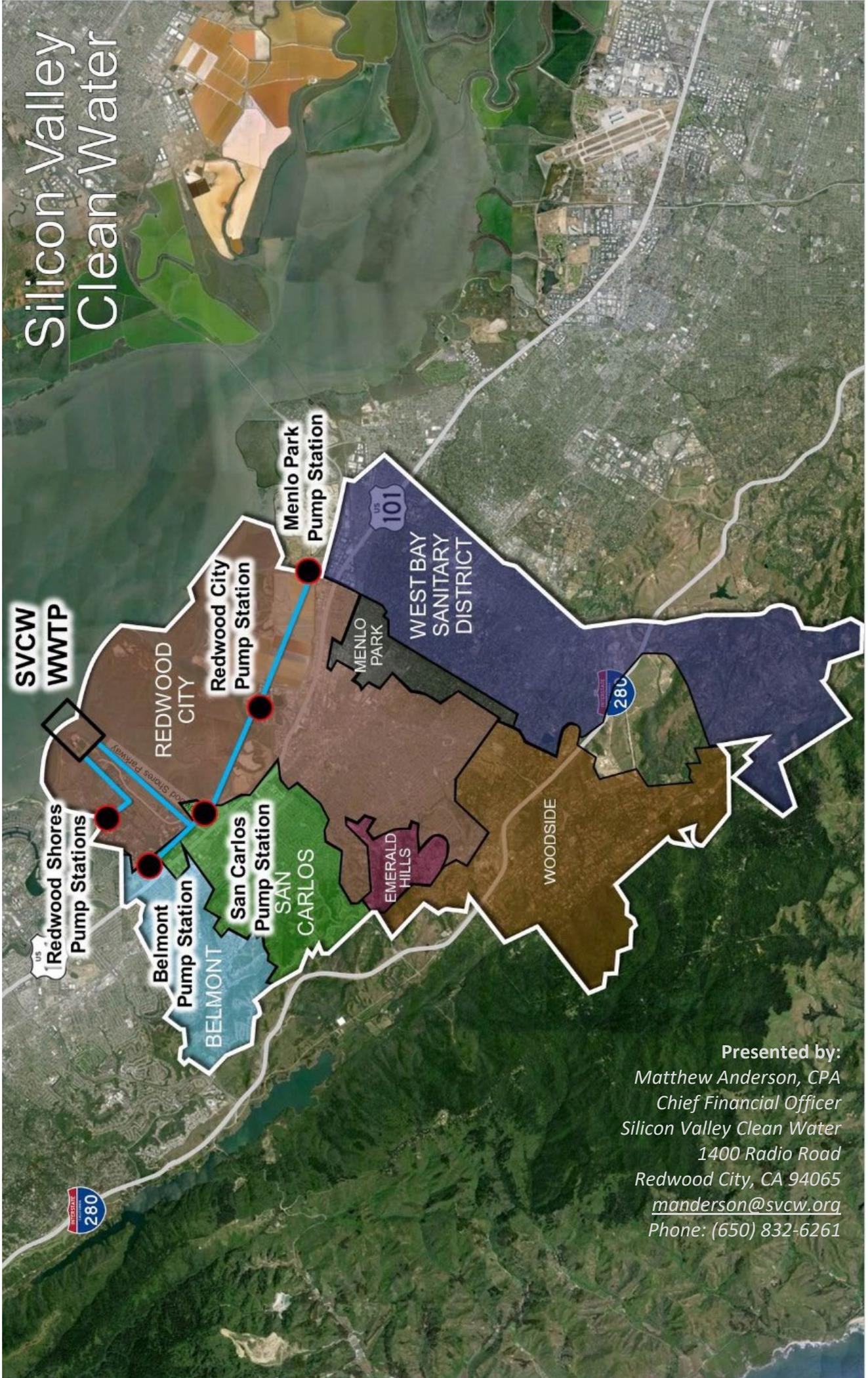




2020-21 OPERATING BUDGET

ADOPTED APRIL 20, 2020

Silicon Valley Clean Water



Presented by:

Matthew Anderson, CPA
Chief Financial Officer
Silicon Valley Clean Water
1400 Radio Road
Redwood City, CA 94065
manderson@svcw.org
Phone: (650) 832-6261

Commissioners

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

SVCW Staff

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

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

SECTION 1 – OVERVIEW: 1

- Organizational Structure and Business 1
- Governance and Management 2
- Financial Oversight and Control 2
- Debt Reserves..... 2
- Long Range Financial Plan..... 3
- Comparative Sewer Residential Rates 3
- 2019-20 Accomplishments 5-13

SECTION 2 – OPERATING BUDGET SUMMARY:

- Total Expenditures and Contributions 15
- Expenditure Allocations 16
- Miscellaneous Revenue 17
- Capital and Reserves..... 18
- Total Contributions by Member 19

SECTION 3 – GROSS OPERATING COSTS:

- Operating Expenditures..... 21
- Personnel 21-24
- Operating Expenditures Variance Analysis 26-28
- Operating Expenditures by Division..... 30-45

SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES:

- Project Overviews 47-48

SECTION 5 – CAPITAL IMPROVEMENT PROGRAM AND DEBT SERVICE:

- Background 49
- Projected CIP Expenditures..... 49-50
- Debt Service 51-57

SECTION 6 – CASH RESERVES DESIGNATION:

