

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
REGULAR MEETING – Monday, September 16, 2019
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, P.E., WEST BAY SANITARY DISTRICT – VICE CHAIR

MAYOR MARK OLBERT, SAN CARLOS – SECRETARY

COUNCIL MEMBER WARREN LIEBERMAN, PhD., BELMONT – MEMBER

MANAGER: TERESA A. HERRERA

ATTORNEY FOR THE AUTHORITY: CHRISTINE C. FITZGERALD

CONTROLLER: KIMBRA MCCARTHY

TREASURER: MATTHEW ANDERSON

AMERICANS WITH DISABILITIES ACT

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

AGENDA

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

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

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

5. SAFETY MOMENT and REPORTS

- A. Safety Moment
- B. Manager's Report (verbal)
- 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 MOTION TO APPROVE TASK ORDER FOR CDM-SMITH SCOPE AND BUDGET FOR ALTERNATIVE TECHNOLOGY IMPACT ANALYSIS RELATED TO ORGANICS CO-DIGESTION PROJECT (CIP# 9215, 9229, 9235)

Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ENGINEERING SERVICES RELATED TO ORGANICS CO-DIGESTION (CIP #9215, 9229, 9235) IN AN AMOUNT NOT TO EXCEED \$343,178 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – CDM-SMITH

- B. UPDATE ON SILICON VALLEY CLEAN WATER ADMINISTRATIVE POLICY NO. 2013-03 REGARDING SVCW RESERVE FUND POLICY AND PROCEDURES ("RESERVE FUND POLICY") AND PROVIDE GUIDANCE TO STAFF REGARDING POTENTIAL AMENDMENTS

Proposed Action:

NO ACTION IS REQUIRED. COMMISSION TO PROVIDE DIRECTION TO STAFF AS NEEDED.

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 roll call vote unless members of the Commission, staff, or public request specific items be removed from the CONSENT CALENDAR for separate action.

7. A. APPROVAL OF MINUTES – August 19, 2019

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED AUGUST 9, 2019 AND AUGUST 27, 2019, AND NECESSARY PAYMENTS THROUGH AUGUST 27, 2019

C. CONSIDERATION OF RESOLUTION ADOPTING COMMISSION POLICY 2019-02, “NEPOTISM AND FRATERNIZATION”.

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING COMMISSION POLICY 2019-02, “NEPOTISM AND FRATERNIZATION”

D. CONSIDERATION OF RESOLUTION TO SUBMIT APPLICATION FOR GRANT FUNDING THROUGH THE U.S. BUREAU OF RECLAMATION

Proposed Action:

Move adoption of RESOLUTION APPROVING AND AUTHORIZING SUBMITTAL OF APPLICATION TO UNITED STATES BUREAU OF RECLAMATION FOR “APPLYING STATE-OF-THE-ART TREATMENT TECHNOLOGIES FOR THE PURIFICATION OF ANAEROBICALLY-TREATED MUNICIPAL WASTEWATER FOR NON-POTABLE AND POTABLE REUSE” GRANT AND RELATED EXISTING MATCHING FUNDS

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AGENDA ITEM 5A

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SAFETY MOMENT**National Preparedness Month: Are You Ready for a Disaster?**

National Preparedness Month is a good reminder that natural and man-made disasters can strike at any time. It's important to have a planned response when you're at work, on vacation or on the road.

When you face a natural or man-made emergency, try to stay informed through radio, TV or the Internet. In some cases, however, cable, electric and cell phone service will be disabled, making communication nearly impossible. The National Safety Council recommends the following general precautions that apply to many disaster situations:

- Download the FEMA app for resources, weather alerts and safety tips
- Make sure to have a family communication plan in place; all members of the family should review and practice the plan
- Have all family members' and other important phone numbers written down or memorized
- Have an emergency kit in your car and at least three days of food and water at home
- Be sure to store all important documents – birth certificates, insurance policies, etc. – in a fire-proof safe or safety deposit box
- Assign one family member the responsibility of learning first aid and CPR
- Know how to shut off utilities

California has seen the most serious earthquakes in the continental U.S. Earthquakes are difficult to predict, but there are ways to secure your belongings and protect your family:



- Secure large appliances and install flexible gas and water connections
- Anchor top-heavy furniture to the wall and place heavy objects on lower shelves
- Never hang anything heavy above where you sleep
- If you're outside when an earthquake occurs, move away from buildings, street lights, utility wires and overpasses
- If you are inside, get under a sturdy table or desk and hold onto it; if that's not possible, crouch in a strongly supported doorway or inside corner and protect your head
- Stay clear of windows

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AGENDA ITEM 5B

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Recurring and Upcoming Commission Actions
Updated for September 2019 Meeting

January	February	March	April
<ul style="list-style-type: none"> Long Range Financial Plan Review & Update Debt Policy 		Budget Workshop	Budget Adoption
May	June	July	August
<ul style="list-style-type: none"> Approve WIFIA Loan and Note Agreements Initiate Manager Performance Evaluation 	<ul style="list-style-type: none"> Update Investment Policy Approve Resolution 77-6 "Personnel Resolution" Perform Manager Evaluation Approve WIFIA Agreement Amendment 	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"> Approve Reserve Funds Policy Changes, if any Local Limits Public Hearing and Adoption 		<ul style="list-style-type: none"> Commission Meeting schedule for following year Audited Financial Statements

 - Recurring Commission Actions

 - Upcoming Commission Actions

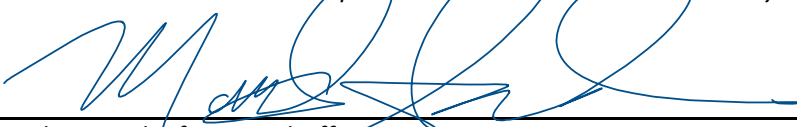
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AGENDA ITEM 5C

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Cash & Investment Report - August 31, 2019						
Account Holder	Description		Book Value	Market Value	% of Total	Effective Yield*
Wells Fargo	Sweep Account, Outstanding checks	\$	1,939,786	\$ 1,939,786	0.8%	0.00%
Local Agency Investment Fund (LAIF)	Working Capital		7,544,818	7,544,819	3.1%	2.32%
Bank of New York Mellon	Trustee for 2009, 2014, 2015 Bonds		640	640	0.0%	2.11%
Zions Bank	Trustee for 2018 Bonds, 2019 Notes, TBM Euro Payment		1,596,824	1,523,176	0.6%	0.00%
CA Asset Management Program (Attached)	2018 Bond Proceeds, Segregated Investment Portfolio		25,732,398	25,732,398	10.4%	2.25%
PFM Asset Management, LLC (Attached)	2019 Notes Capitalized Interest Fund		27,335,269	27,387,614	11.1%	1.56%
PFM Asset Management, LLC (Attached)	2019 Notes Project Fund		148,290,418	148,346,052	60.0%	1.77%
PFM Asset Management, LLC (Attached)	Operating Reserve Fund		3,790,896	3,795,338	1.5%	1.89%
PFM Asset Management, LLC (Attached)	Capital Improvement Program Reserve Fund		18,927,606	18,971,646	7.7%	1.89%
PFM Asset Management, LLC (Attached)	Stage 2 Capacity Reserve Fund		12,055,075	12,085,231	4.9%	1.91%
TOTAL			\$ 247,213,731	\$ 247,326,699	100.0%	

SVCW has sufficient liquid resources available to meet expenditure requirements per SVCW's investment policy.
All SVCW investments are in compliance with SVCW's Investment Policy.



M. Anderson, Chief Financial Officer

* Generally PFM market prices derived from closing bid prices on the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices not available from generally recognized sources, securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices falling between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit priced at par. Although PFM believes prices are reliable, values of securities do not always represent the prices at which the securities could be bought or sold.

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California Asset Management Program (CAMP)

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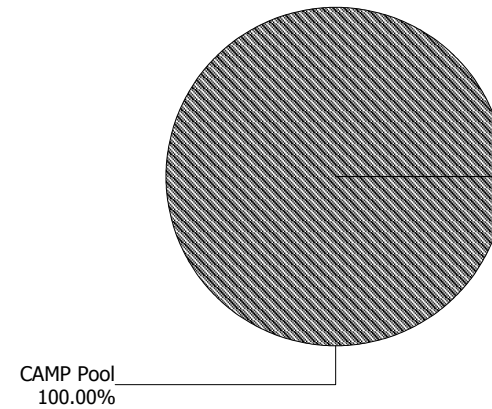
Account Statement - Transaction Summary

For the Month Ending **August 31, 2019**

Silicon Valley Clean Water - SVCW 2018 Bonds - 7022-001

CAMP Pool	
Opening Market Value	25,682,570.64
Purchases	49,827.04
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$25,732,397.68
Cash Dividends and Income	49,827.04

Asset Summary		
	August 31, 2019	July 31, 2019
CAMP Pool	25,732,397.68	25,682,570.64
Total	\$25,732,397.68	\$25,682,570.64
Asset Allocation		





Account Statement

For the Month Ending **August 31, 2019**

Silicon Valley Clean Water - SVCW 2018 Bonds - 7022-001

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					25,682,570.64
08/30/19	09/03/19	Accrual Income Div Reinvestment - Distributions	1.00	49,827.04	25,732,397.68
Closing Balance					25,732,397.68

	Month of August	Fiscal YTD July-August		
Opening Balance	25,682,570.64	26,595,548.65	Closing Balance	25,732,397.68
Purchases	49,827.04	103,813.59	Average Monthly Balance	25,685,785.29
Redemptions (Excl. Checks)	0.00	(966,964.56)	Monthly Distribution Yield	2.28%
Check Disbursements	0.00	0.00		
Closing Balance	25,732,397.68	25,732,397.68		
Cash Dividends and Income	49,827.04	103,813.59		



Consolidated Summary Statement

Account Statement

For the Month Ending **August 31, 2019**

SILICON VALLEY CLEAN WATER

Portfolio Summary

Portfolio Holdings	Cash Dividends and Income	Closing Market Value
PFM Managed Account	(416,019.14)	203,581,640.73
Total	(\$416,019.14)	\$203,581,640.73

Investment Allocation

Investment Type	Closing Market Value	Percent
Corporate Note	1,661,178.38	0.82
Federal Agency Collateralized Mortgage Obligation	159,186.17	0.08
Federal Agency Bond / Note	18,769,334.82	9.22
Federal Agency Mortgage-Backed Security	21,773.21	0.01
Municipal Bond / Note	299,658.00	0.15
U.S. Treasury Bond / Note	182,670,510.15	89.72
Total	\$203,581,640.73	100.00%

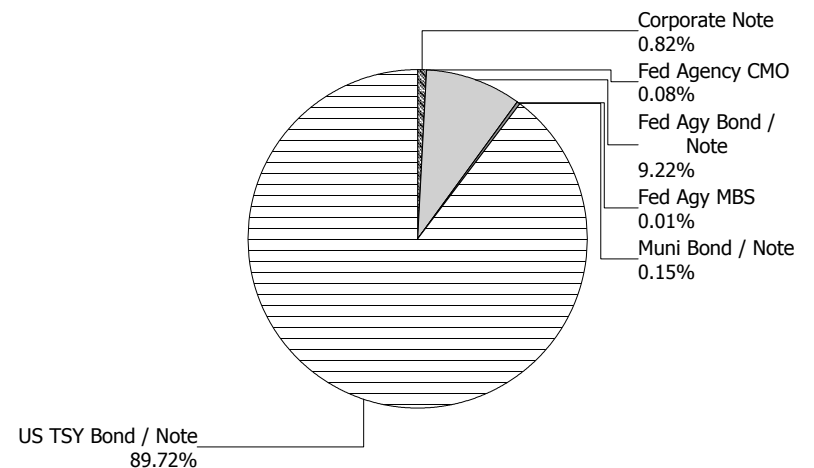
Maturity Distribution (Fixed Income Holdings)

Portfolio Holdings	Closing Market Value	Percent
Under 30 days	11,287,337.08	5.54
31 to 60 days	280,177.60	0.14
61 to 90 days	11,183,040.84	5.49
91 to 180 days	27,767,972.61	13.64
181 days to 1 year	30,832,880.71	15.15
1 to 2 years	70,699,081.79	34.73
2 to 3 years	33,045,235.94	16.23
3 to 4 years	11,650,702.00	5.72
4 to 5 years	6,835,212.16	3.36
Over 5 years	0.00	0.00

Total **\$203,581,640.73** **100.00%**

Weighted Average Days to Maturity **499**

Sector Allocation





Account Statement

Consolidated Summary Statement

For the Month Ending **August 31, 2019**

SILICON VALLEY CLEAN WATER

Account Number	Account Name	Opening Market Value	Purchases / Deposits	Redemptions / Sales/ Maturities	Unsettled Trades	Change in Value	Closing Market Value	Cash Dividends and Income
79080100	SVCW - OPERATING RESERVE FUND	2,603,784.72	156,898.40	(8,955.43)	157,392.20	8,207.26	2,917,327.15	401.41
79080200	SVCW - CIP RESERVE FUND	14,992,665.99	0.00	(60,000.00)	0.00	44,820.80	14,977,486.79	2,779.60
79080300	SVCW - STAGE 2 CAPACITY RES FUND	10,068,403.87	0.00	(152,039.99)	0.00	36,797.72	9,953,161.60	3,984.91
79080400	SVCW - WW REV NOTES SERIES 2019A CAPI FD	0.00	27,335,268.72	0.00	0.00	52,344.97	27,387,613.69	20,739.18
79080500	SVCW - WW REV NOTES SERIES 2019A PROJ FD	0.00	148,290,418.42	0.00	0.00	55,633.08	148,346,051.50	(443,924.24)
Total		\$27,664,854.58	\$175,782,585.54	(\$220,995.42)	\$157,392.20	\$197,803.83	\$203,581,640.73	(\$416,019.14)

