

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
REGULAR MEETING – Monday, September 21, 2020
8:00 a.m.**

TO ADDRESS THE *COVID-19 PANDEMIC*, THIS MEETING WILL BE CONDUCTED TELEPHONICALLY OR OTHERWISE ELECTRONICALLY PURSUANT TO THE PROVISIONS OF GOVERNOR NEWSOM’S EXECUTIVE ORDER N-29-20. THE COMMISSION BOARD ROOM WILL BE CLOSED TO THE PUBLIC. THE PUBLIC MAY OBSERVE AND COMMENT BY TELEPHONE OR ELECTRONIC MEANS AS DESCRIBED ON PAGE 5 OF THIS AGENDA.

SEE PAGE 5 OF THIS AGENDA FOR MEETING ACCESS INFORMATION AND INSTRUCTIONS

COMMISSIONERS

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

MANAGER: TERESA A. HERRERA

ATTORNEY FOR THE AUTHORITY: CHRISTINE C. FITZGERALD

CONTROLLER: MICHELLE P. FLAHERTY

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, 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. Written comments received within two hours of the beginning of the meeting will be read into the meeting record.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 7
- B. Manager's Report.....pg. 9
- C. Financial Reports
 - 1. Investment Report.....pg. 11
 - 2. Memorandum from Chief Financial Officer.....pg. 14
- D. Engineering Report.....pg. 17
- E. Commission Requested Staff-Level Action Items.....pg. 21
- F. RESCU Program Design-Build Project Status Update.....pg. 24

6. MATTERS OF COMMISSION MEMBER'S INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 32)

8. BUSINESS ITEMS

- A. CONSIDERATION OF RESOLUTION AUTHORIZING SILICON VALLEY CLEAN WATER TO COLLABORATE WITH ITS MEMBER AGENCIES, MUNICIPAL ADVISOR, AND BOND AND DISCLOSURE COUNSEL TO REFUND BONDS AND TO UTILIZE A NEGOTIATED BID METHOD (pg. 92)

Proposed Action:

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING AND DIRECTING STAFF TO TAKE CERTAIN PRELIMINARY ACTIONS WITH RESPECT TO THE ISSUANCE OF REFUNDING BONDS

- B. CONSIDERATION OF RESOLUTION APPROVING ADDITIONAL EXPENDITURES FOR PERMANENT REPAIRS TO THE EFFLUENT PIPELINE AND TERMINATION OF EMERGENCY CONDITION (pg. 96)

Proposed Actions:

- i. Move adoption of RESOLUTION TERMINATING THE SUSPENSION OF COMPETITIVE BIDDING REQUIREMENTS CONFERRED BY RESOLUTION NO. 19-09 AND THE CORRESPONDING MANAGER AUTHORITY AND APPROVAL OF ADDITIONAL AND FINAL EXPENDITURES UP TO \$250,000 (EFFLUENT PIPE LEAK REPAIR - Project #289)

- ii. Move approval of MOTION TO ACCEPT EFFLUENT PIPE LEAK REPAIR PROJECT (Project #289) – POWER ENGINEERING CONTRACTORS

C. EXECUTE AN AMENDED WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT LOAN AGREEMENT WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (pg. 100)

Proposed Action:

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO, OR A RE-EXECUTION AND DELIVERY OF, THE WIFIA LOAN AGREEMENT TO LOWER THE INTEREST RATE THEREIN AND CERTAIN OTHER MATTERS

9. CLOSED SESSION

A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code Section 54956.8

Property Description: 525 Skyway Road, San Carlos

SVCW Negotiators: Kim Hackett, Authority Engineer

Negotiating Parties: Samantha Bechtel, General Manager, Izzy's Steak House

Under Negotiation: Price and terms

B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code Section 54956.8

Property Description: 525 Skyway Road, San Carlos

SVCW Negotiators: Kim Hackett, Authority Engineer

Negotiating Parties: City of San Carlos

Under Negotiation: Price and terms

C. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Government Code Section 54956.9 (One Potential Case)

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

11. ADJOURN

CONSENT CALENDAR

NOTICE TO PUBLIC

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

7. A. APPROVAL OF MINUTES – August 17, 2020 (pg. 32)

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JULY 31, 2020, AUGUST 7, 2020, AND AUGUST 21, 2020 AND NECESSARY PAYMENTS THROUGH AUGUST 21, 2020 (pg. 41)

C. CONSIDERATION OF RESOLUTION APPROVING REVISIONS TO SVCW ADMINISTRATIVE POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY (pg. 43)

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION C TO ADMINISTRATIVE POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY

D. CONSIDERATION OF RESOLUTION ADOPTING INVESTMENT POLICY STATEMENT FOR SILICON VALLEY CLEAN WATER'S SECTION 115 PENSION LIABILITY STABILIZATION TRUST (pg. 77)

Proposed Actions:

Move adoption of RESOLUTION OF THE SILICON VALLEY CLEAN WATER COMMISSION APPROVING THE ADOPTION OF INVESTMENT POLICY STATEMENT

Microsoft Teams Access Information
Silicon Valley Clean Water
Regular Meeting
Monday, September 21, 2020

WEBSITE: [Link to access meeting](#)

MEETING ID: 127 167 669#

CALL IN PHONE NUMBER: [+1 747-216-0281](#)

You may view video during the meeting via live stream. An audio will be available after the meeting at SVCW's website. If you experience technical difficulties or have technical questions prior to or during the meeting, please contact Teams meeting support at 707-862-0859. Note: Public participation is not permitted during closed session discussion items.

Public Comment

Public comment may be made by joining the meeting using the link or phone number above or by emailing comments to commission@svcw.org up to two hours prior to the scheduled meeting time. All comments should be in accordance with the three-minute per speaker limit. Indicate in your email the agenda item to which your comment applies. If you have anything that you wish distributed to the Commission and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

SVCW's Clerk will read all written comments into the meeting record.

Accessibility for Individuals with Disabilities

Upon request, SVCW will provide for access to individuals with disabilities to fully engage in the meeting process. Joining the meeting via the teleconference instructions above will provide access to open captioning. For other accommodations, please email your request to commission@svcw.org or call 650-591-7121 at least four (4) days prior to the scheduled meeting time. Requests will be granted whenever possible and resolved in favor of accessibility.

Subject to Change:

Given the current public health emergency and the rapidly evolving federal, state, and local orders, the format of this meeting may be altered or the meeting may be canceled. You may check on the status of the meeting by visiting SVCW's website www.svcw.org.

AGENDA ITEM 5A

Plan Your Home Fire Escape

Did you know that if a fire starts in your home you may have as little as two minutes to escape? During a fire, early warning from a working smoke alarm plus a fire escape plan that has been practiced regularly can save lives.

Top Tips for Fire Safety

- Install smoke alarms on every level of your home, inside bedrooms and outside sleeping areas.
- Test smoke alarms every month. If they're not working, change the batteries.
- Talk with all family members about a fire escape plan and practice the plan twice a year.
- If a fire occurs in your home, **GET OUT, STAY OUT and CALL FOR HELP.** Never go back inside for anything or anyone.

Home Fire Escape Plan

Use the graph to draw your home's floor plan and plot your home fire escape routes.



Tips for creating your home fire escape plan and practicing your 2-minute drill:

- Everyone in your household should know *two* ways to escape from each room in your home.
- Smoke is dangerous. Get low and go!
- Decide where to meet once you get outside:

- Get out and stay out. Never go back inside for people, pets or things.
- If a fire starts, you may have less than *two minutes* to get to safety. So time your fire drills and find out: what's your escape time?



If a fire starts in your home, get out to safety, then dial 911.

You can keep your family safe with 2 simple steps.



Practice your 2-minute drill.



Test your smoke alarms monthly.



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AGENDA ITEM 5B

Recurring and Upcoming 2020 Commission Actions
Updated for September 2020 Meeting

January	February	March	April
<ul style="list-style-type: none"> • Long Range Financial Plan • CIP Update (annual or biennial) • Review Investment Policy 	No Meeting	<ul style="list-style-type: none"> • Budget Workshop • Review Investment Policy 	<ul style="list-style-type: none"> • Budget Approval • Consider Emergency Declaration
May	June	July	August
<ul style="list-style-type: none"> • Initiate Manager Performance Evaluation • Review Reserve Funds Policy 	<ul style="list-style-type: none"> • Approve Resolution 77-6 “Personnel Resolution” • Perform Manager Evaluation 	<ul style="list-style-type: none"> • Commission Chair, Vice Chair, and Secretary Appointment 	<ul style="list-style-type: none"> • Conflict of Interest Update (Biennial; even-numbered years)
September	October	November	December
<ul style="list-style-type: none"> • Review Debt Policy 	<ul style="list-style-type: none"> • Adopt Local Limits 	<ul style="list-style-type: none"> • Award Lab HVAC Project 	<ul style="list-style-type: none"> • Commission Meeting schedule for following year • Audited Financial Reports

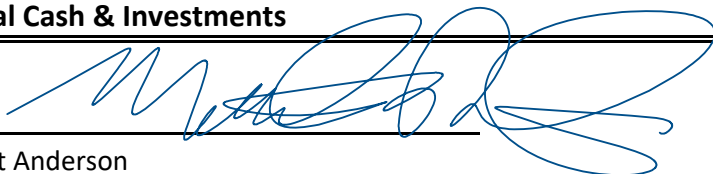
 - Recurring Commission Actions

 - Upcoming Commission Actions

AGENDA ITEM 5C1

Silicon Valley Clean Water Authority
Cash & Investments Summary Report
August 31, 2020

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,410,294	2.1%	1.4%
Operating Reserve - Money Market Fund Balance	410,931	0.3%	0.1%
CIP Reserve* - Securities	17,306,971	10.5%	2.0%
CIP Reserve - Money Market Fund Balance	620,276	0.4%	0.1%
Stage 2 Capacity Reserve* - Securities	13,605,080	8.3%	2.0%
Stage 2 Capacity Reserve - Money Market Fund Balance	126,305	0.1%	0.1%
Total Market Value: Operating and Reserve Accounts	\$ 35,479,857	21.6%	1.9%
Total Accrued Interest: Operating and Reserve Accounts	152,609		
GRAND TOTAL, OPERATING AND RESERVE ACCOUNTS	\$ 35,632,467		
<u>Bond and Notes Accounts</u>			
Trustee Accounts:			
2018 Project Fund Account - CAMP	\$ 15,010,944	9.1%	0.3%
2018 Revenue Account	5,018	0.0%	0.0%
2019A Notes WIFIA* - Securities	69,316,432	42.2%	1.9%
2019A Notes WIFIA - Money Market Fund	4,309,010	2.6%	0.0%
2019A Capitalized Interest Account* - Securities	22,021,695	13.4%	1.8%
2019A Capitalized Interest Account - Money Market Fund	3,147,675	1.9%	0.0%
2019 Cost of Issuance	30,268	0.0%	0.0%
2014 Revenue Account	452	0.0%	0.1%
2014 Interest Account - Money Market Fund	13	0.0%	0.1%
2014 Principal Account - Money Market Fund	7	0.0%	-
2014 Project Account - Cash	2	0.0%	-
2015 Project Account - Cash	2	0.0%	-
2015 Revenue Account	173	0.0%	0.2%
Total Market Value:	\$ 113,841,691	69.4%	1.6%
Accrued Interest:	286,123		
Uninvested Operating Cash (including outstanding checks)	688,667	0.4%	
Local Agency Investment Funds (LAIF) Balance	14,105,840	8.6%	0.8%
Total Cash & Investments	\$ 164,554,788	100.00%	1.6%



Matt Anderson

Chief Financial Officer / Assistant Manager

9/10/2020

Date

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

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

AGENDA ITEM 5C2



September 21, 2020

To: SVCW Commissioners

From: Matt Anderson (CFO/Assistant Manager)

Subject: Operating Fund Financial Update – informational item only

ISSUE

This memorandum presents an Operating Fund Financial Update as of June 30, 2020, (unaudited). No action is being requested.

BACKGROUND

Staff presents to the Commission a financial update each fiscal quarter. When last presented to this Commission in May 2020, third quarter expenditures were \$1.3 million (7.4%), less than budget. Through the 4th quarter, however, approximately \$1.1 million in adjustments were made to recognize the liabilities associated with pension and post-employment benefits in compliance with Government Accounting Standards Board regulations. Detailed descriptions are below.

DISCUSSION

Revenue: Through the fourth quarter FY19-20, actual revenues were \$26.2 million or \$67.2 thousand (0.3%) less than budget. The COVID-19 contributed to much of this shortfall as income derived from restaurant grease receiving programs sharply declined and SVCW reduced laboratory services performed for other agencies. In addition, grant revenues associated with cogeneration engines declined as one unit was out of service for extended maintenance. All Member contributions were paid in full and on time.

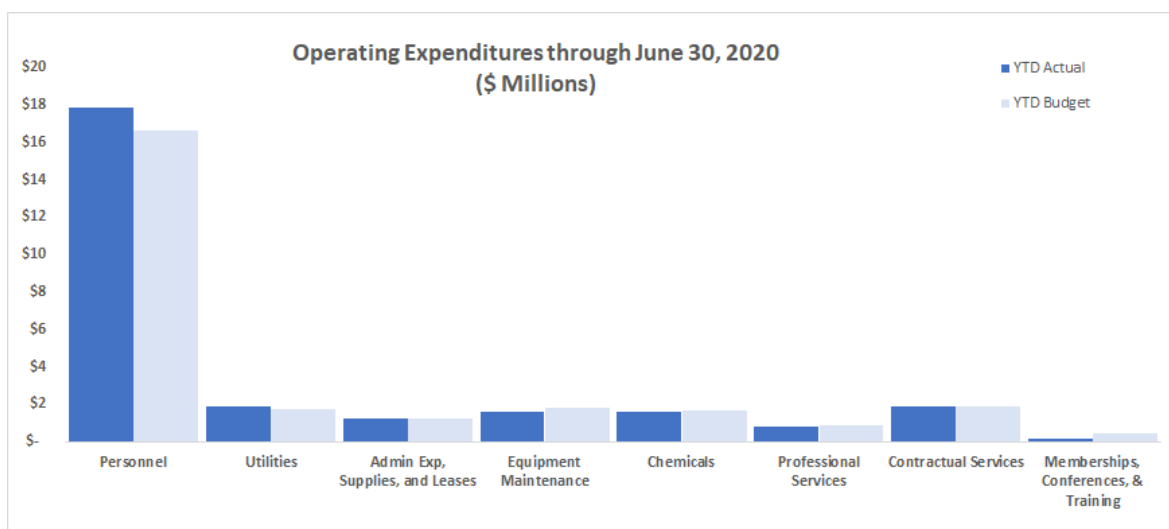
Expense: Through the fourth quarter operating expenses were \$35.9 million or \$660 thousand (2.5%) higher than budget. Notable variances include:

- Personnel Expenses were \$1.2 million (7.5%) higher than budget to recognize increased pension liabilities caused by a change in SVCW proportion as well as less-than-expected CALPERS investment returns. Additionally, SVCW adjusted to a more conservative accounting policy to recognize the implied subsidy associated with post-employment medical benefits.
- Utilities expense was \$150 thousand (8.8%) higher than budget, which included a \$218 thousand retroactive billing adjustment imposed by PG&E after it was unable to collect and transmit several months of meter data.

- Administrative Expense, Supplies, and Leases were \$20 thousand (12.4%) over budget after the State Water Resource Control Board increased its operating permit fees.
- Equipment Maintenance Expenses were \$278 thousand (15.1%) less than budget as Maintenance activity slowed during the COVID-19 pandemic.
- Chemical Expenses were \$134 thousand (7.9%) less than budget due to lower-than-expected polymer prices.
- Professional Services Expenses were \$42 thousand (4.9%) less than budget as less than expected legal services were needed during the fiscal year.
- Contractual Services Expenses were \$35 thousand (1.9%) less than budget due to a change in the mix of how biosolids were disposed throughout the year.
- Memberships, Conferences, & Training Expenses were \$265 thousand (63.8%) less than budget due to cancellation of travel during the COVID-19 pandemic.

The Fiscal Year 2019-20 audit is in process and will be presented to the Commission in November.

Description	YTD Actual	YTD Budget	Greater/(Less) Than Budget \$	Greater/(Less) Than Budget %
Revenue:	\$ 26,201,516	\$ 26,268,777	\$ (67,261)	-0.3%
Expenditures:				
Personnel	\$ 17,863,474	\$ 16,617,606	\$ 1,245,868	7.5%
Utilities	1,858,027	1,707,756	150,271	8.8%
Admin Exp, Supplies, and Leases	1,247,919	1,227,913	20,006	12.4%
Equipment Maintenance	1,562,394	1,840,958	(278,564)	-15.1%
Chemicals	1,563,436	1,697,916	(134,480)	-7.9%
Professional Services	827,699	870,182	(42,483)	-4.9%
Contractual Services	1,855,235	1,890,704	(35,469)	-1.9%
Memberships, Conferences, & Training	150,459	415,742	(265,283)	-63.8%
TOTAL Expenditures:	\$ 26,928,643	\$ 26,268,777	\$ 659,866	2.5%



AGENDA ITEM 5D

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

Standby Generators Feed Relocation & Electrical Panel Upgrades Project (9240):

Relocate feeders for standby generators 4 and 5 to connect to 12Kv switchgear and provide power to all plant processes. Replace aging panels.

Beecher Engineering has provided design drawings for this project, which will allow for more flexibility in the Standby Power System and avoid the need to install new generators to support the future Front of Plant equipment. The project will be advertised for bid in early October and is expected to be awarded at the November 2020 Commission meeting.

Planned Commission Actions: Award Construction Contract – November 2020

Laboratory HVAC Rehabilitation (9251): Rehabilitate and replace aging mechanical components and ducting for the Laboratory HVAC system and install cooling system for new server room located in Lab Building.