- Analysis and Reserve Designation 59

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 1 – OVERVIEW

Organization and Business

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

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

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

Governance & Management

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

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

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

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

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

Financial Oversight and Control

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

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

Debt Reserves

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

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

Long Range Financial Plan

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

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

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

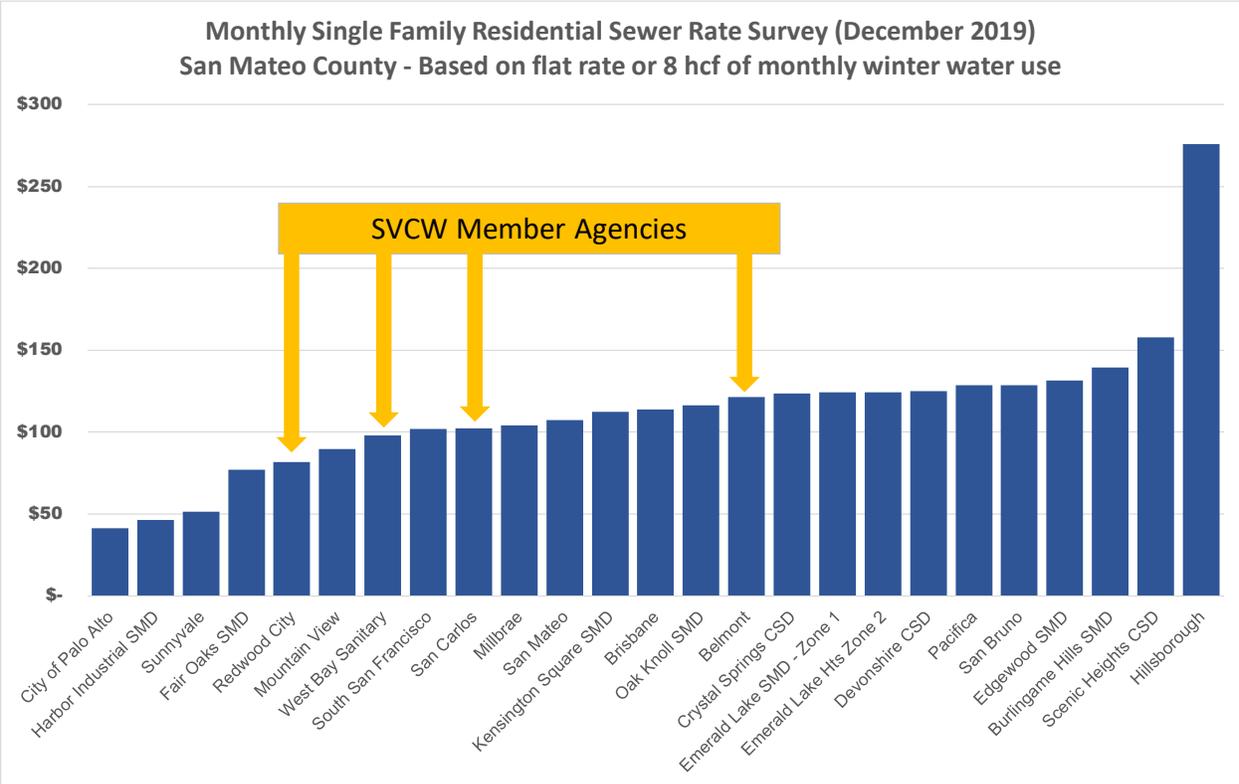
Comparative Residential Sewer Charges

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

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

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

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



Accomplishments:

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

Operations:

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

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

Maintenance:

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

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

Environmental Services:

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

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

Laboratory:

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

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

Safety:

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

Engineering:

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

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

Information Systems:

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

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

Administration & Finance:

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 2 – OPERATING BUDGET SUMMARY

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

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

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

Expenditure Allocations:

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

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

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

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

Member Agency Operating Contributions Calculation:

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

2020-21 Budget Revenue Allocation to Member Agencies - Adopted									
Description	Weightings			Belmont	Redwood City	San Carlos	West Bay San District	TOTAL	
Allocation Factors									
Flow				11.60%	50.47%	14.80%	23.13%	100%	
Biochemical Oxygen Demand (BOD)				11.91%	47.29%	12.84%	27.96%	100%	
Suspended Solids (SS)				11.69%	48.39%	12.58%	27.34%	100%	
Operating Expenditures									
	Flow	BOD	SS						
Operations	26.5%	33.5%	40.0%	\$ 1,239,059	\$ 5,126,509	\$ 1,399,015	\$ 2,789,718	\$ 10,554,300	
Maintenance	26.5%	33.5%	40.0%	802,421	3,319,954	906,009	1,806,636	6,835,021	
Laboratory	26.5%	33.5%	40.0%	221,890	918,053	250,535	499,582	1,890,060	
Environmental Services	26.5%	33.5%	40.0%	122,642	507,421	138,474	276,126	1,044,663	
Engineering	26.5%	33.5%	40.0%	116,237	480,923	131,243	261,706	990,110	
Safety	100.0%	0.0%	0.0%	61,952	269,546	79,043	123,531	534,072	
Information Services	26.5%	33.5%	40.0%	201,786	834,875	227,836	454,318	1,718,814	
Administrative Services	100.0%	0.0%	0.0%	482,727	2,100,281	615,894	962,542	4,161,444	
Total Operating Expend.				\$ 3,248,716	\$ 13,557,561	\$ 3,748,048	\$ 7,174,158	\$ 27,728,484	
Subtract Miscellaneous Income	26.5%	33.5%	40.0%	\$ 129,080	\$ 534,057	\$ 145,743	\$ 290,620	\$ 1,099,500	
2020-21 Net Operating Revenue Required				\$ 3,119,636	\$ 13,023,504	\$ 3,602,305	\$ 6,883,538	\$ 26,628,984	
2019-20 Net Operating Revenue Required				3,004,200	11,999,297	3,341,409	6,864,371	25,209,277	
\$ Increase / (Decrease)				115,436	1,024,207	260,896	19,167	1,419,707	
% Increase / (Decrease)				3.84%	8.54%	7.81%	0.28%	5.63%	

Miscellaneous Revenue:

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

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

Capital and Reserve Contributions:

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

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

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

Total Member Entity Contributions:

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

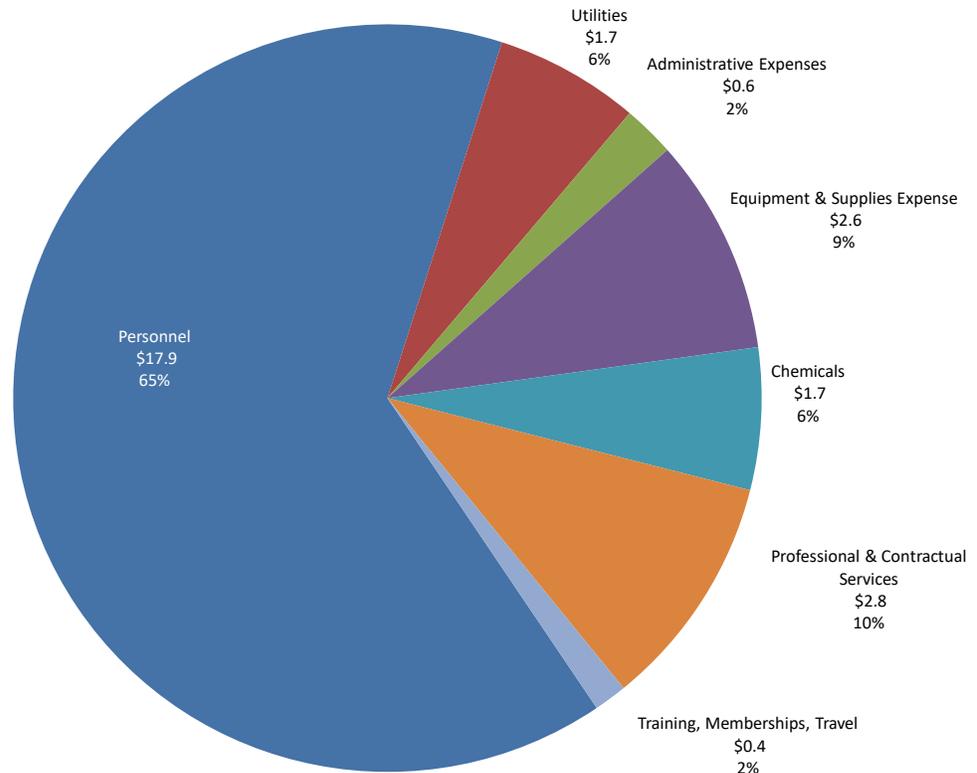
2020-21 Budget - Total Contributions by Member Agency						
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL	
Net Operating Expenditures	\$ 3,119,636	\$ 13,023,504	\$ 3,602,305	\$ 6,883,538	\$ 26,628,984	
Revenue-Funded Capital Expenditures	122,425	629,224	196,139	347,712	1,295,500	
Reserve Contributions	144,100	740,628	230,865	409,274	1,524,866	
Projected Debt Service	178,425	10,743,220	3,404,038	5,320,535	19,646,217	
Total Contributions to SVCW	\$ 3,564,586	\$ 25,136,576	\$ 7,433,346	\$ 12,961,059	\$ 49,095,567	

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 3 – GROSS OPERATING EXPENDITURES

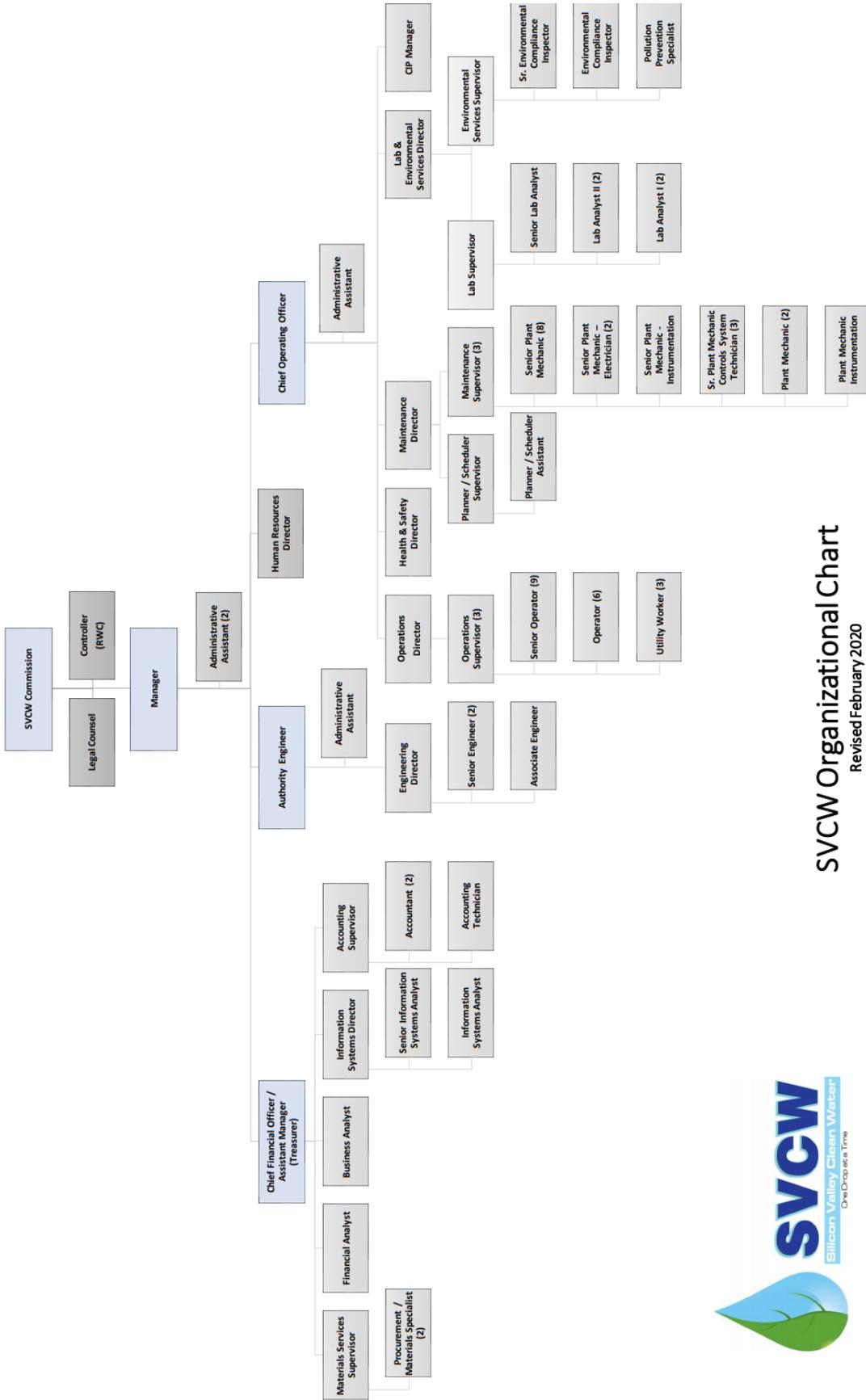
The FY 2020-21 Gross Operating Budget will be \$27.7 million. The below chart illustrates the significant expenditure categories, showing 65% of expenditures are for personnel-related costs associated with approximately 79 full-time equivalent employees in the Operating Budget.