Wastewater Revenue Notes

2019A Capitalized Interest Fund

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Managed Account Summary Statement

For the Month Ending **August 31, 2019**

SVCW - WW REV NOTES SERIES 2019A CAPI FD - 79080400

Transaction Summary - Managed Account

Opening Market Value	\$0.00
Maturities/Calls	0.00
Principal Dispositions	0.00
Principal Acquisitions	27,335,268.72
Unsettled Trades	0.00
Change in Current Value	52,344.97
Closing Market Value	\$27,387,613.69

Cash Transactions Summary - Managed Account

Maturities/Calls	0.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	254,400.63
Principal Payments	0.00
Security Purchases	(27,568,930.17)
Net Cash Contribution	27,314,529.54
Reconciling Transactions	0.00

Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	254,400.63
Less Purchased Interest Related to Interest/Coupons	(233,661.45)
Plus Net Realized Gains/Losses	0.00
Total Cash Basis Earnings	\$20,739.18

Cash Balance

Closing Cash Balance **\$0.00**

Earnings Reconciliation (Accrual Basis)

	Total
Ending Amortized Value of Securities	27,332,484.24
Ending Accrued Interest	1,397.80
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	0.00
Plus Coupons/Dividends Received	254,400.63
Less Cost of New Purchases	(27,568,930.17)
Less Beginning Amortized Value of Securities	0.00
Less Beginning Accrued Interest	0.00
Total Accrual Basis Earnings	\$19,352.50



Portfolio Summary and Statistics

For the Month Ending **August 31, 2019**

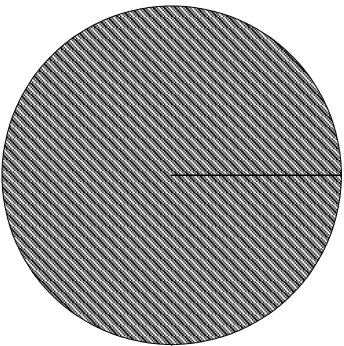
SVCW - WW REV NOTES SERIES 2019A CAPI FD - 79080400

Account Summary

Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	27,018,000.00	27,387,613.69	100.00
Managed Account Sub-Total	27,018,000.00	27,387,613.69	100.00%
Accrued Interest		1,397.80	
Total Portfolio	27,018,000.00	27,389,011.49	

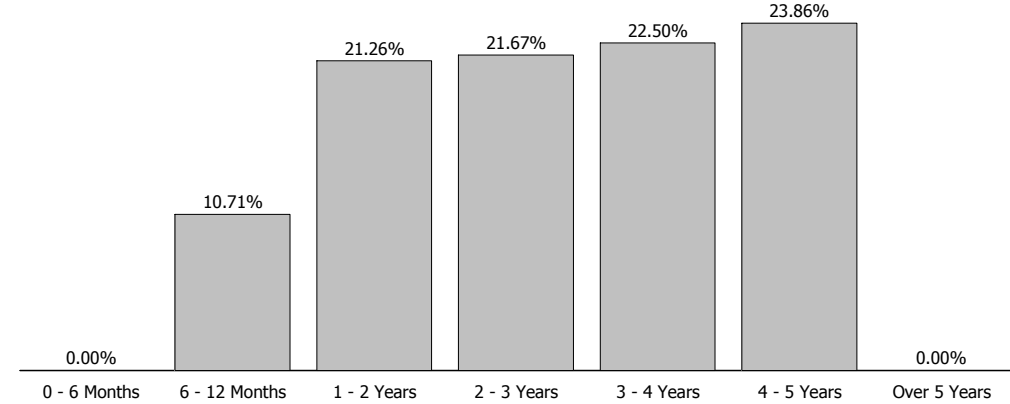
Unsettled Trades	0.00	0.00
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Sector Allocation



US TSY Bond / Note
100.00%

Maturity Distribution



Characteristics

Yield to Maturity at Cost	1.62%
Yield to Maturity at Market	1.56%
Duration to Worst	2.46
Weighted Average Days to Maturity	933



Managed Account Issuer Summary

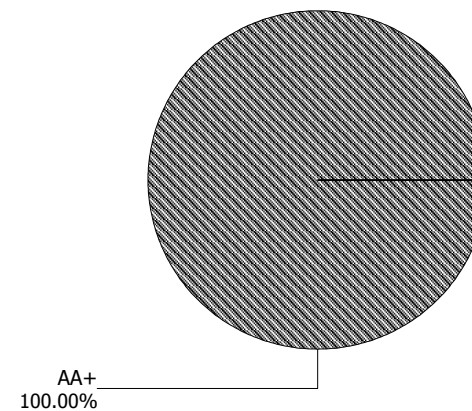
For the Month Ending **August 31, 2019**

SVCW - WW REV NOTES SERIES 2019A CAPI FD - 79080400

Issuer Summary

Issuer	Market Value of Holdings	Percent
UNITED STATES TREASURY	27,387,613.69	100.00
Total	\$27,387,613.69	100.00%

Credit Quality (S&P Ratings)



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Wastewater Revenue Notes

2019A Project Fund

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Managed Account Summary Statement

For the Month Ending **August 31, 2019**

SVCW - WW REV NOTES SERIES 2019A PROJ FD - 79080500

Transaction Summary - Managed Account

Opening Market Value	\$0.00
Maturities/Calls	0.00
Principal Dispositions	0.00
Principal Acquisitions	148,290,418.42
Unsettled Trades	0.00
Change in Current Value	55,633.08
Closing Market Value	\$148,346,051.50

Cash Transactions Summary - Managed Account

Maturities/Calls	0.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	207,017.51
Principal Payments	0.00
Security Purchases	(148,941,360.17)
Net Cash Contribution	148,734,342.66
Reconciling Transactions	0.00

Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	207,017.51
Less Purchased Interest Related to Interest/Coupons	(650,941.75)
Plus Net Realized Gains/Losses	0.00
Total Cash Basis Earnings	(\$443,924.24)

Cash Balance

Closing Cash Balance **\$0.00**

Earnings Reconciliation (Accrual Basis)

	Total
Ending Amortized Value of Securities	148,297,007.29
Ending Accrued Interest	551,883.48
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	0.00
Plus Coupons/Dividends Received	207,017.51
Less Cost of New Purchases	(148,941,360.17)
Less Beginning Amortized Value of Securities	0.00
Less Beginning Accrued Interest	0.00
Total Accrual Basis Earnings	\$114,548.11



Portfolio Summary and Statistics

For the Month Ending **August 31, 2019**

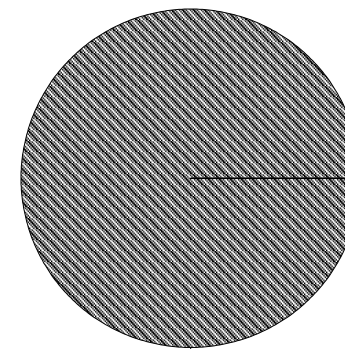
SVCW - WW REV NOTES SERIES 2019A PROJ FD - 79080500

Account Summary

Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	147,925,000.00	148,346,051.50	100.00
Managed Account Sub-Total	147,925,000.00	148,346,051.50	100.00%
Accrued Interest		551,883.48	
Total Portfolio	147,925,000.00	148,897,934.98	

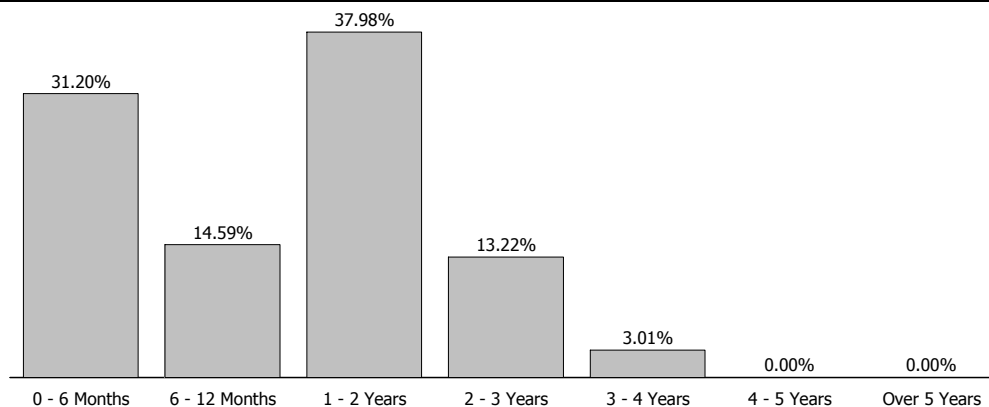
Unsettled Trades	0.00	0.00
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Sector Allocation



US TSY Bond / Note_

Maturity Distribution



Characteristics

Yield to Maturity at Cost	1.77%
Yield to Maturity at Market	1.77%
Duration to Worst	1.11
Weighted Average Days to Maturity	415



Managed Account Issuer Summary

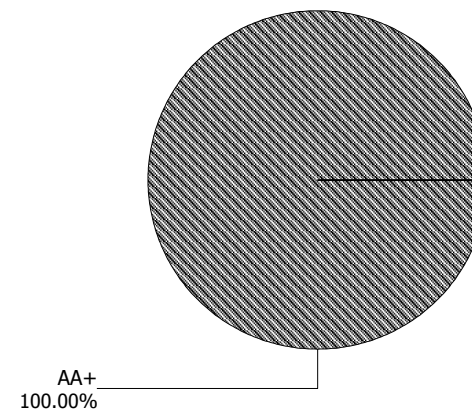
For the Month Ending **August 31, 2019**

SVCW - WW REV NOTES SERIES 2019A PROJ FD - 79080500

Issuer Summary

Issuer	Market Value of Holdings	Percent
UNITED STATES TREASURY	148,346,051.50	100.00
Total	\$148,346,051.50	100.00%

Credit Quality (S&P Ratings)



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Operating Reserve

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Managed Account Summary Statement

For the Month Ending **August 31, 2019**

SVCW - OPERATING RESERVE FUND - 79080100

Transaction Summary - Managed Account

Opening Market Value	\$2,603,784.72
Maturities/Calls	(8,955.43)
Principal Dispositions	0.00
Principal Acquisitions	156,898.40
Unsettled Trades	157,392.20
Change in Current Value	8,207.26
Closing Market Value	\$2,917,327.15

Cash Transactions Summary - Managed Account

Maturities/Calls	0.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	1,664.64
Principal Payments	8,955.43
Security Purchases	(158,035.75)
Net Cash Contribution	6,431.60
Reconciling Transactions	0.00

Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	1,664.64
Less Purchased Interest Related to Interest/Coupons	(1,137.35)
Plus Net Realized Gains/Losses	(125.88)
Total Cash Basis Earnings	\$401.41

Cash Balance

Closing Cash Balance **\$878,010.57**

Earnings Reconciliation (Accrual Basis)

	Total
Ending Amortized Value of Securities	2,912,885.47
Ending Accrued Interest	15,893.86
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	8,955.43
Plus Coupons/Dividends Received	1,664.64
Less Cost of New Purchases	(315,715.28)
Less Beginning Amortized Value of Securities	(2,607,632.69)
Less Beginning Accrued Interest	(11,739.08)
Total Accrual Basis Earnings	\$4,312.35



Portfolio Summary and Statistics

For the Month Ending **August 31, 2019**

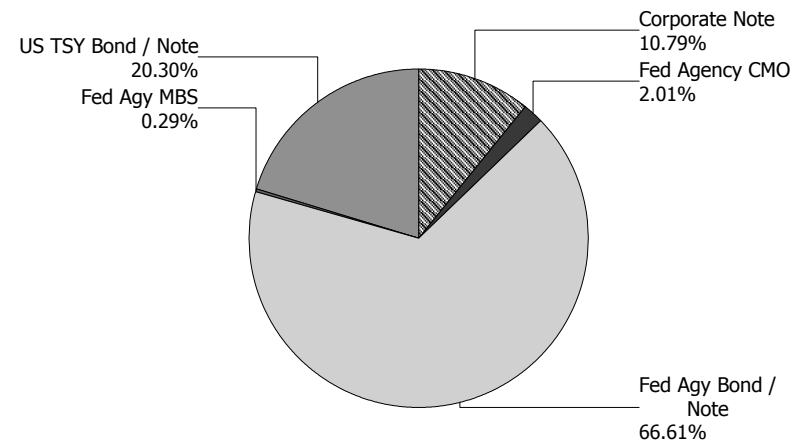
SVCW - OPERATING RESERVE FUND - 79080100

Account Summary

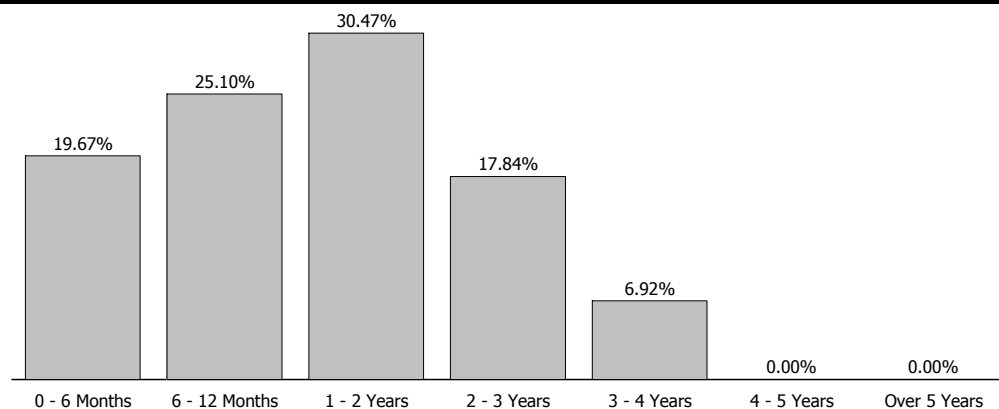
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	590,000.00	592,132.18	20.30
Federal Agency Mortgage-Backed Security	8,243.19	8,494.91	0.29
Federal Agency Collateralized Mortgage Obligation	58,656.21	58,540.79	2.01
Federal Agency Bond / Note	1,945,000.00	1,943,285.31	66.61
Corporate Note	310,000.00	314,873.96	10.79
Managed Account Sub-Total	2,911,899.40	2,917,327.15	100.00%
Accrued Interest		15,893.86	
Total Portfolio	2,911,899.40	2,933,221.01	

