

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
SPECIAL MEETING – Monday, December 14, 2020
8:00 a.m.**

TO ADDRESS THE *COVID-19 PANDEMIC*, THIS MEETING WILL BE CONDUCTED TELEPHONICALLY OR OTHERWISE ELECTRONICALLY PURSUANT TO THE PROVISIONS OF GOVERNOR NEWSOM’S EXECUTIVE ORDER N-29-20. THE COMMISSION BOARD ROOM WILL BE CLOSED TO THE PUBLIC. THE PUBLIC MAY OBSERVE AND COMMENT BY TELEPHONE OR ELECTRONIC MEANS AS DESCRIBED ON PAGE 7 OF THIS AGENDA.

SEE PAGE 7 OF THIS AGENDA FOR MEETING ACCESS INFORMATION AND INSTRUCTIONS

COMMISSIONERS

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

MANAGER: TERESA A. HERRERA

ATTORNEY FOR THE AUTHORITY: CHRISTINE C. FITZGERALD

CONTROLLER: MICHELLE P. FLAHERTY

TREASURER: MATTHEW ANDERSON

AMERICANS WITH DISABILITIES ACT

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

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. PUBLIC COMMENT

Any member of the public may address and ask questions of the Chair under this item relating to any matter within the Commission’s jurisdiction that does not appear as a separate item on the Agenda. An opportunity will be provided for members of the public to address the Chair and ask questions about any item that is listed on the

agenda at the time the Commission considers the item and before action is taken. If you address the Commission on a non-agenda item, be aware that the Ralph M. Brown Act (Gov. C. § 54950 et seq.) prohibits the Commission from acting on or discussing such matters at this meeting. Any such item may be referred to staff for a decision with regard to placing it on a future agenda for discussion, action or a report. Written comments received within two hours of the beginning of the meeting will be read into the meeting record.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 9
- B. Manager's Report.....pg. 11
- C. Financial Reports
 - 1. Investment Report.....pg. 13
 - 2. Quarterly Investment Report.....pg. 17
- D. Engineering Capital Projects Report.....pg. 38
- E. Commission Requested Staff-Level Action Items.....pg. 41
- F. RESCU Program Design-Build Project Status Update.....pg. 44

6. MATTERS OF COMMISSION MEMBER'S INTEREST

- A. 2021 Commission Meeting Schedule (pg. 52)

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 54)

8. BUSINESS ITEMS

- A. CONSIDERATION OF RESOLUTION AND MOTIONS AWARDED CONSTRUCTION CONTRACT AND TASK ORDER FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR THE LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) (pg. 153)

Proposed Actions:

- i. Move approval to SUSPEND COMPETITIVE BIDDING REQUIREMENTS FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) ON THE GROUNDS THAT THE PUBLIC INTEREST WOULD NOT BE SERVED BY STRICT COMPLIANCE WITH SAID REQUIREMENTS (5/7th WEIGHTED VOTE COUNT REQUIRED)
- ii. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) AND AWARD OF CONTRACT; AUTHORIZE EXECUTION OF AGREEMENT AND AUTHORIZE MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – BLOCKA CONSTRUCTION, INC. (\$2,282,650)

iii. Move approval of TASK ORDER FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) IN AN AMOUNT NOT TO EXCEED \$80,000 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – INTEGRAL GROUP

B. CONSIDERATION OF MOTION APPROVING CONTRACT CHANGE ORDER TO THE PUMP STATIONS IMPROVEMENTS PROJECT (PSI) DESIGN-BUILD AGREEMENT WITH SHEA PARSONS JOINT VENTURE (SPJV) FOR THE BELMONT GRAVITY PIPELINE CONSTRUCTION (pg. 158)

Proposed Action:

Move approval of CONTRACT CHANGE ORDER TO THE PUMP STATIONS IMPROVEMENTS PROJECT (CIP #9501) IN THE AMOUNT NOT TO EXCEED \$4,155,170 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – JFSHEA/PARSONS JOINT VENTURE

9. CLOSED SESSION

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

11. ADJOURN

CONSENT CALENDAR

NOTICE TO PUBLIC

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

7. A. APPROVAL OF MINUTES – November 16, 2020 Regular Meeting (pg. 54)
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED OCTOBER 30, NOVEMBER 13, AND NOVEMBER 25, 2020 AND NECESSARY PAYMENTS THROUGH NOVEMBER 25, 2020 (pg. 59)

- C. CONSIDERATION OF MOTION APPROVING MITIGATION MONITORING AND CEQA COMPLIANCE TASK ORDER (pg. 61)

Proposed Action:

Move approval of TASK ORDER SCOPE AND BUDGET FOR ENVIRONMENTAL CONSULTING SERVICES DURING DESIGN-BUILD IN AN AMOUNT OF \$284,900 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – DAVID J POWERS AND ASSOCIATES

- D. CONSIDERATION OF RESOLUTION APPROVING UPDATED SVCW STANDARD CONTRACT DOCUMENTS, VERSION DECEMBER 2020 (pg. 64)

Proposed Action:

Move adoption of RESOLUTION APPROVING SVCW'S STANDARD LONG-FORM CONTRACT DOCUMENTS, STANDARD SHORT-FORM CONTRACT DOCUMENTS AND STANDARD PROCUREMENT CONTRACT DOCUMENTS - VERSIONS DECEMBER 2020

- E. CONSIDERATION OF MOTION ACCEPTING ANNUAL AUDITED FINANCIAL REPORT AS OF JUNE 30, 2020 (pg. 67)

Proposed Action:

Move approval of RECEIPT AND ACCEPTANCE OF BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR YEAR ENDED JUNE 30, 2020

- F. CONSIDERATION OF RESOLUTION AND MOTION AWARDED CONSTRUCTION CONTRACT AND APPROVAL OF TASK ORDER FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR THE PRIMARY CHANNELS REHABILITATION AND

HATCH REPLACEMENT PROJECT (CIP #9241) (pg. 143)

Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR PRIMARY CHANNELS REHABILITATION AND HATCH REPLACEMENT PROJECT (CIP #9241); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER, REJECTING ALL OTHER BIDS; AND AUTHORIZING EXECUTION OF AGREEMENT, DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – ERS INDUSTRIAL SERVICES, INC. (\$2,374,020).
- ii. Move approval of TASK ORDER SCOPE AND BUDGET FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR PRIMARY CHANNELS REHABILITATION AND HATCH REPLACEMENT PROJECT (CIP #9241) IN AN AMOUNT NOT TO EXCEED \$197,520 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS.

G. CONSIDERATION OF RESOLUTION AND MOTIONS AWARDED CONSTRUCTION CONTRACT AND APPROVAL OF TASK ORDERS FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) (pg. 147)

Proposed Actions:

- i. Move adoption of RESOLUTION ACCEPTING CONTRACT DOCUMENTS AND ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES PROJECT (CIP #9240); REJECTING ALL OTHER BIDS, AUTHORIZING EXECUTION OF AGREEMENT FOR SAID WORK, DIRECTING RETURN OF SECURITY DEPOSITS THEREFORE, AND AUTHORIZE MANAGER TO APPROVE CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT VALUE FOR SAID PROJECT \$3,024,200 – D.W.Nicholson
- ii. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ENGINEERING SERVICES DURING CONSTRUCTION AND REPLAY PROGRAMMING FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) PROJECT IN AN AMOUNT NOT TO EXCEED \$392,028 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BEECHER ENGINEERING

- iii. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR STRUCTURAL AND CIVIL ENGINEERING DESIGN SERVICES FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) PROJECT IN AN AMOUNT NOT TO EXCEED \$93,007 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BROWN AND CALDWELL

Microsoft Teams Access Information
Silicon Valley Clean Water
Regular Meeting
Monday, December 14, 2020

WEBSITE: [Link to access meeting](#)

MEETING ID: 195 539 074#

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

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

Public Comment

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

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

Accessibility for Individuals with Disabilities

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

Subject to Change:

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

AGENDA ITEM 5A

Holiday Decorating Safety Tips

Decorate Safely

Decorating is one of the best ways to get in a holiday mood, but emergency rooms see thousands of injuries involving holiday decorating every season.

When decorating follow these tips from the U.S. Consumer Product Safety Commission:

- Keep potentially poisonous plants – mistletoe, holly berries, Jerusalem cherry and amaryllis – away from children
- If using an artificial tree, check that it is labeled “fire resistant”
- If using a live tree, cut off about 2 inches of the trunk to expose fresh wood for better water absorption, remember to water it and remove it from your home when it is dry
- Place your tree at least 3 feet away from fireplaces, radiators and other heat sources, making certain not to block doorways
- Avoid placing breakable ornaments or ones with small, detachable parts on lower tree branches where small children can reach them
- Only use indoor lights indoors and outdoor lights outdoors, and choose the right ladder for the task when hanging lights
- Replace light sets that have broken or cracked sockets, frayed or bare wires, or loose connections
- Follow the package directions on the number of light sets that can be plugged into one socket
- Never nail, tack or stress wiring when hanging lights and keep plugs off the ground away from puddles and snow
- Turn off all lights and decorations when you go to bed or leave the house

<https://www.nsc.org/home-safety/tools-resources/seasonal-safety/winter/holiday>

AGENDA ITEM 5B

Recurring and Upcoming 2020 Commission Actions
Updated for December 2020 Meeting

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

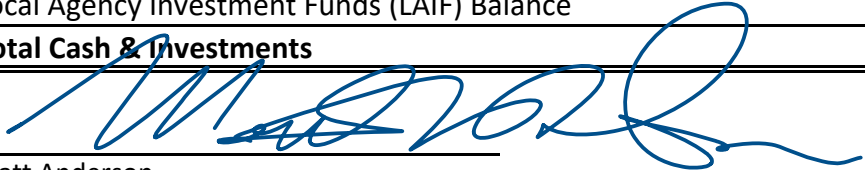
 - Recurring Commission Actions

 - Upcoming Commission Actions

AGENDA ITEM 5C1

**Silicon Valley Clean Water Authority
Cash & Investments Summary Report
November 30, 2020**

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	3,509,382	2.6%	1.2%
Operating Reserve - Money Market Fund Balance	328,744	0.2%	0.0%
CIP Reserve* - Securities	17,338,733	12.7%	1.9%
CIP Reserve - Money Market Fund Balance	252,953	0.2%	0.0%
Stage 2 Capacity Reserve* - Securities	13,494,031	9.9%	1.9%
Stage 2 Capacity Reserve - Money Market Fund Balance	258,848	0.2%	0.0%
Total Market Value: Operating and Reserve Accounts	\$ 35,182,692	25.8%	1.8%
Total Accrued Interest: Operating and Reserve Accounts	132,224		
GRAND TOTAL, OPERATING AND RESERVE ACCOUNTS	\$ 35,314,916		
<u>Bond and Notes Accounts</u>			
Trustee Accounts:			
2018 Project Fund Account - CAMP	\$ 15,018,394	11.0%	0.1%
2018 Revenue Account	5,022	0.0%	0.0%
2019A Notes WIFIA* - Securities	54,781,475	40.2%	2.0%
2019A Notes WIFIA - Money Market Fund	7,049,689	5.2%	0.0%
2019A Capitalized Interest Account* - Securities	21,923,482	16.1%	1.8%
2019A Capitalized Interest Account - Money Market Fund	8,176	0.0%	0.0%
2014 Revenue Account	451	0.0%	0.1%
2014 Interest Account - Money Market Fund	13	0.0%	0.1%
2014 Principal Account - Money Market Fund	7	0.0%	0.1%
2015 Revenue Account	173	0.0%	0.1%
Total Market Value, Trustee Accounts	\$ 98,786,883	72.5%	1.6%
Accrued Interest:	348,631		
Operating Cash (includes outstanding checks)	1,795,871	1.3%	
Local Agency Investment Funds (LAIF) Balance	420,677	0.3%	0.6%
Total Cash & Investments	\$ 136,666,977	100.00%	1.6%


Matt Anderson
Chief Financial Officer / Assistant Manager

Dec. 08, 2020
Date

* Monthly report of security transactions and interest available upon request

Silicon Valley Clean Water
Operating and Reserve Funds - Sector Allocation & Compliance Nov. 30, 2020

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,097,202	\$ 5,669,328	\$ 4,524,278	\$ 11,290,808	32.0%	100%	✓	0.1%
Supnationals	200,772	0	0	200,772	0.6%	100%	✓	0.2%
Federal Agency/GSE	1,318,704	2,969,672	2,345,553	6,633,929	18.8%	100%	✓	(0.7%)
Federal Agency CMO	0	2,616,856	1,857,183	4,474,039	12.7%	100%	✓	0.1%
Federal Agency MBS	0	1,365,571	1,277,844	2,643,415	7.5%	100%	✓	(0.2%)
Municipal	0	907,703	718,889	1,626,592	4.6%	100%	✓	0.1%
Corporate Notes	667,484	3,809,605	2,770,283	7,247,371	20.5%	30%	✓	0.3%
Asset-Backed Securities	225,220	0	0	225,220	0.6%	10%	✓	0.0%
Securities Sub-Total	\$ 3,509,382	\$ 17,338,733	\$ 13,494,031	\$ 34,342,147	97.2%			
Accrued Interest	7,206	70,792	54,226	132,223	0.4%			
Securities Total	\$ 3,516,588	\$ 17,409,526	\$ 13,548,257	\$ 34,474,370	97.6%			
Money Market Fund	328,744	252,953	258,848	840,545	2.4%	20%	✓	0.1%
Total Investments	\$ 3,845,331	\$ 17,662,479	\$ 13,807,105	\$ 35,314,915	100%			
<i>As % of 6/30/21Target:</i>	<i>102%</i>	<i>99%</i>	<i>100%</i>	<i>100%</i>				

This report contains financial information which has not been reviewed or audited by an independent auditor, does not reflect the application of generally accepted accounting principles in all instances and is subject to future revision. This report has not been prepared with a view to informing an investment decision in any of the City's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in this report are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of the City's bonds, notes or other obligations and investors and potential investors should rely only on information filed by the City on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and website, maintained on the World Wide Web at <https://emma.msrb.org/>

- 1. All operating fund accounts are in compliance with SVCW's Investment Policy, and all bond proceeds accounts are in compliance with the relevant bond documents.*
- 2. SVCW has adequate funding levels for more than six months of operations and claim payments, as referenced in CA Code Section 53646.*
- 3. Market valuations for the Operating and Reserve accounts along with the 2018 and 2019A bond proceeds accounts are provided by*
- 4. Market valuations for the 2009, 2014, and 2015 bond proceeds accounts are provided by Bank of New York Mellon.*
- 5. In accordance with Generally Accepted Accounting Principles (GAAP), month-end holdings and information are reported on a trade date basis.*
- 6. The yields shown for securities portions of the operating and reserve accounts and the 2019A bond proceeds accounts are the yields to maturity at cost.*
- 7. The yield for LAIF is the average monthly effective yield. Source: https://www.treasurer.ca.gov/pmia-laif/historical/avg_mn_ylds.asp*
- 8. The yields shown for the PFM-managed money market funds are the Yield to Maturity at Cost, and the Yield to Maturity at Market sourced from the respective fund providers' statements. Yields for BNY-managed funds are Market Yields sourced from the respective fund providers' statements.*
- 9. The yield shown for CAMP is the monthly distribution yield.*

AGENDA ITEM 5C2



December 14, 2020

To: SVCW Commissioners

From: Matt Anderson, SVCW CFO/Assistant Manager

Subject: Investment Update for Quarter Ended September 30, 2020

Attached is an update from PFM Asset Management LLC regarding the investment performance of SVCW Cash Reserves portfolio for the quarter ended September 30, 2020. Highlights include:

Market Update:

- The economic recovery has generally been stronger than expected, but future improvement may slow.
- Yields remain low and are not expected to move meaningfully in the near term.

SVCW Investment Program:

- At September 30, 2020 the Authority had nearly \$35.8 million in combined assets under management, and each reserve balance meets or exceeds SVCW policy (slide 15).
- Reserves outperformed their benchmark index. Investment returns were:

Reserve Fund	3 rd Quarter Returns	1-Year Returns
Operating Reserve (slide 18)	0.17%	3.57%
CIP Reserve (slide 24)	0.31%	5.87%
Stage 2 Capacity Reserve (slide 30)	0.36%	6.00%

- Corporate note holdings performed well. PFM continues to recommend SVCW hold all corporate notes until maturity.

Outlook:

- Ongoing Fed support is expected to continue to stabilize the bond market; volatility remains low.
- Focus remains on safety and liquidity, with continued surveillance of non-government securities.
- Earnings are expected to remain low, but active management of the portfolio is expected to generate incremental earnings over time.



SILICON VALLEY CLEAN WATER

Investment Performance Review For the Quarter Ended September 30, 2020

Client Management Team

Lesley Murphy, Senior Managing Consultant
Michael P. Downs, Portfolio Manager
Jeremy King, Key Account Manager
Rachael Miller, Client Consultant

PFM Asset Management LLC

50 California Street, Suite 2300
San Francisco, CA 94111
415-982-5544
213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

1

Market Update

2

SILICON VALLEY CLEAN WATER

For Quarter Ended September 30, 2020
Market Update

Markets Face Many Uncertainties Moving into the Fourth Quarter

Coronavirus

- Spread during colder months and flu season
- Development of vaccines
- Impact on economic recovery

Markets

- Valuations of bonds and equities
- Further fiscal stimulus
- Fed policies

Presidential election

- Priorities of government spending
- Tax law changes
- Foreign and trade policies
- Future of ACA

volatility

narrow spreads

leverage

pandemic

small business

trade

consumer sentiment

manufacturing

layoffs

uncertainty

social distancing

risk

low rates

crisis

monetary policy

coronavirus

downgrade

business

policy

downgrade

PFM Asset Management LLC

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SILICON VALLEY CLEAN WATER

For Quarter Ended September 30, 2020
Market Update

Achieving Pre-Pandemic Employment Levels May Be Challenging

Unemployment Rate

Even with a partial recovery in May-August, the unemployment rate remains high

Year	Unemployment Rate
1970	6.0%
1980	9.0%
1990	10.8%
2000	7.8%
2010	9.9%
2018	7.9%
2020 (April)	14.7%
2020 (Aug)	8.4%
2020 (Sept)	7.9%

Continuing Claims and Pandemic Unemployment Assistance

Pandemic Unemployment Assistance is the federal government program that extended benefits for those who have otherwise exhausted traditional benefits, and extended it to individuals out of work due to the pandemic, including formerly self-employed, contract, and gig workers

Month	Continuing Claims (Millions)	Pandemic Unemployment Assistance (Millions)
Dec-19	2	0
Feb-20	2	0
Apr-20	25	2
Jun-20	20	10
Aug-20	15	15

Source: Bloomberg as of 9/30/2020. Data is seasonally adjusted. Source (quote): Department of Labor.