SVCW 2020-21 Operating Budget (\$27.7 million)



Personnel:

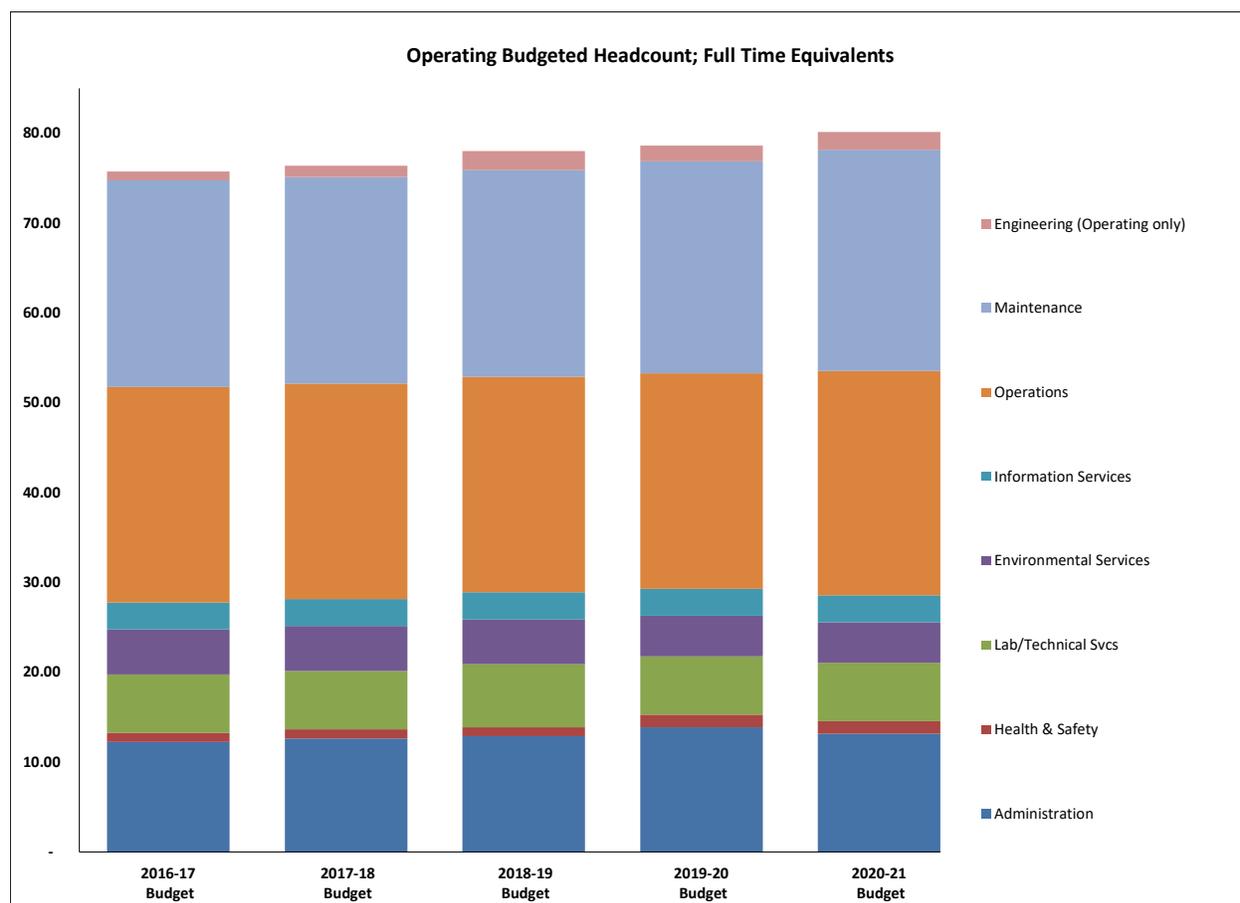
Operating Budget staffing levels have ranged from 72 to 79 full time equivalents across eight divisions since 2010 when SVCW increased staffing to address critical maintenance matters and develop a capital improvement program. Those positions, as well employees dedicated to the Capital Improvement Program,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



