPELINE PROJECT AND FRONT OF PLANT PROJECT IN AN AMOUNT NOT TO EXCEED \$900,000 SUBJECT TO CONFIRMATION OF ACTUAL COSTS UPON PROJECTS' COMPLETIONS

G. CONSIDERATION OF MOTION APPROVING TASK ORDER SCOPE AND BUDGET FOR KENNEDY/JENKS ENGINEERING SERVICES FOR THE REDWOOD CITY 1548 MAPLE STREET DEVELOPMENT PROJECT

Proposed Action:

Move approval of TASK ORDER SCOPE AND BUDGET FOR ENGINEERING SERVICES DURING THE 1548 MAPLE STREET DEVELOPMENT IN THE AMOUNT NOT TO EXCEED \$99,188 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY/JENKS CONSULTANTS

**Motion/Second: Mr. Lieberman / Mr. Olbert**

The Motion carried by Unanimous Vote

**ITEM 8A**

CONSIDERATION OF MOTIONS APPROVING TASK ORDER SCOPES AND BUDGETS TO BEECHER ENGINEERING AND BROWN AND CALDWELL ENGINEERING DESIGN SERVICES FOR THE STANDBY GENERATORS FEED RELOCATION AND ELECTRICAL PANEL UPGRADES (CIP #9033, 9807)

Proposed Actions:

- i. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ELECTRICAL ENGINEERING DESIGN SERVICES RELATED TO THE STANDBY GENERATORS FEED RELOCATION AND ELECTRICAL PANEL UPGRADES (CIP #9033, 9807) IN THE AMOUNT NOT TO EXCEED \$149,040 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BEECHER ENGINEERING
- ii. Move approval of TASK ORDER SCOPE WORK AND BUDGET FOR STRUCTURAL AND CIVIL ENGINEERING DESIGN SERVICES RELATED TO THE STANDBY GENERATORS FEED RELOCATION AND ELECTRICAL PANEL UPGRADES (CIP #9033, 9807) IN THE AMOUNT NOT TO EXCEED \$121,579 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BROWN AND CALDWELL

**Motion/Second: Mr. Olbert / Mr. Lieberman**

The Motion carried by Unanimous Vote

**ITEM 8B**

DISCUSS VIDEO RECORDING SVCW COMMISSION MEETINGS

Mr. Jim Lewis, a member of the public, commented on video-recording Commission meetings. He suggested that if SVCW decided not to video record the meetings, the audio recordings could be placed on the SVCW website.

Proposed Action:

Discuss and provide direction regarding video recording of SVCW Commission meetings.



Staff researched member agencies' and other Bay Area wastewater agencies' practices and the recommendation is not to implement video recording; if the Commission chooses, the audio could be placed onto the website.

A Motion was made to video record Commission meetings

**Motion/Second: Mr. Olbert / There being no Second**, it was decided to continue this discussion at a future meeting when Ms. Aguirre was in attendance.

A Motion was made to post the audio on the website.

**Motion/Second: Mr. Olbert / Mr. Lieberman**

The Motion carried by Unanimous Vote

The Commission requested that the Manager talk with Town of Atherton and Menlo Park Fire District as these were brought up as examples of video recording for reasonable cost.

#### **ITEM 11**

#### **ADJOURN**

There being no further business, the meeting adjourned at 8:58 a.m.

Minutes prepared by Teresa A. Herrera  
Reviewed by General Counsel

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Mark Olbert, Secretary

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## AGENDA ITEM 7B

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**SVCW WARRANT REGISTER**

SVCW Warrant Register dated October 8, 2019 – October 22, 2019 and October 23, 2019 – November 5, 2019, were scanned and a copy was emailed to Commissioners and Legal Counsel on November 12, 2019.

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## AGENDA ITEM 7C

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**ENTERPRISE RESOURCE PLANNING (ERP) PROJECT (CIP #9105)  
DATA DEVELOPMENT AND REPORTING SOLUTIONS**

ISSUE

Approve Task Order Scope and Budget for Nexinite LLC Data Development and Reporting for SVCW's Enterprise Resource Planning (ERP) Software (CIP #9105)

BACKGROUND

In July 2017 SVCW's Commission authorized staff to acquire and implement a new ERP software solution. Since that time staff have implemented two phases of the work; the financial module and the maintenance work order module. The third and final phase of the ERP project is to migrate payroll processing activities and deepen data and reporting services.

DISCUSSION

SVCW partners with consultants who help develop solutions to easily retrieve data and generate meaningful reports that facilitate decision-making. The firm of Nexinite LLC (Nexinite) specializes in Information Technology assessments and strategy development for public organizations. For the past two years, Nexinite has provided solutions to facilitate efficient communication and collaboration amongst multiple SVCW staff/consultant/contractor teams associated with the Regional Environmental Sewer Conveyance Upgrade (RESCU) Program. Nexinite also provides analysis and reporting services to track and manage the RESCU program budgets, schedules, and cashflow requirements, which range in value from tens to hundreds of millions of dollars.

To fulfill SVCW's need for ERP data consolidation and reporting, Nexinite recommends Microsoft Power BI, a Business Intelligence solution that enables currently-siloed software packages with their respective datasets to be extracted into a Common Data Services (CDS) solution for a variety of business reasons. Power BI has been implemented broadly by other public and private entities and is a standard of business operations and optimization.

Under this project, Nexinite will develop a Power BI platform to extract, load and transform SVCW data into a centralized business data repository, from which staff can create required reports and implement business applications. These reports include mandatory capital expenditure information owed to the U.S. Environmental Protection Agency associated with the WIFIA loan. Separately, Nexinite will use CDS tools to develop a new time and attendance application that works with the final payroll processor solutions.

Staff has negotiated a scope of work and budget with Nexinite for the work efforts described above in an amount not to exceed \$173,350. Work will take place over a six-month period.

FINANCIAL IMPACT

Work under this task order will be funded from CIP #9105, Enterprise Resource Planning Software Implementation, which has an allocated budget of \$2.56 Million. To date, \$1.97

Million has been expended. The proposed scope of work and budget is within the project's allocated budget.

RECOMMENDATION

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR DATA AND REPORTING SOLUTIONS ASSOCIATED WITH THE ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE PROJECT (CIP #9105) IN THE AMOUNT NOT TO EXCEED \$173,350 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – NEXINITE LLC

## AGENDA ITEM 7D

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**CONSTRUCTION OF SAF-MBR RESEARCH PILOT FACILITY (CIP #9236)**

**ISSUE**

Contracting for Construction of SAF-MBR Research Facility Infrastructure (CIP #9236)

**BACKGROUND**

SVCW spends significant money for electricity purchase and has been striving over the past eleven years to reach higher energy efficiencies for all agency facilities. With the focus towards energy efficiency, especially given future stricter treatment standards, staff is constantly looking for better technologies and operational parameters to reduce SVCW's energy bills. Additionally, SVCW is in the process of evaluating nutrient removal treatment strategies to address upcoming effluent restrictions by the San Francisco Regional Water Quality Control Board.

In Spring 2017, SVCW received a \$2 million grant from the California Energy Commission (CEC) to partner with Stanford University on "Advancing Water and Energy Efficient Strategies and Technologies". A process known as the Staged Anaerobic Fluidized-bed Membrane Bio-Reactor (SAF-MBR) is an anaerobic (without air) secondary treatment mechanism. For over one hundred years, secondary treatment has been performed aerobically (with air) and is one of the greatest energy demands in wastewater treatment. SAF-MBR may offer an alternative to conventional treatment, in turn reducing the high energy demands of aerobic treatment.

In addition to the CEC grant, SVCW received up to \$350,000 for reimbursable construction costs funded through the State Water Resources Control Board Proposition 1 program.

**DISCUSSION**

This project is being undertaken for the purposes of research in collaboration with an academic institution. Although the results may yield new technologies that could lead to future improvements to the sewer treatment process, this is fundamentally a research project. There will not be improvements to or rehabilitation of the existing SVCW treatment facility due to this work, though future projects may be impacted by the results and outcome of this research.

SVCW's commitment to CEC, the State Board, and Stanford University is to provide a site and infrastructure for the pilot research facility. Infrastructure is comprised of a concrete pad, process piping, process tank, and associated electrical and instrumentation cabling. Construction began in 2018 and is in the final stages of completion with operational startup anticipated in January 2020.