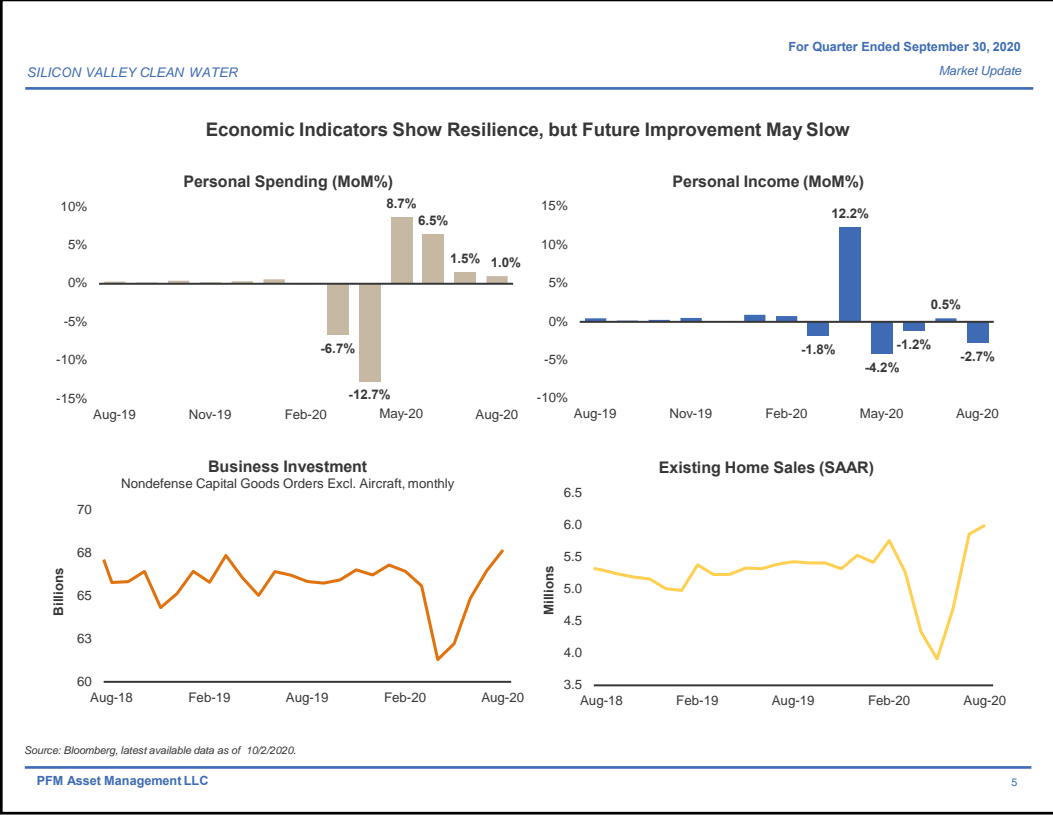
PFM Asset Management LLC

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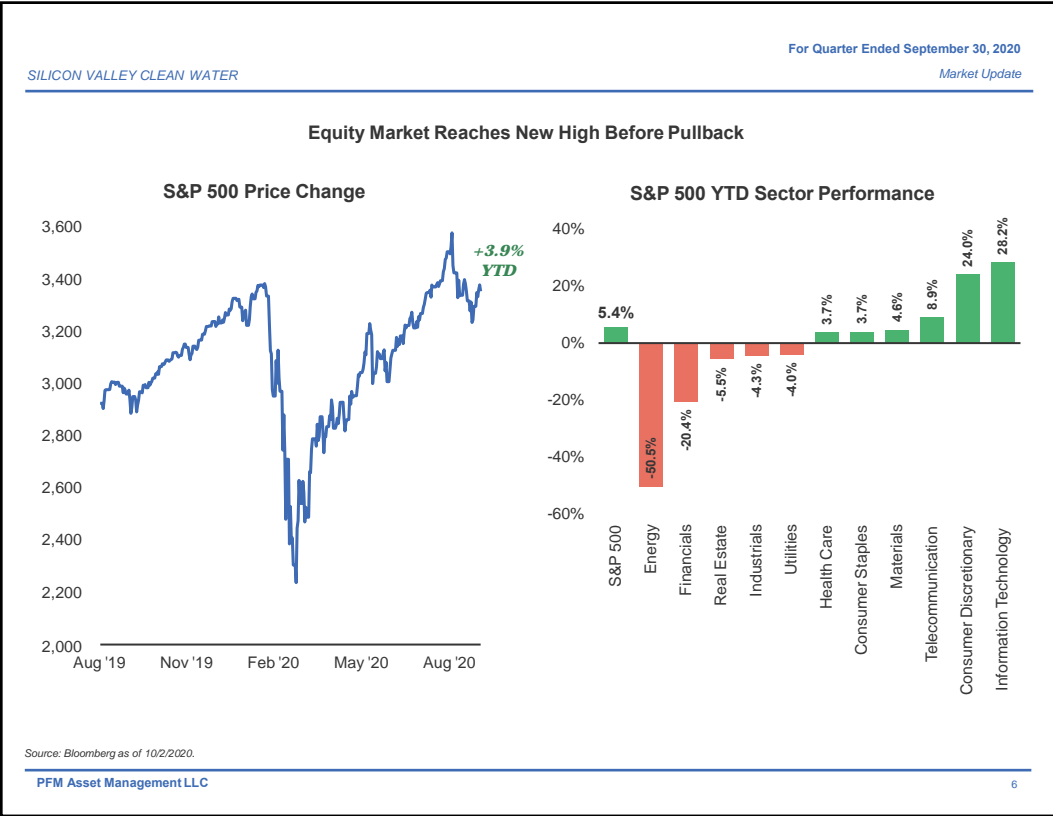
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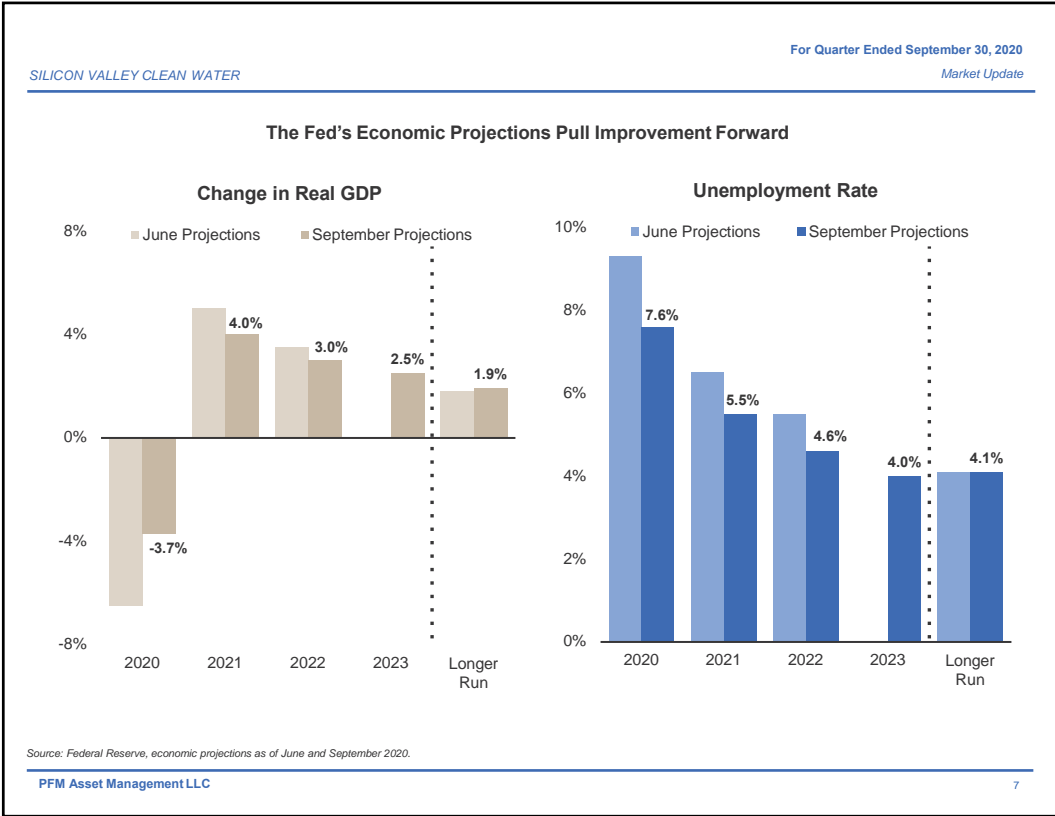
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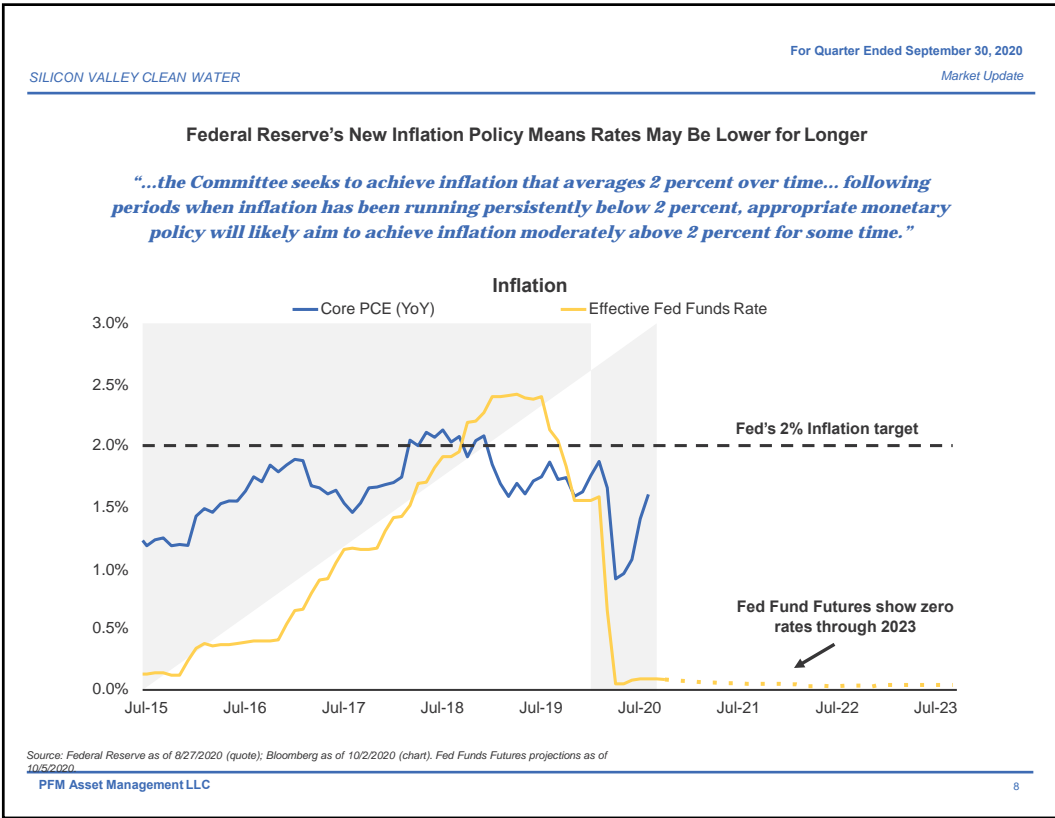
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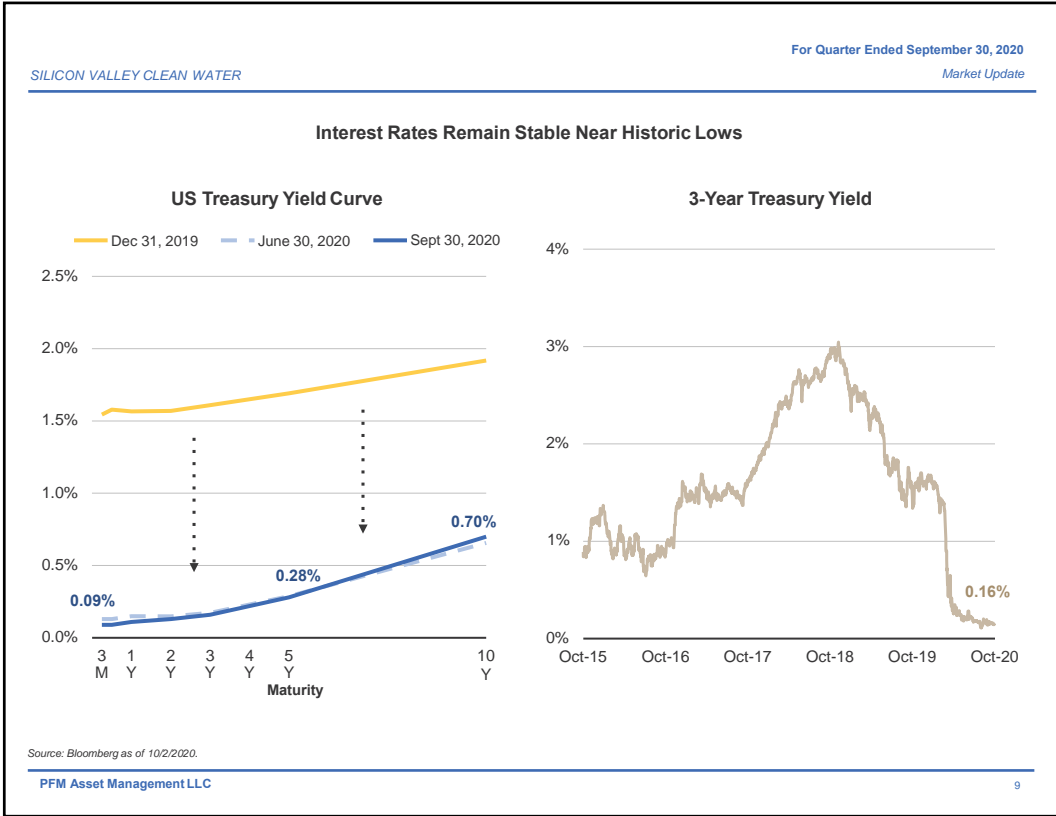
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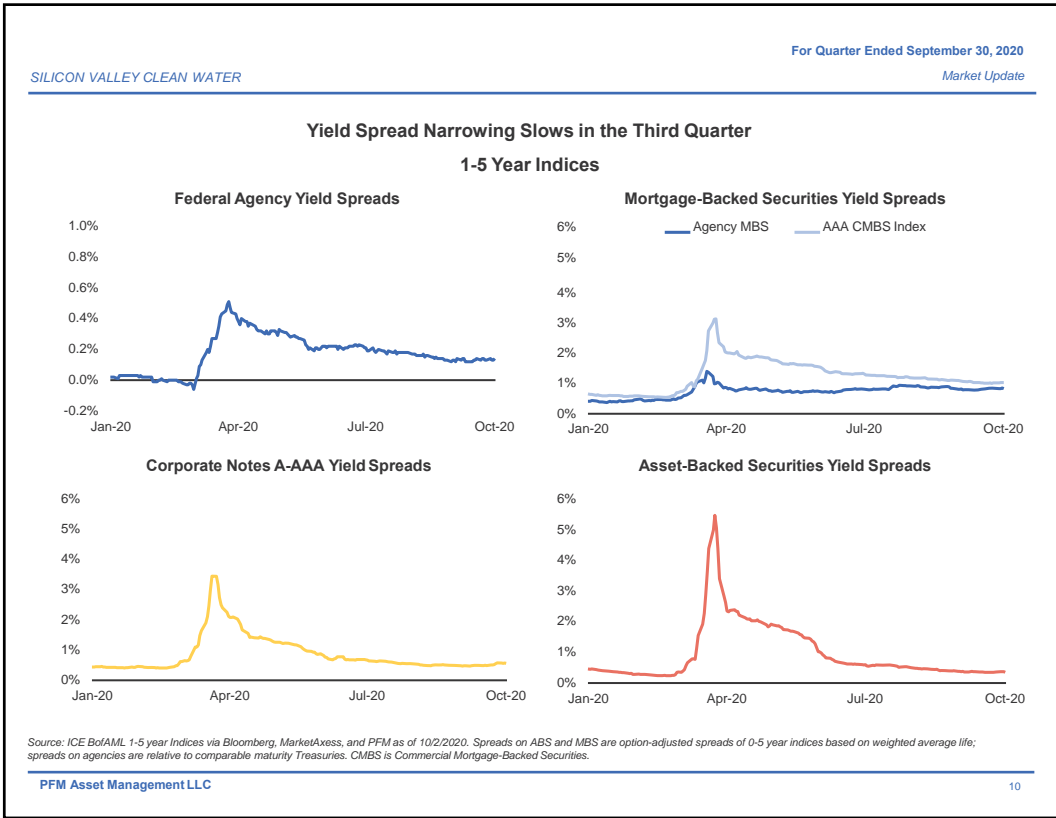
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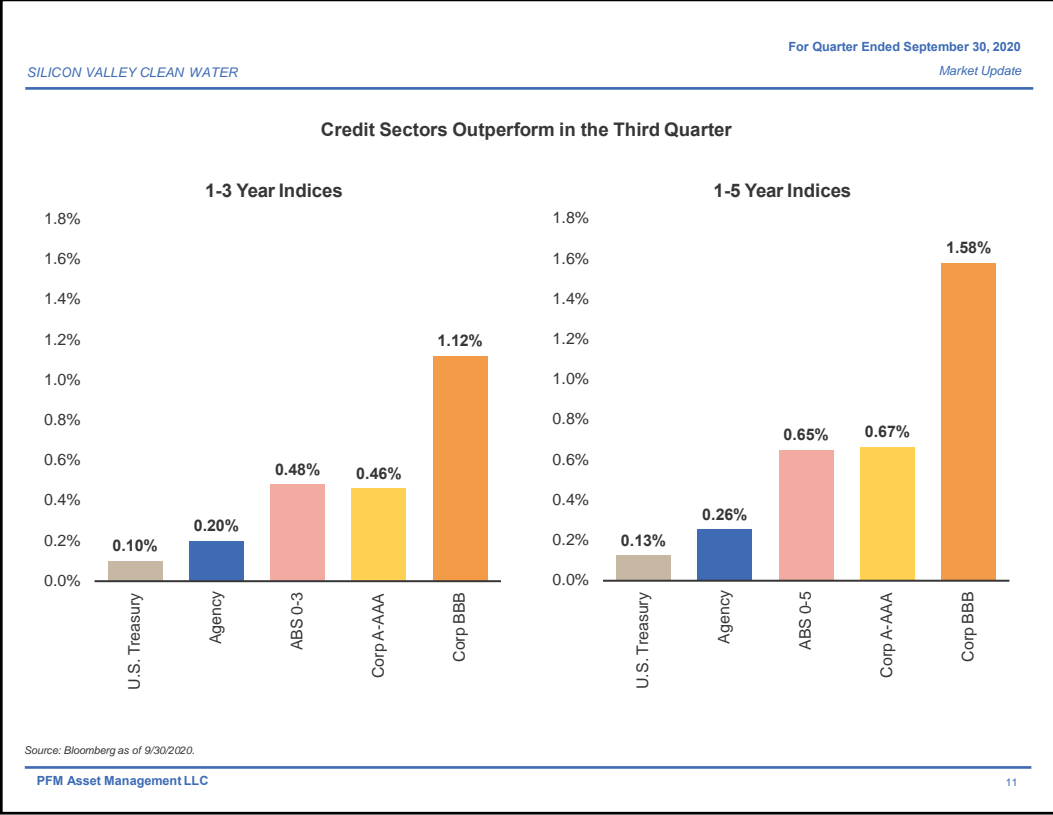
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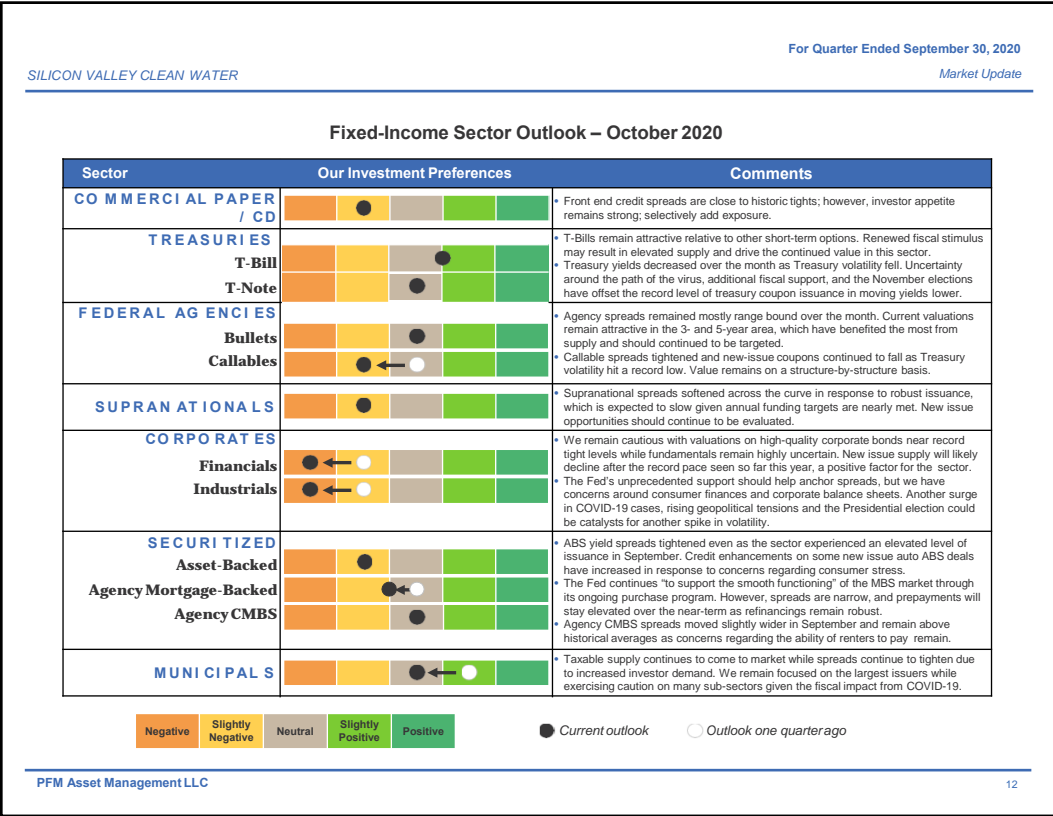
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Aggregate Portfolio Review

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SILICON VALLEY CLEAN WATER

For the Quarter Ended September 30, 2020

Portfolio Review

Portfolio Recap

- In the current, ultra-low interest rate environment, the yields on U.S. Treasury obligations across the curve remained largely stable during the third quarter, leading to muted quarterly returns for U.S. Treasury indices. **Diversification** away from Treasuries was again **additive** to performance in the third quarter as investor demand for high-quality non-U.S. Treasury sectors remained strong.
- Our third quarter strategy encompassed the following:
 - Activity ramped up in the **taxable municipal** sector as issuers took advantage of low borrowing rates. This increase in supply presented attractive buying opportunities. We capitalized on this as we purchased \$670,000 of high-quality municipal obligations in the Authority's portfolios during the third quarter.
 - We selectively added allocations to the **federal agency MBS** sector on a case-by-case basis where value exists. In this era of ultra-low interest rates, we continue to prefer structures that are less exposed to prepayment such as agency commercial mortgages.
 - Holdings of investment-grade **corporate notes** were, once again, a significant boon for portfolio performance. Despite the increase in supply, strong investor demand pressured spreads (the yields available on corporate notes less the yields available on similar-maturity U.S. Treasury notes) lower. Narrower spread levels benefited current-quarter performance but generally made most new purchases less attractive. Nonetheless, we identified several select well-priced issues for purchase in the Operating Reserve portfolio.
 - We also introduced holdings of **AAA-rated asset-backed securities (ABS)** to the Operating Reserve portfolio as high-quality ABS structures offered fair value during the quarter. After pausing new purchases earlier in the year, we reevaluated underlying risks in the sector by conducting robust stress testing under a wide range of adverse scenarios. In the third quarter, we once again became selective buyers of new issues, focusing on those issues with increased credit enhancements.
- As always, while we continue to seek opportunities to enhance portfolio earnings, our priority remains to maintain the **safety** and the **liquidity** of the Authority's investments.

For details on these and all other transactions, please see the "Security Transactions and Interest" section of your monthly reports.

PFM Asset Management LLC

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SILICON VALLEY CLEAN WATER

For the Quarter Ended September 30, 2020

Portfolio Compliance

Sector Allocation & Compliance

- The portfolio is in compliance with the Authority's Investment Policy and California Government Code.

Security Type	Market Value	% of Portfolio	% Change vs. 6/30/20	Permitted by Policy	In Compliance
U.S. Treasury	\$ 11,207,346	31%	+2%	100%	✓
Supranationals	\$ 125,735	<1%	-	15%	✓
Federal Agency/GSE	\$ 6,392,925	18%	-1%	100%	✓
Asset-Backed Securities	\$ 125,233	<1%	-	10%	✓
Federal Agency/CMO	\$ 4,591,122	13%	+1%	100%	✓
Federal Agency MBS	\$ 2,838,392	8%	+1%	100%	✓
Municipal	\$ 1,167,874	3%	+2%	30%	✓
Corporate Notes	\$ 7,498,190	21%	+1%	30%	✓
Securities Sub-Total	\$ 33,946,816	95%			
Accrued Interest	\$ 162,802				
Securities Total	\$ 34,109,618				
Money Market Fund	\$ 1,674,315	5%	-6%	20%	✓
Total Investments	\$ 35,783,933	100%			

Detail may not add to total due to rounding. Current Investment Policy as of March 2020.

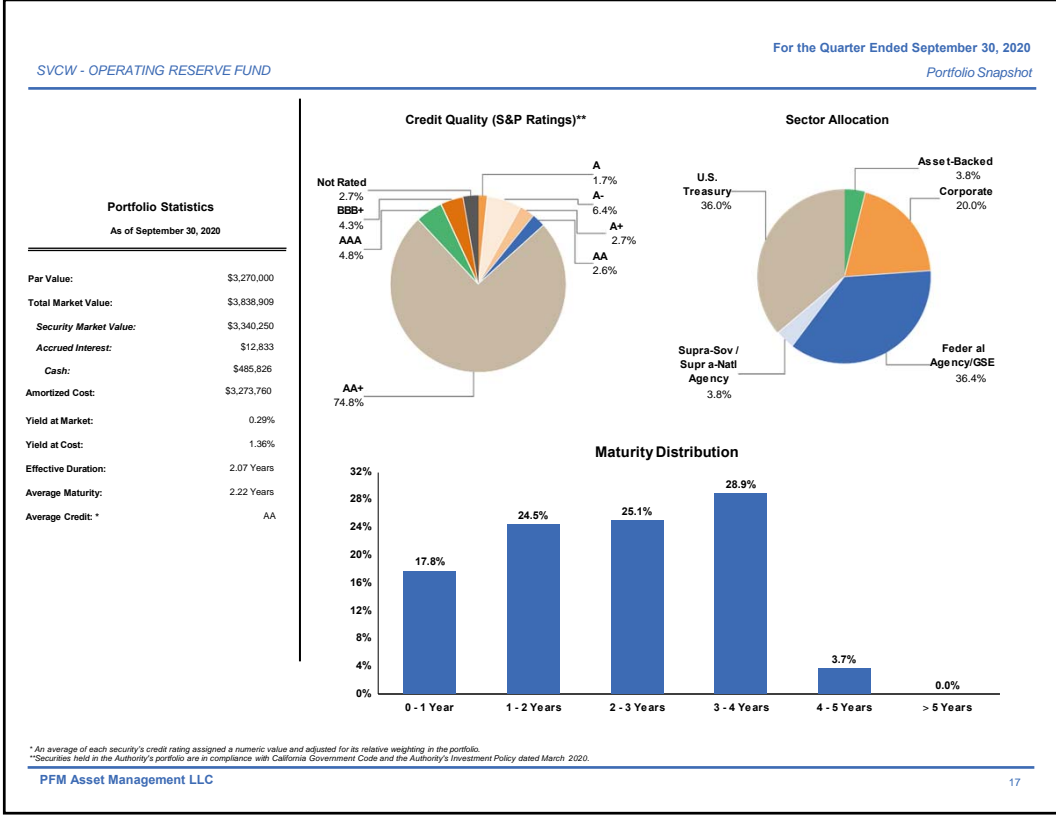
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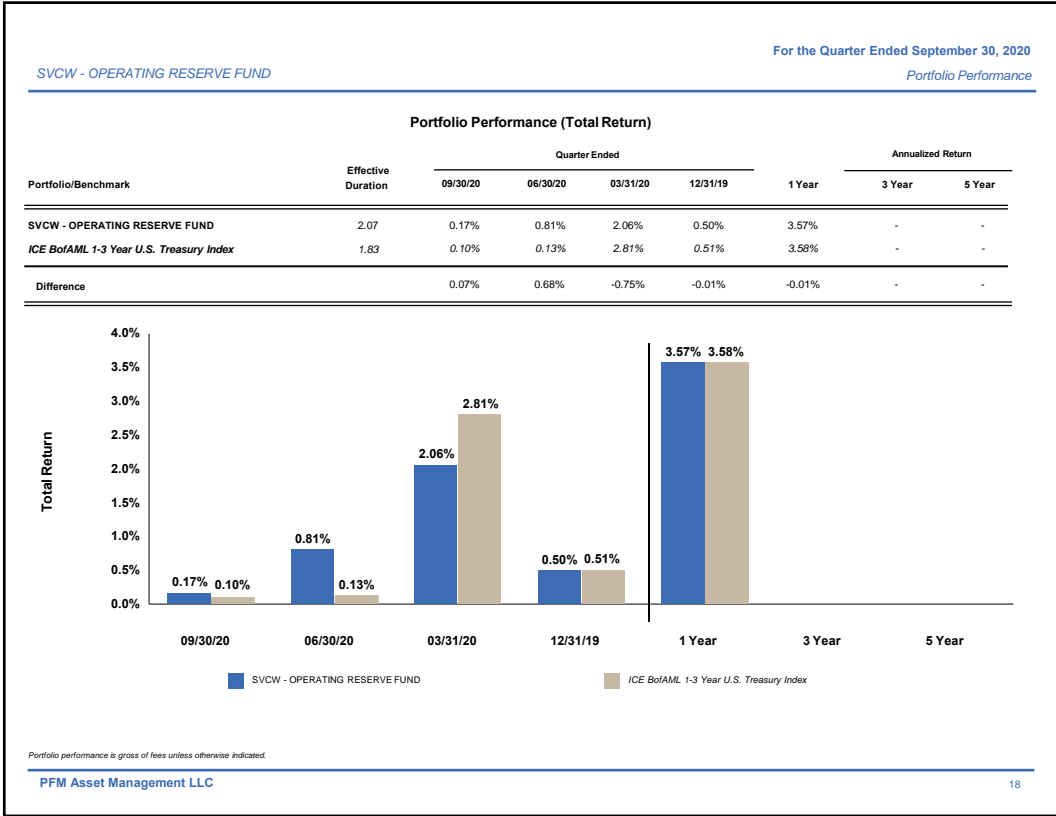
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Portfolio Analytics: Operating Reserve Portfolio	
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SVCW - OPERATING RESERVE FUND

For the Quarter Ended September 30, 2020

Portfolio Performance

Portfolio Earnings

Quarter-Ended September 30, 2020

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$3,474,796.95	\$3,395,359.71
Net Purchases/Sales	(\$128,081.12)	(\$128,081.12)
Change in Value	(\$6,465.46)	\$6,481.82
Ending Value (09/30/2020)	\$3,340,250.37	\$3,273,760.41
Interest Earned	\$12,843.04	\$12,843.04
Portfolio Earnings	\$6,377.58	\$19,324.86