SVCW Organizational Chart
Revised February 2020

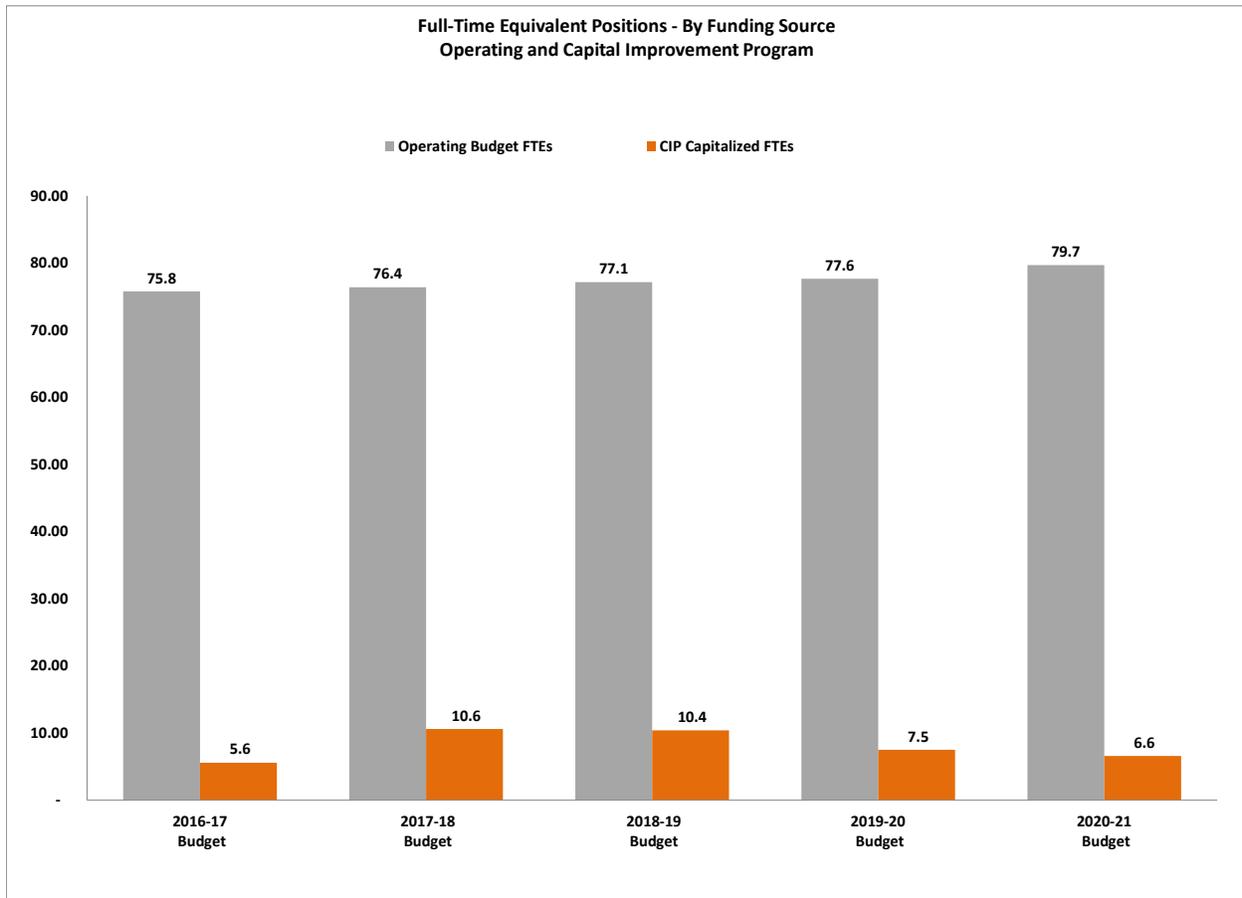
Budgeted positions increase by two Full Time Equivalent positions next year. For leadership succession in the Operations Division, one supervisor position has been added. Future supervisory headcount will return to its original three positions once succession is complete. The Maintenance Division adds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

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



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

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



THIS PAGE INTENTIONALLY LEFT BLANK

Operating Costs Summary by Objective:

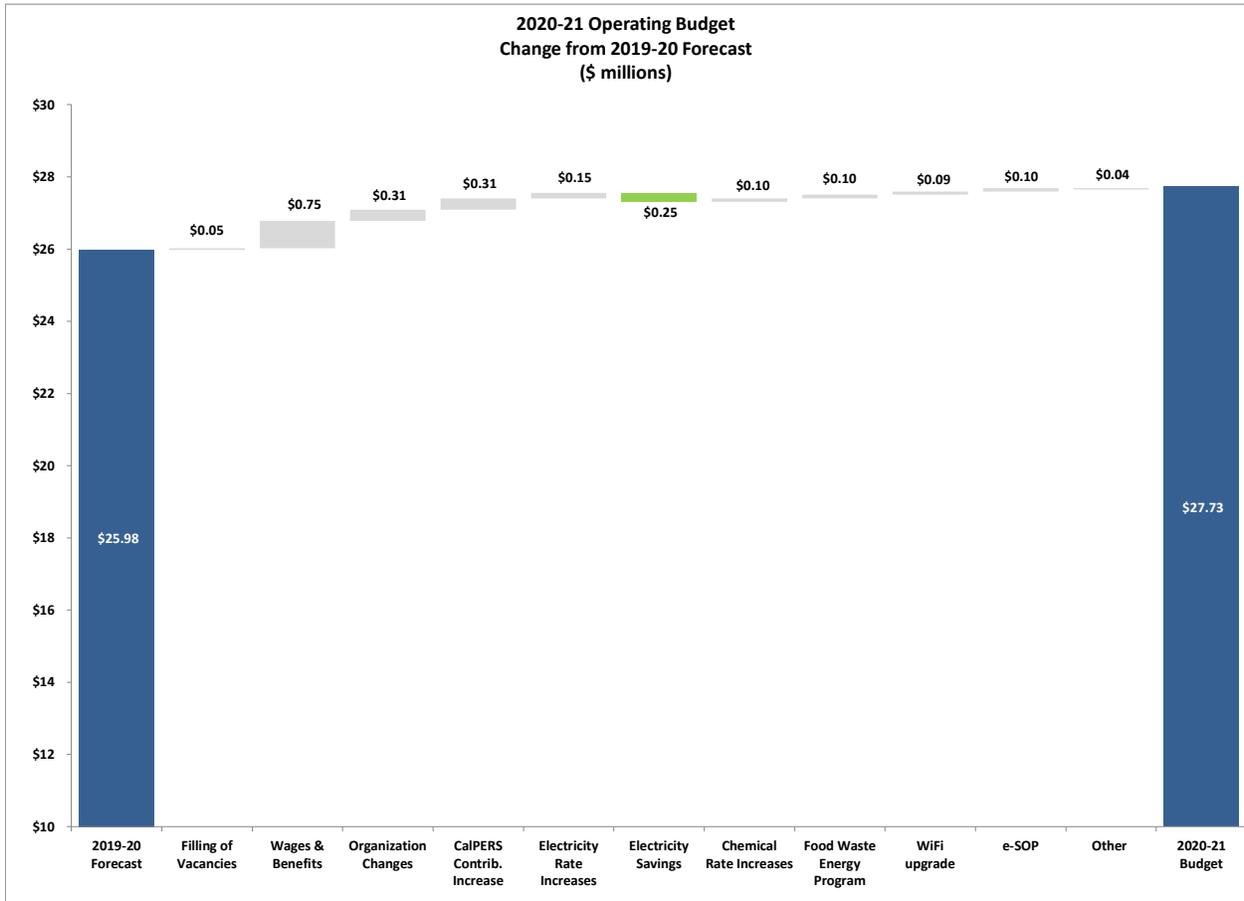
Gross Operating Expenses (compared to 2019-20 Forecast) increases by \$1.75 million, or 6.8%.