The Lab building was built in 1993, and there have been no upgrades or significant rehabilitation of any aspect of the building mechanical system since the original construction. While the system is functional, it is not operating at its necessary efficiency. A project to replace the aging HVAC system was identified in the CIP and the project was prioritized to be completed in 2021. Integral Group has completed the design drawings and specifications for the rehabilitation of the system. The project was publicly advertised for competitive bidding on September 14th and will be presented to the Commission for construction contract approval consideration at the November 2020 meeting.

Planned Commission Actions: Award Construction Contract – November 2020

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

This project includes improvements and rehabilitation of several processes throughout the plant. The design-build project was awarded to Overaa Construction in April 2018. The project is now in the startup phase, with the majority of the mechanical and electrical improvements completed. The remaining work to be completed includes improvements to the HVAC system in the Solids Handling Building and miscellaneous support systems for the installed equipment.

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

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

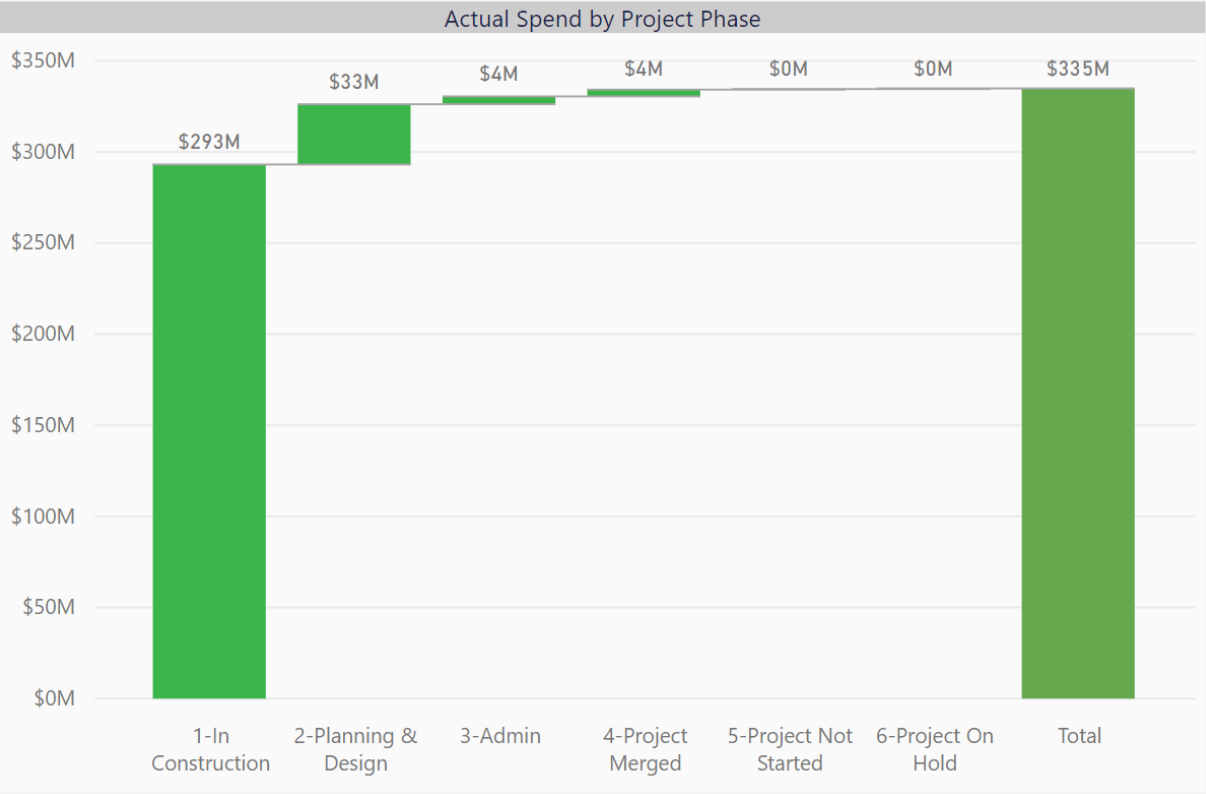
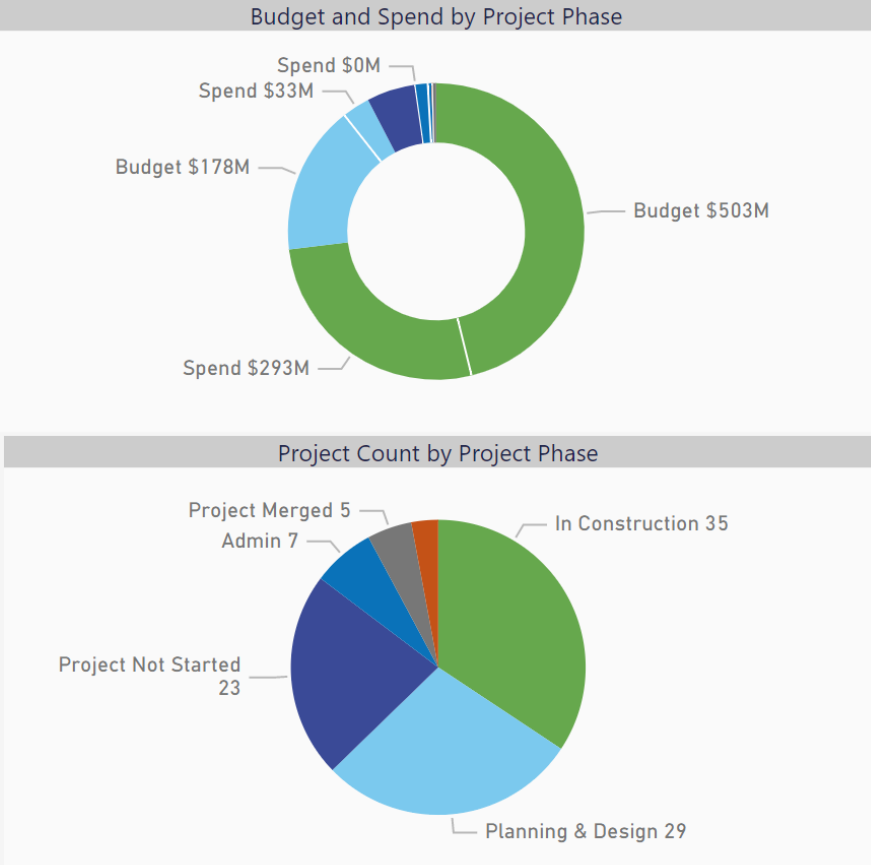
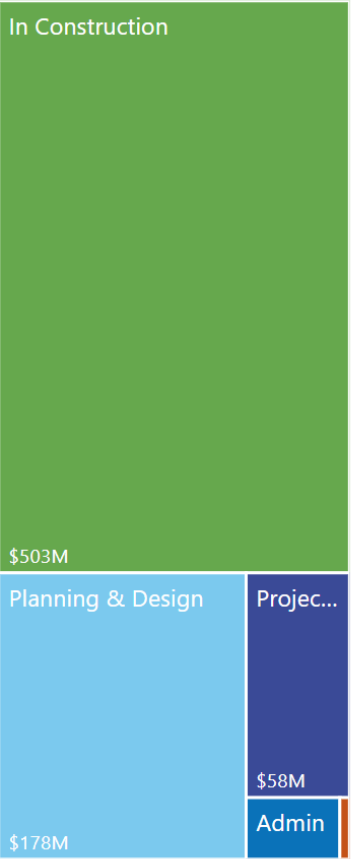
SVCW has awarded progressive design build contracts to Barnard Bessac Joint Venture for the Gravity Pipeline (GP) Project and Shea Parsons Joint Venture for the Front of Plant (FoP) and Pump Stations Improvements (PSI) Projects. These projects are in varying states of design and construction. SVCW staff and consultant project team are intricately involved in all stages of work.

All three projects are in their construction phases and continue to move forward according to schedule.

Planned Commission Actions: None upcoming

CIP Spend Analysis

	Project Phase	Project Count	2020 Budget	Spend	Remaining	Unspent %
	In Construction	35	\$502,867,058	\$293,120,454	\$209,746,604	41.71%
	Planning & Design	29	\$177,584,452	\$33,067,741	\$144,516,711	81.38%
	Admin	7	\$14,458,911	\$4,296,939	\$10,161,972	70.28%
	Project Merged	5	\$0	\$3,726,617	\$-3,726,617	N/A
	Project Not Started	23	\$58,190,153	\$299,698	\$57,890,455	99.48%
	Project On Hold	3	\$1,480,974	\$356,960	\$1,124,014	75.90%
Total		102	\$754,581,548	\$334,868,409	\$419,713,139	55.62%



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.

AGENDA ITEM 5E

Silicon Valley Clean Water
Commissioners' Requested Action Items

SEPTEMBER 21, 2020
AGENDA ITEM 5E

Updated: 09/12/2020

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
8/17/2020	1	Public Outreach	N/A	✓				Continue working with Communications Manager to continuously improve public outreach.
7/20/2020	1	Change SVCW Bylaws wrt terms of office	Aug or Sep		✓			Bylaws note change to officers in July each year whereby city and agency elections are in November and new terms begin January. Change bylaws.
6/15/2020	1	Pump Stations Improvements - Capital vs Life Cycle Costs	N/A		✓			Reducing pump stations from 5 to 2 have been reported to save long-term costs; provide analysis results to Commissioners.
5/18/2020	1	Modify Agenda and Distribution Method	6/15/2020			✓	6/10/2020	1-Add page numbers for agenda items on agenda, 2-Mail hard copy packets to Warren and George, 3 - Email Teams meeting information to Commissioners
	2	Research on illness transmission in sewers	N/A		✓			Ask researchers when results might be available; get info to Commissioners.
4/20/2020	1	Emergency Declaration	N/A	✓			4/20/2020	Manager to reach out via email, special meetings, etc to Commission as needed when decisions are required or made
3/9/2020	1	Finance Section on Agenda Letters	4/20/2020			✓	4/20/2020	Answer the question: is the cost associated with an item in line with expectations?
	2	Succession and Retention Staff Planning	N/A			✓	6/15/2020	In response to hardships to staff from high cost of living and the large number upcoming retirements, report out on activities related to retention and succession planning.
	3	1406 Radio Road Building	N/A		✓			Research and make recommendation related to historic registry restraints on what can/can't be done with buildings. On hold due to Covid-19
1/27/2020	1	Clarify verbiage in Local 39-SVCW MOU Side Letter	N/A			✓	3/2/2020	Clarify that the term "bi-weekly" equates to two times per month; i.e., coincides with pay periods.
	2	Clarify Financial Impact section on Agenda Letters	3/9/2020			✓	3/2/2020	Simplify the financial impact section to enable the reader to more readily decipher the information.
	3	Investment Policy Re-work	3/9/2020			✓	2/24/2020	SVCW CFO reach out to Bel CFO to discuss strategy further. Bring item to March meeting for consideration.
	4	CIP Update Document	N/A			✓	1/28/2020	Email CIP document to WBSD Commissioner and upload to website. For future, include CIP document with the agenda packet, especially the CEQA table.
12/16/2019	1	WWTP Underslab Piping	N/A			✓	1/27/2020	Describe plans for investigating condition of underslab piping
	2	Improve readability of presentations	1/27/2020			✓	3/9/2020	Some slides hard to read on screen and in handouts; improve all powerpoint presentations' readability.

Silicon Valley Clean Water
Commissioners' Requested Action Items

SEPTEMBER 21, 2020
AGENDA ITEM 5E

Updated: 09/12/2020

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	3	Practice for use of risk registers on projects	N/A			✓	1/9/2020	Information shared at Technical Committee meeting.
11/18/2019	1	Data reporting solutions associated with ERP	N/A			✓	12/16/2020	Consider use of Tableau software as opposed to the proposed Power BI. Memo with decision-making process points presented to Commission.
	2	Investment Policy	3/9/2020			✓	3/9/2020	Further discussion between SVCW and member agency staff occurred. Item was approved at March meeting.
	3	Investment Report	12/16/2019			✓	12/10/2019	Operating and Reserve Funds Sector Allocations table: Add total % change vs prior month to summary
	4	County Easement	12/16/2019			✓	12/10/2019	Discussed item under Closed Session - December meeting
	5	Reserve Policy	12/16/2019			✓	12/10/2019	Add escalator to reserves annual contributions; using ENR Construction Cost Index for S.F. Bay Area December of each year
10/21/2019	1	Research video recording meetings	N/A			✓	12/10/2019	Reach out to Menlo Park FD and Town of Atherton regarding video recording meetings. Outreach completed. Recommendation is to not pursue.
	2	Change information on financial reports and RESCU updates	N/A			✓	11/18/2019	On financial reserves report, add comparison of reserves collected to policy targets. On RESCU report, add information on change orders issued on projects.
9/16/2019	1	Research viability of videoing meetings	10/21/2019			✓	10/21/2019	An agenda item was added to the agenda and discussion ensued. Further research was requested.
	2	Review necessity for roll call vote on agenda items	10/21/2019			✓	9/18/2019	Roll call votes are not necessary.
> 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 has begun working on consolidation.
	2	Project delay costs	N/A	✓			Ongoing	Inform Commission of any potential delays that could add time and costs to projects they have authorized.
	3	Maple Street Development	N/A	✓				SVCW and RWC staff coordinating efforts and messages to developer to protect mutual and exclusive interests.
	4	Connection Fees	NA		✓			Additional plant capacity evaluation is underway to ensure proper flow numbers are used in the calculations. Will be incorporated into upcoming JPA changes.

AGENDA ITEM 5F

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

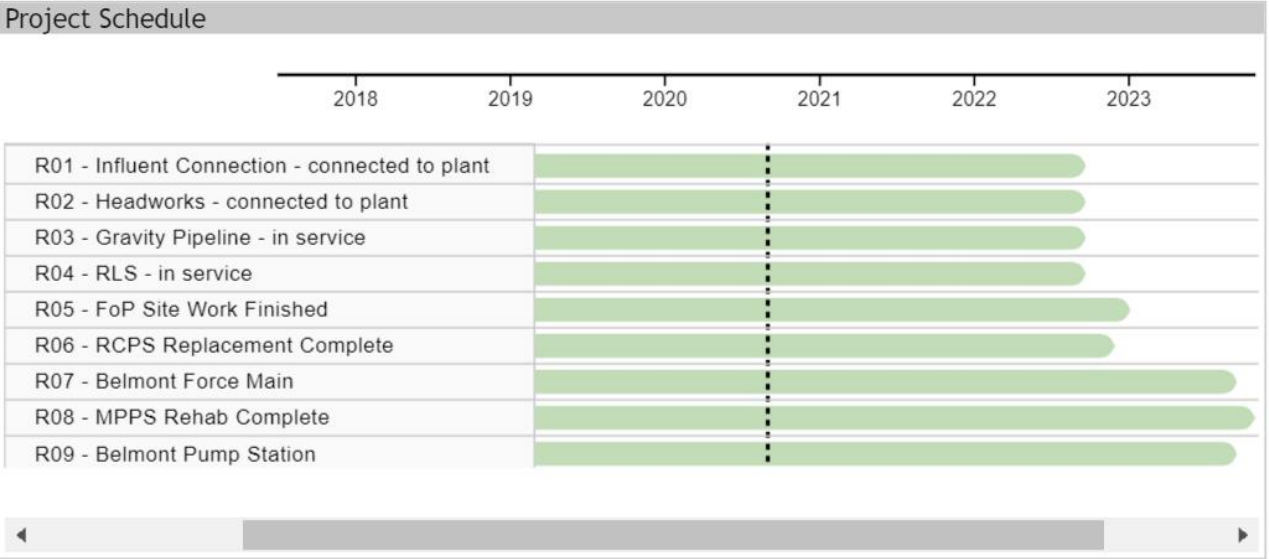
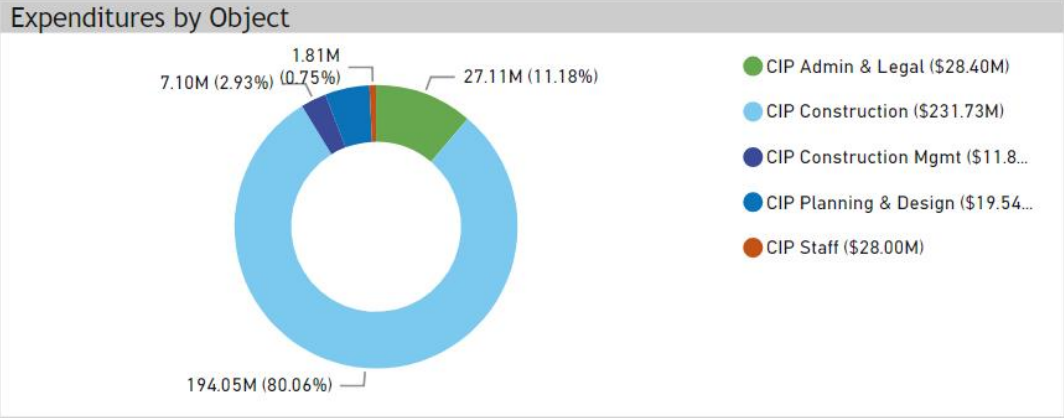
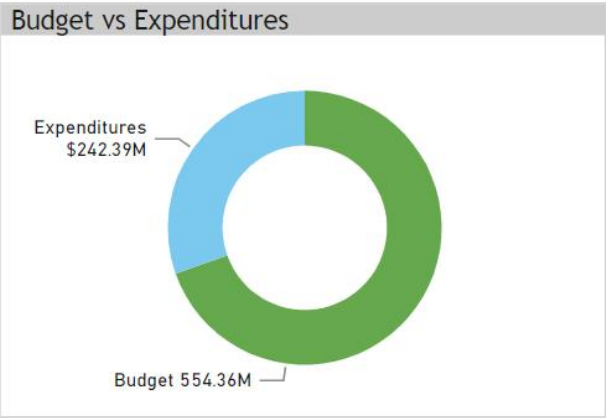
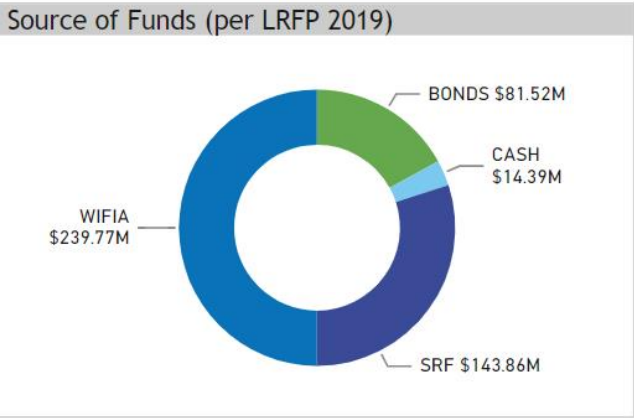
\$554.36M

Total Expenditure

\$242.39M

Remaining Budget

\$311.97M



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 System, Influent Connector Pipe, Emergency Overflow pipe to an existing storage basin and other related process support systems. Work is being implemented under a Progressive Design-Build procurement process in stages.