The complexity and interactions of this program with the suppliers donating equipment, Stanford University, SVCW, State Board, and the CEC creates a situation that limits the ability to bid the required work. Staff, working with SVCW Legal Counsel, has determined that this work requires expert mechanical and electrical/instrumentation work, and bidding the work could jeopardize the value for the public interest in completing the work to the

required standards. The work is a pilot project for research purpose and thereby qualifies to be excluded from the public bidding process to obtain the best value for the public interest.

SVCW staff developed a Scope of Work and negotiated costs with Shea Parsons Joint Venture (SPJV) and Morrow-Meadows (MM) for mechanical and electrical construction work, respectively. These firms are known to have the requisite skills needed to complete the construction of the infrastructure to the required standards. The two contractors have agreed to perform the work on a time and expense basis for not-to-exceed amounts of \$140,000 and \$140,000 for SPJV and MM respectively.

#### FINANCIAL IMPACT

Construction expenditures in the amount of \$280,000 are reimbursable from the California Energy Commission through grant EPC-16-017. In addition to the CEC grant, additional grant funding of \$350,000 is reimbursable from State Water Resources Control Board. No additional funding approval is being requested.

#### RECOMMENDATION

Move adoption of RESOLUTION APPROVING CONTRACTS FOR CONSTRUCTION OF INFRASTRUCTURE IMPROVEMENTS FOR THE SAF-MBR PILOT RESEARCH PROJECT WITHOUT COMPETITIVE BIDDING FINDING THAT COMPETITIVE BIDDING WOULD BE UNAVAILING, WOULD NOT PRODUCE AN ADVANTAGE AND WOULD NOT BE IN THE PUBLIC INTEREST AND AUTHORIZING SVCW MANAGER TO APPROVE CONSTRUCTION CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE – SHEA PARSONS JOINT VENTURE (\$140,000) AND MORROW MEADOWS (\$140,000)

## AGENDA ITEM 8A

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## SILICON VALLEY CLEAN WATER INVESTMENT POLICY AND GUIDELINES

### ISSUE

Review and update Silicon Valley Clean Water Investment Policy and Guidelines

### BACKGROUND

In July 1992, SVCW adopted an Investment Policy and Guidelines (Policy No. 1992-01, or “the Investment Policy”) to formally guide the investment of all surplus funds not required for immediate use by SVCW. All investments of funds are governed by California Government Code Section 53600, et seq and by SVCW’s Investment Policy. The Investment Policy serves as a strategic guide for planning, implementation, and oversight of investments.

### DISCUSSION

The Investment Policy requires annual Commission review and approval of changes proposed by staff. Policy No. 1992-01 was last updated as Revision R at the Commission meeting of June 17, 2019. Those changes added specificity regarding pertinent government codes, incorporated standard industry practices, and clarified the role of PFM as investment advisor.

Staff proposes additional amendments as shown in the attached “redline” version of the policy. A “clean” copy with changes accepted is also attached. Staff recommends certain qualifying criteria for selection of investment advisors. Other recommendations regarding permitted investment sectors are recommended by PFM and supported by staff. These changes will expand permitted investment language to include investment sectors as permitted by California Government Code. These sectors include Commercial Paper, Negotiable Certificates of Deposit (CDs), Asset-Backed Securities, and Supranationals.

Adding investment sectors will diversify SVCW’s investment portfolio, which is meant to balance between risk and return over time. This item was discussed with the Members’ finance and technical staff on October 15, 2019, with suggestions that the policy emphasize the importance of capital preservation. PFM and the Chief Financial Officer incorporated Members’ suggestions into the proposed amendments to expand permitted investment allocations as follows:

Sector	Gov’t Code Max Permitted Allocation	SVCW’s Current Max Allocation Sector / Issuer	Recomm. Max. Allocation Sector / Issuer	SVCW’s Current Rating Required	Recomm. Rating Required
Commercial Paper	25%	0%	15% / 5%	N/A	A-1 / P-1 / F-1
Negotiable CDs	30%	0%	15% / 5%	N/A	A / A-1
Asset-Backed Securities	20%	0%	10% / 5%	N/A	AAA
Supranationals	30%	0%	15% / 15%	N/A	AA

Staff will present detail supporting the recommendation at the Commission meeting.

Staff also proposes re-designating the policy as a Commission-level policy rather than an administrative or management level policy to draw the distinction between policies that are established by the Commission and those that are established under the Manager's administrative authority.

#### FINANCIAL IMPACT

The proposed changes to the Investment Policy will enable SVCW's investment advisor, PFM, to diversify the investment portfolio and potentially improve long-term returns with the fundamental objective of preserving principal. There is no direct cost to the proposed changes.

#### RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION "S" TO ADMINISTRATIVE POLICY 1992-01 ESTABLISHING SILICON VALLEY CLEAN WATER'S INVESTMENT POLICY AND GUIDELINES

**"REDLINE VERSION"**

**ADMINISTRATIVE COMMISSION POLICY NO. 1992-01**

Approved by: \_\_\_\_\_

Rev: **RS**

Rev Date: **116/187/19**

Issue Date: 7/20/92

Approved by the SVCW Commission at the Meeting held on **November 18June 17, 2019** by Resolution No. SVCW **19-XX**

**SUBJECT: Silicon Valley Clean Water Investment Policy and Guidelines**

**PURPOSE:**

The purpose of this Investment Policy (the "Policy") is to establish the investment policy and guidelines to be followed in the investment of all Silicon Valley Clean Water ("SVCW" or the "Authority") surplus funds not required for immediate use by SVCW. All investment of such surplus monies is governed by California Government Code Section (CGC) 53600, et seq. and by the Policy.

To the extent possible, all money belonging to or in the custody of SVCW required for the immediate use of the Authority shall be deposited for safekeeping pursuant to relevant CGC sections, including Sections 53635.2, 53637-53645 and 53649.

**SCOPE:**

This Policy applies to all funds and investment activities of the Authority except the investment of bond proceeds, which are governed by the appropriate bond documents, and any pension or other post-employment benefit funds held in a trust.

**RESPONSIBILITIES:**

The Chief Financial Officer (CFO) shall have the responsibility of investing all Authority surplus funds in accordance with this Policy, providing regular investment reports to the Commission (as described in more detail in Section X of this Policy), and allocating interest to each fund.

The SVCW Commission shall have the responsibility of annually reviewing the Investment Policy and Guidelines and approving proposed changes.

**POLICY:**

**I. INTRODUCTION**

Authority monies not required for immediate expenditure will be invested in compliance with governing provisions of law, the Joint Exercise of Powers Agreement establishing the Authority and this Policy.

Funds of the Authority will be invested in accordance with California Government Code Sections 53601 through 53686 and with sound treasury management.

Investments will be made in a range of instruments to ensure diversification of the Authority's portfolio and liquidity of assets.

## II. STANDARD OF CARE

**Prudence:** All investments shall be made within the policy framework of liquidity and safety with the judgment and care which a prudent and intelligent person would, under circumstances then prevailing (including, but not limited to, the general economic conditions and the anticipated needs of SVCW), exercise in the management of his/her affairs. The standard of prudence to be used by investment officials will be the “prudent investor” standard, which states that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

**Ethics:** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with reporting requirements of applicable state laws including annual filing of Statements of Economic Interest.

## III. OBJECTIVES      The primary investment objectives of this policy in order of priorities are:

**Safety:** Safety of the principal shall be the top priority in consideration of any investment undertaken by the CFO. The portfolio shall be so diversified that the losses, if any, on particular securities shall be offset by the revenue generated from other investments. The Authority’s portfolio shall be actively managed. Therefore, securities may be sold prior to maturity if doing so would better align the portfolio with its selected performance benchmark, and/or increase the earnings potential or credit quality of the portfolio. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

**Credit risk:** Defined as the loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the Authority's capital base and cash flow. In the event of a downgrade in credit after the date of purchase to a level below the minimum credit standards provided in the California Government Code, the CFO or his/her designee shall advise the Commission of the change at or before the next regular meeting. If the Authority has retained the services of an Investment Advisor, the Investment Advisor will notify the CFO of such a downgrade and will recommend a plan of action.

**Market risk:** Defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations, thereby limiting the need to sell securities prior to maturity.

**Liquidity:** The CFO shall keep the portfolio sufficiently liquid to meet the operating and capital needs of the Authority which can be reasonably anticipated from his/her experience of the Authority's operations and adopted budget. S/he shall also review the various construction and other contracts the Authority has entered into to anticipate the cash needs.

