

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
SPECIAL MEETING – Monday, March 9, 2020
8:00 a.m.**

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

COMMISSIONERS

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

MANAGER: TERESA A. HERRERA

ATTORNEY FOR THE AUTHORITY: CHRISTINE C. FITZGERALD

CONTROLLER:

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
 1. Upcoming Commission Items
 2. Memorandum from Manager
 - C. Financial Reports
 1. Investment Report
 - 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 ADOPTING REVISION TO SILICON VALLEY CLEAN WATER'S 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 MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN SILICON VALLEY CLEAN WATER (SVCW) AND SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA) TO CONDUCT JOINT PILOT PROJECT

Proposed Action:
Move approval of MEMORANDUM OF UNDERSTANDING BETWEEN SILICON VALLEY CLEAN WATER AND SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY TO CONDUCT JOINT PILOT PROJECT
 - C. RECEIVE PRESENTATION ON THE FISCAL YEAR 2020-21 PROPOSED ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET

Proposed Action:
No Commission action is requested or required at this meeting
9. CLOSED SESSION - not used.
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 voice 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 – January 27, 2020

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JANUARY 2 – FEBRUARY 21, 2020 AND NECESSARY PAYMENTS THROUGH FEBRUARY 21, 2020

C. CONSIDERATION OF MOTION APPROVING REMOVAL OF FIXED ASSETS FROM SVCW FINANCIAL RECORDS

Proposed Action:

Move approval to REMOVE ASSETS FROM SVCW FINANCIAL RECORDS TO REFLECT ASSET DISPOSALS OCCURRING IN THE CURRENT YEAR

D. CONSIDERATION OF RESOLUTION RATIFYING APPROVAL OF MEMORANDUM OF UNDERSTANDING AND AUTHORIZING ACCEPTANCE OF A CERTAIN HEREIN DESCRIBED REAL PROPERTY INTEREST FOR THE GRAVITY PIPELINE PROJECT AND AUTHORIZING EXECUTION OF ALL DOCUMENTS NECESSARY AND APPROPRIATE FOR SAID TRANSACTION

Proposed Action:

Move adoption of RESOLUTION RATIFYING APPROVAL OF MEMORANDUM OF UNDERSTANDING AND AUTHORIZING ACCEPTANCE OF EASEMENT INTERESTS IN CERTAIN REAL PROPERTY HEREIN DESCRIBED (APNs 095-220-140, 046-081-580, 046-082-010, 046-081-790, 095-030-230)

E. CONSIDERATION OF RESOLUTION APPROVING STAGE 2A AMENDMENT TO THE PUMP STATIONS IMPROVEMENTS PROJECT (PSI) DESIGN-BUILD AGREEMENT WITH SHEA PARSONS JOINT VENTURE (SPJV).

Proposed Action:

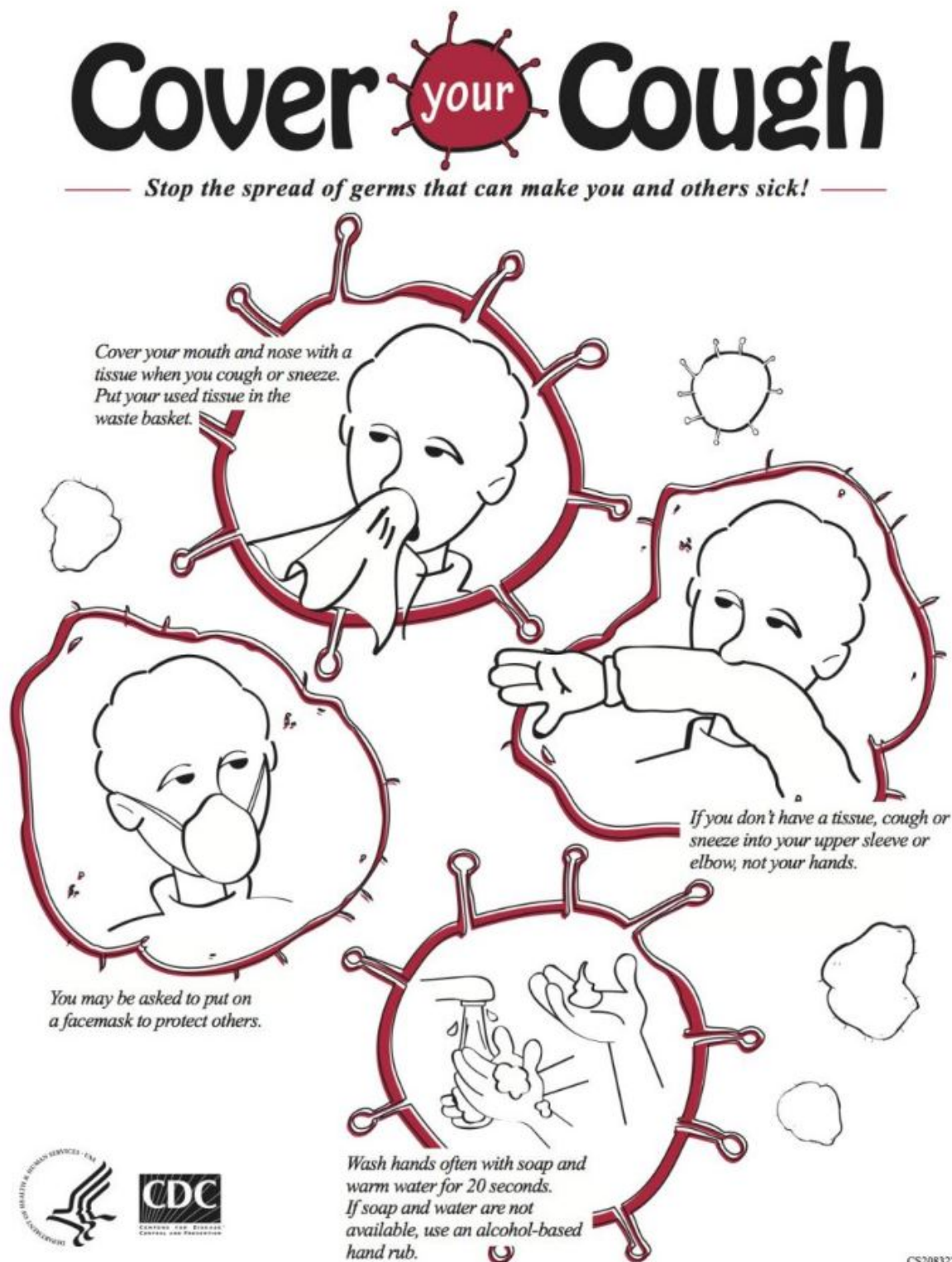
Move adoption of RESOLUTION APPROVING STAGE 2A AMENDMENT TO THE DESIGN-BUILD AGREEMENT FOR PUMP STATIONS IMPROVEMENTS PROJECT (CIP #9501); AUTHORIZING EXECUTION OF STAGE 2A AMENDMENT AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS AND ALLOWANCES UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID AMENDMENT – SHEA PARSONS JOINT VENTURE - \$20,100,000

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AGENDA ITEM 5A

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SAFETY MOMENT



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AGENDA ITEM 5B1

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Recurring and Upcoming 2020 Commission Actions
Updated for March 2020 Meeting

January	February	March	April
<ul style="list-style-type: none"> • Long Range Financial Plan • CIP Update (annual or biennial) • Review Investment Policy 	No Meeting	<ul style="list-style-type: none"> • Budget Workshop • Review Investment Policy 	<ul style="list-style-type: none"> • Budget Workshop • Local Limits Adoption • Review Debt Policy
May	June	July	August
<ul style="list-style-type: none"> • Initiate Manager Performance Evaluation 	<ul style="list-style-type: none"> • Approve Resolution 77-6 "Personnel Resolution" • Perform Manager Evaluation 	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"> • Commission Meeting schedule for following year • Audited Financial Reports

 - Recurring Commission Actions

 - Upcoming Commission Actions

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AGENDA ITEM 5B2

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March 3, 2020

To: SVCW Commission

From: Teresa Herrera, Manager

Subject: 1406 Radio Road Building
Historical Plaque Placement

As you are likely aware, SVCW recently undertook a painting project at its 1406 Radio Road building and in doing so, revealed original letters on the building's front façade, KGEI General Electric. The building has significant history from World War II and articles were published in the San Mateo Daily Journal and Climate Magazine (SMJ article attached) providing detail on its history.

I was recently contacted by a member of Daughters of the American Revolution who is interested in placing a plaque on the building noting the building's history (email attached). I agree that there is historical significance which, by being highlighted, would benefit the community.

Possibility also exists to register the building with the local, state, and/or national Register for Historical Places.

Under Manager's Report, Item 5B, I will seek input from the Commission on 1) working with DAR to place a plaque and 2) registration of the building as a historical place. Depending on how the discussion ensues, this item can be placed on a future agenda.

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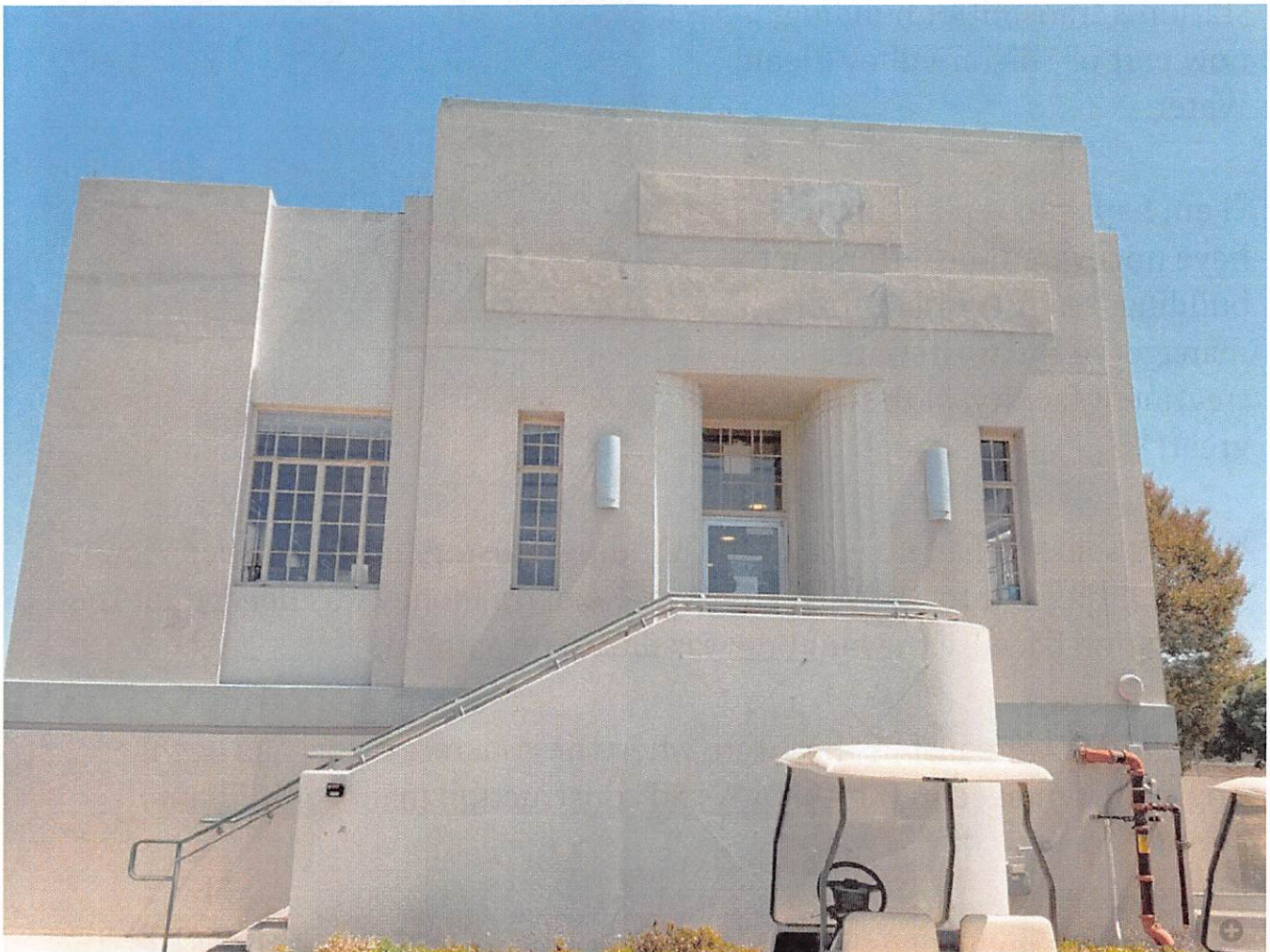
https://www.smdailyjournal.com/news/local/wwii-radio-station-gets-its-call-letters-back/article_c7697fba-4f9f-11ea-9302-f74dc3c20a45.html

From the Daily Journal archives

WWII radio station gets its call letters back

By Jim Clifford

Feb 15, 2020



KGEI, a shortwave radio station in Redwood Shores that was the only voice from home for GIs in the Pacific during World War II, has its call letters back.

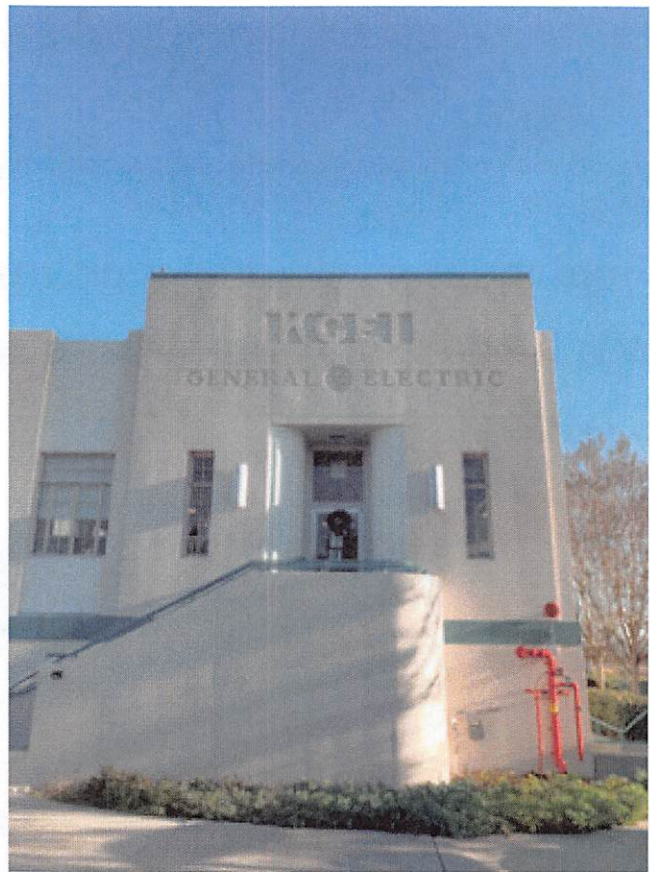
The letters on the front of the building located off Radio Road were covered up decades ago by a church that took over the station's transmitter building, now part of Silicon Valley Clean Water.

"I am happy to report that we have uncovered the letters on the building," said Teresa Herrera, manager of the wastewater treatment facility. "I think it looks great!"

Herrera said she had no idea of the building's history until the Rear View Mirror brought it to SVCW's attention. No extra money was needed for the restoration because the building was due to be painted.

"The letters were just as they were when the concrete forms had been originally removed in the 1930s," said construction manager William Tanner.

Still, there is no plaque to remind the few visitors to the area that KGEI, the GEI standing for General Electric International, played an important role in World War II. Among other accomplishments, the station broadcast Gen. Douglas MacArthur's "I have returned" speech that fulfilled his promise to return with victorious American troops to the Philippines, occupied by Japanese forces since 1942.



“The First 24 Hours of War in the Pacific,” a book written by Donald Young, underlines the importance of KGEI. It also reminds readers how successful Japanese forces were during those 24 hours in attacking Malaysia, Hong Kong, the Philippines, Wake Island and Guam, as well as Hawaii.

In recounting the attack on Clark Field in the Philippines, Young writes that the first news of Pearl Harbor came to that air base “when an army enlisted man, listening to shortwave radio station KGEI in San Francisco heard the same announcement that had alerted General MacArthur in Manila.” The studio was located at the Fairmont Hotel on Nob Hill in San Francisco, but the transmitter was on the Peninsula.

In 1942, The New York Times wrote a story headlined “KGEI Tells Them.” Nothing, the newspaper reported, stirs the hearts of soldiers and sailors as much as hearing the introduction to the station’s programs: “This is the United States of America.”

The listening soldiers included U.S. Army Capt. Steve Mellnik, who was captured in the fall of Corregidor, an island fortress in Manila Bay. He recalled in his book, “Philippine Diary,” that he depended on KGEI for war news, learning with “dismay as Japanese forces spread across the Pacific.” Mellnik escaped and survived to become a general.

“News of friendly troop movement puzzled us,” Mellnik recalled in the book published in 1969. “A commentator boasted that hundreds of ships were en route to the Far East. We cheered. But almost casually the commentator added that the armada’s destination was Australia.”

The cheers turned to groans. Australia became MacArthur’s rallying point. He eventually made three speeches there in which he vowed to return. The general’s famous “I have returned” speech came in October of 1944 when he fulfilled his promise. The words were first broadcast from a U.S. Navy ship off the Philippines and later spread by KGEI throughout Asia.

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After the war, General Electric sold the station to the Far East Broadcasting Company which then sold the building to the Fully Alive Community Church in 2001. Former Far East Broadcasting Company president Jim Bowman said he often visited Manila and would come across Filipinos “who listened to KGEI to keep their hopes alive during the Japanese occupation.”

The building is near a section of the Bay Trail used by hikers and bike riders who pass by an almost unknown part of World War II history. The transmitter, however, is no more. Far East Broadcasting gave it to a radio ministry in Liberia where it was destroyed by rebel forces in the late 1990s.

The Rear View Mirror by history columnist Jim Clifford appears in the Daily Journal every other Monday. Objects in The Mirror are closer than they appear.

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Subject: Commemorative plaque for Silicon Valley Clean Water building
Date: Thursday, February 27, 2020 at 9:57:16 AM Pacific Standard Time
From: [REDACTED]
To: Teresa Herrera
CC: [REDACTED]

Attachments: image001.jpg, DAR PLAQUE KGHI 1 OF 2 1.jpeg, DAR PLAQUE KGHI 1 OF 2.jpeg

Hi Theresa,

I am with the Gaspar de Portola Chapter of the Daughters of the American Revolution and we recently read the article by Jim Clifford about the history of the SVCW building. We are interested in placing a historical plaque (either bronze or granite) on the front of your building. The plaque will give a brief history of the building in 100 words or less. Last September, we dedicated a historic marker on Canada road about .3 mile south of Edgewood Road, in commemoration the 250th anniversary of Gaspar de Portola's discovery of San Francisco Bay. I have attached a photo of our marker. In the photo are Ned Fluet, Mayor of Woodside, myself, GDP Regent Maggie Coleman and then Redwood City Mayor Ian Bain. We held a dedication ceremony with about 50 people in attendance.

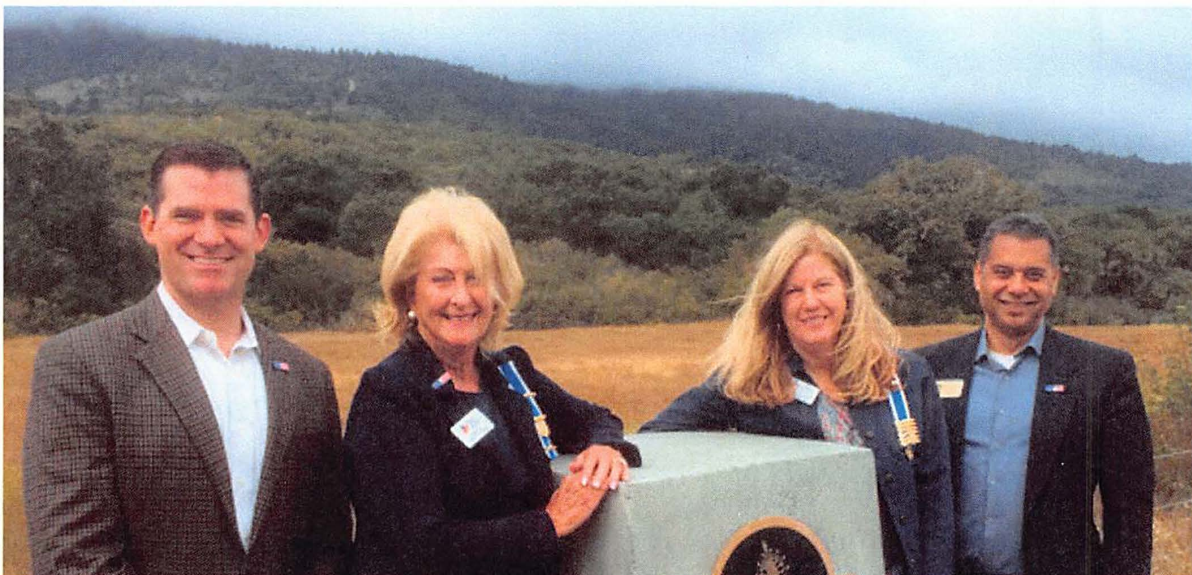
Our chapter will raise the funds for the purchase of the plaque. The DAR has very strict requirements for granting permission to place a historic or commemorative marker and requires 4-6 months lead time for approval. Please see the attached application and instructions for permission to place a DAR historical or commemorative marker. I have also attached a letter as an example of Item 2b that we had to comply with.

We would like to know to whom we apply to obtain permission to place the historical plaque, and decide where the plaque should be placed and how it should be installed. Since we have to hold a fundraiser for this project, we will need to know all costs before proceeding.

I look forward to your reply.

Sincerely,

[REDACTED]



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AGENDA ITEM 5C

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

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,497,811	1.4%	1.78%
Operating Reserve - Money Market Fund Balance	207,189	0.1%	1.46%
CIP Reserve* - Securities	19,049,592	7.7%	2.01%
CIP Reserve - Money Market Fund Balance	668,609	0.3%	1.46%
Stage 2 Capacity Reserve* - Securities	12,732,143	5.2%	1.99%
Stage 2 Capacity Reserve - Money Market Fund Balance	418,006	0.2%	1.46%
Total Market Value: Operating and Reserve Accounts	\$ 36,573,350	14.8%	1.96%
Total Accrued Interest: Operating and Reserve Accounts	202,986		
GRAND TOTAL, OPERATING AND RESERVE ACCOUNTS	\$ 36,776,335		
<u>Bond and Notes Accounts</u>			
Zions Bank (Trustee)			
2018 Project Fund Account - CAMP	\$ 19,274,013	7.8%	1.78%
2018 Revenue Account	2,763,866	1.1%	1.22%
2018 Acquisition Account - Euro for TBM Purchase	1,123,846	0.5%	
2019A Project Fund Account* - Securities	102,148,319	41.4%	1.85%
2019A Project Fund Account - Money Market Fund	36,279,028	14.7%	1.22%
2019A Capitalized Interest Account* - Securities	27,680,776	11.2%	1.86%
2019A Capitalized Interest Account - Money Market Fund	214,134	0.1%	1.22%
2019 Nt Cost of Issuance	48,651	0.0%	1.22%
Bank of New York (Trustee)			
2014 Revenue Account	2,511,699	1.0%	-
2014 Interest Account - Money Market Fund	13	0.0%	1.72%
2014 Principal Account - Money Market Fund	7	0.0%	1.81%
2014 Cost of Issuance Account - Cash	2	0.0%	-
2015 Project Account - Cash	2	0.0%	-
2015 Interest Account	55	0.0%	1.66%
2015 Revenue Account	1,675,742	0.7%	-
Total Market Value: Bond Proceeds Accounts	\$ 193,720,155	78.5%	1.67%
Accrued Interest: Bond Proceeds Accounts	680,015		
Uninvested Operating Cash (including outstanding checks)	1,475,194	0.6%	-
Local Agency Investment Funds (LAIF) Balance	15,112,016	6.1%	1.97%
Total Cash & Investments	\$ 247,763,715	100.0%	1.72%


Matt Anderson

Chief Financial Officer / Assistant Manager

2/7/2020

Date

* Monthly report of security transactions and interest available upon request

- 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-laif/historical/avg_mn_ylds.asp*
- 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 January 31, 2020									
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	\$ 1,490,016	\$ 5,466,291	\$ 3,588,191	\$ 10,544,497	28.7%	100%	✓	0.9%	
Federal Agency/GSE	\$ 1,395,466	\$ 4,994,860	\$ 3,379,535	\$ 9,769,861	26.6%	100%	✓	(2.5%)	
Federal Agency CMO	\$ -	\$ 2,709,767	\$ 1,698,831	\$ 4,408,598	12.0%	100%	✓	0.8%	
Federal Agency MBS	\$ 928	\$ 1,514,161	\$ 1,117,806	\$ 2,632,894	7.2%	100%	✓	(0.1%)	
Municipal	\$ -	\$ 277,974	\$ 201,673	\$ 479,647	1.3%	100%	✓	0.0%	
Corporate Notes	\$ 611,401	\$ 4,086,540	\$ 2,746,108	\$ 7,444,049	20.2%	30%	✓	(0.5%)	
Securities Sub-Total	\$ 3,497,811	\$ 19,049,592	\$ 12,732,143	\$ 35,279,546	95.9%		✓		
Accrued Interest	\$ 15,851	\$ 110,716	\$ 76,418	\$ 202,986	0.6%				
Securities Total	\$ 3,513,662	\$ 19,160,308	\$ 12,808,561	\$ 35,482,531	96.5%				
Money Market Fund	\$ 207,189	\$ 668,609	\$ 418,006	\$ 1,293,804	3.5%	20%	✓	1.4%	
Total Investments	\$ 3,720,851	\$ 19,828,917	\$ 13,226,567	\$ 36,776,335	100%				
<i>As % of 6/30/20 Target:</i>				103%	102%	100%			

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AGENDA ITEM 5D

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**ENGINEERING REPORT: FEBRUARY 2020
CAPITAL IMPROVEMENT PROGRAM**

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.

The PSI project is nearing 60% design completion. SVCW staff has negotiated scope and budget for the first element of the construction phase, rehabilitation of the Menlo Park Pump Station. This will go to the Commission for approval at the March meeting as the Stage 2A Amendment. Stage 2B and 2C amendments are expected for the Belmont Pipeline and the Redwood City Pump Station in April and June, respectively.

Planned Commission Actions: Approve PSI Contract Change Order for Stage 2A Design and Construction – March 2020

Approve PSI Contract Change Order for Stage 2B Design and Construction – April 2020

Approve PSI Contract Change Order for Stage 2C Design and Construction – June 2020

Food Waste Receiving Station and Digester Improvements (9229): Construct receiving facilities, digester improvements, and gas utilization facilities associated with food waste processing.

SVCW and South Bay Waste Management Authority (SBWMA) have been in discussions to develop a food waste project. SBWMA will remove organic matter from its waste stream, process the organic matter, then deliver it to SVCW to be further processed in the anaerobic digesters. The additional organic matter will increase the biogas created in the digesters which can be used as an energy source. SBWMA is developing a pilot project for its facilities and SVCW is prepared to receive the material. Along with the pilot project and presuming success, SVCW staff will begin the process to develop the full-scale project to accept and process organic material. The full-scale project is planned to be delivered via a design-build approach.