Unsettled Trades **155,000.00** **157,731.79**

Sector Allocation



Maturity Distribution



Characteristics

Yield to Maturity at Cost	1.93%
Yield to Maturity at Market	1.89%
Duration to Worst	1.23
Weighted Average Days to Maturity	475



Managed Account Issuer Summary

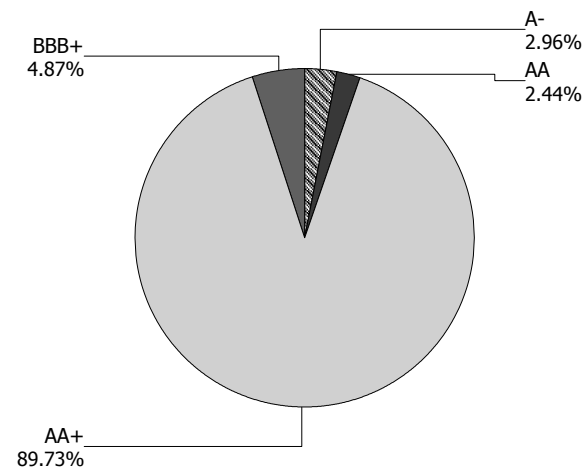
For the Month Ending **August 31, 2019**

SVCW - OPERATING RESERVE FUND - 79080100

Issuer Summary

Issuer	Market Value of Holdings	Percent
AMERICAN EXPRESS CO	35,492.03	1.22
BANK OF AMERICA CO	35,337.65	1.21
CHEVRON CORPORATION	71,215.06	2.44
CITIGROUP INC	35,627.06	1.22
EXXON MOBIL CORP	15,095.39	0.52
FANNIE MAE	611,310.13	20.95
FEDERAL FARM CREDIT BANKS	319,984.78	10.97
FEDERAL HOME LOAN BANKS	570,133.42	19.54
FREDDIE MAC	508,892.68	17.44
GOLDMAN SACHS GROUP INC	35,480.66	1.22
JP MORGAN CHASE & CO	51,024.70	1.75
MORGAN STANLEY	35,601.41	1.22
UNITED STATES TREASURY	592,132.18	20.30
Total	\$2,917,327.15	100.00%

Credit Quality (S&P Ratings)



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Capital Improvement Program (CIP) Reserve

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Managed Account Summary Statement

For the Month Ending **August 31, 2019**

SVCW - CIP RESERVE FUND - 79080200

Transaction Summary - Managed Account

Opening Market Value	\$14,992,665.99
Maturities/Calls	(60,000.00)
Principal Dispositions	0.00
Principal Acquisitions	0.00
Unsettled Trades	0.00
Change in Current Value	44,820.80
Closing Market Value	\$14,977,486.79

Cash Transactions Summary - Managed Account

Maturities/Calls	60,000.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	10,634.20
Principal Payments	0.00
Security Purchases	0.00
Net Cash Contribution	93,714.48
Reconciling Transactions	0.00

Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	10,634.20
Less Purchased Interest Related to Interest/Coupons	0.00
Plus Net Realized Gains/Losses	(7,854.60)
Total Cash Basis Earnings	\$2,779.60

Cash Balance

Closing Cash Balance **\$3,994,159.49**

Earnings Reconciliation (Accrual Basis)

	Total
Ending Amortized Value of Securities	14,933,446.53
Ending Accrued Interest	96,735.77
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	60,000.00
Plus Coupons/Dividends Received	10,634.20
Less Cost of New Purchases	0.00
Less Beginning Amortized Value of Securities	(14,996,491.28)
Less Beginning Accrued Interest	(78,727.54)
Total Accrual Basis Earnings	\$25,597.68



Portfolio Summary and Statistics

For the Month Ending **August 31, 2019**

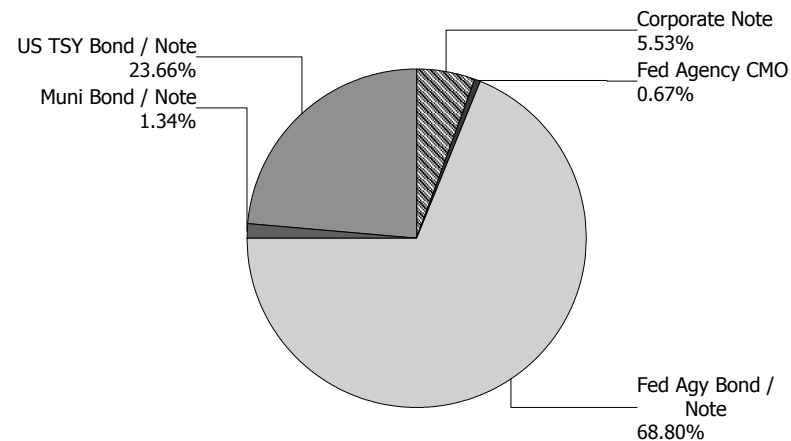
SVCW - CIP RESERVE FUND - 79080200

Account Summary

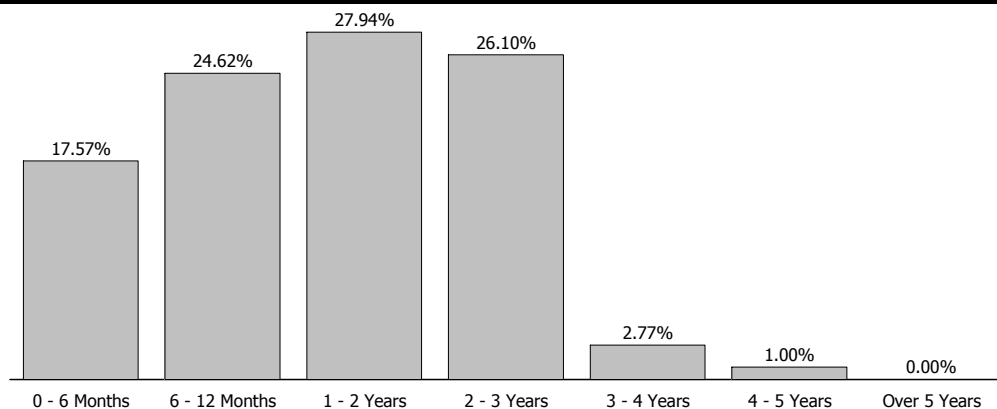
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	3,540,000.00	3,543,213.61	23.66
Municipal Bond / Note	200,000.00	199,979.00	1.34
Federal Agency Collateralized Mortgage Obligation	100,000.00	100,645.38	0.67
Federal Agency Bond / Note	10,264,629.63	10,306,032.19	68.80
Corporate Note	820,000.00	827,616.61	5.53
Managed Account Sub-Total	14,924,629.63	14,977,486.79	100.00%
Accrued Interest		96,735.77	
Total Portfolio	14,924,629.63	15,074,222.56	

Unsettled Trades **0.00** **0.00**

Sector Allocation



Maturity Distribution



Characteristics

Yield to Maturity at Cost	2.03%
Yield to Maturity at Market	1.89%
Duration to Worst	1.31
Weighted Average Days to Maturity	495



Managed Account Issuer Summary

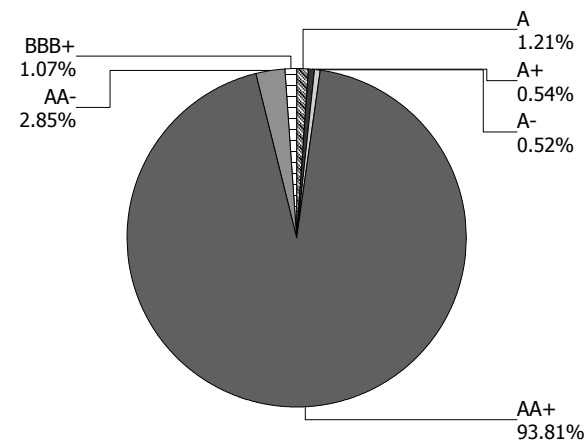
For the Month Ending **August 31, 2019**

SVCW - CIP RESERVE FUND - 79080200

Issuer Summary

Issuer	Market Value of Holdings	Percent
3M COMPANY	100,840.10	0.67
APPLE INC	100,084.00	0.67
BANK OF AMERICA CO	78,596.10	0.52
CALIFORNIA ST	100,300.00	0.67
CISCO SYSTEMS INC	126,058.25	0.84
FANNIE MAE	2,929,334.25	19.56
FEDERAL FARM CREDIT BANKS	2,022,142.52	13.50
FEDERAL HOME LOAN BANKS	3,165,817.53	21.14
FREDDIE MAC	2,289,383.27	15.29
HOME DEPOT INC	80,156.00	0.54
MORGAN STANLEY	80,133.04	0.54
ORACLE CORP	81,181.36	0.54
STARBUCKS CORP	80,110.96	0.53
THE BANK OF NEW YORK MELLON CORPORATION	100,456.80	0.67
UNITED STATES TREASURY	3,543,213.61	23.65
WISCONSIN ST GEN FUND	99,679.00	0.67
Total	\$14,977,486.79	100.00%

Credit Quality (S&P Ratings)



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Stage 2 Capacity Fund Reserve

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Managed Account Summary Statement

For the Month Ending **August 31, 2019**

SVCW - STAGE 2 CAPACITY RES FUND - 79080300

Transaction Summary - Managed Account

Opening Market Value	\$10,068,403.87
Maturities/Calls	(152,039.99)
Principal Dispositions	0.00
Principal Acquisitions	0.00
Unsettled Trades	0.00
Change in Current Value	36,797.72
Closing Market Value	\$9,953,161.60

Cash Transactions Summary - Managed Account

Maturities/Calls	150,000.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	11,972.80
Principal Payments	2,039.99
Security Purchases	0.00
Net Cash Contribution	7,069.55
Reconciling Transactions	0.00

Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	11,972.80
Less Purchased Interest Related to Interest/Coupons	0.00
Plus Net Realized Gains/Losses	(7,987.89)
Total Cash Basis Earnings	\$3,984.91

Cash Balance

Closing Cash Balance **\$2,132,068.95**

Earnings Reconciliation (Accrual Basis)

	Total
Ending Amortized Value of Securities	9,923,006.33
Ending Accrued Interest	54,645.70
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	152,039.99
Plus Coupons/Dividends Received	11,972.80
Less Cost of New Purchases	0.00
Less Beginning Amortized Value of Securities	(10,074,487.06)
Less Beginning Accrued Interest	(49,999.80)
Total Accrual Basis Earnings	\$17,177.96



Portfolio Summary and Statistics

For the Month Ending **August 31, 2019**

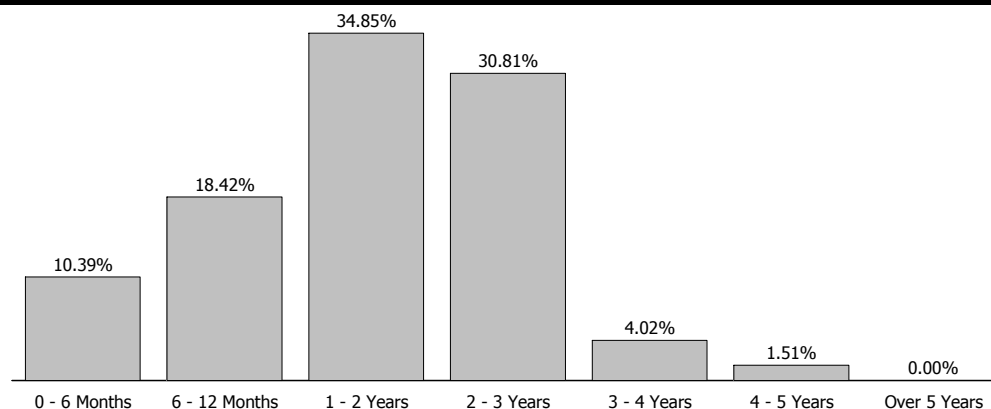
SVCW - STAGE 2 CAPACITY RES FUND - 79080300

Account Summary

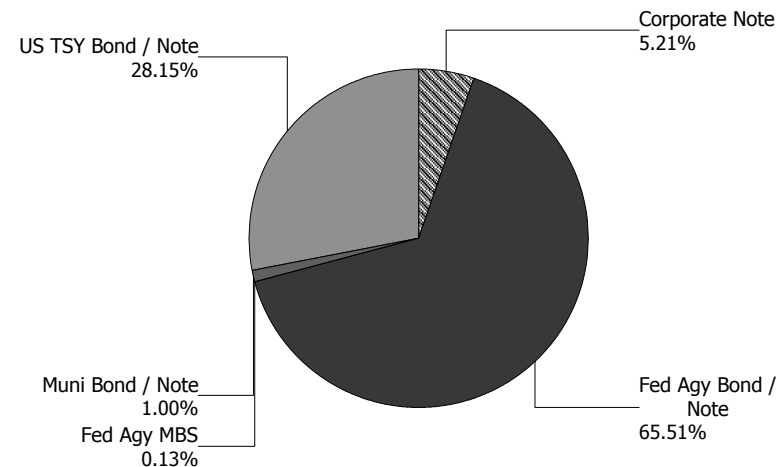
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	2,800,000.00	2,801,499.17	28.15
Municipal Bond / Note	100,000.00	99,679.00	1.00
Federal Agency Mortgage-Backed Security	12,789.71	13,278.30	0.13
Federal Agency Bond / Note	6,505,000.00	6,520,017.32	65.51
Corporate Note	515,000.00	518,687.81	5.21
Managed Account Sub-Total	9,932,789.71	9,953,161.60	100.00%
Accrued Interest		54,645.70	
Total Portfolio	9,932,789.71	10,007,807.30	