**Return on Investment:** Within the safety and liquidity constraints imposed by law and [the AuthoritySVCW](#)'s own safety objective and cash flow requirements, the investment portfolio shall be designed to attain the market rate of return.

#### **IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY**

The CFO shall have the authority to invest the funds of the Authority.

The CFO may delegate day-to-day investment decision-making and execution authority to an investment advisor. [Such investment advisor must have not less than five years' experience managing public agency funds subject to California Government Code and must have total public agency assets under management nationwide of at least \\$10 billion.](#) The rights and responsibilities delegated to an investment advisor must be in a written agreement. The investment advisor shall make all investment decisions and transactions in accordance with California Government Code and this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO and approved by the SVCW Commission.

Investments of Authority monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by Section 53601, et seq. of the California Government Code for the investment of public funds, except those expressly prohibited by this policy.

#### **V. CASH FLOW AND AVAILABILITY**

An amount equal to two weeks' cash flow requirements is to be maintained in immediately available investments, such as the State Treasurer's Local Agency Investment Fund, money market funds, or similar liquid instruments.

#### **VI. ACCEPTABLE INVESTMENT INSTRUMENTS**

All investments must be made in accordance with this policy and the State of California Government Code Section 53600, et seq. In the case of a discrepancy between this Policy and California Government Code Section 53600, et seq., the more stringent requirements shall apply.

The Authority will limit investments in any one issuer except for obligations of the U.S. Treasury, U.S. federal agencies, U.S. government-sponsored enterprises, U.S. instrumentalities, and pooled funds (e.g., money market funds, local government investment pools, and LAIF) to no more than 5%, regardless of security type.

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

The Commission may, as part of a bond issuance, direct or authorize staff to invest bond proceeds in investment instruments authorized by the California Government Code that are not contained within this policy.

The Authority's investment portfolio may include the following instruments:

1. **U.S. Treasury Obligations.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **U.S. Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. **California State and Local Agency Obligations.** Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by ~~two~~a Nationally Recognized Statistical Rating Organizations ("NRSROs"). Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.
4. **Other State Obligations.** Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by an NRSRO. Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.

No more than 30% of the Authority's portfolio may be invested in California State and Local Agency Obligations (subsection 3 above) and Other State Obligations, collectively.

- 4.5. **Medium-Term Notes.** Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S. medium-term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.
- 5.6. **Bank Deposits.** Funds may be deposited in federally-insured or collateralized bank deposits to include, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive deposits from the Authority, the financial institution must be located in California and comply with the requirements listed in Government Code Section 53630 et. seq. The CFO, at his/her discretion, may waive the collateralization requirements for any portion that is insured by the Federal Deposit Insurance Corporation or by the National Credit Union Administration. The Authority shall have a signed agreement with any depository accepting Authority funds per Government Code Section 53649. The final maturity of time deposits may not exceed five years. There is no limit on the percentage of the Authority's portfolio that may be invested in bank deposits. However, a maximum of 50% of the Authority's portfolio may be invested in time deposits.
- 6.7. **State of California's Local Agency Investment Fund (LAIF).** The State Treasurer established LAIF for the benefit of local agencies. The Authority may invest up to the maximum amount permitted by the State Treasurer.

**7.8. Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either:

- Attain the highest ranking letter or numerical rating provided by not less than two of the three largest NRSROs *or*
- Have an Investment Advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000).

No more than 20% of the Authority's portfolio may be invested in money market funds.

**8.9. Shares of a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive, of Government Code Section 53601. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:

- 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*
- 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*
- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

**10. Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

- 1) The entity meets the following criteria:
  - a. Is organized and operating in the United States as a general corporation;
  - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
  - c. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
- 2) The entity meets the following criteria:
  - (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
  - (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 15% of the Authority's portfolio may be invested in commercial paper.



**11. Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The legislative body of the Authority and the treasurer or other officials of the Authority having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, a person with investment decision making authority employed by the investment advisor, if so engaged, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Eligible negotiable certificates of deposit shall have a maximum remaining maturity of five years or less and shall be rated in a rating category of "A" for long-term, "A-1" for short-term, their equivalent, or better by an NRSRO.

No more than 15% of Authority's portfolio may be invested in negotiable certificates of deposit.

**12. Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AAA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than 10% of the Authority's portfolio may be invested in these asset-backed securities.

**13. Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

No more than 15% of the Authority's portfolio may be invested in these specific supranational obligations.

## **VII. PROHIBITED INVESTMENTS**

The Authority shall not invest any funds in Repurchase Agreements (REPOS) or Reverse Repurchase Agreements (REVERSE REPOS). The Authority shall not purchase or sell securities on margin or invest in financial futures/financial options.

## **VIII. MAXIMUM MATURITY OF INVESTMENTS**

Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3,



and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less. This change to the investment program was authorized at the June 17, 2019 meeting of the SVCW Commission.

#### **IX. BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

The CFO, or his/her designee, will maintain a list of financial dealers and institutions qualified and authorized to transact business with the Authority.

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The CFO shall annually send a copy of the current Investment Policy to all financial institutions and broker/dealers approved to do business with the Authority. Written confirmation of receipt of this Policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this Investment Policy. Moreover, the Authority will execute an agreement with any broker/dealer prior to doing business with such.

If the Authority has retained the services of an Investment Advisor, the Investment Advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Authority.

Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, whenever possible.

#### **X. REPORTS TO COMMISSION**

On a quarterly basis, the CFO shall provide to the Commission a detailed investment report that shall include the following information: description of investment instrument, issuer name, maturity date, credit rating, interest rate, yield, purchase price, par value, book value, current market value and the source of the valuation. This report shall also state compliance of the portfolio with this Investment Policy, or manner in which the portfolio is not in compliance. The CFO shall also provide a list of monthly investment transactions.

#### **XI. PERFORMANCE EVALUATION**

The Authority's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration similar to that of the the Authority's portfolio(s), against which portfolio performance shall be compared on a regular basis.

## **XII. INTEREST ALLOCATION**

Quarterly interest is to be allocated to each fund using the average rate of return and based on the average monthly cash balance for each fund. Residual interest earned will remain in the operations fund.

Funds with a negative cash balance will be charged interest using the average rate of return.

The Authority will further allocate the interest earned for each fund by entity. The interest earnings will be allocated based on the average monthly balance of each entity. The beginning balances for each entity will be taken from the audited financial statements of the previous year.

## **XIII. SAFEKEEPING OF SECURITIES**

All marketable securities owned by the Authority shall be held in safekeeping by a third-party administrator (custody bank or trust department) acting as agent for the Authority under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

## **XIV. INTERNAL CONTROL**

The CFO is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the Authority are protected from loss, theft, or misuse. A CFO's office staff member who is not involved in the purchase of investments, wire transfers, or maintaining the general ledger shall be assigned the responsibility of reviewing and reconciling the monthly reports received from the investment advisor and custody bank. This review shall include, but not be limited to, reconciling the listing and amounts of each investment position and transaction.

COMMISSION POLICY NO. 1992-01

Approved by: \_\_\_\_\_

Rev: S

Rev Date: 11/18/19

Issue Date: 7/20/92

Approved by the SVCW Commission at the Meeting held on November 18, 2019 by Resolution No. SVCW 19-41

**SUBJECT:** Silicon Valley Clean Water Investment Policy and Guidelines

**PURPOSE:**

The purpose of this Investment Policy (the "Policy") is to establish the investment policy and guidelines to be followed in the investment of all Silicon Valley Clean Water ("SVCW" or the "Authority") surplus funds not required for immediate use by SVCW. All investment of such surplus monies is governed by California Government Code Section (CGC) 53600, et seq. and by the Policy.

To the extent possible, all money belonging to or in the custody of SVCW required for the immediate use of the Authority shall be deposited for safekeeping pursuant to relevant CGC sections, including Sections 53635.2, 53637-53645 and 53649.

**SCOPE:**

This Policy applies to all funds and investment activities of the Authority except the investment of bond proceeds, which are governed by the appropriate bond documents, and any pension or other post-employment benefit funds held in a trust.

**RESPONSIBILITIES:**

The Chief Financial Officer (CFO) shall have the responsibility of investing all Authority surplus funds in accordance with this Policy, providing regular investment reports to the Commission (as described in more detail in Section X of this Policy), and allocating interest to each fund.

The SVCW Commission shall have the responsibility of annually reviewing the Investment Policy and Guidelines and approving proposed changes.