Available Budget

\$161.95M

Total Expenditure

\$74.12M

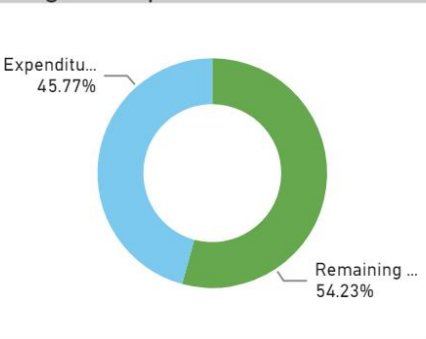
Remaining Budget

\$87.83M

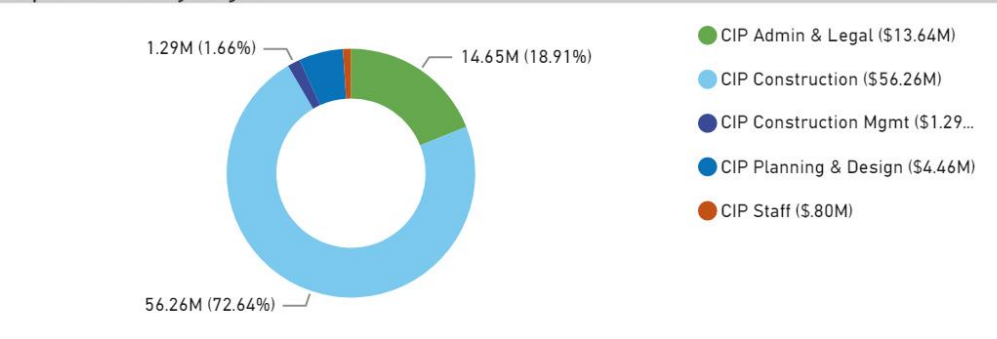
Milestone Schedule

	Start	Finish
Influent Pipeline Completed	7/24/2020	5/19/2021
Headworks Facility Completed	12/6/2018	10/24/2021
SFS/RLS Completed	12/6/2018	7/1/2022
Start-up and Commissioning	1/28/2022	8/31/2022

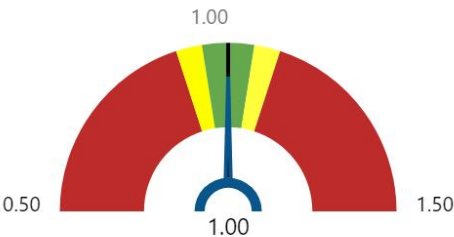
Budget vs Expenditures



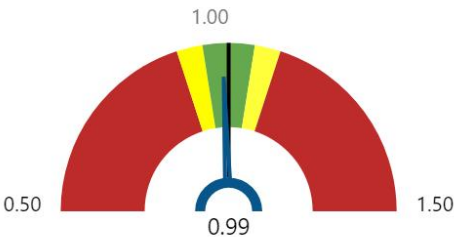
Expenditures by Object



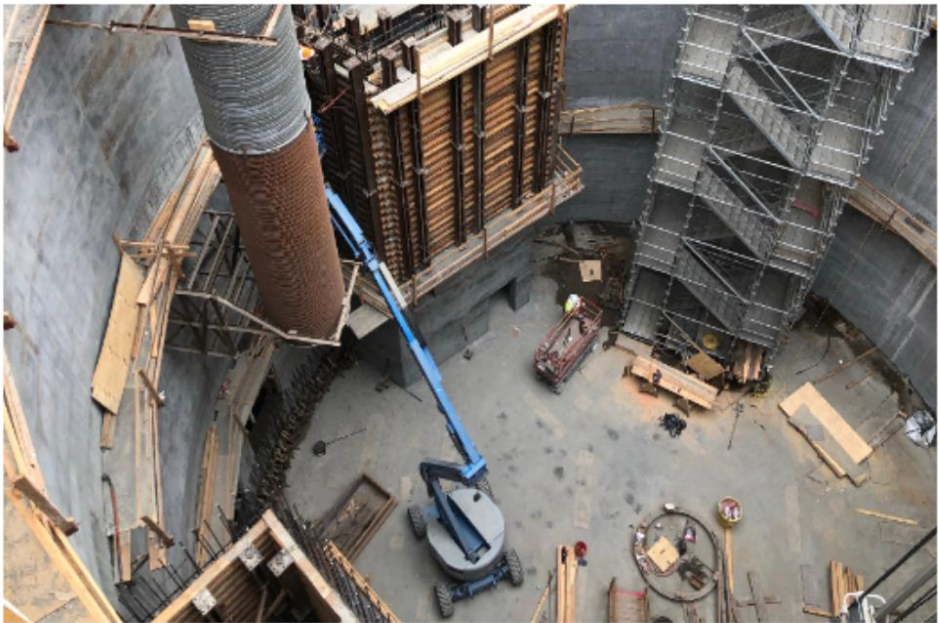
Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of : 2020 - 08



Major Accomplishments this Period

▼	
Design	<ul style="list-style-type: none"> - SPJV continue developing the control strategies in coordination with Operations staff. - SPJV developing the second revision of the start-up and testing plan for Operations to review. - SPJV detailed the design of the flow meter on the IPL.
Procurement of Trade Packages	<ul style="list-style-type: none"> - WIFIA and SRF requirements compliance for trade packages are in progress. - Issued PO for fabrication of the metal stairs, decking, and railing in the RLS and Headworks Facility - Issued PO for fabrication of odor control fiberglass ducting
Construction	<ul style="list-style-type: none"> - SPJV's electrical subcontractor continued the installation of the cable tray, conduits and pull boxes in the Storage Rooms and Electrical Room. - SPJV's HVAC subcontractor began layout work in the Storage Rooms and Electrical Room. - SPJV's coating subcontractor completed sealing of the finished exterior and interior walls and began surface preparation of the headworks channels. - SPJV placed two of four 25-foot concrete lifts of the two enclosed stairwells in the RLS. - SPJV completed bedding and began fusing 63-inch pipe for HDPE Zone 1 (200 feet) of the 63-inch interconnection pipeline. - SPJV began excavation for the retaining wall in Zone 3 for the construction of the 63-inch interconnection pipeline.

Potential Issues

3 water pipeline size upgrade and additional fixtures and piping
Intrinsically Safe Relay Panel
Utilidor extension for piping

3 - Month Look Ahead

	Start	End	September	October	November
Construction of Cast-in-Place Sections of RLS Roof	August 31, 2020	December 2, 2020	X	X	X
Construction of the IPL Retaining Wall	September 1, 2020	December 10, 2020	X	X	X
Install Bar Screens/Supports, Piping and Meters in the Headworks Influent Channel	October 15, 2020	November 25, 2020		X	X
Install Protective Coatings in the Headworks Channels	July 27, 2020	September 15, 2020	X		
Installation of RLS Stairwells No. 1 & No. 2	June 25, 2020	September 24, 2020	X		

Project Changes

Change order for odor control system
Change order for relocating potable water line and Air Gap Tank Facility
Credit for deletion of 48" bypass from 54" force main
Credit for the deletion of the chemical storage system
Electrical System
New County/Local Sales Tax
Project Management past December 2021

Safety Spot Light

Lost Time	0
Near Misses	5
Recorded Losses	2

Gravity Pipeline Progressive DB Project



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

Available Budget

\$259.23M

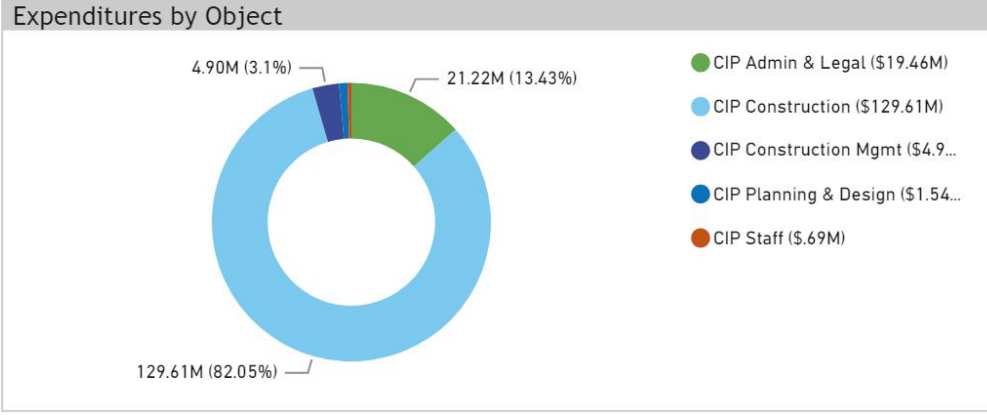
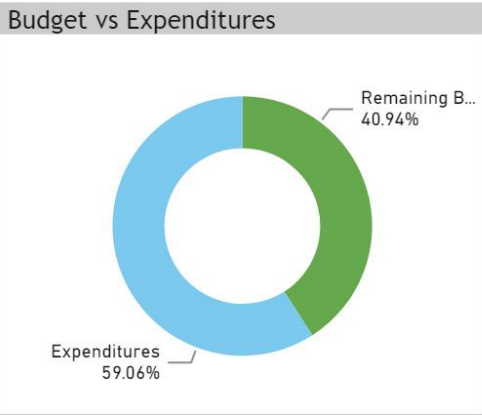
Total Expenditure

\$153.11M

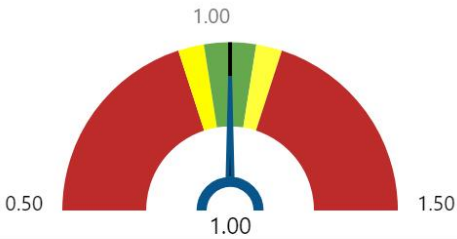
Remaining Budget

\$106.12M

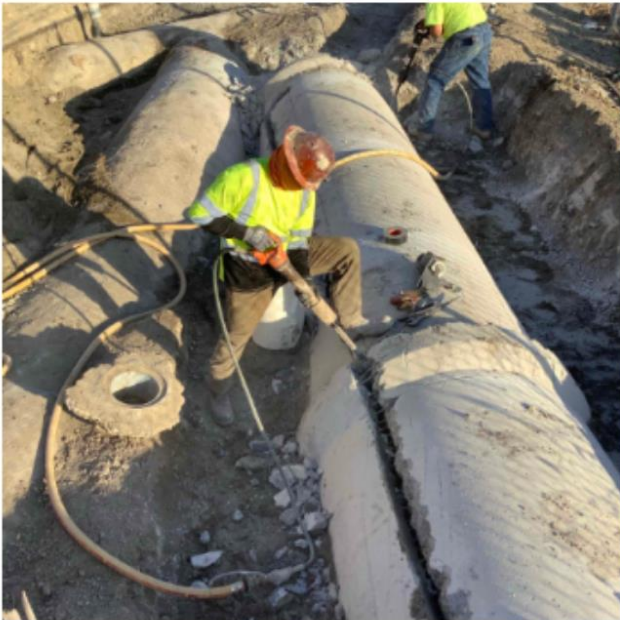
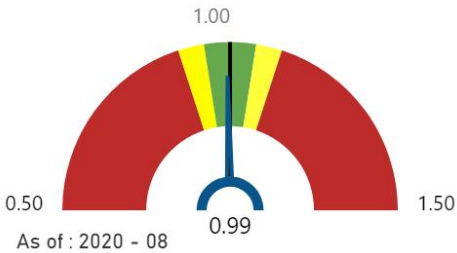
Milestone Schedule		
	Start	Finish
100% Design Documents		2/8/2021
San Carlos Shaft Construction	6/15/2020	12/28/2020
TBM Drive (AAS to SFS)	7/6/2020	6/24/2021
FRP Pipe Installation	9/22/2020	3/23/2022
Final Commissioning		7/1/2022



Cost Performance Index (CPI)



Schedule Performance Index (SPI)





Major Accomplishments this Period	
	▼
Design	- BBJV submitted IFC San Carlos Shaft Drawings and Specifications
Procurement of Trade Packages	- Pipe trucking and muck offhaul subcontract executed - San Carlos Shaft SOE and ground improvement contracts are in progress - Outreach in conformance with SRF and WIFIA funding requirements
Construction	- BBJV continued tunneling the second drive to the SFS - BBJV began site preparation and utility protection for the San Carlos Shaft

Potential Issues
Muck Disposal Site

3 - Month Look Ahead					
	Start	End	September	October	November
100% Design Completion	August 10, 2018	February 8, 2021	X	X	X
FRP Pipe installation from Bair Island	September 22, 2020	November 3, 2020	X	X	X
San Carlos Shaft Construction	June 15, 2020	December 28, 2020	X	X	X
Second tunnel drive to SFS	July 6, 2020	June 24, 2021	X	X	X

Project Changes
Bair Island Force Main Exposure and Additional Monitoring
Bair Island Weir Optimization
New County/Local Sales Tax and US Tarrifs
Soil Conditioner Leak at CPT Hole STA 171 + 80

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

Pump Stations

All SVCW pump stations require replacement or rehabilitation. Menlo Park PS will be rehabilitated. Redwood City PS will be replaced. Belmont PS will be replaced with a gravity pipeline. San Carlos PS is no longer needed due to the new gravity pipeline; flows from San Carlos and Belmont will enter into the gravity pipeline via a drop structure at the current San Carlos pump station site. Flows from the MPPS and RCPS will flow through the new 48-inch force main to a drop structure at Inner Bair Island. RCPS will be designed to pump the MPPS flows during wet weather events.

Available Budget

\$119.68M

Total Expenditure

\$20.70M

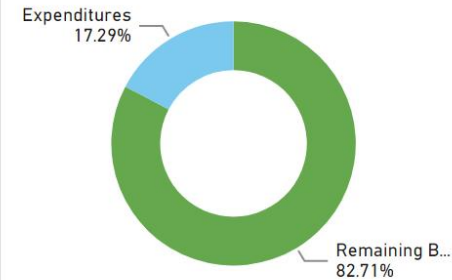
Remaining Budget

\$98.98M

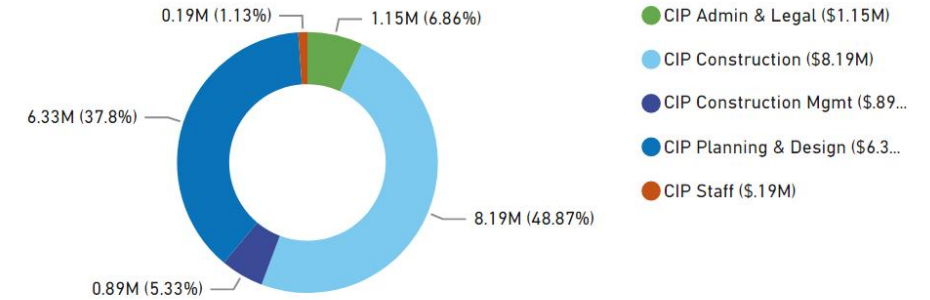
Milestone Schedule

	Start	Finish
Stage 1 Services Complete - RCPS	2/28/2019	8/15/2020
100% Design Documents - MPPS	4/13/2020	8/25/2020
100% Design Documents - BGP	5/6/2020	8/24/2020
Mobilize - BGP	10/15/2020	11/6/2020
Pipe Installation Completed - BGP	11/6/2020	1/13/2023
Mobilize - MPPS	1/1/2021	1/15/2021
Early Work Package Development - RCPS	7/8/2020	9/25/2020
Mobilize - RCPS	9/21/2020	10/9/2020

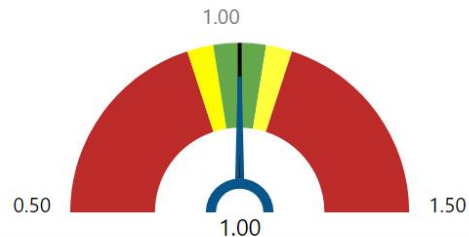
Budget vs Expenditures



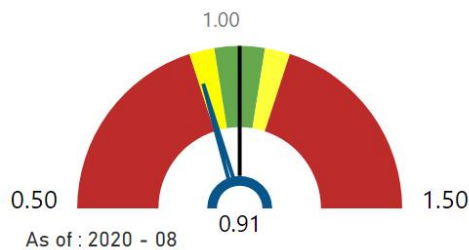
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Major Accomplishments this Period

Design	<ul style="list-style-type: none"> - Continued developing the 100% design documents for MPPS. - Completed the microtunnel package of the BGP 100% design documents. - Continued developing the 100% design documents for RCPS.
Construction	<ul style="list-style-type: none"> - Performed the fourth and final inspection of the Segment 1 Force Main.

Potential Issues

No issues to note for this period.