Unsettled Trades **0.00** **0.00**

Maturity Distribution



Sector Allocation



Characteristics

Yield to Maturity at Cost	2.06%
Yield to Maturity at Market	1.91%
Duration to Worst	1.53
Weighted Average Days to Maturity	586



Managed Account Issuer Summary

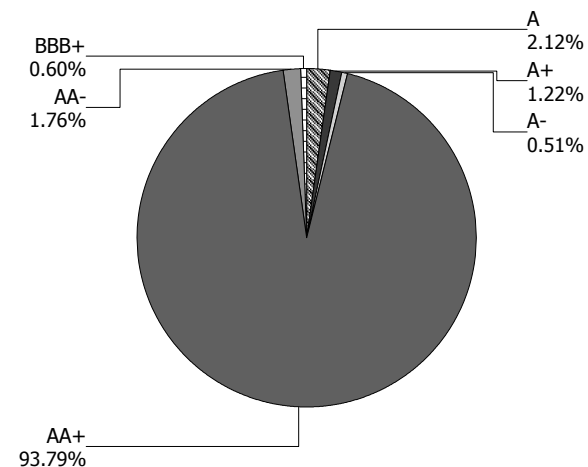
For the Month Ending **August 31, 2019**

SVCW - STAGE 2 CAPACITY RES FUND - 79080300

Issuer Summary

Issuer	Market Value of Holdings	Percent
CISCO SYSTEMS INC	75,634.95	0.76
FANNIE MAE	2,127,216.89	21.38
FEDERAL FARM CREDIT BANKS	1,205,668.64	12.11
FEDERAL HOME LOAN BANKS	1,766,917.29	17.75
FREDDIE MAC	1,433,492.80	14.40
HOME DEPOT INC	60,117.00	0.60
JP MORGAN CHASE & CO	50,395.40	0.51
ORACLE CORP	121,772.04	1.22
STARBUCKS CORP	60,083.22	0.60
THE BANK OF NEW YORK MELLON CORPORATION	150,685.20	1.51
UNITED STATES TREASURY	2,801,499.17	28.16
WISCONSIN ST GEN FUND	99,679.00	1.00
Total	\$9,953,161.60	100.00%

Credit Quality (S&P Ratings)



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AGENDA ITEM 5D

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

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 and injected into 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 beginning the process to develop the project to accept and process the food waste. This project is planned to be a design-build project. The first step will be to analyze the impacts of accepting food waste to our treatment processes. Staff has negotiated a scope and budget with CDM Smith to perform the Impact Analysis task.

Planned Commission Actions: Approve Task Order for Impact Analysis Services – September 2019

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

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

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

It has also come to SVCW's attention that San Mateo County increased sales tax on all purchases within the County, effective July 1, 2019. Staff will bring an item to the October Commission meeting recommending a change order to both the Gravity Pipeline and the Front of Plant projects.

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

Approve Contract Change Orders for San Mateo County Sales Tax Increase – October 2019

Electrical Panel Replacement and Generator Modifications (9033): Modify the plant standby generator system to improve reliability and capacity. Remove and replace aging electrical infrastructure.

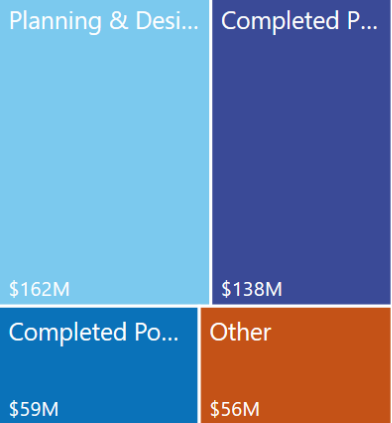
Standby Generators 4 and 5 will be connected to the new 12kV switchgear under this project, allowing these generators to power all of the plant loads, including the Front of Plant facilities. Implementing this project eliminates need to provide additional standby generators to the Front of Plant facilities, thus saving significant amount of capital dollars. Replacement of an aging Motor Control Center and other panels which are past their useful lives will be included in the scope of this project.

Planned Commission Actions: Approve Design Task Orders – October 2019

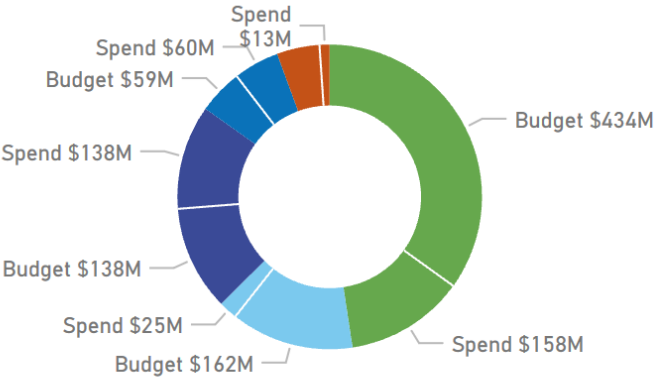
CIP Spend Analysis



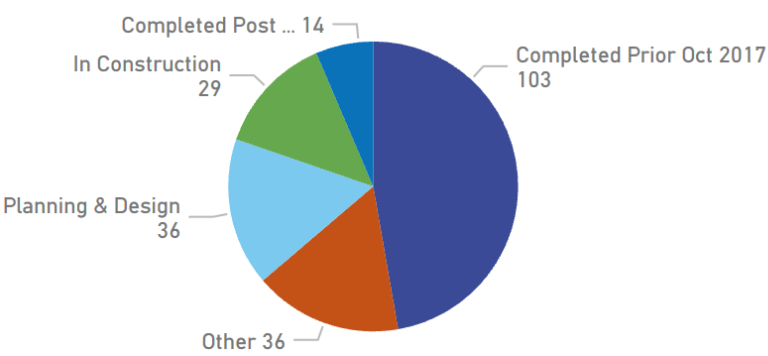
Project Phase	Project Count	2018 CIP Budget	Actual Spend	Remaining	% Unspent
Completed Prior Oct 2017	103	\$138,103,158	\$137,680,448	\$422,710	0.31%
Completed Post Oct 2017	14	\$58,806,039	\$60,264,707	\$-1,458,669	-2.48%
In Construction	29	\$434,311,619	\$157,549,028	\$276,762,591	63.72%
Planning & Design	36	\$161,982,232	\$24,974,789	\$137,007,444	84.58%
Other	36	\$56,363,374	\$13,328,739	\$43,034,635	76.35%
Total	218	\$849,566,422	\$393,797,711	\$455,768,710	53.65%



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: 09/05/2019

SEPTEMBER 16, 2019
AGENDA ITEM 5E

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
8/19/2019	1	Nepotism and Fraternization Policy	9/16/2019			✓	9/5/2019	Review member agencies' policies and compare with proposed. Bring back to Commission in September.
	2	Recycled Water Facilities	N/A			✓	8/23/2019	Review payment for facilities repair with RWC. Per the agreement, repairs are RWC's responsibility.
7/15/2019	1	No new items at this meeting						
6/17/2019	1	No new items at this meeting						Direction provided to Counsel and staff re: closed session items only
5/20/2019	1	Send Updated Agenda Item 5E				✓	5/20/2019	The incorrect version was included in the agenda packet. A corrected version was emailed to Commissioners on 5/20/19.
	2	Days Since Last Incident Sign - Pelican Board Room				✓	7/15/2019	The sign is on display in Pelican Room
4/15/2019	1	Maple Street Development	N/A	✓				SVCW and RWC staff coordinating efforts and messages to developer to protect mutual and exclusive interests.
3/18/2019	1	Emergency Declaration	4/15/2019			✓	4/10/2019	Ratified emergency declaration at April meeting
2/25/2019		No new items at this meeting						Direction provided to Counsel and staff re: closed session items only
1/28/2019		No new items at this meeting						
12/6/2018	1	Private property easements: keep Commission apprised if/when impasse during easement negotiations	2/25/2019			✓	6/28/2019	Easements for the two private property owners have been obtained without need for eminent domain.

Silicon Valley Clean Water
Commissioners' Requested Action Items
Updated: 09/05/2019

SEPTEMBER 16, 2019
AGENDA ITEM 5E

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
11/8/2018	1	Draft Letter to County Manager for Commissioner Chair Signature	11/9/2018			✓	11/8/2018	Letter related to intended use of existing 48-in Force Main after Gravity Pipeline is put into use.
10/11/2018	1	No new items at this 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		✓			The anticipated timeframe for SVCW to begin exporting power is April 2020. Public notice will be prepared and distributed.
	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	Greendale property construction progress	6/30/2019			✓	7/31/2019	The Contractor has completed work. BAAQMD Permit to Operate obtained. Final payment to contractor being processed. Home is on the market for sale.
	5	Connection Fees	NA		✓			Additional plant capacity evaluation is underway to ensure proper flow numbers are used in the calculations. Will be incorporated into upcoming JPA changes.

AGENDA ITEM 5F

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Overview



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

Available Budget

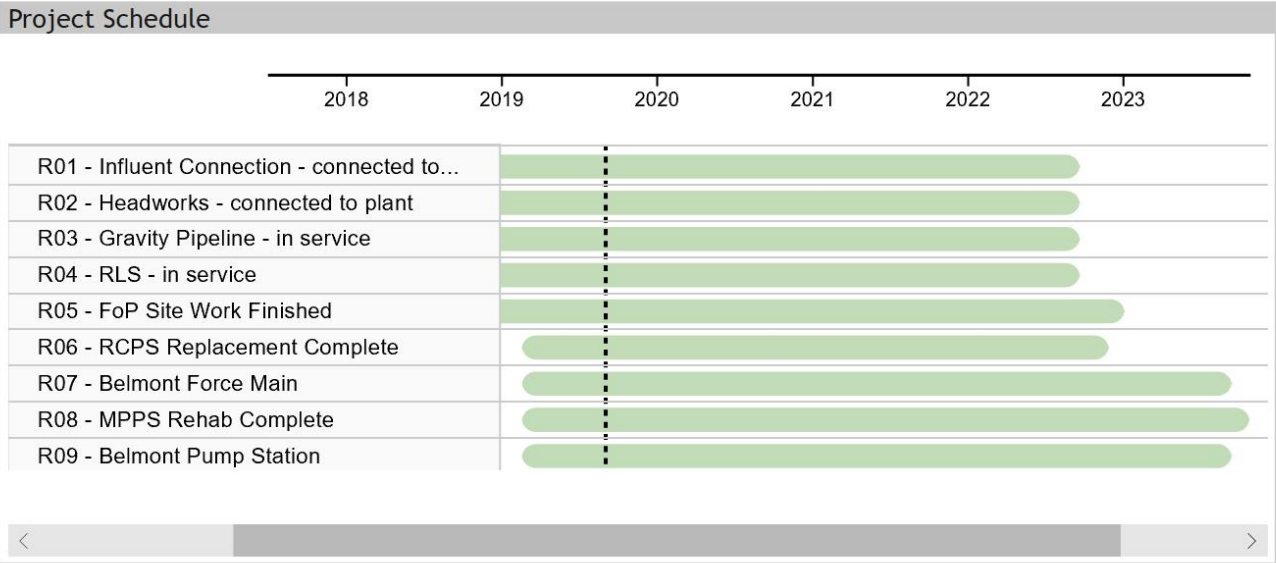
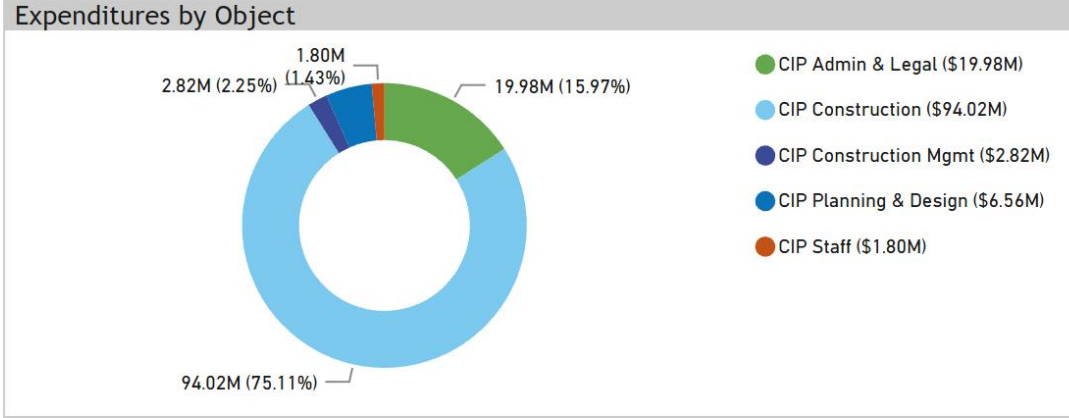
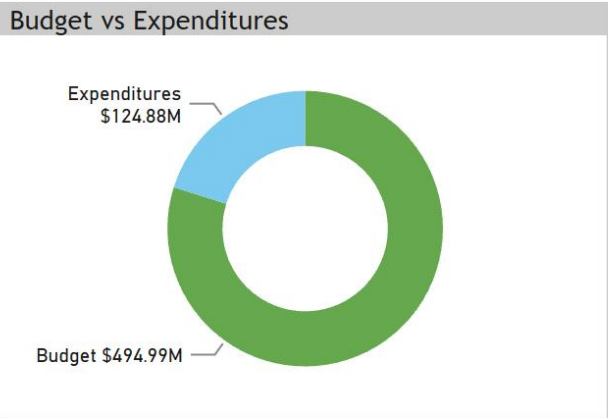
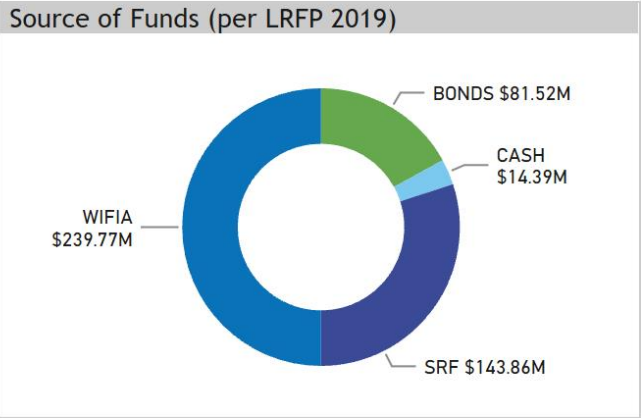
\$494.99M