**POLICY:**

**I. INTRODUCTION**

Authority monies not required for immediate expenditure will be invested in compliance with governing provisions of law, the Joint Exercise of Powers Agreement establishing the Authority and this Policy.

Funds of the Authority will be invested in accordance with California Government Code Sections 53601 through 53686 and with sound treasury management.

Investments will be made in a range of instruments to ensure diversification of the Authority's portfolio and liquidity of assets.

**II. STANDARD OF CARE**

**Prudence:** All investments shall be made within the policy framework of liquidity and safety with the judgment and care which a prudent and intelligent person would, under circumstances then prevailing (including, but not limited to, the general economic conditions and the anticipated needs of SVCW), exercise in the management of his/her affairs. The standard of prudence to be used by investment officials will be the “prudent investor” standard, which states that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

**Ethics:** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with reporting requirements of applicable state laws including annual filing of Statements of Economic Interest.

### **III. OBJECTIVES**     The primary investment objectives of this policy in order of priorities are:

**Safety:** Safety of the principal shall be the top priority in consideration of any investment undertaken by the CFO. The portfolio shall be so diversified that the losses, if any, on particular securities shall be offset by the revenue generated from other investments. The Authority’s portfolio shall be actively managed. Therefore, securities may be sold prior to maturity if doing so would better align the portfolio with its selected performance benchmark, and/or increase the earnings potential or credit quality of the portfolio. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

**Credit risk:** Defined as the loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the Authority's capital base and cash flow. In the event of a downgrade in credit after the date of purchase to a level below the minimum credit standards provided in the California Government Code, the CFO or his/her designee shall advise the Commission of the change at or before the next regular meeting. If the Authority has retained the services of an Investment Advisor, the Investment Advisor will notify the CFO of such a downgrade and will recommend a plan of action.

**Market risk:** Defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations, thereby limiting the need to sell securities prior to maturity.

**Liquidity:** The CFO shall keep the portfolio sufficiently liquid to meet the operating and capital needs of the Authority which can be reasonably anticipated from his/her experience of the Authority's operations and adopted budget. S/he shall also review the various construction and other contracts the Authority has entered into to anticipate the cash needs.

**Return on Investment:** Within the safety and liquidity constraints imposed by law and the Authority's own safety objective and cash flow requirements, the investment portfolio shall be designed to attain the market rate of return.

#### **IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY**

The CFO shall have the authority to invest the funds of the Authority.

The CFO may delegate day-to-day investment decision-making and execution authority to an investment advisor. Such investment advisor must have not less than five years' experience managing public agency funds subject to California Government Code and must have total public agency assets under management nationwide of at least \$10 billion. The rights and responsibilities delegated to an investment advisor must be in a written agreement. The investment advisor shall make all investment decisions and transactions in accordance with California Government Code and this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO and approved by the SVCW Commission.

Investments of Authority monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by Section 53601, et seq. of the California Government Code for the investment of public funds, except those expressly prohibited by this policy.

#### **V. CASH FLOW AND AVAILABILITY**

An amount equal to two weeks' cash flow requirements is to be maintained in immediately available investments, such as the State Treasurer's Local Agency Investment Fund, money market funds, or similar liquid instruments.

#### **VI. ACCEPTABLE INVESTMENT INSTRUMENTS**

All investments must be made in accordance with this policy and the State of California Government Code Section 53600, et seq. In the case of a discrepancy between this Policy and California Government Code Section 53600, et seq., the more stringent requirements shall apply.

The Authority will limit investments in any one issuer except for obligations of the U.S. Treasury, U.S. federal agencies, U.S. government-sponsored enterprises, U.S. instrumentalities, and pooled funds (e.g., money market funds, local government investment pools, and LAIF) to no more than 5%, regardless of security type.

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

The Commission may, as part of a bond issuance, direct or authorize staff to invest bond proceeds in investment instruments authorized by the California Government Code that are not contained within this policy.

The Authority's investment portfolio may include the following instruments:

1. **U.S. Treasury Obligations.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **U.S. Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully

guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. **California State and Local Agency Obligations.** Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by a Nationally Recognized Statistical Rating Organizations ("NRSRO"). Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.
4. **Other State Obligations.** Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by an NRSRO. Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.

No more than 30% of the Authority's portfolio may be invested in California State and Local Agency Obligations (subsection 3 above) and Other State Obligations, collectively.

5. **Medium-Term Notes.** Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S. medium-term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.
6. **Bank Deposits.** Funds may be deposited in federally-insured or collateralized bank deposits to include, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive deposits from the Authority, the financial institution must be located in California and comply with the requirements listed in Government Code Section 53630 et. seq. The CFO, at his/her discretion, may waive the collateralization requirements for any portion that is insured by the Federal Deposit Insurance Corporation or by the National Credit Union Administration. The Authority shall have a signed agreement with any depository accepting Authority funds per Government Code Section 53649. The final maturity of time deposits may not exceed five years. There is no limit on the percentage of the Authority's portfolio that may be invested in bank deposits. However, a maximum of 50% of the Authority's portfolio may be invested in time deposits.
7. **State of California's Local Agency Investment Fund (LAIF).** The State Treasurer established LAIF for the benefit of local agencies. The Authority may invest up to the maximum amount permitted by the State Treasurer.
8. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange

Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either:

- Attain the highest ranking letter or numerical rating provided by not less than two of the three largest NRSROs *or*
- Have an Investment Advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000).

No more than 20% of the Authority's portfolio may be invested in money market funds.

9. **Shares of a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive, of Government Code Section 53601. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:

- 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*
- 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*
- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

10. **Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

- 1) The entity meets the following criteria:
  - a. Is organized and operating in the United States as a general corporation;
  - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
  - c. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
- 2) The entity meets the following criteria:
  - (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
  - (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 15% of the Authority's portfolio may be invested in commercial paper.

11. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-

licensed branch of a foreign bank. The legislative body of the Authority and the treasurer or other officials of the Authority having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, a person with investment decision making authority employed by the investment advisor, if so engaged, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Eligible negotiable certificates of deposit shall have a maximum remaining maturity of five years or less and shall be rated in a rating category of "A" for long-term, "A-1" for short-term, their equivalent, or better by an NRSRO.

No more than 15% of Authority's portfolio may be invested in negotiable certificates of deposit.

12. **Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AAA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than 10% of the Authority's portfolio may be invested in these asset-backed securities.

13. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

No more than 15% of the Authority's portfolio may be invested in these specific supranational obligations.

## **VII. PROHIBITED INVESTMENTS**

The Authority shall not invest any funds in Repurchase Agreements (REPOS) or Reverse Repurchase Agreements (REVERSE REPOS). The Authority shall not purchase or sell securities on margin or invest in financial futures/financial options.

## **VIII. MAXIMUM MATURITY OF INVESTMENTS**

Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3, and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of



purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less. This change to the investment program was authorized at the June 17, 2019 meeting of the SVCW Commission.

#### **IX. BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

The CFO, or his/her designee, will maintain a list of financial dealers and institutions qualified and authorized to transact business with the Authority.

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The CFO shall annually send a copy of the current Investment Policy to all financial institutions and broker/dealers approved to do business with the Authority. Written confirmation of receipt of this Policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this Investment Policy. Moreover, the Authority will execute an agreement with any broker/dealer prior to doing business with such.

If the Authority has retained the services of an Investment Advisor, the Investment Advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Authority.

Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, whenever possible.

#### **X. REPORTS TO COMMISSION**

On a quarterly basis, the CFO shall provide to the Commission a detailed investment report that shall include the following information: description of investment instrument, issuer name, maturity date, credit rating, interest rate, yield, purchase price, par value, book value, current market value and the source of the valuation. This report shall also state compliance of the portfolio with this Investment Policy, or manner in which the portfolio is not in compliance. The CFO shall also provide a list of monthly investment transactions.

#### **XI. PERFORMANCE EVALUATION**

The Authority's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration similar to that of the the Authority's portfolio(s), against which portfolio performance shall be compared on a regular basis.

#### **XII. INTEREST ALLOCATION**

Quarterly interest is to be allocated to each fund using the average rate of return and based on the average monthly cash balance for each fund. Residual interest earned will remain in the operations fund.

Funds with a negative cash balance will be charged interest using the average rate of return.

The Authority will further allocate the interest earned for each fund by entity. The interest earnings will be allocated based on the average monthly balance of each entity. The beginning balances for each entity will be taken from the audited financial statements of the previous year.