3 - Month Look Ahead

	Start	End	September	October	November
100% Design Development - Early Work - RCPS	July 8, 2020	September 29, 2020	X		
100% Design Development - MPPS	April 27, 2020	September 27, 2020	X		
100% Design Development - Open Cut/San Carlos - BGP	August 3, 2020	November 18, 2020	X	X	X
100% Design Development - Remaining Work - RCPS	August 7, 2020	January 5, 2021	X	X	X
Construct JS-1 and JS-2	November 6, 2020	March 27, 2021	X	X	X
Mobilize - BGP	October 15, 2020	November 6, 2020		X	X
Mobilize - RCPS	September 23, 2020	October 13, 2020	X	X	
Permits & Easements Acquisition - RCPS	June 11, 2020	March 1, 2021	X	X	X
Site Demo - RCPS	October 14, 2020	November 20, 2020		X	X
Wet Well & Screening Building Excavation and Backfill	November 23, 2020	April 9, 2021			X

Project Changes

No changes to report.

Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	0

AGENDA ITEM 7A

**MINUTES OF SILICON VALLEY CLEAN WATER
REGULAR MEETING – August 17, 2020**

8:00 a.m.

**This meeting took place remotely pursuant to
SVCW Resolution No. 20-08 due to coronavirus pandemic**

ITEM 1

CALL TO ORDER

The meeting was called to order at 8:01 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 Warren Lieberman, PhD., Belmont - Secretary
Council Member Mark Olbert, San Carlos

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine Fitzgerald, SVCW Legal Counsel
Jennifer Flick, SVCW Human Resources Director
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager
Monte Hamamoto, SVCW Chief Operating Officer
Kim Hackett, SVCW Authority Engineer
Arvind Akela, SVCW Engineering Director
Jessica Mangual, SVCW Secretary Pro Tem
Eric Hansen, SVCW Senior Engineer
EJ Shalaby, Senior Consultant, DNS Strategic Partners
Bill Tanner, Tanner Pacific, Inc.
Mike Jaeger, Tanner Pacific, Inc.
John Mahoney, Tanner Pacific, Inc.
Mark Minkowski, Kennedy/Jenks
Sheryl Chia, Kennedy/Jenks
Aren Hansen, Brown & Caldwell
Bob Donaldson, Collaborative Strategies
Derek Rampone, City of Redwood City
Molly Flowerday, City of Redwood City
Sergio Ramirez, West Bay Sanitary District
Ellen Clark, PFM
Lora Carpenter, Fieldman Rolapp
Robert Porr, Fieldman Rolapp

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**

Instructions for enabling live captioning on the remote meeting site were provided.

Safety Moment concerned tips for keeping your eyes healthy and staying safe in extreme heat.

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

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

There were no comments.

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

- A. APPROVAL OF MINUTES – July 20, 2020
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JULY 1, JULY 10, JULY 24, AND JULY 31, 2020 AND NECESSARY PAYMENTS THROUGH JULY 31, 2020
- C. CONSIDERATION OF RESOLUTION REVIEWING AND APPROVING 2020 CONFLICT OF INTEREST CODE FOR SILICON VALLEY CLEAN WATER

Proposed Action:

Move adoption of RESOLUTION REVIEWING AND APPROVING 2020 CONFLICT OF INTEREST CODE FOR SILICON VALLEY CLEAN WATER

- D. CONSIDERATION OF MOTION APPROVING CONTRACT CHANGE ORDER TO THE RESCU PROGRAM FRONT OF PLANT PROJECT (CIP #9502)

Proposed Action:

Move approval of CONTRACT CHANGE ORDER FOR THE FRONT OF PLANT PROJECT (CIP #9502) IN THE AMOUNT OF \$814,320 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – JFSHEA/PARSONS JOINT VENTURE

Motion/Second: Mr. Lieberman / Mr. Olbert

The Motion carried by Unanimous Roll Call Vote

ITEM 8A

CONSIDERATION OF RESOLUTION AND MOTION APPROVING MEMORANDUM OF AGREEMENT WITH U.S. FISH & WILDLIFE SERVICE (USFWS) FOR BENEFICIAL REUSE OF GRAVITY PIPELINE TUNNEL MUCK

Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING MEMORANDUM OF AGREEMENT WITH USFWS FOR BENEFICIAL REUSE OF TUNNEL MUCK FOR GRAVITY PIPELINE RESCU PROJECT
- ii. Move approval of QUALITY ASSURANCE TASK ORDER FOR GRAVITY PIPELINE PROJECT (CIP# 6008) IN AN AMOUNT NOT TO EXCEED \$132,272 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS - WRA INC.

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 8B

DISCUSS PUBLIC OUTREACH ACTIVITIES FOR SILICON VALLEY CLEAN WATER

An email was received from a member of the public on this item; it is included as an attachment to the minutes.

Discussion ensued and direction was provided to the Manager to continue working with the Redwood City Communications Manager with whom SVCW is contracting public information services.

ITEM 9

CLOSED SESSION

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code Section 54956.8
Property Description: 525 Skyway Road, San Carlos
SVCW Negotiators: Kim Hackett, Authority Engineer
Negotiating Parties: Samantha Bechtel, General Manager, Izzy's Steak House
Under Negotiation: Price and terms
- B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code Section 54956.8
Property Description: 525 Skyway Road, San Carlos
SVCW Negotiators: Kim Hackett, Authority Engineer
Negotiating Parties: City of San Carlos
Under Negotiation: Price and terms
- C. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Government Code Section 54956.9 (One Potential Case)

Prior to convening in Closed Session, SVCW General Counsel Christine C. Fitzgerald stated as follows: Pursuant to paragraph 2 of subdivision (e) of Govt Code Section 54956.9, the facts and circumstances supporting item 9C arise from SVCW's construction of the RESCU Program Pump Stations Improvements Project on a portion of property located on Skyway Road and owned by the City of San Carlos; Commissioner Olbert also recused himself from all Closed Session Agenda Items which relate to matters concerning property owned by the City of San Carlos, the SVCW Member Agency which he represents, based on a conflict of interest.

Closed Session was then called to order at 9:06 a.m.

ITEM 10

RECONVENE IN OPEN SESSION

Open Session reconvened at 10:15 a.m.

Ms. Fitzgerald reported that as to Items 9A, 9B, and 9C no reportable action was taken and Commission gave direction to staff and Counsel.

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 10:16 a.m.

Minutes prepared by Teresa A. Herrera
Reviewed by General Counsel

Warren Lieberman, Secretary

From: Jim Lewis
To: [Teresa Herrera](#)
Cc: aaguirre@redwoodcity.org; molbert@cityofsancarlos.org; wlieberman@belmont.gov; gotte@westbaysanitary.org; [Jessica Mangual](#)
Subject: Agenda Item 8-B: Public Outreach
Date: Thursday, August 13, 2020 6:09:12 PM

Honorable Chair Aguirre and Commission Members:

Thank you for placing the topic of Public Outreach on the agenda.

When the topic comes up in the meeting, kindly keep in mind a few thoughts, as follows:

1- DEMOCRACY

We are blessed to be living in a country in which the principal of a democracy exists. As you know, for this to flourish, Public Involvement is not only encouraged, but is essential. An informed public on topics in which their taxpayer dollars, their elected officials and policies that affect them are often enhanced by members of the public being informed and given the opportunity to participate. Although the topic of wastewater and related sewer matters are not generally a priority topic in the minds of many ratepayers, it nevertheless is a matter which involves huge sums of funds, affects the health and welfare of the community and is an essential service. As a result, this may provide the foundation to justify attention to this important topic.

2- AUDIO RECORDINGS

You are to be commended in offering an audio recording of the meetings. We have learned since this service began, how much the public has relied upon ZOOM, and equivalent, services. There is a benefit in being able to listen to the meeting. This helps to not only clarify topics, but educate on matters that are new or unfamiliar. It is terrific that you decided to offer this service. The cost has been minimal but the benefit is potentially significant. At some point, you may wish to consider ways to enhance the service, such as a "counter" on the number of folks that listen, along with asking Member Agencies to put on their websites links to this service.

3- DUPLICATION

It may be helpful to compile a list of ways member agencies are performing Public Outreach. Afterall, why reinvent the wheel when we can learn from one another. This principal may also apply to what other Treatment Plant facilities are doing both in the State of California and other key locations across the country. This information may already be available through active Trade Associations in which you are an active member. Learning what others are doing could potentially save considerable time and pave new ways in providing Public Outreach.

4- WEBSITE

I am pleased that the website is being updated. It is a service I frequently go to for answers. Having it more user friendly should result in it being even a better tool and source of information than before. I look forward to seeing the new website following its launch scheduled for sometime in the month of September. Frankly, it has been in the works for nearly a year.

5- EMAIL ADDRESS

May I suggest that SVCW make it easier for members of the public to send an email either to individual Commission members, or to all members with one email address. This may enhance feedback from those that care enough to write on a topic that is important to them.

6- OPEN HOUSE; PUBLIC TOURS

Although it is not possible during Covid times, when things settle down, it may help to inform the public on the important service you provide by sponsoring both a) an annual open house and b) regular public tours, perhaps on a semi-annual basis. These were stopped when the RESCU program began. To read or hear about what you do is no match for seeing it in person. This allows for active Q&A and a way to gain great appreciation of what you do, day in and day out - throughout the year. In the meantime, perhaps a video can be recorded.

7- SPEAKING BUREAU

Although management often meets with Member Agency Boards, you might consider establishing a Speaking Bureau to increase public awareness. For instance, talks at Service Clubs (Lions, Elks, Rotary, Kiwanis, etc.) could be considered, engineering classes at colleges and universities, one-day classes at community colleges and so could be much appreciated by those in attendance.

8- SOCIAL MEDIA

Although you have a delightful page on Facebook, spending resources to post on other social media may be a way to reach an entirely new group of people. Society seems to be moving in this direction for quick audio and video information. Checking with several law enforcement agencies, spending the resources to extend their reach on social media has paid dividends. Accordingly, it may be helpful to you as well.

BOTTOM LINE:

I've often heard it said, the public has not historically beatten the door down seeking information about Treatment Plant operations. This is an easy way to skirt the issue. Afterall, what comes first, the chicken or the egg. I believe government agencies have the responsibility to do their part in making the information readily available. It's then up to the public to choose what to do with it. This provides the opportunity, but without the obligation, for the public to become engaged. If topics don't seem controversial, it is likely that most will stay away. If something is spotted that looks of

interest, they may very well speak up.

Thank you for placing this item on the agenda. I look forward to learning your thoughts on the topic.

Respectfully,

Jim Lewis

AGENDA ITEM 7B

SVCW WARRANT REGISTER

SVCW Warrant Register dated July 30 – August 10, 2020 and August 11 - August 24, 2020, were scanned and a copy was emailed to Commissioners and Legal Counsel on September 17, 2020.

AGENDA ITEM 7C

**REVISION TO ADMINISTRATIVE POLICY 2017-01
STATEMENT OF DEBT MANAGEMENT POLICY**

ISSUE

Approve revisions to SVCW Administrative Policy 2017-01, Statement of Debt Management Policy

BACKGROUND

SVCW's Administrative Policy 2017-01, Debt Management Policy, establishes policies and procedures for the issuance and management of bonds, capital leases, and other forms of indebtedness, providing guidance to ensure for the issuance and management of the Authority's debt portfolio, with the goal of financing its capital improvement program in an equitable and low-cost way.

DISCUSSION

SVCW amends the Debt Management Policy to be consistent with changes in federal and state securities laws and pronouncements of the Securities and Exchange Commission. Amendments are also made to amend strategies as needed.

Proposed changes to the policy are attached and include:

- Grammatical and definition changes offered for clarity, and;
- Language needed to define how savings associated with debt refundings should be measured, and;
- Recognition that the SVCW Commission may, when appropriate, approve exceptions to the Debt Management Policy, and;
- Recognition of new Government Code Section 8855(k) requiring agencies to submit annual transparency reports for debt issued after January 21, 2017.

The SVCW Manager recommends approval of SVCW Administrative Policy 2017-01, Revision C, dated September 21, 2020.

FINANCIAL IMPACT

There are no direct financial impacts to this action.

RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION C TO ADMINISTRATIVE POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY

ADMINISTRATIVE POLICY NO. 2017-01

Approved by _____

Rev: BC

Rev Date: 01/28/2019 09/21/2020

Issue Date: 3/23/2017

Approved by Commission at Meeting of January 28, 2019 September 21, 2020 by Resolution No. SVCW 49-01-20-31

SUBJECT: Statement of Debt Management Policy

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

This Debt Management Policy (the "Policy") establishes the comprehensive policies and procedures for the issuance and management of bonds, capital leases, and other forms of indebtedness ("Debt") of Silicon Valley Clean Water (the "Authority", or "SVCW"). The purpose of the Policy is to identify Debt policy objectives, improve the quality of decision making processes, provide a basis for the determination of the appropriate structures, diversify SVCW's Debt portfolio, to the extent such is cost effective, to support its financial needs and to demonstrate a commitment to best practices in municipal debt management planning and execution.

This Policy provides guidelines for the issuance and management of the Authority's Debt portfolio. Adherence to the policy will help ensure that the Authority maintains a diversified Debt portfolio that supports its financing needs and minimizes the Authority's cost of funding.

The Commission of SVCW (the "Commission") may, in its sole discretion, approve Debt that deviates from this Policy, upon the recommendation of management. The failure of SVCW to comply with any provision of this Policy shall not affect the authorization or the validity or enforceability of any Debt that is otherwise issued in accordance with law. SVCW shall conduct an annual review and evaluation of this Policy. As appropriate, SVCW shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Chief Financial Officer ("CFO") deems necessary or desirable.

The Authority's overarching goal in issuing Debt is to respond to, and provide for, the funding of capital projects and other financing needs of the Authority's wastewater system while ensuring that Debt is issued and managed prudently. Additional Policy goals are to maintain appropriate Debt and debt service levels through collaborative long-term planning with the Member Agencies, as defined herein, and to maintain a sound fiscal position and protect the credit quality of SVCW.

The Authority believes that Debt can provide an equitable means of financing projects for customers of the Member Agencies and providing access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs if (i) it meets the goals of equitable treatment of all customers of the Member Agencies, respectively, both current and future; (ii) it provides for an effective means of paying for assets over their useful lives in lieu of paying for the

assets over a much shorter period with cash and thereby avoiding sharp spikes in customers' rates; (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iv) if there are other important policy reasons therefor.

POLICY:

CREATION AND GOVERNING PRINCIPLES

In the issuance and management of Debt, the Authority shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the key governing documents and certain Debt limitations.

GOVERNING LAWS

Joint Powers Act – The Authority is a Joint Exercise of Powers Authority (JPA) organized under the provisions of California law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The JPA Act gives the Authority the right to contract, construct works, and to incur indebtedness. The Authority shall comply with all constraints of the JPA Act.

Governance - The Authority is a JPA created by and among the City of Belmont, the City of Redwood City, the City of San Carlos and West Bay Sanitary District (the "Member Agencies"), all of which are located in Silicon Valley between the cities of San Francisco and San Jose. SVCW is governed by a four-member Commission consisting of one appointed member from each of the Members Agencies' elected governing bodies. The Authority was created through an agreement by and among the Member Agencies (the "JPA Agreement") to provide wastewater transmission, treatment and effluent disposal for the Member Agencies and to own and operate the related wastewater facility and all appurtenances related thereto. The Authority shall comply with all constraints of the JPA Agreement.

Federal Tax Law – The Authority shall issue and manage Debt in accordance with the limitations and constraints imposed by federal tax law, to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down tests, and arbitrage rebate limitations.

Securities Law – The Authority shall comply with the requirements of federal and state securities laws in offering Authority Debt and the Authority shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

ETHICAL STANDARDS GOVERNING CONDUCT

Member Agencies' representatives, management and Commissioners of the Authority, consultants, service providers, and underwriters to the Authority shall adhere to standards of conduct as stipulated by the California Political Reform Act, as applicable. All debt financing participants shall maintain the highest standards of professional conduct at all times, in accordance with MSRB Rules, including G-37. Additionally, all debt financing participants will assist Authority staff to achieve its goals and objectives as defined in this Policy; shall make cooperation

with Authority staff its highest priority and shall take reasonable actions to avoid conflicts of interest and immediately advise SVCW of possible conflicts of interest.

PERMITTED DEBT BY TYPE

The Authority may legally issue both short-term and long-term Debt, subject to the limitations of this Policy, using the debt instruments described below. The CFO, in consultation with the SVCW Manager, Authority General Counsel, Bond Counsel, and Municipal Advisor shall determine the most appropriate instrument for a proposed Debt issuance.

JPA Revenue Bonds – SVCW shall issue Limited Obligation Bonds to make proceeds available to finance the acquisition, construction and/or improvement of SVCW’s wastewater system. The obligations represent special limited obligations of SVCW which are payable solely from and secured solely by the Net Revenues (as such term is defined in the respective governing documents), pledged under the indenture consisting primarily of payments made by participating Member Agencies.

Lines of Credit - The Authority may enter into financing arrangements providing for interim cash liquidity through a source of funds that can be readily accessed by the Authority for capital needs. The period of a Line of Credit may not exceed five years from its issuance date. Commission action is sufficient to legally authorize the establishment of a line of credit.

Commercial Paper – SVCW may establish a commercial paper program (“Commercial Paper Program”) for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. A Commercial Paper Program may be utilized and commercial paper obligations will be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Commission. The Authority’s commercial paper shall be secured by amounts payable by the Member Agencies to the Authority under a lease, installment sale agreement, or a contract of indebtedness. The CFO shall provide a written report to the Commission twelve months following the initial issuance of commercial paper obligations and annually thereafter so long as there is any commercial paper outstanding. The report shall summarize the status of projects financed with commercial paper; and identifying any certificates of participation or other long term obligation refunding commercial paper obligations.

Capital Leases – Capital equipment and personal property SVCW may be eligible for capital lease financing. Eligible equipment must have per unit cost of at least \$100,000 unless it is an integral part of a system (such as a computer network) then the aggregate of the various components must be at least \$100,000. The useful life of the asset will be in excess of five years and at least 120% of the financing and refinancing term.

Bond Anticipation Notes – SVCW may issue short-term indebtedness (“BANs”) in anticipation of the issuance of revenue bonds. The BANs will have a final maturity not exceeding five years from the date of issuance.