SVCW and SBWMA have negotiated the terms for a Memorandum of Understanding (MOU) for the pilot phase of this project. Approval of the MOU will be sought at the March 2020 Commission meeting.

Planned Commission Actions: Approve Memorandum of Understanding with SBWMA – March 2020

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

At its March 2017 meeting, the Commission authorized purchase of two rotary drum thickeners to replace the Gravity Thickeners which are past the point of their useful lives. Overaa Construction was awarded the construction contract to install the thickeners, which will thicken primary sludge before it enters the digesters. The rotary drum thickeners will also be used to facilitate future recuperative thickening of the digester contents to improve digester volatile solids destruction resulting in increased digester gas production. This project is nearing completion and project acceptance will be sought in May.

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

Wastewater Treatment Plant Improvements Phase 2 (9503): Rehabilitation and/or replacement of seven treatment plant mechanical processes.

This project includes improvements and rehabilitation of several processes throughout the plant. The design-build project was awarded to Overaa Construction in April 2018. The project is now in the startup phase, with the majority of the mechanical and electrical improvements completed. Project acceptance will be sought in June.

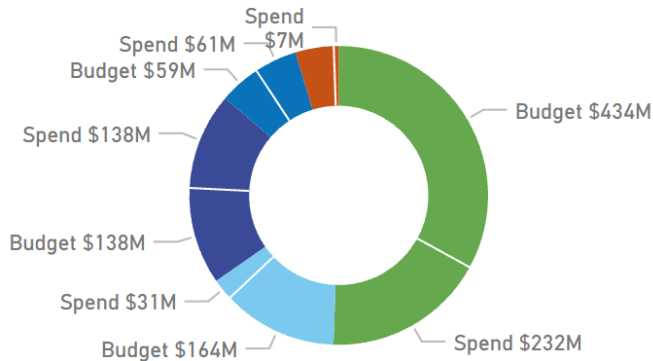
Planned Commission Actions: Accept Project and File Notice of Completion – June 2020

CIP Spend Analysis

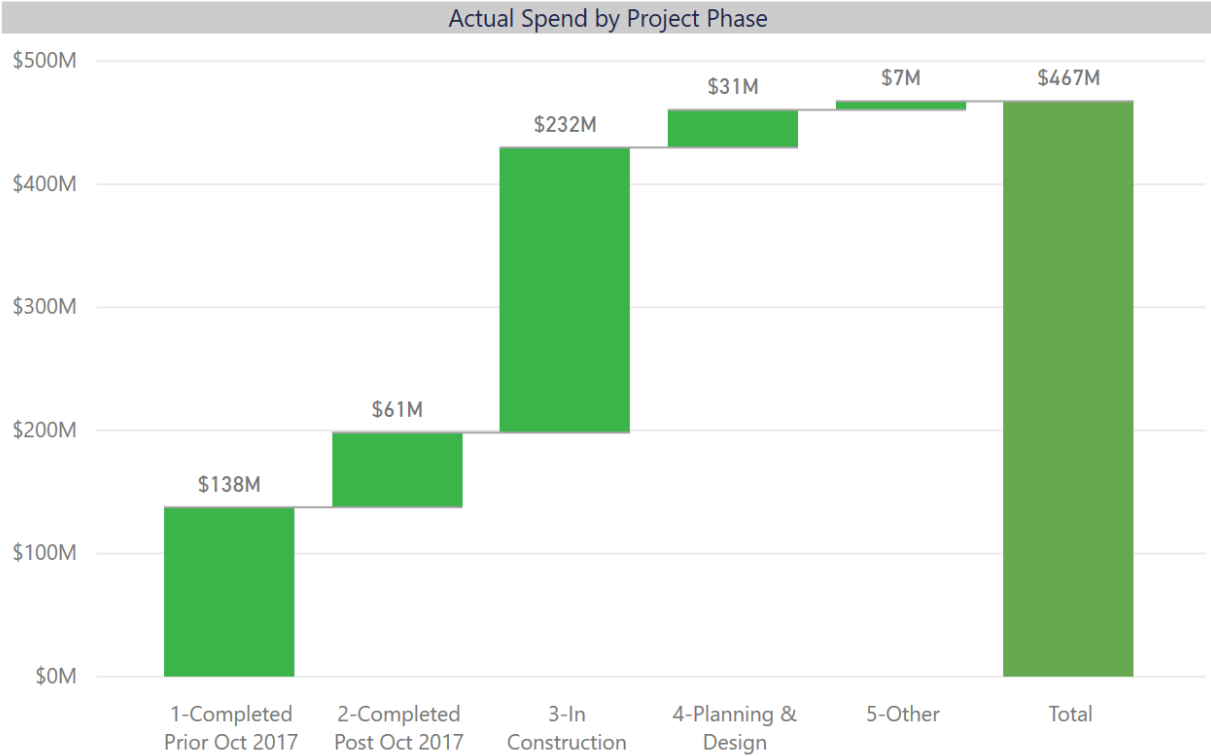
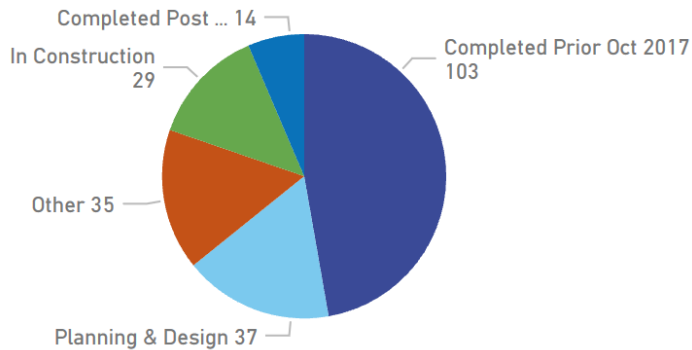
Project Phase	Project Count	2018 CIP Budget	Actual Spend	Remaining	% Unspent
Completed Prior Oct 2017	103	\$138,103,158	\$137,615,489	\$487,669	0.35%
Completed Post Oct 2017	14	\$58,806,039	\$60,614,900	\$-1,808,862	-3.08%
In Construction	29	\$434,311,619	\$231,591,940	\$202,719,679	46.68%
Planning & Design	37	\$163,645,251	\$30,576,579	\$133,068,672	81.32%
Other	35	\$54,700,355	\$6,999,608	\$47,700,747	87.20%
Total	218	\$849,566,422	\$467,398,516	\$382,167,906	44.98%



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
Updated: 03/02/2020

MARCH 9, 2020
AGENDA ITEM 5E

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
1/27/2020	1	Clarify verbiage in Local 39-SVCW MOU Side Letter	N/A			✓	3/2/2020	Clarify that the term "bi-weekly" equates to two times per month; i.e., coincides with pay periods.
	2	Clarify Financial Impact section on Agenda Letters	3/9/2020			✓	3/2/2020	Simplify the financial impact section to enable the reader to more readily decipher the information.
	3	Investment Policy Re-work	3/9/2020			✓	2/24/2020	SVCW CFO reach out to Bel CFO to discuss strategy further. Bring item to March meeting for consideration.
	4	CIP Update Document	N/A			✓	1/28/2020	Email CIP document to WBSD Commissioner and upload to website. For future, include CIP document with the agenda packet, especially the CEQA table.
12/16/2019	1	WWTP Underslab Piping	N/A			✓	1/27/2020	Describe plans for investigating condition of underslab piping
	2	Improve readability of presentations	1/27/2020	✓				Some slides hard to read on screen and in handouts; improve all powerpoint presentations' readability.
	3	Practice for use of risk registers on projects	N/A			✓	1/9/2020	Information shared at Technical Committee meeting.
11/18/2019	1	Data reporting solutions associated with ERP	N/A			✓	12/16/2020	Consider use of Tableau software as opposed to the proposed Power BI. Memo with decision-making process points presented to Commission.
	2	Investment Policy	1/27/2020		✓			Item tabled pending further discussion between SVCW and member agency staff. Discussion occurred. Will bring to January 2020 meeting.
	3	Investment Report	12/16/2019			✓	12/10/2019	Operating and Reserve Funds Sector Allocations table: Add total % change vs prior month to summary
	4	County Easement	12/16/2019			✓	12/10/2019	Discussed item under Closed Session - December meeting
	5	Reserve Policy	12/16/2019			✓	12/10/2019	Add escalator to reserves annual contributions; using ENR Construction Cost Index for S.F. Bay Area December of each year
10/21/2019	1	Research video recording meetings	N/A			✓	12/10/2019	Reach out to Menlo Park FD and Town of Atherton regarding video recording meetings. Outreach completed. Recommendation is to not pursue.
	2	Change information on financial reports and RESCU updates	N/A			✓	11/18/2019	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.

Silicon Valley Clean Water
Commissioners' Requested Action Items

Updated: 03/02/2020

MARCH 9, 2020
AGENDA ITEM 5E

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	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
> 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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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

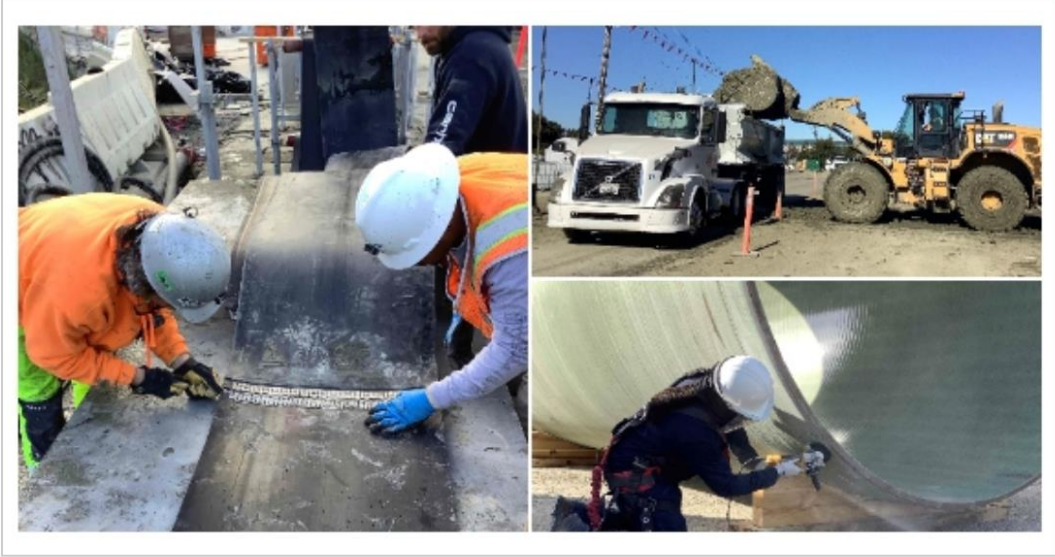
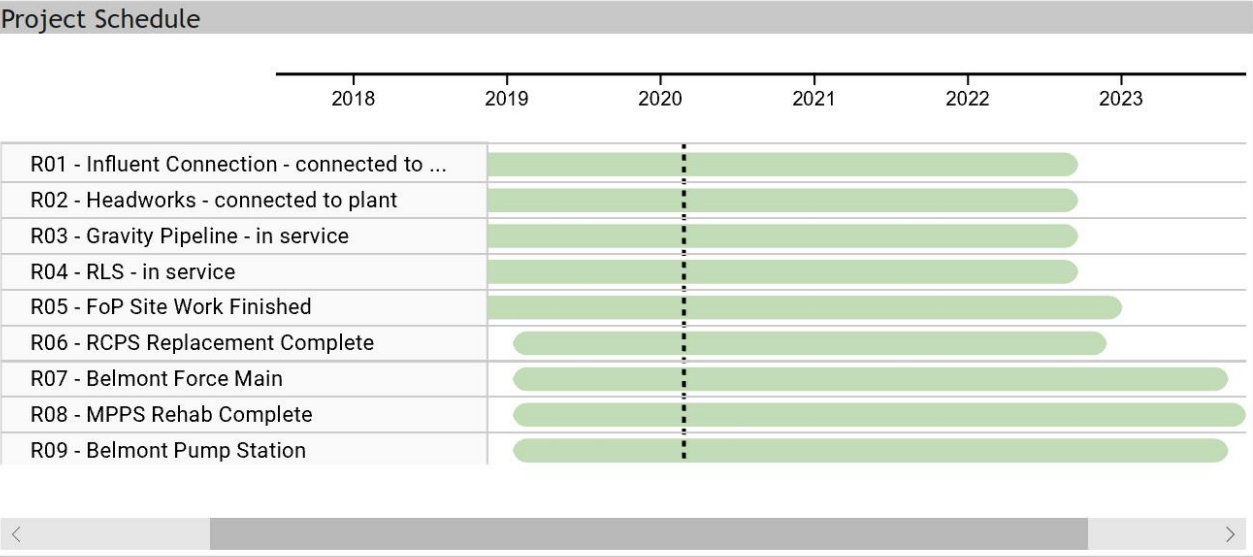
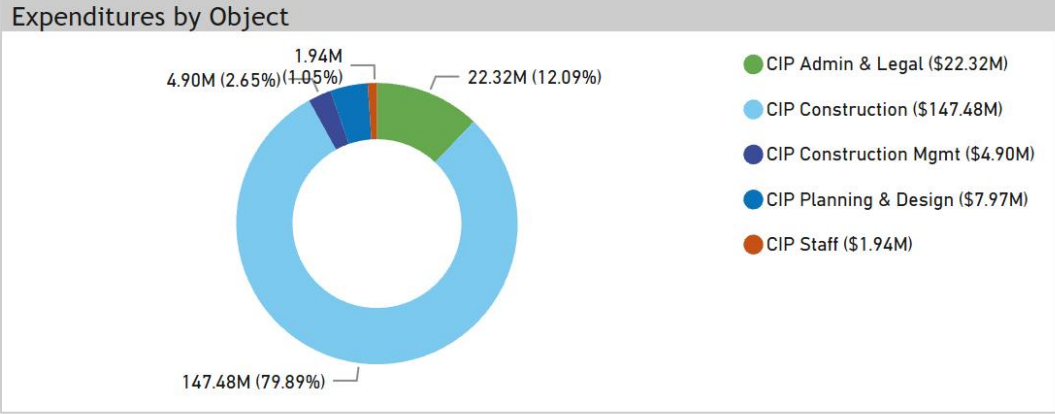
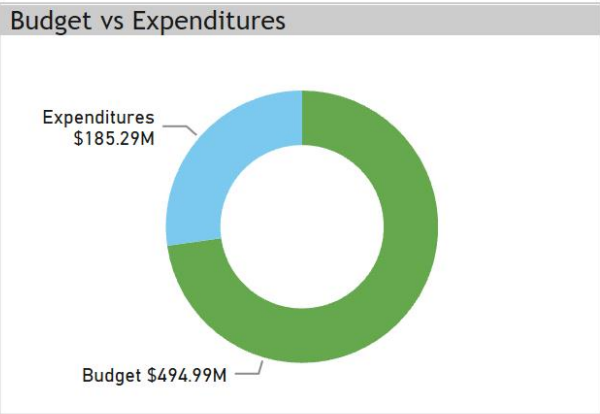
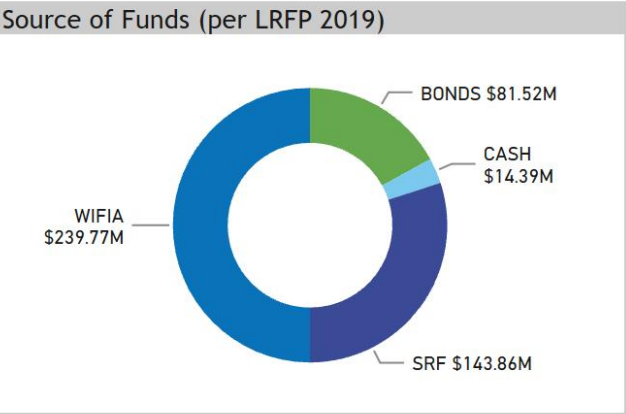
\$554.36M

Total Expenditure

\$185.29M

Remaining Budget

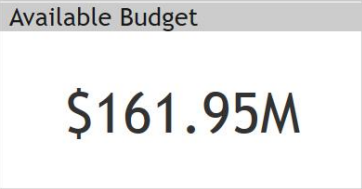
\$369.07M



Front of Plant Progressive DB Project



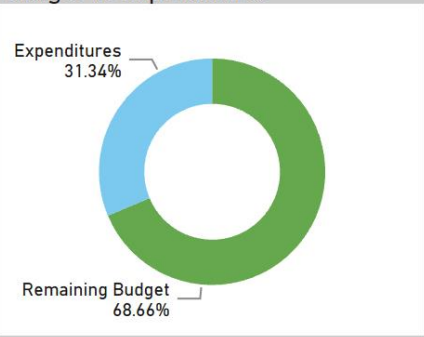
The Front of Plant (FoP) Project consists of the design, construction, permitting, start-up, commissioning, and final acceptance for the Receiving Lift Station (RLS), Surge and Flow Splitter (SFS), Headworks Facility, Odor Control Facilities, Influent Connector Pipe, Storage and Chemical Offload Facilities, 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.



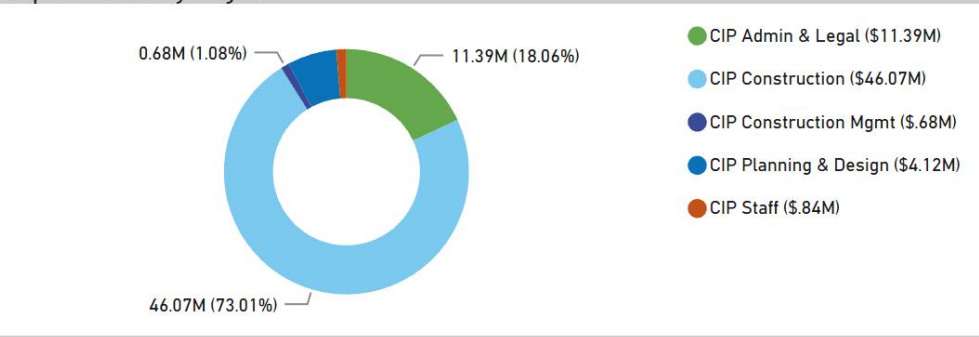
Milestone Schedule

	Start	Finish
100 (%) Design Documents	11/1/2019	12/4/2019
Stage 2C - RLS Shaft Construction	10/11/2018	2/25/2020
Headworks Facility Completed	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



As of : 2020 - 02



Major Accomplishments this Period

Design	- SPJV held a meeting with SVCW to reviewed the control narrative issued with the 100% design package. SPJV to incorporate comments from review and reissue.
Procurement of Trade Packages	<ul style="list-style-type: none"> - SPJV provided submittals for the various valves, the RLS elevator, the odor control system, and RLS pumps. - SPJV is finalizing submittals of other major equipment (slide gates, bulkhead, grit systsem, piping, HVAC, aluminum covers) with preferred manufacturers for submission - WIFIA and SRF requirements compliance for trade packages are in progress - SPJV executed contracts with multiple subcontractors for upcoming work
Construction	<ul style="list-style-type: none"> - Completed placement of 27 of 29 first-level wall panels for the Headworks Facility - Completed excavation of the SFS - Continued rebar installation for the base slab in preparation for concrete placement in January

Potential Issues

No issues to note for this period.

3 - Month Look Ahead

	Start	End	March	April	May
Installation of Electrical Room Walls and Deck	February 2, 2020	June 24, 2020	X	X	X
Installation of Headworks Channel Decks	January 3, 2020	May 27, 2020	X	X	X
Installation of RLS Second Pass Walls	March 18, 2020	July 21, 2020	X	X	X

Project Changes

Change order for odor control system
Credit for deletion of 48" bypass from 54" force main
Credit for the deletion of the chemical storage system
Electrical System
New County/Local Sales Tax
Project Management past December 2021

Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	2

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

\$259.23M

Total Expenditure

\$115.25M

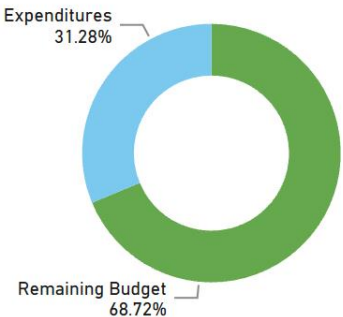
Remaining Budget

\$143.98M

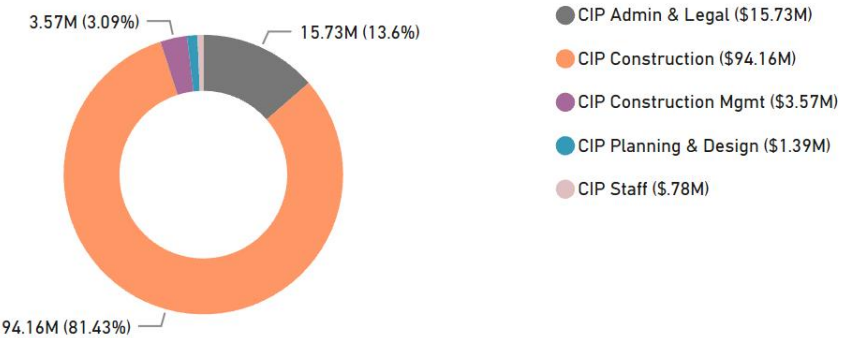
Milestone Schedule

	Start	Finish
100% Design Documents		7/9/2020
Bair Island Shaft Construction	6/24/2019	3/19/2020
TBM Drive (AAS to Bair Island)	9/17/2019	6/12/2020
San Carlos Shaft Construction	7/27/2020	1/31/2022
TBM Drive (AAS to SFS)	8/18/2020	10/4/2021
FRP Pipe Installation	7/16/2021	4/26/2022
Final Commissioning		7/1/2022

Budget vs Expenditures



Expenditures by Object



Construction KPIs

39.66%

% Complete

35.69%

% Expenditures

As of : 2020 - 02





Major Accomplishments this Period	
▼	
Design	- BBJV continued development of 100% San Carlos Shaft and Adit design
Procurement of Trade Packages	- San Carlos Shaft SOE contract in progress - Pipe Handling contract executed - Outreach in conformance with SRF and WIFIA funding requirements
Construction	- BBJV completed TBM assembly in tunnel and has constructed approximately 3000 LF (600 rings) - BBJV completed the grout plug in the Bair Island Shaft -First shipment of FRPM pipe arrived from Jakarta, Indonesia, and transported to Sunol, California

Potential Issues
Muck Disposal Site

3 - Month Look Ahead					
	Start	End	March	April	May
100% Design Completion	August 10, 2018	July 9, 2020	X	X	X
Bair Island Shaft Excavation and Construction	September 30, 2019	March 19, 2020	X		
Second Shipment of FRP Pipe	April 15, 2020	May 15, 2020		X	X
TBM mining for Bair Island Drive	September 17, 2019	April 24, 2020	X	X	

Project Changes
New County/Local Sales Tax and US Tariffs

Safety Spot Light	
Lost Time	0
Near Misses	0
Recorded Losses	1

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 replaced with a gravity pipeline. 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. RCPS will be designed to pump the MPPS flows during wet weather events.

Available Budget

\$119.68M

Total Expenditure

\$12.88M

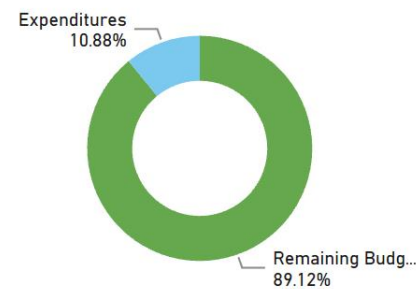
Remaining Budget

\$106.80M

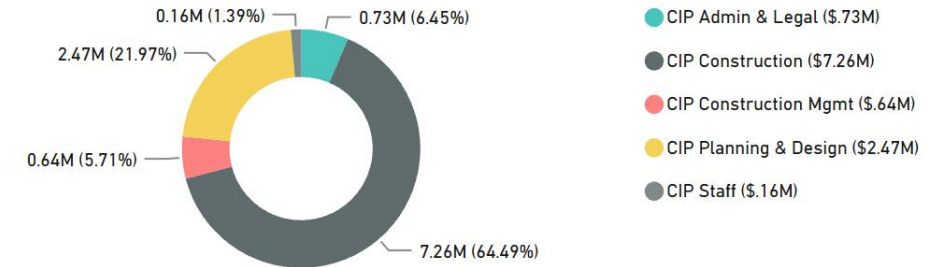
Milestone Schedule

	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
MPPS and BGP 60 Percent (%) Design Documents	8/19/2019	1/13/2020
RCPS 60 Percent (%) Design Documents	9/12/2019	3/25/2020
Stage 1 Services Complete - MPPS	2/28/2019	3/9/2020
Stage 1 Services Complete - BGP	2/28/2019	4/20/2020

Budget vs Expenditures



Expenditures by Object



Stage 2 is scheduled to start on 3/16/2020.

No % Complete or % Expenditures available at this time.



Major Accomplishments this Period

- Design
- Finalized MPPS 60% drawings.
 - Re-evaluating BPS design based on input from CalTrans.
 - Held workshop to discuss revised RCPS layout.
 - Performed hazardous material and geotechnical sampling.

Potential Issues

CalTrans easement denied for BPS gravity pipe; reassessing design

3 - Month Look Ahead

	Start	End	March	April	May
60% Design Package	August 19, 2019	May 25, 2020	X	X	X
BIM Model Development, Analysis, and Support	August 19, 2019	June 15, 2020	X	X	X
Cost Modeling Development and Estimates	May 3, 2019	May 29, 2020	X	X	X
Modeling	May 24, 2019	March 11, 2020	X		
Permitting & Public Outreach Support	February 28, 2019	June 15, 2020	X	X	X
Preliminary Staffing & Staff Training Plan	October 16, 2019	March 18, 2020	X		
Preliminary Startup, Testing and Acceptance Plan	October 16, 2019	March 25, 2020	X		

Project Changes

No issues to note for this period.

Safety Spot Light

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
SPECIAL MEETING – January 27, 2020
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
Council Member Mark Olbert, San Carlos – Secretary
Council Member Warren Lieberman, PhD., Belmont

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine Fitzgerald, SVCW Legal Counsel
Jennifer Flick, SVCW Human Resources Director
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager
Monte Hamamoto, SVCW Chief Operating Officer
Kim Hackett, SVCW Authority Engineer
Arvind Akela, SVCW Engineering Director
Eric Hansen, SVCW Engineering
Kara Tremblay, SVCW Engineering
Jessica Mangual, SVCW Secretary Pro Tem
Robert Wandro, SVCW Lab Director
Tiffany Ishaya, SVCW Lab
Yan Yan Zhang, SVCW Lab
Maria Gawat, SVCW Lab Supervisor
Jeff Brubaker, SVCW Operations Supervisor
Sylvia Alejos, SVCW Engineering
EJ Shalaby, Senior Consultant, DNS Strategic Partners
Molly Flowerday, City of Redwood City
Bill Tanner, Tanner Pacific, Inc.
Mark Minkowski, Kennedy/Jenks
Sheryl Chia, Kennedy/Jenks
Leslie Murphy, PFM Asset Management

ITEM 3

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited by those in attendance.

ITEM 4**PUBLIC COMMENT**

There was no Public Comment

ITEM 5**SAFETY MOMENT AND REPORTS**

Safety Moment concerned automobile tire safety and tire maintenance.