### **XIII. SAFEKEEPING OF SECURITIES**

All marketable securities owned by the Authority shall be held in safekeeping by a third-party administrator (custody bank or trust department) acting as agent for the Authority under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

### **XIV. INTERNAL CONTROL**

The CFO is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the Authority are protected from loss, theft, or misuse. A CFO's office staff member who is not involved in the purchase of investments, wire transfers, or maintaining the general ledger shall be assigned the responsibility of reviewing and reconciling the monthly reports received from the investment advisor and custody bank. This review shall include, but not be limited to, reconciling the listing and amounts of each investment position and transaction.

## AGENDA ITEM 8B

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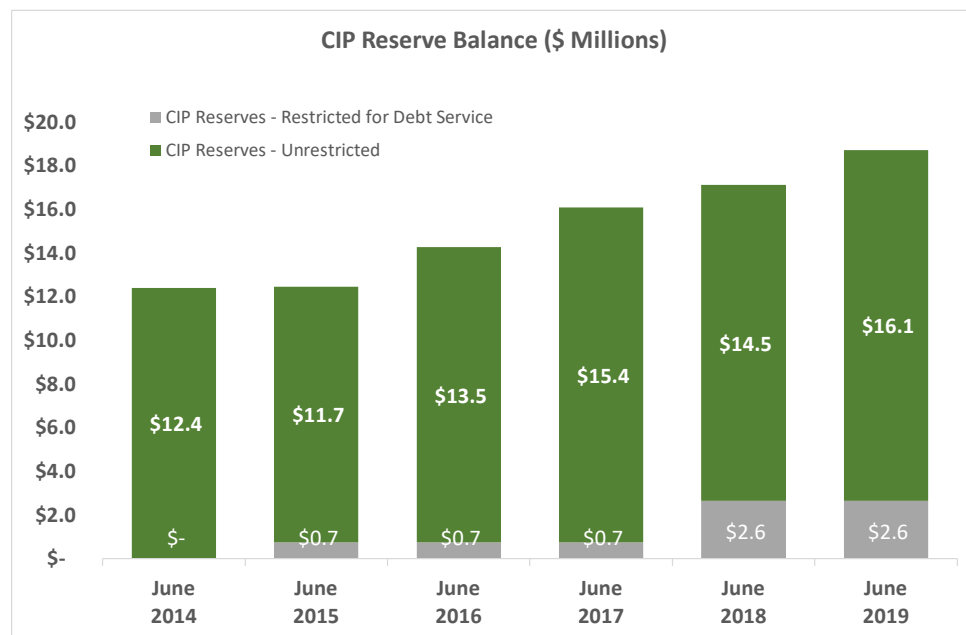
## SILICON VALLEY CLEAN WATER RESERVE FUND POLICY AND PROCEDURES

### ISSUE

Authorize amendments to Silicon Valley Clean Water (SVCW) Administrative Policy No. 2013-03 regarding SVCW Reserve Fund Policy and Procedures (“Reserve Fund Policy”)

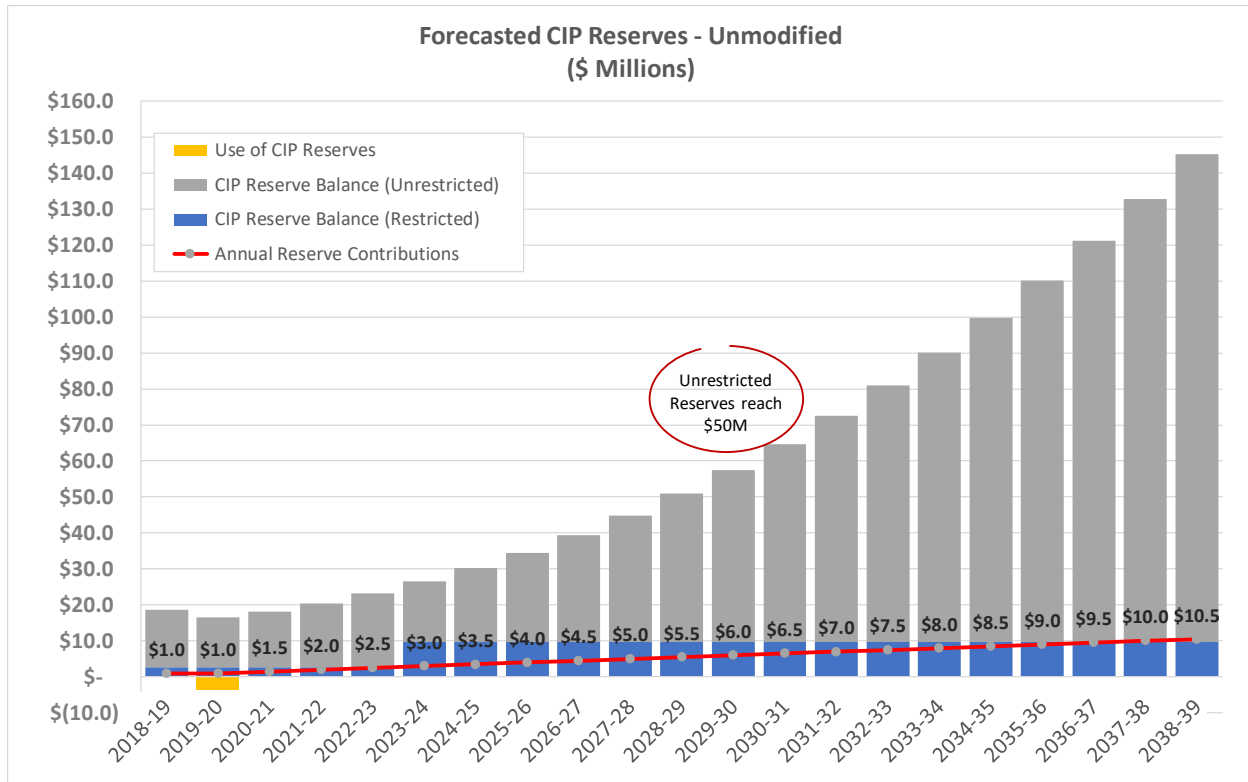
### BACKGROUND

SVCW currently has approximately \$18.7 million in its Capital Improvement Program Reserve Fund (“CIP Reserve”). The CIP Reserve was established in August 2013 to address the goal of funding deteriorating SVCW facilities and thereby reduce SVCW’s dependence on future debt for future capital improvement projects. Secondly, the CIP Reserve offers a positive factor in determining SVCW’s bond rating by designating a portion of the Reserve to meet debt reserve requirements. Previous amendments to Reserve Fund Policies addressed grammar issues and restricted a portion of the Capital Improvement Program (CIP) Reserve to meet State Revolving Fund loan debt reserve requirements. Since it was established six years ago, the CIP Reserve balance is shown below:



Per the CIP Reserve Policy, SVCW Members currently contribute a combined \$1 million to the CIP reserve annually. This contribution continues through fiscal year 2019-20. Beginning fiscal year 2020-21, the CIP Reserve Policy increases Member contributions by \$500 thousand per year until contribution equals estimated depreciation expense.

There is currently no limit to the size of the CIP Reserve balance. As written, the current CIP Reserve Policy in twenty years results in contributions of \$10.5 million annually and an unrestricted cash balance of \$136 million:



Staff discussed possible changes to the CIP Reserve Policy at the September 16, 2019 Commission meeting. The Commission requested staff provide rationale for the proposed changes and to discuss the changes with the respective member agency staff. On October 15, 2019 SVCW staff discussed with Members' financial and technical staff proposed CIP Reserve Policy amendments that would cap the reserve's balance at \$50 million and redirect subsequent reserve contributions to cash-fund capital projects. Member agency staff concurred with the proposed approach.

### DISCUSSION

Proposed amendments to the CIP Reserve specifically respond to key factors: 1) a Capital Improvement Program that has evolved and grown substantially and may no longer be an appropriate measure of CIP Reserves requirements, and 2) a recognition that many capital improvement projects over the past decade were caused by past deferred maintenance, a philosophy no longer practiced. The following paragraphs provide input into these two key factors.