Refunding Revenue Bonds – The Authority is authorized to issue refunding revenue bonds to refund outstanding Authority indebtedness pursuant to the State of California local agency refunding revenue bond law (Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California).

Loans – The Authority is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment. SVCW may enter into Loans with private financial institutions, or federal and state agencies.

Other Obligations - There may be special circumstances when other forms of financing are appropriately utilized by SVCW. SVCW will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, grant anticipation notes and judgment or settlement obligation bonds.

LIMITATIONS ON DEBT ISSUANCE

The CFO shall determine whether proposed Debt transactions comply with the Debt limitations prescribed by the Policy. Proposed Debt transactions that meet the limitations of the Policy will be subject to approval by resolution of the Commission as prescribed by state law. In the event the CFO determines any proposed Debt transaction exceeds the limits imposed by this Policy, the Commission may approve such transaction by majority vote.

Senior Lien Long-Term Debt – The Authority’s senior lien long-term Debt, for which revenues are pledged, shall be limited to that amount for which each participating Member Agency can generate wastewater revenues to the extent that (i) current year gross revenues sufficient to pay operations and maintenance costs and its allocable share of Authority Debt service and (ii) projected net revenues of each Member Agency are equal to 120% of the participating Member Agency’s allocable share of Authority Debt service. The calculation of Debt service coverage shall include amounts on hand in the unencumbered funds. The Authority will work collaboratively with the Member Agencies to structure Debt so as to achieve senior lien debt service coverage at the Member Agency level that will retain the strong credit ratings of the Authority’s Debt.

Short-Term Debt – Short-term Debt with a term to maturity of less than five years is issued to 1) provide for funding for assets that are short-lived but due to cost are more equitable to finance or 2) provide financing for the acquisition and/or construction of long-lived capital projects to be refunded by long-term Debt financing described above. Due to the size of the current funding requirements of the capital improvement program, (“CIP”), short-term debt may represent an amount equal to 30% of its total Debt at the time of issuance. SVCW will periodically assess this limitation and based upon the CIP or rating agency standards management may recommend changes to this Policy. The calculation of short-term Debt shall include variable rate demand obligations, the authorized amount of commercial paper, any notes/bonds with a final maturity equal to or less than five years. SVCW may exclude the principal from the 30% limitation if the Authority intends to pay such principal from the proceeds of bonds, notes or other obligations of the Authority or moneys other than Net Revenues.

Subordinate Lien Long-Term Debt - The Authority’s subordinate lien Debt, for which revenues are pledged, shall be limited to that amount for which current and projected net revenues of each

participating Member Agency can generate overall Debt service coverage of at least 100 percent.

Variable Rate Debt – The Authority is authorized to issue variable rate Debt including, but not limited to, public market indexed notes, indexed notes or loans placed directly with financial institutions and other alternative variable rate and market access products as well as traditional variable rate demand obligations backed by bank liquidity facilities. Prior to the issuance of variable rate Debt, the savings and other possible advantages compared to a fixed rate borrowing will be evaluated and a comparative analysis presented to the Commission as part of the approval process. Based upon rating agency standards, the Authority's variable rate Debt shall not exceed 30 percent of its total Debt at the time of issuance of any variable rate Debt.

Capital Equipment Leases - The outstanding aggregate principal amount of capitalized lease agreements in connection with equipment may not exceed \$5,000,000; however, such amount shall increase by five percent each fiscal year starting with fiscal year 2016/17. SVCW will monitor the amount of capital equipment lease outstanding and maximum limitation to ensure sufficient borrowing capacity.

PURPOSE FOR BORROWING

The Authority shall issue long term Debt (such Debt that has a final maturity of more than five years from its date of issuance) solely for the purpose of financing the cost of design, acquisition, and/or construction of wastewater system improvements in furtherance of the Authority's Capital Improvement Program ("CIP") or for refunding existing Debt. The Authority will not issue Debt to fund operations. The Authority shall issue short-term Debt only as provided for in this Policy.

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

The Authority shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and Debt service on its financial condition. To that end, the CFO shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows including capital expenditures and operating costs;
- Historic and projected fund balances, including the Operating Fund, the Rate Stabilization Fund, (if any), Pay-As-You-Go Fund, Debt Proceeds Fund, and Debt Service Reserve Fund, if any,
- Historic and projected Debt service coverage;
- The most efficient mix of funding sources (long-term Debt; short-term Debt, and cash);
- Projected revenue requirements; and
- Collaborative modeling with Member Agencies to establish projected rates and charges.

The following steps outline the Authority's approach to Debt management.

- The Authority will evaluate financing options annually as part of the update to the Long-Range Financial Plan capital project.
- The Authority will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of Debt.
- The Authority will issue Debt only in the case where there is an identified source of repayment. The Authority will work with its Member Agencies to reasonably demonstrate that (i) projected revenues are sufficient to pay for the forecasted operation and maintenance expenses and proposed Debt service together with all existing Debt service covered by such ~~fixed~~ revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for forecasted operations and maintenance expenses and the proposed Debt.
- Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the capital improvement plan and Long Range Financial Plan.
- Wastewater rates and charges will be set by each participating Member Agency at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay all operating and maintenance costs, to maintain sufficient operating reserves, and to pay Debt service costs, if necessary.

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

Appointment of Service Providers – The CFO shall solicit from time to time bids, quotes or proposals, including sole source proposals, for the following services on an as needed basis:

- **Municipal Advisor** – Service provider that ensures the Authority complies with all financial management procedures and policies and ensures successful closing for bond transactions. While serving as the Authority's municipal advisor, a firm may not also engage in the underwriting of the Authority bond issue for which that firm acts as municipal advisor. A firm may not switch roles (i.e., from municipal advisor to underwriter) after a financial transaction has begun. SVCW may determine to utilize the services of independent municipal advisor(s) and feasibility consultant(s) ("MA") on Debt financing when prudent. SVCW shall utilize a request for qualifications and/or request for proposals ("RFP") to select a pool of such municipal advisors to mitigate time constraints and reduce overhead costs of SVCW in procuring such services. Services shall be documented by contract and compensation shall be capped. Every MA shall be registered with the Municipal Securities Rulemaking Commission ("MSRB") and Securities and Exchange Commission ("SEC"). No municipal advisor shall serve as an underwriter on a transaction.
- **Bond and Tax Counsel** – Service provider that drafts appropriate documentation to ensure successful and timely closing and create valid and legally binding security for bond issues, and provide appropriate advice and take appropriate actions to ensure legal validity of bond issues under state and federal laws as applicable. The CFO and General Counsel shall

jointly select bond, tax and /or disclosure counsel (“Bond Counsel”) for each transaction. SVCW General Counsel shall periodically review the performance of Bond Counsel with SVCW management in terms of quality and timeliness of legal services.

- Disclosure Counsel – Service provider that drafts offering documentation in connection with the sale of debt to ensure compliance with all federal and state securities laws and regulations; provides appropriate legal opinions in connection with the offering documentation under state and federal laws as applicable. The CFO and General Counsel shall jointly select disclosure counsel (“Disclosure Counsel”) for each transaction. SVCW General Counsel shall periodically review the performance of Disclosure Counsel with SVCW management in terms of quality and timeliness of legal services.
- Rebate Consultant – A Rebate Consultant shall be selected by RFP for all tax-exempt long-term obligations for a set term with 1-year extensions. Rebate analyses will be performed annually on the anniversary of the issuance, or as determined by SVCW, by the Rebate Consultant.

Nothing in this Policy shall prevent the Authority from using the same law firm from acting as both Bond and Disclosure Counsel.

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

Unless otherwise justified and deemed necessary to minimize the costs and risks of the Authority’s bond issue, SVCW will proceed with the sale of Debt on a competitive basis.

Competitive Bid Method - Such bids may take the form of hand-delivered or electronically transmitted offers to purchase the Debt. Authority Debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the Authority provided the bid conforms to the official notice of sale.

Negotiated Bid Method – A negotiated bond issue will provide for the sale of Debt by negotiating the terms and conditions of the sale, including price, interest rates, credit facilities, underwriter or remarketing fees, and commissions. Examples of such sales include:

- Variable rate demand obligations;
- Commercial paper;
- An issue of debt so large that the number of potential bidders would be too limited to provide the Authority with truly competitive bids;
- An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and

- An issue of debt sold during a period of extreme market disruption or volatility.

Variable rate demand obligations, or commercial paper, would be expected to be issued by negotiated sale. SVCW shall retain a minimum of two broker/dealers or remarketing agents for each issuance of variable rate demand obligations, or commercial paper equal to or exceeding \$100 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the final maturity of any variable rate bonds provided that SVCW may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

Underwriters and Remarketing Agents shall be selected by SVCW through a request for proposal process for each transaction. The performance of Remarketing Agents shall be monitored on a monthly basis. SVCW may replace a remarketing agent or broker-dealer with notice at any time.

If bonds are sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees, and underwriting spreads. The Authority, with the assistance of its Municipal Advisor, shall evaluate the terms offered by the underwriter(s). Guidelines with respect to price, interest rates, fees, and underwriting spreads shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

If more than one underwriter is included in the negotiated sale of debt, the Authority shall establish appropriate levels of liability, participation and priority of orders. Such levels shall be based upon Authority policy with regards to the underwriting responsibility among the team members (Authority Staff and Counsel, Municipal Advisor and Bond and Disclosure Counsel), the desired allocation of total fees, and the desired distribution of bonds. Guidelines for establishing liability, participation, and priority of orders shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

The Authority shall, with the assistance of its Municipal Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriter(s), consistent with the previously negotiated terms and conditions;
- The allocation process complies with all MSRB regulations governing order priorities and allocations;
- The lead underwriter shall submit to the CFO a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The CFO shall require a post-sale analysis and reporting for each negotiated bond sale. The lead underwriter shall perform such analysis. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
- Results of comparable bond sales in the market at the time of the Authority's pricing;
- Detailed information on orders and allocation of bonds, by underwriting firm;
- Detailed information on final designations earned by each underwriter; and

- Summary of total compensation received by each underwriter.

Private Placements/Direct Loans - In the event the Authority chooses to proceed with a loan, or private placement of any form of Debt from a non-governmental entity, the Authority will issue a request for proposal seeking bids from responsible and credit-worthy financial institutions. The request for bids shall include a description of the project and terms and conditions of the financing in accordance with prudent financial and industry standards. The Authority may award the Debt solely based upon true-interest cost but may take into consideration call features, debt service structure and the requirement of any reserve fund requirements prior to making any award.

Structural Elements

Pledge of Revenues – The Authority’s pledge of revenues shall be determined for each debt issue depending upon the debt instrument. Revenue Bonds of the Authority shall be repaid from revenues received from the Member Agencies, as defined in the governing documents related to the applicable revenue bonds.

Maturity – The Authority may issue tax-exempt debt with an average equal to 100% of the useful life of the assets, if warranted the Authority may issue tax-exempt debt with an average life greater than 100% of the average useful life of the assets, but only in compliance with federal tax code requirements and with the express approval of the Commission. The final maturity of the debt should be no longer than 40 years; however, the Commission may expressly approve a final maturity longer than 40 years upon the recommendation of management. Factors to be considered when determining the final maturity of debt include: the average useful life of the assets being financed, relative level of interest rates, intergenerational equity and the year-to-year differential in interest rates.

Maturity Structure – The Authority’s long-term debt may include serial and term bonds. Other maturity structures may also be considered if they are consistent with prudent financial management practices.

Coupon Structure – Debt may include par, discount and premium obligations. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures taking into consideration market conditions and opportunities. For variable rate debt, the variable rate may be based on one of a number of commonly used interest rate indices and the index will be determined at the time of pricing.

Debt Service Structure – Debt service may be structured primarily on an approximate level (combined annual principal and interest) basis. Certain individual bond issues, such as refunding bonds, may have debt service that is not level. However, on an aggregate basis, the Authority will strive to structure debt on a level basis.

Redemption Features – In order to preserve flexibility and refunding opportunities, Authority Debt will generally be issued with call provisions. The Authority may consider calls that are shorter than traditional and/or non-call debt when warranted by market conditions and opportunities. For each transaction, the Authority will evaluate the efficiency of call provision alternatives.

Credit Enhancement – The Authority shall competitively procure credit enhancement for a sale of bonds if the CFO, in consultation with the Municipal Advisor and the lead underwriter, determines that it is cost effective to do so.

Senior/Subordinate Lien – The Authority may utilize both a senior and a subordinate lien structure. The choice of lien will be determined based on such factors as, including but not limited to, overall cost of debt, impact on debt service, impact on wastewater rates of the Member Agencies, and marketing considerations.

Debt Service Reserve Funds – The Authority shall provide a reserve fund as market conditions dictate. A reserve fund can be established to support each individual series of debt or as a common reserve that can support more than one debt issuances. The reserve fund is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a letter of credit or a Surety Policy.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction. The District will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

SVCW will secure underlying ratings on all publicly issued obligations from at least one of the nationally recognized statistical rating organizations, provided it is economic to do so. Investor preference with respect to the number of ratings assigned to a bond issuance can vary depending upon market conditions and global economic conditions. In light of such, the CFO, with the assistance of the Municipal Advisor, will recommend the number of credit ratings at an appropriate time prior to the approval of any issuance by the Commission. The Authority shall maintain the credit ratings on its debt through prudent fiscal management and consistent communications with the rating analysts. The CFO shall manage relationships with the rating analysts assigned to the Authority’s credit, using practical methods to disseminate information. Communication with the rating agencies may include one or more of the following:

- Full disclosure on an annual basis of the financial condition of the Authority and its Member Entities through publicly ~~ally~~-available documents;
- A formal presentation, as necessary to the rating agencies analysts, covering economic, financial, operational, and other issues that impact the Authority’s credit;
- Timely disclosure of major financial events that impact the Authority’s credit;
- Timely dissemination of the Comprehensive Annual Financial Report, following its acceptance by the Authority’s Commission;

- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the Wastewater Treatment Plant, as appropriate.

Bond Insurers

The CFO shall manage relationships with the bond insurers, to the extent any Debt is so insured, by providing appropriate information. Communication with other bond insurers shall be undertaken when the CFO, with the assistance of the Authority's Municipal Advisor, determines that credit enhancement is cost effective for a proposed bond issue.

Disclosure Reports – The Authority may make disclosure reports readily available to institutional investors, rating agencies and credit enhancers who have specific analysts assigned to review the Authority's credit. SVCW shall comply with all federal securities disclosure laws and strive to maintain good investor relations through the timely dissemination of pertinent and material financial information. SVCW will covenant to provide annual disclosure in accordance with SEC Rule 15c2-12. SVCW will also covenant to provide its annual disclosure report (the "Annual Report") no later than 270 days following the end of the fiscal year (currently March 31 based on the Authority's fiscal year end of June 30), but SVCW will strive to issue the Annual Report as soon as practical following any issuance of SVCW's annual Comprehensive Annual Financial Report ("CAFR"). The Annual Report, in addition to being posted in accordance with law, will also be posted at SVCW office of the CFO and be on file with the Treasurer. The Annual Report shall include CUSIPs, trustee and SVCW contacts, and applicable project status as required, for all transactions subject to annual reporting.

Website – The Authority shall use its website and affiliated investor relation links as a tool for providing timely information to investors. Investors should additionally refer to the Authority's timely filings of its continuing disclosure reports to the NRMSIRs, as herein defined.

PROCEDURE V. REFUNDING

The Authority shall strive to refinance Debt to maximize savings and minimize the cost of funds as market opportunities arise. A net present value analysis will be prepared that identifies the economic effects of any refunding to be proposed to the Commission. The Authority shall target a 3% net present value savings for Current Refunding transactions and 5% for Advanced Refunding transactions. A Current Refunding transaction is one which closes not more than ninety (90) days prior to the call date of the refunded Debt. An Advance Refunding transaction is one which closes more than (90) days prior to the call date of the refunded Debt. SVCW will use the refunding issue's arbitrage yield as the discount rate to calculate net present value savings for tax-exempt refundings and the true-interest costs for taxable refundings.

Upon the advice of the CFO, with the assistance of the Municipal Advisor and Bond Counsel, the Authority will consider undertaking refunding transactions for other than economic purposes, such as to restructure Debt, change the type of Debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable, or onerous covenants; such refunding transactions do not need to achieve any net present value savings.

Savings Thresholds – Minimum savings thresholds have been established to help guide the economic analysis of refunding bonds. The minimum savings guidelines are applicable on an overall basis and are expressed as a percentage of refunded bond par calculated by dividing the expected net present value savings generated by the proposed refunding by the par amount of refunded bonds.

In completing a refunding for net present value savings the CFO with the advice of the Municipal Advisor may take the following into consideration:

- **Coupon on Refunded Bond** – The CFO may take into consideration whether the coupon on the refunded bond is significantly higher or lower than the most common outstanding bond coupons.
- **Escrow Structuring** - The District shall strive to utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines. When evaluating the economic viability of an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in its refunding transactions. SVCW will strive to achieve an escrow efficiency between 70% and 80%; however, the Commission may expressly approve a refunding with lower escrow efficiency upon the recommendation of management. ‡The escrow efficiency is calculated by dividing the net present value savings by the sum of the net present value savings plus the negative arbitrage in the escrow.
- **General Interest Rate Environment** – The CFO may take into consideration whether the available refunding bond interest rates are generally high or generally low relative to long-term averages of historical rates.
- **General Interest Rate Outlook** – The CFO may take into consideration the general outlook for future interest rates, as derived from economic forecasts, market forecasts, implied forward rates, or other sources.
- **Debt Management Considerations** – The CFO may take into consideration debt management issues such as cost and staff efficiencies associated with combining multiple refunding bond issues or combining refunding and new money bond issues.
- **Call Date** – The CFO may take into consideration the amount of time between the pricing/closing date of the refunding Debt and the call date of the Debt to be refunded.
- **Final Maturity Date** – The CFO may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

PROCEDURE VI. REINVESTMENT OF PROCEEDS

General – The Authority shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the time period over which some bond proceeds may be invested. To the extent that a bond issue is credit enhanced, the Authority shall adhere to the investment guidelines of the credit enhancement provider.