Under the Managers Report, several items were reported:

A milestone in safety was reached at 373 days without an OSHA reportable accident.

SVCW received an award from the California Sanitation Risk Management Authority for the Workers' Compensation Award recognizing low safety incidents within the agency.

Two awards were received from the California Water Environment Association Santa Clara Valley Section; one for Engineering Achievement and one for Research Achievement.

A presentation will be given at the February 11th Redwood Shores Community Association annual meeting; the focus is RESCU.

SVCW's Chief Operating Officer provided a presentation on the SVCW laboratory, noting its criticality in meeting regulatory requirements, providing input to plant operations, and performing work for other wastewater agencies. New federal certification requirements for laboratories are being implemented which will require additional training and possibly another staff person; staff is tracking impact of the changes.

For the remaining written reports contained within the agenda packets, there were no questions nor comments.

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

There were no comments.

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

A. APPROVAL OF MINUTES – December 16, 2019

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED DECEMBER 13, 2019 AND DECEMBER 27, 2019 AND NECESSARY PAYMENTS THROUGH DECEMBER 27, 2019

C. CONSIDERATION OF MOTION ACCEPTING CONTROL BUILDING HVAC IMPROVEMENTS PROJECT AND AUTHORIZATION TO FILE NOTICE OF COMPLETION

Proposed Action:

Move approval of MOTION TO ACCEPT THE CONTROL BUILDING HVAC IMPROVEMENTS (PROJECT #259) AND AUTHORIZE FILING NOTICE OF COMPLETION – RODAN BUILDERS

D. CONSIDERATION OF MOTION APPROVING TASK ORDER AMENDMENT TO RESCU PROGRAM'S COMPLIANCE MONITORING SERVICES BY RGM KRAMER

Proposed Action:

Move approval of TASK ORDER AMENDMENT SCOPE OF WORK AND BUDGET FOR COMPLIANCE MONITORING SERVICES FOR THE RESCU PROGRAM (CIP #9500) IN AN AMOUNT NOT TO EXCEED \$475,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – RGM KRAMER, INCORPORATED

E. CONSIDERATION OF MOTION AUTHORIZING PURCHASE ORDER CONTRACT FOR EMERGENCY ROADWAY REPAIRS IN THE WEST ACCESS ROAD ASSOCIATED WITH DUAL MEDIA FILTER LINE EMERGENCY REPAIRS PROJECT (PROJECT #313)

Proposed Action:

Move approval of PURCHASE ORDER CONTRACT FOR ROADWAY REPAIRS (PROJECT #313) IN AN AMOUNT NOT TO EXCEED \$98,000, AUTHORIZE MANAGER TO EXECUTE SAID PURCHASE ORDER CONTRACT AND APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – ANDREINI BROTHERS, INC.

F. CONSIDERATION OF MOTION APPROVING SIDE LETTER OF AGREEMENT BETWEEN SILICON VALLEY CLEAN WATER AND STATIONARY ENGINEERS, LOCAL 39

Proposed Action:

Move adoption of RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF SIDE LETTER OF AGREEMENT MODIFYING THE MEMORANDUM OF UNDERSTANDING BETWEEN SILICON VALLEY CLEAN WATER AND STATIONARY ENGINEERS, LOCAL 39

G. CONSIDERATION OF RESOLUTION AND MOTION APPROVING MASTER SERVICES AGREEMENT AND TASK ORDER WITH INTEGRAL GROUP, INC. FOR BUILDING MECHANICAL SYSTEMS (ALSO KNOWN AS HEATING, VENTILATION AND AIR CONDITIONING OR HVAC) CONSULTING SERVICES

Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR BUILDING MECHANICAL SYSTEM CONSULTING SERVICES WITH INTEGRAL GROUP, INC.
- ii. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ENGINEERING DESIGN SERVICES FOR LABORATORY BUILDING HVAC REHABILITATION (CIP #9251) IN AN AMOUNT NOT TO EXCEED \$102,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – INTEGRAL GROUP, INC.

H. CONSIDERATION OF RESOLUTION APPROVING CONTRACT CHANGE ORDER TO GRAVITY PIPELINE PROJECT

Proposed Action:

Move adoption of RESOLUTION AUTHORIZING THE SILICON VALLEY CLEAN WATER MANAGER TO APPROVE CONTRACT CHANGE ORDER FOR THE GRAVITY PIPELINE PROJECT IN THE AMOUNT OF \$111,568 – BARNARD-BESSAC JOINT VENTURE

I. CONSIDERATION OF MOTION APPROVING CONTRACT CHANGE ORDER FOR NEW 12KV SWITCHGEAR PROJECT (CIP #9807)

Proposed Action:

Move approval of CONTRACT CHANGE ORDER FOR NEW 12KV SWITCHGEAR PROJECT (CIP #9807) IN THE AMOUNT OF \$198,480 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – JFSHEA/PARSONS JOINT VENTURE

Commissioners had questions regarding Consent Calendar Items 7C, 7D, 7E and 7F. Ms. Herrera responded to the questions regarding the four items.

Regarding Item 7I, the Commission requested that future financial information be clearer as to expenditures versus allocated budgets for individual agenda items.

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Vote

ITEM 8A

CONSIDERATION OF RESOLUTION ADOPTING REVISION TO SILICON VALLEY CLEAN WATER'S 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

An introduction to the item was made followed by a presentation by Leslie Murphy, Senior Managing Consultant, PFM Asset Management LLC. Staff and Ms. Murphy then answered Commissioners' questions.

After discussion, the item was tabled to the March 2020 Commission Meeting.

ITEM 8B

CONSIDERATION OF RESOLUTION ADOPTING THE 2020 CIP UPDATE AND CORRESPONDING CEQA CONCLUSIONS

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING THE 2020 UPDATE OF THE SILICON VALLEY CLEAN WATER CAPITAL IMPROVEMENT PROGRAM AND CORRESPONDING CEQA CONCLUSIONS

Motion/Second: Mr. Lieberman / Mr. Olbert

The Motion carried by Unanimous Vote

ITEM 8C

CONSIDERATION OF MOTION TO RECEIVE AND ACCEPT LONG-RANGE FINANCIAL PLAN – 2020 UPDATE

Proposed Action:

Move approval of RECEIPT AND ACCEPTANCE OF SILICON VALLEY CLEAN WATER LONG-RANGE FINANCIAL PLAN – 2020 UPDATE

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Vote

ITEM 9

CLOSED SESSION

Closed Session was called to order at 10:06 a.m.

ITEM 10

RECONVENE IN OPEN SESSION

Open Session reconvened at 10:23 a.m.

Ms. Fitzgerald reported as to Agenda Item 9A the Commission unanimously approved an Agreement with the County of San Mateo for the transfer and acceptance of Easement Deeds for the Gravity Pipeline Project.

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 10:25 a.m.

Minutes prepared by Teresa A. Herrera
Reviewed by General Counsel

Mark Olbert, Secretary

AGENDA ITEM 7B

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SVCW WARRANT REGISTER

SVCW Warrant Register dated December 31, 2019 – February 24, 2020, were scanned and a copy was emailed to Commissioners and Legal Counsel on February 28, 2020.

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AGENDA ITEM 7C

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**REMOVAL OF FIXED ASSETS FROM
SVCW FINANCIAL RECORDS****ISSUE**

Approval to Remove Assets from SVCW Financial Records to Reflect Asset Disposals Occurring in the Current Year

BACKGROUND

Assets and inventory items no longer useful must be purged from SVCW's financial asset records. SVCW recently conducted a comprehensive review of its warehouse to identify obsolete items. The depreciated value of each item must be removed from SVCW financial records.

SVCW currently owns two front-end loaders for use in the solar drying beds. An older New Holland Tractor was purchased used in 2016 for use in the drying beds. It was quickly discovered that the unit was often out of service for repairs and that the bucket capacity did not afford efficiency in the work of turning biosolids' piles. A John Deere unit was purchased new in 2017 and has performed well and reliably since the purchase. Work can be done effectively with one unit and the Operations Division recommends the New Holland Tractor be sold and removed from SVCW records.

DISCUSSION

Section 3.5 of the SVCW Joint Powers Agreement (JPA) and Administrative Policy 1981-02 Revision "E" require the Commission approve the disposal of any asset with a value greater than \$25,000. Per the JPA and Administrative Policy 1981-20 Revision "E", the recommended disposal falls under the jurisdiction of the Commission:

Asset #	Description	Acquired Date	Original Value	Book Value	Reason for Disposal
13019	New Holland Tractor	3/17/2016	\$97,750	\$59,925	replaced with new front loader with larger bucket capacity.

By removing these assets from SVCW financial records, this action improves the accuracy of SVCW accounting for financial assets.

FINANCES

Original Value	Book Value	Estimated Resale Value
\$97,750	\$59,925	\$40,000 to \$50,000

RECOMMENDATION

Move approval to REMOVE FIXED ASSET #13019, WITH A TOTAL REMAINING BOOK VALUE OF \$59,925 FROM SVCW FINANCIAL RECORDS

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AGENDA ITEM 7D

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CONSIDERATION OF RESOLUTION RATIFYING APPROVAL OF MEMORANDUM OF UNDERSTANDING AND AUTHORIZING ACCEPTANCE OF A CERTAIN HEREIN DESCRIBED REAL PROPERTY INTEREST FOR THE GRAVITY PIPELINE PROJECT AND AUTHORIZING EXECUTION OF ALL DOCUMENTS NECESSARY AND APPROPRIATE FOR SAID TRANSACTION

ISSUE

Transfer of Subsurface Easements by the County of San Mateo (SMC) to Silicon Valley Clean Water (SVCW) from Real Property Located at or Near the San Carlos Airport for the Gravity Pipeline Project

BACKGROUND

This Commission previously approved SVCW's Regional Environmental Sewer Conveyance Upgrade (RESCU) Program and certified the Program's Final Environmental Impact Report (FEIR). The Program includes conveyance system improvements to transport wastewater from member agencies' collection systems to the SVCW wastewater treatment plant. A major component of the conveyance system is the Gravity Pipeline Project (Project) to be constructed by tunneling methods from the north edge of Inner Bair Island to new Front of Plant facilities at the treatment plant. The Project involves the installation of a sub-surface gravity flow wastewater pipeline by tunneling between forty and sixty feet below the existing ground surface. The majority of the Project will be entirely beneath public rights-of-way. However, in a few locations, the alignment crosses underneath publicly-owned property not within public rights-of-way which requires that SVCW acquire subsurface easements from local governmental owners for the purpose of installing, operating and maintaining an underground pipeline by sub-surface tunneling. The last three easements required for completion of construction of the Project (and for completion of the SRF loan financing) are located underneath real property owned by the County of San Mateo in and around the San Carlos Airport. (Referred to as the Holly Easement (north of Holly), Taxiway Easement (parallel to the Airport but outside the airport operations areas) and Bair Island Easement (end of the Gravity Pipeline on Bair Island)).

DISCUSSION

SVCW staff worked with County staff (as well as SVCW General Counsel and County Counsel) to develop proposed forms of public utility easement deeds, along with a Memorandum of Understanding (MOU) that transfers to SVCW the necessary easement rights required for the Project and which this Commission previously approved in closed session at its January 2020 meeting. Thereafter, the County Board of Supervisors approved and executed the MOU and three (3) easement deeds. The MOU provides for transfer of the easements as well as contains provisions related to 1) another easement for a new use of the existing force main, and 2) for the two temporary permit areas, i.e., the launch shaft area north of Holly Street and the receiving shaft area on Bair Island.

The purpose of this item is to conclude the easement transfer by 1) authorizing acceptance of the easement deeds executed by the County Board of Supervisors, and 2) ratifying the previously approved MOU.

FINANCES

Payment to the County for the easements is \$5,000 per easement (\$5,000 for the Bair Island Easement has already been paid to the County).

RECOMMENDATION

Move adoption of RESOLUTION RATIFYING APPROVAL OF MEMORANDUM OF UNDERSTANDING AND AUTHORIZING ACCEPTANCE OF EASEMENT INTERESTS IN CERTAIN REAL PROPERTY HEREIN DESCRIBED (APNs 095-220-140, 046-081-580, 046-082-010, 046-081-790, 095-030-230)

AGENDA ITEM 7E

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**RESCU PROGRAM
PUMP STATIONS IMPROVEMENTS PROJECT (CIP 9501)
STAGE 2A DESIGN-BUILD AMENDMENT**

ISSUE

Approve Stage 2A Amendment to the Pump Stations Improvements Project (PSI) Design-Build Agreement with Shea Parsons Joint Venture (SPJV).

BACKGROUND

SVCW's Regional Environmental Sewer Conveyance Upgrade (RESCU) Program includes conveyance system improvements to transport wastewater from member agencies' collection systems to the SVCW wastewater treatment plant. RESCU is comprised of three projects: Pump Stations Improvements, Gravity Pipeline, and Front of Plant. The Pump Stations Improvements (PSI) Project improves the facilities that move flow from the member agency collection systems into the SVCW force main and gravity pipeline system, which will then discharge flow to the Front of Plant facilities. The PSI Project includes rehabilitating the Menlo Park Pump Station and building a new Redwood City Pump Station. Originally the project included renovating Belmont Pump Station but through the Stage 1 design process, it may be feasible to abandon the pump station and, instead, build a gravity sewer to connect Belmont flows to the gravity pipeline; this possibility is still being explored. The San Carlos Pump Station will also be abandoned and flow from San Carlos will discharge via a drop structure into the gravity pipeline at this pump station location.

In July 2019, the Commission approved the SPJV Design-Build Agreement which included provisions for both Stage 1 and Stage 2 activities. Stage 1 activities include design services to bring conceptual designs from the 10% level to approximately 60% design level at which point, Stage 2 activities (design completion and construction) could be defined and priced. The Stage 1 Design-Build Agreement budget was \$7,995,000.

The Design-Build Agreement allows for release of Stage 2 activities in "packages" rather than waiting for the entire project to reach 60% design. This allows advancement of one of the three component projects. The Belmont Pump Station options are still being assessed and the Redwood City Pump Station design is not yet at 60%. The Menlo Park Pump Station design has reached the 60% design level and is ready for Stage 2 work to proceed. This is the basis for the Stage 2A amendment request.

DISCUSSION

The scope of work to be authorized by the Stage 2A Amendment is completion of the design from 60% to 100% and construction of the Menlo Park Pump Station. Work at the pump station involves improving flow entry conditions, replacing gates, valves, some piping, and all pumps as well as site improvements for flood protection, new instrumentation controls and electrical systems including new emergency generators.

Stage 1 of the contract has been completed and SPJV has submitted a complete and refined set of 60% drawings and specifications for the PSI Menlo Park Pump Station

project element. As part of Stage 1 specific to Menlo Park Pump Station, SPJV prepared Basis of Design, 30%, and 60% design reports, and cost estimates at all phases of work. Prior to bringing the Stage 2A Amendment recommendation to the Commission for approval, SVCW's project team completed two independent cost estimates (one by SVCW's Owners Engineering Advisor, Brown and Caldwell, and one by SVCW's Construction Quality Assurance consultant, Tanner Pacific) and both found SPJV costs to be both competitive and reasonable. The SVCW project team also conducted rigorous design submittal reviews throughout Stage 1. SVCW's project manager and Authority Engineer have met with SPJV to negotiate final terms of the Stage 2A Amendment. The amendment will take a lump sum cost approach which provides SVCW with a definitive price to complete the project.

The total authorization requested for the SPJV Stage 2A Amendment described above is \$20.1 million. This fits within SVCW's CIP budget for Project #9501, which has an allocated budget of \$119.7 million in the 2020 CIP Update.

The Stage 2 schedule provides for substantial completion of the Pump Stations Improvements project (ready for sewage) in October 2022 with Final Completion in December 2022.

FINANCES

The scope represented by the PSI Stage 2 work will be funded from the Pump Stations Improvements project (CIP #9501), which has an allocated budget in the 2020 CIP Update of \$120 million.

To date, approximately \$12.9 million has been expended on the project.

Allocated Project Budget	Costs to Date	Stage 2A Cost	Current Future Cost Estimate*
\$119.7 million	\$12.9 million	\$20.1 million	\$106.6 million

*inclusive of Stage 2A lump sum budget

RECOMMENDATION

Move adoption of RESOLUTION APPROVING STAGE 2A AMENDMENT TO THE DESIGN-BUILD AGREEMENT FOR PUMP STATIONS IMPROVEMENTS PROJECT (CIP #9501); AUTHORIZING EXECUTION OF STAGE 2A AMENDMENT AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS AND ALLOWANCES UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID AMENDMENT – SHEA PARSONS JOINT VENTURE - \$20,100,000

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

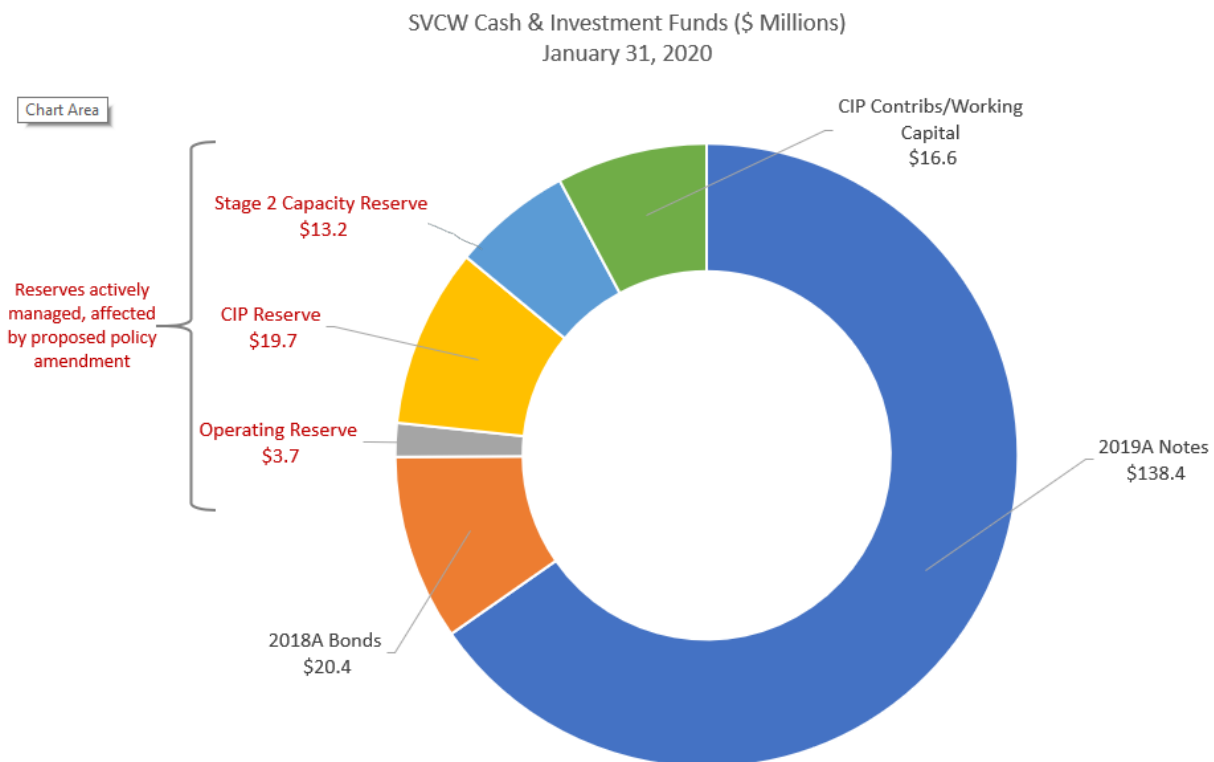
BACKGROUND

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. 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. 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 June 17, 2019 Commission meeting.

This item was presented to the Commission November 18, 2019 and again on January 27, 2020. To facilitate further discussion by Members, staff was instructed to bring the item again for consideration.

DISCUSSION

SVCW actively manages \$36.6 million in three distinct Cash Reserve Funds:



Other cash and investments include CIP Contributions/Working Capital, which is held in LAIF (Local Agency Investment Fund), and debt proceeds (2019A Notes and 2018A Bonds) associated with capital projects. The debt proceeds follow a forecasted liquidity schedule and are invested according to respective Indenture of Trust agreements.

Staff proposes amendments as shown in the attached “redline” version of the Investment Policy; a “clean” copy with changes accepted is also attached. The recommendation expands SVCW-allowed investment sectors to include Commercial Paper, Negotiable Certificates of Deposit (CDs), Asset-Backed Securities, and Supranationals. Adding these sectors, while maintaining focus on safety of principal, will diversify SVCW’s investment portfolio to balance risk and return over time.

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

The proposed sectors are similarly allowed in LAIF (with the exception of asset backed securities) and the San Mateo County Investment Pool. Also of note, SVCW policy would be more restrictive (and more conservative) regarding permitted allocation percentages and rating requirements.

FINANCES

No cost impact due 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

Rev: RS

Revision Date: 3/09/2020

Issue Date: 7/20/92

Approved by the SVCW Commission at the Meeting held on March 9, 2020 by Resolution No. SVCW 20-07

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](#)[SVCW](#)'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.

Silicon Valley Clean Water

COMMISSION POLICY NO. 1992-01

APPROVED BY: _____

Revision: S

Revision Date: 3/09/2020

Issue Date: 07/20/1992

Approved by the SVCW Commission at the Meeting held on March 9, 2020 by Resolution No. SVCW 20-07

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.”

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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.

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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 program wide 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.

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AGENDA ITEM 8B

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**MEMORANDUM OF UNDERSTANDING BETWEEN
SILICON VALLEY CLEAN WATER
AND
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

ISSUE

Approval of Memorandum of Understanding (MOU) between Silicon Valley Clean Water (SVCW) and South Bayside Waste Management Authority (SBWMA) to Conduct Joint Pilot Project

BACKGROUND

In accordance with Assembly Bill 341, California Department of Resources Recycling and Recovery (CalRecycle) is leading California's ambitious drive towards a 75% reduction in the amount of waste going to landfills by the year 2020. Attaining this goal requires diverting 22 million tons of waste from California landfills annually. The local waste management authority, SBWMA, has been working diligently to meet the reductions. One of the manners in which SBWMA is planning to meet its requirements is via removal of organics from garbage.

In 2014 SBWMA approached SVCW to determine if a mutually beneficial project could be jointly initiated. In April 2014 SVCW and SBWMA entered into an MOU to collaborate on a joint project. The project would separate organic material from garbage, process it at the garbage facility and deliver the separated material to SVCW. SVCW would then further process the material and inject it into existing anaerobic digesters. The MOU was general in nature and left particulars to be defined when preliminary project information was available via equipment placement at SBWMA and SVCW completing studies grant-funded by the State of California.

The State of California grant received by SVCW required studies to be done with respect to impact of food waste on anaerobic digesters. Data needed to be gathered before SBWMA was ready to deliver material so, therefore, in 2018/2019, SVCW opted to conduct a pilot project using material to be generated by Recology. Staff worked with Recology San Francisco who pre-processed municipal organic waste in its San Francisco facility using a special equipment called Organic Extrusion (OREX) Press. Recology supplied the organic materials to SVCW in early 2019 and requisite tests and data gathering were completed. Since then, the same OREX press has been relocated to SBWMA's San Carlos facility where SBWMA has set up its pilot facility. SVCW intends to continue its pilot project using material from SBWMA's pre-processing facility at San Carlos.

DISCUSSION

SBWMA anticipates the OREX will be able to process material starting in April 2020 and a new MOU between SVCW and SBWMA has been prepared that provides details on project responsibilities and the criteria to be used to measure success. The MOU has been reviewed by SVCW's Legal Counsel with additions proposed by Counsel included. SBWMA plans to process up to 20 tons of material per day, six days per week and the

pilot project will run for a six-month period. Running a pilot project alongside SBWMA will allow SVCW to test the material, study its characteristics and investigate its impact on other treatment processes then utilize the information for a potential full-scale facility. The treatment plant's existing food waste receiving facility is able to accept up to 20 tons of organic materials per day during this pilot phase. Organic material will be delivered by SBWMA to the food waste receiving facility, SVCW will dilute the material with No. 3 process water, then the material will be pumped into a digester. Once in the digester, the material will be mixed with the wastewater solids and digested in typical manner.

Staff anticipates increased biogas production with the addition of this high organic load. Alongside higher biogas production will be increased volume of digested solids to dispose. Part of the work described in the MOU will be to analyze the costs and benefits of the added organic material. Overall, the organics co-digestion program is expected to provide multiple long-term benefits to both SVCW and SBWMA including a new revenue source for SVCW rate payers via a tipping fee for the material, a new energy source for SVCW, and reduced tipping fees and regulatory compliance for SBWMA.

After the pilot project is completed and proven successful, capital funds would need to be expended to expand the receiving facility at SVCW. CIP Project #9229 was added to the CIP in 2015 and updated in 2020 with an allocated budget of \$20.4 million. Before any money is expended for a full-scale project, the Commission will be presented with a recommendation and summary of expected costs.

FINANCES

There is no direct capital cost associated with this MOU for the pilot project as existing infrastructure will be used. The pilot project will evaluate the net cost of processing organics in terms of labor, chemical and power and will use that information in determining the overall costs/benefits to SVCW. Operating costs will be incurred and is projected to be between \$100 and \$200 thousand; the vast majority of operating costs is due to disposal of the increased digested solids. The table below indicates budgeted and anticipated costs. The "TBD" will be determined as part of the pilot project.

Cost Item	Allocated Budget, \$	Anticipated Cost, \$
Pilot Project		
Capital	0	0
Operating	100 Thousand	100-200 Thousand
Full-Scale Project		
Capital	20.4 Million	TBD
Operating	TBD	TBD

RECOMMENDATION

Approve Memorandum of Understanding between Silicon Valley Clean Water and South Bay Waste Management Authority to Conduct Joint Pilot Project

AGENDA ITEM 8C

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FISCAL YEAR 2020-21 ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET

ISSUE

Receive presentation on the Fiscal Year 2020-21 Proposed Annual Operating and Capital Expenditures Budget

BACKGROUND

Prior to May 1 of each calendar year, Silicon Valley Clean Water must adopt an Operating and Capital Expenditures Budget (Budget) for the upcoming Fiscal Year. The Budget outlines revenues needed for operations, maintenance, administration and compliance monitoring activities. Furthermore, it describes additional cash flow requirements to meet capital projects, debt service, and cash reserve needs.

The long-term Capital Improvement Program (CIP), originally developed in 2008 and most recently updated in January 2020, identifies the funds needed for both capital replacement projects (depreciation) and system improvements projects. This budget incorporates the long-term impact of capital expenditures and proposes a funding strategy for the CIP. The CIP funding strategy incorporates analysis from the January 2020 Long Range Financial Plan update.