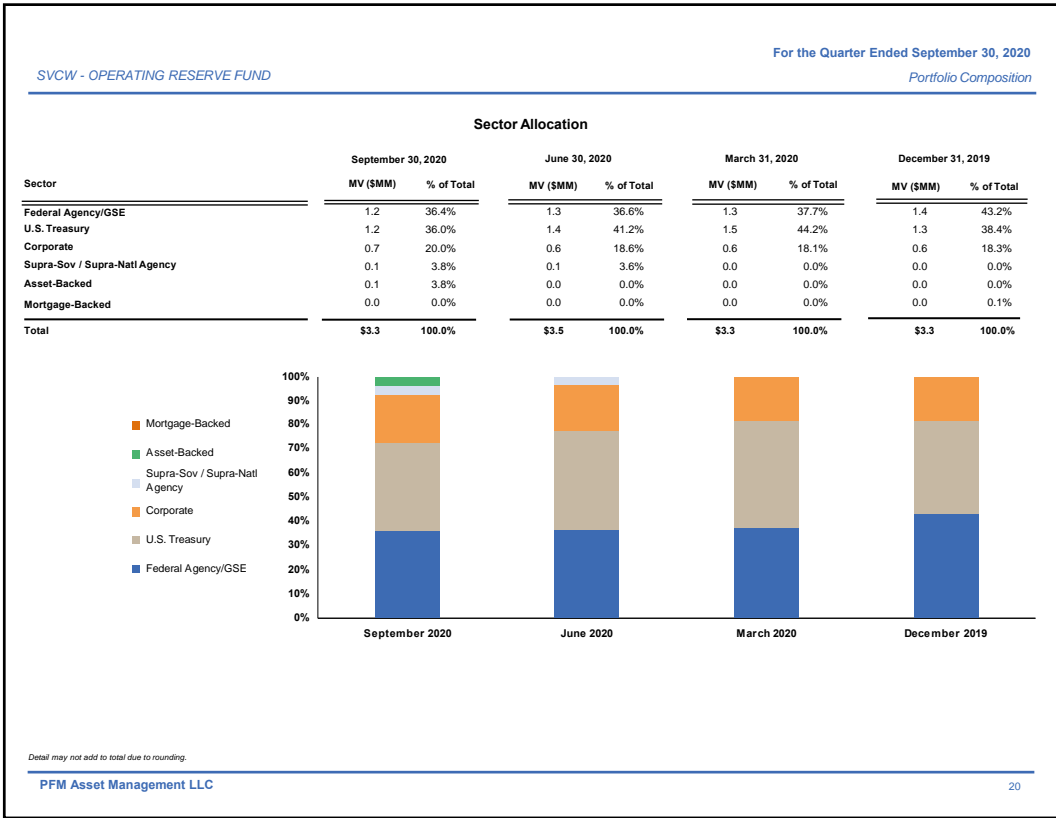
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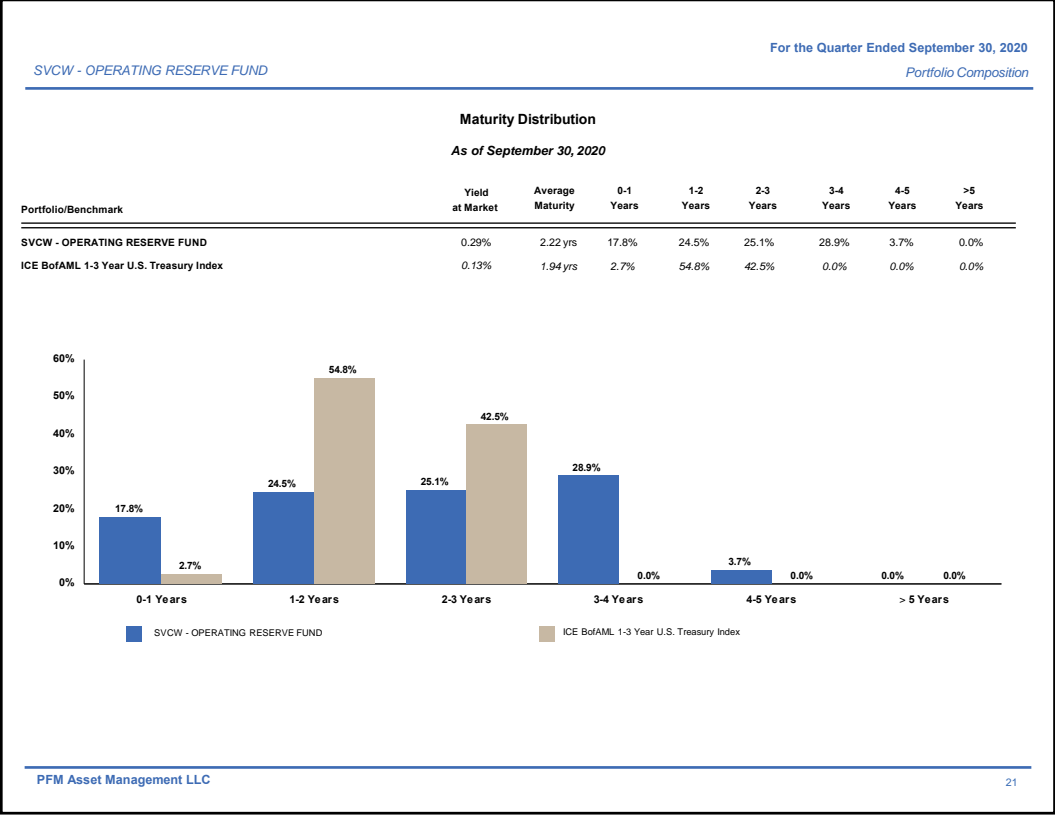
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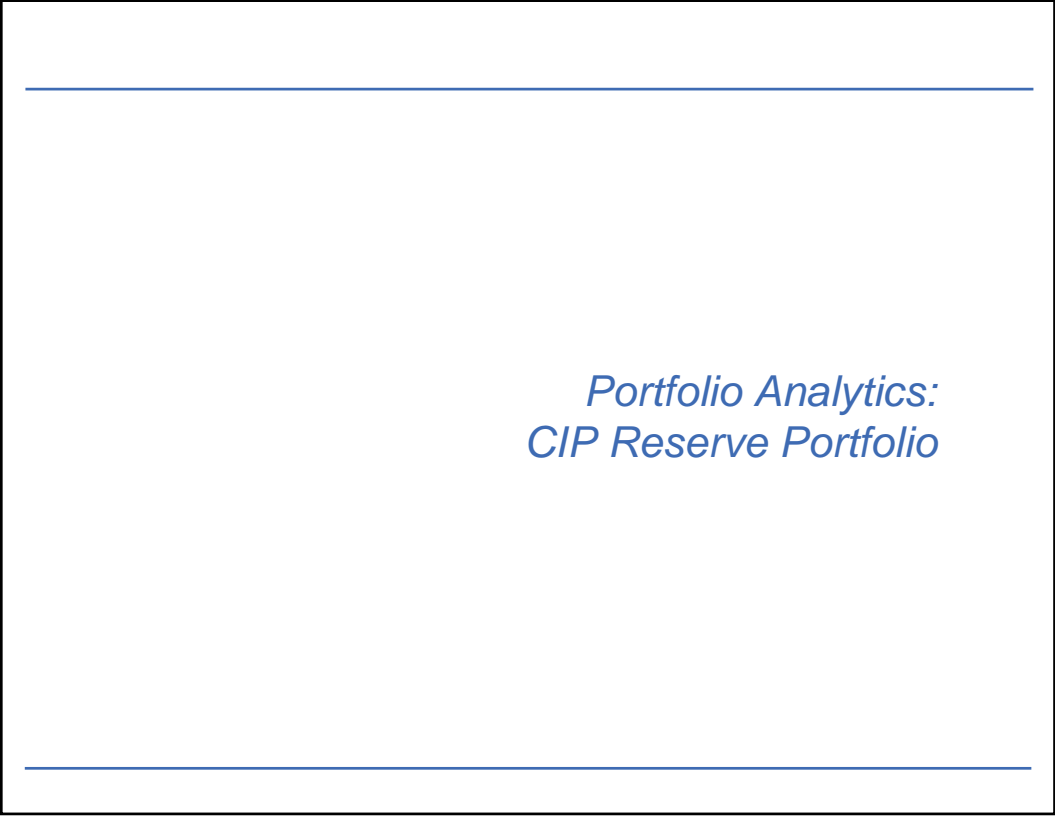
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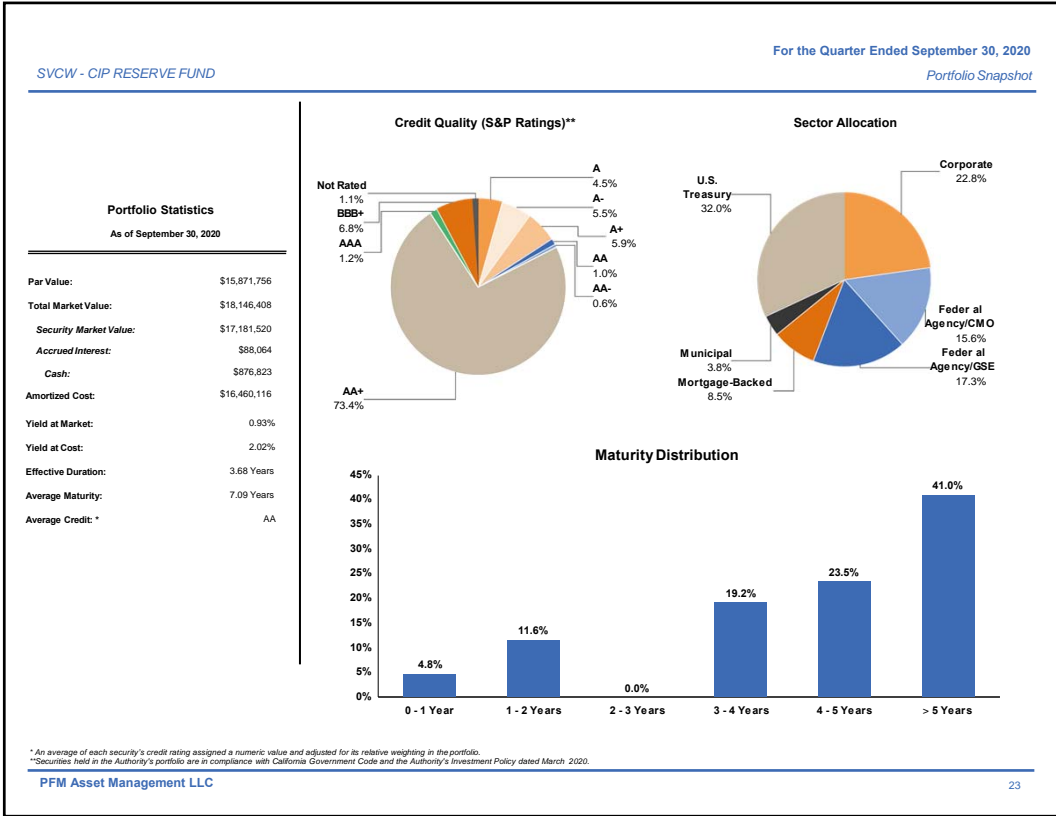
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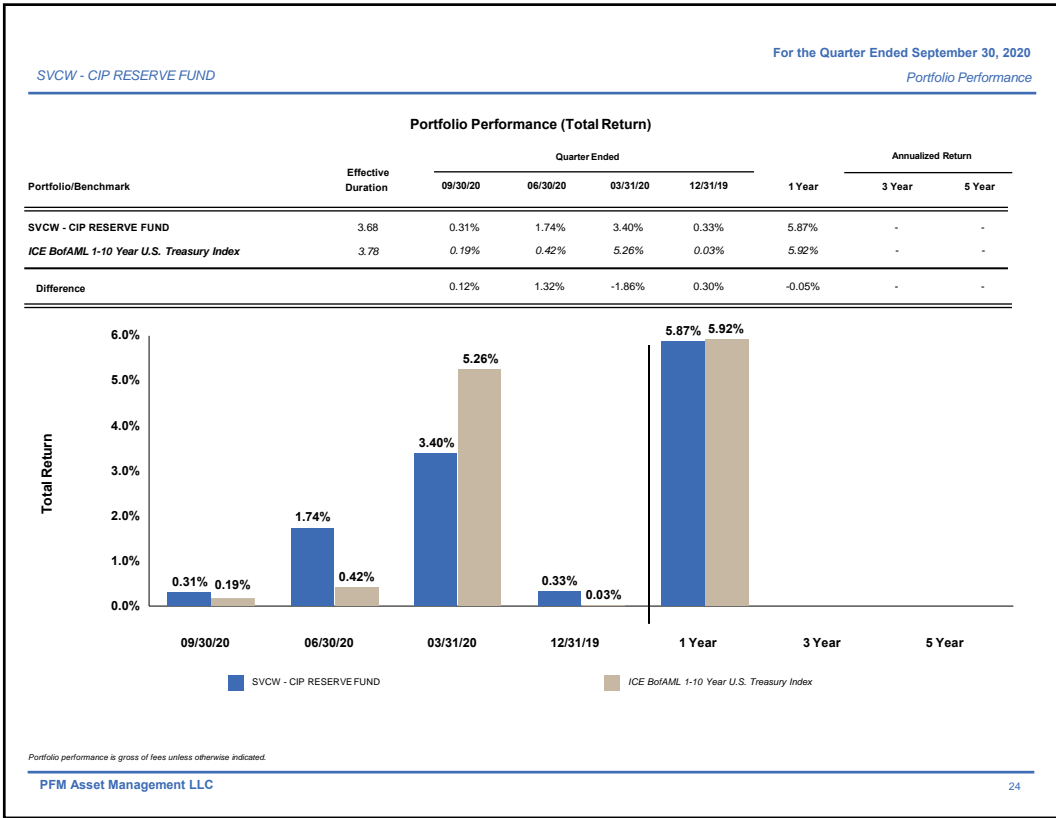
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SVCW - CIP RESERVE FUND

For the Quarter Ended September 30, 2020

Portfolio Performance

Portfolio Earnings

Quarter-Ended September 30, 2020

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$17,331,059.71	\$16,588,068.78
Net Purchases/Sales	(\$107,117.85)	(\$107,117.85)
Change in Value	(\$42,421.57)	(\$20,834.50)
Ending Value (09/30/2020)	\$17,181,520.29	\$16,460,116.43
Interest Earned	\$104,348.38	\$104,348.38
Portfolio Earnings	\$61,926.81	\$83,513.88

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SVCW - CIP RESERVE FUND

For the Quarter Ended September 30, 2020

Portfolio Composition

Sector Allocation

Sector	September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	5.5	32.0%	5.5	31.8%	6.8	35.4%	5.4	27.8%
Corporate	3.9	22.8%	4.1	23.6%	3.9	20.2%	4.2	21.7%
Federal Agency/GSE	3.0	17.3%	3.5	19.9%	4.1	21.2%	5.4	28.1%
Federal Agency/CMO	2.7	15.6%	2.6	14.9%	2.7	14.0%	2.5	13.1%
Mortgage-Backed	1.5	8.5%	1.4	8.2%	1.5	7.8%	1.5	7.9%
Municipal	0.7	3.8%	0.3	1.6%	0.3	1.4%	0.3	1.4%
Total	\$17.2	100.0%	\$17.3	100.0%	\$19.3	100.0%	\$19.3	100.0%

Stacked bar chart illustrating the Sector Allocation by percentage for four periods: September 2020, June 2020, March 2020, and December 2019. The Y-axis represents the percentage from 0% to 100%. The legend identifies the sectors: U.S. Treasury (light gray), Corporate (orange), Federal Agency/GSE (blue), Federal Agency/CMO (light blue), Mortgage-Backed (dark blue), and Municipal (black).

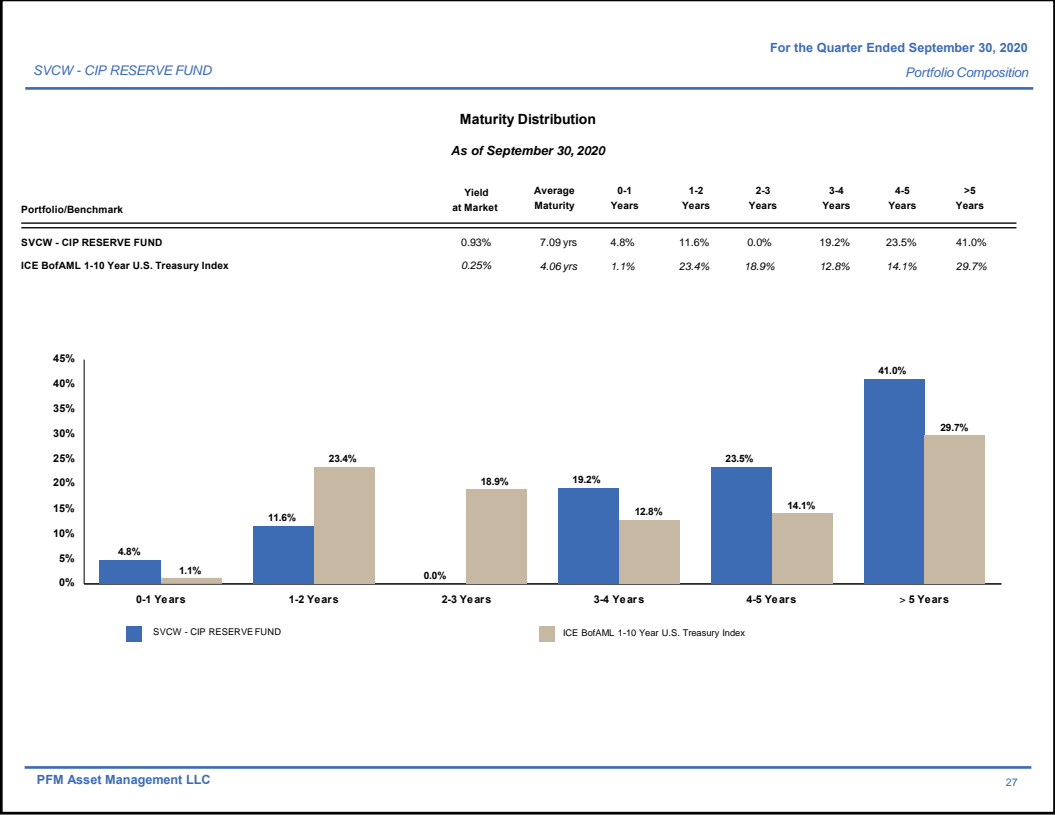
Sector	September 2020	June 2020	March 2020	December 2019
U.S. Treasury	32.0%	31.8%	35.4%	27.8%
Corporate	22.8%	23.6%	20.2%	21.7%
Federal Agency/GSE	17.3%	19.9%	21.2%	28.1%
Federal Agency/CMO	15.6%	14.9%	14.0%	13.1%
Mortgage-Backed	8.5%	8.2%	7.8%	7.9%
Municipal	3.8%	1.6%	1.4%	1.4%

Detail may not add to total due to rounding.

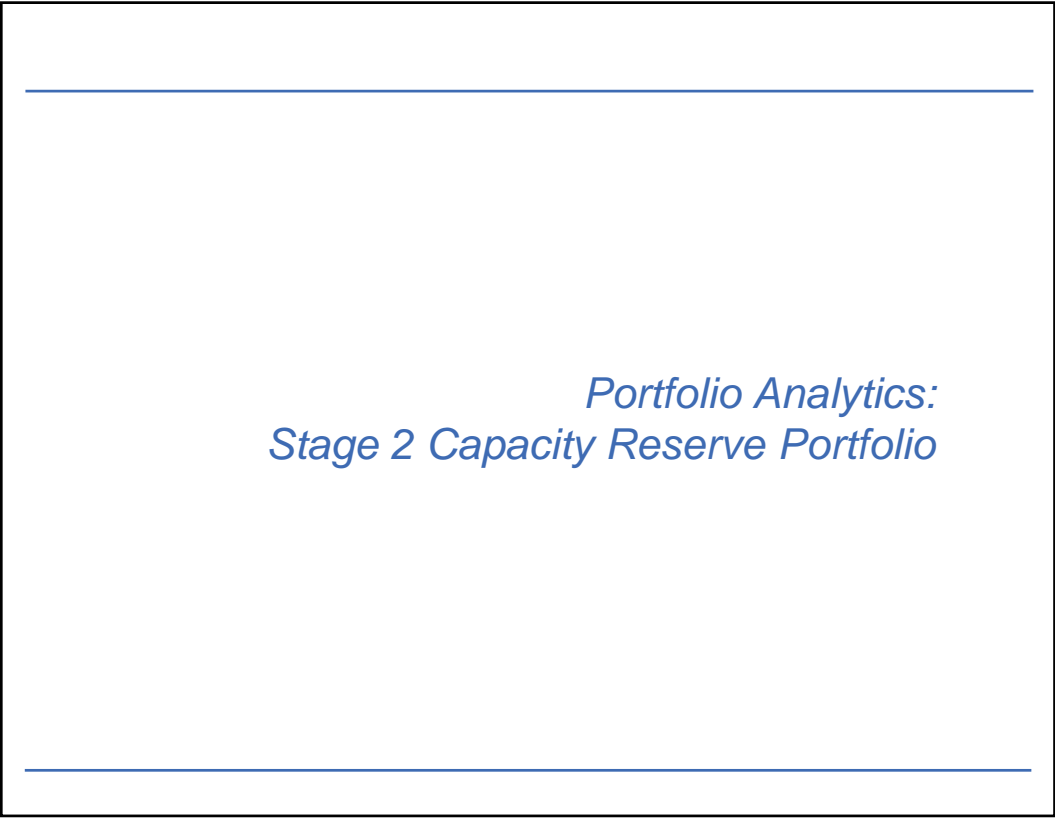
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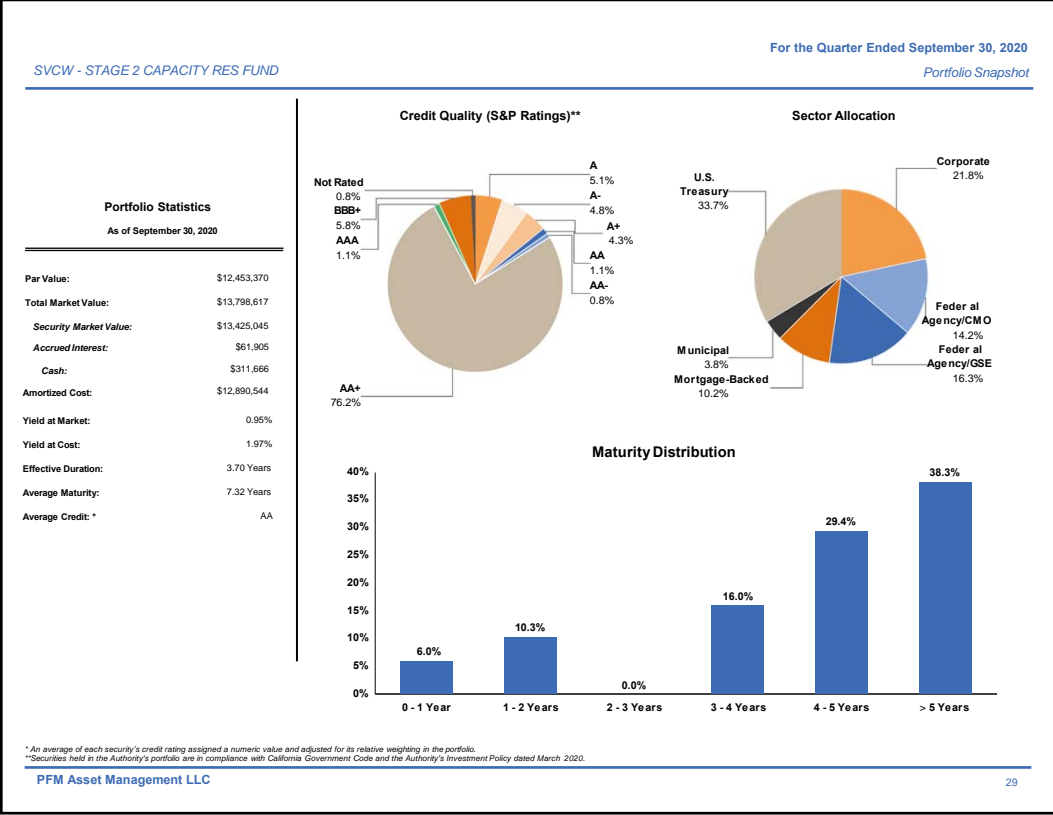
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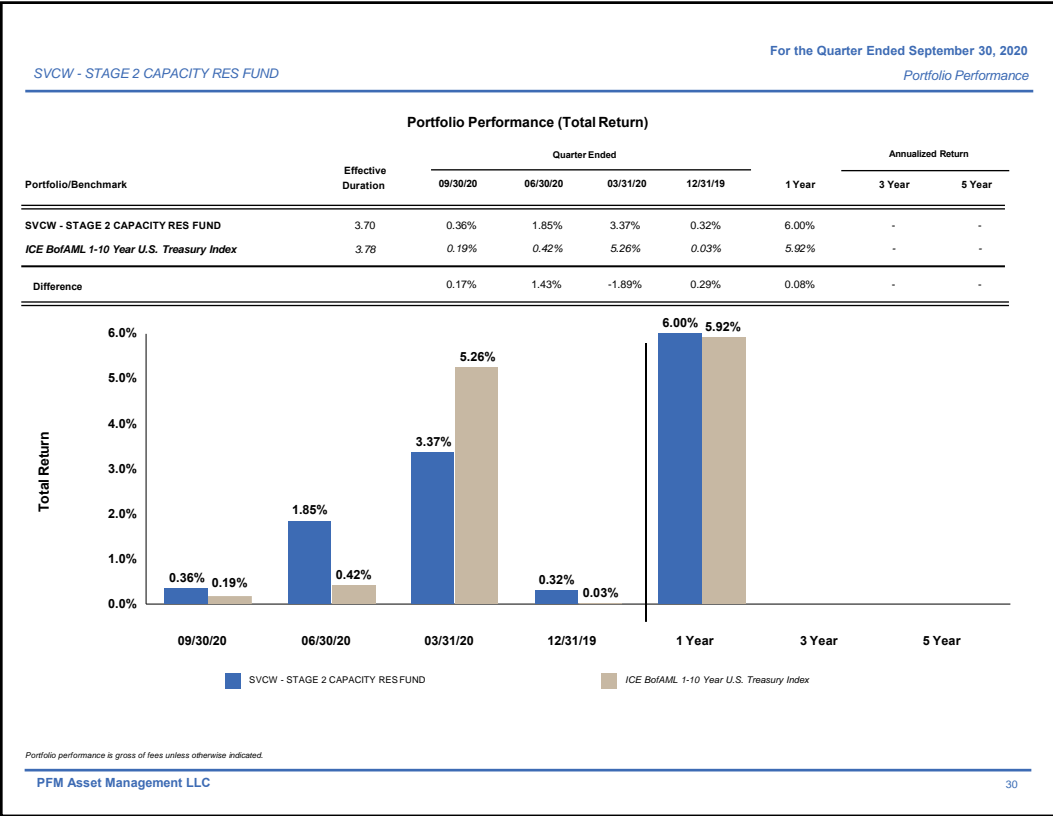
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SVCW - STAGE 2 CAPACITY RES FUND