Total Expenditure

\$124.88M

Remaining Budget

\$370.11M



Front of Plant Progressive DB Project



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

Available Budget

\$137.81M

Total Expenditure

\$49.14M

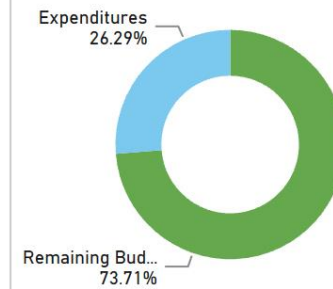
Remaining Budget

\$88.66M

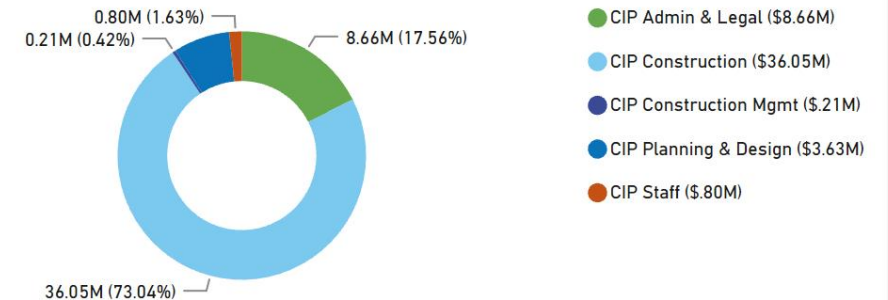
Milestone Schedule

	Start	Finish
95 Percent (%) Design Documents	12/6/2018	7/31/2019
Stage 2C - RLS Shaft Construction	10/11/2018	2/25/2020
Headworks Completed/Early Start-Up	12/6/2018	10/24/2021
SFS/RLS Operational	12/6/2018	8/28/2022
Stage 2D - Balance of Stage 2 Work Final Completion	12/6/2018	10/20/2022

Budget vs Expenditures



Expenditures by Object



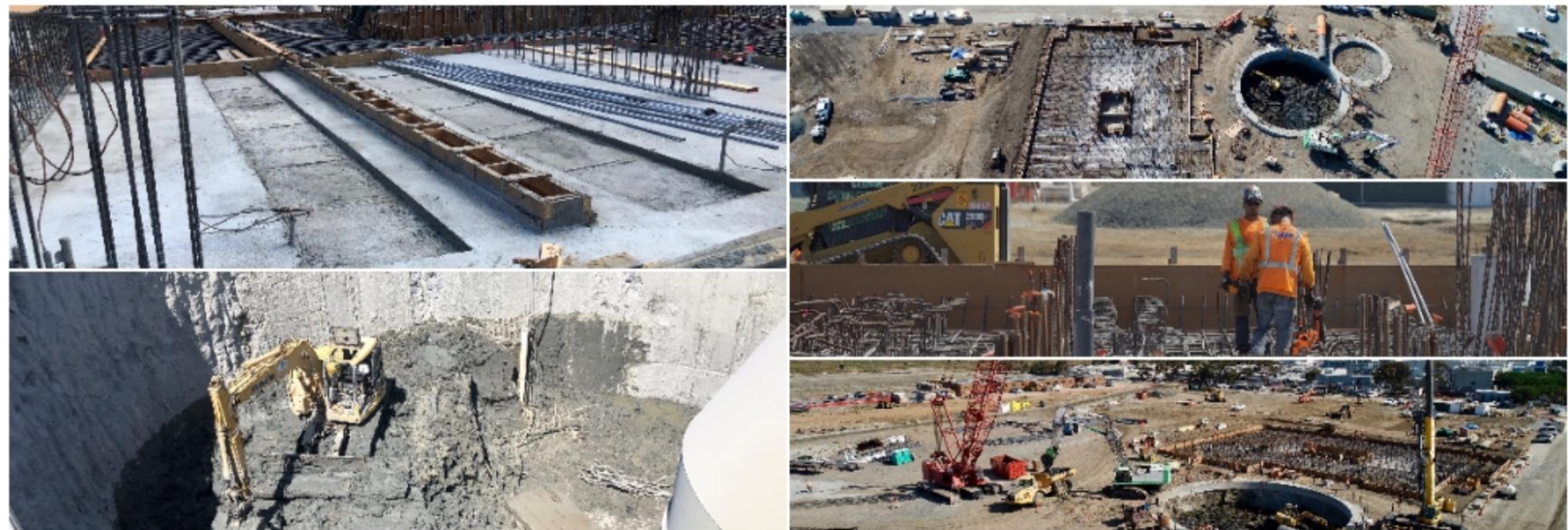
27.70%

% Complete

25.79%

% Expenditures

As of : 2019 - 09



Major Accomplishments this Period

Design	<ul style="list-style-type: none"> - SPJV distributed the 95% design package for SVCW's review. - Held a 95% design review meeting to discuss comments - Continued development of the odor control system as it relates to the FoP control narratives
Procurement of Trade Packages	<ul style="list-style-type: none"> - SPJV submitted the headcell grit classifier submittal for review. - SPJV is finalizing submittals of major equipment (slide gates, screenings, pumps, elevator, jib crane, VFDs, piping) with preferred manufacturers for submission - WIFIA and SRF requirements for trade packages are in progress - SPJV executed contracts with multiple subcontractors for upcoming work
Construction	<ul style="list-style-type: none"> - Completed the installation of formwork/rebar and installed grounding and in-slab conduits for the Headworks Facility base slab - Excavated 30-feet of the RLS

Potential Issues

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

3 - Month Look Ahead

	Start	End	September	October	November
Installation of Elevation 115' Walls	October 3, 2019	December 13, 2019		X	X
Installation of the Elevation 106' Base Slab of the Headworks Facility	August 8, 2019	October 7, 2019	X	X	
RLS and SFS Excavation Work	July 22, 2019	January 17, 2020	X	X	X

Safety Spot Light

Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0

Gravity Pipeline Progressive DB Project



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

Available Budget

\$253.25M

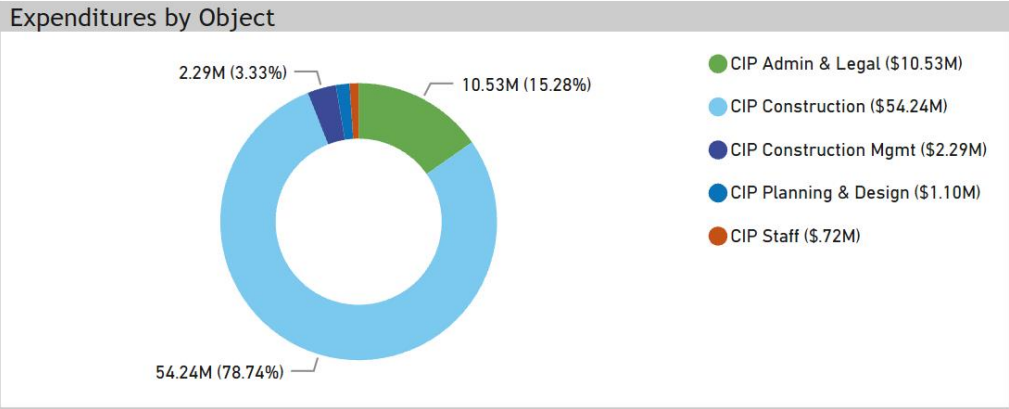
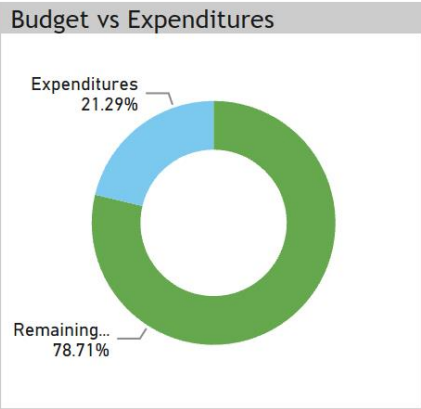
Total Expenditure

\$68.51M

Remaining Budget

\$184.74M

Milestone Schedule		
	Start	Finish
100% Design Documents		2/6/2020
Bair Island Shaft Construction	6/24/2019	1/31/2020
TBM Drive (AAS to Bair Island)	9/9/2019	5/27/2020
San Carlos Shaft Construction	9/21/2020	1/25/2022
TBM Drive (AAS to SFS)	8/26/2020	10/11/2021
FRP Pipe Installation	7/23/2021	5/9/2022
Final Commissioning		7/1/2022



24.70%

% Complete

23.78%

% Expenditures

As of : 2019 - 09



Major Accomplishments this Period

Design	<ul style="list-style-type: none"> - Issued for Construction Specifications under development - Continued coordination with Pump Stations Improvement project and Operations & Maintenance for San Carlos inlet connection - FRP pipe design under development
Procurement of Trade Packages	<ul style="list-style-type: none"> - FRP pipe contract executed. - Outreach in conformance with SRF and WIFIA funding requirements
Construction	<ul style="list-style-type: none"> - BBJV completed construction on the Bair Island road - BBJV continues assembling the TBM in the Airport Access Shaft - Blue Iron began driving sheet piles for the Bair Island Shaft

Potential Issues

County Permits and Easements.
New County Sales Tax

3 - Month Look Ahead

	Start	End	September	October	November
100% Design Completion	August 10, 2018	February 6, 2020	X	X	X
Assemble TBM	June 25, 2019	September 9, 2019	X		
Bair Island Shaft Construction	June 24, 2019	April 1, 2020	X	X	X
Launch TBM for Bair Island Drive	September 25, 2019	May 27, 2020	X	X	X

Safety Spot Light

Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0

Pump Stations



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

Available Budget

\$103.93M

Total Expenditure

\$7.08M

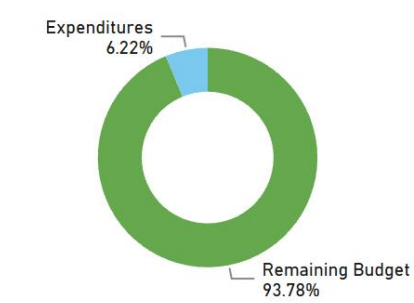
Remaining Budget

\$97.03M

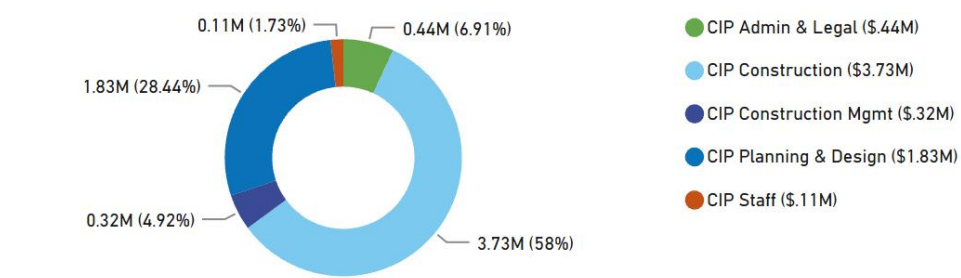
Milestone Schedule

	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)	8/6/2019	
30 Percent (%) Design Documents	9/24/2019	
60 Percent (%) Design Documents	11/11/2019	
Stage 1 Services Complete	1/9/2020	

Budget vs Expenditures



Expenditures by Object



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

No % Complete or % Expenditures available at this time.

As of : 2019 - 09



Major Accomplishments this Period

Design	<div><div></div><div>- Belmont Gravity Pipeline and Menlo Park Pump Station 30% designs under review. - Geotechnical investigations along Belmont Gravity Pipeline were completed in August. - Ongoing coordination with GP project.</div></div>
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Potential Issues

No issues to note for this period.