Requirements of Indenture – The Authority will comply with all terms and conditions of the appropriate legal documents related to the Debt. Such limitations shall include, but not be limited to Permitted Investments in the indenture.

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

The Authority maintains a number of different funds integral to the long-range financial planning process. Each of these funds is held for a specific purpose and can generally be categorized as either an operating, capital or debt reserve fund. The Authority will comply with all requirements and limitations created under its Reserve Policy.

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

The Authority shall minimize the cost of arbitrage rebate and yield restrictions while strictly complying with tax law. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the Authority shall solicit the advice of Bond Counsel and other qualified experts about arbitrage rebate calculations. The Authority shall contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The Authority shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investment may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the Authority shall adhere to IRS rules on accounting allocations.

Post-Issuance Tax Compliance

The Authority shall comply with all federal tax code requirements and limitations to maintain the tax-exempt status of Authority Debt obligations or to maintain eligibility for direct pay subsidy payments, as applicable.

Continuing Disclosure

The Authority shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the Authority shall mirror certain selected information in any Authority Official Statement at the time of a primary

offering. Annual financial information will be sent by the Authority or its designated consultant, within nine months of the Authority's fiscal year end, to all Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) designated by the SEC and to the State Information Depository (SID), if one exists. This shall include:

- Audited Financial Statements; and
- Updated tables from the Official Statement, as detailed in the Continuing Disclosure Certificate.

In addition to annual disclosure, the Authority shall provide ongoing information about certain enumerated events, as defined by regulation, ("Material Events") to the NRMSIRs and to the SID.

The Authority shall engage a firm to assist it in ensuring timely completion and filing of annual reports and in identifying, and making timely filings with respect to, the occurrence of reportable enumerated events.

Legal Covenants

The Authority shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

PROCEDURE IX. DEBT DATABASE MANAGEMENT

The Authority shall maintain complete information on its outstanding Debt portfolio, in a spreadsheet or database program format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions
- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriter(s) Members

The Authority shall use the Debt database for the following purposes:

- Generate reports
- Gross annual Debt service

- Net annual Debt service
- Refunding Analyses
- Output to Fund Accounting System

PROCEDURE X. MISCELLANEOUS

Primary responsibility for Debt management rests with the CFO. The CFO shall:

- Provide for the issuance of Authority Debt at its lowest possible cost and risk;
- Determine the available Debt capacity of the Authority;
- Provide for the issuance of Authority Debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the Commission the method and manner of sale of Authority Debt;
- Monitor opportunities to refund Debt and recommend any such refunding as appropriate to reduce costs or to achieve other policy objectives;
- Comply with all Internal Revenue Service (“IRS”), Municipal Securities Rulemaking Board (“MSRB”), and Securities and Exchange Commission (“SEC”) rules and regulations governing the issuance of Debt;
- Maintain a current database with all outstanding Debt;
- Provide for the timely payment of principal and interest on all Debt;
- Comply with all terms and conditions, and disclosure required by the legal documents governing the Debt issued;
- Submit to the Commission all recommendations to issue Debt in accordance with this Policy;
- Distribute to appropriate repositories information regarding the Authority’s financial condition and affairs at such times and in the form required by law, regulation and general practice;
- Provide for the frequent distribution of pertinent information to the rating agencies; and
- Apply and promote prudent fiscal practices.

Internal Controls

In order to comply with the following internal controls, the CFO, SVCW Manager, and the Authority Chief Engineer shall share responsibility to assure that disbursements are made only after each request for disbursement is substantiated with appropriate invoices, requisitions and other supporting documentation. Each of the aforementioned shall thoroughly review any request for disbursement and may request further documentation as may be deemed appropriate.

- To ensure that proceeds of any Debt issued in accordance with its governing documents and this Policy, no disbursements shall be made without the written approval of the CFO and SVCW Manager. The draw request shall be provided to the Authority’s Engineering

Department by the Contractor. Approval shall only be provided when the CFO is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and / or contractors evidencing appropriate expenses in connection with the project.

- In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the Authority, the Authority may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

The Authority shall also comply with Government Code Section 5852.1 (SB 450) by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of bonds.

Pursuant to Government Code section 8855(k), the Authority will submit annual debt transparency reports for any debt for which it has submitted a report of final sale on or after January 21, 2017 every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent.

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Approval by the Commission

The Commission may waive any policy requirements based upon the recommendation of Management after consulting with its Municipal Advisor. All long-term and short-term financing transactions shall be approved by resolution of the Commission.

- Revenue Bonds: All issuances of special limited obligation revenue bonds shall be authorized by resolution of the Commission.
- Capital Leases: All capital leases financing capital equipment with a term exceeding five years and requiring anticipated expenditures by SVCW exceeding \$100,000 shall be authorized by resolution or ordinance of the Commission by majority vote.
- Refunding Obligations: The Commission is authorized to provide for the issuance of Debt for the purpose of refunding any limited obligation bond.

Approved by Commission at Meeting of September 21, 2020 by Resolution No. SVCW 20-31

SUBJECT: **Statement of Debt Management Policy**

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

This Debt Management Policy (the “Policy”) establishes the comprehensive policies and procedures for the issuance and management of bonds, capital leases, and other forms of indebtedness (“Debt”) of Silicon Valley Clean Water (the “Authority”, or “SVCW”) The purpose of the Policy is to identify Debt policy objectives, improve the quality of decision making processes, provide a basis for the determination of the appropriate structures, diversify SVCW’s Debt portfolio, to the extent such is cost effective, to support its financial needs and to demonstrate a commitment to best practices in municipal debt management planning and execution.

This Policy provides guidelines for the issuance and management of the Authority’s Debt portfolio. Adherence to the policy will help ensure that the Authority maintains a diversified Debt portfolio that supports its financing needs and minimizes the Authority’s cost of funding.

The Commission of SVCW (the “Commission”) may, in its sole discretion, approve Debt that deviates from this Policy, upon the recommendation of management. The failure of SVCW to comply with any provision of this Policy shall not affect the authorization or the validity or enforceability of any Debt that is otherwise issued in accordance with law. SVCW shall conduct an annual review and evaluation of this Policy. As appropriate, SVCW shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Chief Financial Officer (“CFO”) deems necessary or desirable.

The Authority’s overarching goal in issuing Debt is to respond to, and provide for, the funding of capital projects and other financing needs of the Authority’s wastewater system while ensuring that Debt is issued and managed prudently. Additional Policy goals are to maintain appropriate Debt and debt service levels through collaborative long-term planning with the Member Agencies, as defined herein, and to maintain a sound fiscal position and protect the credit quality of SVCW.

The Authority believes that Debt can provide an equitable means of financing projects for customers of the Member Agencies and providing access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs if (i) it meets the goals of equitable treatment of all customers of the Member Agencies, respectively, both current and future; (ii) it provides for an effective means of paying for assets over their useful lives in lieu of paying for the assets over a much shorter period with cash and thereby avoiding sharp spikes in customers’ rates;

- (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and
- (iv) if there are other important policy reasons therefor.

POLICY:

CREATION AND GOVERNING PRINCIPLES

In the issuance and management of Debt, the Authority shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the key governing documents and certain Debt limitations.

GOVERNING LAWS

Joint Powers Act – The Authority is a Joint Exercise of Powers Authority (JPA) organized under the provisions of California law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The JPA Act gives the Authority the right to contract, construct works, and to incur indebtedness. The Authority shall comply with all constraints of the JPA Act.

Governance - The Authority is a JPA created by and among the City of Belmont, the City of Redwood City, the City of San Carlos and West Bay Sanitary District (the “Member Agencies”), all of which are located in Silicon Valley between the cities of San Francisco and San Jose. SVCW is governed by a four-member Commission consisting of one appointed member from each of the Members Agencies’ elected governing bodies. The Authority was created through an agreement by and among the Member Agencies (the “JPA Agreement”) to provide wastewater transmission, treatment and effluent disposal for the Member Agencies and to own and operate the related wastewater facility and all appurtenances related thereto. The Authority shall comply with all constraints of the JPA Agreement.

Federal Tax Law – The Authority shall issue and manage Debt in accordance with the limitations and constraints imposed by federal tax law, to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down tests, and arbitrage rebate limitations.

Securities Law – The Authority shall comply with the requirements of federal and state securities laws in offering Authority Debt and the Authority shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

ETHICAL STANDARDS GOVERNING CONDUCT

Member Agencies’ representatives, management and Commissioners of the Authority, consultants, service providers, and underwriters to the Authority shall adhere to standards of conduct as stipulated by the California Political Reform Act, as applicable. All debt financing participants shall maintain the highest standards of professional conduct at all times, in accordance with MSRB Rules, including G-37. Additionally, all debt financing participants will assist Authority staff to achieve its goals and objectives as defined in this Policy; shall make cooperation

with Authority staff its highest priority and shall take reasonable actions to avoid conflicts of interest and immediately advise SVCW of possible conflicts of interest.

PERMITTED DEBT BY TYPE

The Authority may legally issue both short-term and long-term Debt, subject to the limitations of this Policy, using the debt instruments described below. The CFO, in consultation with the SVCW Manager, Authority General Counsel, Bond Counsel, and Municipal Advisor shall determine the most appropriate instrument for a proposed Debt issuance.

JPA Revenue Bonds – SVCW shall issue Limited Obligation Bonds to make proceeds available to finance the acquisition, construction and/or improvement of SVCW’s wastewater system. The obligations represent special limited obligations of SVCW which are payable solely from and secured solely by the Net Revenues (as such term is defined in the respective governing documents), pledged under the indenture consisting primarily of payments made by participating Member Agencies.

Lines of Credit - The Authority may enter into financing arrangements providing for interim cash liquidity through a source of funds that can be readily accessed by the Authority for capital needs. The period of a Line of Credit may not exceed five years from its issuance date. Commission action is sufficient to legally authorize the establishment of a line of credit.

Commercial Paper – SVCW may establish a commercial paper program (“Commercial Paper Program”) for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. A Commercial Paper Program may be utilized and commercial paper obligations will be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Commission. The Authority’s commercial paper shall be secured by amounts payable by the Member Agencies to the Authority under a lease, installment sale agreement, or a contract of indebtedness. The CFO shall provide a written report to the Commission twelve months following the initial issuance of commercial paper obligations and annually thereafter so long as there is any commercial paper outstanding. The report shall summarize the status of projects financed with commercial paper; and identifying any certificates of participation or other long term obligation refunding commercial paper obligations.

Capital Leases – Capital equipment and personal property SVCW may be eligible for capital lease financing. Eligible equipment must have per unit cost of at least \$100,000 unless it is an integral part of a system (such as a computer network) then the aggregate of the various components must be at least \$100,000. The useful life of the asset will be in excess of five years and at least 120% of the financing and refinancing term.

Bond Anticipation Notes – SVCW may issue short-term indebtedness (“BANs”) in anticipation of the issuance of revenue bonds. The BANs will have a final maturity not exceeding five years from the date of issuance.

Refunding Revenue Bonds – The Authority is authorized to issue refunding revenue bonds to refund outstanding Authority indebtedness pursuant to the State of California local agency refunding revenue bond law (Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California).

Loans – The Authority is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment. SVCW may enter into Loans with private financial institutions, or federal and state agencies.

Other Obligations - There may be special circumstances when other forms of financing are appropriately utilized by SVCW. SVCW will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, grant anticipation notes and judgment or settlement obligation bonds.

LIMITATIONS ON DEBT ISSUANCE

The CFO shall determine whether proposed Debt transactions comply with the Debt limitations prescribed by the Policy. Proposed Debt transactions that meet the limitations of the Policy will be subject to approval by resolution of the Commission as prescribed by state law. In the event the CFO determines any proposed Debt transaction exceeds the limits imposed by this Policy, the Commission may approve such transaction by majority vote.

Senior Lien Long-Term Debt – The Authority’s senior lien long-term Debt, for which revenues are pledged, shall be limited to that amount for which each participating Member Agency can generate wastewater revenues to the extent that (i) current year gross revenues sufficient to pay operations and maintenance costs and its allocable share of Authority Debt service and (ii) projected net revenues of each Member Agency are equal to 120% of the participating Member Agency’s allocable share of Authority Debt service. The calculation of Debt service coverage shall include amounts on hand in the unencumbered funds. The Authority will work collaboratively with the Member Agencies to structure Debt so as to achieve senior lien debt service coverage at the Member Agency level that will retain the strong credit ratings of the Authority’s Debt.

Short-Term Debt – Short-term Debt with a term to maturity of less than five years is issued to 1) provide for funding for assets that are short-lived but due to cost are more equitable to finance or 2) provide financing for the acquisition and/or construction of long-lived capital projects to be refunded by long-term Debt financing described above. Due to the size of the current funding requirements of the capital improvement program, (“CIP”), short-term debt may represent an amount equal to 30% of its total Debt at the time of issuance. SVCW will periodically assess this limitation and based upon the CIP or rating agency standards management may recommend changes to this Policy. The calculation of short-term Debt shall include variable rate demand obligations, the authorized amount of commercial paper, any notes/bonds with a final maturity equal to or less than five years. SVCW may exclude the principal from the 30% limitation if the Authority intends to pay such principal from the proceeds of bonds, notes or other obligations of the Authority or moneys other than Net Revenues.

Subordinate Lien Long-Term Debt - The Authority’s subordinate lien Debt, for which revenues are pledged, shall be limited to that amount for which current and projected net revenues of each

participating Member Agency can generate overall Debt service coverage of at least 100 percent.

Variable Rate Debt – The Authority is authorized to issue variable rate Debt including, but not limited to, public market indexed notes, indexed notes or loans placed directly with financial institutions and other alternative variable rate and market access products as well as traditional variable rate demand obligations backed by bank liquidity facilities. Prior to the issuance of variable rate Debt, the savings and other possible advantages compared to a fixed rate borrowing will be evaluated and a comparative analysis presented to the Commission as part of the approval process. Based upon rating agency standards, the Authority’s variable rate Debt shall not exceed 30 percent of its total Debt at the time of issuance of any variable rate Debt.

Capital Equipment Leases - The outstanding aggregate principal amount of capitalized lease agreements in connection with equipment may not exceed \$5,000,000; however, such amount shall increase by five percent each fiscal year starting with fiscal year 2016/17. SVCW will monitor the amount of capital equipment lease outstanding and maximum limitation to ensure sufficient borrowing capacity.

PURPOSE FOR BORROWING

The Authority shall issue long term Debt (such Debt that has a final maturity of more than five years from its date of issuance) solely for the purpose of financing the cost of design, acquisition, and/or construction of wastewater system improvements in furtherance of the Authority’s Capital Improvement Program (“CIP”) or for refunding existing Debt. The Authority will not issue Debt to fund operations. The Authority shall issue short-term Debt only as provided for in this Policy.

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

The Authority shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and Debt service on its financial condition. To that end, the CFO shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows including capital expenditures and operating costs;
- Historic and projected fund balances, including the Operating Fund, the Rate Stabilization Fund, (if any), Pay-As-You-Go Fund, Debt Proceeds Fund, and Debt Service Reserve Fund, if any,
- Historic and projected Debt service coverage;
- The most efficient mix of funding sources (long-term Debt; short-term Debt, and cash);
- Projected revenue requirements; and
- Collaborative modeling with Member Agencies to establish projected rates and charges.

The following steps outline the Authority's approach to Debt management.

- The Authority will evaluate financing options annually as part of the update to the Long-Range Financial Plan capital project.
- The Authority will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of Debt.
- The Authority will issue Debt only in the case where there is an identified source of repayment. The Authority will work with its Member Agencies to reasonably demonstrate that (i) projected revenues are sufficient to pay for the forecasted operation and maintenance expenses and proposed Debt service together with all existing Debt service covered by such revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for forecasted operations and maintenance expenses and the proposed Debt.
- Debt issuance for a capital project will not be considered unless such issuance has been incorporated into the capital improvement plan and Long Range Financial Plan.
- Wastewater rates and charges will be set by each participating Member Agency at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay all operating and maintenance costs, to maintain sufficient operating reserves, and to pay Debt service costs, if necessary.

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

Appointment of Service Providers – The CFO shall solicit from time to time bids, quotes or proposals, including sole source proposals, for the following services on an as needed basis:

- **Municipal Advisor** – Service provider that ensures the Authority complies with all financial management procedures and policies and ensures successful closing for bond transactions. While serving as the Authority's municipal advisor, a firm may not also engage in the underwriting of the Authority bond issue for which that firm acts as municipal advisor. A firm may not switch roles (i.e., from municipal advisor to underwriter) after a financial transaction has begun. SVCW may determine to utilize the services of independent municipal advisor(s) and feasibility consultant(s) ("MA") on Debt financing when prudent. SVCW shall utilize a request for qualifications and/or request for proposals ("RFP") to select a pool of such municipal advisors to mitigate time constraints and reduce overhead costs of SVCW in procuring such services. Services shall be documented by contract and compensation shall be capped. Every MA shall be registered with the Municipal Securities Rulemaking Commission ("MSRB") and Securities and Exchange Commission ("SEC"). No municipal advisor shall serve as an underwriter on a transaction.
- **Bond and Tax Counsel** – Service provider that drafts appropriate documentation to ensure successful and timely closing and create valid and legally binding security for bond issues, and provide appropriate advice and take appropriate actions to ensure legal validity of bond issues under state and federal laws as applicable. The CFO and General Counsel shall

jointly select bond, tax and /or disclosure counsel (“Bond Counsel”) for each transaction. SVCW General Counsel shall periodically review the performance of Bond Counsel with SVCW management in terms of quality and timeliness of legal services.