DISCUSSION

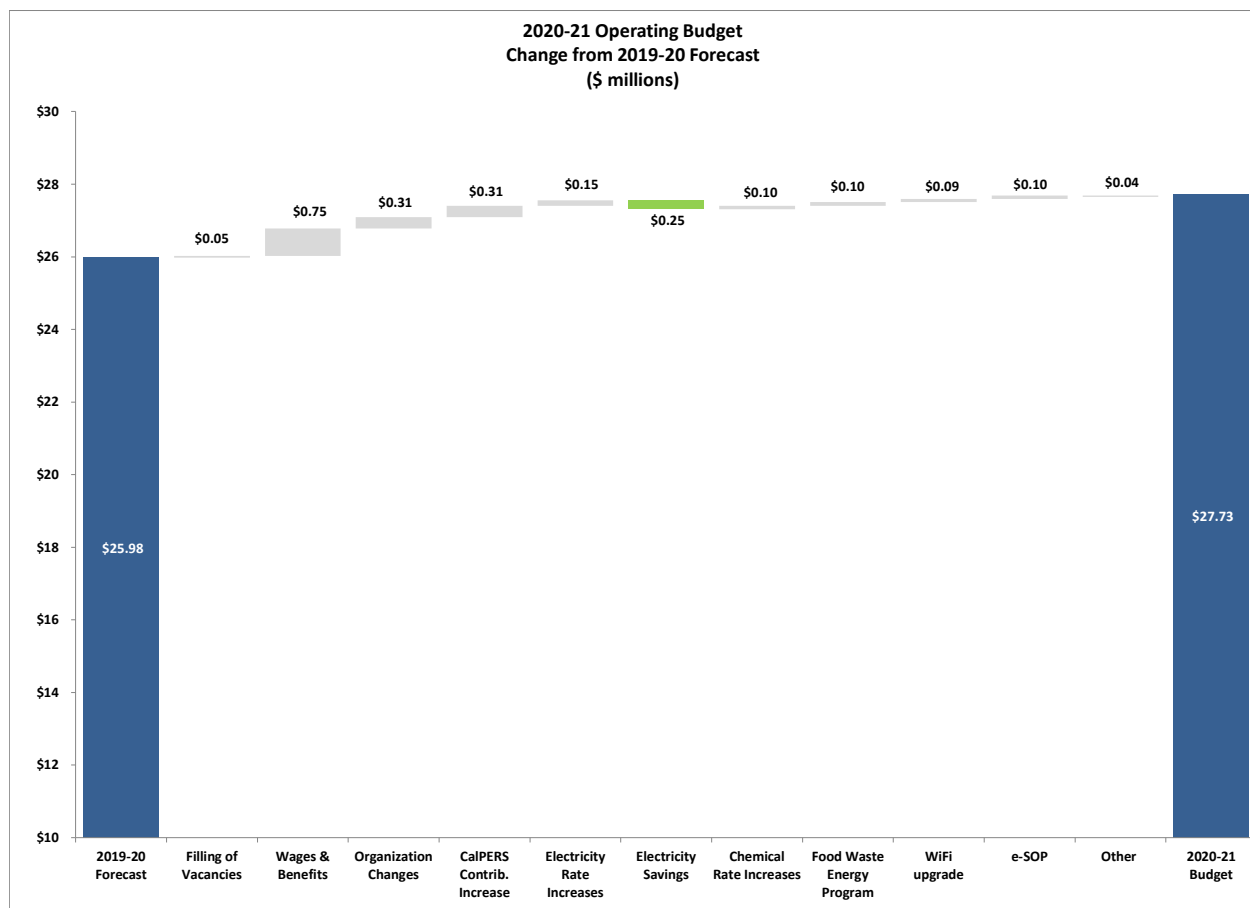
The 2020-21 Budget anticipates Total Member Contributions will increase by \$861.9 thousand, or 1.79%. The Budget allots \$26.6 million for Net Operating Expenses and \$1.29 million for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$1.52 million in contributions. Debt Service Payments are budgeted to be \$19.65 million.

Year-over-year Budgeted Member Entity Contributions				
Description	2019-20 Adopted Budget	2020-21 Proposed Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Expenses	\$ 26,268,777	\$ 27,728,484	\$ 1,459,707	5.56%
Less: Miscellaneous Revenue	(1,059,500)	(1,099,500)	40,000	3.78%
Contributions, Net Operating Expenses	\$ 25,209,277	\$ 26,628,984	\$ 1,419,707	5.63%
Add: Revenue-Funded Capital Projects	1,684,325	1,295,500	(388,825)	(23.08%)
Contributions, Before Reserves & Debt Service	\$ 26,893,602	\$ 27,924,484	\$ 1,030,882	3.83%
Add: Reserve Designations	1,052,583	1,524,866	472,283	44.87%
Add: Debt Service, Participating members	20,287,459	19,646,217	(641,242)	(3.16%)
Contributions, Total	\$ 48,233,644	\$ 49,095,567	\$ 861,923	1.79%

Operating Budget:

Specific to the operating budget only, the following table and chart compares next year's Proposed Operating Budget to 2019-20's forecasted expenditures. Comments below explain certain inflationary pressures as well as savings planned for next year.

Silicon Valley Clean Water Expenditure Summary - By Objective						
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel	\$ 16,671,032	\$ 16,617,606	\$ 16,448,116	\$ 17,853,205	\$ 1,405,089	8.5%
Utilities	1,482,703	1,707,756	2,006,739	1,733,449	(273,290)	(13.6%)
Administrative Expenses	535,838	516,149	397,839	623,021	225,182	56.6%
Equipment & Supplies Expense	2,535,814	2,552,722	2,571,085	2,599,502	28,417	1.1%
Chemicals	1,105,788	1,697,916	1,590,201	1,703,871	113,670	7.1%
Professional & Contractual Services	2,669,282	2,760,886	2,653,955	2,820,575	166,620	6.3%
Training, Memberships, Travel	347,063	415,742	310,599	394,861	84,262	27.1%
TOTAL	\$ 25,347,520	\$ 26,268,777	\$ 25,978,534	\$ 27,728,484	\$ 1,749,950	6.7%



- Personnel costs will increase by \$1.41 million, or 8.5% compared to the 2019-20 Forecast. Approximately \$50 thousand of this increase is due to a vacant position during the first half of 2019-20. The remaining increase is largely due to \$750 thousand of cost-of-living and step adjustments, a \$313 thousand increase in CalPERS-required contribution rates, and \$311 thousand for organizational changes to support succession planning.
- Despite anticipated rate increases from PG&E for electricity, utilities costs will decrease by \$273 thousand compared to the Forecast, or 13.7%. During fiscal year 2019-20 PG&E imposed a retroactive billing adjustment associated with the new switchgear and meter at the treatment plant. This one-time charge of \$350 thousand will not reoccur.
- Administrative Expense will increase by \$225 thousand (56.6%); comprised of a \$100 thousand increase in annual permit fees and \$58 thousand included for public outreach (public outreach was not budgeted for fiscal year 19-20 and should be included in the upcoming year's budget).
- Chemicals will increase by \$101.2 thousand, or 6.4%, as chemical prices increase.
- Professional & Contractual Services will increase by \$86.6 thousand, or 3.3%, the majority of which is to begin implementation of a new electronic Standard Operating Procedures ("smart-SOP") program. Smart-SOP is a cloud-based solution to provide consistent instructions and training to operators.
- Training, Memberships, and Travel will increase by \$84 thousand (27.1%). In response to changes in labor law, SVCW temporarily suspended training and travel early in the 2019-20 fiscal year as it amended a Standard Administrative Procedure associated with travel. The organization expects ordinary training and education practices next fiscal year.

Revenue-Funded Capital:

Revenue-Funded Capital Expenditures funds individual capital projects less than \$1 million each that can be completed within one year. These projects address immediate needs for equipment and facilities and typically include minor construction projects, major maintenance projects, and preliminary engineering analysis for major capital improvements. The proposed budget includes revenue-funded capital expenditures of \$1.29 million.

Proposed 2020-21 Revenue-Funded Capital Expenditures	
Project Name	One-time Cost
Rebuild dewatering Fournier filter presses #1 and #2	\$ 250,000
Replace IT Business Network Access Switches	204,000
Install Crane / Monorail system for Solids Handling Bldg Equipment	200,000
Purchase replacement Bio-Solids Dump/Transfer Truck	140,000
Replace cogeneration engines' generator units	87,500
Expand emergency alert and surveillance system at Treatment Plant	85,000
Upgrade Primary Sedimentation Tank equipment	65,000
Improve Front Gate controls	60,000
Improve loading slab at biosolids loading area	50,000
Facility Reconfigurations	50,000
Replace Laboratory Automated BOD Analyzer	48,000
Replace fleet equipment, Environmental Services pickup truck	34,000
Purchase Dranetz Energy Power Monitoring Equipment	22,000
TOTAL	<u>\$ 1,295,500</u>

- Fournier Press rebuild: The Fournier filter presses, used to remove water from biosolids prior to disposal, have exhibited wear of certain parts over time. This wear damaged the filter screens and must be addressed. To reduce the wear on screens in the future, more frequent maintenance of the Fournier Presses is now in place.
- The Information Technology business network includes eight access switches throughout the treatment plant that were installed in 2012 and are now at end-of-life.
- A crane system is proposed for the basement of the Solids Handling Building where recently-installed equipment must be maintained. This equipment includes rotary drum thickeners, large pumps, and electrical control panels. With a crane system, mechanics can perform maintenance safely and efficiently.

- A current dump truck, used for biosolids transfer to drying beds, is frequently out of service and jeopardizes the operation. A replacement truck mitigates this risk and optimizes use of drying beds to reduce costs.

Reserves:

Operating Reserve contributions follows policy to ensure a balance of \$3.77 million is in place by the end of the fiscal year. As investment earnings generate most of the necessary amounts, the contribution to Operating Reserves will be \$25.7 thousand in 2020-21. Separately, this Budget recognizes a required \$1.5 million contribution to Capital Improvement Program Reserves to comply with Policy.

Debt Service:

SVCW's Debt structure for next fiscal year is unchanged, though debt service payments will decrease by \$641 thousand as series 2009A Wastewater Revenue Bonds were fully retired in 2019.

SVCW has to date secured approximately \$647 million of financing for CIP projects, of which \$265 million remained available at June 30, 2019. Per the January 2020 Long Range Financial Plan, remaining CIP project expenditures were \$561 million.

The January 2020 Long Range Financial Plan considered remaining CIP expenditures, their timing, and available sources of funds to recommend a debt structure that recognizes much of the remaining CIP is to be funded through a combination of governmental loans from the U.S. Environmental Protection Agency as well as the California State Water Resource Control Board.

RECOMMENDATION

No Commission action is requested or required at this meeting. Staff will present information and receive direction for proposed budget modifications and return at the April SVCW Commission Meeting with an updated budget proposal to present for approval at that time.

It is anticipated the following items, or modified versions per Commission direction, will be proposed for adoption by resolution at the April 2020 Commission Meeting:

- i. FISCAL YEAR 2020-21 REVENUE PLAN IN THE AMOUNT OF \$26,628,984 IN NET OPERATING REVENUES REQUIRED AND \$1,295,500 FOR REVENUE-FUNDED CAPITAL PROJECTS
- ii. FISCAL YEAR 2020-21 CASH RESERVE DESIGNATIONS IN THE AMOUNT OF \$1,500,000 TO THE CAPITAL IMPROVEMENT PROGRAM RESERVE FUND AND \$24,866 TO THE OPERATING RESERVE FUND

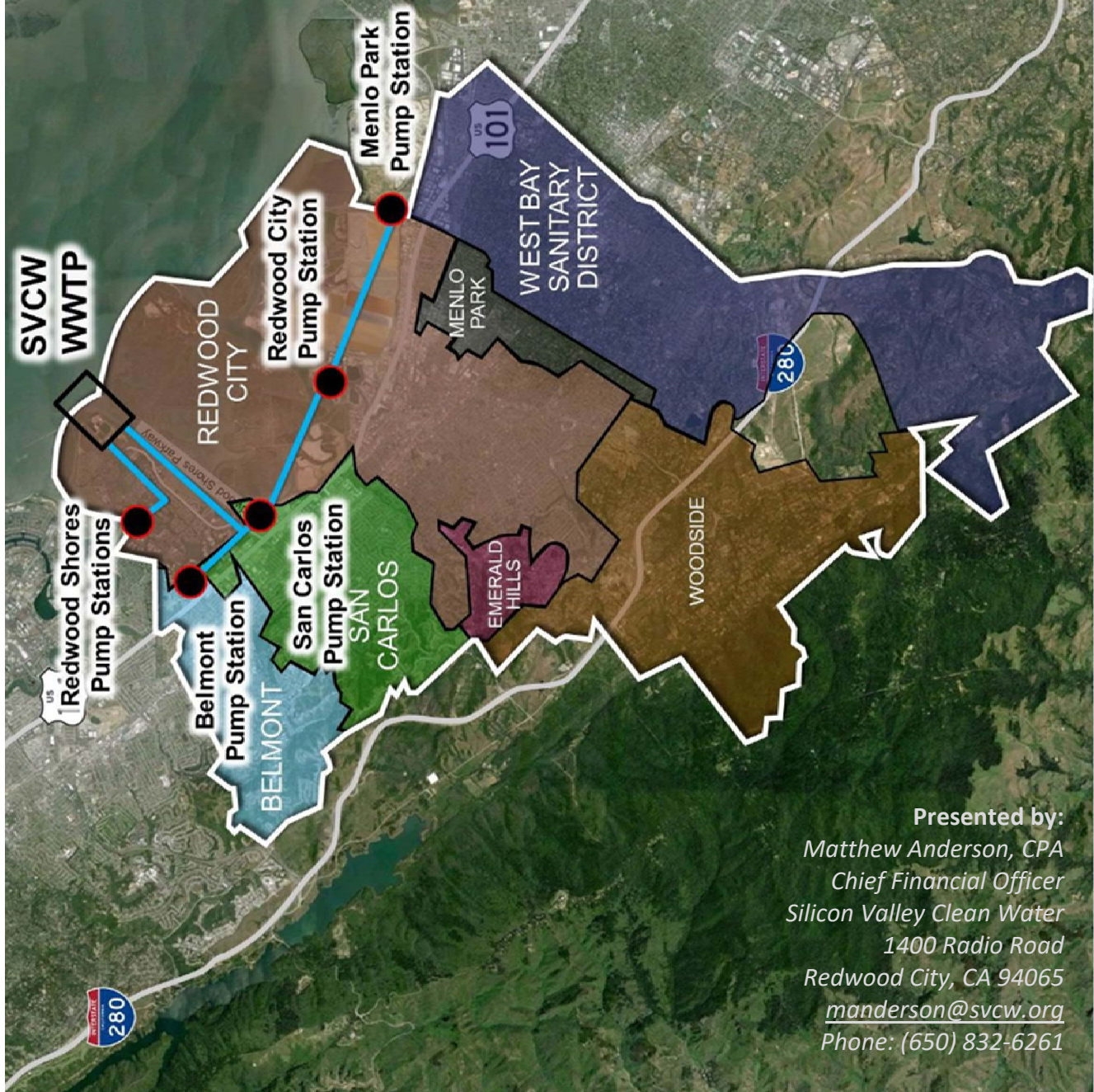
- iii. FISCAL YEAR 2020-21 DEBT SERVICE EXPENDITURES IN AN AMOUNT OF \$19,646,217
- iv. AUTHORIZING SVCW MANAGER TO IMPLEMENT, MANAGE AND APPROVE EXPENDITURES AUTHORIZED WITHIN THE FISCAL YEAR 2020-21 ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET AS ADOPTED BY THE SILICON VALLEY CLEAN WATER COMMISSION



DRAFT 2020-21 OPERATING BUDGET

PROPOSED MARCH 09, 2020

Silicon Valley Clean Water



Presented by:
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Chief Financial Officer
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Phone: (650) 832-6261

Commissioners

<u>Name</u>	<u>Title</u>	<u>Member Agency</u>
Alicia Aguirre	Chair	City of Redwood City
George Otte	Vice Chair	West Bay Sanitary District
Mark Olbert	Secretary	City of San Carlos
Warren Lieberman	Member	City of Belmont

SVCW Staff

<u>Name</u>	<u>Title</u>
Teresa Herrera	Manager
Matthew Anderson	Assistant Manager & Chief Financial Officer
Monte Hamamoto	Chief Operating Officer
Kim Hackett	Authority Engineer
Bob Huffstutler	Operations Director
Rosendo Gallegos	Maintenance Director
Bob Wandro	Laboratory / Environmental Services Director
Arvind Akela	Engineering Director
David Lee	Safety Director
Jen Flick	Human Resources Director
Brent Brown	Information Systems Director
Cindy Hui	Accounting Supervisor
Krista Politzer	Financial Analyst

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SECTION 1 – OVERVIEW

Organization and Business

Silicon Valley Clean Water (SVCW, or “the Agency”) was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan, from which SVCW took title to property including sanitary sewerage pumping stations, as well as transmission and outfall facilities originally constructed by that plan. SVCW now provides wastewater transmission, treatment, and effluent disposal services for the surrounding communities including the Cities of Belmont, Redwood City, and San Carlos as well as West Bay Sanitary District (Member Entities).

The regional wastewater treatment plant has an average dry weather flow permitted capacity of 29 million gallons per day, an approximately nine-mile influent force main pipeline that conveys wastewater from the SVCW Member Entities to five pump stations, the treatment plant, and a 1.25-mile effluent disposal pipeline that discharges treated effluent into the San Francisco Bay. SVCW also provides recycled water to the City of Redwood City.

SVCW is a joint exercise of powers agency reporting to the Member Entities located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. The Agency’s wastewater treatment plant is in the City of Redwood City and serves more than 200,000 people and businesses in San Mateo County, California. SVCW operates in a strong Bay Area economy, with a customer base that includes large business customers such as Oracle Corporation, EA Sports, and Facebook.

Governance & Management

The Agency is governed by a four-member Commission consisting of one appointed member from each of the Member Entities’ governing bodies. Current Commissioners are:

<u>Commissioner</u>	<u>Commission Title</u>	<u>Entity Represented</u>
Alicia Aguirre	Chair	City of Redwood City
George Otte	Vice Chair	West Bay Sanitary District
Mark Olbert	Secretary	City of San Carlos
Warren Lieberman	Member	City of Belmont

Voting is proportional to the Member Entities' respective ownership interests in the Agency's wastewater system. There is currently a total of 100 votes which are allocated as follows:

- City of Redwood City 42 votes
- West Bay Sanitary District 28 votes
- City of San Carlos 19 votes
- City of Belmont 11 votes

A vote of at least seventy five percent is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, contracts, appropriations, or transfers of more than \$75,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a simple majority of the votes. In addition, any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the SVCW Member Entities' governing bodies.

Financial Oversight and Control

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the Capital Improvement Program (CIP) and the Long Range Financial Plan (Financial Plan). The Proposed 2020-21 Budget is consistent with those goals and reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that benefit the community.

SVCW has no taxing power. The Agency receives nearly all its funding, other than interest earnings and other miscellaneous revenues, from payments made by the Member Entities. Each month, Member Entities make payments for operations, capital repairs, and cash reserves. Debt service payments are made according to schedules set by SRF loans and Bond issuances. After the close of the fiscal year, the annual payments made by each Member are reconciled against the actual expenditures allocated to each Member, and any difference is applied toward fund reserves held by the Agency on behalf of each Member.

Debt Reserves

The Agency has debt reserves and a Commission-adopted policy to mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for member entities, and to help fund future long-term capital needs. The Operating Reserve is equal to 10% of the approved Operating and Capital Budget plus \$1 million. The Capital Improvement Program Reserve is set at an amount equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets upon

reaching the end of their useful life. Each year, if the funds held in the above reserves fall below targeted levels, the Commission considers budget adjustments to return reserves to their target levels. The Agency has the ability to amend its reserve policy at any time.

Long Range Financial Plan

SVCW Member Entities' sewer rates provide the underlying repayment security for all SVCW financing. As such, SVCW developed a Long Range Financial Plan (LRFP) to provide a roadmap for funding the CIP and ongoing operating costs. The Financial Plan is updated annually and presented to the Commission for approval. It also informs Member Entities when considering sewer rates.

A LRFP combines financial projections with strategy. The Governmental Finance Officers Association (GFOA) recommends that all governments regularly engage in long-term financial planning as a collaborative process to consider future scenarios and help navigate challenges. By aligning financial capacity with long-term service objectives, SVCW and its Member Entities gain insight as to financial resources needed to support strategies. With this information, SVCW Member Entities can balance objectives and financial challenges.

SVCW has a goal to manage its finances and meet critical funding needs, while recognizing the need to maintain reasonable wastewater rates. Going forward the LRFP is enacted through setting of annual budgets, achieving financial performance measures, and incorporating Commission-directed actions. The Financial Plan is derived from planning models that forecast operating and capital expenditures. It includes reasonably conservative assumptions and attempts to account for uncertainties. It aims to generate adequate cash reserves for capital projects while maintaining good standing in the credit markets to provide ready access to cost-effective capital financing when needed. It evaluates the capital financing and debt service coverage policies to optimize cash funding of capital investments. Finally, it continues to evaluate cash reserve policies that must consider intergenerational equity when funding capital projects and raising rates.

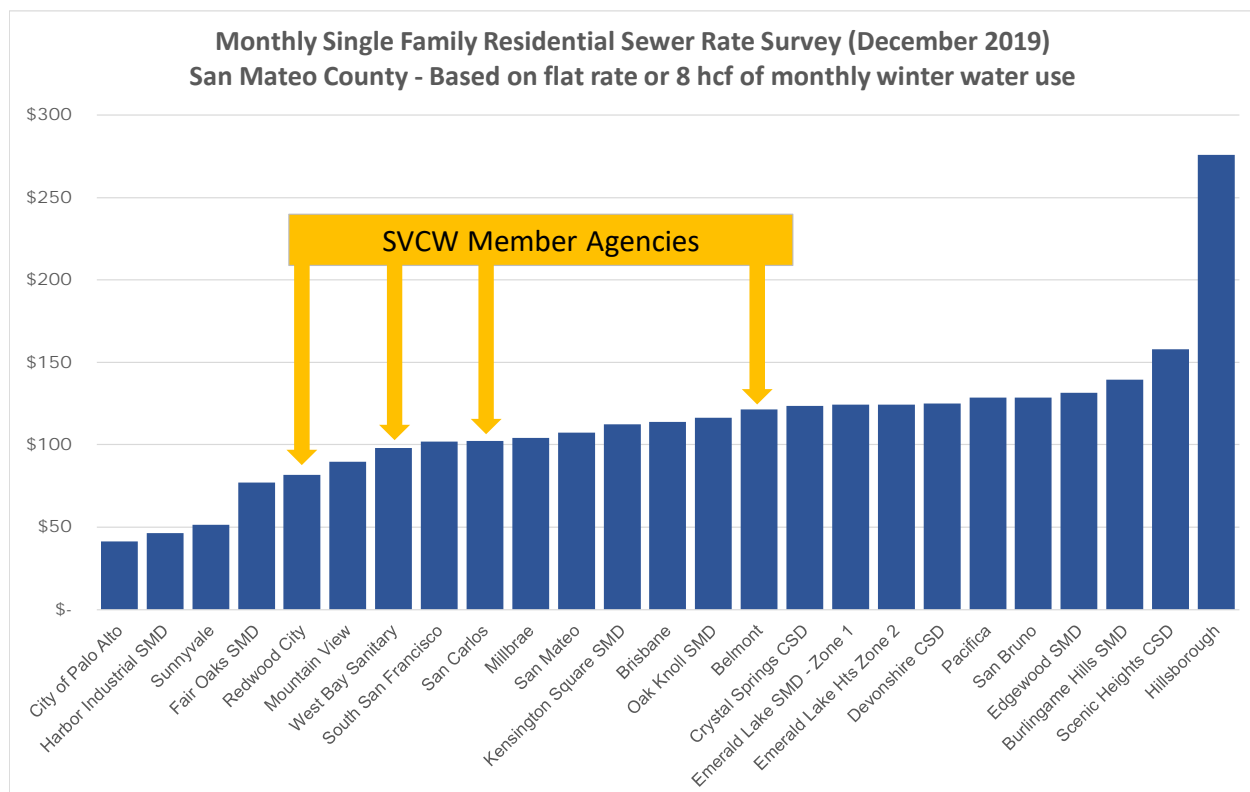
Comparative Residential Sewer Charges

Since the introduction of the CIP, Member Agencies have been proactively raising sewer rates to support their allocable share of SVCW expenditures, as well as their own sewer operating and capital programs. While to date, rate increases have been substantial, going forward only modest increases are anticipated. The following table shows residential monthly sewer rates of Member Entities over the past decade.

Residential Sewer Rates by Member Agency Based on 8 HCF of flow										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Belmont	\$51.34	\$72.13	\$77.33	\$82.77	\$88.13	\$ 88.13	\$ 99.47	\$ 105.35	\$ 116.14	\$ 121.28
Redwood City	\$48.72	\$53.10	\$57.88	\$63.09	\$68.77	\$74.95	\$75.11	\$76.68	\$78.24	\$81.76
San Carlos	\$46.82	\$50.10	\$53.10	\$67.29	\$80.75	\$88.82	\$88.82	\$93.26	\$97.93	\$102.32
West Bay SD	\$54.17	\$57.50	\$62.67	\$68.33	\$74.42	\$81.08	\$85.92	\$89.33	\$93.83	\$98.08

Residential Sewer Rate Year-over-Year % Increase, by Member Agency										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Belmont	6.8%	40.5%	7.2%	7.0%	6.5%	0.0%	12.9%	5.9%	10.2%	4.4%
Redwood City	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	0.2%	2.1%	2.0%	4.5%
San Carlos	7.0%	7.0%	6.0%	26.7%	20.0%	10.0%	0.0%	5.0%	5.0%	4.5%
West Bay SD	16.1%	6.1%	9.0%	9.0%	8.9%	8.9%	6.0%	4.0%	5.0%	4.5%

Member Agencies' rates are among the middle tier of San Mateo County sewer rates, as shown in the following chart of regional monthly sewer service charges for a typical single family. It should be noted that many of these other agencies are now initiating their own large capital improvement programs and are anticipated to face significant rate increases going forward.



Accomplishments:

Each year, SVCW management sets goals to ensure its communities' wastewater is conveyed and treated in a safe and dependable manner. Key achievements during the past year include:

Operations:

- Treated over 5.7 billion gallons of wastewater, maintaining full compliance with SVCW's National Pollutant Discharge Elimination (NPDES) System permit.
- Processed and removed 3,822 dry tons of biosolids for land application, composting, alternative daily cover, landfill and Bio Force Tech.
- Produced 243.2 million gallons of recycled water for Redwood City.
- Incurred Zero (0) NPDES Permit Violations in calendar year 2019.
- Achieved full compliance with monthly acute bioassay analysis to ensure NPDES Permit Compliance.
- Installed new distributor arms on Fixed Film Reactor #2; automated controls to better remove dissolved organic materials from the wastewater.
- Assisted Engineering Division and construction contractor to install, startup, and test new Spencer high speed centrifugal blowers, piping and valves to increase oxygen injection levels and encourage production of aerobic microorganisms.
- Upgraded the aeration basin Dissolved Oxygen control system to improve operators' visibility of process behaviors.
- Participated in the startup and commissioning of new Dual Media Filter backwash pumps, valves and piping to better remove unwanted particulates from the filter media. During repairs, successfully rerouted flow around DMF for several months without NPDES permit violation.
- Upon completion of the construction project managed by Engineering Division, successfully tested and commissioned new Rotary Drum Thickeners for improved sludge dewatering.
- Purchased and assisted with installation and testing of new site waste pumps to increase capacity.
- Developed and updated Return Activated Sludge (RAS) pumping control system to improve aeration system process efficiency.
- Installed new Iris valves to increase Dissolved Oxygen control on the aeration basins A & B side.
- Installed and tested New Calcium Nitrate feed system at the Menlo Park Pump Station for corrosion control within the 33" Forcemain.
- Identified significant leak at the DMF feed pipe and assisted in repairs.