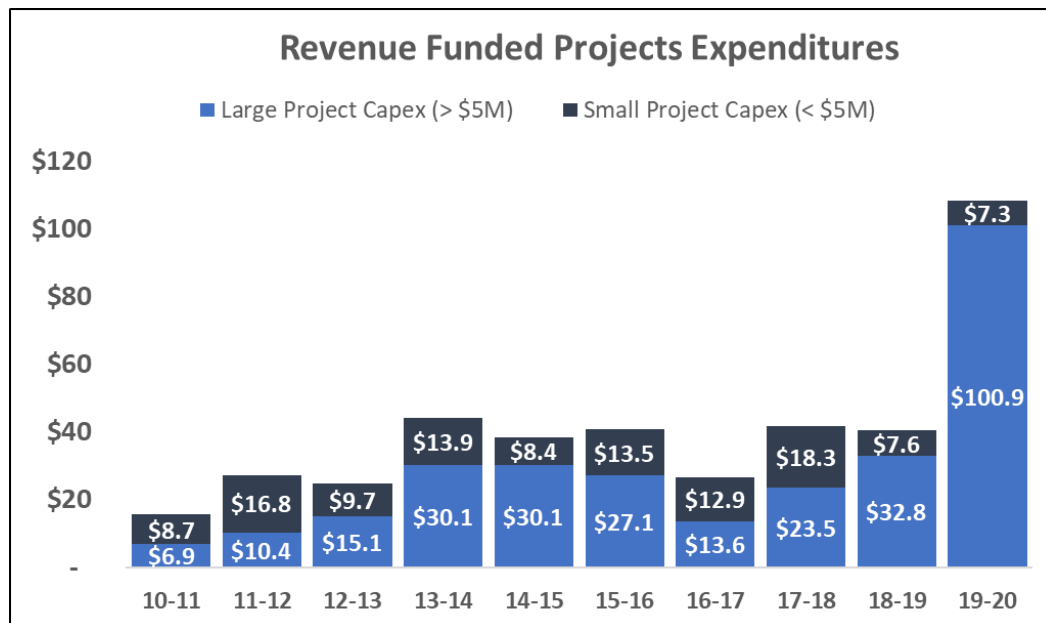
1. When the Reserve Fund Policy was first established in 2013, total CIP expenditures were estimated at \$420 million. Since then, the CIP has been updated to address systemic conveyance system issues and regulatory requirements and the identified projects within the CIP are now estimated at \$850 million. This doubling of the estimated CIP budget is attributable to two major programs; the RESCU (conveyance system) program and future nutrient removal regulatory requirements. When completed, an \$850 million CIP produces depreciation expense of more than \$20

million annually. If left unmodified, the current CIP Reserve Policy matches this annual depreciation value and requires annual contributions larger than may be desired.

2. Ordinarily, agencies maintain healthy revenue-funded capital programs to address smaller projects needed as equipment reaches the end of their useful lives. At SVCW, however, over the past decade SVCW funded deferred maintenance projects through its CIP. Of all CIP projects, approximately 75% were “small” projects measured as \$5 million or less each. Spending on such small projects averaged a combined \$11.7 million annually which, over the past decade, was approximately 45% of all CIP expenditures.

Meanwhile, as the CIP program included these small capital projects, SVCW’s revenue-funded capital expenditures averaged \$1.5 million annually. This modest “pay-go” approach only covers projects of \$1 million or less each; including valve replacements, equipment replacement and improvements, and technology solutions.

Of the over 200 CIP projects, approximately 2/3 of the cost goes towards ongoing RESCU and future regulatory-required programs which represent only four of the 200 projects. The vast majority of projects remaining (196) cost in the \$3 to \$10 million range.



As staff reviewed the current CIP Reserve Policy and made projections of contributions and balances compared with the CIP status and ongoing project needs, it appeared that changes should be recommended. Recommended changes will initiate a judicious strategy that modifies the CIP Reserve Policy by capping the balance once it reaches \$50 million, which is the estimated amount needed to address a significant infrastructure emergency. Secondly, when the CIP Reserve reaches that balance, staff recommends repurposing the annual CIP reserve contributions otherwise contributed by Members by directing the funds towards revenue-funded capital projects. The Commission will

authorize expenditures on revenue-funded capital projects when adopting the annual Operating and Capital Budget. These recommendations provide an adequate CIP Reserve balance to respond to immediate capital needs in case of emergencies and also prevent a reoccurrence of deferred maintenance practices.

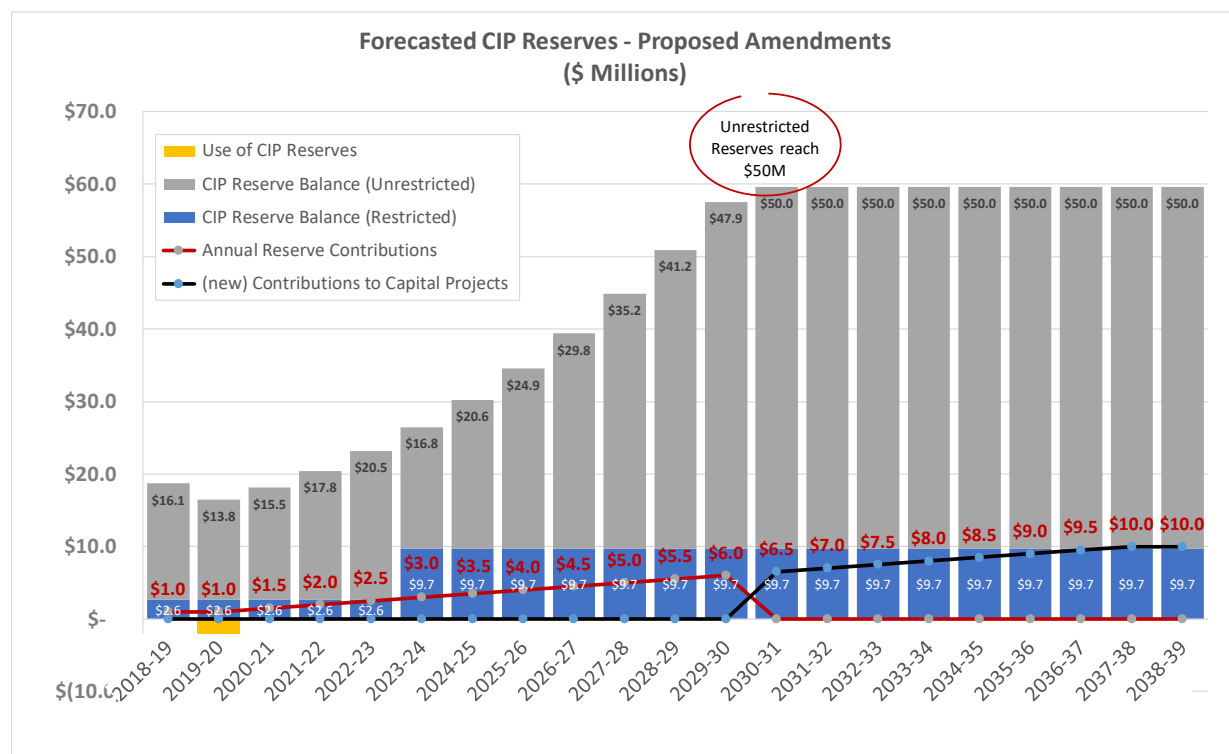
The unrestricted CIP Reserve balance is predicted to reach \$50 million in approximately 10 years' time. According to the current CIP Reserve formula, at that time the annual CIP Reserve contribution will be \$6.5 million which staff proposes to redirect to the annual capital improvements budget. Staff also proposes to continue the current formula of growing the contribution amount by \$500 thousand annually until it reaches \$10 million per year (in fiscal year 2037-38). This approach provides SVCW with the resources needed for a proactive capital program that maintains SVCW assets and ensures a robust preventative maintenance program that extends the life of assets well into the future.

Staff also proposes re-designating the policy as a Commission level policy rather than an administrative or management level policy so that a distinction is made between policies that are established by the Commission and those that are established under the Manager's administrative authority.

A red-lined version of the proposed changes to the Reserve Fund Policy is attached.

### FINANCIAL IMPACT

Proposed amendments to the CIP Reserve Policy will not increase member contributions already required by policy, as funds are simply redirected from CIP Reserves to capital projects:





RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION "D" TO ADMINISTRATIVE POLICY 2013-03, "SVCW RESERVE FUND POLICY AND PROCEDURES"

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**"REDLINE VERSION"**

**ADMINISTRATIVE COMMISSION POLICY NO. 2013-03**    **APPROVED BY: \_\_\_\_\_**

**Rev: C-D  
08/08/2013**

**Rev Date: ~~03/18/2019~~ 11/18/2019**

**ISSUE DATE:**

Approved by SVCW Commission at Meeting of ~~March 18~~ November 18, 2019 by Resolution SVCW 19-~~05~~     

**SUBJECT:        SVCW Reserve Fund Policy and Procedures**

**PURPOSE**

To prudently protect the fiscal solvency of the Authority, it is important to maintain a minimum level of reserves. Reserves are important to mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for member entities, to fund future long-term capital needs, and to provide a minimum level of cash to avoid the need to borrow and pay interest for cash management purposes.