- **Disclosure Counsel** – Service provider that drafts offering documentation in connection with the sale of debt to ensure compliance with all federal and state securities laws and regulations; provides appropriate legal opinions in connection with the offering documentation under state and federal laws as applicable. The CFO and General Counsel shall jointly select disclosure counsel (“Disclosure Counsel”) for each transaction. SVCW General Counsel shall periodically review the performance of Disclosure Counsel with SVCW management in terms of quality and timeliness of legal services.
- **Rebate Consultant** – A Rebate Consultant shall be selected by RFP for all tax-exempt long-term obligations for a set term with 1-year extensions. Rebate analyses will be performed annually on the anniversary of the issuance, or as determined by SVCW, by the Rebate Consultant.

Nothing in this Policy shall prevent the Authority from using the same law firm from acting as both Bond and Disclosure Counsel.

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

Unless otherwise justified and deemed necessary to minimize the costs and risks of the Authority’s bond issue, SVCW will proceed with the sale of Debt on a competitive basis.

Competitive Bid Method - Such bids may take the form of hand-delivered or electronically transmitted offers to purchase the Debt. Authority Debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the Authority provided the bid conforms to the official notice of sale.

Negotiated Bid Method – A negotiated bond issue will provide for the sale of Debt by negotiating the terms and conditions of the sale, including price, interest rates, credit facilities, underwriter or remarketing fees, and commissions. Examples of such sales include:

- Variable rate demand obligations;
- Commercial paper;
- An issue of debt so large that the number of potential bidders would be too limited to provide the Authority with truly competitive bids;
- An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and

- An issue of debt sold during a period of extreme market disruption or volatility.

Variable rate demand obligations, or commercial paper, would be expected to be issued by negotiated sale. SVCW shall retain a minimum of two broker/dealers or remarketing agents for each issuance of variable rate demand obligations, or commercial paper equal to or exceeding \$100 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the final maturity of any variable rate bonds provided that SVCW may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

Underwriters and Remarketing Agents shall be selected by SVCW through a request for proposal process for each transaction. The performance of Remarketing Agents shall be monitored on a monthly basis. SVCW may replace a remarketing agent or broker-dealer with notice at any time.

If bonds are sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees, and underwriting spreads. The Authority, with the assistance of its Municipal Advisor, shall evaluate the terms offered by the underwriter(s). Guidelines with respect to price, interest rates, fees, and underwriting spreads shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

If more than one underwriter is included in the negotiated sale of debt, the Authority shall establish appropriate levels of liability, participation and priority of orders. Such levels shall be based upon Authority policy with regards to the underwriting responsibility among the team members (Authority Staff and Counsel, Municipal Advisor and Bond and Disclosure Counsel), the desired allocation of total fees, and the desired distribution of bonds. Guidelines for establishing liability, participation, and priority of orders shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

The Authority shall, with the assistance of its Municipal Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriter(s), consistent with the previously negotiated terms and conditions;
- The allocation process complies with all MSRB regulations governing order priorities and allocations;
- The lead underwriter shall submit to the CFO a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The CFO shall require a post-sale analysis and reporting for each negotiated bond sale. The lead underwriter shall perform such analysis. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
- Results of comparable bond sales in the market at the time of the Authority's pricing;
- Detailed information on orders and allocation of bonds, by underwriting firm;
- Detailed information on final designations earned by each underwriter; and

- Summary of total compensation received by each underwriter.

Private Placements/Direct Loans - In the event the Authority chooses to proceed with a loan, or private placement of any form of Debt from a non-governmental entity, the Authority will issue a request for proposal seeking bids from responsible and credit-worthy financial institutions. The request for bids shall include a description of the project and terms and conditions of the financing in accordance with prudent financial and industry standards. The Authority may award the Debt solely based upon true-interest cost but may take into consideration call features, debt service structure and the requirement of any reserve fund requirements prior to making any award.

Structural Elements

Pledge of Revenues – The Authority’s pledge of revenues shall be determined for each debt issue depending upon the debt instrument. Revenue Bonds of the Authority shall be repaid from revenues received from the Member Agencies, as defined in the governing documents related to the applicable revenue bonds.

Maturity – The Authority may issue tax-exempt debt with an average equal to 100% of the useful life of the assets, if warranted the Authority may issue tax-exempt debt with an average life greater than 100% of the average useful life of the assets, but only in compliance with federal tax code requirements and with the express approval of the Commission. The final maturity of the debt should be no longer than 40 years; however, the Commission may expressly approve a final maturity longer than 40 years upon the recommendation of management. Factors to be considered when determining the final maturity of debt include: the average useful life of the assets being financed, relative level of interest rates, intergenerational equity and the year-to-year differential in interest rates.

Maturity Structure – The Authority’s long-term debt may include serial and term bonds. Other maturity structures may also be considered if they are consistent with prudent financial management practices.

Coupon Structure – Debt may include par, discount and premium obligations. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures taking into consideration market conditions and opportunities. For variable rate debt, the variable rate may be based on one of a number of commonly used interest rate indices and the index will be determined at the time of pricing.

Debt Service Structure – Debt service may be structured primarily on an approximate level (combined annual principal and interest) basis. Certain individual bond issues, such as refunding bonds, may have debt service that is not level. However, on an aggregate basis, the Authority will strive to structure debt on a level basis.

Redemption Features – In order to preserve flexibility and refunding opportunities, Authority Debt will generally be issued with call provisions. The Authority may consider calls that are shorter than traditional and/or non-call debt when warranted by market conditions and opportunities. For each transaction, the Authority will evaluate the efficiency of call provision alternatives.

Credit Enhancement – The Authority shall competitively procure credit enhancement for a sale of bonds if the CFO, in consultation with the Municipal Advisor and the lead underwriter, determines that it is cost effective to do so.

Senior/Subordinate Lien – The Authority may utilize both a senior and a subordinate lien structure. The choice of lien will be determined based on such factors as, including but not limited to, overall cost of debt, impact on debt service, impact on wastewater rates of the Member Agencies, and marketing considerations.

Debt Service Reserve Funds – The Authority shall provide a reserve fund as market conditions dictate. A reserve fund can be established to support each individual series of debt or as a common reserve that can support more than one debt issuances. The reserve fund is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a letter of credit or a Surety Policy.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction. The District will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

SVCW will secure underlying ratings on all publicly issued obligations from at least one of the nationally recognized statistical rating organizations, provided it is economic to do so. Investor preference with respect to the number of ratings assigned to a bond issuance can vary depending upon market conditions and global economic conditions. In light of such, the CFO, with the assistance of the Municipal Advisor, will recommend the number of credit ratings at an appropriate time prior to the approval of any issuance by the Commission. The Authority shall maintain the credit ratings on its debt through prudent fiscal management and consistent communications with the rating analysts. The CFO shall manage relationships with the rating analysts assigned to the Authority’s credit, using practical methods to disseminate information. Communication with the rating agencies may include one or more of the following:

- Full disclosure on an annual basis of the financial condition of the Authority and its Member Entities through publicly available documents;
- A formal presentation, as necessary to the rating agencies analysts, covering economic, financial, operational, and other issues that impact the Authority’s credit;
- Timely disclosure of major financial events that impact the Authority’s credit;
- Timely dissemination of the Comprehensive Annual Financial Report, following its acceptance by the Authority’s Commission;

- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the Wastewater Treatment Plant, as appropriate.

Bond Insurers

The CFO shall manage relationships with the bond insurers, to the extent any Debt is so insured, by providing appropriate information. Communication with other bond insurers shall be undertaken when the CFO, with the assistance of the Authority's Municipal Advisor, determines that credit enhancement is cost effective for a proposed bond issue.

Disclosure Reports – The Authority may make disclosure reports readily available to institutional investors, rating agencies and credit enhancers who have specific analysts assigned to review the Authority's credit. SVCW shall comply with all federal securities disclosure laws and strive to maintain good investor relations through the timely dissemination of pertinent and material financial information. SVCW will covenant to provide annual disclosure in accordance with SEC Rule 15c2-12. SVCW will also covenant to provide its annual disclosure report (the "Annual Report") no later than 270 days following the end of the fiscal year (currently March 31 based on the Authority's fiscal year end of June 30), but SVCW will strive to issue the Annual Report as soon as practical following any issuance of SVCW's annual Comprehensive Annual Financial Report ("CAFR"). The Annual Report, in addition to being posted in accordance with law, will also be posted at SVCW office of the CFO and be on file with the Treasurer. The Annual Report shall include CUSIPs, trustee and SVCW contacts, and applicable project status as required, for all transactions subject to annual reporting.

Website – The Authority shall use its website and affiliated investor relation links as a tool for providing timely information to investors. Investors should additionally refer to the Authority's timely filings of its continuing disclosure reports to the NRMSIRs, as herein defined.

PROCEDURE V. REFUNDING

The Authority shall strive to refinance Debt to maximize savings and minimize the cost of funds as market opportunities arise. A net present value analysis will be prepared that identifies the economic effects of any refunding to be proposed to the Commission. The Authority shall target a 3% net present value savings for Current Refunding transactions and 5% for Advanced Refunding transactions. A Current Refunding transaction is one which closes not more than ninety (90) days prior to the call date of the refunded Debt. An Advance Refunding transaction is one which closes more than (90) days prior to the call date of the refunded Debt. SVCW will use the refunding issue's arbitrage yield as the discount rate to calculate net present value savings for tax-exempt refundings and the true-interest costs for taxable refundings.

Upon the advice of the CFO, with the assistance of the Municipal Advisor and Bond Counsel, the Authority will consider undertaking refunding transactions for other than economic purposes, such as to restructure Debt, change the type of Debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable, or onerous covenants; such refunding transactions do not need to achieve any net present value savings.

Savings Thresholds – Minimum savings thresholds have been established to help guide the economic analysis of refunding bonds. The minimum savings guidelines are applicable on an overall basis and are expressed as a percentage of refunded bond par calculated by dividing the expected net present value savings generated by the proposed refunding by the par amount of refunded bonds.

In completing a refunding for net present value savings the CFO with the advice of the Municipal Advisor may take the following into consideration:

- **Coupon on Refunded Bond** – The CFO may take into consideration whether the coupon on the refunded bond is significantly higher or lower than the most common outstanding bond coupons.
- **Escrow Structuring** - The District shall strive to utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines. When evaluating the economic viability of an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in its refunding transactions. SVCW will strive to achieve an escrow efficiency between 70% and 80%; however, the Commission may expressly approve a refunding with lower escrow efficiency upon the recommendation of management. The escrow efficiency is calculated by dividing the net present value savings by the sum of the net present value savings plus the negative arbitrage in the escrow.
- **General Interest Rate Environment** – The CFO may take into consideration whether the available refunding bond interest rates are generally high or generally low relative to long-term averages of historical rates.
- **General Interest Rate Outlook** – The CFO may take into consideration the general outlook for future interest rates, as derived from economic forecasts, market forecasts, implied forward rates, or other sources.
- **Debt Management Considerations** – The CFO may take into consideration debt management issues such as cost and staff efficiencies associated with combining multiple refunding bond issues or combining refunding and new money bond issues.
- **Call Date** – The CFO may take into consideration the amount of time between the pricing/closing date of the refunding Debt and the call date of the Debt to be refunded.
- **Final Maturity Date** – The CFO may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

PROCEDURE VI. REINVESTMENT OF PROCEEDS

General – The Authority shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the time period over which some bond proceeds may be invested. To the extent that a bond issue is credit enhanced, the Authority shall adhere to the investment guidelines of the credit enhancement provider.

Requirements of Indenture – The Authority will comply with all terms and conditions of the appropriate legal documents related to the Debt. Such limitations shall include, but not be limited to Permitted Investments in the indenture.

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

The Authority maintains a number of different funds integral to the long-range financial planning process. Each of these funds is held for a specific purpose and can generally be categorized as either an operating, capital or debt reserve fund. The Authority will comply with all requirements and limitations created under its Reserve Policy.

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

The Authority shall minimize the cost of arbitrage rebate and yield restrictions while strictly complying with tax law. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the Authority shall solicit the advice of Bond Counsel and other qualified experts about arbitrage rebate calculations. The Authority shall contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The Authority shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investment may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the Authority shall adhere to IRS rules on accounting allocations.

Post-Issuance Tax Compliance

The Authority shall comply with all federal tax code requirements and limitations to maintain the tax-exempt status of Authority Debt obligations or to maintain eligibility for direct pay subsidy payments, as applicable.

Continuing Disclosure

The Authority shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the Authority shall mirror certain selected information in any Authority Official Statement at the time of a primary

offering. Annual financial information will be sent by the Authority or its designated consultant, within nine months of the Authority's fiscal year end, to all Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) designated by the SEC and to the State Information Depository (SID), if one exists. This shall include:

- Audited Financial Statements; and
- Updated tables from the Official Statement, as detailed in the Continuing Disclosure Certificate.

In addition to annual disclosure, the Authority shall provide ongoing information about certain enumerated events, as defined by regulation, ("Material Events") to the NRMSIRs and to the SID.

The Authority shall engage a firm to assist it in ensuring timely completion and filing of annual reports and in identifying, and making timely filings with respect to, the occurrence of reportable enumerated events.

Legal Covenants

The Authority shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

PROCEDURE IX. DEBT DATABASE MANAGEMENT

The Authority shall maintain complete information on its outstanding Debt portfolio, in a spreadsheet or database program format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions
- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriter(s) Members

The Authority shall use the Debt database for the following purposes:

- Generate reports
- Gross annual Debt service

- Net annual Debt service
- Refunding Analyses
- Output to Fund Accounting System

PROCEDURE X. MISCELLANEOUS

Primary responsibility for Debt management rests with the CFO. The CFO shall:

- Provide for the issuance of Authority Debt at its lowest possible cost and risk;
- Determine the available Debt capacity of the Authority;
- Provide for the issuance of Authority Debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the Commission the method and manner of sale of Authority Debt;
- Monitor opportunities to refund Debt and recommend any such refunding as appropriate to reduce costs or to achieve other policy objectives;
- Comply with all Internal Revenue Service (“IRS”), Municipal Securities Rulemaking Board (“MSRB”), and Securities and Exchange Commission (“SEC”) rules and regulations governing the issuance of Debt;
- Maintain a current database with all outstanding Debt;
- Provide for the timely payment of principal and interest on all Debt;
- Comply with all terms and conditions, and disclosure required by the legal documents governing the Debt issued;
- Submit to the Commission all recommendations to issue Debt in accordance with this Policy;
- Distribute to appropriate repositories information regarding the Authority’s financial condition and affairs at such times and in the form required by law, regulation and general practice;
- Provide for the frequent distribution of pertinent information to the rating agencies; and
- Apply and promote prudent fiscal practices.

Internal Controls

In order to comply with the following internal controls, the CFO, SVCW Manager, and the Authority Chief Engineer shall share responsibility to assure that disbursements are made only after each request for disbursement is substantiated with appropriate invoices, requisitions and other supporting documentation. Each of the aforementioned shall thoroughly review any request for disbursement and may request further documentation as may be deemed appropriate.

- To ensure that proceeds of any Debt issued in accordance with its governing documents and this Policy, no disbursements shall be made without the written approval of the CFO and SVCW Manager. The draw request shall be provided to the Authority’s Engineering

Department by the Contractor. Approval shall only be provided when the CFO is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and / or contractors evidencing appropriate expenses in connection with the project.

- In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the Authority, the Authority may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

The Authority shall also comply with Government Code Section 5852.1 (SB 450) by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of bonds.

Pursuant to Government Code section 8855(k), the Authority will submit annual debt transparency reports for any debt for which it has submitted a report of final sale on or after January 21, 2017 every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent.

Approval by the Commission

The Commission may waive any policy requirements based upon the recommendation of Management after consulting with its Municipal Advisor. All long-term and short-term financing transactions shall be approved by resolution of the Commission.

- Revenue Bonds: All issuances of special limited obligation revenue bonds shall be authorized by resolution of the Commission.
- Capital Leases: All capital leases financing capital equipment with a term exceeding five years and requiring anticipated expenditures by SVCW exceeding \$100,000 shall be authorized by resolution or ordinance of the Commission by majority vote.
- Refunding Obligations: The Commission is authorized to provide for the issuance of Debt for the purpose of refunding any limited obligation bond.

AGENDA ITEM 7D

**SECTION 115 PENSION LIABILITY STABILIZATION TRUST
INVESTMENT POLICY**

ISSUE

Adopt Investment Policy Statement for Silicon Valley Clean Water's Section 115 Pension Liability Stabilization Trust

BACKGROUND

Silicon Valley Clean Water (SVCW or Authority) provides its employees with a defined benefit pension through the California Public Employees' Retirement System (CalPERS). CalPERS' investment return performance, its reduction of its expected return to 7.0%, and employee experience have caused increased payments into the pension plan and reduced its funded status. As agencies across the state anticipate CalPERS will continue to enact changes to improve its financial stability, further increases in required pension contributions are likely.

SVCW's Net Pension Liability, recorded as of June 2020, is \$15.05 million or 75.3% of the agency's total pension liability. SVCW assessed options to address future increased pension costs and volatility and established a Post-Employment Benefits Trust (Trust) as a mechanism to fund future pension liabilities.

SVCW management staff have worked with the Trust Administrator, PFM Asset Management LLC, to develop an Investment Policy Statement. The Investment Policy Statement documents how the Trust will achieve its objective to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss.

The purpose of the Investment Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary prudence, due diligence and legal requirements for Trust assets.

DISCUSSION

To achieve the investment objectives of the Trust, the attached Investment Policy Statement ("Statement") documents investment objectives, investment guidelines, and the selection of investment managers. It also establishes guidelines for portfolio holdings and describes control procedures to ensure adequate oversight and reporting.

The Statement describes a SVCW Section 115 Trust Committee (the "Committee") which will oversee policies and procedures related to the operation and administration of the Trust. The Committee will be comprised of the SVCW Manager and her designee who together will be authorized to implement the Statement; there will be a minimum of two Committee members. The Committee will designate an investment Advisor ("PFM", "Advisor") who, through its team of professional Investment Managers, will select investments that will be used to meet the Trust's investment objectives.

To achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows:

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	13% - 53%	33%
International Equity	0% - 37%	17%
Income Assets		
Fixed Income	30% - 70%	50%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

The Advisor and each Investment Manager selected to manage the investments will be evaluated against their peers on the performance of the total funds under their direct management. To further manage the risk of the investment portfolio, no more than 5% may be invested in a single corporate security or non-federal fixed income issuer and not more than 40% of equity may be held in any one market sector.

Additional control procedures will ensure transparency by requiring quarterly performance reports with benchmark comparisons, as well as an annual review of the appropriateness of the Investment Policy Statement.

The Commission is referred to the attached Statement for more detailed information on investment strategy and process.

FINANCES

At the recommended asset weightings, PFM expects this Target Asset Allocation to generate long-term total returns of approximately 6.8%.

RECOMMENDATION

Move adoption of RESOLUTION OF THE SILICON VALLEY CLEAN WATER COMMISSION APPROVING THE ADOPTION OF INVESTMENT POLICY STATEMENT

INVESTMENT POLICY STATEMENT

FOR

**SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY**

SECTION 115 PENSION TRUST FUND

September 21, 2020

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The Silicon Valley Clean Water Joint Powers Authority (the “Authority”) has established the SVCW Section 115 Pension Trust (the “Trust”). This Trust is intended to provide funding of the Authority’s retirement benefits provided by California Public Employees Retirement System (“CalPERS”) for those eligible employees who meet the specified age and service requirements. The SVCW Section 115 Trust Investment Committee hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the Authority’s stated objectives for the Trust.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence and legal requirements for Trust assets.

Investment Authority

The Authority has authorized the establishment of the SVCW Section 115 Trust Committee (the “Committee”) to oversee certain policies and procedures related to the operation and administration of the Trust. The Committee will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust. In implementing this Policy Statement, the Committee believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the Committee in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Committee in establishing investment policy objectives and guidelines and may also select investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Fund’s investment objectives. The Advisor will: a) adjust asset allocation for the Fund subject

to the guidelines and limitations set forth in this Policy Statement; b) select investment managers and strategies consistent with its role as a fiduciary; c) monitor and review Investment Managers and measure and evaluate their performance against their peers based upon the performance of the total funds under their direct management; and d) execute other tasks as deemed appropriate in its role as Advisor for Fund assets. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor shall never take possession of securities, cash or other assets of the Fund, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Trust to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A trustee appointed by the Trust, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the Committee shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Committee in meeting its responsibilities and obligations to administer Trust assets prudently.

Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).

5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled “Performance Expectations”.

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity and certain real estate investments, focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts and certain real estate investments focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities and certain real estate investments.

Time Horizon

The Trust's investment objectives are based on a long-term investment horizon (“Time Horizon”) of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Committee has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the “Trust Distributions”). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Committee believes that to achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust's target rate of return over the long-term, as described in the section titled "Performance Expectations".

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	13% - 53%	33%
International Equity	0% - 37%	17%
Income Assets		
Fixed Income	30% - 70%	50%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's stated total return objective. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

Evaluation and Selection of Investment Managers

The Advisor and each Investment Manager will be evaluated against their peers on the performance of the total funds under their direct management.

The Advisor shall prudently select appropriate Investment Managers to invest the assets of the Trust. Investment Managers must meet the following criteria:

- The Investment Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Investment Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Investment Manager or regulatory disclosure.
- The Investment Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Investment Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Investment Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Investment Managers’ Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Investment Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”).

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 20% of the overall portfolio. Prior to adding an allocation to any of the following asset classes, with the exception of publicly-traded mutual fund vehicles, the Advisor shall receive approval from the Committee.

Real Estate: Consists of publicly traded Real Estate Investment Trust (“REIT”) securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as “Other” under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as “Other” under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Hedge: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities (“TIPS”), commodities or commodity contracts, index-linked derivative contracts, certain real estate or real property funds and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund (“ETF”) which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Trust shall be held by a custodian approved by the Committee for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust

Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Committee the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Committee to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping the Committee advised of any material change in investment strategy, Investment Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Committee recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by SVCW Commission. Once adopted, changes and exceptions will be delivered to each Investment Manager, as appropriate, by the Advisor.

As authorized by the SVCW Commission and approved by the SVCW Section 115 Trust Investment Committee:

SVCW Manager

Date

SVCW Chief Financial Officer

Date

AGENDA ITEM 8A

PRELIMINARY ACTIONS WITH RESPECT TO ISSUANCE OF REFUNDING BONDS

ISSUE

Authorizing Silicon Valley Clean Water to Work with its Member Agencies, Municipal Advisor, and Bond and Disclosure Counsel to Refund Bonds and to Utilize a Negotiated Bid Method

BACKGROUND

Given recent declines in interest rates, there is an opportunity to refinance outstanding bonds with taxable bond proceeds. SVCW is positioned to attain economic savings by locking in favorable rates that mitigate future interest rate risk. Staff recommends moving forward with the refunding of two series of outstanding bonds eligible to be refunded on an “advance refunding” basis. Participants in this proposed 2020 bond issuance would include West Bay Sanitary District, the City of Redwood City, and the City of San Carlos. The City of Belmont did not participate in the prior bond sales proposed to be refunded.

SVCW’s Debt Management Policy (the Policy) states “The Authority shall target a 3% net present value savings (“NPV”) for Current Refunding transactions and 5% for Advanced Refunding transactions”. In the proposed refunding scenario, based upon market conditions as of September 10, 2020, the potential refunding of the 2014 Bonds generates nearly 11% NPV savings and approximately 3.8% in NPV savings. Completing a single refunding transaction would potentially result in NPV Savings of 7.2%. Refunding portions of each series of Bonds will likely produce higher savings but may conflict with anticipated terms and conditions of the newest \$169 million SRF Loan. Securing the SRF Loan saves the Authority, Member Agencies and their ultimate ratepayers nearly \$36.8 million in NPV savings when compared with issuing bonds.

Nevertheless, cash flow savings projected at \$540,000 to nearly \$700,000 can generate rate relief for residents, ease rate-raising pressure when Members calculate rate covenants or additional bonds tests. Finally, as SVCW negotiates loan terms with the State Water Resource Control Board (SWRCB), these refundings help remedy the SWRCB’s objection to the senior position of outstanding debt. For these reasons, it is recommended that the NPV savings targets be waived by the Commission.

With regards to process, the Policy notes “Unless otherwise justified and deemed necessary to minimize the costs and risks of the Authority’s bond issue, SVCW will proceed with the sale of Debt on a competitive basis.” Under a competitive bid method, multiple electronically transmitted offers to purchase SVCW Debt are received and the sale is awarded to the lowest true interest cost, provided the bid conforms to the official notice of sale.

Alternatively, through a negotiated bid method, SVCW debt may be sold by negotiating with an underwriter the terms and conditions of the sale including price, interest rates, credit facilities, underwriter or remarketing fees, and commissions. The Policy lists examples of when a negotiated sale is appropriate:

- Sale of variable rate demand obligations;
- Sale of commercial paper;
- Sale of an issue of debt so large that the number of potential bidders is too limited to provide truly competitive bids;
- Sale of an issue that requires the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and
- An issue of debt sold during a period of extreme market disruption or volatility.

DISCUSSION

It is the opinion of SVCW staff and its Municipal Financial Advisor Fieldman Rolapp that a negotiated bid process be used for the proposed sale of 2020 bonds. Reasons include complexities associated with taxable advanced refundings, including the bidding out a portfolio of securities for the escrows; recent and potential future market disruptions, recent extreme market volatility and the flexibility to react quickly to sudden changes in the taxable municipal market.

Upon Commission approval, a Request for Qualifications (RFQ) will be issued to potentially interested investment / underwriting firms. Responses to the RFQ will be reviewed by Fieldman Rolapp and SVCW Management. The following criteria will be considered for selection of the winning firm:

- Experience of the proposed project team; and
- The firm's experience with sales of taxable California water / wastewater bonds in excess of \$100 million; and
- Demonstrated success in obtaining retail orders for California utility issuers of taxable municipal bonds; and
- Analysis of proposed debt structures; and
- Experience in pricing taxable municipal bonds under volatile market conditions; and
- Examples of other strategies or debt structures that may assist in reducing an issuer's interest cost; and
- Determination that there are no conflicts of interest.

SVCW staff will be assisted on this transaction by Fieldman Rolapp as Municipal Advisor and Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel. Together, these firms will prepare the necessary documentation for the Refunding Bonds for consideration by the Commission at a future meeting.

FINANCIAL IMPACT

The proposed advanced refunding is estimated to provide net present value savings of approximately \$8.5 million over the amortization period based on market conditions as of August 18, 2020. Total annual debt service would potentially decrease by approximately \$540 thousand as a result of this action.

- **2014 Wastewater Revenue Bonds:** Outstanding principal is \$53.8 million. A taxable refunding of these bonds could generate \$6 million in Net Present Value savings based upon annual cash flow savings of \$380 thousand through 2044. This is a potential 11% savings on outstanding principal, well exceeding SVCW's stated policy.
- **2015 Wastewater Revenue Bonds:** Outstanding principal is \$62.8 million. Taxable refunding of these bonds may generate \$2.4 million in Net Present Value savings based upon annual cash flow savings of \$140 thousand through 2045. If only the callable portion of these bonds are refunded, savings would be greater than the policy's requirement of 5%. However, to secure the savings associated with the separate SRF Loan it is proposed to refund all outstanding bonds despite an NPV savings of only 3.8%.

RECOMMENDATION

Move adoption of RESOLUTION AUTHORIZING THE SALE OF 2020 WASTEWATER REVENUE BONDS TO REFINANCE OUTSTANDING 2014 WASTEWATER REVENUE BONDS AND 2015 WASTEWATER REVENUE BONDS PURSUANT TO A NEGOTIATED BID PROCESS AND FURTHER WAIVING THE SAVINGS AND EFFICIENCY TARGETS OF ADVANCE REFUNDINGS ISSUANCES

AGENDA ITEM 8B

**EFFLUENT PIPE LEAK REPAIR (PROJECT 289)
AUTHORIZATION FOR ADDITIONAL EXPENDITURES AND
PROJECT ACCEPTANCE**

ISSUE

Approval of Additional Expenditures for Permanent Repairs to the Effluent Pipeline and Termination of Emergency Condition

BACKGROUND

In March 2019, SVCW staff noticed excess water coming from an area close to where the effluent pipe exits the treatment plant main structure. Shortly after staff noticed water coming from this area, water samples were taken, and it was found to contain bisulfite, a chemical SVCW uses to dechlorinate the water prior to discharge in the Bay. This was a telltale indication that it is plant effluent and not groundwater. At that time, from where the leak was emanating was still in question. Staff contacted Power Engineering (contractors who SVCW has identified as responding to emergency situations related to the influent or effluent pipelines) to assist in finding the cause of the leak.

On March 14, 2019, an Emergency Declaration was issued by the SVCW Manager to protect the public health and authorize Power Engineering to proceed with permanent repairs to the pipeline. A status update was provided to the Commission at the meeting of March 18, 2019.

Power Engineering worked with SVCW Operations team to try to determine the source of the leak. At first it was assumed that an old sampling line was leaking at its connection to the effluent pipe. During an overnight plant shutdown, Power Engineering sent dive crews into the pipe who observed that the sampling connection was not leaking and that the effluent pipe had settled significantly. Deflection of the pipeline was causing a flange connection to leak on the pipe itself. On the night of May 7/morning of May 8, another plant shutdown was scheduled, allowing the contractor to enter the interior of the pipe and place a temporary patch at the leaking flange connection between the main structure and the HDPE pipe. The patch was successfully installed and the flow of water from the leak stopped. During this pipe entry, it was observed that the pipe was deforming and taking on an oval shape as well as twisting at a 90° bend.

Engineering staff concluded that the break was movement-related and a direct result of the young bay mud environment in which the leaking pipe exists. Based on the complexity of the repair, the SVCW Commission authorized a budget of \$3.85 million for the repair of the pipeline. This authorization was based on a conceptual design of the repair, and it was approved at the June 2019 Commission meeting.

DISCUSSION

The approach to the repair of this critical pipeline addressed numerous complexities and challenges, including the following:

- Large diameter pipeline – 63-inch High Density Polyethylene (HDPE)

- Deep excavation – 30 feet
- Young bay mud conditions
- Cofferdam construction
- Fixed flanged connection at the main SVCW structure where the 63" HDPE connects to a steel pipe into the facility.
- Pipeline is under continuous use with minimal nighttime shutdown windows
- Failure of pipeline, due to movement issues or construction activities, would be catastrophic to SVCW operations.

For these challenging and time critical projects, SVCW continues to retain the services of Power Engineering as the contractor to respond. Power Engineering has the required engineering expertise and significant experience with leak repair, proper shoring requirements, young bay mud and marine environment construction, and outstanding manpower.

A permanent cofferdam system was designed and installed along the deep section of the pipeline, providing a threefold benefit. One, the load above the pipeline would be removed and no longer contribute to the accelerated settlement of the pipeline. Two, access to the deep section of pipeline will be readily available to staff, allowing close monitoring of this critical asset. Lastly, and most importantly, this solution provides for pile supporting the deep section of pipeline, which will significantly reduce settlement by penetrating geologic formations that have the capacity to resist settlement.

Within the cofferdam, several I-beams were installed into a pipe support system, and the effluent pipeline hangs from a series of slings that are attached to the pipe supports. These slings can be accessed and adjusted in the future if further settlement is observed.

Throughout the construction, the design was ongoing with strong coordination amongst the team members (Power Engineering, SVCW's construction manager firm, and Operations, Maintenance, and Engineering staff) with many suggested improvements along the way. The process was cooperative and resulted in a robust and comprehensive pipe repair. The repair was completed in early September 2020.

Project costs are not yet completely reconciled but are expected to exceed the original authorization due to project changes that occurred throughout the design and construction. Since the original authorization and as the design developed, it was determined that a more robust support system was needed to ensure that the pipe is protected against further settlement and, should further settlement occur, methods to easily and readily respond to such settlement were provided. Staff anticipates the additional costs to be in the range of \$250 thousand.

FINANCIAL IMPACT

The cost for this work is drawn from the Operations Reserve Fund, with an allocated budget of \$3.85 million. Up to an additional \$250 thousand is required for design/construction and to close out the project. As of the end of July 2020 prior to any payment on the project, the Operations Reserve Fund had a balance of \$21.3 million.

RECOMMENDATION

- i. Move adoption of RESOLUTION TERMINATING THE SUSPENSION OF COMPETITIVE BIDDING REQUIREMENTS CONFERRED BY RESOLUTION NO. 19-09 AND THE CORRESPONDING MANAGER AUTHORITY AND APPROVAL OF ADDITIONAL AND FINAL EXPEDITURES UP TO \$250,000 (EFFLUENT PIPE LEAK REPAIR - Project #289)
- ii. Move approval of MOTION TO ACCEPT EFFLUENT PIPE LEAK REPAIR PROJECT (Project #289) – POWER ENGINEERING CONTRACTORS

AGENDA ITEM 8C

**EXECUTE AN AMENDED WATER INFRASTRUCTURE FINANCE AND
INNOVATION ACT LOAN AGREEMENT WITH THE UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY**

ISSUE

Authorize Silicon Valley Clean Water to Amend Water Infrastructure Finance and Innovation Act Loan with the United States Environmental Protection Agency

BACKGROUND

In July 2019 Silicon Valley Clean Water (“SVCW” or “the Authority”) executed a \$218 million Water Infrastructure Finance and Innovation Act Loan (“WIFIA Loan”) with the United States Environmental Protection Agency (“EPA”) which, jointly with the issuance of 2019 Interim Notes (the “Notes”), financed the past 14 months of construction. The WIFIA Loan interest rate was set at 2.40%.

DISCUSSION

Since execution of the WIFIA Loan, interest rates have declined to a current estimate of 1.24% assuming a weighted average life of 20.9 years. In March 2020 SVCW began discussions with the EPA to pursue a one-time re-set of the Loan’s interest rate which is allowable under the following conditions:

- No changes to the original agreement’s terms and conditions; and
- No changes to the original loan amount; and
- The borrower has not yet drawn against the WIFIA Loan; and
- The borrower can demonstrate its ability to obtain a better rate from other sources in the market on debt comparable to the terms of the WIFIA loan and of equal lien priority; and
- The borrower can document that, if in construction, the project’s remaining construction value exceeds the WIFIA Loan’s share of the total eligible project costs; and
- The borrower can demonstrate that the loan amount at the time of re-execution will still be no more than 49% of eligible project costs.

SVCW has demonstrated it satisfies all the above criteria and received notice from the EPA on September 11, 2020 of its agreement to proceed with the re-execution of the WIFIA Loan to re-set the interest rate.

FINANCIAL IMPACT

A successful reset of the WIFIA loan’s interest rate (at a 1.24% rate) may reduce debt service payments by \$1.96 million annually, a \$60.7 million savings over the amortization period (Net Present Value of ~\$45.5 million).

Set forth below are good faith estimates of Fieldman, Rolapp & Associates, Inc., SVCW’s municipal advisor, as required under Section 5852.1 of the Government Code. The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.

- (a) The true interest cost of the loan is estimated at 1.24%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- (b) The finance charge of the loan, including all fees and charges paid to third parties, is estimated at \$225,000.
- (c) Proceeds of the loan received by the Authority, including the estimated principal amount of the proposed loan of \$226,236,342, will be available to fund \$218,000,000 of eligible project costs and the applicable deferred interest. The finance charges set forth in (b) above are not included in the loan proceeds.
- (d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$274,105,697 (total of all payments the Authority will make to pay debt service on the loan plus the finance charges set forth in (b) above which are not paid from proceeds of the loan).

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

RECOMMENDATION

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO, OR A RE-EXECUTION AND DELIVERY OF, THE WIFIA LOAN AGREEMENT TO LOWER THE INTEREST RATE THEREIN AND CERTAIN OTHER MATTERS