- Implemented a new hypo-bisulfite diffuser at the chlorine mix box to provide better mixing, increase sewage water disinfection, and produce chemical savings.
- Created 15 new and revised 18 Standard Operation Procedures for improved education and training of staff.
- Updated five Contingency First Response Packets.
- Attended HachWims conference training designed for administration end-users who develop reports and forms for data collection.
- Furthered succession planning goals by sending staff to Advanced Management & Supervisory Leadership Training program with the Public Utilities & Waterworks Management Institute and Inspired Leadership Strategies hosted by the California Water Environment Associated (CWEA) Santa Clara Valley section.
- Began using SVCW's Microsoft Dynamics Maintenance Management System (MMS) for work orders.
- Participated in extensive plant renovation activity including design meetings, workshops and field trips. Supported system outage requests (SORs) that re-routed sewer flows, changed utilities, and installed temporary equipment.
- Attended the annual Design Build Institute conference for water and wastewater in Cincinnati.
- Awarded scholarship from the Design Build Institute of America (DBIA) for Design Build conference attendance in 2020.
- Attended and witnessed the Hydraulic modeling at Clemson Hydraulics.
- Planned and implemented Confined Space Rescue training for SVCW and local agencies, including member agency staff.
- Hosted CWEA Santa Clara Valley Section February 2019 Meeting and Presentation
- Provided two wastewater certification exam preparation classes for Bayworks on Anaerobic Digestion.

Maintenance:

- Converted to a new Microsoft Dynamics Work Order system, switching from INFOR asset management system that had been used for the past twenty years. Completed a total of 9,082 corrective and predictive work orders.
- Replaced faulty coolant water pump to Co-gen engine #1 cooling water loop. This is a critical system to minimize PG&E electricity usage and maintain co-generation production at maximum.
- Fabricated and installed cogeneration and emergency generators exhaust stack extensions. Improved safety by reducing possibility of CO2 fumes being drawn by HVAC units and introduced into buildings.

- Replaced underperforming EVOQUA equipment with POLYCHEM equipment in Primary Sedimentation Tanks #2, #3, and #4. Completed this critical process improvement in a timely way prior to wet weather despite multiple component malfunctions.
- Repurposed a glycol heat exchanger in the digester gas conditioning system as a water heat exchanger to better manage digester gas temperatures. The results were excellent, with lower gas temperatures providing improvements to the glycol heat exchanger performance.
- Supported a 30 thousand-hour overhaul and inspection on both Cogeneration engines.
- Installed calcium nitrate chemical dosing tanks at Menlo Park Pump Station to assist with odor reduction and corrosion control.
- Installed "Man Catchers" for decant pits at SVCW drying beds and at Belmont pump station to improve safety for those working near open hatches.
- Built a new drain system at Primary sedimentation tanks gallery for lab sampler units. This improved working conditions and mitigated safety hazards.
- Installed multiple transmitters for the food waste pilot project air quality controls.
- Completed the install of a recycled water pressure vessel to address low system pressures in the control building that had existed since inception.
- Completed welding repairs in aeration basin tanks to address corroded 40-inch diameter influent pipes.
- Retrofitted concrete steps with anti-slip aluminum stairs at Redwood City Pump Station, where the slippery wet side stairs posed safety hazards. Installed tread plate to cover the full steps surface to improved walking conditions.
- Relocated the Lab Building Server Room Center Network Equipment rack.
- Installed new Clarifier #2 mix box hypo bisulfite diffuser system to provide better mixing, increase sewage water disinfection, and produce chemical savings.
- Participated in extensive plant renovation activity including design meetings, workshops and field trips. Supported system outage requests (SORs) that re-routed sewer flows, changed utilities, and installed temporary equipment.

Environmental Services:

- Developed a Stormwater Inspections program for the cities of Belmont and San Carlos to fulfill the C.4 Industrial and Commercial Site Controls requirement of their Municipal Regional Stormwater NPDES Permit. Through the oversight and compliance of over 900 industrial/commercial businesses, this program aims to prevent discharge of pollutants and impacts on beneficial uses of receiving waters.
- Coordinated with the City of Redwood City on the update of their Fats, Oils and Grease ordinance.

- Performed over 200 industrial sampling events.
- Reissued 4 mandatory wastewater discharge permits which, in addition to fulfilling need for new permits, also allowed for training of staff.
- Provided training on pump station sampling for the Operations Division, who in turn performed over 100 sampling events. Sampling continued to include the Port of Redwood City dedicated sampling location, allowing more accurate data from the Port which contributes to overall Redwood City total.
- Evaluated and permitted approximately 45 non-routine and groundwater requests for discharge. With the continued growth in development construction within SVCW's service area, there have been an increasing number of requests for non-routine and groundwater discharges into the sewer.
- Completed a local limits analysis study, which identified and provided technically derived limits for pollutants in the plant influent. The last local limits study was performed in 1989.
- Coordinated water conservation presentations reaching over 5,400 students, teachers and parents. Conveyed pollution prevention messages in classrooms reaching over 100 elementary and high school students.
- Presented Sewer Science course to 330 local high school students.
- Sponsored two Marine Science Institute voyages for schools.
- Staffed a booth at the Marine Science Institute's and Belmont's Earth Day event with community member attendance reaching over 2,500 and 150, respectively.
- Reached out to 200 dental offices to implement the EPA Dental Rule.

Laboratory:

- Retained accreditation as a Certified Laboratory for another 2 years from the State Environmental Laboratory Accreditation Program (ELAP). The process included a 2-day audit and the successful analyses of reference samples by every certified method.
- Laboratory Staff generated over 23,000 reportable results during 2019 in support of Plant Operations, Permit Regulations, Environmental Services, and customer projects. These results ranged from simple (daily pH measurements of the Effluent) to highly complex (trace metal analysis of Industrial User samples collected by SVCW Environmental Inspectors) analyses.
- Hired a Laboratory Analyst I to replace a retired senior Analyst.
- Promoted a Senior Laboratory Analyst to Laboratory Supervisor and promoted a Laboratory Analyst II to a Senior Laboratory Analyst.
- Worked with SVCW Operations staff and DHI consultants to monitor nutrients at each stage of the Plant treatment process for several months.

- Conducted a price survey of local contract laboratories and, based on the results, increased the price/sample for testing of routine samples from the Sewer Authority Mid-Coastside (SAM) in Half Moon Bay.
- Purchased a replacement Inductively-Coupled Plasma (ICP) instrument for performing low-level concentrations of toxic metals in permitted industrial samples, pump station samples, and project samples. The new instrument can analyze all metals in a sample simultaneously instead of sequentially, vastly improving testing efficiency.
- Completed 5 years with the Laboratory Information Management System (LIMS). In 2019, the batching function in LIMS was leveraged to meet regulatory documentation requirements. New features in LIMS reports were also developed to alert staff of required sampling, to check the logic of 'sample-life' dates (collected-received-analyzed), and for data reporting.

Safety:

- With exception of one injury in January 2019, went the entire year without a recordable safety incident.
- Developed and implemented a new plant wide evacuation alarm system. This system satisfies current Cal/OSHA standards that require employers to provide an early warning for emergency action and reduce reaction time for employees/vendors/visitors to safely escape the workplace.
- Implemented and utilized CSRMA's new online safety training platform from TargetSolutions.com to supplement our training program. This provides 24/7 online access to schedule, deliver, track, and report training; ultimately, reducing safety risks, time and money.
- Developed and updated the Injury and Illness Prevention Program, Emergency Action Plan, Lock Out/Tag Out (LOTO) Program, Confined Space Program, and Hazard Communication Program to ensure they meet current regulatory standards.
- Refined and updated Employee Safety Training Matrix to achieve 100% of required safety trainings to ensure safe working practices and procedures.
- Launched new safety campaign to raise safety awareness and find creative ideas on how to place safety at the forefront of everything we do. Provided additional posters, banners, stickers, and trainings to staff to raise safety awareness to reduce injuries.
- Executed monthly risk analysis surveys to confirm that our employees are working in a safe manner and using the proper personal protective equipment.

Engineering:

- Engineering department won two awards at the Santa Clara Valley Section of California Water Environment Association (CWEA). Mixer-Aerator upgrades project with Invent Mixer won the Engineering Achievement Award and the Food Waste Receiving Pilot Project won the Research Achievement Award. Both projects also secured 2nd place at the CWEA state level at their respective categories.
- Completed the installation of new 12kV primary switchgear which was placed in service after it passed the PG&E inspection in August 2019. The new 12kV Switchgear will allow redundancy to the electrical supply throughout the plant, enable export-import to fully utilize all biogas generated, and power the Front of the Plant Improvements. The new switchgear is installed on an elevated platform above the 100-year flood level.
- Completed installation of 1MW/2MWh Tesla batteries for energy storage. It is expected to undergo pre-parallel inspection (PPI) in May 2020. Once it passes PPI, the batteries can be used to shave the daily peak power demand times, reducing the need for P.G.&E. power.
- Completed the installation of two Rotary Drum Thickeners (RDTs) in the Solids Handling Building. These RDTs were placed in service in October 2019. These RDTs will replace the gravity thickeners for primary sludge thickening.
- Completed Food Waste Receiving Pilot Project in April 2019. This California Energy Commission (CEC) sponsored project faced numerous challenges including permitting challenges from BAAQMD and CalRecycle as well as challenges in securing feedstock. The final report is pending CEC approval for publishing. SVCW continued to progress on its commitment to organic co-digestion and started working with its sister agency SBWMA to explore the implementation of its full-scale organics co-digestion project. SVCW hired a consultant to conduct the Co-digestion Impact study to understand and prepare for the full-scale implementation of the co-digestion at its digesters.
- Completed the aeration system upgrades by replacing all four centrifugal blowers with Spencer high speed turbo blowers with VFDs, new 316 stainless aeration steel aeration pipe and new Egger Iris aeration control valves. PG&E awarded SVCW with \$19,539 incentive check for this energy efficiency upgrades.
- Replaced the two original Dual Media Filter (DMF) backwash pumps with two new high - efficient Sulzer pumps with VFDs.
- Started the process of acquiring BioforceTech facility. This process will allow SVCW to dispose of over 40% of its biosolids and convert into biochar, a marketable commodity. Under this pursuit, BioforceTech will install three new dryers and upgrades the rest of the biosolids processing facility to bring to SVCW standards.
- Completed the rehabilitation of the first pass of chlorine contact tanks and started on the next phase of rehabilitation of the pass 2 and 3.
- Continued progressing discussions with regional partners on feasibility of developing potable reuse as a new water supply.

- Completed construction of rehabilitation of Phase 1 of chlorine contact tank project.
- Completed construction of the Control Building HVAC system.
- Prepared an Update to the CIP to reflect most current information on facility capital needs. Information from the CIP Update informs the financial planning for the Agency.
- SVCW contractors performed over \$150 million worth of construction work safety-incident free.
- Updated SVCW's Standard Specifications for construction to ensure compliance with new laws, regulations, and safety requirements. These standard specifications are used for every capital construction project undertaken by SVCW.

Information Systems:

- Upgraded entire Information Management System core networking gear to an Application Centric Infrastructure (Software-defined) environment.
- Creation of an "out of band" management network to service severe issues in the event of network loss.
- Implemented multifactor authentication, regional restrictions, and an improved password policy to harden security to Office 365 web portals.
- Increased forensic logging thru SPLUNK; increased reporting services on wireless activity as well as network accesses. Achieved improvements in Homeland Security alerts, SANS and Multistate information Sharing, and Analysis Center to better identify threats and risks.
- Implemented a new Emergency Paging System service for facility IP Phones with phone app alert notifications.
- Initiated an upgrade from TRAPS anti-malware/anti-virus to CORTEX XDR that captures and analyzes threats with advanced AI and zero-day threat protection. Investigating possible data integration with SPLUNK services.
- Coordinated and readied on-premise equipment for hosted environment of the Microsoft Dynamics work order and financial systems infrastructure to meet security and access requirements. These services will be transferred and supported by SVCW equipment.
- Implemented new front gate keycard, camera, and access services for reliability in the system.
- Coordinated installation of several new high-resolution cameras for process monitoring.
- Negotiated contract and managed configuration and installation of new Xerox multifunction printers throughout the plant.

- Continued staff awareness training thru Security Mentor and SVCW IT-initiated 'Phishing' programs to determine users/areas of focus. The service has successfully raised staff preparedness in its first year online.
- Partnered in the design and implementation of the new plantwide Emergency Alarm and Notification System. This multiphase project contributes and improves the safety culture at SVCW.
- Launched a project to upgrade the SVCW WiFi infrastructure to the next generation WiFi6 system. New system will strengthen WiFi access from all points around the plant as SVCW prepares to expand its use of mobile technologies.
- Coordinating investigations on HVAC system issues to determine cause of contaminants reaching the server room and equipment.
- Engaged professional cleaning of the server room and specific equipment in response to contamination event. Will schedule quarterly professional cleanings as a preventative measure.
- Continued assisting consultants and SVCW instrumentation team to install new Building Management System to monitor the HVAC system in the control building.

Administration & Finance:

- Closed a \$218 million Water Infrastructure Finance and Innovation Act (WIFIA) loan with the U.S. Environmental Protection Agency. It is estimated that, compared to issuing wastewater revenue bonds, this governmental loan will save \$47 million in debt service payments over 30 years.
- Took advantage of favorable market conditions by issuing \$197 million in low-interest interim Notes to finance RESCU construction. It is estimated that, compared to accruing interest on the WIFIA loan, Net Present Value savings will be \$5.5 million during the construction period.
- Processed a record number of invoices, reaching over \$150 million in total expenditures on invoices, payroll, and debt service payments during the 2018-19 fiscal year.
- Completed the 2018-19 financial statement audit with a new auditor (Maze & Associates), without issues.
- Updated the Long-Range Finance Plan in January 2020 for changes in debt mix, construction schedule, and project cost estimates.
- Effective June 2019, implemented Phase II of the new Microsoft Dynamics financial system. SVCW is now performing all work orders in the new system.
- Purchasing Division reached 100% system usage to process requisitions, generate purchase orders, receive shipments, match shipments to invoices for payment, perform inventory counts, and implement auto replenishment.

- Purchasing reduced drive belt inventory by 50% by removing obsolete items. The group improved its use of auto-replenishment tools to reduce on hand stock. Negotiated with vendors every 6 months to reduce costs and support local businesses. Locked in pricing with uniform cleaner, landscaper, fire sprinkler testing, and janitorial service. Sold surplus equipment on Public Surplus, installed electric vehicle charging stations in SVCW parking lot. Updated insurance records for vendors, purchased mobile carts to provide ergonomic solutions for employees performing inventory cycle counts.
- Responded to CalPERS audit related to staff uniforms, working with legal counsel to appeal CalPERS decisions. All avenues of appeal exhausted, entered into a settlement agreement with CalPERS in August 2019.
- Negotiated an MOU Side Letter with Stationary Engineers Local 39 for Classic employees to reflect CalPERS determination that uniforms are compensable. Side Letter was agreed upon December 30, 2019 and adopted by the Commission January 2020.
- Contracted with Redwood City for Communications/Public Relations services to further communications goals and priorities to support the local community which SVCW serves. This is vital given the exposure SVCW is receiving from capital projects and ongoing public interest.
- Responded to an increased volume of public records requests, ensuring both public transparency and personal privacy rights are achieved.
- Initiated redesign of SVCW's website to coincide with the increased public interest in SVCW activities.
- Developed and implemented an intranet solution to enable enhanced staff internal communication. This is done via a Sharepoint solution termed "The Hub" and Teams.
- Manager made multiple presentations throughout the community to increase SVCW's visibility. Organizations to which presentations were made include Atherton Earth Day, United States-China Green Energy Commission, Redwood Shores Community and Owners Associations Annual meetings, Sustainable Silicon Valley, and member agency Councils and Board.
- Manager's office continued publishing monthly newsletters which have a statewide audience.
- Exhausted all appeals with CalPERS on Performance Pay issue. Concluded impact of this CalPERS decision on existing employees. Currently working with CalPERS to determine impact on retirees.
- Reviewed all SVCW policies and divided them into Commission-level policies and Manager-level administrative procedures. Approximately 50% complete with updating all Standard Administrative Procedures. Updating Commission level policies are ongoing as needed.

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SECTION 2 – OPERATING BUDGET SUMMARY

The 2020-21 Operating and Revenue-Funded Budget anticipates Total Member Contributions will increase by \$861.9 thousand, or 1.79%. The Budget allots \$26.6 million in Net Operating Expenses and \$1.29 million for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$1.52 million in contributions. Debt Service Payments are budgeted to be \$19.65 million.

Year-over-year Budgeted Member Entity Contributions				
Description	2019-20 Adopted Budget	2020-21 Proposed Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Expenses	\$ 26,268,777	\$ 27,728,484	\$ 1,459,707	5.56%
Less: Miscellaneous Revenue	(1,059,500)	(1,099,500)	40,000	3.78%
Contributions, Net Operating Expenses	\$ 25,209,277	\$ 26,628,984	\$ 1,419,707	5.63%
Add: Revenue-Funded Capital Projects	1,684,325	1,295,500	(388,825)	(23.08%)
Contributions, Before Reserves & Debt Service	\$ 26,893,602	\$ 27,924,484	\$ 1,030,882	3.83%
Add: Reserve Designations	1,052,583	1,524,866	472,283	44.87%
Add: Debt Service, Participating members	20,287,459	19,646,217	(641,242)	(3.16%)
Contributions, Total	\$ 48,233,644	\$ 49,095,567	\$ 861,923	1.79%

- Gross Operating Expenditures will increase by \$1.46 million (5.56%), which reflects staffing organizational changes, CalPERS contribution increases, and ordinary inflationary pressure on wages and benefits. Non-personnel cost increases include price increases on electricity and chemicals. Also included is funds for a food waste-to-energy pilot program.
- Miscellaneous Revenue will be \$40 thousand higher than the 2019-20 Budgeted amount after estimating investment returns on operating reserves.
- Revenue-funded capital spending will be \$1.29 million, or \$388.8 thousand less than the 2019-20 Budget as large capital projects are planned and completed.
- Reserve Designations will increase by \$472.2 thousand next year. The 2020-21 Budget follows Reserve Policy, which calls for an annual CIP Reserve contribution of \$1.5 million, an increase of \$500 thousand. The Operating Reserve requires \$24.9 thousand in contributions next year, which is half of the current year after recognizing anticipated investment returns.
- SVCW's Debt structure for next fiscal year is unchanged, though payments will decrease by \$641 thousand after the retirement of series 2009A Wastewater Revenue Bonds in 2019. A further description of Long Term Debt is in Section 5 and draws from SVCW's January 2020 Long-Range Financial Plan.

Expenditure Allocations:

Operating Revenues are allocated according to the Joint Powers Agreement (JPA) between Member Entities. The allocation methodology uses a combination of three flow and loading factors: Flow, Biochemical Oxygen Demand (BOD), and Suspended Solids (SS). These factors are based on three-year averages and updated annually. SVCW applies the JPA-defined formula to allocate annual budgeted operating costs to Member Entities.

The updated three-year flow and loading factors below illustrate how flow and loading figures changed proportionate to Member Agencies' absolute figures.

Three-year Average Flow and Loading Averages - by Member				
Agency	Factor	2019-20 Adopted Budget	2020-21 Proposed Budget	Point Increase/ (Decrease)
Belmont	Flow	11.82%	11.60%	(0.22)
	Biochem. Oxygen Demand	12.29%	11.91%	(0.38)
	Suspended Solids	11.72%	11.69%	(0.03)
Redwood City	Flow	49.49%	50.47%	0.98
	Biochem. Oxygen Demand	44.89%	47.29%	2.40
	Suspended Solids	47.62%	48.39%	0.77
San Carlos	Flow	14.45%	14.80%	0.35
	Biochem. Oxygen Demand	12.83%	12.84%	0.01
	Suspended Solids	12.19%	12.58%	0.39
WBSD	Flow	24.24%	23.13%	(1.11)
	Biochem. Oxygen Demand	29.99%	27.96%	(2.03)
	Suspended Solids	28.47%	27.34%	(1.13)

The above year-over-year changes reflect relative flow and loading behaviors between Member Entities. These metrics are presented to the SVCW Technical Committee for validation.

Member Agency Operating Contributions Calculation:

Flow and Loading factors are incorporated in the below table to allocate budgeted operating expenditures:

2020-21 Budget Revenue Allocation to Member Agencies - Proposed									
Description				Belmont	Redwood City	San Carlos	West Bay San District	TOTAL	
Allocation Factors									
Flow				11.82%	49.49%	14.45%	24.24%	100%	
Biochemical Oxygen Demand (BOD)				12.29%	44.89%	12.83%	29.99%	100%	
Suspended Solids (SS)				11.72%	47.62%	12.19%	28.47%	100%	
Operating Expenditures	Weightings								
	Flow	BOD	SS						
	Operations	26.5%	33.5%	40.0%	\$ 1,259,914	\$ 4,981,735	\$ 1,372,407	\$ 2,940,243	\$ 10,554,300
	Maintenance	26.5%	33.5%	40.0%	815,927	3,226,198	888,778	1,904,117	6,835,021
	Laboratory	26.5%	33.5%	40.0%	225,625	892,127	245,770	526,538	1,890,060
	Environmental Services	26.5%	33.5%	40.0%	124,706	493,092	135,841	291,025	1,044,663
	Engineering	26.5%	33.5%	40.0%	118,194	467,342	128,747	275,827	990,110
	Safety	100.0%	0.0%	0.0%	63,127	264,312	77,173	129,459	534,072
	Information Services	26.5%	33.5%	40.0%	205,183	811,298	223,503	478,832	1,718,814
	Administrative Services	100.0%	0.0%	0.0%	491,883	2,059,498	601,329	1,008,734	4,161,444
Subtotal				\$ 3,304,559	\$ 13,195,602	\$ 3,673,548	\$ 7,554,775	\$ 27,728,484	
Subtract Miscellaneous Income	26.5%	33.5%	40.0%	\$ 131,252	\$ 518,975	\$ 142,971	\$ 306,301	\$ 1,099,500	
2020-21 Net Operating Revenue Required				\$ 3,173,307	\$ 12,676,627	\$ 3,530,577	\$ 7,248,473	\$ 26,628,984	
2019-20 Net Operating Revenue Required				3,004,200	11,999,297	3,341,409	6,864,371	25,209,277	
\$ Increase / (Decrease)				169,107	677,330	189,168	384,102	1,419,707	
% Increase / (Decrease)				5.63%	5.64%	5.66%	5.60%	5.63%	

Miscellaneous Revenue:

Miscellaneous Revenue is derived from grease and septic receipts, property leases, and services performed by the Laboratory and Environmental Services Divisions. In the current year forecast, SVCW recognized a one-time gain on sale of property that will not reoccur next year. SVCW will continue to receive one more year of Pacific Gas & Electric grant revenue associated with electricity production from the cogeneration engines.

2020-21 Budget Miscellaneous Revenue						
Description	2018-19 Actual	2019-20 Adopted Budget	2019-20 Forecast	2020-21 Proposed Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Grease & Septic Receiving	\$ 252,361	\$ 325,000	\$ 250,000	\$ 325,000	\$ 75,000	30.0%
Other Miscellaneous Revenue	116,987	128,000	388,000	128,000	(260,000)	(67.0%)
Source Control	34,529	87,500	87,500	87,500	-	0.0%
Laboratory Services	35,449	50,000	42,000	50,000	8,000	19.0%
Interest Earnings	40,104	40,000	80,000	80,000	-	0.0%
Cogen Performance Incentive	273,678	275,000	255,000	275,000	20,000	7.8%
Stormwater Monitoring	16,677	154,000	154,000	154,000	-	0.0%
TOTAL	\$ 769,785	\$ 1,059,500	\$ 1,256,500	\$ 1,099,500	\$(157,000)	(12.5%)

Capital and Reserve Contributions:

As described in Section 4 of this budget, Revenue-financed Capital projects are estimated at \$1.29 million in 2020-21. Contributions to the CIP Reserve follow policy and is scheduled to be \$1.5 million next fiscal year. These costs are allocated to Members according to JPA-defined percentages, which are based on each Member Agency's dry weather capacity owned and its allocated share of future dry weather capacity.

2020-21 Capital and Reserve Allocation Calculations										
Description		City of Belmont		Redwood City		City of San Carlos		West Bay San District		TOTAL
Capital and Reserve Allocation Factors		9.45%		48.57%		15.14%		26.84%		100.00%
CAPITAL IMPROVEMENT										
Plant (cash-funded capital)	\$	10,868	\$	55,856	\$	17,411	\$	30,866	\$	115,000
Pump Stations		-		-		-		-		-
Force Main		-		-		-		-		-
Equipment		111,557		573,369		178,728		316,846		1,180,500
Subtotal	\$	122,425	\$	629,224	\$	196,139	\$	347,712	\$	1,295,500
RESERVE CONTRIBUTIONS										
Operating Reserve	\$	2,350	\$	12,078	\$	3,765	\$	6,674	\$	24,866
CIP Reserve		141,750		728,550		227,100		402,600		1,500,000
Subtotal	\$	144,100	\$	740,628	\$	230,865	\$	409,274	\$	1,524,866
Contributions for Capital & Reserves	\$	266,525	\$	1,369,852	\$	427,003	\$	756,986	\$	2,820,366

Section 5 of this Budget briefly reviews the CIP and its associated debt service payments, which vary as certain Members opt to self-finance a portion of the CIP rather than participate in SVCW debt. Cash reserves, discussed in Section 6, reflect SVCW policy.