For the Quarter Ended September 30, 2020

Portfolio Performance

Portfolio Earnings

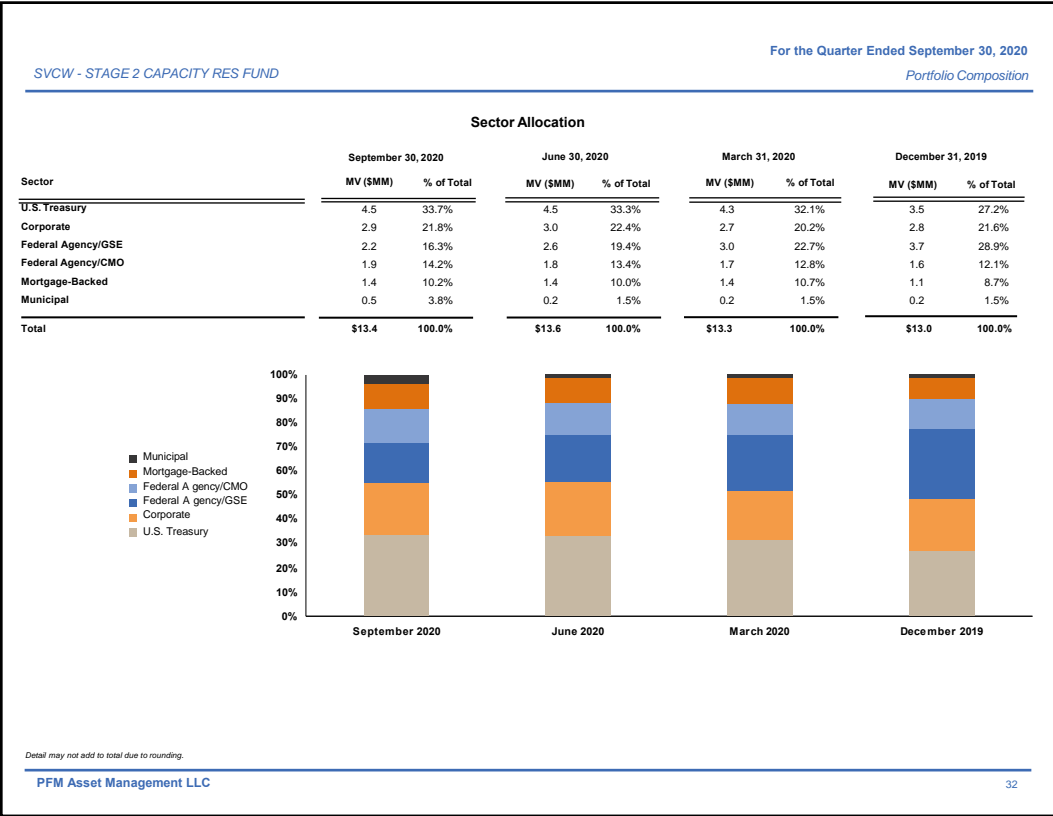
Quarter-Ended September 30, 2020

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$13,602,550.45	\$13,054,911.10
Net Purchases/Sales	(\$147,742.91)	(\$147,742.91)
Change in Value	(\$29,762.13)	(\$16,624.66)
Ending Value (09/30/2020)	\$13,425,045.41	\$12,890,543.53
Interest Earned	\$79,114.31	\$79,114.31
Portfolio Earnings	\$49,352.18	\$62,489.65

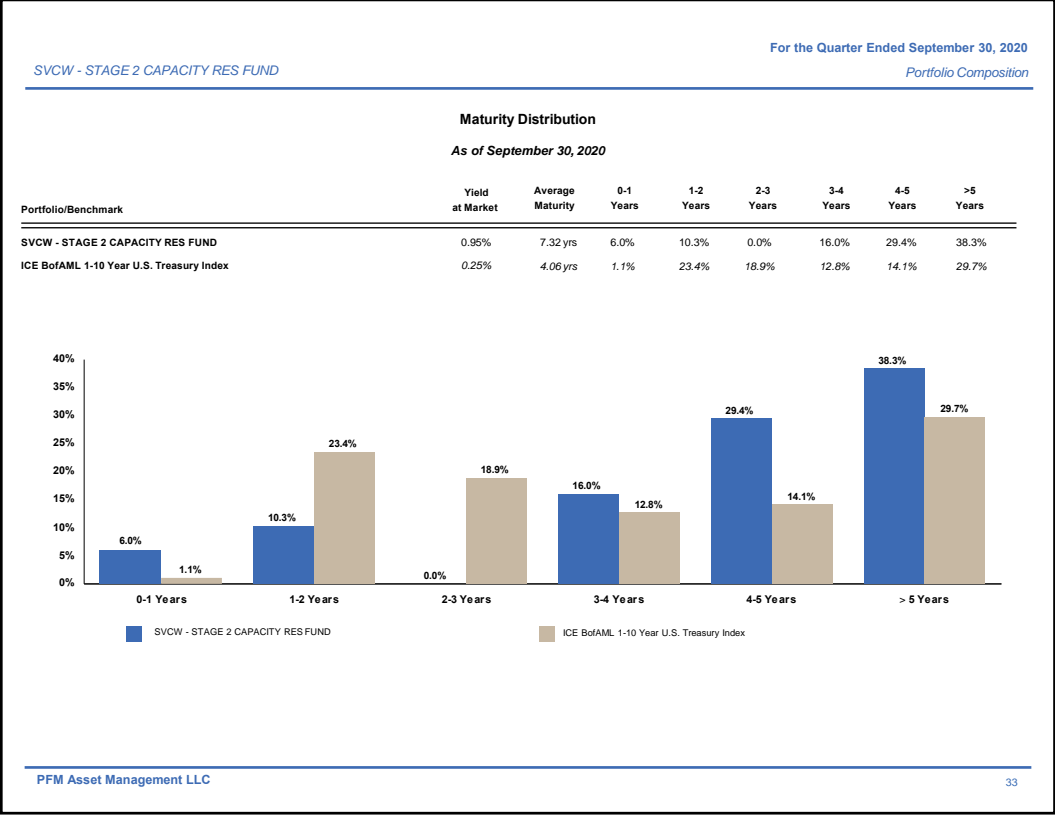
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SILICON VALLEY CLEAN WATER	
For the Quarter Ended September 30, 2020	
Appendix	
IMPORTANT DISCLOSURES	
<p>This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.</p>	
<ul style="list-style-type: none">• Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.• In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.• Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.• Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.• Money market fund/cash balances are included in performance and duration computations.• Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.• Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.• MBS maturities are represented by expected average life.	
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SILICON VALLEY CLEAN WATER	
For the Quarter Ended September 30, 2020	
Appendix	
GLOSSARY	
<ul style="list-style-type: none">• ACCRUED INTEREST: Interest that is due on a bond or other fixed income security since the last interest payment was made.• AGENCIES: Federal agency securities and/or Government-sponsored enterprises.• AMORTIZED COST: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.• BANKERS' ACCEPTANCE: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.• COMMERCIAL PAPER: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.• CONTRIBUTION TO DURATION: Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.• EFFECTIVE DURATION: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.• EFFECTIVE YIELD: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.• FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.• INTEREST RATE: Interest per year divided by principal amount and expressed as a percentage.• MARKET VALUE: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.• MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.• NEGOTIABLE CERTIFICATES OF DEPOSIT: A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.• PAR VALUE: The nominal dollar face amount of a security.• PASS THROUGH SECURITY: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.	
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SILICON VALLEY CLEAN WATER		For the Quarter Ended September 30, 2020
		Appendix
GLOSSARY		
● REPURCHASE AGREEMENTS: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.		
● SETTLE DATE: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.		
● TRADE DATE: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.		
● UNSETTLED TRADE: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.		
● U.S. TREASURY: The department of the U.S. government that issues Treasury securities.		
● YIELD: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.		
● YTM AT COST: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.		
● YTM AT MARKET: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.		
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AGENDA ITEM 5D

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

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

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

All three projects are in their construction phases.

The Pump Stations Improvements Project has experienced additional costs on the Belmont Gravity Pipe element of the project. A Contract Change Order will be brought to the Commission at the December Commission meeting.

Planned Commission Actions: Approve Contract Change Order for Pump Stations Improvements Project – December 2020

Approve Agreement for Environmental Compliance Tasks - December 2020

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

The Lab building was built in 1993, and there has been no significant rehabilitation of the system since the original construction. Many components of the system have fallen into disrepair. Integral Group has completed the design drawings and specifications for the rehabilitation of the system. The project was advertised for bid on September 14th and will be brought for approval to the Commission at the December 2020 meeting.

Planned Commission Actions: Award Construction Contract – December 2020

Primary Channels Rehabilitation and Hatch Replacement (9241): Rehabilitation of primary sedimentation tanks influent channels and effluent channels and replacement of primary sedimentation tanks hatch covers.

Primary sedimentation tanks face one of the harshest wastewater environment since the raw sewage comes to these tanks first for primary treatment. These concrete structures are from original construction. This project consists of concrete rehabilitation, application of protective coatings, and the replacement of existing hatches in the Primary Sedimentation Tanks and Channels. Bids were received on

December 1st, and the contract is expected to be awarded at the December 2020 Commission meeting.

Planned Commission Actions: Award Construction Contract – December 2020

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

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

Beecher Engineering has provided design drawings for this project, which will allow for more flexibility in the Standby Power System and avoid the need to install new generators to support the future Front of Plant equipment. The project was advertised for bid in on November 3rd and the bids were received on December 8th. The construction contract is expected to be awarded at the December 2020 Commission meeting.

Planned Commission Actions: Award Construction Contract – December 2020

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

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

The remaining work to be completed includes improvements to the HVAC system and miscellaneous support systems for the installed equipment. A new overhead crane system has already been installed and tested in the dewatering room.

Planned Commission Actions: Accept Project/File Notice of Completion – January 2021

AGENDA ITEM 5E

Silicon Valley Clean Water
Commissioners' Requested Action Items

DECEMBER 14, 2020
AGENDA ITEM 5E

Updated: 12/03/2020

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
11/16/2020	1	Muck Disposal	N/A	✓				Report monthly on availability and cost for muck disposal for Gravity Pipeline project.
10/19/2020	1	No Action Items						
9/21/2020	1	Administrative Policies	N/A	✓				With respect to policies, if there's need to waive or gain exception to term(s), bring the issue forward for Commission's consideration.
8/17/2020	1	Public Outreach	N/A	✓				Continue working with Communications Manager to continuously improve public outreach.
7/20/2020	1	Change SVCW Bylaws wrt terms of office	11/16/2020		✓			Bylaws note change to officers in July each year whereby city and agency elections are in November and new terms begin January. Discuss a possible change to bylaws.
6/15/2020	1	Pump Stations Improvements - Capital vs Life Cycle Costs	N/A		✓			Reducing pump stations from 5 to 2 have been reported to save long-term costs; provide analysis results to Commissioners.
5/18/2020	1	Modify Agenda and Distribution Method	6/15/2020			✓	6/10/2020	1-Add page numbers for agenda items on agenda, 2-Mail hard copy packets to Warren and George, 3 - Email Teams meeting information to Commissioners
	2	Research on illness transmission in sewers	N/A		✓			Ask researchers when results might be available; get info to Commissioners. This is an ongoing effort amongst CA agencies, Stanford University, and UC Berkeley.
4/20/2020	1	Emergency Declaration	N/A	✓			4/20/2020	Manager to reach out via email, special meetings, etc to Commission as needed when decisions are required or made
3/9/2020	1	Finance Section on Agenda Letters	4/20/2020			✓	4/20/2020	Answer the question: is the cost associated with an item in line with expectations?
	2	Succession and Retention Staff Planning	N/A			✓	6/15/2020	In response to hardships to staff from high cost of living and the large number upcoming retirements, report out on activities related to retention and succession planning.
	3	1406 Radio Road Building	N/A		✓			Research and make recommendation related to historic registry restraints on what can/can't be done with buildings. On hold due to Covid-19
1/27/2020	1	Clarify verbiage in Local 39-SVCW MOU Side Letter	N/A			✓	3/2/2020	Clarify that the term "bi-weekly" equates to two times per month; i.e., coincides with pay periods.
	2	Clarify Financial Impact section on Agenda Letters	3/9/2020			✓	3/2/2020	Simplify the financial impact section to enable the reader to more readily decipher the information.

Silicon Valley Clean Water
Commissioners' Requested Action Items

DECEMBER 14, 2020
AGENDA ITEM 5E

Updated: 12/03/2020

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	3	Investment Policy Re-work	3/9/2020			✓	2/24/2020	SVCW CFO reach out to Bel CFO to discuss strategy further. Bring item to March meeting for consideration.
	4	CIP Update Document	N/A			✓	1/28/2020	Email CIP document to WBSD Commissioner and upload to website. For future, include CIP document with the agenda packet, especially the CEQA table.
12/16/2019	1	WWTP Underslab Piping	N/A			✓	1/27/2020	Describe plans for investigating condition of underslab piping
	2	Improve readability of presentations	1/27/2020			✓	3/9/2020	Some slides hard to read on screen and in handouts; improve all powerpoint presentations' readability.
	3	Practice for use of risk registers on projects	N/A			✓	1/9/2020	Information shared at Technical Committee meeting.
> One Year	1	8E - JPA Amendment; re-initiate "clean up" to JPA	N/A		✓			Make required and requested changes to the JPA a priority. Comments received; Manager has begun working on consolidation.
	2	Project delay costs	N/A	✓			Ongoing	Inform Commission of any potential delays that could add time and costs to projects they have authorized.
	3	Maple Street Development	N/A	✓				SVCW and RWC staff coordinating efforts and messages to developer to protect mutual and exclusive interests.
	4	Connection Fees	NA		✓			Additional plant capacity evaluation is underway to ensure proper flow numbers are used in the calculations. Will be incorporated into upcoming JPA changes.

AGENDA ITEM 5F

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

Available Budget

\$554.36M

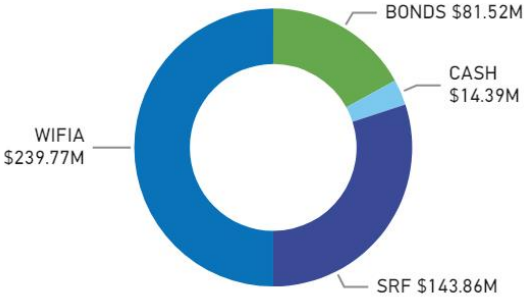
Total Expenditure

\$272.25M

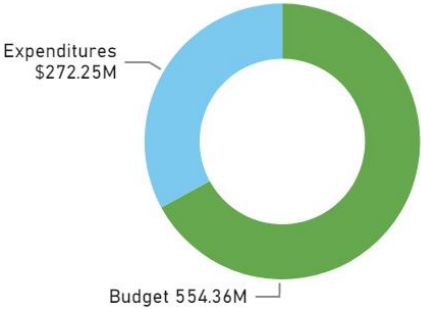
Remaining Budget

\$282.11M

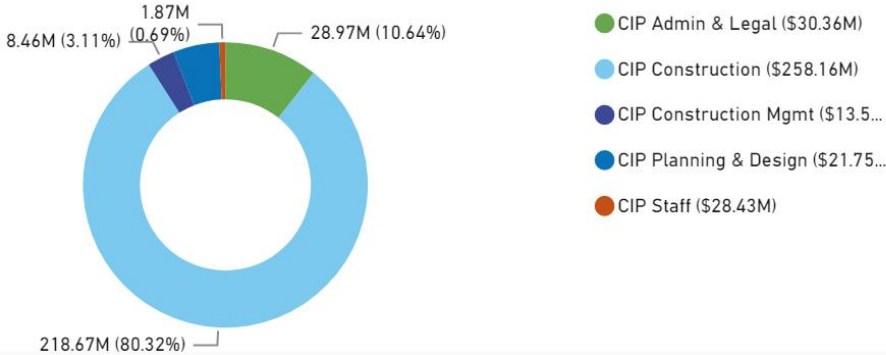
Source of Funds (per LRFP 2019)



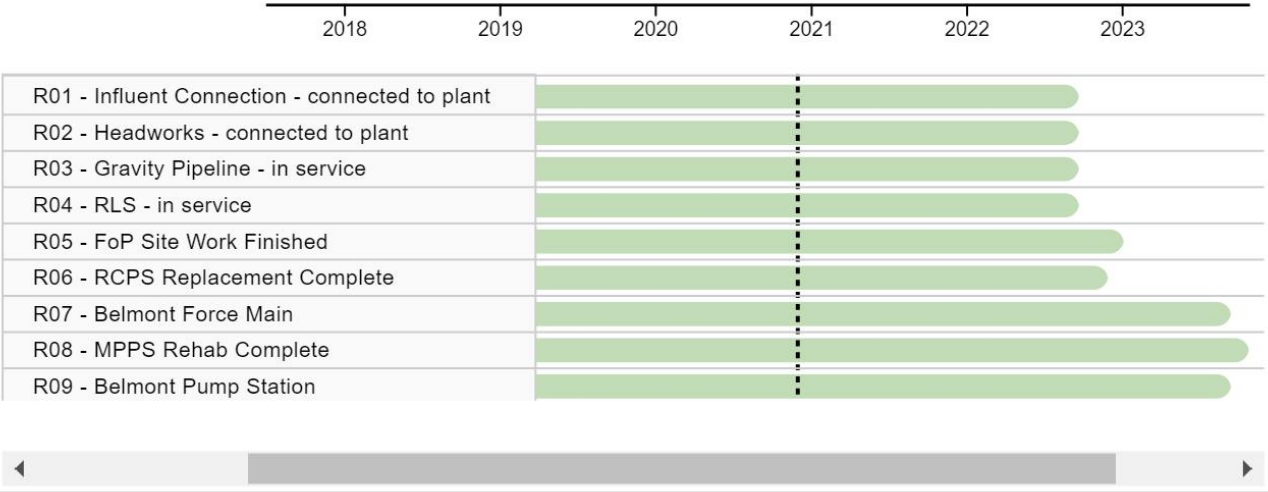
Budget vs Expenditures



Expenditures by Object



Project Schedule



Front of Plant Progressive DB Project (CIP 9502)



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

Available Budget

\$161.95M

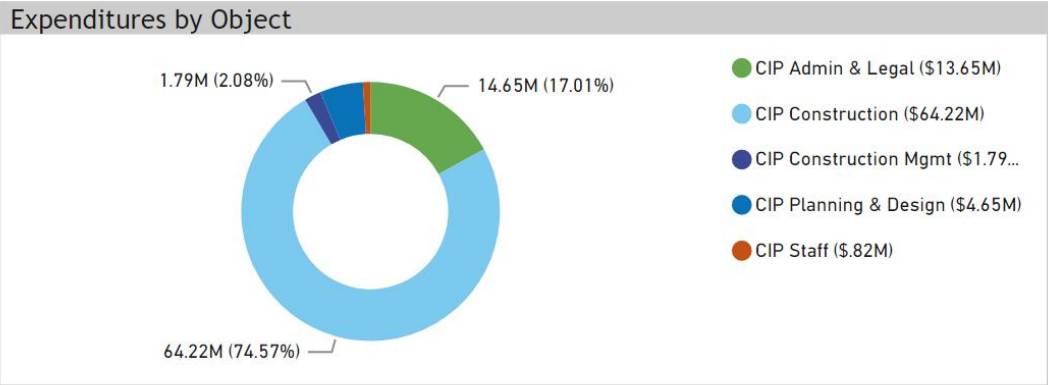
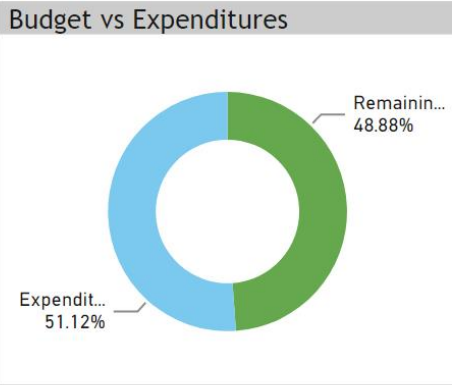
Total Expenditure

\$82.80M

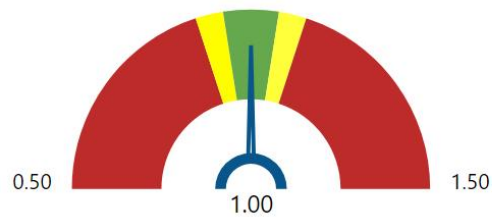
Remaining Budget

\$79.16M

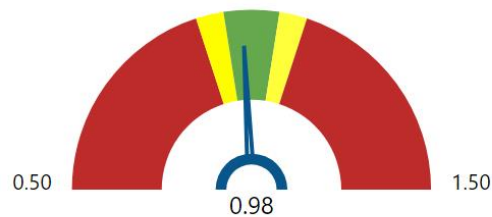
Milestone Schedule		
	Start	Finish
Influent Pipeline Completed	7/24/2020	4/13/2022
Headworks Facility Completed	12/6/2018	11/5/2021
SFS/RLS Completed	12/6/2018	7/1/2022
Start-up and Commissioning	1/28/2022	8/31/2022



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Major Accomplishments this Period

Design	<ul style="list-style-type: none"> - SPJV continued developing the control strategies in coordination with Operations staff. - SPJV continued developing the start-up and testing plan for Operations to review. - SPJV continued detailing the design of the utilidor, BTF ladder access and grit slurry piping layout with the Operations and Maintenance staff.
Procurement of Trade Packages	<ul style="list-style-type: none"> - WIFIA and SRF requirements compliance for trade packages are in progress.
Construction	<ul style="list-style-type: none"> - SPJV's electrical subcontractor continued the installation of the cable tray, conduits and pull boxes in the Electrical Room and el. 125 deck. SPJV's electrical subcontractor began installation for lighting fixtures at the Headworks Facility. - SPJV's specialty subcontractor began installing the roofing membrane system at the Electrical Building. - SPJV's HVAC subcontractor continued installing ducting in the Storage Rooms and Electrical Room, and began installing HVAC mechanical equipment on the roof of the Electrical Building. - SPJV's coating subcontractor continued coating the Headworks Facility channels. - SPJV continued installing mounting plates in the two enclosed stairwells in the RLS shaft. - SPJV placed the cast-in-place RLS roof and subsequently placed the stairwell roof enclosures on the RLS roof. - SPJV placed the base slab for the retaining wall in Zone 2 and 3. SPJV also completed fusing and installing the 63-inch IPL in Zone 1, 2, 3 and 4 began backfilling of the trench.