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

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

- Personnel costs will increase by \$1.41 million, or 8.5% compared to the 2019-20 Forecast. Approximately \$50 thousand of this increase is due to a vacant position during the first half of 2019-20. The remaining increase is largely due to \$750 thousand of cost-of-living and step adjustments, a \$313 thousand increase in CalPERS-required contribution rates, and \$311 thousand for organizational changes to support succession planning.
- Despite anticipated rate increases from PG&E for electricity, utilities costs will decrease by \$273 thousand compared to the Forecast, or 13.7%. During fiscal year 2019-20 PG&E imposed a retroactive billing adjustment associated with the new switchgear and meter at the treatment plant. This one-time charge of \$350 thousand will not reoccur.
- Administrative Expense will increase by \$225 thousand (56.6%), mostly due to an increase in annual permit and nutrient loading fees. Additionally, \$58 thousand was budgeted for public outreach.
- Chemicals will increase by \$113.6 thousand (6.4%), mostly due to price increases. Additionally, approximately \$12.5 thousand is anticipated for food waste pilot costs.
- Professional & Contractual Services will increase by \$166.6 thousand, or 6.3%. The Operations Division will implement a new electronic Standard Operating Procedures (“smart-SOP”) program, a cloud-based solution to provide consistent instructions and training to operators. Additionally, approximately \$80 thousand will be incurred for increased biosolids hauling associated with a food waste pilot program.
- Training, Memberships, and Travel will increase by \$84 thousand (27.1%). In response to changes in labor law, SVCW temporarily suspended training and travel early in the 2019-

20 fiscal year as it amended a Standard Administrative Procedure associated with travel. The organization expects ordinary training and education practices next fiscal year.



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

Total Operating Expenditures by Division

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

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

Operations

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

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

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

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

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

Maintenance

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

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

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

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

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

Laboratory Services

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

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

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

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

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

Environmental Services

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

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

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

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

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

Engineering

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

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

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

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

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

Safety

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

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

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

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

Information Services

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

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

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

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

Administrative Services

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

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

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

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

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

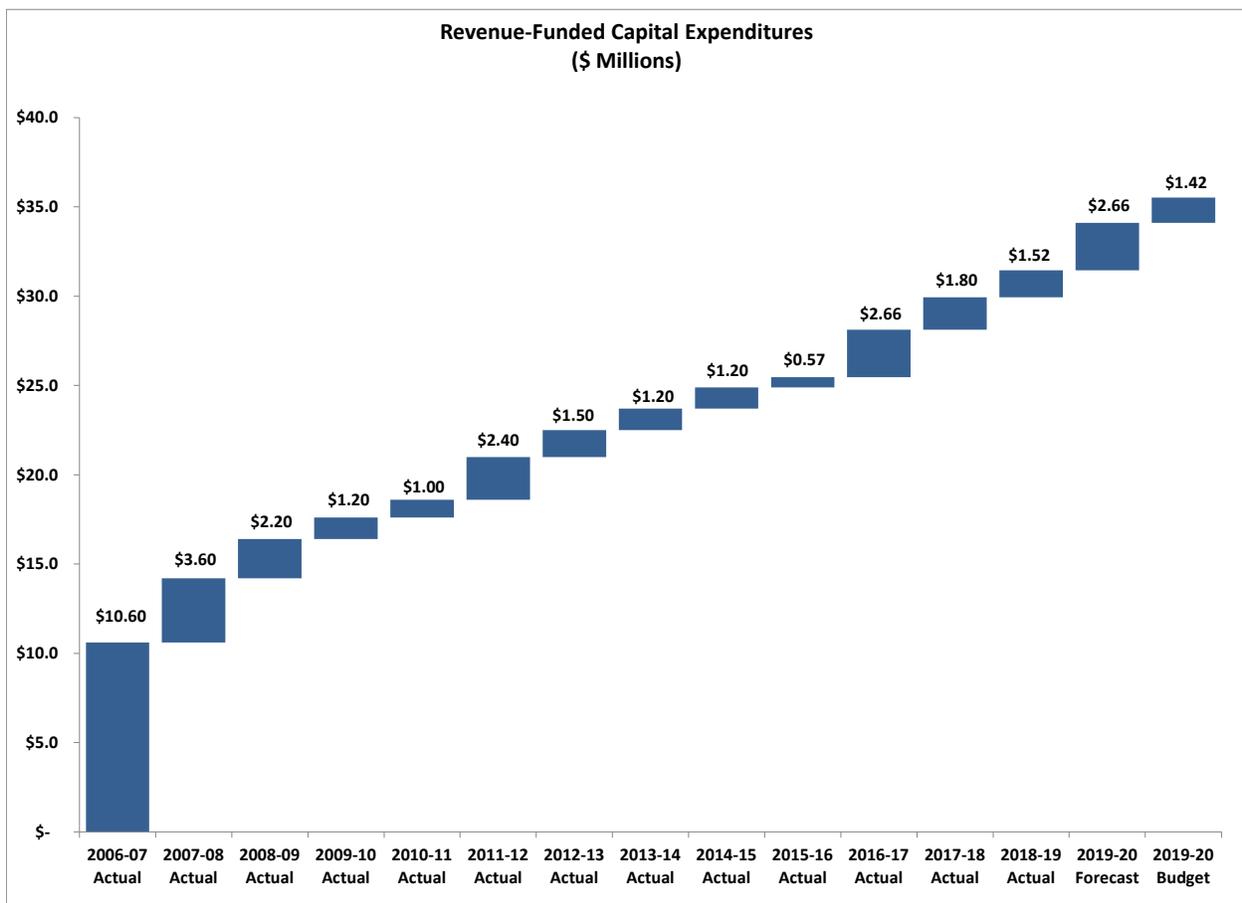
THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES

Summary:

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

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



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

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

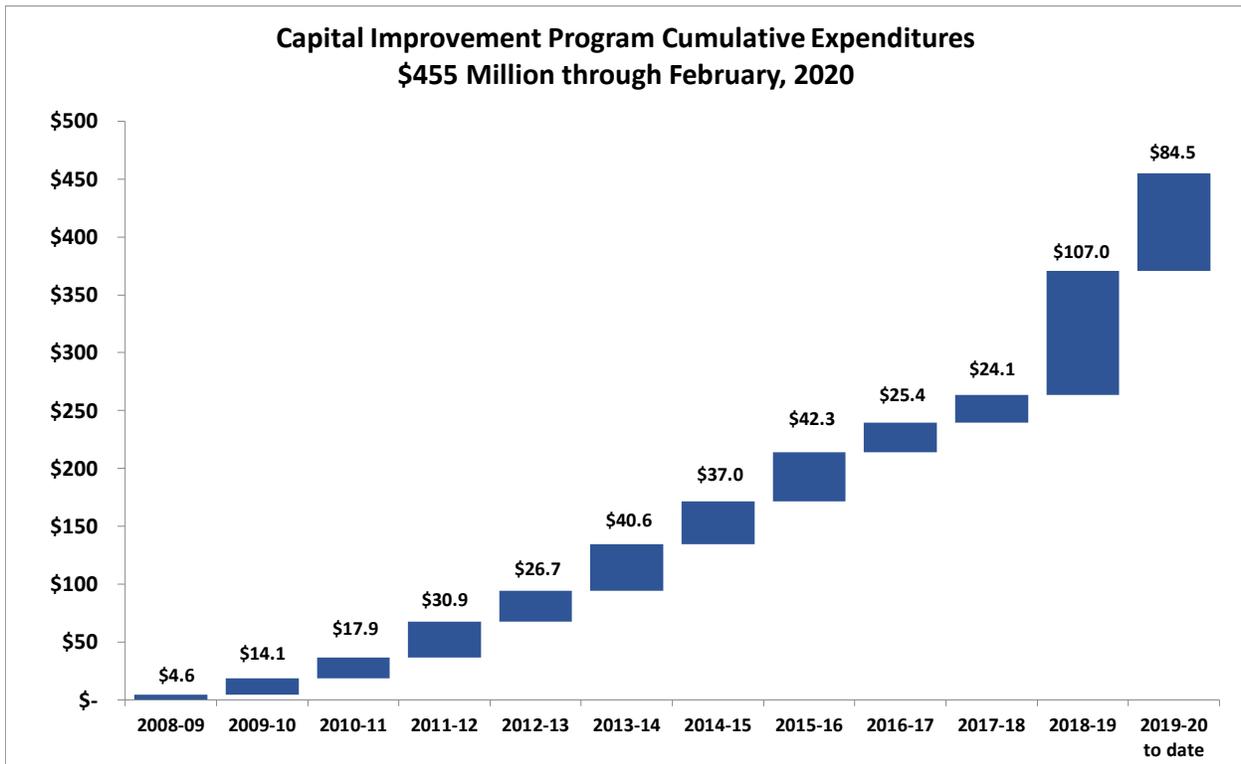
These projects will maintain critical operations and improve productivity. Key projects include:

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

SECTION 5 – CAPITAL IMPROVEMENT PROGRAM & DEBT SERVICE

Background:

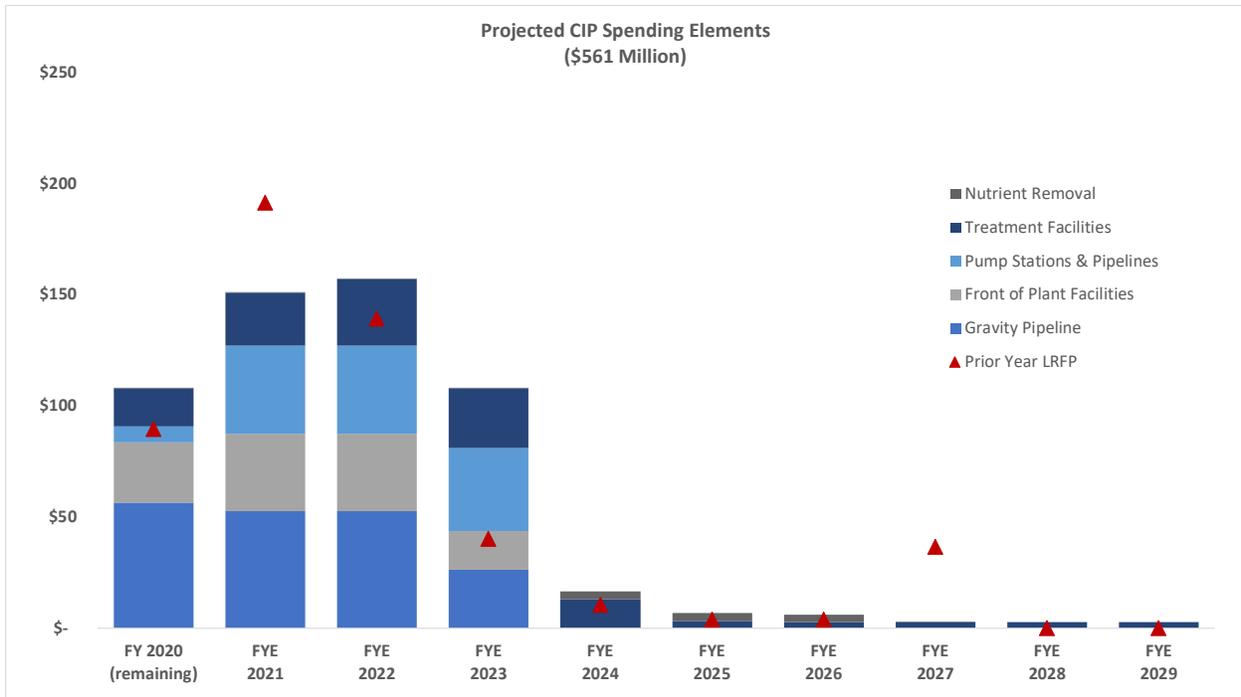
SVCW’s wastewater treatment plant was constructed in 1980 and connected to an influent conveyance system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. In 2008 SVCW initiated its CIP to replace and rehabilitate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