Total Member Entity Contributions:

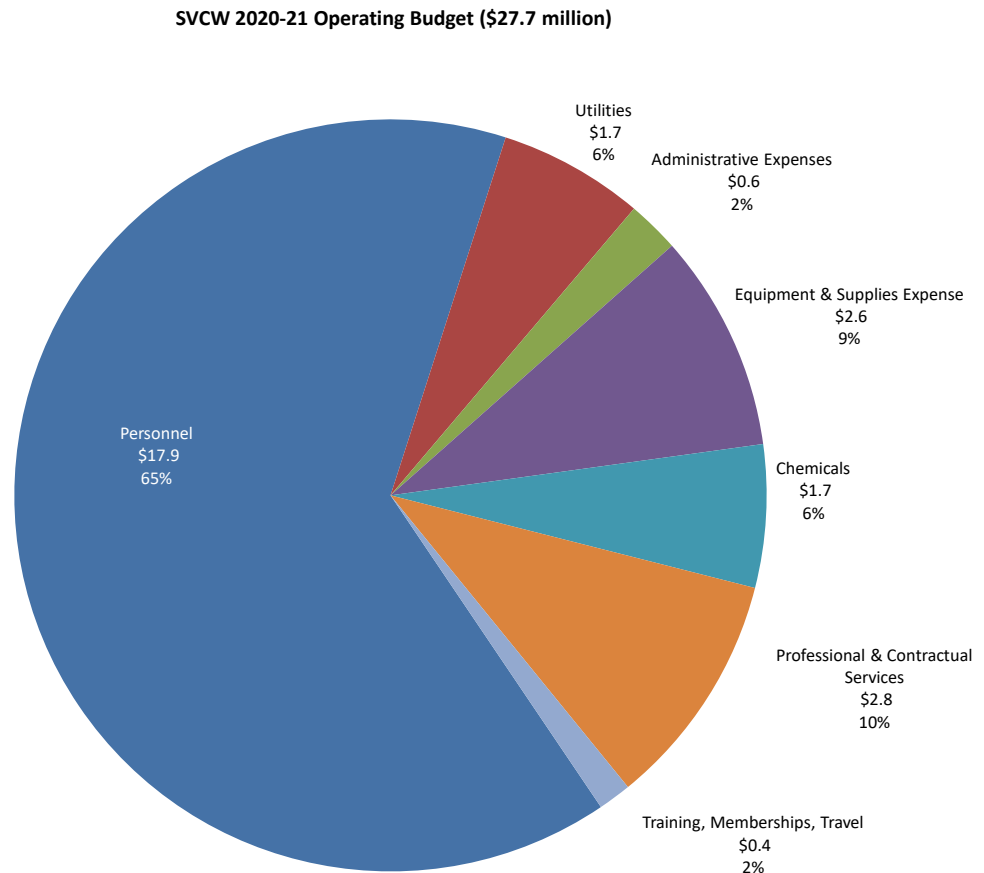
Total 2020-21 contributions (including debt service) will be \$49.1 million, allocated as follows:

2020-21 Budget - Total Contributions by Member Agency						
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL	
Net Operating Expenditures	\$ 3,173,307	\$ 12,676,627	\$ 3,530,577	\$ 7,248,473	\$ 26,628,984	
Revenue-Funded Capital Expenditures	122,425	629,224	196,139	347,712	1,295,500	
Reserve Contributions	144,100	740,628	230,865	409,274	1,524,866	
Projected Debt Service	178,425	10,743,220	3,404,038	5,320,535	19,646,217	
Total Contributions to SVCW	\$ 3,618,257	\$ 24,789,699	\$ 7,361,618	\$ 13,325,995	\$ 49,095,567	

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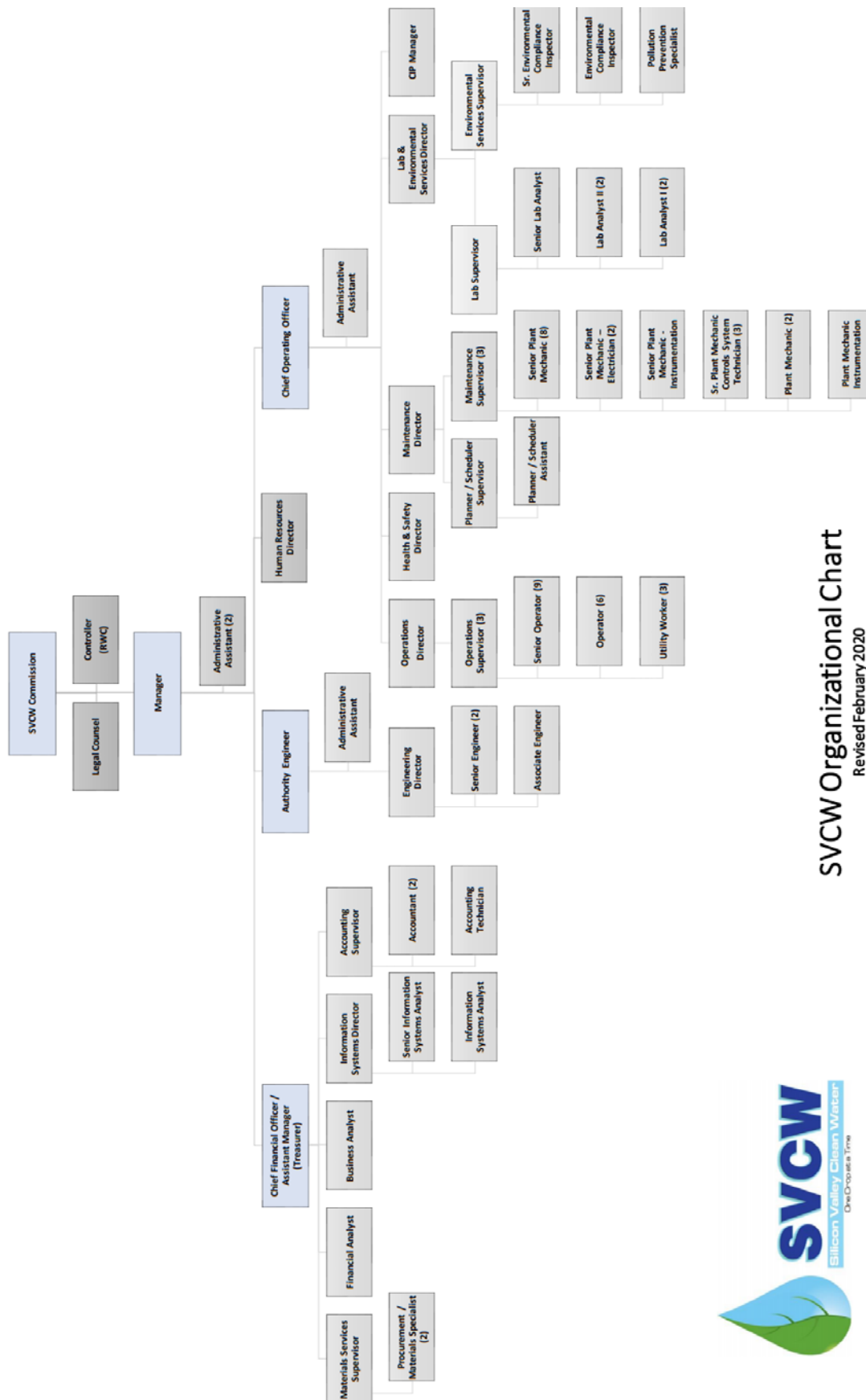
SECTION 3 – GROSS OPERATING EXPENDITURES

The FY 2020-21 Gross Operating Budget will be \$27.7 million. The below chart illustrates the significant expenditure categories, showing 65% of expenditures are for personnel-related costs associated with approximately 79 full-time equivalent employees in the Operating Budget.



Personnel:

Operating Budget staffing levels have ranged from 72 to 79 full time equivalents across eight divisions since 2010 when SVCW increased staffing to address critical maintenance matters and develop a capital improvement program. Those positions, as well employees dedicated to the Capital Improvement Program, are illustrated in the following organization chart.

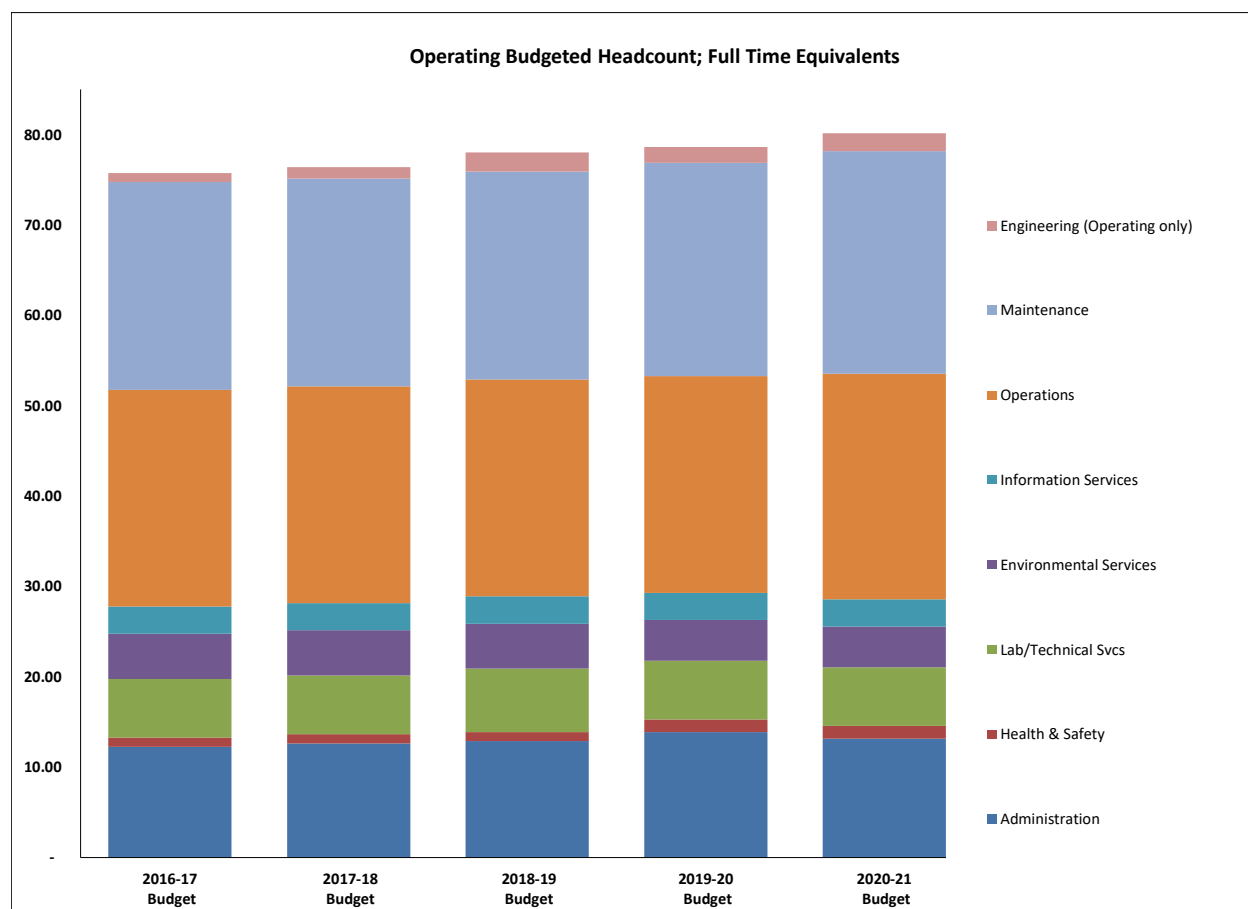


SVCW Organizational Chart
Revised February 2020



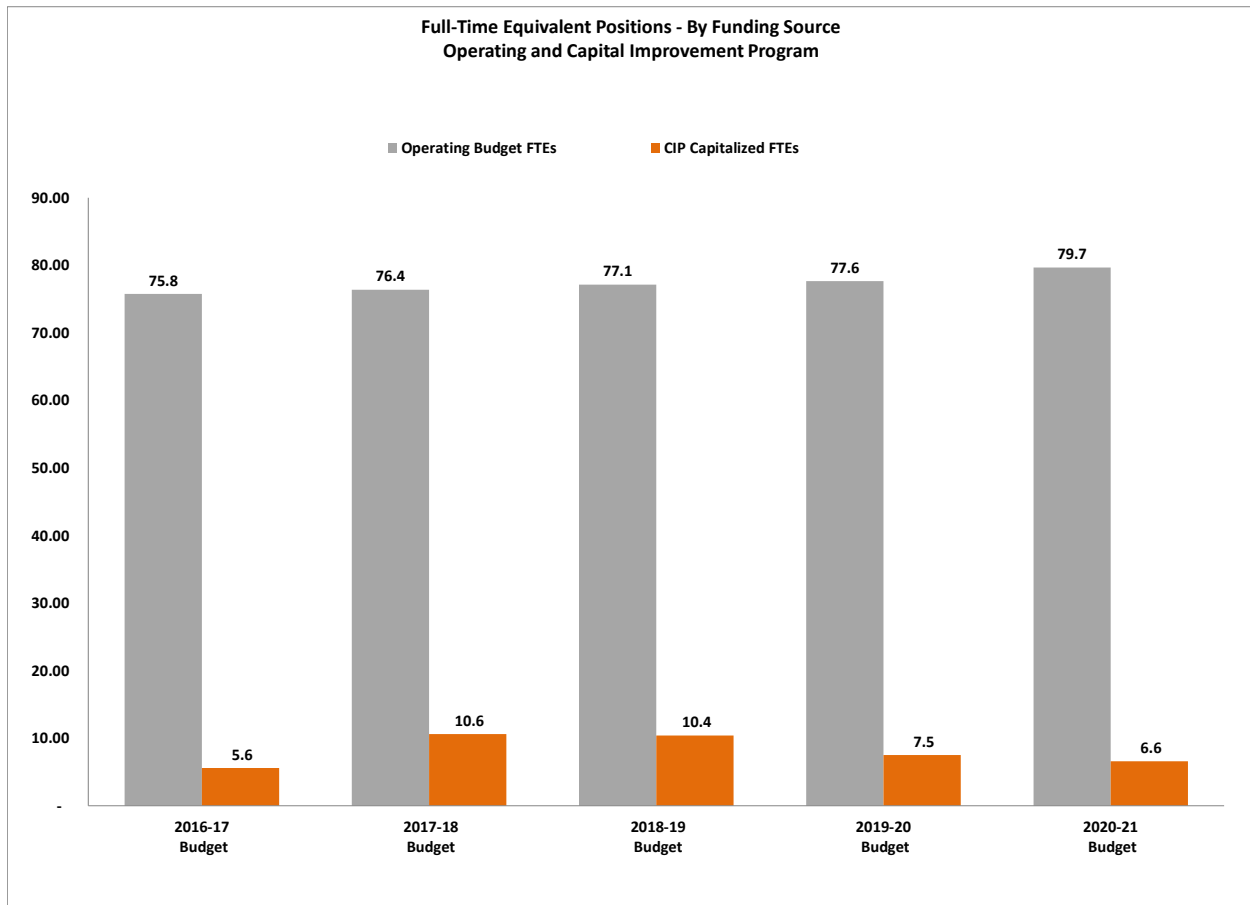
Budgeted positions increase by two Full Time Equivalent positions next year. For leadership succession in the Operations Division, one supervisor position has been added. Future supervisory headcount will return to its original three positions once succession is complete. The Maintenance Division adds an instrumentation and controls mechanic position to backfill the work of a retired consultant. The Engineering Director's time is increasingly spent on non-project workload. Administration, due to changes in workflow and software, will not backfill an Administrative Assistant position. Administration is also converting a portion of a Business Analyst position that, in addition to supporting capital software projects, supports operations.

Full-time Equivalent Headcount - Operating Budget						
Department	2016-17 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	Increase/ (Decrease)
Operations	24.00	24.00	24.00	24.00	25.00	1.00
Maintenance	23.00	23.00	23.00	23.60	24.60	1.00
Laboratory	6.50	6.50	7.00	6.50	6.50	-
Environmental Services	5.00	5.00	5.00	4.50	4.50	-
Engineering (Operating only)	1.00	1.25	1.25	1.25	1.50	0.25
Health & Safety	1.00	1.00	1.00	1.40	1.40	-
Information Services	3.00	3.00	3.00	3.00	3.00	-
Administration	12.25	12.63	12.88	13.38	13.15	(0.23)
TOTAL Full Time Equivalents	75.75	76.38	77.13	77.63	79.65	2.02



In addition to the Operating Budget headcount figures, certain Engineering Division positions are dedicated to capital improvement projects. It should be noted that the Operating Budget excludes those costs. As SVCW is now in a critical phase of its Capital Improvement Program, projects are now much larger and complex and require additional departmental administration.

The chart below defines the number of positions that have been traditionally charged to capital projects versus operating costs, and further illustrates how the 2020-21 Budget continues to dedicate approximately seven staff to manage increasingly large and complex projects.



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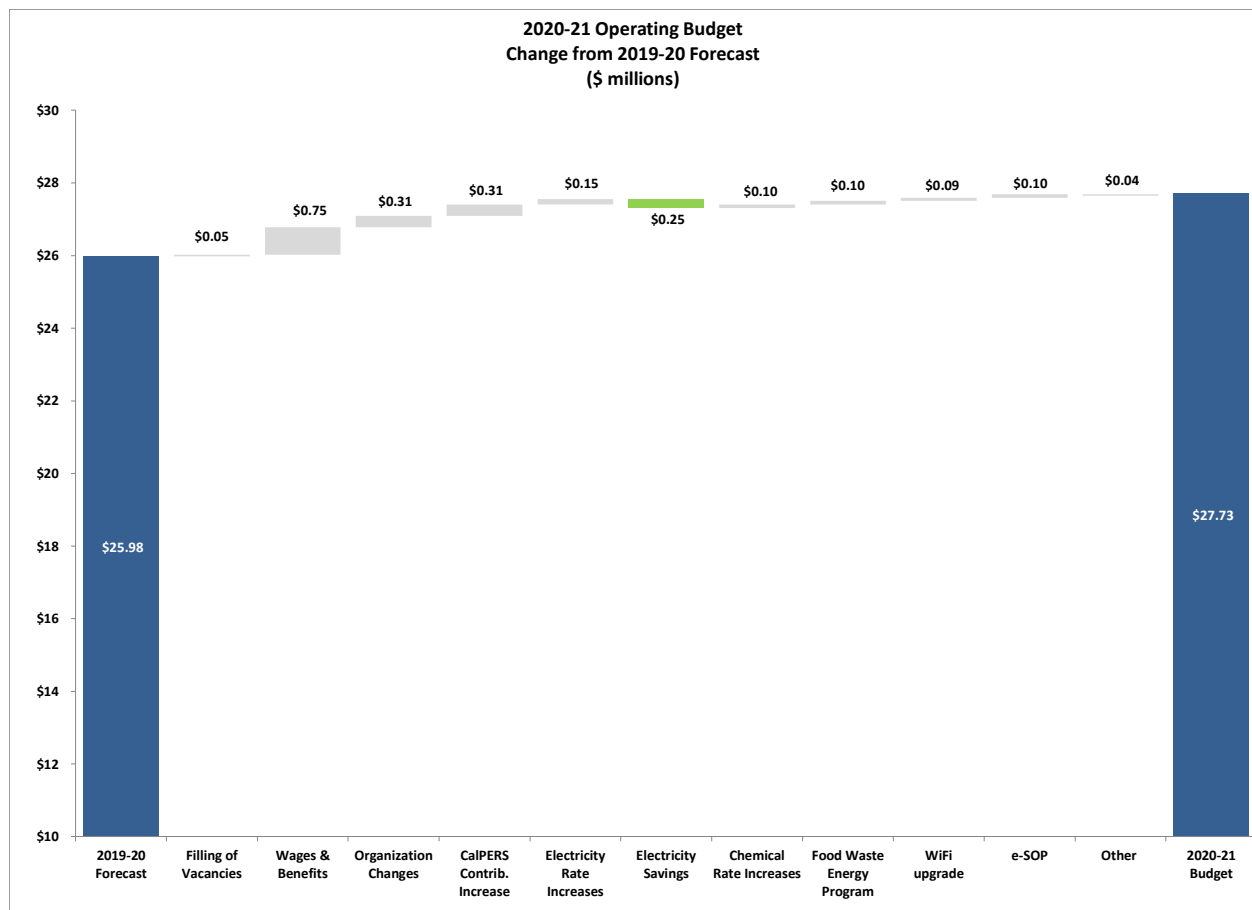
Operating Costs Summary by Objective:

Gross Operating Expenses (compared to 2019-20 Forecast) increases by \$1.75 million, or 6.8%.

Silicon Valley Clean Water Expenditure Summary - By Objective						
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel	\$ 16,671,032	\$ 16,617,606	\$ 16,448,116	\$ 17,853,205	\$ 1,405,089	8.5%
Utilities	1,482,703	1,707,756	2,006,739	1,733,449	(273,290)	(13.6%)
Administrative Expenses	535,838	516,149	397,839	623,021	225,182	56.6%
Equipment & Supplies Expense	2,535,814	2,552,722	2,571,085	2,599,502	28,417	1.1%
Chemicals	1,105,788	1,697,916	1,590,201	1,703,871	113,670	7.1%
Professional & Contractual Services	2,669,282	2,760,886	2,653,955	2,820,575	166,620	6.3%
Training, Memberships, Travel	347,063	415,742	310,599	394,861	84,262	27.1%
TOTAL	\$ 25,347,520	\$ 26,268,777	\$ 25,978,534	\$ 27,728,484	\$ 1,749,950	6.7%

Comparing the 2020-21 Budget to the 2019-20 Forecast:

- Personnel costs will increase by \$1.41 million, or 8.5% compared to the 2019-20 Forecast. Approximately \$50 thousand of this increase is due to a vacant position during the first half of 2019-20. The remaining increase is largely due to \$750 thousand of cost-of-living and step adjustments, a \$313 thousand increase in CalPERS-required contribution rates, and \$311 thousand for organizational changes to support succession planning.
- Despite anticipated rate increases from PG&E for electricity, utilities costs will decrease by \$273 thousand compared to the Forecast, or 13.7%. During fiscal year 2019-20 PG&E imposed a retroactive billing adjustment associated with the new switchgear and meter at the treatment plant. This one-time charge of \$350 thousand will not reoccur.
- Administrative Expense will increase by \$225 thousand (56.6%), mostly due to an increase in annual permit and nutrient loading fees. Additionally, \$58 thousand was budgeted for public outreach.
- Chemicals will increase by \$101.2 thousand (6.4%) as chemical prices increase.
- Professional & Contractual Services will increase by \$86.6 thousand, or 3.3%, the majority of which was to begin implementation of a new electronic Standard Operating Procedures ("smart-SOP") program. Smart-SOP is a cloud-based solution to provide consistent instructions and training to operators.
- Training, Memberships, and Travel will increase by \$84 thousand (27.1%). In response to changes in labor law, SVCW temporarily suspended training and travel early in the 2019-20 fiscal year as it amended a Standard Administrative Procedure associated with travel. The organization expects ordinary training and education practices next fiscal year.



Silicon Valley Clean Water Operating Expenditures						
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 12,003,779	\$ 11,690,427	\$ 11,677,161	\$ 12,628,344	\$ 951,183	8.1%
Overtime	255,326	278,675	243,974	282,290	38,316	15.7%
Retirement Benefit Contributions	1,751,109	2,192,917	1,962,618	2,463,337	500,719	25.5%
Health Insurance	1,530,059	1,634,875	1,582,606	1,579,258	(3,349)	(0.2%)
Payroll Tax	4,167	-	762	1,190	428	-
Workers' Compensation	227,311	246,798	248,508	283,116	34,608	13.9%
Health Insurance - Retiree	722,091	396,865	559,703	428,130	(131,573)	(23.5%)
Medicare	177,192	177,049	172,783	187,540	14,757	8.5%
Subtotal: Personnel Costs	16,671,032	16,617,606	16,448,116	17,853,205	1,405,089	8.5%
Utilities	1,482,703	1,707,756	2,006,739	1,733,449	(273,290)	(13.6%)
Administrative Expenses	535,838	516,149	397,839	623,021	225,182	56.6%
Equipment & Supplies Expense:						
Office Supplies	24,560	23,012	23,782	17,555	(6,227)	(26.2%)
Rentals & Leases	56,761	81,328	69,786	85,540	15,754	22.6%
Supplies & Expenses	518,162	607,424	628,809	520,400	(108,409)	(17.2%)
Equipment Maint - Materials	929,081	869,628	861,699	984,572	122,873	14.3%
Equipment Maint - Services	943,033	898,742	931,483	944,265	12,782	1.4%
Non-Capital Equipment	64,217	72,588	55,527	47,170	(8,357)	(15.0%)
Subtotal: Equipment & Supplies	2,535,814	2,552,722	2,571,085	2,599,502	28,417	1.1%
Chemicals	1,105,788	1,697,916	1,590,201	1,703,871	113,670	7.1%
Professional Services	1,003,820	870,182	858,639	822,308	(36,331)	(4.2%)
Contractual Services	1,665,462	1,890,704	1,795,315	1,998,267	202,952	11.3%
Memberships & Meetings	83,597	78,317	68,898	82,520	13,622	19.8%
Conferences & Travel	118,189	125,273	106,127	140,328	34,201	32.2%
Training	145,277	212,152	135,573	172,013	36,440	26.9%
TOTAL EXPENDITURES	\$ 25,347,520	\$ 26,268,777	\$ 25,978,534	\$ 27,728,484	\$ 1,749,950	6.7%

Total Operating Expenditures by Division

Compared to the 2019-20 Forecast, Divisional changes in budget ranged according to individual strategies. Analysis of each Division is described on the following several pages.

Silicon Valley Clean Water Expenditure Summary - By Division							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Operations	\$ 8,487,262	\$ 9,780,104	\$ 9,815,465	\$ 10,554,300	\$ 738,835	7.5%	
Maintenance	6,373,278	6,474,578	6,424,196	6,835,021	410,825	6.4%	
Laboratory Services	1,710,519	1,770,665	1,717,999	1,890,060	172,061	10.0%	
Environmental Services	1,148,001	1,240,862	1,180,373	1,044,663	(135,710)	(11.5%)	
Engineering	902,630	809,095	794,950	990,110	195,160	24.5%	
Safety	421,317	483,627	421,609	534,072	112,463	26.7%	
Information Services	1,545,529	1,813,120	1,746,542	1,718,814	(27,728)	(1.6%)	
Administration	4,758,985	3,896,727	3,877,400	4,161,444	284,044	7.3%	
TOTAL	\$ 25,347,520	\$ 26,268,777	\$ 25,978,534	\$ 27,728,484	\$ 1,749,950	6.7%	

Operations

The Operations Division treats the wastewater of the Member Agencies economically and efficiently while meeting or exceeding all requirements of the National Pollutant Discharge Elimination System (NPDES) permit. A stable, well-trained work force monitors and controls process stability while striving to develop new and better operating methods.

This Division has a total of 25 full-time equivalent positions in 2020-21 including the Chief Operating Officer, an Operations Director, plus four Operations Supervisors. There are also fifteen Operators, three Utility Workers, and one Administrative Assistant. This headcount includes one additional supervisor position next year, as Operations focuses on succession planning for leadership. It is intended that supervisor headcount will, once succession is complete within two years, return to the original three positions.