Potential Issues

Intrinsically Safe Relay Panel
Plant water pipeline size upgrade and related fixtures
Utilidor extension for piping

3 - Month Look Ahead

	Start	End	December	January	February
Construction of Stairwell and Elevator Structures at RLS Roof	October 12, 2020	December 29, 2020	X		
Construction of the IPL Retaining Wall	September 1, 2020	December 16, 2020	X		
Form/Set Rebar/Place Concrete for Precast RLS Roof Sections	December 30, 2020	February 10, 2021	X	X	X
Install permanent lighting around Headworks Facility	November 24, 2020	December 3, 2020	X		
Install Supports and FRP Ducting for Odor Control System	January 18, 2021	March 16, 2021	X	X	X
Installation of BTFs, GAC Units, Exhaust Fans	December 11, 2020	January 15, 2020	X	X	
Northern Storm Drain System Installation	December 29, 2020	January 28, 2020	X	X	
Supports, Piping and Meters in the Headworks Influent	January 20, 2021	January 28, 2021		X	

Project Changes

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

Safety Spot Light

Lost Time	0
Near Misses	5
Recorded Losses	2

Gravity Pipeline Progressive DB Project (CIP 6008)



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

Available Budget

\$259.23M

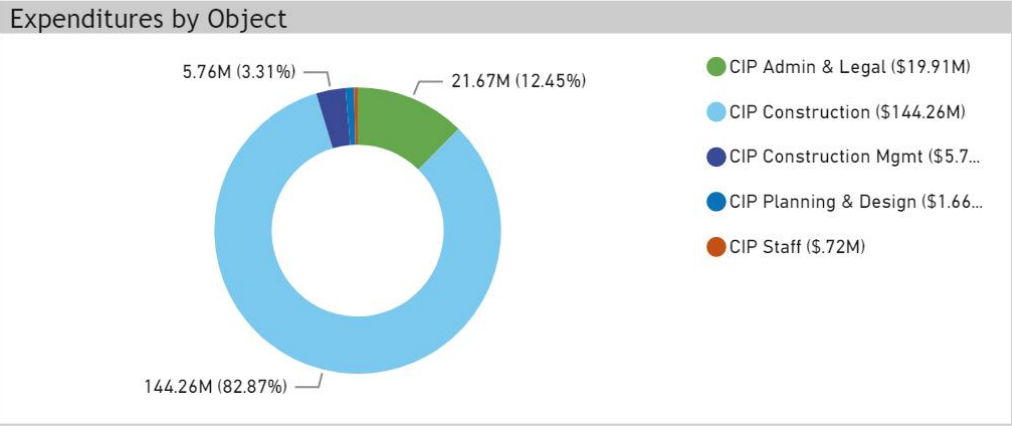
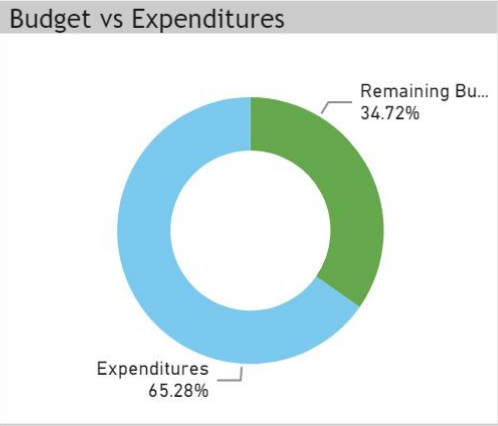
Total Expenditure

\$169.23M

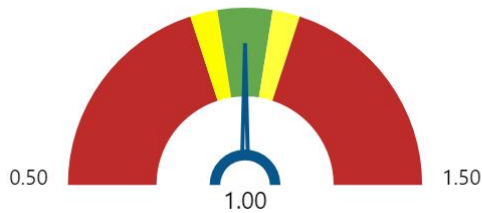
Remaining Budget

\$90.00M

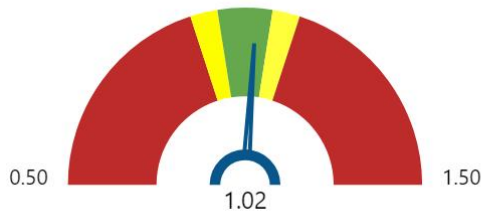
Milestone Schedule		
	Start	Finish
100% Design Documents		2/4/2021
San Carlos Shaft Construction	6/15/2020	2/12/2021
TBM Drive (AAS to SFS)	7/6/2020	6/11/2021
FRP Pipe Installation	11/16/2020	3/2/2022
Final Commissioning		7/1/2022



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of : 2020 - 11



Major Accomplishments this Period

▼	
Design	- BBJV continues 100% design development for San Carlos and Bair Island piping.
Procurement of Trade Packages	- FRP Pipe trucking to Bair Island package executed - SFS Ground Improvement package in progress - Outreach in conformance with SRF and WIFIA funding requirements
Construction	- BBJV continued tunneling the second drive to the SFS - DrillTech completed secant pile installation at the San Carlos Shaft location - BBJV began pipe installation from Bair Island to San Carlos Pump Station

Potential Issues

Additional costs for SFS Break-in approach
Elevated levels of potentially hazardous chemicals detected during construction of San Carlos shaft support of excavation.

3 - Month Look Ahead

	Start	End	December	January	February
100% Design Completion	August 10, 2018	February 4, 2021	X	X	X
FRP Pipe installation from Bair Island	November 16, 2020	January 5, 2021	X	X	
San Carlos Adit Construction	February 15, 2021	May 25, 2021			X
San Carlos Shaft Construction	June 15, 2020	February 12, 2021	X	X	X
Second tunnel drive to SFS	July 6, 2020	June 11, 2021	X	X	X
SFS Break-in Preparation	November 25, 2020	April 12, 2021	X	X	X

Project Changes

Bair Island Force Main Exposure and Additional Monitoring
Bair Island Weir Optimization
Exceedence of Muck Offhaul Allowance
New County/Local Sales Tax and US Tariffs
Soil Conditioner Leak at CPT Hole STA 171 + 80

Safety Spot Light

Lost Time	1
Near Misses	0
Recorded Losses	1

Pump Stations (CIP 9501)

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

Available Budget

\$119.68M

Total Expenditure

\$25.76M

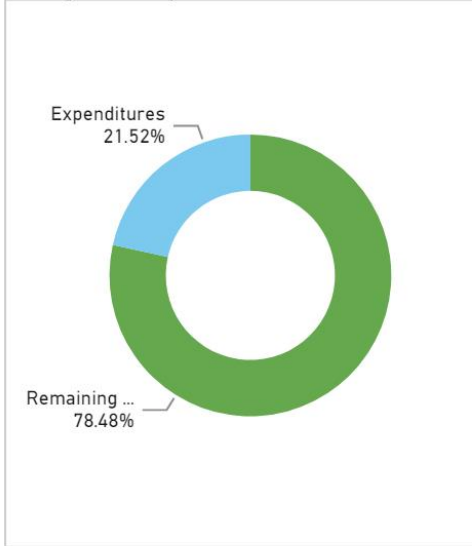
Remaining Budget

\$93.92M

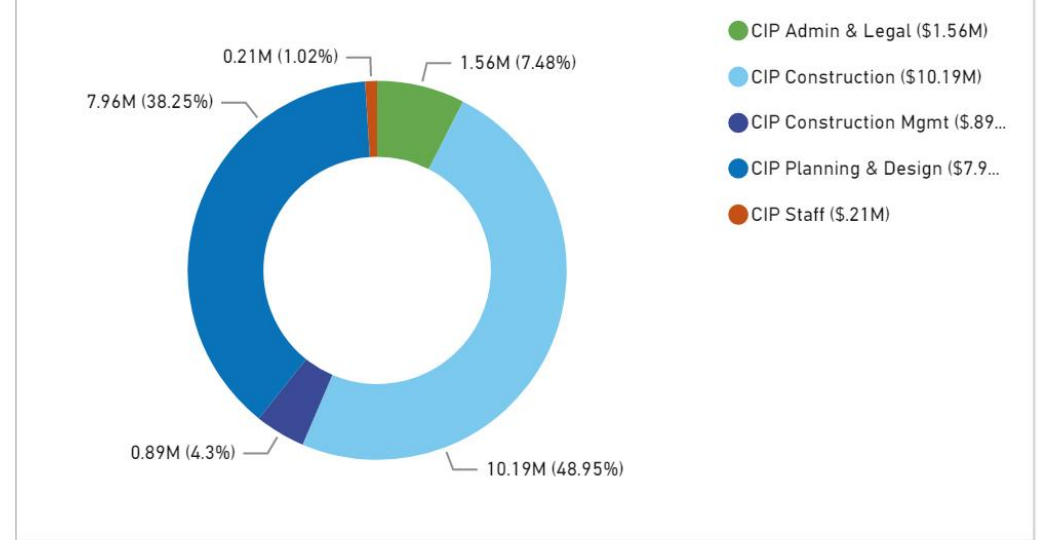
Milestone Schedule

	Start	Finish
BGP - Pipe Installation Completed	1/7/2020	11/29/2022
RCPS - Mobilize	10/12/2020	10/30/2020
MPPS - Pump Station Rehabilitation	11/19/2021	7/26/2022
RCPS - Site Demo	11/2/2020	1/5/2021
BGP - Start-up and Commissioning	11/30/2022	1/12/2023
BGP - Mobilize	12/2/2020	1/7/2020
Segment 1 Force Main Junction Box Recoating	12/2/2020	3/2/2021
RCPS - PG&E Service Work	2/3/2021	4/27/2021
MPPS - Mobilize	4/1/2021	4/21/2021
RCPS - Start-up and Commissioning	4/14/2023	7/24/2023
RCPS - Facility Construction	4/15/2021	6/2/2023
MPPS - Site Modifications	4/22/2020	12/9/2022
BGP - 100% Design Documents	6/2/2020	12/1/2020
MPPS - Start-up and Commissioning	7/27/2022	2/10/2023
RCPS - Early Work Package Development	7/8/2020	10/24/2020
RCPS - Remaining Work Package Development	8/7/2020	1/13/2021

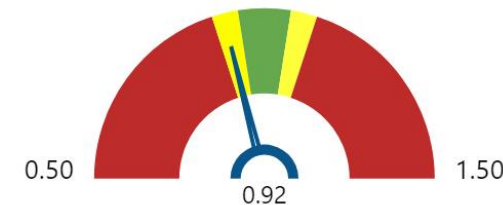
Budget vs Expenditures



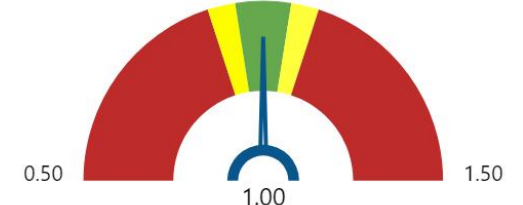
Expenditures by Object



Schedule Performance Index (SPI)



Cost Performance Index (CPI)





Major Accomplishments this Period

▼	
Design	<div>- Issued the final 100% construction drawings for the MPPS. - Issued the final 100% construction drawings for the entire BGP scope. - Draft 100% design for the RCPS Remaining Work Package is under review by SVCW.</div>
Construction	<div>- Began pulling back asphalt and demolished the existing scrubber beds at the RCPS.</div>

Potential Issues

<div>Schedule challenges from permitting and land acquisition conditions</div>
--

3 - Month Look Ahead

	Start	End	December	January	February
BGP - Phase 1	December 2, 2020	March 26, 2021	X	X	X
BGP - Phase 2	February 24, 2021	October 21, 2021			X
BGP - Procurement	December 16, 2020	July 20, 2021	X	X	X
MPPS - Procurement	January 22, 2021	August 3, 2021		X	X
RCPS - 100% Design Development - Remaining Work	August 7, 2020	January 13, 2021	X	X	
RCPS - Permits & Easements Acquisition	June 11, 2020	February 2, 2021	X	X	X
RCPS - PG&E Service	February 3, 2021	April 27, 2021			X
RCPS - Procurement	January 22, 2021	June 30, 2021		X	X
RCPS - Site Demo	November 2, 2020	January 6, 2021	X	X	
RCPS - Wet Well & Screening Building Excavation and Backfill	January 7, 2021	March 17, 2022		X	X
Segment 1 Force Main Junction Box Recoating	December 2, 2020	March 2, 2021	X	X	X

Project Changes

<div>No changes to report.</div>

Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	0

AGENDA ITEM 6A

Silicon Valley Clean Water
Commission Meeting Dates for Calendar Year 2021

Meeting Date	Type of Meeting
January 18, 2021 (MLK Day)	Regular
February 15, 2021 (President's Day)	Regular
March 15, 2021	Regular
April 19, 2021	Regular
May 17, 2021	Regular
June 21, 2021	Regular
July 19, 2021	Regular
August 16, 2021	Regular
September 20, 2021	Regular
October 18, 2021	Regular
November 15, 2021	Regular
December 20, 2021	Regular

AGENDA ITEM 7A

**MINUTES OF SILICON VALLEY CLEAN WATER
REGULAR MEETING – November 16, 2020
8:00 a.m.**

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

ITEM 1

CALL TO ORDER

The meeting was called to order at 8:03 a.m.

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

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

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine Fitzgerald, SVCW Legal Counsel
Jennifer Flick, SVCW Human Resources Director
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager
Monte Hamamoto, SVCW Chief Operating Officer
Kim Hackett, SVCW Authority Engineer
Jessica Mangual, SVCW Secretary Pro Tem
Eric Hansen, SVCW Senior Engineer
Kara Tremblay, SVCW Engineer
EJ Shalaby, Senior Consultant, DNS Strategic Partners
Bill Tanner, Tanner Pacific, Inc.
John Mahoney, Tanner Pacific, Inc
Sheryl Chia, Kennedy/Jenks
Mark Minkowski, Kennedy/Jenks
Steven Machida, City of San Carlos
Aren Hansen, Brown & Caldwell
Derek Rampone, City of Redwood City
Theresa Yee, City of Redwood City
Sergio Ramirez, West Bay Sanitary District
Douglas Brown, Stradling, Yocca, Carlson, and Rauth
Tyler Old, JPMorgan

ITEM 3

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited by those in attendance

ITEM 4**PUBLIC COMMENT**

There was no Public Comment

ITEM 5**SAFETY MOMENT AND REPORTS**

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

Safety Moment concerned tips on how to use space heaters properly.

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

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

There were no comments.

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

A. APPROVAL OF MINUTES – October 19, 2020 Regular Meeting

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED OCTOBER 1, OCTOBER 2, OCTOBER 16, OCTOBER 30, AND NOVEMBER 2, 2020 AND NECESSARY PAYMENTS THROUGH NOVEMBER 2, 2020

Motion/Second: Dr. Lieberman / Mr. Olbert

The Motion carried by Unanimous Roll Call Vote

ITEM 8A**CONSIDERATION OF MOTION APPROVING RESCU GRAVITY PIPELINE PROJECT (CIP 6008) CONTRACT CHANGE ORDER FOR MUCK DISPOSAL**

Proposed Action:

Move approval of CONTRACT CHANGE ORDER FOR THE GRAVITY PIPELINE PROJECT (CIP #6008) IN THE AMOUNT NOT TO EXCEED \$6,136,406 – BARNARD BESSAC JOINT VENTURE

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 8B

CONSIDERATION OF RESOLUTION AUTHORIZING EXECUTION AND DELIVERY OF CONSTRUCTION INSTALLMENT SALE AGREEMENT LOAN WITH THE STATE WATER RESOURCES CONTROL BOARD RELATED TO SVCW CAPITAL IMPROVEMENT PROGRAM

Proposed Action:

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE EXECUTION AND DELIVERY OF THE CONSTRUCTION INSTALLMENT SALE AGREEMENT BETWEEN SILICON VALLEY CLEAN WATER AND THE STATE WATER RESOURCES CONTROL BOARD RELATING TO THE CAPITAL IMPROVEMENT PROGRAM AND APPROVING OTHER MATTERS IN CONNECTION THEREWITH

Motion/Second: Mr. Olbert / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 8C

CONSIDERATION OF RESOLUTION AUTHORIZING SILICON VALLEY CLEAN WATER TO ISSUE DEBT IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$160 MILLION AND TO APPROVE RELATED FINANCING DOCUMENTS AND ALL ACTIONS NEEDED TO CLOSE THE BOND ISSUE

Proposed Action:

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE ISSUANCE AND SALE OF 2021 WASTEWATER REVENUE BONDS TO REFUND OUTSTANDING 2014 AND 2015 SERIES BONDS AND SRF CONTROL BUILDING LOAN APPROVING RELATED FINANCING DOCUMENTS AND OFFICIAL ACTIONS

Motion/Second: Mr. Olbert / Dr. Lieberman

The Motion carried by Unanimous Roll Call Vote

ITEM 8D

CONSIDERATION OF RESOLUTION APPROVING VARIOUS AMENDMENTS TO SVCW BYLAWS

Proposed Action:

Move adoption of RESOLUTION APPROVING AMENDMENTS TO THE BYLAWS OF SILICON VALLEY CLEAN WATER AND ADOPTING AMENDED AND RESTATED BYLAWS OF SILICON VALLEY CLEAN WATER (¾ weighted vote count required)

Motion/Second: Dr. Lieberman / Mr. Olbert

Motion was made and seconded to approve the amendments as proposed in the tracked changes version provided with the agenda, with the exception to keep the month of officer elections/appointment as currently provided in the Bylaws.

The Motion carried by Unanimous Roll Call Vote

ITEM 9

CLOSED SESSION

- A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Gov't. Code §54956.9(d)(1))
Re: *Daniel Child v. Silicon Valley Clean Water* (San Mateo County SC No. 20-CIV-01384)

Closed Session was called to order at 9:15 a.m.

ITEM 10

RECONVENE IN OPEN SESSION

Open Session reconvened at 9:29 a.m.

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

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 9:30 a.m.

Minutes prepared by Teresa A. Herrera
Reviewed by General Counsel

Warren Lieberman, Secretary

AGENDA ITEM 7B

SVCW WARRANT REGISTER

SVCW Warrant Register dated November 3 – November 16, 2020 and November 17 – November 30, 2020, were scanned and a copy was emailed to Commissioners and Legal Counsel on December 8, 2020.

AGENDA ITEM 7C

**RESCU PROGRAM
MITIGATION MONITORING AND CEQA COMPLIANCE TASK ORDER
AUTHORIZATION**

ISSUE

Approval of David J. Powers and Associates Consulting Task Order Scope and Budget for RESCU Program Mitigation Monitoring and CEQA Compliance

BACKGROUND

RESCU uses specialty consultants for various aspects of the work. Specifically, SVCW uses consultants for environmental compliance (State CEQA and Federal NEPA), permitting, state and federal funding assistance (SRF and WIFIA loans), and legal input for design-build contracting methods. The specialty firms SVCW uses have breadth and depth of expertise that would be cost prohibitive for SVCW to have as staff.

SVCW's environmental consultant, David J. Powers and Associates (DJPA), authored the RESCU Program Environmental Impact Report (EIR) and the Mitigation Monitoring Plan (MMP). During the construction phase of the RESCU projects, it is necessary to implement the MMP. While the design-build entities have the responsibility for implementing the MMPs, SVCW is required to verify and document that the mitigations are being completed. To do this, a task order authorizing DJPA to do the MMP oversight work is needed.

In August 2018, Task Order No. 2018-01 was approved in the amount of \$245,629 for mitigation monitoring of the Gravity Pipeline and Front of Plant projects. It was intended for that task order to last for 2 years. Based on efficient use of resources, the funds in the Task Order have extended for 28 months.

DISCUSSION

DJPA consultants are key members of SVCW's RESCU team and work in close coordination with staff and the design-builders to help ensure the projects remain successfully implemented and in compliance with all of the mitigations listed in the EIR. This includes verification that construction noise and vibration will remain within the limits in the EIR and biological monitoring to assure that construction practices are not disruptive to protected species (e.g., breeding birds and salt marsh harvest mouse).

The new task order scope of work and budget includes tasks for, now, all three project elements of RESCU: it will complete work for the Gravity Pipeline and Front of Plant construction and will add work for the Pump Station Improvements Project which is beginning its construction phase. With the Pump Stations Improvements Project construction added, there are eight distinct work areas that require mitigation monitoring versus four areas under their 2018 authorization.

Staff is seeking authorization for a new task order for DJPA for an additional 2-year period, for a negotiated cost of \$284,900. This is intended to bring the environmental compliance tasks required for RESCU to program completion.

FINANCES

Funds for this work are derived from Fund 20 – CIP Projects, RESCU Program. The total budget for the RESCU Program is \$554 million. This \$284,900 Task Order is less than 0.1% of the RESCU Program budget. Compared with the first task order authorized, this task order compares favorably in that it increases the budget by \$40 thousand, or 16% but adds 50% more work areas for mitigation monitoring.

RECOMMENDATION

Move approval of TASK ORDER SCOPE AND BUDGET FOR ENVIRONMENTAL CONSULTING SERVICES DURING DESIGN-BUILD IN AN AMOUNT OF \$284,900 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – DAVID J POWERS AND ASSOCIATES

AGENDA ITEM 7D

APPROVE UPDATED SVCW STANDARD CONTRACT DOCUMENTSISSUE

Approve SVCW Standard Contract Documents, Version December 2020

BACKGROUND

Construction projects are carried out by completing a set of specifications and plans (collectively, "Contract Documents") that spell out, via words and drawings, what is involved in the construction project and what work the construction contractor agrees to perform. There is an industry-standard for the method in which Contract Documents are organized. They are comprised of three main sections: Standard Contract Specifications, Technical Specifications, and Drawings. Standard Contract Specifications are designated as Divisions 0 and 1. Technical Specifications are designated as Divisions 2 through 17 with each Division pertinent to different areas of construction (for example, Division 3 covers concrete while Division 16 covers electrical work).

Standard Contract Specifications primarily contain contractual requirements with the majority of the language constant from project to project. Technical Specifications and Drawings are unique to each project and vary accordingly. Typically, a public agency owns and prepares the Standard Contract Specifications, while the Technical Specifications and Drawings are prepared by a project's Engineer-of-Record.

It is industry standard for the contracting agency to "own" the Standard Contract Specifications and SVCW has owned its Standard Contract Specifications since the inception of the Capital Improvement Program in 2008. In August 2008 and approximately once per year since, the Commission has approved the Standard Contract Specifications allowing SVCW construction projects to be let out to bid and subsequent action by the Commission approving the specific Contract Documents when the project construction contract is awarded.

They are updated approximately annually by an SVCW consultant who keeps apprised of pertinent changes in law, regulations, and the insurance industry. Changes are reviewed by SVCW's insurance provider and Legal Counsel, as necessary. The last update to SVCW's standard contract specifications was made in December 2019.

SVCW uses two forms of contract specifications for construction: "Long-Form" and "Short-Form". Long-form Standard Contract Specifications are used for projects that are publicly advertised for bidding and over \$100,000 in anticipated contract value. Short-Form Standard Contract Specifications are used for projects having an anticipated construction value under \$100,000. For these smaller projects, SVCW generally solicits quotes from three or more contractors and the projects are then awarded at the lowest quoted price. This process is allowed under California's Public Contracts Code and SVCW's Purchasing Guidelines, and preferred, as the process to produce drawings and specifications for publicly bid projects can be prohibitive for projects of this small size.

In addition to construction contracts, SVCW uses standard form specifications for procurement of equipment (Procurement Contract). Procurement covers items such as direct purchase of pumps, valves, and other equipment and involves no construction or installation. This occurs when construction or installation will be done by SVCW staff or via a separate construction contract with a general contractor.

Updates to all of SVCW's Standard Specifications have been completed and are ready for Commission approval.

DISCUSSION

Updates to the Long-Form and Short-Form Standard Contract Documents and Procurement Contract have been prepared and staff recommends the Commission approve the revised versions effective December 2020. Changes to each are depicted in the table below:

Standard Contract Specifications	Affected Sections	Change
Long Form	00010 – Invitation to Bid	Added optional COVID-19 provisions for bid process
	00100 – Instructions to Bidders	
	00490 – Safety	
	00800 – Supplementary General Conditions	Updated forms in SRF requirements section
	09900 – Paints and Coating	Deleted this section and inserted into SVCW Design Standards
Short Form	Same as above	All changes proposed in Long Form
Procurement	All	General format updates

Staff recommends that the Commission approve the revised Standard Long-Form, Short-Form, and Procurement Contract Documents effective December 2020.

FINANCES

There are no direct financial impacts from this action

RECOMMENDATION

Move adoption of RESOLUTION APPROVING SVCW'S STANDARD LONG-FORM CONTRACT DOCUMENTS, STANDARD SHORT-FORM CONTRACT DOCUMENTS AND STANDARD PROCUREMENT CONTRACT DOCUMENTS - VERSIONS DECEMBER 2020

AGENDA ITEM 7E

ANNUAL AUDITED FINANCIAL REPORT AS OF JUNE 30, 2020

ISSUE

Receipt of Silicon Valley Clean Water (SVCW) Basic Financial Statements and Auditor's Reports for Fiscal Year 2019-20

BACKGROUND

Each year, in compliance with Government Accounting Standards Board requirements, SVCW issues basic financial statements and an auditor's report. The auditor's report (Attachment A, including a memo on internal controls and other required communications) is complete and ready for the Commission's receipt. It provides detailed financial information for the Commission, ratepayers, and SVCW investors. In its second year as SVCW auditor, Maze & Associates, LLP again concluded its audit with an unqualified ("clean") opinion.