Silicon Valley Clean Water (SVCW) historically maintained minimum reserve levels when reaching budgetary decisions. However, it is the desire of the SVCW Commission to develop a written policy establishing target minimum reserve levels that encourage both the Commission and staff to focus on this important fiscal consideration to ensure the continued fiscal stability of the Authority.

This policy mandates the minimum reserve levels necessary to maintain credit worthiness and to adequately provide for:

- Economic certainty during financial hardships or downturns in the local, state or national economy;
- Economic certainty in the event of local disasters or catastrophic events;
- Coverage of debt reserve requirements
- Coverage for capital obligations;
- Cash flow requirements;
- Rate stability and;
- Legal requirements.

**POLICY**

The Authority shall maintain reserve balances for the Annual Operations Budget, the Capital Equipment Replacement Fund, the Capital Improvement Program Fund and the Stage 2 Capacity Expansion Fund. The Authority shall target the minimum reserve level and funding sources for each of the four funds as follows:

**1. ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND**

The Annual Operations and Capital Budget Reserve Fund shall be maintained at a minimum balance of Ten Percent (10%) of the approved annual Operations and Capital budgeted Authority expenses, plus One Million Dollars (\$1,000,000.00). This fund will allow for

continued operation in times of local, regional, state or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission on a case by case basis.

Funding for the Annual Operations and Capital Budget Reserve Fund will be funded by each member agency in an amount equal to their percentage of capacity ownership in the SVCW. The reserve shall be funded to its minimum balance at the beginning of each fiscal year as part of the annual budget process. Any reserve balance will be available for spending on unanticipated, unbudgeted operating and maintenance or capital expenses approved by the Commission during that fiscal year. Any balance in excess of the 10% plus \$1,000,000 reserve level, at the end of the fiscal year, shall be used to offset the upcoming year's share of the Annual Operations Budget for each member agency in an amount equal to their percentage of capacity ownership in the SVCW. All interest derived from the fund balance shall be credited to this fund.

## 2. CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND

The Capital Improvement Program Reserve Fund shall be funded ~~in an amount equal to the annual calculated depreciation of the SVCW facilities to meet the long term needs of replacing the capital assets when their useful life has been met until it reaches a balance of \$50 million (\$50,000,000) to provide adequate resources in the event of a sudden and catastrophic infrastructure failure. Coupled with a robust and ongoing revenue-funded capital program approved by the Commission before each fiscal year,~~ This will allow most major expenses in the future, related to the facilities reaching the end of their useful life, to be paid for on a “pay as you go” basis and limit the need for borrowing. However, ~~since there is no inflationary portion added to the depreciation as significant infrastructure projects occur, it may be appropriate to leverage borrowing to ensure equitable contributions by future generations. there will likely be the need to borrow some funds to complete major facility replacement at some point in the future.~~ This fund shall also provide funding, as available, for required plant improvements mandated by regulatory changes. This fund will maintain the dedicated minimum debt service amounts required by State Revolving Fund loans and other CIP loans not held in escrow.

Funding for the Capital Improvement Program Reserve Fund will be funded by each member agency in an amount equal to their percent of capacity ownership in SVCW and will be contributed in addition to and at the same time as the member entity's monthly Annual Operating Budget payments. ~~There is no limit to the amount of funds that can accumulate in this fund.~~ All interest derived from the fund balance shall be credited to this fund.

To meet specific debt reserves required by State Revolving Fund loans received from the California State Water Resource Control Board, SVCW may designate specific amounts as debt service reserves equivalent to one year's debt service for each respective State Revolving Fund loan.

## 3. STAGE 2 CAPACITY FUND

The Stage 2 Capacity Fund shall be utilized to pay for capital projects that increase the treatment capacity of the SVCW facilities. The fund shall be a “pay as you go” fund that derives income from fees paid by new customers to buy capacity for the use of the SVCW

facilities. Projects to enhance capacity will be built when there are adequate cash reserves to fund the project or at the discretion of the SVCW Commission.

Payments will be made in accordance with the requirements of the SVCW Joint Powers Agreement (JPA) for new connections to the system. There is no limit to the amount of funds that can accumulate in this fund. All interest derived from the fund balance shall be credited to this fund.

## **IMPLEMENTATION**

- **ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND**  
Initial funding for the Annual Operations and Capital Budget Reserve was funded from current reserves in the amount of Three Million Two Hundred Forty Thousand Dollars (\$3,240,000) upon adoption of this policy, and shall be adjusted annually to maintain the minimum balance required as part of the annual budget process.
- **CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND**  
Initial funding for the Capital Improvement Program Reserve Fund was funded with the balance of available funds in the current Fund 14 and Fund 17 and non- operating funds in Funds 11 and 18. The balance of these funds, less \$3,240,000 (initial funding for the Annual Operations and Capital Budget Reserve) is approximately Twelve Million Four Hundred Thousand Dollars \$(12,400,000) as of June 30, 2013.

Each fiscal year, beginning in Fiscal Year 2014-2015 an amount of One Million Dollars (\$1,000,000) shall be budgeted and added to the Capital Improvements Reserve Fund as part of the annual budget process. This is done to increase the balance to meet expected State Revolving Fund reserve requirements.

In order to address the goal of funding the depreciation of the SVCW facilities over the life of the facilities, the annual contribution of \$1,000,000 will be increased, beginning in Fiscal Year 2020–2021, by Five Hundred Thousand Dollars (\$500,000) per fiscal year, each fiscal year until the ~~annual contribution equals the annual depreciation. The annual contribution, once equivalent to the annual depreciation, shall continue to be made in an amount equal to the annual depreciation each fiscal year as part of the annual budget process.~~ Capital Improvement Program Reserve Fund reaches a balance of \$50 million dollars (\$50,000,000).

Funds required to be held in reserve for State Revolving Funds or Bonds shall be deposited to the Capital Improvements Program Reserve Fund once the loans are paid off and shall not be used to pay the final payments for said loans.

- **STAGE 2 CAPACITY FUND**  
Funding for the Stage 2 Capacity Fund is established and shall continue in accordance with the SVCW Joint Powers Agreement (JPA).
- **GENERAL POLICY PRACTICES**  
All reserves will be reviewed by SVCW Finance Department and SVCW Controller at least annually to verify the organization is in compliance with this policy and a report will be presented to the SVCW Commission as part of the annual budget approval process.

The reserve funds will be invested in accordance with the investment policy adopted by the SVCW Commission.

Transfers between the reserve funds will be made only at the direction of the SVCW Commission.

Except in the case of emergency as defined by the Silicon Valley Clean Water JPA, the spending of reserves will be approved in advance by the SVCW Commission.

**COMMISSION POLICY NO. 2013-03**

**APPROVED BY: \_\_\_\_\_**

**Rev: D**

**Rev Date: 11/18/2019**

**ISSUE DATE: 08/08/2013**

Approved by SVCW Commission at Meeting of November 18, 2019 by Resolution SVCW 19-42

**SUBJECT: SVCW Reserve Fund Policy and Procedures**

**PURPOSE**

To prudently protect the fiscal solvency of the Authority, it is important to maintain a minimum level of reserves. Reserves are important to mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for member entities, to fund future long-term capital needs, and to provide a minimum level of cash to avoid the need to borrow and pay interest for cash management purposes.

Silicon Valley Clean Water (SVCW) historically maintained minimum reserve levels when reaching budgetary decisions. However, it is the desire of the SVCW Commission to develop a written policy establishing target minimum reserve levels that encourage both the Commission and staff to focus on this important fiscal consideration to ensure the continued fiscal stability of the Authority.

This policy mandates the minimum reserve levels necessary to maintain credit worthiness and to adequately provide for:

- Economic certainty during financial hardships or downturns in the local, state or national economy;
- Economic certainty in the event of local disasters or catastrophic events;
- Coverage of debt reserve requirements
- Coverage for capital obligations;
- Cash flow requirements;
- Rate stability and;
- Legal requirements.