Operations Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 3,274,404	\$ 3,456,955	\$ 3,444,876	\$ 3,795,531	\$ 350,655	10.2%	
Overtime	157,022	156,977	158,038	161,516	3,478	2.2%	
Retirement Benefit Contributions	540,143	674,084	611,702	784,297	172,595	28.2%	
Health Insurance	481,563	546,182	528,263	546,758	18,495	3.5%	
Workers' Compensation	78,151	84,065	85,071	101,522	16,451	19.3%	
Health Insurance - Retiree	223,219	124,100	175,677	134,100	(41,577)	(23.7%)	
Medicare	49,667	52,882	51,847	57,473	5,626	10.9%	
Subtotal: Personnel Costs	4,806,072	5,095,244	5,055,474	5,581,196	525,722	10.4%	
Utilities	1,318,313	1,535,916	1,824,226	1,555,609	(268,617)	(14.7%)	
Administrative Expenses	12	-	-	-	-		
Equipment & Supplies Expense:							
Rentals & Leases	1,837	4,404	2,202	6,000	3,798	172.5%	
Supplies & Expenses	25,012	3,300	18,036	3,496	(14,540)	(80.6%)	
Equipment Maint - Materials	67,891	-	833	-	(833)	(100.0%)	
Non-Capital Equipment	17	-	1,941	-	(1,941)	(100.0%)	
Subtotal: Equipment & Supplies	94,827	7,704	23,012	9,496	(13,516)	(58.7%)	
Chemicals	1,105,788	1,697,916	1,590,201	1,703,871	113,670	7.1%	
Professional Services	58,968	-	10,798	-	(10,798)	(100.0%)	
Contractual Services	1,048,756	1,387,620	1,278,472	1,644,300	365,828	28.6%	
Memberships & Meetings	2,877	8,304	5,187	8,276	3,089	59.6%	
Conferences & Travel	17,883	300	4,257	20,304	16,047	377.0%	
Training	33,766	47,100	23,840	31,248	7,408	31.1%	
TOTAL EXPENDITURES	\$ 8,487,262	\$ 9,780,104	\$ 9,815,465	\$ 10,554,300	\$ 738,835	7.5%	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Operations include:

- Personnel costs will increase \$525.7 thousand, or 10.4%, which includes approximately \$250 thousand of fully-loaded costs for one additional Supervisor position. Additional increases include ordinary contractual increases in compensation and inflationary adjustments to benefits.
- Budgeted Utilities Expense will decrease by \$269 thousand, or 14.7% versus Forecast. This reflects the absence next year of approximately \$250 thousand in one-time PG&E billing for retroactive adjustments. Aside from this matter electricity expenses increase only marginally, which reflects how SVCW plans to increase use of cogeneration engines to offset anticipated rate increases.
- Chemical costs will increase by \$113.6 thousand (7.1%) next year. The majority of this increase is attributable to higher prices, recently confirmed by chemical vendors.
- Contractual Services will increase by \$365.8 thousand (28.6%) in 2020-21. Whereas the Forecast is \$110 thousand less than budget due to delayed biosolids disposal, this is unlikely to reoccur next year. Approximately \$80 thousand is budgeted next year for additional solids disposal related to the Food Waste-to-Energy pilot program. Finally, the Operations Division has budgeted \$96 thousand to begin implementation of the “Smart SOP” program, a cloud-based solution that will provide consistent Operator instructions and training.

Maintenance

The Maintenance Division is a service and support function whose objective is to assure that all equipment and facilities operate in a reliable and safe manner through well-planned and administered programs of preventative maintenance, corrective maintenance, replacement, and modification. Maintenance programs are implemented by a well-trained staff utilizing modern administrative and technical tools and skills.

There are 24.6 full-time equivalent positions in the Maintenance Division. It works under the direction of the Maintenance Director, three Maintenance Supervisors, and a Planner/Scheduler Supervisor. Staff includes twelve Plant Mechanics, five Instrumentation Mechanics, two Senior Electrical Mechanics, and one Assistant Planner/Scheduler. The Division was assisted for many years by an instrumentation consultant who retired this year therefore, Maintenance headcount will increase by one Instrumentation Mechanic to replace this outside consultant.

Maintenance Services Department Expenditures						
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 3,172,684	\$ 3,326,069	\$ 3,299,877	\$ 3,583,995	\$ 284,118	8.6%
Overtime	47,460	71,155	48,474	65,924	17,450	36.0%
Retirement Benefit Contributions	527,924	664,241	601,131	755,597	154,466	25.7%
Health Insurance	496,881	532,126	506,313	481,511	(24,801)	(4.9%)
Workers' Compensation	76,696	85,535	85,046	96,354	11,308	13.3%
Health Insurance - Retiree	212,827	117,810	164,704	132,060	(32,644)	(19.8%)
Medicare	46,991	50,832	49,359	53,020	3,660	7.4%
Subtotal: Personnel Costs	4,581,929	4,847,768	4,754,904	5,168,461	413,557	8.7%
Utilities	(972)	-	-	-	-	-
Administrative Expenses	2,558	-	-	-	-	-
Equipment & Supplies Expense:						
Office Supplies	115	-	-	-	-	-
Rentals & Leases	9,958	26,004	21,958	22,500	542	2.5%
Supplies & Expenses	71,864	93,972	130,691	100,932	(29,759)	(22.8%)
Equipment Maint - Materials	833,045	760,584	760,394	788,892	28,498	3.7%
Equipment Maint - Services	582,691	538,320	572,103	649,908	77,805	13.6%
Non-Capital Equipment	27,777	25,596	25,519	27,420	1,901	7.5%
Subtotal: Equipment & Supplies	1,525,451	1,444,476	1,510,664	1,589,652	78,988	5.2%
Contractual Services	205,938	92,574	106,061	9,480	(96,581)	(91.1%)
Memberships & Meetings	3,889	6,576	5,955	5,424	(531)	(8.9%)
Conferences & Travel	22,532	10,980	6,338	8,700	2,362	37.3%
Training	31,952	72,204	40,274	53,304	13,030	32.4%
TOTAL EXPENDITURES	\$ 6,373,278	\$ 6,474,578	\$ 6,424,196	\$ 6,835,021	\$ 410,825	6.4%

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Maintenance include:

- Personnel costs will increase \$413.6 thousand, or 8.7%, partially due to one additional instrumentation and controls mechanic position, plus contractual increases in wages (step increases and cost-of-living adjustments) and associated benefits.
- Equipment Maintenance Services will increase by \$77.8 thousand (13.6%) as the Maintenance Division assumes responsibility for SCADA (Supervisory Control and Data Acquisition) technology support, which transfers from the IT Division next fiscal year.
- Contractual Services declines by \$96.6 thousand (91%) as an outside technology consultant has retired. These services will be performed in-house via one additional position.
- Training increases by \$13 thousand (32.4%), as the Maintenance Division assumes responsibility for SCADA and deepens its knowledge of automation and instrumentation.

Laboratory Services

The Laboratory Services Division performs all laboratory support for process control and regulatory compliance. Staff is scientifically trained and technically experienced to perform the collection and analysis of wastewater samples.

The Laboratory Director oversees a Laboratory Supervisor, Environmental Services Supervisor, two Water Quality Specialists, two Lab Analyst I, two Lab Analyst II, a Senior Lab Analyst, and a Pollution Prevention Specialist.

Laboratory Services Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 823,862	\$ 856,429	\$ 900,010	\$ 919,898	\$ 19,888	2.2%	
Overtime	25,373	20,689	15,116	23,245	8,129	53.8%	
Retirement Benefit Contributions	124,815	145,349	137,014	169,303	32,289	23.6%	
Health Insurance	102,639	101,478	102,053	86,670	(15,383)	(15.1%)	
Workers' Compensation	20,893	22,783	23,831	24,916	1,085	4.6%	
Health Insurance - Retiree	61,944	33,150	48,295	35,550	(12,745)	(26.4%)	
Medicare	12,829	13,464	13,762	13,710	(52)	(0.4%)	
Subtotal: Personnel Costs	1,172,355	1,193,342	1,240,081	1,273,293	33,212	2.7%	
Administrative Expenses	268,937	291,990	212,892	341,075	128,183	60.2%	
Equipment & Supplies Expense:							
Office Supplies	-	-	4	-	(4)	-	
Rentals & Leases	-	-	152	-	(152)	(100.0%)	
Supplies & Expenses	90,344	99,996	97,838	99,996	2,158	2.2%	
Equipment Maint - Materials	9,908	18,000	9,778	35,000	25,222	258.0%	
Equipment Maint - Services	28,395	50,514	61,973	43,749	(18,224)	(29.4%)	
Non-Capital Equipment	24,914	31,200	19,816	12,100	(7,716)	(38.9%)	
Subtotal: Equipment & Supplies	153,562	199,710	189,560	190,845	1,285	0.7%	
Professional Services	1,800	6,000	6,000	6,000	-	-	
Contractual Services	82,437	50,228	56,176	49,247	(6,929)	(12.3%)	
Memberships & Meetings	9,855	10,438	1,789	12,105	10,316	576.6%	
Conferences & Travel	9,971	8,170	5,428	8,490	3,062	56.4%	
Training	11,603	10,787	6,074	9,005	2,931	48.3%	
TOTAL EXPENDITURES	\$ 1,710,519	\$ 1,770,665	\$ 1,717,999	\$ 1,890,060	\$ 172,061	10.0%	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Laboratory Services include:

- Due to the annualization of the prior year's organizational changes, which combined two director positions over the Lab and Environmental Services into one, Personnel costs are anticipated to increase only \$33.2 thousand, or 2.7%. The savings were net of contractual increases for salary and benefits.
- Administrative expense will increase by \$128.2 thousand, which reflects both an increase in permit fees of and nutrient surcharge fees.
- Equipment Maintenance Materials will increase by \$25.2 thousand to purchase replacement vapor analyzer equipment, whereas the current year forecast did not include a similar purchase.
- Equipment Maintenance Services will decrease by \$18.2 thousand in recognition of less repairs needed on newly-purchased equipment.
- Contractual Services will decline by \$6.9 thousand (12.3%). During the current year SVCW incurred consulting fees associated with finalizing its NPDES permit renewal. Those costs will not be needed next year.
- The budgeted versus forecasted amounts for Memberships and Meetings, Conferences, and Training, will return to ordinary budget levels. Compared to forecast, the combined \$16 thousand increase is the result of lifting a temporary suspension of travel as SVCW amended its Standard Administrative Procedure in response to changes in labor law.

Environmental Services

The Environmental Services Division supports process control and regulatory compliance. The experienced staff collects samples from on site and in the field, and also administers the Industrial Pretreatment and the Pollution Prevention Programs. The Division issues permits to entities that handle wastewater, groundwater discharge, septic and restaurant grease. It also conducts sanitary sewer complaint response, fats oils and grease inspections and performs public and educational outreach for the communities within our service area.

The Director of Environmental Services retired after the first quarter of the current fiscal year and was replaced with the Laboratory Director who now oversees both divisions. There is an Environmental Services Supervisor, two Environmental Compliance Inspectors and a Pollution Prevention Specialist in this Division.

Environmental Services Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 718,470	\$ 748,487	\$ 747,506	\$ 680,491	\$ (67,014)	(9.0%)	
Overtime	4,852	9,830	5,993	7,307	1,314	21.9%	
Retirement Benefit Contributions	127,236	158,756	143,413	142,302	(1,111)	(0.8%)	
Health Insurance	81,628	79,926	79,343	73,245	(6,098)	(7.7%)	
Workers' Compensation	17,137	17,727	18,281	18,156	(125)	(0.7%)	
Health Insurance - Retiree	46,199	24,650	34,713	24,150	(10,563)	(30.4%)	
Medicare	10,377	11,129	10,831	9,990	(840)	(7.8%)	
Subtotal: Personnel Costs	1,005,899	1,050,503	1,040,079	955,641	(84,437)	(8.1%)	
Administrative Expenses	30,112	37,961	19,141	27,924	8,783	45.9%	
Equipment & Supplies Expense:							
Office Supplies	77	-	43	-	(43)	(100.0%)	
Rentals & Leases	-	1,320	660	-	(660)	(100.0%)	
Supplies & Expenses	933	19,746	5,999	7,100	1,101	18.4%	
Equipment Maint - Materials	6,628	-	-	-	-	-	
Equipment Maint - Services	-	1,200	600	1,500	900	150.0%	
Non-Capital Equipment	6,580	12,996	6,498	4,750	(1,748)	(26.9%)	
Subtotal: Equipment & Supplies	14,218	35,262	13,800	13,350	(450)	(3.3%)	
Professional Services	41,206	33,000	31,500	-	(31,500)	(100.0%)	
Contractual Services	39,543	57,824	60,242	32,288	(27,954)	(46.4%)	
Memberships & Meetings	1,131	2,264	1,059	1,040	(19)	(1.8%)	
Conferences & Travel	5,578	9,200	7,128	11,480	4,352	61.0%	
Training	10,314	14,848	7,424	2,940	(4,484)	(60.4%)	
TOTAL EXPENDITURES	\$ 1,148,001	\$ 1,240,862	\$ 1,180,373	\$ 1,044,663	\$ (135,710)	(11.5%)	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Environmental Services include:

- Due to the annualization of the prior year's organizational changes, which combined two director positions over the Lab and Environmental Services into one, Personnel costs are anticipated to decrease \$84.4 thousand, or 8.1%. The savings were net of contractual increases for salary and benefits.
- Administrative Expenses include annual permit fees for air quality, fire, and hazardous materials. After a better-than-expected year in 2019-20, costs are anticipated to be higher though still below the current year budgeted amount.
- Professional Services will decrease by \$31.5 thousand, as work completed in the current fiscal year to study local pollution limits and draft language for a new ordinance will not reoccur next fiscal year.
- Contractual Services will decrease by \$27.9 thousand, as costs associated with setting up a new stormwater monitoring program will not occur next fiscal year.

Engineering

The Engineering Division is responsible for improvements and replacement of SVCW capital facilities. Engineering staff provides oversight, direction, and management of the capital improvement projects. It works to build safe, innovative, sustainable, efficient, and cost-effective infrastructure that ensures the longevity of SVCW facilities and protects the investments made by customers. Engineering achieves this through building successful partnerships with peers, consultants, and contractors from a project's inception through construction and into start-up with the highest levels of professionalism, integrity, and fairness.

The Division is currently focused on the RESCU program and improvements to the wastewater treatment plant. It works under the direction of the Authority Engineer and an Engineering Director, whose staff includes three Senior Engineers, one Associate Engineer, a CIP Manager, and two Administrative Assistants. There is also budget for a summer Engineering Intern. Engineering labor is predominantly charged to capital projects; therefore the 2020-21 Operating Budget contains 75% of the Engineering Director and 50% of a Senior Engineer.

Engineering Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 465,635	\$ 404,877	\$ 396,785	\$ 522,681	\$ 125,895	31.7%	
Retirement Benefit							
Contributions	63,438	54,086	44,300	76,046	31,746	71.7%	
Health Insurance	54,720	46,538	45,579	53,808	8,229	18.1%	
Payroll Tax	479	-	588	1,190	601	102.3%	
Workers' Compensation	1,343	1,054	1,299	1,907	608	46.8%	
Health Insurance - Retiree	23,593	8,415	13,648	10,380	(3,268)	(23.9%)	
Medicare	6,194	5,871	5,596	7,589	1,993	35.6%	
Subtotal: Personnel Costs	615,402	520,841	507,796	673,600	165,804	32.7%	
Utilities	196	-	-	-	-	-	
Administrative Expenses	3,229	5,004	2,514	5,004	2,490	99.1%	
Equipment & Supplies Expense:							
Office Supplies	3,232	924	1,998	960	(1,038)	(52.0%)	
Supplies & Expenses	1,827	3,600	2,027	7,224	5,197	256.3%	
Equipment Maint - Services	-	-	-	-	-	-	
Subtotal: Equipment & Supplies	5,059	4,524	4,026	8,184	4,158	103.3%	
Professional Services	232,554	204,000	209,789	228,996	19,207	9.2%	
Contractual Services	-	-	-	-	-	-	
Memberships & Meetings	14,949	20,146	21,755	21,646	(109)	(0.5%)	
Conferences & Travel	26,604	45,700	44,146	45,600	1,454	3.3%	
Training	4,638	8,880	4,925	7,080	2,155	43.8%	
TOTAL EXPENDITURES	\$ 902,630	\$ 809,095	\$ 794,950	\$ 990,110	\$ 195,160	24.5%	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Engineering include:

- Personnel costs will increase \$165.8 thousand, approximately \$75 thousand of which is due to the increasing assignment of the Director's time to the Operating Budget. As the CIP matures and completes projects, the Engineering Division is shifting resources to support wastewater operations. The remaining increase represents ordinary inflationary pressure on wages and benefits.
- Professional Services expense will increase by \$19.2 thousand next fiscal year as consulting services are deployed to update engineering specification documents, bidding procedures, and non-project related drawings.

Safety

The Safety Division develops, implements, and oversees all safety programs for the agency. It is staffed with one Health and Safety Director. To deepen safety preparedness from the perspective of an operations and maintenance employee, 40% of one mechanic is assigned to safety matters.

Safety Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 178,984	\$ 244,829	\$ 220,153	\$ 263,546	\$ 43,393	19.7%	
Overtime	1,346	-	-	1,418	1,418	-	
Retirement Benefit							
Contributions	14,909	33,838	24,488	38,059	13,571	0.0%	
Health Insurance	27,756	29,513	28,476	35,435	6,959	24.4%	
Workers' Compensation	4,254	6,053	5,361	6,998	1,637	30.5%	
Health Insurance - Retiree	9,378	7,140	8,189	7,740	(449)	(5.5%)	
Medicare	2,602	3,550	3,094	3,851	757	24.5%	
Subtotal: Personnel Costs	239,229	324,923	289,760	357,046	67,286	23.2%	
Administrative Expenses	26,783	25,500	21,677	47,450	25,773	118.9%	
Equipment & Supplies Expense:							
Rentals & Leases	2,725	-	450	-	(450)	0.0%	
Supplies & Expenses	80,704	70,685	65,107	71,596	6,489	10.0%	
Equipment Maint - Materials	5,235	2,748	4,229	2,000	(2,229)	(52.7%)	
Equipment Maint - Services	338	6,000	1,500	5,900	4,400	293.3%	
Non-Capital Equipment	4,928	2,796	1,754	2,900	1,146	65.3%	
Subtotal: Equipment & Supplies	93,930	82,229	73,040	82,396	9,356	12.8%	
Professional Services	7,849	-	450	-	(450)		
Contractual Services	17,898	26,404	14,447	24,400	9,953	68.9%	
Memberships & Meetings	11,506	2,760	4,045	3,955	(90)	(2.2%)	
Conferences & Travel	2,873	3,815	4,459	3,825	(634)	(14.2%)	
Training	21,249	17,996	13,731	15,000	1,269	9.2%	
TOTAL EXPENDITURES	\$ 421,317	\$ 483,627	\$ 421,609	\$ 534,072	\$ 112,463	26.7%	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Safety include:

- Personnel costs will change \$67 thousand (23.2%). Approximately \$42 thousand is due to the 40% reassignment of a mechanic's time to safety matters, which did not occur in the first half of 2019-20. The balance of the increase is inflationary pressure on pay and associated benefits.
- Administrative Expenses increases due to the transfer of \$22 thousand in expense from the Environmental Services Division for management of hazardous waste permits and additional funds for the safety program.
- Contractual Services will increase \$9.9 thousand compared to the current year forecast. This fiscal year to date, expenditures are low, with no incidents requiring hazardous material cleanup.

Information Services

The Information Services Division manages all technology and information systems of the agency. The Information Services Director oversees two Senior Information System Analysts.

Information Services Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 516,606	\$ 550,517	\$ 555,341	\$ 589,587	\$ 34,246	6.2%	
Retirement Benefit Contributions	104,431	124,596	115,637	148,425	32,788	28.4%	
Health Insurance	44,692	45,859	45,364	45,933	569	1.3%	
Workers' Compensation	12,495	14,065	14,222	15,536	1,314	9.2%	
Health Insurance - Retiree	27,720	15,300	21,510	15,300	(6,210)	(28.9%)	
Medicare	7,592	8,249	8,145	8,549	404	5.0%	
Subtotal: Personnel Costs	713,535	758,586	760,219	823,330	63,111	8.3%	
Utilities	165,166	171,840	182,513	177,840	(4,673)	(2.6%)	
Equipment & Supplies Expense:							
Office Supplies	6	900	(2,011)	-	2,011	(100.0%)	
Administrative Expenses	1,265	-	-	-	-	-	
Rentals & Leases	38,817	40,800	35,014	40,980	5,966	17.0%	
Supplies & Expenses	171,230	222,080	214,565	147,580	(66,985)	(31.2%)	
Equipment Maint - Services	253,694	223,700	218,162	164,404	(53,758)	(24.6%)	
Equipment Maint - Materials	520	88,296	82,898	157,180	74,282	89.6%	
Subtotal: Equipment & Supplies	465,532	575,776	548,628	510,144	(38,484)	(7.0%)	
Professional Services	143,679	218,504	155,990	159,900	3,910	2.5%	
Contractual Services	33,625	67,700	72,164	21,200	(50,964)	(70.6%)	
Memberships & Meetings	1,719	1,523	2,753	2,600	(153)	(5.6%)	
Conferences & Travel	3,931	5,000	3,500	1,500	(2,000)	(57.1%)	
Training	18,343	14,191	20,776	22,300	1,525	7.3%	
TOTAL EXPENDITURES	\$ 1,545,529	\$ 1,813,120	\$ 1,746,542	\$ 1,718,814	\$ (27,728)	(1.6%)	

As compared to the 2019-20 Forecast, total expenditures in the Information Services Division will decrease by \$27.2 thousand. Significant variances include:

- Personnel costs will increase \$63.1 thousand, or 8.3% for anticipated increases in pay and associated benefits.
- Supplies and Equipment, as well as Equipment Maintenance Services, will decline by a combined \$120 thousand as responsibility for the SCADA network transfers to the Maintenance Division.
- Equipment Maintenance Materials will increase by \$74 thousand as SVCW upgrades its Wifi network in preparation for mobile technology deployment.
- Outside Services expense will decline by \$51 thousand, as recently-upgraded technology no longer requires SVCW to pay for outside data storage and backup services.

Administrative Services

The Administrative Services Division provides legal, financial, personnel, and administrative support to the Commission, General Manager, and other Divisions. It is committed to presenting a positive and professional image of SVCW to the general public and Member Agencies. The Division is responsible for human resources, accounting, purchasing, risk management, and asset management. All costs associated with the Commission, Manager's office, General Counsel, and CFO are included in the Administrative Services Division. Additionally, certain accounting and payroll processing services provided by Redwood City are included.

In addition to the SVCW Manager, Administrative Services includes one Human Resources Director, one Materials Services Supervisor (with a staff of two Purchasing Coordinators), and one Administrative Assistant. There is also one Accounting Supervisor, two Accountants, one Accounting Technician, a Financial Analyst, and a Business Analyst in the Division.

Administrative Services Department Expenditures							
Description	2018-19 Actual	Adopted 2019-20 Budget	2019-20 Forecast	Proposed 2020-21 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 2,853,134	\$ 2,102,264	\$ 2,112,613	\$ 2,272,615	\$ 160,003	7.6%	
Overtime	19,273	20,025	16,353	22,880	6,527	39.9%	
Retirement Benefit Contributions	248,213	337,968	284,934	349,308	64,375	22.6%	
Health Insurance	240,180	253,254	247,216	255,898	8,682	3.5%	
Payroll Tax	1,318	-	174	-	(174)	0.0%	
Workers' Compensation	16,342	15,517	15,397	17,727	2,330	15.1%	
Health Insurance - Retiree	117,211	66,300	92,967	68,850	(24,117)	(25.9%)	
Medicare	40,941	31,073	30,149	33,359	3,209	10.6%	
Subtotal: Personnel Costs	3,536,611	2,826,400	2,799,803	3,020,638	220,834	7.9%	
Administrative Expenses	202,944	155,694	141,616	201,568	59,952	42.3%	
Equipment & Supplies Expense:							
Office Supplies	21,059	21,188	23,101	16,595	(6,506)	(28.2%)	
Rentals & Leases	3,424	8,800	9,350	16,060	6,710	71.8%	
Supplies & Expenses	76,248	94,045	95,192	82,476	(12,716)	(13.4%)	
Equipment Maint - Materials	5,853	-	3,567	1,500	(2,067)	(57.9%)	
Equipment Maint - Services	77,915	79,008	77,145	78,804	1,659	2.2%	
Subtotal: Equipment & Supplies	184,499	203,041	208,356	195,435	(12,921)	(6.2%)	
Professional Services	517,764	408,678	444,112	427,412	(16,700)	(3.8%)	
Contractual Services	237,266	208,354	207,754	217,352	9,598	4.6%	
Memberships & Meetings	37,673	26,306	26,356	27,474	1,118	4.2%	
Conferences & Travel	28,816	42,108	30,872	40,429	9,557	31.0%	
Training	13,412	26,146	18,530	31,136	12,606	68.0%	
TOTAL EXPENDITURES	\$ 4,758,985	\$ 3,896,727	\$ 3,877,400	\$ 4,161,444	\$ 284,044	7.3%	

As compared to the 2019-20 Forecast, significant increases / decreases in the operating budget for Administrative Services include:

- Personnel costs will increase \$220.8 thousand, or 7.9%. Ordinary inflationary increases for step and cost-of-living adjustments were budgeted as normal. Additionally, one position was decreased (a part-time administrative assistant), offset by partial reallocation of Business Analyst time to the Operating Budget rather than capital project technology projects.
- Administrative expenses will increase by \$59.9 thousand as SVCW secures outside expertise in public relations and communication.
- Professional services costs will decline by \$16.7 thousand (3.8%) as SVCW has concluded legal matters not expected to reoccur next year.
- Training Costs increase by \$12.6 thousand as the Office of the Manager allots funds for leadership training.

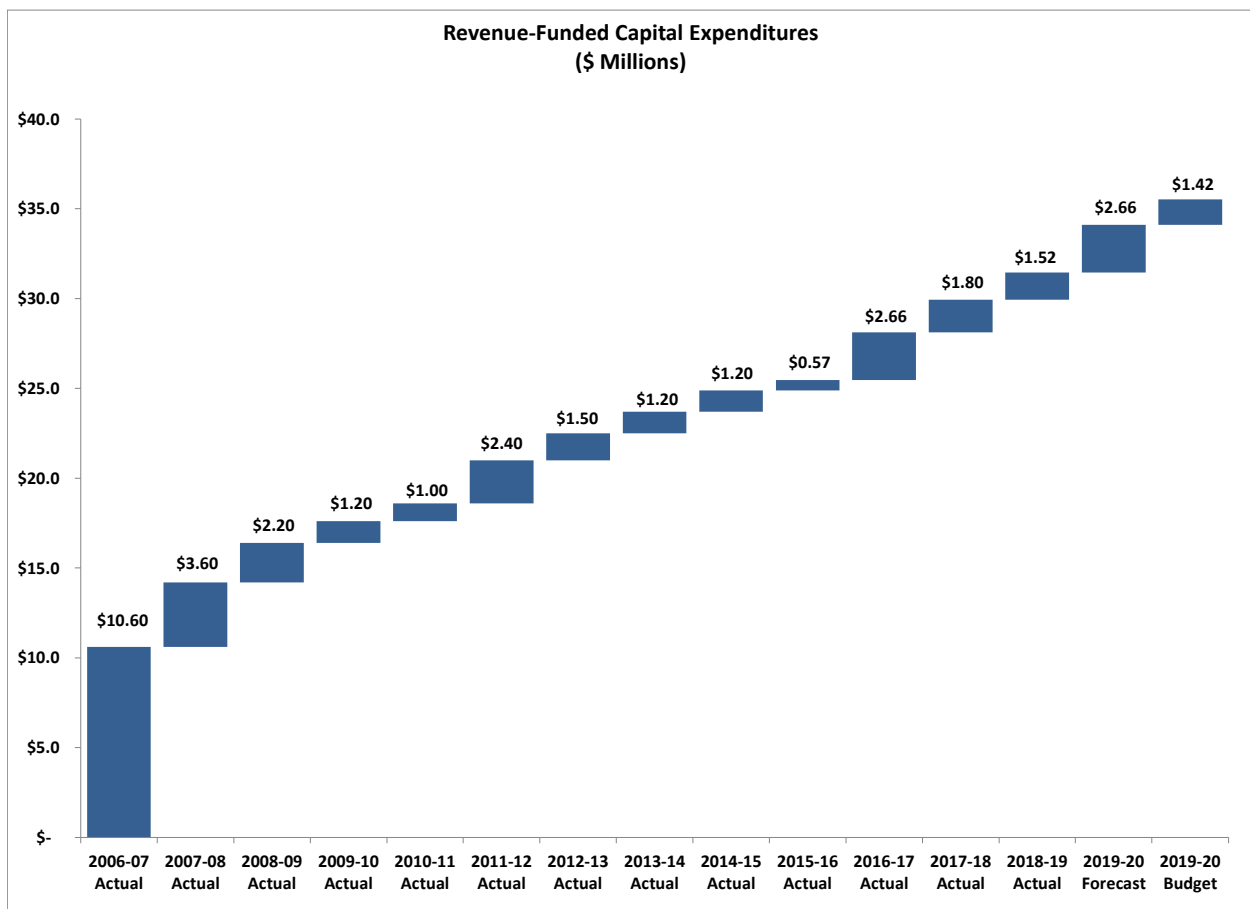
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SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES

Summary:

Revenue-Funded Capital Expenditures are for capital projects costing less than \$1 million and completed within one year. These projects offer identifiable improvements in the short term. Revenue-funded capital expenditures may include minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements. It is therefore the practice to fund such projects using available cash funds rather than financing them over 30 years.