CIP Projected Expenditures:

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

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



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

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

Debt Service:

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

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

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

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

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

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

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

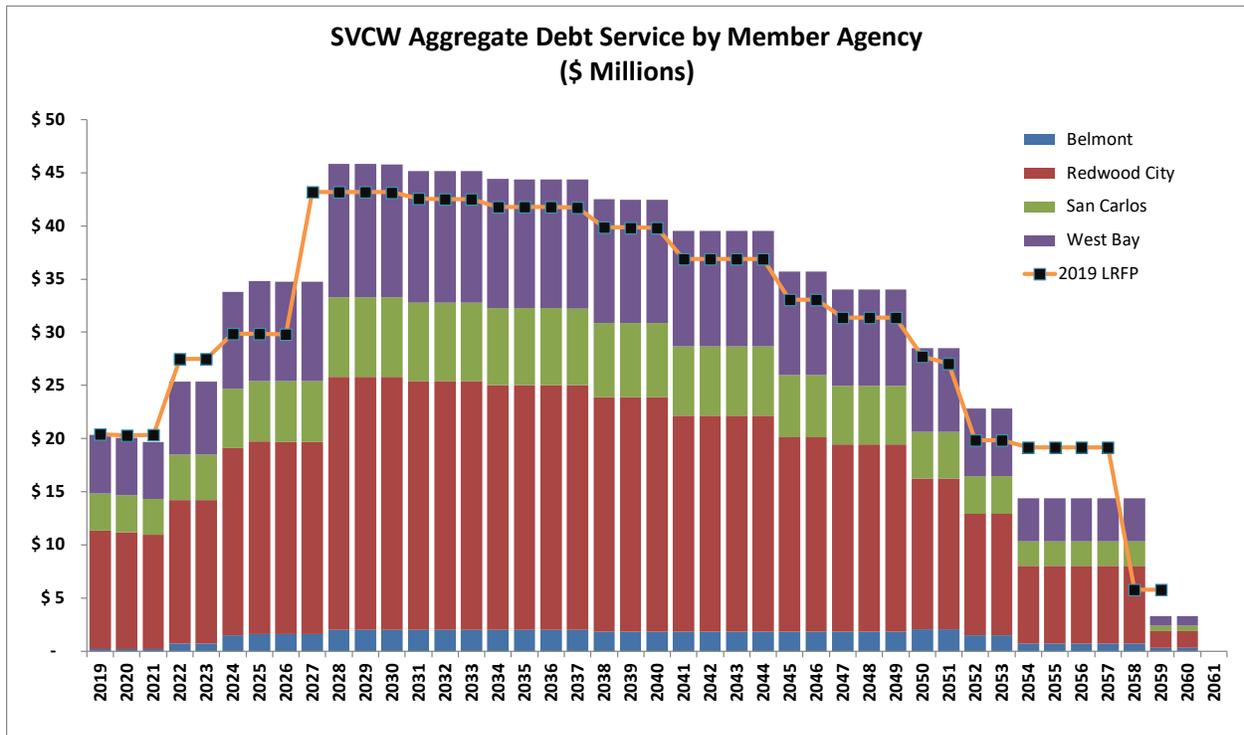
Description	2019 LRFP	2020 LRFP
Remaining CIP to be funded	\$560 Million	\$561 Million
\$ Fixed Rate Bonds / % of New Debt	\$24M / 4%	\$99M / 18%
\$ Variable Rate Bonds / % of New Debt	\$48M / 9%	\$29M / 5%
\$ SRF Loans / % of New Debt	\$141M / 25%	\$169M / 30%
\$ WIFIA Loan / % of New Debt	208M / 37%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

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

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

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

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



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

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

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

Belmont:

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

Redwood City:

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

San Carlos:

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

West Bay Sanitary District:

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

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 6 – CASH RESERVES DESIGNATION

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

- The **Operating Reserve** must be maintained at a minimum balance of 10% of the approved Operating Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. The projected balance in Operating Reserves is \$3.77 million at June 30, 2021, including investment earnings. This amount is below the policy’s required balance by approximately \$24.9 thousand which, per policy, will increase required Member contributions.
- The **Capital Improvement Program Reserve (CIP Reserve)** goal is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life has been met. This would allow major expenses in the future to be paid for on a “pay-go” basis and limit the need for borrowing. Each year, if funds held in these reserves fall below targeted levels, SVCW makes budget adjustments to return to the target level. The CIP Reserve Policy calls for a \$1.5 million contribution in fiscal year 2020-21.

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

Reserve Designations - 2020-21 Budget			
Description	Estimated	Target	Adopted
	June 30, 2020 Balance	June 30, 2021 Balance	2020-21 Contributions
Operating Reserve	\$ 3,747,982	\$ 3,772,848	\$ 24,866
CIP Reserve	19,608,200	21,108,200	1,500,000
TOTAL	\$ 23,356,182	\$ 24,881,049	\$ 1,524,866

THIS PAGE INTENTIONALLY LEFT BLANK