**POLICY**

The Authority shall maintain reserve balances for the Annual Operations Budget, the Capital Equipment Replacement Fund, the Capital Improvement Program Fund and the Stage 2 Capacity Expansion Fund. The Authority shall target the minimum reserve level and funding sources for each of the four funds as follows:

**1. ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND**

The Annual Operations and Capital Budget Reserve Fund shall be maintained at a minimum balance of Ten Percent (10%) of the approved annual Operations and Capital budgeted Authority expenses, plus One Million Dollars (\$1,000,000.00). This fund will allow for continued operation in times of local, regional, state or national crisis or for unbudgeted,

unexpected operational, maintenance or capital expenses approved by the SVCW Commission on a case by case basis.

Funding for the Annual Operations and Capital Budget Reserve Fund will be funded by each member agency in an amount equal to their percentage of capacity ownership in the SVCW. The reserve shall be funded to its minimum balance at the beginning of each fiscal year as part of the annual budget process. Any reserve balance will be available for spending on unanticipated, unbudgeted operating and maintenance or capital expenses approved by the Commission during that fiscal year. Any balance in excess of the 10% plus \$1,000,000 reserve level, at the end of the fiscal year, shall be used to offset the upcoming year's share of the Annual Operations Budget for each member agency in an amount equal to their percentage of capacity ownership in the SVCW. All interest derived from the fund balance shall be credited to this fund.

## 2. CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND

The Capital Improvement Program Reserve Fund shall be funded until it reaches a balance of \$50 million (\$50,000,000) to provide adequate resources in the event of a sudden and catastrophic infrastructure failure. Coupled with a robust and ongoing revenue-funded capital program approved by the Commission before each fiscal year, this will allow most major expenses in the future, related to the facilities reaching the end of their useful life, to be paid for on a "pay as you go" basis and limit the need for borrowing. However, as significant infrastructure projects occur, it may be appropriate to leverage borrowing to ensure equitable contributions by future generations. This fund shall also provide funding, as available, for required plant improvements mandated by regulatory changes. This fund will maintain the dedicated minimum debt service amounts required by State Revolving Fund loans and other CIP loans not held in escrow.

Funding for the Capital Improvement Program Reserve Fund will be funded by each member agency in an amount equal to their percent of capacity ownership in SVCW and will be contributed in addition to and at the same time as the member entity's monthly Annual Operating Budget payments. All interest derived from the fund balance shall be credited to this fund.

To meet specific debt reserves required by State Revolving Fund loans received from the California State Water Resource Control Board, SVCW may designate specific amounts as debt service reserves equivalent to one year's debt service for each respective State Revolving Fund loan.

## 3. STAGE 2 CAPACITY FUND

The Stage 2 Capacity Fund shall be utilized to pay for capital projects that increase the treatment capacity of the SVCW facilities. The fund shall be a "pay as you go" fund that derives income from fees paid by new customers to buy capacity for the use of the SVCW facilities. Projects to enhance capacity will be built when there are adequate cash reserves to fund the project or at the discretion of the SVCW Commission.

Payments will be made in accordance with the requirements of the SVCW Joint Powers Agreement (JPA) for new connections to the system. There is no limit to the amount of funds



that can accumulate in this fund. All interest derived from the fund balance shall be credited to this fund.

## **IMPLEMENTATION**

- **ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND**  
Initial funding for the Annual Operations and Capital Budget Reserve was funded from current reserves in the amount of Three Million Two Hundred Forty Thousand Dollars (\$3,240,000) upon adoption of this policy, and shall be adjusted annually to maintain the minimum balance required as part of the annual budget process.
- **CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND**  
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Each fiscal year, beginning in Fiscal Year 2014-2015 an amount of One Million Dollars (\$1,000,000) shall be budgeted and added to the Capital Improvements Reserve Fund as part of the annual budget process. This is done to increase the balance to meet expected State Revolving Fund reserve requirements.

In order to address the goal of funding the depreciation of the SVCW facilities over the life of the facilities, the annual contribution of \$1,000,000 will be increased, beginning in Fiscal Year 2020–2021, by Five Hundred Thousand Dollars (\$500,000) per fiscal year, each fiscal year until the Capital Improvement Program Reserve Fund reaches a balance of \$50 million dollars (\$50,000,000).

Funds required to be held in reserve for State Revolving Funds or Bonds shall be deposited to the Capital Improvements Program Reserve Fund once the loans are paid off and shall not be used to pay the final payments for said loans.

- **STAGE 2 CAPACITY FUND**  
Funding for the Stage 2 Capacity Fund is established and shall continue in accordance with the SVCW Joint Powers Agreement (JPA).
- **GENERAL POLICY PRACTICES**  
All reserves will be reviewed by SVCW Finance Department and SVCW Controller at least annually to verify the organization is in compliance with this policy and a report will be presented to the SVCW Commission as part of the annual budget approval process.

The reserve funds will be invested in accordance with the investment policy adopted by the SVCW Commission.

Transfers between the reserve funds will be made only at the direction of the SVCW Commission.

Except in the case of emergency as defined by the Silicon Valley Clean Water JPA, the spending of reserves will be approved in advance by the SVCW Commission.

## AGENDA ITEM 8C

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**DECLARATION OF EMERGENCY  
DMF FEED PIPE LEAK**

ISSUE

Ratification of the SVCW Manager's Declaration of Existence of an Emergency Condition and Approving Repair of Essential Facilities

BACKGROUND

On Tuesday November 5, staff began to notice water coming through the asphalt and concrete of the West Access Road within the treatment facility. Water was increasing in volume and began to migrate to areas beyond the roadway near the new battery pad and 12kV switchgear. Additionally, a significant amount of water was cascading within the interior of the Main Structure adjacent the roadway. Staff began to test different theories as to the source of water and it appears that there could be a leak in a large 66-inch pipe that brings water from the secondary process to the filters. To help confirm this theory, dye was injected into a wet well downstream of the secondary clarifiers. The wet well discharges to the 66-inch pipe that carries water from the secondary clarifiers to the DMF feed manifold. Shortly after injecting the dye the water surfacing at the West Access Road turned the same magenta color as the injected dye confirming that the pipe has been compromised.

DISCUSSION

On November 7, actions were taken to address the situation including declaring an emergency condition to allow for resources to be mobilized for temporary immediate responses. Other actions included closure of the roadway to through traffic for fear of a sinkhole appearing, site work to enable the water to drain to the Plant stormwater system, contacting remote camera inspection companies and divers to inspect the interior of the pipe, and mobilizing a general contractor to determine how best to access the pipe for inspection. The pipe is steel and embedded in six-inches of concrete beneath the base slab that supports the Main Structure; the bottom of the pipe is approximately 25 feet below sea level. Since the pipe is beneath the Main Structure and embedded in concrete, it is inaccessible from the exterior. Access to the interior for purposes of inspecting and repairing is extremely challenging and may require cutting into the pipe. SVCW staff, consultants, and contractors currently are discussing the most expedient way to access the pipe interior.

Once the plan for accessing the pipe is established, a shutdown of the filtration system will need to occur. Filtering secondary effluent is an NPDES permit requirement and, therefore the Regional Water Quality Control Board will be notified of the situation. This remains a high priority situation and the proper response to the emergency nature of this situation remains necessary. Currently, the leaking water is being captured and routed into the plant's stormwater system; there are no permit violations as no unauthorized discharges are entering the waters of the state. After the inspection is completed, a repair method can be developed and staff will ensure that SVCW's permit requirements continue to be met. Updated information will be presented at the Commission meeting.

### FINANCIAL IMPACT

The cost for this work is not budgeted in the SVCW Annual Operations Budget or Revenue Funded Capital Budget and will come from the SVCW Operations Reserve Fund. Declaration of an Emergency situation authorizes the SVCW Manager to commit resources to address the emergency in an amount up to \$300,000. It is unknown at this time what will be the cost for a repair and the Manager will apprise the Commission at its November and succeeding meetings as information becomes known.

### RECOMMENDATION

Move adoption of RESOLUTION DECLARING EXISTENCE OF EMERGENCY CONDITION REQUIRING IMMEDIATE EXPENDITURE OF FUNDS IN FURTHERANCE OF PUBLIC HEALTH, WELFARE AND SAFETY AND APPROVING AND RATIFYING EXECUTION OF CONTRACTS FOR REPAIR OF ESSENTIAL PUBLIC FACILITIES RELATING THERETO (DMF FEED PIPE) (4/5<sup>ths</sup> weighted vote required)