Since 2006-07, SVCW has spent approximately \$35 million on Revenue-Funded capital expenditures. Prior to formally adopting the Capital Improvement Program in fiscal year 2008-09, Member Agencies made large cash contributions of \$10.6 million to address immediate project needs. Since 2008-09, however, SVCW has averaged \$1.7 million annually in Revenue-Funded capital expenditures.



The 2020-21 Budget of \$1.29 million for Revenue-Funded capital expenditures includes:

Proposed 2020-21 Revenue-Funded Capital Expenditures	
Project Name	One-time Cost
Rebuild dewatering Fournier filter presses #1 and #2	\$ 250,000
Replace IT Business Network Access Switches	204,000
Install Crane / Monorail system for Solids Handling Bldg Equipment	200,000
Purchase replacement Bio-Solids Dump/Transfer Truck	140,000
Replace cogeneration engines' generator units	87,500
Expand emergency alert and surveillance system at Treatment Plant	85,000
Upgrade Primary Sedimentation Tank equipment	65,000
Improve Front Gate controls	60,000
Improve loading slab at biosolids loading area	50,000
Facility Reconfigurations	50,000
Replace Laboratory Automated BOD Analyzer	48,000
Replace fleet equipment, Environmental Services pickup truck	34,000
Purchase Dranetz Energy Power Monitoring Equipment	22,000
TOTAL	\$ 1,295,500

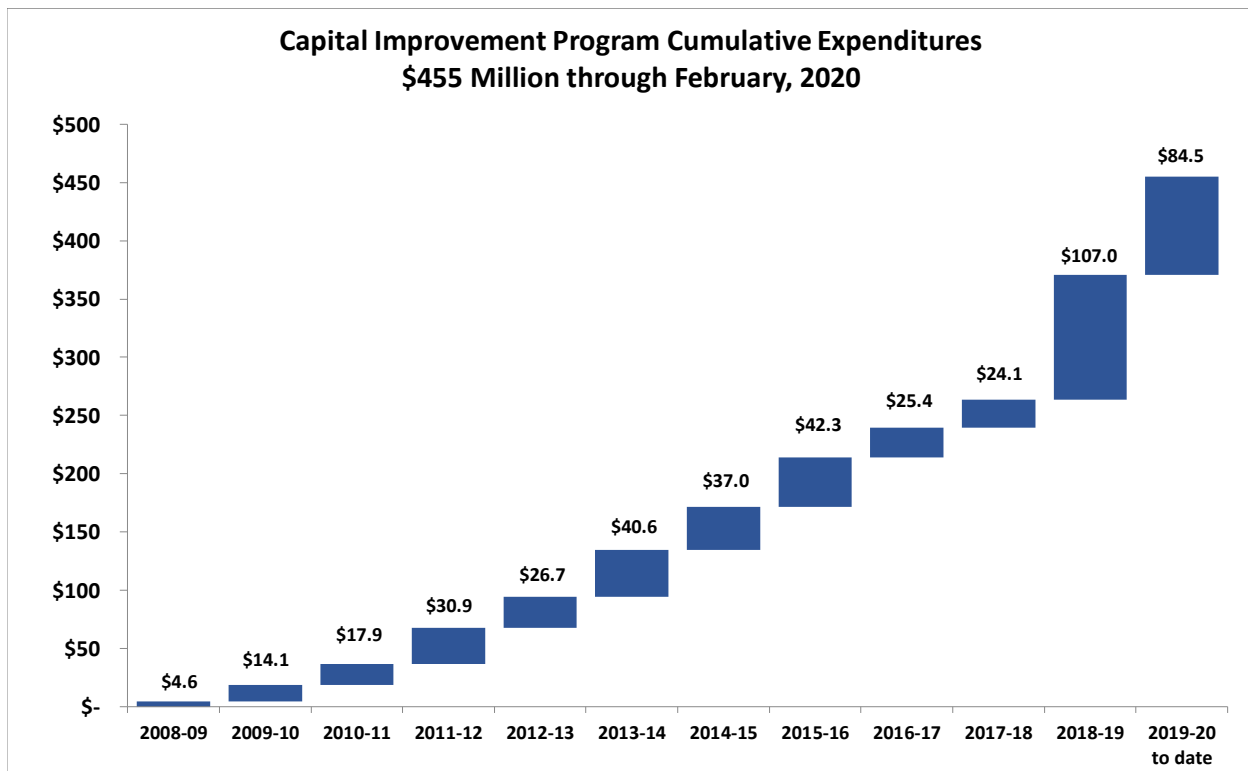
These projects will maintain critical operations and improve productivity. Key projects include:

- Fournier Press rebuild: The Fournier filter presses, used to remove water from biosolids prior to disposal, have exhibited wear of certain parts over time. This wear damaged the filter screens and must be addressed. Moreover, more frequent maintenance of the Fournier Presses is now in place to mitigate such wear in the future.
- The Information Technology business network includes eight access switches throughout the treatment plant that were installed in 2012 and are now at end-of-life.
- A crane system is being proposed for the basement of the Solids Handling Building where recently-installed water treatment equipment must be maintained. This equipment includes rotary drum thickeners, large pumps, and control panels. With a crane system, mechanics can perform maintenance safely and efficiently.
- A current dump truck is frequently out of service and jeopardizes drying bed operations. A replacement truck mitigates this risk and optimizes use of drying beds to reduce costs.

SECTION 5 – CAPITAL IMPROVEMENT PROGRAM & DEBT SERVICE

Background:

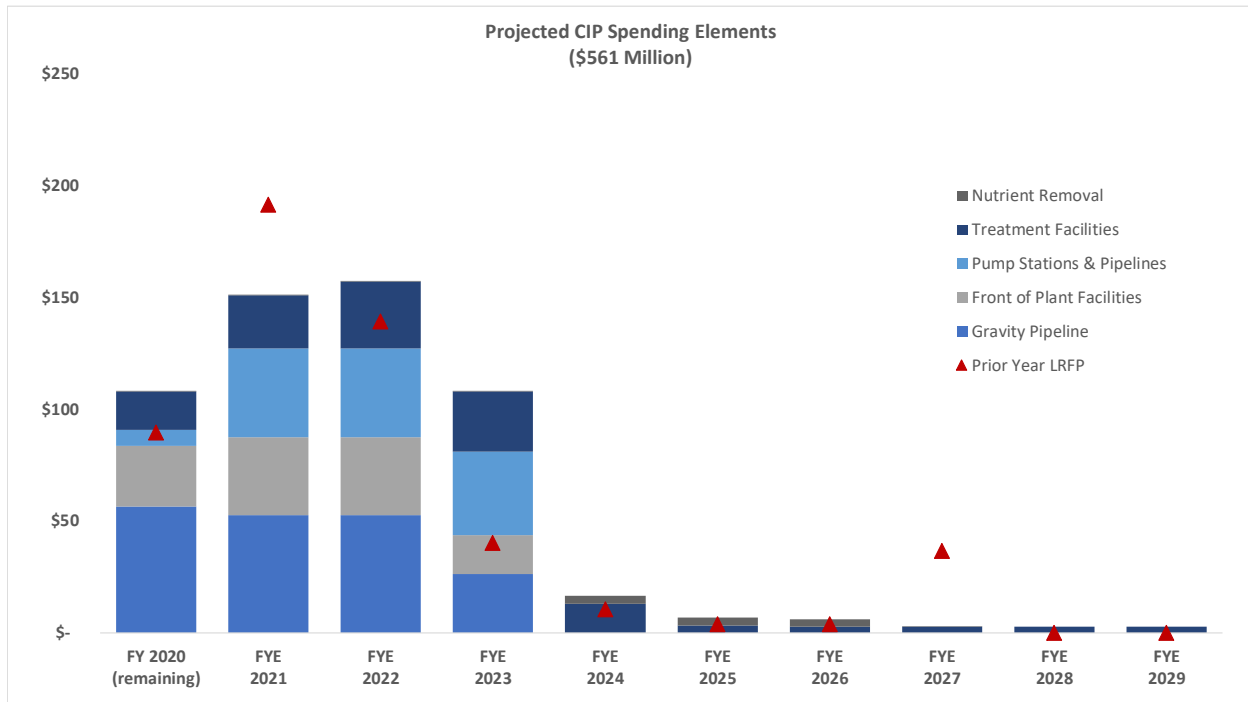
SVCW’s wastewater treatment plant was constructed in 1980 and connected to an influent conveyance system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. In 2008 SVCW initiated its CIP to replace and rehabilitate wastewater conveyance and treatment systems in a structured and prioritized manner. Now in its twelfth year, the CIP has completed over 120 projects and spent \$455 million to date.



CIP Projected Expenditures:

Each year, SVCW produces a LRFP to describe the total cash flows required by SVCW over the next decade. This includes funding for all SVCW operations, revenue-funded capital projects, Capital Improvement Program projects and their associated debt service payments, and necessary cash reserve contributions. Meant to encourage discussion and support decision making, the LRFP provides up-to-date financial information so that Member Entities have the information needed to understand the financial implications of those decisions and to communicate with internal and external stakeholders.

The CIP is a guiding document of the LRFP and is currently estimated at \$932 million over a 22-year period from inception to completion. The majority of remaining expenditures will occur over the next three fiscal years:



The largest projects comprised in the RESCU program together produce capital expenditures greater than \$100 million over the next three consecutive fiscal years. As construction is completed, assets of each Member Entity increase per its allocable percentages as follows:

SVCW Remaining Capital Expenditures - By Fiscal Year End and Member Allocation (\$ Millions)												
Description	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	Total	
Redwood City	\$ 52.4	\$ 73.3	\$ 76.3	\$ 52.5	\$ 8.0	\$ 3.3	\$ 3.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 272.5	
West Bay SD	29.0	40.5	42.2	29.0	4.4	1.8	1.6	0.7	0.7	0.7	150.6	
San Carlos	16.3	22.8	23.8	16.4	2.5	1.0	0.9	0.4	0.4	0.4	84.9	
Belmont	10.2	14.3	14.8	10.2	1.6	0.6	0.6	0.2	0.2	0.2	53.0	
TOTAL	\$ 108.0	\$ 150.8	\$ 157.1	\$ 108.0	\$ 16.5	\$ 6.8	\$ 6.1	\$ 2.6	\$ 2.6	\$ 2.6	\$ 561.1	

Debt Service:

Due to the compressed timing and large cost to complete the CIP, as well as the lack of significant cash reserves, the most practical funding method has been the use of long-term debt. SVCW updates its LRFP each year to reassess its financial position relative to anticipated cash flows needed from SVCW's Member Entities. It also incorporates CIP construction and expenditure schedules, as well as the current borrowing environment. After considering these factors, the January 2020 LRFP recommended a strategy that recognizes governmental loans are available.

Compared to the January 2019 LRFP, the 2020 Plan incorporated three significant changes:

- **CIP Update:** SVCW has concurrently updated its CIP document to incorporate changes in project cost estimates and to add or delete projects. It also recognized regulations by the Regional Water Quality Control Board as it determines how to manage nutrient loads in the San Francisco Bay. Combined, these factors added \$81 million and bring total anticipated CIP expenditures (over the 22 years since inception) to \$931.6 million.
- **Construction Timing:** Over the past year, construction commenced on two significant conveyance projects that are part of the RESCU initiative (Regional Environmental Sewer Conveyance Upgrade). Using the Progressive Design-Build (PDB) project delivery method, the two RESCU projects in construction (Gravity Pipeline and the Front of Plant) remain on schedule. Design of the final element (Pump Station Improvements) is nearly complete and construction is now anticipated to commence by summer 2020. There is also timing associated with nutrient removal projects, which is now anticipated to occur after 2030.
- **Financing Sources and Rates:** In addition to adjustments to the size and rates of remaining bond issuances, this 2020 update also reflects an increased State Revolving Fund (SRF) loan from \$141 million to \$169 million. It also recognizes final WIFIA loan rates executed in July 2019 at 2.4%, considerably lower than the 3.45% assumed last year.

To fund CIP projects to date, SVCW has secured approximately \$647 million from a combination of Wastewater Revenue Bonds, Member Cash Contributions, SRF Loans, and Government Grants. Debt service payments associated with this budget are derived from these borrowings.

Source of CIP Funds to date (\$ millions)			
Description	All-in TIC / Interest Rate	Max Proceeds	Available Proceeds at 6/30/2019
Bonds			
2008 Wastewater Revenue Bonds	5.03%	\$ 10.01	\$ -
2009 Wastewater Revenue Bonds	5.12%	55.86	-
2014 Wastewater Revenue Bonds	4.18%	65.54	-
2015 Wastewater Revenue Bonds	3.75%	30.00	-
2018 Wastewater Revenue Bonds	3.43%	148.98	29.30
Subtotal - Bonds		310.38	29.30
Cash Contributions in lieu of Debt			
Belmont		46.84	14.83
Redwood City		10.00	-
West Bay Sanitary District		13.02	13.02
Subtotal - Cash		69.85	27.84
Government Loans			
SWRCB SRF - Control Building	2.60%	11.36	-
SWRCB SRF - WWTP Improvements	1.80%	31.55	-
SWRCB SRF - Conveyance Planning	1.60%	14.00	-
U.S. EPA WIFIA - RESCU Program	2.40%	207.33	207.33
Subtotal - Government Loans		264.24	207.33
Grant Funding			
PG&E Cogeneration Grant		2.40	0.32
California Energy Commission		0.50	-
Subtotal - Grant Funding		2.90	0.32
TOTAL		\$ 647.38	\$ 264.79

Due to the historical lack of a sinking fund and cash reserves, the recommended debt strategy is in lieu of a pay-go cash strategy. Debt allows SVCW to distribute costs over the expected useful lives of constructed assets and also provide fairness to Members' ratepayers by spreading costs across generations to facilitate moderate and consistent rate increases. The 2020 LRFP recognizes that, for future debt, SVCW will mostly draw from governmental loans and modest amounts of wastewater revenue bonds.

The 2020 LRFP recommends the following debt structure as compared to the prior year's LRFP:

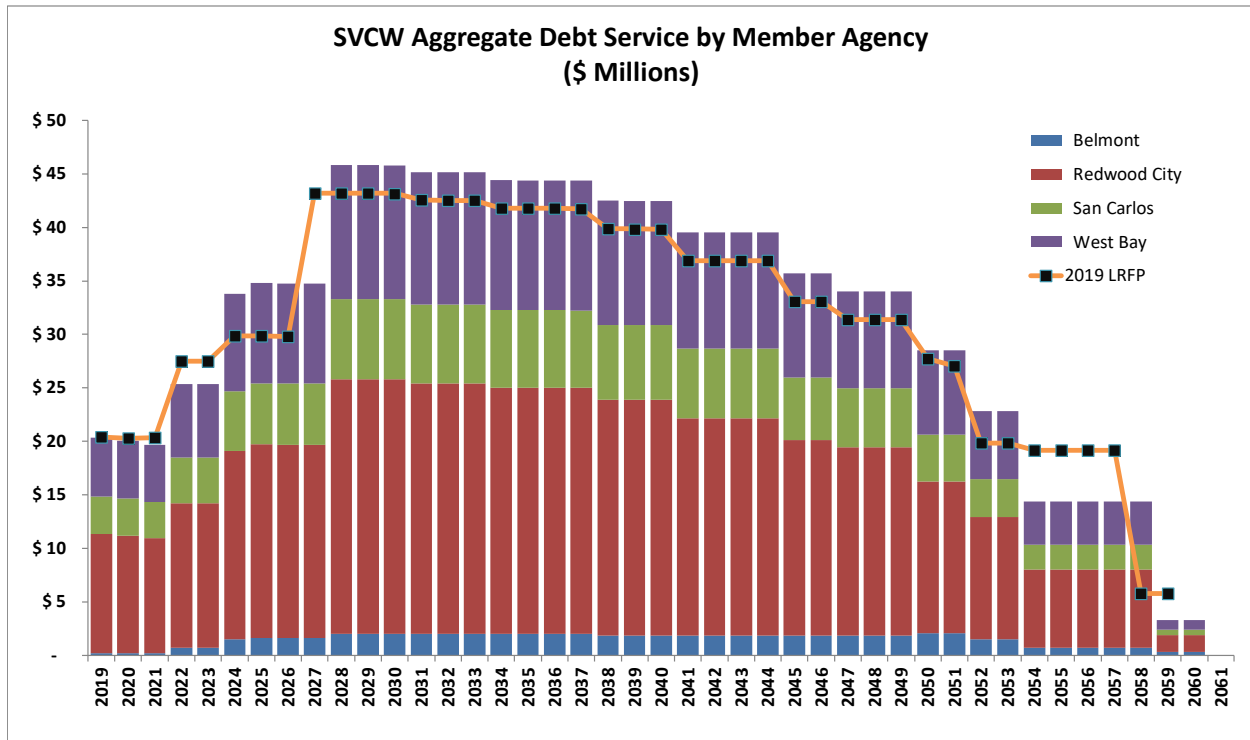
Description	2019 LRFP	2020 LRFP
Remaining CIP to be funded	\$560 Million	\$561 Million
\$ Fixed Rate Bonds / % of New Debt	\$24M / 4%	\$99M / 18%
\$ Variable Rate Bonds / % of New Debt	\$48M / 9%	\$29M / 5%
\$ SRF Loans / % of New Debt	\$141M / 25%	\$169M / 30%
\$ WIFIA Loan / % of New Debt	208M / 37%	\$208M / 37%
Proceeds or Cash / % of New Debt	\$139M / 25%	\$56M / 10%
Weighted Average Cost of Capital %	2.88%	2.57%

The attractive interest rates of WIFIA and the attractive market conditions result in an improved Weighted Average Cost of Capital (WACC), now estimated at 2.57%.

Over the next four decades displayed below, total remaining aggregate debt service is \$1.28 billion, or approximately \$56 million more (in nominal dollars) than prior year's Plan. If discounted to January 2020 dollars, this difference is a Net Present Value of \$22 million.

This Plan anticipates Maximum Annual Debt Service payments (MADS) will increase by \$2.6 million after fiscal year 2027-28. Over the next eight years through fiscal year 2026-27, however, cumulative debt service payments are net neutral.

Over the 41-year period displayed below total aggregate debt service is estimated at \$1.28 billion, or approximately \$40 million (in nominal dollars) less than the prior year's LRFP. If discounted to today's dollars, this difference is valued at a Net Present Value of \$46 million.



Debt Service in 2020-21 will be \$19.64 million and is allocated to Member Entities according to JPA-defined percentage of ownership as well as their participation in each debt issuance. As SVCW continues to fund CIP construction, debt service payments will peak in 2027-28 once significant projects are complete and all necessary debt is secured.

SVCW Aggregate Debt Service Cost						
Fiscal year end	Current Bonds	Current SRF	New Bonds	New SRF Debt Service	New WIFIA Debt Service	TOTAL
2021	\$ 17,015,619	\$ 2,630,599	\$ -	\$ -	\$ -	\$ 19,646,217
2022	17,009,619	2,630,599	5,692,220	-	-	25,332,437
2023	17,004,369	2,630,599	5,692,220	-	-	25,327,187
2024	17,003,869	3,320,599	5,692,220	7,753,343	-	33,770,030
2025	17,007,244	3,320,599	6,707,460	7,753,343	-	34,788,645
2026	16,984,244	3,320,599	6,707,460	7,753,343	-	34,765,645
2027	16,979,244	3,320,599	6,707,460	7,753,343	-	34,760,645
2028	16,980,619	3,320,599	6,707,460	7,753,343	11,056,323	45,818,344
2029	16,972,619	3,320,599	6,707,460	7,753,343	11,056,323	45,810,344
2030	16,959,619	3,320,599	6,707,460	7,753,343	11,056,323	45,797,344
2031	16,341,244	3,320,599	6,707,460	7,753,343	11,056,323	45,178,969

Detailed debt service payment schedules by Member are provided as follows:

Belmont:

Belmont Debt Service Cost							
Fiscal year end	Current Bonds	Current SRF	Future Bonds	New Line of Credit Interest Expense	New SRF Debt Service	New WIFIA Debt Service	TOTAL
2021	\$ -	\$ 178,425	\$ -	\$ -	\$ -	\$ -	\$ 178,425
2022	-	178,425	537,915	-	-	-	716,340
2023	-	178,425	537,915	-	-	-	716,340
2024	-	243,630	537,915	-	732,691	-	1,514,236
2025	-	243,630	633,855	-	732,691	-	1,610,176
2026	-	243,630	633,855	-	732,691	-	1,610,176
2027	-	243,630	633,855	-	732,691	-	1,610,176
2028	-	243,630	633,855	-	732,691	397,875	2,008,052
2029	-	243,630	633,855	-	732,691	397,875	2,008,052
2030	-	243,630	633,855	-	732,691	397,875	2,008,052
2031	-	243,630	633,855	-	732,691	397,875	2,008,052

Redwood City:

Redwood City Debt Service Cost							
Fiscal Year end	Current Bonds	Current SRF	Future Bonds	New Line of Credit Interest Expense	New SRF Debt Service	New WIFIA Debt Service	TOTAL
2021	\$ 9,427,893	\$ 1,315,327	\$ -	\$ -	\$ -	\$ -	\$ 10,743,220
2022	9,420,607	1,315,327	2,764,711	-	-	-	13,500,644
2023	9,423,018	1,315,327	2,764,711	-	-	-	13,503,056
2024	9,416,936	1,650,460	2,764,711	-	3,765,799	-	17,597,906
2025	9,414,793	1,650,460	3,257,813	-	3,765,799	-	18,088,865
2026	9,411,079	1,650,460	3,257,813	-	3,765,799	-	18,085,151
2027	9,410,286	1,650,460	3,257,813	-	3,765,799	-	18,084,358
2028	9,409,098	1,650,460	3,257,813	-	3,765,799	5,716,068	23,799,238
2029	9,404,820	1,650,460	3,257,813	-	3,765,799	5,716,068	23,794,960
2030	9,392,195	1,650,460	3,257,813	-	3,765,799	5,716,068	23,782,335
2031	9,034,713	1,650,460	3,257,813	-	3,765,799	5,716,068	23,424,853

San Carlos:

San Carlos Debt Service Cost							
Fiscal Year end	Current Bonds	Current SRF	Future Bonds	New Line of Credit Interest Expense	New SRF Debt Service	New WIFIA Debt Service	TOTAL
2021	\$ 2,994,034	\$ 410,004	\$ -	\$ -	\$ -	\$ -	\$ 3,404,038
2022	2,989,491	410,004	861,802	-	-	-	4,261,298
2023	2,993,284	410,004	861,802	-	-	-	4,265,090
2024	2,999,157	514,470	861,802	-	1,173,856	-	5,549,286
2025	2,997,949	514,470	1,015,509	-	1,173,856	-	5,701,785
2026	2,984,991	514,470	1,015,509	-	1,173,856	-	5,688,827
2027	2,985,117	514,470	1,015,509	-	1,173,856	-	5,688,953
2028	2,986,950	514,470	1,015,509	-	1,173,856	1,780,169	7,470,955
2029	2,986,199	514,470	1,015,509	-	1,173,856	1,780,169	7,470,204
2030	2,982,824	514,470	1,015,509	-	1,173,856	1,780,169	7,466,829
2031	2,884,158	514,470	1,015,509	-	1,173,856	1,780,169	7,368,163

West Bay Sanitary District:

West Bay Sanitary District Debt Service Cost							
Fiscal Year end	Current Bonds	Current SRF	Future Bonds	New Line of Credit Interest Expense	New SRF Debt Service	New WIFIA Debt Service	TOTAL
2021	\$ 4,593,692	\$ 726,843	\$ -	\$ -	\$ -	\$ -	\$ 5,320,535
2022	4,599,521	726,843	1,527,792	-	-	-	6,854,155
2023	4,588,067	726,843	1,527,792	-	-	-	6,842,702
2024	4,587,775	912,039	1,527,792	-	2,080,997	-	9,108,603
2025	4,594,502	912,039	1,800,282	-	2,080,997	-	9,387,820
2026	4,588,173	912,039	1,800,282	-	2,080,997	-	9,381,492
2027	4,583,840	912,039	1,800,282	-	2,080,997	-	9,377,159
2028	4,584,572	912,039	1,800,282	-	2,080,997	3,162,210	12,540,100
2029	4,581,599	912,039	1,800,282	-	2,080,997	3,162,210	12,537,127
2030	4,584,599	912,039	1,800,282	-	2,080,997	3,162,210	12,540,127
2031	4,422,373	912,039	1,800,282	-	2,080,997	3,162,210	12,377,901

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SECTION 6 – CASH RESERVES DESIGNATION

SVCW has adopted a Cash Reserves Policy that describes the goals and amounts intended to be held in reserves. The reserves can help mitigate the negative impact of revenue shortfalls from economic fluctuations, fund unforeseen expense requirements, provide stable rates for member entities, and fund future long-term capital needs. Each year during the budget process, their balances are reviewed and adjusted as needed.

- The **Operating Reserve** must be maintained at a minimum balance of 10% of the approved Operating Budget, plus \$1 million. This fund allows 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. The projected balance in Operating Reserves is \$3.77 million at June 30, 2021, including investment earnings. This amount is below the policy's required balance by approximately \$25.7 thousand which, per policy, will increase required Member contributions.
- The **Capital Improvement Program Reserve** (CIP Reserve) goal is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life has been met. This would allow major expenses in the future to be paid for on a "pay-go" basis and limit the need for borrowing. Each year, if funds held in these reserves fall below targeted levels, SVCW makes budget adjustments to return to the target level. The CIP Reserve Policy calls for a \$1.5 million contribution in fiscal year 2020-21.

Based upon the above, total 2020-21 Reserve Designations are proposed as follows:

Reserve Designations - 2020-21 Budget			
Description	Estimated	Target	Adopted
	June 30, 2020 Balance	June 30, 2021 Balance	2020-21 Contributions
Operating Reserve	\$ 3,747,982	\$ 3,773,731	\$ 25,749
CIP Reserve	19,608,200	21,108,200	1,500,000
TOTAL	\$ 23,356,182	\$ 24,881,931	\$ 1,525,749