3 - Month Look Ahead

	Start	End	September	October	November
60% Design Package	September 3, 2019	November 21, 2019	X	X	X
BIM Model Development, Analysis, and Support	August 13, 2019	January 16, 2020	X	X	X
BODR & 30% Design Documents	May 24, 2019	November 21, 2019	X	X	X
Control Strategy / Narratives Development	May 23, 2019	October 14, 2019	X	X	
Cost Modeling Development and Estimates	May 3, 2019	November 27, 2019	X	X	X
Design & Construction Phasing Plan	May 27, 2019	October 15, 2019	X	X	
Hazardous Materials and Contamination Survey	May 7, 2019	September 20, 2019	X		
Modeling	May 24, 2019	October 16, 2019	X	X	
P&ID, Master Equipment & I/O List Development	July 2, 2019	October 8, 2019	X	X	..
Permitting & Public Outreach Support	February 28, 2019	January 6, 2020	X	X	X
Preliminary Staffing & Staff Training Plan	October 17, 2019	November 11, 2019		X	X
Preliminary Startup, Testing and Acceptance Plan	September 3, 2019	November 7, 2019	X	X	X

Safety Spot Light

Category	Value
Lost Time	0
Near Misses	0
Recorded Losses	0

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AGENDA ITEM 7A

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**MINUTES OF SILICON VALLEY CLEAN WATER
REGULAR MEETING – August 19, 2019
8:00 a.m.**

ITEM 1

CALL TO ORDER

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

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

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

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine C. Fitzgerald, SVCW Legal Counsel
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager
Kim Hackett, SVCW Authority Engineer
Eric Hansen, SVCW Engineering
Jessica Mangual, SVCW Secretary Pro Tem
EJ Shalaby, Senior Consultant, DNS Strategic Partners
Derek Rampone, City of Redwood City
Molly Flowerday, City of Redwood City
Aren Hansen, Brown & Caldwell
Jim Lewis, Citizen, Menlo Park

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

This month's Safety Moment related to "distracted" walking and the dangers of being distracted whilst walking. This is particularly hazardous while using a cell phone.

Under the Manager's Report, the Commission was informed about a planned 12kV switch over which went very smoothly and kudos were given to the many people involved, including staff, contractor, and P.G.&E. The Commission was also informed that Ms. Herrera, Ms. Hackett and Mr. Anderson will be attending the California Association of Sanitation Agencies (CASA) Annual Conference this week.

Mr. Anderson then gave the Financial Report and responded to Commissioners' questions.

Related to Item 5E, Commission-Requested Action Items, the Commission noted that the report was helpful and thanked the Manager for preparing it.

There were no further questions or comments on the remaining written reports.

ITEM 6

MATTERS OF COMMISSION MEMBER'S INTEREST

Commissioner Lieberman made a general comment regarding the agency's long history of being very attentive to public perception and that the Commission, along with staff, have done a very good job over the years which has led to a high level of public trust.

ITEM 7

CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR

Commissioner Olbert requested to pull and discuss Item 7C.

Consideration of Motion approving Consent Calendar Items 7A, 7B, and 7D.

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 7C

Ms. Herrera and Ms. Fitzgerald responded to the Commissioners' questions regarding Item 7C – Policy 2019-02, Nepotism and Fraternization and the item was tabled to be brought back to the Commission after further research is done on specific language.

ITEM 8

CONSIDERATION OF RESOLUTION APPROVING CONSTRUCTION CONTRACT FOR THE RECYCLED WATER SUPPLY LINE REPAIR PROJECT (PROJECT #290)

Proposed Action:

Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR RECYCLED WATER SUPPLY LINE REPAIR PROJECT (PROJECT #290); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER, REJECTING ALL OTHER BIDS; AND AUTHORIZING EXECUTION OF AGREEMENT, DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE

CONTRACT CHANGE ORDERS UP TO TEN PERCENT (10%) OF THE CONTRACT PRICE FOR SAID PROJECT – JF SHEA/PARSONS JOINT VENTURE - \$315,000

The Commission requested that the responsible party for payment of the facilities be researched and discussed further with Redwood City.

Motion/Second: Mr. Otte / Mr. Olbert

The Motion carried by Unanimous Roll Call Vote

ITEM 9

CLOSED SESSION

Not used

ITEM 10

RECONVENE IN OPEN SESSION

Not used

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 8:35 a.m.

Minutes prepared by Teresa A. Herrera
Reviewed by SVCW General Counsel

Mark Olbert, Secretary

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AGENDA ITEM 7B

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SVCW WARRANT REGISTER

SVCW Warrant Register dated August 2, 2019 – August 15, 2019 and August 15, 2019 – August 27, 2019, were scanned and a copy was emailed to Commissioners and Legal Counsel on September 5, 2019.

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AGENDA ITEM 7C

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**CONSIDERATION OF ADOPTION OF
COMMISSION POLICY 2019-02, NEPOTISM AND FRATERNIZATION**

ISSUE

Adopt Commission Policy 2019-02, "Nepotism and Fraternization"

BACKGROUND

Establishing and maintaining a safe and productive workplace is an essential need for any business. SVCW has policies and procedures in place to assist the Commission, management and front-line employees in understanding the importance of workplace rules and processes. Commission policies provide direction from the Commission to staff on important functions and guidelines of the Authority.

DISCUSSION

SVCW management is in the process of reviewing and updating all existing SVCW policies and developing new policies and/or procedures where deficiencies are found. There are many existing policies dating back to 1976. Some of these have been updated routinely over the years, while others were developed and have not been reviewed or updated since the early 1980s.

The Nepotism and Fraternization Commission Policy is a new policy and is being established to help avoid and prevent personal and family conflicts from affecting the workplace. It will reduce the appearance of favoritism and reduce the possibility of sexual harassment and discrimination. The policy was drafted in compliance with state law.

The policy was presented to the Commission at their meeting of August 19, 2019 and was tabled pending further research on two items: 1) review the definition of "dating" and its applicability and 2) compare with member agencies' policies, if available. Both items were completed and changes to the policy were made as follows.

- 1) In the definitions for *Dating* and *Romantic and/or Sexual Relationship* the words "exchange of personal affection" were deleted. This change is recommended to acknowledge that personal affection can occur in a platonic relationship (which would not be in violation of the policy).
- 2) All four member agencies provided documents related to nepotism. Two member agencies have included language in their comprehensive personnel policies and two member agencies have standalone policies. In all cases, SVCW's proposed policy is in alignment with the member agencies' policies. No changes are recommended deriving from this review and comparison.

The SVCW Manager recommends approval and adoption of said policy, attached with changes from last month's version noted.

FINANCIAL IMPACT

There are no direct financial impacts to this action.

RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND ADOPTING COMMISSION POLICY 2019-02, "NEPOTISM AND FRATERNIZATION"

Silicon Valley Clean Water

COMMISSION POLICY NO. 2019-02

Approved by: _____

Rev: Issue

Revision Date:

Issue Date: ~~0809/1916~~/2019

Approved by the SVCW Commission ~~August-September~~ 169, 2019 by Resolution No. 19-34-__

SUBJECT: Nepotism and Fraternization

APPLICABLE CODES AND REGULATIONS:

California Fair Employment and Housing Act (FEHA)

Cal. Code Reg., tit. 2, section 11057; Government Code section 12940(a)(3)

PURPOSE

Establish a nepotism and fraternization workplace policy for employees of Silicon Valley Clean Water to avoid, prevent and/or minimize personal and family conflicts from affecting the workplace.

POLICY

Silicon Valley Clean Water believes that it is in the best interest of the Authority to avoid conflicts of interest between work-related and personal/family obligations, reduce favoritism or even the appearance of favoritism, and reduce the possibility of sexual harassment and discrimination in the workplace.

It is the duty of all employees who are in a situation prohibited under this policy to immediately notify their supervisors either in person or through the chain of command that a situation exists in which the involved employee may be in violation of this policy. SVCW reserves the right to reasonably investigate the situation and determine whether the employee has violated this policy.

A. Fraternization

Public trust, safety and Authority morale require that employees avoid the appearance of a conflict between their professional responsibilities and any involvement that they may have in a romantic or sexual relationship with other Authority employees.

The provisions of this section are not applicable to individuals employed by the Authority on or before the date of adoption of this policy in their current state of marriage or non-marriage. As such, a change in marital status/cohabitation, etc., of any current employee will result in the applicability of this policy. Furthermore, those employees are subject to any and all employment-related actions by the Authority, that are permissible pursuant to existing Authority policies and procedures to address conduct that may be negatively impacting the work environment.

Romantic Relationships Between Supervisors and Subordinate Employees Are Prohibited

To promote efficient operation of the Authority and to avoid misunderstandings, complaints of favoritism, other problems of supervision, security, morale, and possible claims of sexual

Silicon Valley Clean Water

harassment and/or gender-based discrimination, romantic and/or sexual relations between supervisors and subordinate employees are prohibited.

Romantic Relationships Between Co-Employees in The Same Department Are Prohibited

Public trust, safety and morale of Authority employees require that employees avoid relations that may negatively impact the efficient operation of the Authority. To promote efficient operation of the Authority and to avoid formation of cliques and factions, claims of sexual harassment and gender-based discrimination, and the blurring of professional and personal responsibilities and relationships in the workplace, romantic and/or sexual relationships between co-employees in the same Department are prohibited.

Enforcement

The Authority reserves the right to investigate situations in the workplace to determine whether a romantic and/or sexual relationship exists and presents a possible violation of this policy. If the Authority determines that a proscribed relationship (as defined by this policy) exists, remedial and/or disciplinary measures, including but not limited to a transfer, reassignment, or dismissal, shall be utilized to mitigate issues that arise relevant to the enforcement of this policy.

1. The Authority retains the right to refuse to place employees engaged in relationships prohibited by this policy in the same department where it has the potential for creating adverse impact on supervision, safety, security or morale or involves potential conflicts of interest.
2. To implement such procedures, and where the above circumstances exist and mandate that employees shall not work in a prohibited relationship, the Authority will attempt to transfer one party to the proscribed relationship to a similar classified position in another department, should such a position exist, be available, and should the employee possess the skills and qualifications necessary to perform the essential duties of the position. Although the wishes of the involved parties as to which individual will be transferred will be given consideration by the Authority, the controlling factor in determining who is to be transferred shall be the positive operation and efficiency of the Authority. If any such transfer results in a reduction in salary or compensation, applicable and legally required due process procedures shall be applied.
3. In lieu of a transfer from one department to another, or in situations where no similar counterpart classification exists to which an employee in a proscribed relationship can be transferred, that employee may continue to be employed within the same department subject to approval by the Manager or his/her designee. However, any such continuing employment is predicated upon both subject employees not reporting to the same immediate supervisor; not being supervised by each other; not working the same shift; or, otherwise becoming involved in a work environment having the potential for adverse impact on supervision, safety, security or morale.
4. If continuing employment of employees in a relationship prohibited by this policy cannot be accommodated consistent with the Authority's interest in promotion of safety, security,

morale and efficiency, then the Authority retains sole discretion to separate one of the parties from Authority employ. Absent resignation by one affected employee, the less senior, in terms of overall Authority service, of the involved employees shall be subject to separation. In the event of separation, applicable and governing due process procedures shall be applied.

B. Nepotism

It is an express finding of the Authority that the employment of relatives is contrary to appropriate Authority goals of safety and efficiency. The purpose of this section is to define those specific circumstances and to delineate the manner in which such employment issues will be addressed.

Relatives of employees shall not be employed in the same department of such relative at any time by the Authority as further proscribed below.

As of the effective date of this policy, Authority employees who are related (as defined in this policy) shall not be affected in their current job status except when the Manager, or his/her designee, determines that the circumstances of that employment raises an undue hardship upon the other employees within the particular work unit and that such continued employment is detrimental to the supervision, safety, security and/or morale of the particular work unit.

It is found by the Authority that a business purpose exists and dictates that a prohibition on employment of relatives within Authority departments is essential to safety and efficiency when such employment results in any of the following:

- a supervisor-subordinate relationship;
- the employees having job duties, which authorize performance of shared duties on the same or related work assignment;
- both employees being under the jurisdiction of the same immediate supervisor; or
- an adverse impact on supervision, safety, security and/or morale.

C. Effect of Post-Employment Marriage or Creation of Other “Relative” Status of Authority Employees

In determining rules and regulations governing the employment of Authority employees who become related (as defined in this policy) after commencement of Authority employment, the Authority is guided by the principles outlined in the California Fair Employment and Housing Act (FEHA), which prohibits discrimination on the grounds of marital status.*

* FEHA and its regulations do authorize restrictions being placed upon married Authority employees (or upon people deemed related as a result of marriage [i.e., in-laws]) where for business reasons of supervision, safety, security or morale, the employer may refuse to place one spouse or other relative under the direct supervision of another spouse or other relative and refuse to place both spouses or other relatives in the same department, division or facility if the work involves potential conflicts of interest or other hazards greater for married couples or other relatives than for other persons. (Cal. Code Reg., tit. 2, section 11057; Government Code section 12940(a)(3)).

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The Authority retains the right to refuse to place one spouse or other relative under the direct supervision of the other spouse where there is a potential for creating adverse impact on supervision, safety, security or morale.

The Authority retains the right to refuse to place both spouses or other relatives in the same department where doing so has the potential for creating adverse impact on supervision, safety, security or morale or involves potential conflicts of interest.

To implement this policy, and where the above circumstances exist and mandate that two spouses or other relatives shall not work in a prohibited relationship, each affected department will attempt to do any of the following:

- Attempt to redefine the job responsibilities of the related employees within the department to minimize the conflict.
- If the redefinition of job status is not feasible, will attempt to transfer one spouse or other relative to a similar classified position in another Authority department. Although the wishes of the involved parties as to which spouse or other relative is to be transferred will be given consideration by the Authority, the controlling factor in determining who is to be transferred shall be operation an efficient of the Authority. If any such transfer results in a reduction in salary or compensation, the transfer shall not be considered disciplinary in nature and shall not be the subject of any form of administrative appeal.
- In lieu of a transfer from one department to another, or in situations where no similar counterpart classification exists to which a spouse or other relative can be transferred, the Authority may request the voluntary resignation of one of the employees and if one of the employees does not voluntarily resign, the employee with the least employment experience/service with the Authority may be discharged by the Manager. Married or other related employees may continue to be employed within the same department, subject to approval by the Manager or his/her designee. However, any such continuing employment is predicated upon both spouses or other similarly situated relative as defined in this policy not reporting to the same immediate supervisor, not being supervised by each other, not working the same shift at the same work site; or, otherwise becoming involved at a work environment having the potential for adverse impact on supervision, safety, security or morale.