DISCUSSION

A summary of SVCW's Statement of Net Position is below, showing a \$18.35 million increase in SVCW's net position during the fiscal year. Significant changes included:

- Current and other assets increased by \$98.7 million (123.2%), largely consisting of 2019 Wastewater Revenue Notes proceeds.
- Restricted assets decreased by \$3.7 million (46.9%) as a \$5 million reserve account was liquidated after 2009 Wastewater Revenue Bonds were fully defeased. SVCW separately restricted another \$1.5 million to satisfy reserve requirements of its State Revolving Fund Conveyance Planning loan.
- Capital assets, net of depreciation, increased by \$129.8 million (33.2%) as Construction in Progress continued and projects were placed into service during the year.
- Total SVCW liabilities increased by \$212.3 million (56%). The most significant change was the \$203.8 million increase in long-term debt and a \$12 million increase in unamortized bond premium; both associated with the issuance of 2019 Wastewater Revenue Notes. Other changes in liabilities were due to timing of accounts payable.
- Deferred Outflows and Deferred Inflows represent changes in the components of Authority's pension liability, Other Post-Employment Benefits (OPEB), and deferred loss on defeasance. The most significant changes in deferred outflows were \$4.4 million for defeasance of 2009 Wastewater Revenue Bonds, and \$1.5 million associated with the change in SVCW's OPEB liability.

Condensed Statement of Net Position

	Fiscal Year 2020	Fiscal Year 2019	\$ Higher / (Lower)	% Higher / (Lower)
Current and other assets	\$ 178,782,959	\$ 80,094,833	\$ 98,688,126	123.2%
Restricted assets	4,156,730	7,823,426	(3,666,696)	(46.9%)
Capital assets	521,219,750	391,416,119	129,803,631	33.2%
Total Assets	704,159,439	479,334,378	224,825,061	46.9%
 Deferred Outflows	 11,547,297	 5,611,134	 5,936,163	 105.8%
 Total Liabilities	 591,228,059	 378,937,205	 212,290,854	 56.0%
 Deferred Inflows	 1,366,694	 1,246,858	 119,836	 9.6%
Net investment in capital assets	107,641,792	87,049,556	20,592,236	23.7%
Restricted	4,156,730	7,823,426	(3,666,696)	(46.9%)
Unrestricted	11,313,461	9,888,467	1,424,994	14.4%
Total Net Position	\$ 123,111,983	\$ 104,761,449	\$ 18,350,534	17.5%

The Statement of Activities and Changes in Net Position (Table below) addresses the nature and source of changes during the fiscal year. Total 2019-20 revenues decreased from the prior year by \$2.2 million (3.1%), of which Operating Revenues decreased by \$5.8 million (8.4%), which reflects less contributions from Members for cash in lieu of debt participation. Non-operating Revenue increased \$3.6 million as investment income benefited from a higher balance of debt service proceeds and strong market conditions.

Fiscal year 2019-20 total expenses increased by \$4.2 million (8.7%) over the prior year, which included:

- Depreciation expense increased by \$54.8 thousand (0.6%) after new projects were placed into service during the year.
- Operating expenses were increased by \$2.5 million (9.6%), primarily related to filling personnel vacancies, incurring ordinary inflationary pressures, plus recognition of an increase in pension expenses associated with changes in SVCW proportion and lower-than-expected CalPERS investment returns. Additionally, there was a change in accounting policy to recognize higher long-term liabilities of implied subsidy for retirement medical costs. Finally, SVCW incurred issuance expenses for the 2019 Wastewater Revenue Notes.
- Non-operating expenses increased nearly \$1.7 million (12.4%) related to interest expense of more debt, offset by premium amortization associated with 2019 Wastewater Revenue Notes.

Condensed Statements of Activities and Changes in Net Position

	Fiscal Year 2020	Fiscal Year 2019	\$ Higher / (Lower)	% Higher / (Lower)
Operating revenues	\$ 63,024,741	\$ 68,827,874	\$ (5,803,133)	(8.4%)
Non-operating revenues	8,354,342	4,797,281	3,557,061	74.1%
Capital Contributions	-	-	-	-
Total Revenues	71,379,083	73,625,155	(2,246,072)	(3.1%)
Depreciation expense	9,041,764	8,986,961	54,803	0.6%
Operating expense	28,720,766	26,215,903	2,504,863	9.6%
Non-operating expense	15,266,019	13,579,021	1,686,998	12.4%
Total Expenses	53,028,549	48,781,885	4,246,664	8.7%
Changes in Net Position	18,350,534	24,843,270	(6,492,736)	(26.1%)

FINANCES

There is no financial impact associated with this report.

RECOMMENDATION

Move approval of RECEIPT AND ACCEPTANCE OF BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR YEAR ENDED JUNE 30, 2020



Annual Financial Report

For the Year Ended
June 30, 2020



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SILICON VALLEY CLEAN WATER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020**

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Silicon Valley Clean Water

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INDEPENDENT AUDITOR'S REPORT

To the Commission of Silicon Valley Clean Water
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Silicon Valley Clean Water ("SVCW"), California, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SVCW's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

SVCW's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SVCW's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SVCW's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SVCW, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SVCW's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information, except for Schedule of analysis of Net Position, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary information, except for Schedule of analysis of Net Position, is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Analysis of Net Position has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of SVCW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SVCW's internal control over financial reporting and compliance.

Maze & Associates

October 15, 2020
Pleasant Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2020

Silicon Valley Clean Water (the "Authority", or "SVCW") has issued its financial statements for the fiscal year ended June 30, 2020 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). The Management of SVCW presents the following narrative overview and analysis of the financial activities, with comparative data for the fiscal year ended June 30, 2019. The Management's Discussion and Analysis (MD&A) section is an overview of SVCW's financial activities and is an integral part of the accompanying Basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

SVCW's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The basic financial statements are comprised of two components: Financial Statements and Notes to the Financial Statements. The Financial Statements report information about SVCW accounting using methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities and include:

- The *Statement of Net Position* presents SVCW assets and liabilities, with the difference between the two reported as *net position*. This statement provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the SVCW. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SVCW is improving or deteriorating.
- The *Statement of Activities and Changes in Net Position* accounts for revenues and expenses and reflects the results of SVCW operations over the course of the fiscal year. This statement can be used as an indicator of the extent to which SVCW recovers its costs through charges.
- The final required Financial Statement is the *Statement of Cash Flows*, with the primary purpose of providing information about SVCW's cash receipts and cash payments during the reporting period. In addition to cash receipts and payments, this statement illustrates net changes in cash resulting from operations and investments. It also answers questions about the sources and uses of cash, and describes the change in cash balance during the reporting period.

The Notes to Financial Statements provide information that is not displayed on the face of the financial statements but is essential to a reader's full understanding.

ORGANIZATION AND BUSINESS

SVCW is a joint exercise of powers authority that provides wastewater transmission, treatment, and effluent disposal to the cities of Belmont, Redwood City, and San Carlos, and the West Bay Sanitary District (collectively, the "Members"), all of which are located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. SVCW's wastewater treatment plant is located in the City of Redwood City and serves more than 225,000 people and businesses located predominantly in San Mateo County, California. SVCW operates in a robust Bay Area economy with a customer base that includes Oracle Corporation, EA Sports, and Facebook. In response to SVCW capital needs, ratepayers have already accommodated the majority of rate increases needed for large infrastructure improvements.

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SVCW owns and operates a regional wastewater treatment plant with an average dry weather flow permit capacity of 29 million gallons per day, an approximately nine-mile influent force main pipeline that conveys wastewater from the Members to SVCW's treatment plant, five wastewater pump stations, 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.

A four-member "Commission" consisting of one appointed member from each of the Members' governing bodies governs SVCW. Voting is proportional to the Members' respective ownership interests in SVCW's wastewater system. A proportionally-weighted vote of at least three-fourths of the total Commission votes is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, materials and construction contracts, appropriations, or transfers of more than \$50,000; 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 majority of total possible votes. Any amendment of the Joint Powers Agreement requires the concurrence of all Members. In addition, any amendment to the Joint Powers Agreement must also be approved by a 4/5 vote by each of the Members' governing bodies.

The Joint Powers Agreement sets forth how SVCW's operating and capital costs are allocated to the Members. Operating costs are allocated to each Member based on a three-year average of each Member's annual pro-rata share of total wastewater flow and strength loadings as measured by biological oxygen demand ("BOD") and suspended solids ("SS"). As a result, the Budget for fiscal year 2019-20 allocates operating and maintenance costs to the Members as follows:

- City of Redwood City 47.6%
- West Bay Sanitary District 27.3%
- City of San Carlos 13.2%
- City of Belmont 11.9%

Capital costs are allocated per Members' share of capacity owned in various components of the wastewater system as established in the Joint Powers Agreement. All SVCW capital improvement expenditures are allocated as follows:

- City of Redwood City 48.57%
- West Bay Sanitary District 26.84%
- City of San Carlos 15.14%
- City of Belmont 9.45%

The following table shows a history of average daily wastewater flow conveyed to SVCW from each Member for the last five fiscal years.

<u>Member</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Redwood City	6.4	7.8	7.2	7.7	7.1
West Bay	3.8	3.9	3.4	3.5	2.8
San Carlos	1.5	2.7	2.0	2.2	1.7
Belmont	<u>1.7</u>	<u>2.0</u>	<u>1.6</u>	<u>1.8</u>	<u>1.5</u>
Total	13.4	16.4	14.2	15.2	13.1

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FINANCIAL ANALYSIS

Our analysis of SVCW begins on page 20 of the Financial Statements. One of the most important questions asked about SVCW's finances is "Is SVCW as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities and Changes in Net Position report information about SVCW's activities in a way that will help answer this question. These two statements report the net position of SVCW and changes in them, which helps measure the financial health of the organization. Over time, increases or decreases in SVCW's net position are one indicator of whether its financial health is improving or deteriorating. However, it is important to keep these indicators in context with other non-financial factors such as changes in economic conditions, population growth, climate, zoning, or the regulatory environment.

SVCW's fiscal year 2019-20 operating revenues and expenses were comparable both to the prior fiscal year as well as to the 2019-20 Budget. The most significant differences from the prior year were the result of increased debt service activities to fund ongoing capital improvements. This closely relates to cash expenditures of \$135.6 million for capital improvement construction. The Regional Environmental Sewer Conveyance Upgrade (RESCU) program has entered peak construction activity and includes a gravity pipeline tunnel, front-of-plant receiving and pretreatment facilities, and improvements to pump stations.

The Capital Improvement Program is largely funded through long-term borrowings and, to a lesser extent, member agency cash contributions. As of June 30, 2020, SVCW long-term debt was \$552.7 million, a net increase of \$213.8 million after a new issuance of the 2019 Wastewater Revenue Notes. State Revolving Fund (SRF) loan balances decreased by \$1.9M after repayments.

The SVCW Commission has an established reserve policy to protect its fiscal solvency. As of June 30, 2020, cash reserves totaled \$37.2 million including an Operating Reserve, a Capital Improvement Program Reserve, and a Stage 2 Capacity Reserve. Of this amount, the Authority has restricted \$4.2 million as required by SRF loan agreements.

FINANCIAL HIGHLIGHTS

- SVCW net position increased during fiscal year 2019-20 by \$18.3 million (17.5%) from the previous year.
- Total assets increased by \$224.8 million (46.9%) during the fiscal year. Cash and investments increased by \$103.4 million, largely consisting of 2019 Wastewater Revenue Notes proceeds. Depreciable capital assets increased by \$35.5 million as several construction projects were reclassified from Construction in Progress to Capital Assets once completed. Construction in progress increased by a net \$94.3 million due to ongoing construction related to the Regional Environmental Sewer Conveyance Upgrade (RESCU) program.
- Total liabilities increased by \$212.3 million (56%) during the fiscal year. SVCW issued 2019 Wastewater Revenue Notes, increasing Long Term Debt by \$213.8 million. Net pension liabilities increased by \$1.5 million in response to changes in SVCW proportions and lower investment returns during the fiscal year 2018-19 measurement period. The above items were slightly offset by a \$5.6 million decrease in Accounts Payable from timing of invoice payments, and the establishment of an escrow account for a large RESCU contract.

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Management's Discussion and Analysis
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- Operating revenues, including cash contributions for capital programs and Capacity Reserves, decreased by \$5.8 million (8.4%) from the previous year. While Members' contributions for operations slightly increased, cash-in-lieu-of financing contributions decreased by \$4.2 million. Stage 2 Capacity Reserve contributions were approximately \$1.8 million less than the previous year.
- Total expenses ended the fiscal year at \$53 million, a \$4.2 million increase (8.7%) compared to the prior year. Operating expenses were \$2.5 million more than prior year as SVCW filled personnel vacancies, incurred ordinary inflationary pressures, increased pension liability and expense due to changes in SVCW proportion and lower than expected CalPERS returns, and incurred cost of issuance expenses for its 2019 Wastewater Revenue Notes. Non-operating expense increased \$1.7 million (12.4%) as interest expense associated with additional debt increased. Depreciation increased by \$54.8 thousand as capital projects were placed into service.

NET POSITION

A summary of SVCW's Statement of Net Position is presented in Table 1, which indicates a \$18.4 million increase in SVCW's net position from fiscal year 2019-20. Significant changes during the fiscal year included:

- Current and other assets increased by \$98.7 million (123.2%), largely consisting of 2019 Wastewater Revenue Notes proceeds.
- Restricted assets decreased by \$3.7 million (46.9%) as a \$5 million reserve account was liquidated after 2009 Wastewater Revenue Bonds were fully defeased. SVCW separately restricted another \$1.5 million to satisfy reserve requirements of its State Revolving Fund Conveyance Planning loan.
- Capital assets, net of depreciation, increased by \$129.8 million (33.2%) as Construction in Progress continued and projects were placed into service during the year.
- Total SVCW liabilities increased by \$212.3 million (56%). The most significant change was the \$203.8 million increase in bonds payable and \$12 million increase in unamortized bond premium associated with the issuance of 2019 Wastewater Revenue Notes. Other changes in liabilities were due to timing of accounts payable and notes payable.
- Deferred Outflows and Deferred Inflows represent changes in the components of Authority's pension liability, Other Post-Employment Benefits (OPEB), and deferred loss on defeasance. The most significant change in deferred outflows was the impact of the defeasance of 2009 Wastewater Revenue Bonds.

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TABLE 1
Condensed Statement of Net Position

	Fiscal Year 2020	Fiscal Year 2019	\$ Higher / (Lower)	% Higher / (Lower)
Current and other assets	\$ 178,782,960	\$ 80,094,833	\$ 98,688,127	123.2%
Restricted assets	4,156,730	7,823,426	(3,666,696)	(46.9%)
Capital assets	521,219,751	391,416,119	129,803,632	33.2%
Total Assets	704,159,441	479,334,378	224,825,063	46.9%
Deferred Outflows	11,547,297	5,611,134	5,936,163	105.8%
Total Liabilities	591,228,059	378,937,205	212,290,854	56.0%
Deferred Inflows	1,366,694	1,246,858	119,836	9.6%
Net investment in capital assets	107,641,792	87,049,556	20,592,236	23.7%
Restricted	4,156,730	7,823,426	(3,666,696)	(46.9%)
Unrestricted	11,313,463	9,888,467	1,424,996	14.4%
Total Net Position	\$ 123,111,985	\$ 104,761,449	\$ 18,350,536	17.5%

Table 2 below summarizes activities associated with all construction-related funds. Members contributed \$1 million, \$1.7 million, \$52.6 thousand, and \$935.9 thousand, respectively, to Capital Improvement Program Reserve, Revenue-Funded Capital Program, Operating Reserve, and Stage 2 Capacity Reserve, respectively. In the Capital Improvement Program Fund, approximately \$33.5 million was received to pay for debt service and project expenditures.

As part of continued expenditures on its Capital Improvement Program, SVCW spent \$135.6 million on capital projects during fiscal year 2019-20. Notable expenditures included repair of an effluent pipe as well as construction of gravity pipeline tunnel, front-of-plant headworks facilities, and improvements to pump stations.

TABLE 2
Construction Fund Activity

	Capital Improvement Program Reserve (13 Fund)	Revenue-Funded Capital Program (14 Fund)	Operating Reserve (17 Fund)	Stage 2 Capacity Reserve (15 Fund)	Capital Improvement Program Construction (20 Fund)	Totals
Member contributions	\$ 1,000,008	\$ 1,684,332	\$ 52,572	\$ 935,920	\$ 33,458,052	\$ 37,130,884
Operating income	-	6,809	-	-	-	6,809
Interest Earnings	1,314,113	-	161,133	882,878	4,844,575	7,202,699
Total Revenue	\$ 2,314,121	\$ 1,691,141	\$ 213,705	\$ 1,818,798	\$ 38,302,627	\$ 44,340,392
Cash to construction	\$ -	\$ 5,760,728	\$ -		\$ 129,795,603	\$ 135,556,331

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While the Statement of Net Position shows the change in financial position from year to year, the Statement of Activities and Changes in Net Position (Table 3 below) addresses the nature and source of the changes. Total 2019-20 revenues decreased from the prior year by \$2.2 million (3.1%), of which Operating Revenues decreased by \$5.8 million (8.4%) and reflects decreased contributions for Stage 2 and debt service cash contributions. Non-operating Revenues increased by \$3.6 million (74.1%) as interest income was earned due to a combination of market conditions and higher balance of 2019 Note proceeds.

Fiscal year 2019-20 total expenses increased by \$4.2 million (8.7%) over the prior year, which included changes in several key expenditures:

- Depreciation expense increased by \$54.8 thousand (0.6%) after new projects were placed into service during the year.
- Operating expenses were increased by \$2.5 million (9.6%), primarily related to filling personnel vacancies, incurring ordinary inflationary pressures, plus recognition of an increase in pension expenses associated with changes in SVCW proportion and lower-than-expected CalPERS investment returns. Additionally there was a change in accounting policy to recognize higher long-term liabilities of implied subsidy for retirement medical costs. Finally, SVCW incurred issuance expenses for the 2019 Wastewater Revenue Notes.
- Non-operating expenses increased \$1.7 million (12.4%) related to interest expense of more debt, offset by premium amortization associated with 2019 Wastewater Revenue Notes.

TABLE 3
Condensed Statements of Activities and Changes in Net Position

	Fiscal Year 2020	Fiscal Year 2019	\$ Higher / (Lower)	% Higher / (Lower)
Operating revenues	\$ 63,024,743	\$ 68,827,874	\$ (5,803,131)	(8.4%)
Non-operating revenues	8,354,342	4,797,281	3,557,061	74.1%
Capital Contributions	-	-	-	-
Total Revenues	71,379,085	73,625,155	(2,246,070)	(3.1%)
Depreciation expense	9,041,764	8,986,961	54,803	0.6%
Operating expense	28,720,766	26,215,903	2,504,863	9.6%
Non-operating expense	15,266,019	13,579,021	1,686,998	12.4%
Total Expenses	53,028,549	48,781,885	4,246,664	8.7%
Changes in Net Position	18,350,536	24,843,270	(6,492,734)	(26.1%)
Prior period adjustment	-	252,321	(252,321)	(100.0%)
Beginning net position	104,761,449	79,665,858	25,095,591	31.5%
Beginning net position - adjusted	104,761,449	79,918,179	24,843,270	31.1%
Ending Net Position	\$ 123,111,985	\$ 104,761,449	\$ 18,350,536	17.5%

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BUDGETARY HIGHLIGHTS

The SVCW Commission adopts an annual Operating Fund budget that provides for current activities and establishes a short-term spending plan aligned with SVCW financial goals. Budgets are prepared on the accrual basis of accounting. Table 4 below compares actual and budgeted expenditures for the Operating Fund during the year ended June 30, 2020.

TABLE 4
FY 2019-2020 Actual vs Budget

	<u>Actual</u>	<u>Budget</u>	<u>\$ Higher/ (Lower)</u>	<u>% Higher/ (Lower)</u>
Member Contributions	\$ 25,209,276	\$25,209,277	\$ (1)	(0.0%)
Source Control Revenue	61,963	241,500	(179,537)	(74.3%)
Other Revenue	372,366	543,000	(170,634)	(31.4%)
Total Operating Revenue	25,643,605	25,993,777	(350,172)	(1.3%)
Operations	10,072,541	9,780,104	292,437	3.0%
Maintenance	6,689,721	6,474,578	215,143	3.3%
Laboratory	1,979,154	1,770,665	208,489	11.8%
Environmental Services	1,051,499	1,240,862	(189,363)	(15.3%)
Engineering	879,262	809,095	70,167	8.7%
Information Services	1,650,921	1,813,120	(162,199)	(8.9%)
Safety	451,703	483,627	(31,924)	(6.6%)
Administration	4,427,578	3,896,727	530,851	13.6%
Depreciation	9,041,764	9,041,764	-	-
Total Operating Expenses	36,244,143	35,310,542	933,601	2.6%
Operating Income/(Loss)	\$ (10,600,538)	\$ (9,316,765)	\$ (1,283,773)	(13.8%)

Inclusive of \$9 million in depreciation, SVCW reported an Operating Fund loss of \$10.6 million, which was \$1.3 million (13.8%) more than budgeted. Total expenses were \$933.6 thousand (2.6%) more than budgeted, the largest cause of which was pension liability adjustments made at year-end to recognize changes in SVCW's proportion of its pooled pension plan as well as amortization of less-than-anticipated CalPERS investment returns. Specific variances by Division include:

- Source Control and Other Revenue were affected by the Coronavirus quarantine, particularly restaurant grease programs, stormwater monitoring, and laboratory services.

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- Operations expenses were higher than budget by \$292.4 thousand (3%). In addition to the impact of \$490 thousand in additional pension liability adjustments, electricity utility billings to the treatment plant included \$218 thousand in retroactive charges for unread meters during construction. The above increases were offset by \$134 thousand price savings on chemicals as well as \$222 thousand less spending on outside services for biosolids disposal.
- Maintenance expenses were higher than budget by \$215.1 thousand (3.3%). There was a \$486 thousand charge for additional pension liability adjustments, which was offset by deferred spending on certain repairs and training during the coronavirus quarantine period.
- Laboratory Services expenses were \$208.5 thousand (11.8%) higher than budget, due to annual permit fees being assessed to the Laboratory Division rather than to the Environmental Services division.
- Environmental Services expenses were \$189.4 thousand (15.3%) below budget due to permit fees no longer being assessed to the Environmental Services Division.
- Engineering expenses were \$70.2 thousand (8.7%) higher than budget after incurring unanticipated consulting services to investigate design and electrical needs, plus an increased allocation of Director payroll to the Operating Fund.
- The Information Services Division expenses were \$162.2 thousand (8.9%) less than budget. Less was spent on control systems software as the costs were absorbed by a related software capital project. Similarly, data backup and storage costs were reduced after a prior capital project was completed.
- The Safety Division expenses were below budget by \$31.9 thousand (6.6%) as, during the pandemic period, many training classes were deferred. Additionally, SVCW did not incur hazardous waste cleanup costs that had been budgeted.
- The Administration Division incurred costs that were not anticipated in the Budget and ended the fiscal year \$530.9 thousand (13.6%) above budget. While general spending was below budget during the fiscal year, these savings were offset by accounting adjustments for pension and OPEB. Such charges incorporated \$1.9 million in pension expense that included SVCW's increased proportion of the pooled program, and amortization of less-than-anticipated CalPERS investment returns. Additionally, there was a \$929 thousand charge for a changed accounting policy related to how SVCW recognizes its future OPEB implied subsidy liability.

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CAPITAL ASSETS

SVCW has a Long-Range Capital Improvement Program to improve existing facilities, build new facilities, rehabilitate assets, repair or replace infrastructure, preserve assets, enhance safety and security, and perform needed maintenance. Significant investments in infrastructure have included replacement of significant lengths of the influent conveyance pipe, modernization of electronic control systems for activated sludge handling, and upgrades of electrical systems. SVCW is in construction of its Regional Environmental Sewer Conveyance Upgrade (RESCU) program. This program replaces an existing force main with a gravity pipeline and constructs essential pretreatment facilities.

Consistent with the Capital Improvement Program, the Commission approved these and other capital improvements to protect public health, the environment, and agency facilities. Table 5 below provides a summary of SVCW capital assets and shows how, at the ends of fiscal years 2018-19 and 2019-20, Net Property Plant & Equipment (PP&E) was \$144.1 million and \$179.6 million, respectively. Additional information about SVCW's capital acquisitions and construction is presented in Note 5 to the financial statements.

TABLE 5
Capital Assets

	Balance at June 30, 2019	Additions	Deletions	Adjustments & Transfers	Balance at June 30, 2020
Land	\$ 1,282,081	\$ -	\$ -	\$ -	\$ 1,282,081
Buildings & Structures	84,762,953	903,455	-	-	85,666,408
Pipelines	55,458,204	11,212,679	-	-	66,670,883
Pump Stations	7,473,953	1,148,038	-	-	8,621,991
Machines & Equipment	93,174,269	31,279,671	-	-	124,453,940
Total PP&E, Cost	242,151,460	44,543,843	-	-	286,695,303
Accum. Depreciation	98,017,973	9,041,751	-	12	107,059,736
Total PP&E, Net	\$ 144,133,487	\$ 35,502,092	\$ -	\$ (12)	\$ 179,635,567
Construction in Progress:					
Stage 2 Capacity	\$ 2,934,618	\$ -	\$ -		\$ 2,934,618
General	244,348,014	138,854,299	-	(44,552,747)	338,649,566
Total CIP	\$ 247,282,632	\$ 138,854,299	\$ -	\$ (44,552,747)	\$ 341,584,184

LONG TERM DEBT

Including a Line of Credit but excluding Unamortized Premium on outstanding Bonds and Notes, SVCW had total long-term debt outstanding of \$516 million as of June 30, 2020, a \$201.9 million increase from June 30, 2019. Components of SVCW's long-term debt liability as of June 30, 2020 include \$466.4 million of Wastewater Revenue Bonds and Notes (excluding unamortized premiums of \$36.7 million), and Notes Payable obligations to the California Clean Water State Revolving Fund for approximately \$49.5 million.