DEFINITIONS

As used in this policy, the following words and phrases shall have the following definitions.

Cohabitation: A living arrangement where one or more employees live together, share room and board, or sire children without being married to one another.

Dating: Behavior that includes, but is not limited to, one or more social meetings under circumstances that may lead to exchange of ~~personal affection and~~ sexual or physical intimacy.

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Employee: Any person who receives an Authority payroll check for services, full or part time, rendered to the Authority.

Marital status: An individual's state of marriage, non-marriage, divorce or dissolution, separation, widowhood, annulment, or other marital state for purpose of this policy.

Relative: Spouse, child, step-child, parent, step-parent, grandparent, grandchild, brother, sister, step-brother, step-sister, aunt, uncle, niece, nephew, parent-in-law, brother-in-law, sister-in-law, legal guardian, and/or any other individual related by blood or marriage living in the same household as the Authority employee.

Romantic and/or sexual relationship: A relationship where two Authority employees are or become personally involved with each other to the point that there is dating, ~~exchange of personal affection,~~ sexual or physical intimacy and/or cohabitation.

Significant Other: A relationship between an employee of the Authority and another individual.

Social meeting: Meeting that occurs when co-employees gather for purposes not related to work for the Authority.

Spouse: A partner in marriage.

Silicon Valley Clean Water

COMMISSION POLICY NO. 2019-02

Rev: Issue

Revision Date:

Issue Date: 08/19/16/2019

SUBJECT: Nepotism and Fraternization

ACKNOWLEDGEMENT OF POLICY RECEIPT

By my signature below, I confirm that I have received, read and understand, and that I will comply with Silicon Valley Clean Water's Nepotism and Fraternization Policy. If I have any questions about the procedure, I will promptly speak with my supervisor or the Manager for clarification and guidance.

Date

Signature

Printed Name

Please return this signed confirmation to Human Resources.

This document will be filed in the signing employee's personnel file.

AGENDA ITEM 7D

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**APPLICATION FOR GRANT FUNDING THROUGH THE
UNITED STATES BUREAU OF RECLAMATION****ISSUE**

Approval of application for \$750,000 grant funding through the United States Bureau of Reclamation, "Applying State-of-the-Art Treatment Technologies for the Purification of Anaerobically-Treated Municipal Wastewater for Non-Potable and Potable Reuse" in collaboration with Stanford University

BACKGROUND

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

In 2017, a \$2,000,000 grant was awarded to SVCW by the California Energy Commission (CEC) to partner with Stanford University on "Advancing Water and Energy Efficient Strategies and Technologies" known as the SAF-MBR, an anaerobic (without air) secondary treatment process or Staged Anaerobic Fluidized-bed Membrane Bio-Reactor. For over one hundred years, secondary treatment has been performed aerobically (with air). Generating air via a blower system equates to the greatest energy demand in wastewater treatment so being able to achieve secondary treatment in an anaerobic environment would be a great boon to the industry. In addition to demonstrating energy savings and secondary treatment, the CEC grant will support tests with onsite pilot-scale equipment to assess whether anaerobically treated effluents are suitable for both non-potable and potable water reuse. Since water recycling is a requirement for many wastewater treatment plants in California, determining water recycling suitability is an important objective of the study. CEC grants have associated in-kind services and/or monetary contribution requirements; to this end, SVCW contributed approximately \$500,000 and Stanford University contributed \$400,000, bringing the cash value to \$2,900,000. A combined in-kind contribution of \$320,000 from Suez, Valley Water District, and LG NanoH2O increased the grant value to \$3,220,000, and increased SVCW's return on investment by more than 5 times.

Through the CEC study, SVCW has developed a strong partnership with Stanford University and Re-Inventing the Nation's Urban Water Infrastructure ("ReNUWIt"), a National Science Foundation multi-university academic research collaborative. Working in partnership with these entities has created a platform to assist SVCW in the evaluation of innovative and new technologies for suitability prior to investment and implementation at SVCW. Through this partnership, SVCW increases its ability to understand its options and contribute towards the development of potential regional benefits these technologies may provide.

As SVCW moves forward to meet stricter nutrient removal standards and explores opportunities for increasing its recycled water output, the demands on energy continue to increase. Therefore, seeking ways to use new technologies and/or changing operational parameters to minimize energy consumption is a high priority for SVCW staff. Looking holistically on how best to manage nutrient removal, water recovery, and energy requirements will provide SVCW important knowledge to help in the selection of appropriate technology investments in the upcoming years.

DISCUSSION

The United States Bureau of Reclamation (Reclamation) encourages states in the arid west to develop new treatment systems in order to evaluate state-of-the-art technology that may also result in broader benefits for the industry and reduce demands on imported water. The proposed \$750,000 grant with Reclamation would provide funding to both operate and assess performance of the scaled systems onsite at SVCW and allow experts, our engineers, and operators to develop a better understanding of estimated operations and maintenance costs to address both sulfides and nutrients should these technologies be constructed to full scale application.

The Reclamation grant of \$750,000 requires a minimum 75% local funding match (\$2,250,000) and will recognize the \$3,220,000 CEC-sponsored project as exceeding the 75% local share contribution needed to qualify for the grant award. Therefore, no additional funds from SVCW are needed to secure this grant. This increases SVCW's initial investment by almost 8 times and increases the time SVCW has to evaluate these technologies through April 2022, an additional 12 months from the timeframe given by the CEC grant.

Taking advantage of local, state and federal partnerships meets SVCW's mission and core values of providing wastewater treatment for reuse in a responsible and efficient manner and to be innovative regional leaders while operating cost-efficiently. This is a unique opportunity for SVCW to partner with industry leaders in wastewater treatment who also have a significant stake in the successful outcome of this work. Essentially, SVCW will leverage its existing investment of \$500,000 in matching contributions at 8 times its initial investment. Even if the pilot technologies prove unsuccessful, the amount of information SVCW will gain about operation and maintenance costs of new technologies, its wastewater characteristics, and sharing this information with regional and state partners for a relatively small investment is extremely valuable.

Staff recommends the Commission support the application process with no additional matching funds.

FINANCIAL IMPACT

No additional funds are needed to satisfy the grant's local match requirement.

RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND AUTHORIZING SUBMITTAL OF APPLICATION TO UNITED STATES BUREAU OF RECLAMATION FOR "APPLYING

STATE-OF-THE-ART TREATMENT TECHNOLOGIES FOR THE PURIFICATION OF
ANAEROBICALLY-TREATED MUNICIPAL WASTEWATER FOR NON-POTABLE AND
POTABLE REUSE" GRANT AND RELATED EXISTING MATCHING FUNDS

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AGENDA ITEM 8A

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**ORGANICS CO-DIGESTION PROJECT (CIP #9215, 9229, 9235)
ALTERNATIVE TECHNOLOGY IMPACT ANALYSIS**

ISSUE

Approve Task Order for CDM-Smith Scope and Budget for Alternative Technology Impact Analysis related to Organics Co-Digestion Project (CIP# 9215, 9229, 9235)

BACKGROUND

SVCW has an energy program in which the biogas (primarily methane) produced in the anaerobic digesters is used to generate electricity for the plant. SVCW has been working on two major initiatives to increase biogas production: 1) improve Grease Receiving Station (GRS) performance to better handle an increased volume of Fats, Oils and Greases (FOG), and 2) implement an organics co-digestion (food waste) program.

In 2011, SVCW retrofitted the GRS and in the following years, numerous improvements were made to increase the reliability and automation of the facility. As a result, SVCW has seen significant improvements in the operation of the GRS, increasing volume of FOG delivered to the digesters, and consequently increased biogas production. There are two financial benefits related to receiving FOG. One is a tipping fee that SVCW charges to FOG haulers and the other is that FOG increases biogas production from the digesters. Approximately \$325 thousand is received annually via tipping fees and a conservative estimate of \$204 thousand in electricity offset from the increased biogas production.

SVCW installed two new 633 kW cogeneration engines in 2014 to enable SVCW to utilize the increased biogas production from FOG. The cogeneration engines have had a significant impact on lowering the PG&E demand and improve overall energy costs. On average, SVCW generates 60 to 70% of the power demand at the plant, importing the remaining power from PG&E. SVCW's inhouse cost of power production is approximately 7 cents per kilowatt-hour whereas, the effective cost of power purchased from PG&E is more than 20 cents per kilowatt-hour. Hence, SVCW has been exploring options to increase biogas production and organics co-digestion offers a very viable option.

In 2014, SVCW and South Bayside Waste Management Authority (SBWMA) executed a Memorandum of Understanding (MOU) to collaborate on the planning and feasibility of a food waste project that would mutually benefit both agencies. SBWMA is about to complete its first pilot facility which is expected to start operating in January 2020. Soon after its pilot facility operation, SBWMA will start implementation of its full-scale facility.

In 2018 SVCW constructed a food-waste receiving pilot facility to co-digest up to 20 tons of organics extracted from residential waste in San Francisco. This pilot study project was conducted in partnership with the California Energy Commission and Recology San Francisco to study the operations, impact and viability of organics co-digestion. The study proved a boost in the biogas production, which has a direct correlation to the energy the cogeneration engines provide. SVCW is working with SBWMA on implementing up to 200 tons of organics co-digestion per day which will increase the biogas production up to three times. SVCW has enough digestion capacity to handle the increased solids loading

however, its impacts on other treatment processes have not been investigated. It is anticipated that the additional organics will have significant impact on solids dewatering, nutrient loading, and sidestream treatment; prior to implementing a full-scale project, the impacts need to be defined and preparations made to handle the new material.

DISCUSSION

Based on their understanding of the SVCW plant, and expertise on co-digestion projects, SVCW has asked CDM-Smith to prepare a detailed study of the plant process impacts of a 200-ton co-digestion project. CDM-Smith has been involved in several of SVCW's energy and electrical projects and are well suited for leading the required impact investigations.

The full-scale organics co-digestion project will result in significant increase in nutrients loading, biosolids volume, biosolids dewatering, and biogas. Along with evaluating the impacts of co-digestion on plant processes, the proposed task order also involves CDM-Smith identifying necessary facility modifications to receive, blend/dilute (if needed), pump, and treat the organics in the existing anaerobic digesters. Additional solids processing and downstream impacts will also be considered, including the need for sidestream treatment. Options for new systems, upgrades, and an overall plant nutrient analysis will be completed by CDM Smith. The results of the work will be presented in an Alternative Technology Impact Analysis which will guide management in forthcoming decisions and implementation. The analysis is scheduled for completion in June 2020.

The additional biogas production is expected to exceed the current cogeneration engine capacity. SVCW staff has been exploring multiple options to fully and beneficially utilize the excess biogas and is in the process of pilot testing a Silicon Valley-based fuel cell system by Bloom Energy. This will be pilot tested on a small scale to prove its applicability on the biogas system at SVCW. The fuel cell, if proven effective through the pilot test, can offer a much more cost-effective alternative to an internal combustion (IC) engine-based cogeneration system not the least of which is that there would be no air emissions.

FINANCIAL IMPACT

Work under this task order will be funded from Digester #1 Rehabilitation (CIP #9215), Food Waste Receiving Station and Digester Improvements (CIP #9229), and Digester Gas Storage (CIP #9235), which have a combined allocated budget of \$20,404,628. The not-to-exceed fee for CDM-Smith for the work described in this task order is \$343,178.

RECOMMENDATION

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ENGINEERING SERVICES RELATED TO ORGANICS CO-DIGESTION (CIP #9215, 9229, 9235) IN AN AMOUNT NOT TO EXCEED \$343,178 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – CDM-SMITH

AGENDA ITEM 8B

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SILICON VALLEY CLEAN WATER RESERVE FUND POLICY AND PROCEDURES**ISSUE**

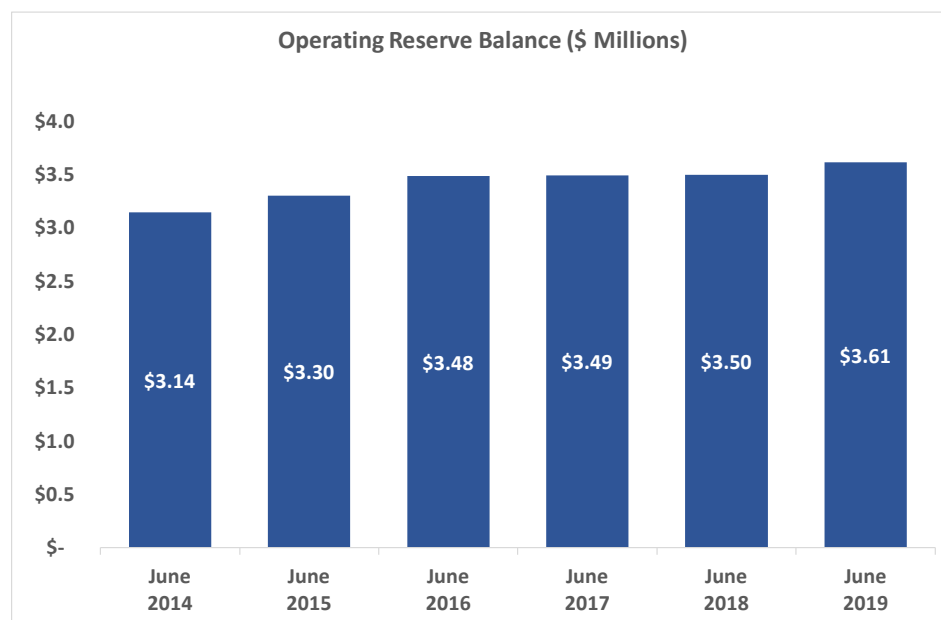
Receive an update on Silicon Valley Clean Water (SVCW) Administrative Policy No. 2013-03 regarding SVCW Reserve Fund Policy and Procedures (“Reserve Fund Policy”) and provide guidance to staff regarding potential amendments.