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When SVCW credit ratings were assigned in January 2018, Moody's maintained its Wastewater Revenue Bonds rating of Aa2, and Standard & Poor's (S&P) Ratings Services separately affirmed its 'AA' long-term rating with a stable outlook. More recently, in June 2019 Moody's assigned a Aa2 rating to SVCW's Water Infrastructure Finance and Innovation Act (WIFIA) loan and a Aa3 to its Wastewater Revenue Notes Series 2019A. For the same transaction, S&P assigned an A+ rating.

Wastewater Revenue Bonds

As of June 30, 2020, SVCW has \$466.4 million outstanding in Wastewater Revenue Bonds and Notes par value, the proceeds for which were used to acquire and construct wastewater system improvements. These Bonds and Notes are limited obligations of SVCW, payable solely from and secured solely by the revenues pledged under the Indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, West Bay Sanitary District, and the City of Belmont (the "Participating Members"). Table 6 below shows the total Bonds and Notes outstanding for the fiscal years ended June 30, 2019 and 2020:

TABLE 6
Wastewater Revenue Bonds/Notes

Bonds/Notes	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding July 01, 2019	Issued (Redeemed)	Bonds/Notes Outstanding June 30, 2020
2009 Revenue Bond	2009	8/1/2039	1.74-8.1%	\$ 55,855,000	\$ 1,305,000	\$ (1,305,000)	\$ -
2014 Revenue Bond	2014	2/1/2044	3.0-5.0%	60,000,000	55,020,000	(1,160,000)	53,860,000
2015 Revenue Bond	2015	8/1/2045	2.0-5.0%	70,200,000	67,855,000	(830,000)	67,025,000
2018 Revenue Bond	2018	8/1/2049	3.125-5%	140,955,000	138,495,000	(2,245,000)	136,250,000
2019 Revenue Notes	2019	3/1/2024	3%	209,300,000	-	209,300,000	209,300,000
Total Wastewater Revenue Bonds/Notes				\$ 536,310,000	\$ 262,675,000	\$ 203,760,000	\$ 466,435,000

State Water Resources Control Board Loan

SVCW has financed three projects by entering into separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). Combined, the principal due on these agreements totaled \$49.5 million as of June 30, 2020. The project funds, together with all accrued interest, are repaid in annual installments commencing one year after the completion of construction.

In August 2011, SVCW secured SWRCB funding for the construction of an administration and plant control building. The outstanding liability was \$8.1 million as of June 30, 2020 and is scheduled to be fully repaid by June 2033.

In March 2012, SVCW entered a similar agreement with the SWRCB for up to \$35.4 million for certain improvements to the wastewater treatment plant phase 1. The total outstanding balance as of June 30, 2020 totaled \$27.4 million and the final payment is scheduled October 31, 2036.

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June 30, 2020

In February 2016, SVCW entered a third SWRCB agreement for up to \$14 million to plan improvements to its conveyance system. As of June 30, 2020, SVCW had incurred the full \$14 million in expenditures under this project. SVCW intends to consolidate this loan into a subsequent construction loan associated with conveyance projects in year 2021.

Line of Credit

On May 29, 2018, SVCW secured a \$30 million line of credit with Wells Fargo Bank with an accordion feature for up to \$65 million. Advances on the line of credit provide for an interest rate based on either a fixed per annum rate of interest equal to the LIBOR rate plus the Applicable LIBOR Rate Margin, or a variable per annum rate of interest equal to the Base Rate plus the Applicable Base Rate Margin. SVCW had no borrowings outstanding on the line of credit at June 30, 2020.

More detailed information about SVCW's long-term debt, Notes Payable, and Line of Credit is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The approved Operating Budget for fiscal year 2020-21 recommends expenditures based on a prioritization of needs, goals and objectives; it also anticipates external cost pressures and provides a roadmap to meet the needs of the community in the coming fiscal year. The Budget considered ordinary inflationary pressures, and incorporated savings from operational improvements. Personnel costs are relatively unchanged in terms of staffing levels, though adjusted to incorporate terms of a Memorandum of Understanding (MOU) between SVCW and the International Union of Operating Engineers Stationary Local 39, AFL-CIO. This MOU expires on June 30, 2023.

Each Member Agency has proactively raised sewer rates to support its allocable share of funding requirements for SVCW's operations and Capital Improvement Program, as well to meet their own operating and capital needs.

Table 7 compares the fiscal year 2020-21 Operating Fund Budget to the fiscal year 2019-20 actual results. Total 2020-21 Operating Revenues are anticipated to increase \$1.8 million (7.1%) from prior year actual revenues as Member Contributions increase to cover operating costs. Additionally, for Source Control Revenue and Other Revenues, SVCW implemented a stormwater program, recognized increased deliveries of food grease, and raised its rates charged for laboratory and source control services.

Total 2020-21 Operating Expenses are anticipated to increase \$526.1 thousand (1.5%) from prior year actual expenditures. The largest increase over 2019-20 actual expenditures is from pension liability due to the changes in SVCW proportion and low CalPERS returns and changes in the accounting policy recognizing long-term liability for OPEB implied subsidy.

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Management's Discussion and Analysis
June 30, 2020

TABLE 7
FY 2020-2021 Budget vs FY 2019-2020 Actual

	FY 2020-2021 Budget	FY2019-2020 Actual	\$ Increase / (Decrease)	% Increase / (Decrease)
Member Contributions	\$ 26,628,984	\$ 25,209,276	\$ 1,419,708	5.6%
Source Control Revenue	241,500	61,963	179,537	289.7%
Other Revenues	583,000	372,366	210,634	56.6%
Total Operating Revenue	27,453,484	25,643,605	1,809,879	7.1%
Operations	10,554,300	10,072,541	481,759	4.8%
Maintenance	6,835,021	6,689,721	145,300	2.2%
Laboratory	1,890,060	1,979,154	(89,094)	(4.5%)
Environmental Services	1,044,663	1,051,499	(6,836)	(0.7%)
Engineering	990,110	879,262	110,848	12.6%
Information Systems	534,072	1,650,921	(1,116,849)	(67.7%)
Safety	1,718,814	451,703	1,267,111	280.5%
Administration	4,161,444	4,427,578	(266,134)	(6.0%)
Depreciation	9,041,764	9,041,764	-	-
Total Operating Expenses	36,770,248	36,244,143	526,105	1.5%
Operating Income/(Loss)	\$ (9,316,764)	\$ (10,600,538)	\$ 1,283,774	12.1%

CONTACTING SILICON VALLEY CLEAN WATER MANAGEMENT

This financial report is designed to provide SVCW officers, investors, stakeholders, and other interested parties with a general overview of SVCW's financial condition. If you have any questions about this report or need additional financial information, please contact the offices of the Manager or the Chief Financial Officer at Silicon Valley Clean Water, (650) 832-6224, 1400 Radio Road, Redwood City, CA, 94065.

BASIC FINANCIAL STATEMENTS

Silicon Valley Clean Water
Statement of Net Position
June 30, 2020
(With Comparative Totals as of June 30, 2020)

Assets	2020	2019
Current Assets:		
Cash and investments	\$ 175,208,430	\$ 71,812,930
Cash restricted for debt service	4,156,730	7,823,426
Accounts receivable	1,568,509	1,937,298
Interest receivable	18,931	517,075
Employee notes receivable	18,145	19,850
Inventory	1,865,149	2,095,290
Prepaid expenses	103,796	423,325
Total Current Assets	182,939,690	84,629,194
Noncurrent Assets:		
Property held for resale	-	3,289,065
Capital assets:		
Depreciable capital assets - net	178,353,486	142,851,406
Non depreciable capital assets:		
Land	1,282,081	1,282,081
Construction in progress:		
Stage 2	2,934,618	2,934,618
General	338,649,566	244,348,014
Total capital assets - net	521,219,751	391,416,119
Total Noncurrent Assets	521,219,751	394,705,184
Total Assets	\$ 704,159,441	\$ 479,334,378
Deferred Outflows of Resources		
Pension related	\$ 4,466,528	\$ 4,421,241
OPEB related	2,302,975	841,064
Deferred Loss on Defeasance	4,777,794	348,829
Total Deferred Outflows of Resources	\$ 11,547,297	\$ 5,611,134
Liabilities		
Current Liabilities:		
Accounts payable	\$ 12,221,582	\$ 17,856,836
Accrued payroll and employee benefits	1,064,043	882,309
Accrued interest payable	7,220,362	6,391,797
Unearned revenue	918,892	271,903
Compensated absences due within one year	1,135,408	933,043
Long term debt due within one year	11,703,599	8,369,739
Total Current Liabilities	34,263,886	34,705,627
Long term debt due in more than one year	540,947,144	330,447,815
Net pension liabilities	15,053,146	13,507,192
Net OPEB liabilities	963,883	276,571
Total Liabilities	\$ 591,228,059	\$ 378,937,205
Deferred inflows of Resources		
Pension related	\$ 1,366,694	\$ 1,207,125
OPEB related	-	39,733
Total Deferred Inflows of Resources	\$ 1,366,694	\$ 1,246,858
Net Position		
Net Investment in Capital Assets	\$ 107,641,792	\$ 87,049,556
Restricted for:		
Debt service	4,156,730	7,823,426
Unrestricted	11,313,463	9,888,467
Total Net Position	\$ 123,111,985	\$ 104,761,449

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
(With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020	2019
Operating Revenues:		
Member contributions for services	\$ 25,452,719	\$ 24,439,039
Member contributions for cash reserves	3,672,832	5,232,796
Member contributions for debt service	20,488,973	38,700,687
Member contributions for cash in-lieu-of financing	12,969,079	-
Sources control charges	61,964	51,206
Miscellaneous revenues	379,176	404,146
Total operating revenues	<u>63,024,743</u>	<u>68,827,874</u>
Operating Expenses:		
Operations	10,178,096	8,669,851
Maintenance	6,838,650	6,424,080
Laboratory	1,990,912	1,723,215
Environmental services	1,051,499	1,147,991
Engineering	886,211	1,320,911
Information systems	1,650,921	1,585,728
Safety	451,704	421,319
Administration	5,672,773	4,922,808
Depreciation	9,041,764	8,986,961
Total operating expenses	<u>37,762,530</u>	<u>35,202,864</u>
Operating Income (Loss)	<u>25,262,213</u>	<u>33,625,010</u>
Nonoperating Revenues (Expenses):		
Grants	217,655	273,678
Other revenue (expense)	763,713	793,208
Interest by fund:		
Operations fund	187,022	40,104
Stage 2 capacity fund	325,638	191,304
Capital improvement reserve fund	553,691	317,406
Capital improvement fund	-	-
Self insurance fund	-	-
Operating reserve fund	77,908	59,403
Recycled water fund	-	-
Capital improvement fund	3,369,063	2,597,917
Net increase (decrease) in fair value of investments	2,859,652	524,261
Interest expense	(19,603,899)	(14,508,313)
Premium amortization	4,167,599	941,868
Gain (loss) on disposal of fixed assets	170,281	(12,576)
Total nonoperating revenues (expenses)	<u>(6,911,677)</u>	<u>(8,781,740)</u>
Change in Net Position	18,350,536	24,843,270
Beginning Net Position	104,761,449	79,665,858
Prior Period Adjustments	<u>-</u>	<u>252,321</u>
Ending Net Position	<u>\$ 123,111,985</u>	<u>\$ 104,761,449</u>

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
(With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Cash received from member agencies	\$ 62,529,029	\$ 67,510,155
Cash paid to suppliers for goods and services and employees for services	(35,435,112)	(14,021,279)
Other cash received (paid)	441,140	455,352
Net Cash Provided (Used) by Operating Activities	<u>27,535,057</u>	<u>53,944,228</u>
Cash Flows from Capital and Related Financing Activities:		
Cash received from member agencies other than for services	763,713	793,208
Cash received from grants	217,655	273,678
Proceeds from capital debt	-	-
Interest paid on capital debt	(19,603,899)	(14,508,313)
Principal paid on capital debt	(7,427,870)	(5,124,831)
Proceeds from long-term debt	225,428,658	-
Cash received on the sale of capital assets	170,281	83,101
Purchases and construction of capital assets	(135,556,331)	(118,108,016)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>63,992,207</u>	<u>(136,591,173)</u>
Cash Flows from Investing Activities:		
Noncash equivalent investments	-	-
Investment income	8,201,540	3,895,136
Net Cash Provided (Used) by Investing Activities	<u>8,201,540</u>	<u>3,895,136</u>
Net Increase (Decrease) in Cash and Cash Equivalents	99,728,804	(78,751,809)
Cash and Cash Equivalents Beginning	79,636,356	158,388,165
Cash and Cash Equivalents Ending	<u>\$ 179,365,160</u>	<u>\$ 79,636,356</u>
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 25,262,213	\$ 33,625,010
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	9,041,764	8,986,961
Net change in:		
Accounts receivable	866,933	(1,228,911)
Employee notes receivable	1,705	(3,327)
Inventory	230,141	(240,761)
Prepaid expenses	319,529	(324,880)
Deferred outflows of resources for benefits	(5,936,163)	624,925
Accounts payable	(5,635,254)	12,527,857
Accrued payroll and employee benefits	2,617,365	(10,182)
Unearned revenue	646,988	(15,544)
Deferred inflows of resources for benefits	119,836	3,080
Net Cash Provided (Used) by Operating Activities	<u>\$ 27,535,057</u>	<u>\$ 53,944,228</u>
Reconciliation of Cash and Cash Equivalents:		
Cash and investments	\$ 179,365,160	\$ 79,636,356
Less: investments with original maturities in excess of three months	-	-
Cash and Cash Equivalents	<u>\$ 179,365,160</u>	<u>\$ 79,636,356</u>

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

NOTE 1 - NATURE OF ORGANIZATION

Silicon Valley Clean Water (SVCW, or “the Authority”), formerly South Bayside System Authority, was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan. SVCW took title to all property of the Strategic Consolidation Sewerage Plan and now maintains and operates sanitary sewerage pumping, transmission and outfall facilities that were constructed. In addition, SVCW has constructed and is operating sewerage treatment plant facilities. The members of SVCW are the Cities of Belmont, Redwood City, San Carlos, and the West Bay Sanitary District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

All activities of SVCW are accounted for within enterprise funds. SVCW's financial statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows.

The financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all SVCW's assets (including capital assets, as well as infrastructure assets), deferred outflows of resources, liabilities, deferred inflows of resources, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Deferred outflows of resources are a consumption of net assets by SVCW that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflows of resources are an acquisition of net assets by SVCW that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

SVCW applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Statement of Net Position

The statement of net position is designed to display the financial position of SVCW. SVCW's net position is classified into three categories as follows:

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Notes to Financial Statements
June 30, 2020

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted - This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. SVCW first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues in the enterprise funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Budgets and Budgetary Accounting

SVCW adopted a one-year budget which provides for the general operations of SVCW. Budgets are prepared on the accrual basis of accounting. Project-length financial plans are adopted for all capital projects.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components: overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Investments

SVCW participates in various investments, including investment of its own cash reserves as well as an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF). LAIF invests a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Receivables

Receivables include amounts due from member assessments, services performed for other agencies, and from the state of California. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2020.

Inventories

Inventories are valued using the first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Property, plant, and equipment purchased after June 30, 1992 are stated at cost. Prior acquisitions are stated at their appraised value as of June 30, 1992. Property, plant, and equipment contributed to SVCW are stated at estimated fair value at the time of contribution. SVCW policy has set the capitalization threshold for reporting capital assets at \$20,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets generally as outlined by the State Controller's Report on Fixed Assets. The purpose of depreciation is to spread the cost of plant and equipment equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of plant and equipment cost.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Depreciation of all plant and equipment in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

SVCW has assigned the useful lives listed below to plant and equipment:

Buildings and Structures	50-70
Pipelines	35
Pump Stations	7-25
Machinery and Equipment	5-10

Compensated Absences

SVCW has a policy whereby an employee can accumulate unused vacation up to a maximum of twice an employee's annual vacation entitlement. Compensated absences are recorded as a liability when accrued. Accumulated vacation is computed using current employee accumulated vacation hours at current pay rates. SVCW does not offer payment for sick leave at termination or retirement.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, financial transactions (deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the fiduciary net position of SVCW's Retiree Benefit Plan (the OPEB Plan), and additions to/deductions from the OPEB Plan's fiduciary net position) have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Subsequent Events

2020 WIFIA Loan Interest Rate Reset

On November 17, 2020, SVCW and the United States Environmental Protection Agency re-executed the 2019 WIFIA Loan Agreement in order to reduce the interest rate on its \$218 million WIFIA loan. The interest rate was reduced from 2.40% to 1.41%. There were no other changes to the WIFIA Loan.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

Upcoming New Accounting Pronouncements

GASB issued Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The Authority does not believe this statement will have a significant impact on the Authority's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The Authority implemented this statement in its financial statement ended June 30, 2019.

GASB Statement No. 91, Conduit Debt Obligation

GASB Statement No. 91 – In May 2019, GASB Issued Statement No. 91, Conduit Debt Obligation. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. This Statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Authority has not yet determined its effect on the financial statements.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

NOTE 3 - CASH AND INVESTMENTS

Credit Risk

SVCW's cash and investments consisted of the following as of June 30, 2020 and 2019:

Cash and Investments	June 30, 2020	June 30, 2019	Investment Rating	Input Level
Cash:				
Demand deposits	\$ 1,401,735	\$ 264,182	n/a	n/a
Cash on hand	1,000	1,000	n/a	n/a
Total Cash	1,402,735	265,182		
Investments:				
US Treasuries	121,111,359	7,193,462	AA+	1
US Government Agencies	14,648,587	24,351,957	AA+	1
Commercial paper/Corp bonds	7,840,027	1,493,658	BBB+/AA+	1
Municipal bonds/notes	486,493	399,192	AA-/NR	1
Supranationals	125,856	-	AAA	1
Money Market/Certificates of Deposit	17,651,968	35,394,772	n/a	2
California Asset Management Program	15,833,933		AAAm	
Local Agency Investment Fund	264,202	10,538,133	Not rated	n/a
Total Investments	177,962,425	79,371,174		
Total Cash and Investments *	\$ 179,365,160	\$ 79,636,356		

Interest Rate Risk

The following is a summary of the Authority's investments by maturity as of June 30, 2020:

Maturity	June 30, 2020	June 30, 2019
0-1 years	\$ 92,798,291	\$ 61,814,839
1-2 years	37,717,648	7,961,197
2-3 years	14,546,971	7,122,689
3-5 years	14,513,163	2,472,449
Over 5 years	18,386,352	-
Total Investments	\$ 177,962,425	\$ 79,371,174

Cash Deposits

Interest bearing bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). SVCW's cash in bank exceeded the insured limit as of June 30, 2020. All SVCW's deposits with financial institutions were held in collateralized accounts.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Collateral and Categorization Requirements

California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of at least 150% of an agency's total deposits.

Restricted Cash

SVCW's restricted cash consisted of \$4,156,730 in cash and investments as of June 30, 2020 held by trustees or fiscal agent, all of which was pledged for the payment or security of bonds.

Local Agency Investment Fund

SVCW is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. On June 30, 2020, the investments matured in an average of 191 days.

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Notes to Financial Statements
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Investment Policy

SVCW's investment guidelines as defined by its written investment policy were approved by the Commission, who also establishes its implementation and direction. Monthly, the Board ratifies the investments that have been made. SVCW's investment policy follows the California Government Code which authorizes SVCW to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % of Portfolio	SVCW Maximum Investment in Single Issuer
Local Agency Municipal Bonds	5 years	A, A1	30%	5%
U.S. Treasury Obligations	5 years*	None	None	100%
State of California and Other State Obligations	5 years*	None	30%	5%
CA Local Agency Obligations	5 years*	None	30%	5%
U.S. Agency Securities	5 years*	None	None	100%
Bankers Acceptances	180 days	None	40%	None
Commercial Paper (pooled)	270 days	A1 / P1	40%	None
Commercial Paper (non-pooled)	270 days	A1 / P1	25%	None
Negotiable Certificates of Deposit	5 years	None	15%	5%
Non-Negotiable Certificates of Deposit	5 years	None	None	None
Placement Service Deposits	5 years	None	30% (A)	None
Placement Service Certificates of Deposit	5 years	None	30% (A)	None
Medium Term Corporate Notes	5 years	A	30%	30%
Money Market Mutual Funds	N/A	AAA	20%	20%
Collateralized Bank Deposits	5 years	None	None	100%
Mortgage Pass-Through Securities	5 years	AA	20%	None
County Pooled Investment Funds	N/A	None	None	None
Joint Powers Authority Pool	N/A	Multiple	None	100%
California Local Agency Investment Fund	N/A	None	None	\$65M
Voluntary Investment Program Fund	N/A	None	None	None
Supranational Obligations (B)	5 years	AA	15%	15%
Public Bank Obligations	5 years	None	None	None

(A) 30% maximum % of portfolio is for deposits and certificates of deposit combined.

(B) Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

* Investments term authorized during SVCW Commissioner's Meeting on June 17, 2019.
Longer-term securities is only for US Government and CA Municipal Obligations.

**U.S. Treasuries, U.S. Agencies, and State/Local Agency obligations measure maximum maturity as average remaining maturity at time of purchase.*

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *Interest Rate Risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. To limit loss exposure due to Interest Rate Risk, the investment policy limits the length of maturity of investments.
- *Credit Risk* - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To limit loss exposure due to Credit Risk, the investment policy limits purchase of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.
- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, SVCW's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities be held by a third party bank or trust department under the terms of a custody or trustee agreement. None of SVCW's investments were subject to custodial credit risk.
- *Concentration of Credit Risk* - See the chart above for SVCW's limitations on the amount that can be invested in any one issuer. As of June 30, 2020, 9% of SVCW's cash was invested in California Asset Management Program (CAMP), 8% in agencies, 4% in commercial paper and corporate bonds, 10% in money market accounts, 68% in U.S. treasuries, and less than 1% in LAIF and municipal bonds and notes.

NOTE 4 - EMPLOYEE NOTES RECEIVABLE

All full-time and part-time SVCW employees are eligible to obtain an interest-free loan to purchase a computer or certain tools. All requests for loans must be approved by the Department Manager and Human Resources Director. Repayment of these loans is handled through payroll deductions which are amortized over a two-year period. Employees must pay off any outstanding balance of their loans upon ending employment with SVCW. As of June 30, 2020, and 2019, outstanding balances for notes receivable were \$18,145 and \$19,850, respectively.

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NOTE 5 - CAPITAL ASSETS (PROPERTY, PLANT AND EQUIPMENT)

SVCW's capital assets consisted of the following as of June 30, 2020:

Capital Assets	Balance July 1, 2019	Additions	Adjustments/ Transfer	Balance June 30, 2020
Non-depreciable:				
Land	\$ 1,282,081	\$ -	\$ -	\$ 1,282,081
Construction in Progress				
Stage 2	2,934,618	-	-	2,934,618
General	244,348,014	138,854,299	(44,552,747)	338,649,566
Total Non-Depreciable	248,564,713	138,854,299	(44,552,747)	342,866,265
Depreciable:				
Buildings and structures	84,762,953	903,455	-	85,666,408
Pipelines	55,458,204	11,212,679	-	66,670,883
Pump station	7,473,953	1,148,038	-	8,621,991
Machinery and equipment	93,174,269	31,279,671	-	124,453,940
Total Depreciable	240,869,379	44,543,843	-	285,413,222
Less Accumulated Depreciation for:				
Buildings and structures	(40,879,912)	(2,592,019)	-	(43,471,931)
Pipelines	(11,583,832)	(1,938,033)	-	(13,521,865)
Pump station	(5,831,654)	(201,162)	-	(6,032,816)
Machinery and equipment	(39,722,575)	(4,310,537)	(12)	(44,033,124)
Total Accumulated Depreciation	(98,017,973)	(9,041,751)	(12)	(107,059,736)
Total Depreciable PPE - Net	142,851,406	35,502,092	(12)	178,353,486
Total PPE - Net	\$ 391,416,119	\$ 174,356,391	\$ (44,552,759)	\$ 521,219,751

Depreciation expense for the year ended June 30, 2020 and 2019 was \$9,041,751 and \$9,026,438, respectively.