BACKGROUND

In August 2013 SVCW adopted the Reserve Fund Policy that acknowledges the Stage 2 Capacity Reserve Fund as defined in the SVCW Joint Powers Agreement (JPA). Through subsequent revisions, and more importantly, the Reserve Fund Policy (latest version attached) formally established two additional reserve funds to A) help mitigate the financial impact of unforeseen increases in expenditures, B) act as a rate stabilization buffer for members, and C) eventually fund a significant portion of future long-term capital needs. These two established funds are:

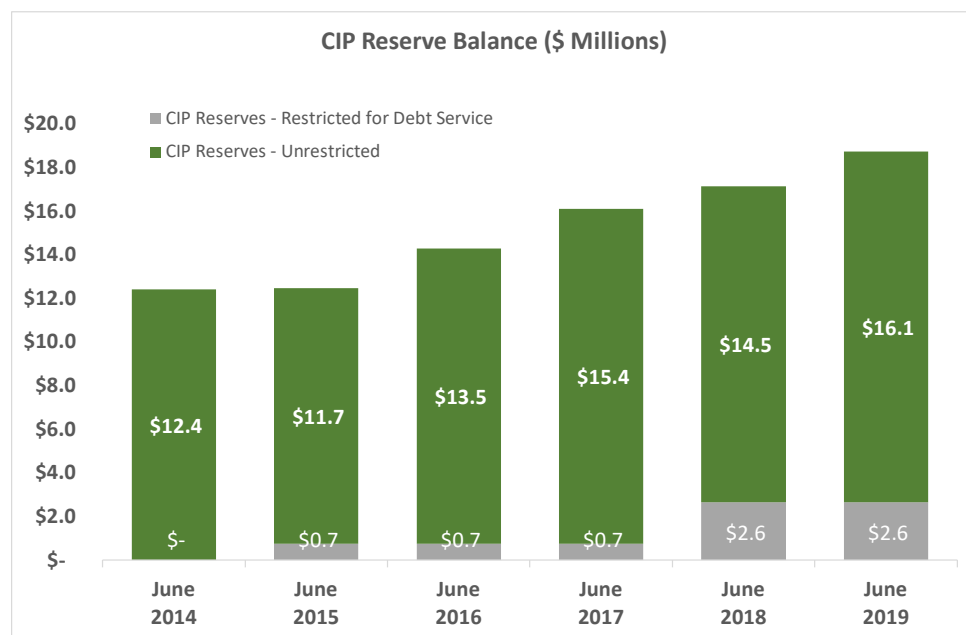
- 1. Annual Operations and Capital Budget Reserve Fund (“Operating Reserve”):**
The Operating Reserve protects Member Agencies from having to quickly contribute cash if emergency events occur that cause immediate and significant increases in operating expenditures. The Policy requires a minimum balance of 10% of the adopted annual Operating and Capital Budget, plus \$1 million.

Members contribute to the Operating Reserve as part of the annual operating budget process. As of June 30, 2019, there was \$3.61 million in the Operating Reserve. The past five years of operating reserve balance is shown in the graph below.



2. **Capital Improvement Program Reserve Fund (“CIP Reserve”):** The CIP Reserve was designed to address the goal of funding depreciating SVCW facilities, thereby reducing SVCW’s dependence on future debt by gradually setting aside funds for future capital improvement projects. Secondly, a portion of the CIP Reserve is designated to meet debt reserve requirements and is a positive factor in determining SVCW’s bond rating.

Each year, Members’ combined required contributions to the CIP reserve are \$1 million through fiscal year 2019-20. Beginning in fiscal year 2020-21, this annual contribution will increase by \$500 thousand per year until the annual amount contributed equals estimated depreciation expense. As of June 30, 2019, there was \$18.7 million in CIP Reserves, of which \$2.6 million was restricted for debt service associated with State Revolving Fund loans. The past five years’ CIP Reserve balance is shown below.



DISCUSSION

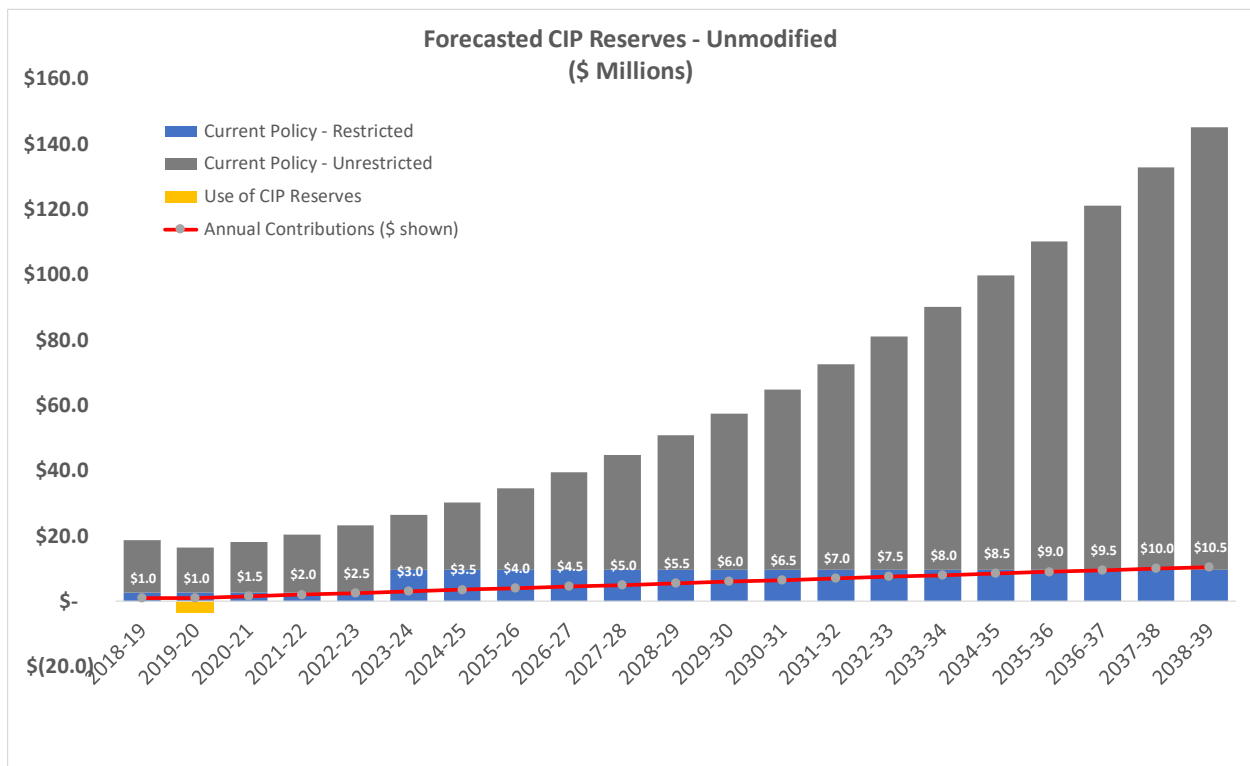
Recent amendments to the Reserve Fund Policy have been limited to grammatical changes and to recognize debt reserve requirements. With regards the Operating Reserve, no changes are recommended at this time. Regarding the CIP Reserve, staff brings the Commission’s attention to three items that require consideration: 1) growth of the Capital Improvement Program, 2) changes to SVCW’s debt structure, and 3) recent authorization to draw from the CIP Reserve for unanticipated projects.

1. When the Reserve Fund Policy was first established in 2013, total CIP expenditures were estimated at \$420 million. As the CIP was modified to address systemic conveyance system issues and regulatory requirements, the identified projects within the CIP are now estimated at \$850 million. This increase in the CIP leads to

depreciation expense estimates that may reach \$20 million annually and potentially accommodate reserve contributions larger than originally intended.

2. As SVCW sought the lowest-cost sources to finance the CIP, it has so far secured three separate State Revolving Fund (SRF) loans from the California State Water Resource Control Board (SWRCB). SRF loans have low interest rates ranging from 1.3% to 2.6% but require SVCW to restrict a cash equivalent to one year of annual debt service. SVCW anticipates securing a fourth loan from the SWRCB in the amount of \$169 million, which could require an additional \$7 million to be restricted by 2024.
3. In April 2019 the Commission authorized \$3.5 million in unanticipated expenditures to repair leaks to the effluent transmission line. It was recommended that this project be funded from CIP Reserves, which may influence potential amendments to the Reserve Fund Policy.

If unmodified for the three above-described influences, a twenty-year forecast indicates the CIP Reserve balance could become approximately \$136 million in unrestricted reserves, with annual contributions reaching \$10.5 million by fiscal year 2038-39:



FINANCIAL IMPACT

Recognizing the originally-adopted Reserve Fund Policy may otherwise reach larger-than-intended contributions and balances, a reasonable approach to CIP Reserves could be to limit the balance to a value that will enable SVCW to respond to immediate capital

needs in case of emergencies or catastrophic events while not growing so large as to be unsustainable.

If a balance limiting approach is taken, staff would propose to limit the unrestricted CIP Reserve balance to \$50 million. In addition to satisfying debt reserve requirements, this amount is likely adequate to respond to a catastrophic event that causes significant infrastructure damage.

When the unrestricted CIP Reserve balance reaches \$50 million (in approximately 10 years' time), staff would propose to redirect Members' CIP Reserve contributions towards anticipated capital expenditures for ongoing capital improvements. According to the current CIP Reserve formula, in 10 years the annual CIP Reserve contribution will be \$5.5 million. Staff proposes to continue the current formula of growing this contribution amount by \$500 thousand annually until it reaches \$10 million per year (in fiscal year 2037-38). Thereafter the amount of \$10 million would be redirected to an annual capital improvements budget. This approach provides SVCW with the resources needed for a proactive capital program that maintains SVCW assets and ensures a robust preventative maintenance program that extends the life of assets well into the future.

A detailed presentation will be made at the Commission meeting further describing and defining staff's proposed changes to the policy.

RECOMMENDATION

No Commission action is requested or required at this meeting. Staff will present information and receive direction for proposed modifications to the Reserve Funding Policy. This item will then return to the October 2019 SVCW Commission Meeting with proposed amendments.

It is anticipated the following items, or modified versions per Commission direction, will be proposed for adoption by resolution at the October 2019 Commission meeting:

- i. BEGINNING FISCAL YEAR 2020-21 ANNUAL CONTRIBUTIONS TO THE CAPITAL IMPROVEMENT PROGRAM RESERVE FUND SHALL INCREASE BY \$500 THOUSAND (\$500,000) PER FISCAL YEAR, EACH FISCAL YEAR UNTIL THE ANNUAL CONTRIBUTION EQUALS \$10 MILLION (\$10,000,000)
- ii. WHEN THE CAPITAL IMPROVEMENT PROGRAM RESERVE FUND REACHES ITS TARGET BALANCE OF \$50 MILLION (\$50,000,000), ANNUAL CONTRIBUTIONS TO THE CAPITAL IMPROVEMENT PROGRAM RESERVE FUND SHALL BE REDIRECTED TO THE ANNUAL CAPITAL IMPROVEMENT BUDGET

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

SUBJECT: SVCW Reserve Fund Policy and Procedures

PURPOSE

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

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

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

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

POLICY

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

ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND

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

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

CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND

The Capital Improvement Program Reserve Fund shall be funded in an amount equal to the annual calculated depreciation of the SVCW facilities to meet the long term needs of replacing the capital assets when their useful life has been met. This will allow most major expenses in the future, related to the facilities reaching the end of their useful life, to be paid for on a "pay as you go" basis and limit the need for borrowing. However, since there is no inflationary portion added to the depreciation, there will likely be the need to borrow some funds to complete major facility replacement at some point in the future. This fund shall also provide funding, as available, for required plant improvements mandated by regulatory changes. This fund will maintain the dedicated minimum debt service amounts required by State Revolving Fund loans and other CIP loans not held in escrow.

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

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

STAGE 2 CAPACITY FUND

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

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

IMPLEMENTATION

ANNUAL OPERATIONS AND CAPITAL BUDGET RESERVE FUND

Initial funding for the Annual Operations and Capital Budget Reserve was funded from current reserves in the amount of Three Million Two Hundred Forty Thousand Dollars (\$3,240,000) upon adoption of this policy and shall be adjusted annually to maintain the minimum balance required as part of the annual budget process.

CAPITAL IMPROVEMENTS PROGRAM RESERVE FUND

Initial funding for the Capital Improvement Program Reserve Fund was funded with the balance of available funds in the current Fund 14 and Fund 17 and non- operating funds in Funds 11 and 18. The balance of these funds, less \$3,240,000 (initial funding for the Annual Operations and Capital Budget Reserve) is approximately Twelve Million Four Hundred Thousand Dollars \$(12,400,000) as of June 30, 2013.

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

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

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

STAGE 2 CAPACITY FUND

Funding for the Stage 2 Capacity Fund is established and shall continue in accordance with the SVCW Joint Powers Agreement (JPA).

GENERAL POLICY PRACTICES

All reserves will be reviewed by SVCW Finance Department and SVCW Controller at least annually to verify the organization is in compliance with this policy and a report will be presented to the SVCW Commission as part of the annual budget approval process.

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

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

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