NOTE 6 - NONCURRENT LIABILITIES

SVCW's noncurrent liabilities consisted of the following as of June 30, 2020:

Description	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Wastewater Revenue Bonds/Notes	\$ 262,675,000	\$ 209,300,000	\$ 5,540,000	\$ 466,435,000	\$ 5,610,000
Unamortized Premium	24,711,308	16,128,658	4,167,599	36,672,367	4,167,599
Note Payable (Direct Borrowing)	51,431,246	-	1,887,870	49,543,376	1,925,999
Net OPEB Liability	276,571	687,312	-	963,883	-
Net Pension Obligation	13,507,192	1,545,954	-	15,053,146	-
Compensated Absences	933,043	202,365	-	1,135,408	1,135,408
Total Noncurrent Liabilities	\$ 353,534,360	\$ 227,864,289	\$ 11,595,469	\$ 569,803,180	\$ 12,839,006

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Long-Term Debt

SVCW's long-term debt consisted of the following as of June 30, 2020:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding July 01, 2019	Issued	Retirements	Bonds/Notes Outstanding June 30, 2020
<i>Bond/Notes</i>								
2009 Bond	2009	2039	1.74-8.1%	\$ 55,855,000	\$ 1,305,000	\$ -	\$ 1,305,000	\$ -
2014 Bond	2014	2044	3-5%	60,000,000	55,020,000	-	1,160,000	53,860,000
2015 Bond	2015	2045	2-5%	70,200,000	67,855,000	-	830,000	67,025,000
2018 Bond	2018	2049	3.125-5%	140,955,000	138,495,000	-	2,245,000	136,250,000
2019 Notes Series A	2019	2024	3%	209,300,000	-	209,300,000	-	209,300,000
Total Wastewater Revenue Bonds/Notes				\$ 536,310,000	\$ 262,675,000	\$ 209,300,000	\$ 5,540,000	\$ 466,435,000

2009 Wastewater Revenue Bonds

In July 2009, SVCW issued \$55,855,000 of Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater system; fund the debt service reserve fund, and pay costs of issuing the Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. On August 1, 2019, the bond was fully defeased.

2014 Wastewater Revenue Bonds

In March 2014, SVCW issued \$60,000,000 of Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater system and pay costs of issuing the Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues.

2015 Wastewater Revenue Bonds

Wastewater Revenue Bonds in the amount of \$70,200,000 were executed on November 24, 2015. The funds were used to refund the Authority's current outstanding Wastewater Revenue Bonds captioned 2008 Wastewater Revenue Bonds and 2009 Build America Bonds, and to finance certain improvements to the Authority's wastewater treatment system. In conjunction with the issuance of the 2015 Wastewater Revenue Bonds and in accordance with the Authority's refunding plan, \$53,246,823 was deposited with an escrow agent to provide for payment when due of all principal and interest with respect to the 2008 and 2009 refunded Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$703,660. The difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized over the useful life of the refunded bonds using the straight-line method. For financial reporting purposes, the refunded portion of the debt is considered defeased and therefore removed as a liability from these financial statements. As of June 30, 2020, there was \$44,765,000 of defeased 2009 bonds outstanding, both to be paid from escrow funds. Interest is payable semi-annually on February 1st and August 1st of each year while principal payments are made on August 1st of each year commencing 2016, with interest rates ranging from 2% to 5%. These wastewater revenue bonds are secured by a pledge of Member revenues.

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Notes to Financial Statements
June 30, 2020

2018 Wastewater Revenue Bonds

In February 2018, SVCW issued \$140,955,000 in Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater system and pay costs of issuing the Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues.

2019 Series A Wastewater Revenue Notes

In August 2019, SVCW issued \$209,300,000 in Revenue Notes. The Notes were issued to provide interim financing for the acquisition and construction of capital improvements to SVCW's wastewater system, capitalize interest on the Notes through maturity and pay costs of issuing the Notes. Concurrently, SVCW executed a WIFIA (Water Infrastructure Finance and Innovation Act) Loan Agreement with the United States Environmental Protection Agency (EPA) to finance these capital improvements. Proceeds of the WIFIA Loan are expected to be used by the Authority to pay the 2019 Notes at maturity or to optionally redeem all or a portion of the 2019 Notes to their maturity. The Notes are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Total principal amount will be due at maturity on March 1, 2024. Interest payments are payable semi-annually on March 1 and September 1.

The 2009, 2014, 2015, 2018 Wastewater Revenue Bonds and 2019 Wastewater Revenue Notes are general obligations of SVCW, payable solely from pledges of wastewater revenues from participating SVCW member agencies. The bonds and notes covenants contain events of default that require the revenue of SVCW to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of SVCW to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by SVCW; or if any court or competent jurisdiction shall assume custody or control of SVCW. No such events occurred during the fiscal year ending June 30, 2020.

Long-term Debt Service

The debt service requirements for the bonds as of June 30, 2020 were as follows:

Fiscal Year	Principal		Interest to		Total
			Maturity		
2021	\$	5,610,000	\$	17,684,619	\$ 23,294,619
2022		5,890,000		17,398,619	23,288,619
2023		6,185,000		17,098,369	23,283,369
2024		215,800,000		16,782,869	232,582,869
2025		6,835,000		10,172,244	17,007,244
2026-2030		39,595,000		45,281,344	84,876,344
2031-2035		46,740,000		34,881,216	81,621,216
2036-2040		57,795,000		23,592,831	81,387,831
2041-2045		51,250,000		11,551,075	62,801,075
2046-2050		30,735,000		2,197,136	32,932,136
2051-2055		-		-	-
Total	\$	466,435,000	\$	196,640,322	\$ 663,075,322

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Wastewater Revenue Bonds - Build America Bonds Refundable Credit

SVCW elected to treat the 2009 Wastewater Revenue Bonds as Build America Bonds under section 54AA of the Tax Code, which entitles it to a refundable credit from the United States Treasury equal to 35% of the interest payable on the bonds. Since March 2013, the Internal Revenue Service has reduced the refundable credit amounts by imposing sequestration rates. The sequestration rate from October 1, 2018 to September 30, 2019, the sequestration rate was 6.2%. The credit is reported as member contributions. The 2020 credit received by SVCW totaled \$594,468.

Notes Payable (Direct Borrowing)

SVCW has financed multiple projects by entering into three separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). Combined, these notes payable totaled \$49,543,376 as of June 30, 2020. The project funds, together with all accrued interest, are repaid in annual installments commencing one year after the completion of construction.

In August 2011, SVCW secured SWRCB funding for the construction of an administration and plant control building. The SWRCB reimbursed SVCW for project-related expenditures as incurred, and the outstanding liability was \$8,102,336 as of June 30, 2020. This amount is scheduled to be fully repaid by June 2033.

In March 2012, SVCW entered a similar agreement with the SWRCB for up to \$35,385,953 for certain improvements to the wastewater treatment plant. The SWRCB reimbursed SVCW for project-related expenditures as incurred, and the outstanding liability was \$27,441,039 as of June 30, 2020. This amount will be repaid by October 2036.

In February 2016, SVCW entered a similar agreement with the SWRCB for up to \$14,000,000 to plan and design certain improvements to the conveyance system. As of June 30, 2019, SVCW had incurred \$14,000,000 in expenditures. This planning was completed on August 1, 2019 and the total incurred expenditures will either be repaid by September 2030 or combined into a subsequent construction loan. The SWRCB has not established the debt service payments for the entirety of the expenditures incurred by SVCW. The following summarizes the scheduled future debt service requirements for the SWRCB loans as of June 30, 2020:

Notes Payable

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 1,925,999	\$ 704,599	\$ 2,630,599
2022	3,267,054	889,677	\$ 4,156,731
2023	3,327,622	829,109	\$ 4,156,731
2024	3,389,352	767,378	\$ 4,156,731
2025	3,452,268	704,463	\$ 4,156,731
2026-2030	18,248,237	2,535,415	\$ 20,783,653
2031-2035	12,256,214	937,908	\$ 13,194,122
2036-2039	3,676,630	99,564	\$ 3,776,194
Total	\$ 49,543,376	\$ 7,468,114	\$ 57,011,489

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Notes to Financial Statements
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Line of Credit

SVCW has a \$30,000,000 line of credit with Wells Fargo Bank, with an accordion feature for up to \$65 million. Advances on the line of credit provide for an interest rate based on either a fixed per annum rate of interest equal to the LIBOR rate plus the Applicable LIBOR Rate Margin, or a variable per annum rate of interest equal to the Base Rate plus the Applicable Base Rate Margin. SVCW had zero outstanding on the line of credit on June 30, 2020.

WIFIA Loan

In July 2019, SVCW entered into a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement with the United States Environmental Protection Agency (EPA) for an amount up to \$218,000,000, which will become available on March 1, 2024. The loan proceeds will be used to refund the 2019 Series A Wastewater Notes, which was used to finance of the acquisition and construction of capital improvements to SVCW's wastewater system. The loan is payable solely from and secured solely by the revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Principal payment is due annually on March 1. Interest payments are due semi-annually on March 1 and September 1.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Due-to/from

Interfund receivables and payables as of June 30, 2020 were as follows:

Fund Description	Due From	Due To
Operations	\$ 8,089,043	\$ 225,572
Capital Improvement Program	-	3,010,379
Recycled Water	-	12,151
Self Insurance	186,780	-
Construction Stage 2	897,589	-
Capital Improvements	2,524,570	-
Capital Improvement Program Reserve	-	11,682,709
Operating Reserve	3,232,828	-
Totals	<u>\$ 14,930,810</u>	<u>\$ 14,930,811</u>

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Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended and transfers of capital assets upon completion of construction. Interfund transfers for the June 30, 2020 fiscal year were as follows:

Fund Description	Transfers In	Transfers Out
Operations	\$ 44,543,844	\$ -
Capital Improvement Program	-	42,831,803
Capital Improvements	-	1,712,041
Totals	<u>\$ 44,543,844</u>	<u>\$ 44,543,844</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plans (the Plans); cost-sharing multiple employers defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect on June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Membership date	Prior to July 1, 2011	July 1, 2011 - December 31, 2012	On/After January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	7.000%	6.750%
Required employer contribution rates	10.221%	8.081%	6.985%

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Employees Covered - On June 30, 2020, the following employees were covered by the benefit terms for the Plans:

	<u>Miscellaneous</u>
Active	86
Transferred	22
Separated	24
Retired	78
Total	<u>210</u>

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, SVCW contributed \$1,916,618 into the Plans.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the Agency reported net pension liabilities for its proportionate shares of the net pension liability was \$15,053,146.

The Agency's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plan are measured as of June 30, 2019, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plans as of June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2019	0.14017%	0.00000%	0.14017%
Proportion - June 30, 2020	0.14690%	0.00000%	0.14690%
Change - Increase/(Decrease)	<u>0.00673%</u>	<u>0.00000%</u>	<u>0.00673%</u>

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For the year ended June 30, 2020, the Agency recognized pension expense of \$3,576,854. On June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 717,804	\$ (254,455)
Difference between Expected and Actual Experience	1,045,504	(81,005)
Differences between Projected and Actual Investments Earnings	-	(263,176)
Change in proportion and differences between employer contributions and proportionate share of contributions	-	(768,058)
Change in Employer's Proportion	786,602	-
Pension Contributions Made Subsequent to Measurement Date	1,916,618	-
Total	<u>\$ 4,466,528</u>	<u>\$ (1,366,694)</u>

The Agency reported \$1,916,618 as deferred outflows of resources related to contributions after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2021	\$ 1,104,783
2022	(93,751)
2023	119,004
2024	53,180
Total	<u>\$ 1,183,216</u>

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	2.75% (1)
Projected Salary Increase	3.75% - 15.25%
Cost of Living Adjustments	2.75%
Investment Rate of Return	7.00%
Mortality	RP-2014 Healthy Annuitant Mortality Table

(1) Plus "across the board" real salary increases of 0.5% per year

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Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	<u>100%</u>		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Rate - The following presents the Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 24,292,968
Current Discount Rate	7.15%
Net Pension Liability	\$ 15,053,146
1% Increase	8.15%
Net Pension Liability	\$ 7,426,326

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

SVCW's Retiree Healthcare Plan (the Plan) is a single employer defined benefit healthcare plan administered by SVCW. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between SVCW, its management employees, and unions representing SVCW employees.

SVCW joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans in the fiscal year 2010-11. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703. (This CERBT paragraph is newly added. Please provide highlighted information)

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Benefits

Following is a description of the current retiree benefit plan. The following table describes benefits available to those hired prior to January 30, 2011. Employees hired on or after this date are entitled only to statutory minimum benefits under sections of the Government Code collectively known as PEMHCA (Public Employees' Medical and Hospital Care Act).

	All Non- Represented Employees	Operating Engineers
Benefits Provided:	Medical Only	Medical Only
Duration of Benefits:	Lifetime	Lifetime
Required Services:	Retirement under CalPERS	Retirement under CalPERS
Minimum Age:	Retirement under CalPERS	Retirement under CalPERS
Dependent Coverage:	Yes	Yes
Contribution Percentage:	100% to cap	100% to cap
Cap:	Bay Area Kaiser Rate	Bay Area Kaiser Rate

Employees Covered by Benefit Terms

On June 30, 2019 (the valuation date), the benefit terms covered the following employees:

Active employees	85
Inactive employees	41
Total employees	<u>126</u>

Contributions

The Authority makes contributions based on an actuarially determined rate and are approved by the authority of the Authority's Board. Total contributions during the year were \$1,016,333. Total contributions included in the measurement period were \$841,064. The actuarially determined contribution for the measurement period was \$502,972. The Authority's contributions were 7.78% of payroll during the fiscal year ended June 30, 2020. Employees are not required to contribute to the plan.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2014 CalPERS Active Mortality for Misc.
Retirement	Rx PA Misc 2% @ 55 Rx PA Misc 2% @ 60 Rx PA Misc 2% @ 60 min age 52

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the Authority contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.290%
Long-Term Government Bonds	6.00%	4.500%
Treasury Inflation-Protected Securities (TIPS)	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
Total	100.00%	

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2019 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 (valuation date) for the fiscal year ended June 30, 2020 (reporting date). The Changes in Assumptions is to recognize the Implied Subsidy associated with future medical premiums, which increased SVCW's actuarial accrued liability. The following summarizes the changes in the net OPEB liability during the year ended June 30, 2020:

Fiscal Year Ended June 30, 2020 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 7,079,157	\$ 6,800,620	\$ 278,537
Service cost	38,457	-	38,457
Interest in Total OPEB Liability	484,027	-	484,027
Employer contributions to trust	-	450,000	(450,000)
Employer contributions as benefit payments	-	391,064	(391,064)
Expected investment income	-	491,741	(491,741)
Administrative expenses	-	(1,501)	1,501
Benefit payments	(391,064)	(391,064)	-
Investment Gain/Losses	-	(47,577)	47,577
Experience Gains/Losses	493,347	-	493,347
Changes in Assumptions	929,611	-	929,611
Expected Minus Benefit Payments	23,631	-	23,631
Net changes	1,578,009	892,663	685,346
Balance at June 30, 2019	\$ 8,657,166	\$ 7,693,283	\$ 963,883
Covered Employee Payroll at Measurement Date	\$ 12,259,105		
Total OPEB Liability as a % of covered Employee payroll	70.62%		
Plan Fid. Net Position as a % of Total OPEB Liability	88.87%		
Service cost as a % of covered Employee payroll	0.31%		
Net OPEB Liability as a % of covered payroll	7.86%		

Deferred Inflows and Outflows of Resources

On June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 456,864	\$ -
Difference between actual and expected earnings	8,261	-
Change in assumptions	821,517	-
OPEB contribution subsequent to measurement date	1,016,333	-
Totals	\$ 2,302,975	\$ -

The total \$1,016,333 reported as deferred outflows of resources related to OPEB was from Authority contributions subsequent to the measurement date and before the end of the fiscal year and will be included as a reduction of the net OPEB liability in the year ended June 30, 2021.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2020:

Service cost	\$	38,457
Interest in TOL		484,027
Expected investment income		(491,741)
Difference between actual and expected earnings		108,094
Other (PPA of FNP, Per Actuary)		59,696
Administrative expenses		1,501
OPEB Expense	\$	200,034

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020:

Net OPEB liability ending	\$	963,883
Net OPEB liability begining		(278,537)
Change in net OPEB liability		685,346
Employer contributions and implicit subsidy		801,331
OPEB Expense	\$	200,035

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	6.0% (1% Decrease)	7.0% (Current Rate)	8.0% (1% Increase)
Net OPEB Liability (Asset)	\$ 2,055,673	\$ 963,883	\$ 73,390

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	3.0% (1% Decrease)	4.0% (Current Rate)	5.0% (1% Increase)
Net OPEB Liability (Asset)	\$ 47,338	\$ 963,883	\$ 2,069,402

NOTE 10 - RISK MANAGEMENT

SVCW is a member of the California Sanitation Risk Management Authority (CSRMA) which covers the general liability claims up to \$15,500,000 and provides coverage of Employment Practices Liability (EPL) up to \$15,500,000. Excess public entity general liability insurance of \$10,000,000 is obtained by CSRMA commercially, resulting in a total coverage of \$25,500,000. SVCW has a self-insured retention of \$10,000 per general liability claim and \$25,000 per EPL claim. Once SVCW's self-insured retention is met, CSRMA becomes responsible for payment of all claims up to the limit.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2020

SVCW also has workers' compensation insurance with CSRMA which covers workers' compensation claims up to \$750,000. Excess public entity workers' compensation and third-party liability insurance are obtained by CSRMA commercially up to statutory limit and \$25,500,000, respectively. SVCW has a self-insured retention of \$750,000 per claim.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after retrospective rating. CSRMA's audited financial statements may be obtained by writing them at c/o Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

SVCW is at risk to be a defendant in various lawsuits which arise in the normal course of business. The final disposition of these legal actions and claims was not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the SVCW.

SVCW had outstanding construction contract commitments on capital projects totaling \$398,890,585 on June 30, 2020.

SVCW has a month to month operating lease with San Mateo County for use of real property to facilitate construction activities for the 63" Forcemain Reliability Improvement Project. The monthly rent is \$97,300 per month with five option years totaling \$5,838,000. SVCW also has a lease with West Bay Sanitary District for \$300,000 per year subject to annual CPI increases, for a Flow Equalization facility. Rent expense was \$1,518,738 during the year for two lease agreements.

REQUIRED SUPPLEMENTARY INFORMATION

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2020
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,916,618	\$ 1,612,511	\$ 1,470,709	\$ 1,251,217	\$ 1,130,159	\$ 1,033,248
Contributions in relation to the actuarially determined contributions	1,916,618	1,612,511	1,470,709	1,251,217	1,130,159	1,033,248
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,799,491	\$ 11,073,314	\$ 11,882,052	\$ 10,137,714	\$ 9,454,067	\$ 9,115,942
Contributions as a percentage of covered-employee payroll	16.24%	14.56%	12.38%	12.34%	11.95%	11.33%

Notes to Schedule

Valuation Date: June 30, 2019

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.875%
Investment Rate of Returns set at 7.375%
CalPERS mortality table using 15 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2020
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years¹

Miscellaneous Plan

Fiscal Year Ended	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of Net Pension Liability	0.37591%	0.35840%	0.34911%	0.33211%	0.30498%	0.32474%
Proportionate Share of Net Pension Liability	\$15,053,146	\$13,507,192	\$13,762,187	\$11,536,951	\$8,367,040	\$8,025,843
Covered Payroll	\$11,073,314	\$11,882,052	\$10,137,714	\$9,454,067	\$9,115,492	\$8,842,027
Proportionate Share of NPL as a % of Covered Payroll	135.94%	113.68%	135.75%	122.03%	91.79%	90.77%
Plan's Fiduciary Net Position as a % of the TPL	75.26%	76.53%	77.31%	78.40%	83.30%	83.03%

** Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Silicon Valley Clean Water
Single Employer Plan
Schedule of OPEB Contributions
For the Fiscal Year Ended June 30, 2020

	Fiscal Year Ended June 30,		
	2018	2019	2020
Actuarially determined contribution (ADC)	\$ 135,456	\$ 74,614	\$ 502,972
Less: actual contribution in relation to ADC	(763,957)	(841,064)	(1,016,333)
Contribution deficiency (excess)	<u>\$ (628,501)</u>	<u>\$ (766,450)</u>	<u>\$ (513,361)</u>
Covered payroll for the fiscal year	\$ 11,176,980	\$ 12,259,105	\$ 13,063,649
Contributions as a percentage of covered payroll	6.84%	6.86%	7.78%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed

Actuarial Assumptions:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2014 CalPERS Active
Retirement	Rx PA Misc 2% @ 55
	Rx PA Misc 2% @ 60
	Rx PA Misc 2% @ 60 min age 52

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Silicon Valley Clean Water
Single Employer Plan
Schedule of Net OPEB Liability
For the Fiscal Year Ended June 30, 2020

	Fiscal Year Ended June 30,		
	2018	2019	2020
Total OPEB liability			
Service cost	\$ 36,426	\$ 37,428	\$ 38,457
Interest	461,630	473,085	484,027
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	516,978
Changes of assumptions	-	-	929,611
Benefit payments	(328,838)	(341,991)	(391,064)
Expected Minus Actual Benefit	-	-	-
Net change in Total OPEB Liability	169,218	168,522	1,578,009
Total OPEB Liability - beginning	6,741,417	6,910,635	7,079,157
Total OPEB Liability - ending	<u>\$ 6,910,635</u>	<u>\$ 7,079,157</u>	<u>\$ 8,657,166</u>
Plan fiduciary net position			
Employer contributions	\$ 748,838	\$ 763,957	\$ 841,064
Employer implicit subsidy	-	-	-
Employee contributions	-	-	-
Net investment income	547,183	477,679	444,164
Difference between estimated and actual earnings	-	-	-
Benefit payments	(328,838)	(341,991)	(391,064)
Implicit subsidy fulfilled	-	-	-
Other	-	4,017	-
Administrative expense	(4,578)	(11,080)	(1,501)
Net change in plan fiduciary net position	962,605	892,582	892,663
Plan fiduciary net position - beginning	4,947,399	5,910,004	6,802,586
Plan fiduciary net position - ending	<u>\$ 5,910,004</u>	<u>\$ 6,802,586</u>	<u>\$ 7,695,249</u>
Net OPEB liability (asset)	\$ 1,000,631	\$ 276,571	\$ 961,917
Plan fiduciary net position as a percentage of the total OPEB liability	85.52%	96%	89%
Covered employee payroll for the plan	\$ 10,877,839	\$ 11,176,980	\$ 12,259,105
Net OPEB Liability as a percentage of covered Employee payroll	9.20%	2.47%	7.85%
Total OPEB Liability as a percentage of covered Employee payroll	63.53%	63.34%	70.62%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

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SUPPLEMENTARY INFORMATION

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2020

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Assets				
Current Assets:				
Cash and investments	\$ 3,826,640	\$ 16,877,098	\$ -	\$ 13,764,971
Cash restricted for debt service	-	4,156,730	-	-
Accounts receivable	415	7,875	13,264	916,941
Interest receivable	-	-	-	-
Employee notes receivable	-	-	-	-
Due from other funds	3,232,828	-	2,524,570	897,589
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Total Current Assets	7,059,883	21,041,703	2,537,834	15,579,501
Noncurrent Assets:				
Property held for resale	-	-	-	-
Capital assets:				
Depreciable capital assets - net	-	-	-	-
Non depreciable capital assets:				
Land	-	-	-	-
Construction in progress:				
Stage 2	-	-	-	2,934,618
General	-	-	6,911,758	-
Total capital assets - net	-	-	6,911,758	2,934,618
Total Noncurrent Assets	-	-	6,911,758	2,934,618
Total Assets	\$ 7,059,883	\$ 21,041,703	\$ 9,449,592	\$ 18,514,119
Deferred Outflows of Resources				
Pension adjustments	\$ -	\$ -	\$ -	\$ -
OPEB adjustments	-	-	-	-
Deferred Loss on Defeasance	-	-	-	-
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ 404,397	\$ -
Accrued payroll and employee benefits	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	-	11,682,709	-	-
Unearned revenue	753	45,363	39,178	-
Compensated absences due within one year	-	-	-	-
Noncurrent liabilities due within one year	-	-	-	-
Total Current Liabilities	753	11,728,072	443,575	-
Long term debt due in more than one year	-	-	-	-
Net pension liabilities	-	-	-	-
Net OPEB liabilities	-	-	-	-
Total Liabilities	\$ 753	\$ 11,728,072	\$ 443,575	\$ -
Deferred inflows of Resources				
Pension adjustments	\$ -	\$ -	\$ -	\$ -
OPEB adjustments	-	-	-	-
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -
Net Position				
Net Investment in Capital Assets	\$ -	\$ -	\$ 6,911,758	\$ 2,934,618
Restricted for:				
Debt service	-	4,156,730	-	-
Capital projects	-	-	-	-
Retiree health benefits	-	-	-	-
Unrestricted	7,059,130	5,156,901	2,094,259	15,579,501
Total Net Position	\$ 7,059,130	\$ 9,313,631	\$ 9,006,017	\$ 18,514,119

(Continued)

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2020

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Assets					
Current Assets:					
Cash and investments	\$ -	\$ -	\$ 139,072,784	\$ 1,666,937	\$ 175,208,430
Cash restricted for debt service	-	-	-	-	4,156,730
Accounts receivable	-	63,443	-	566,571	1,568,509
Interest receivable	-	-	-	18,931	18,931
Employee notes receivable	-	-	-	18,145	18,145
Due from other funds	186,780	-	-	8,089,044	14,930,811
Inventory	-	-	-	1,865,149	1,865,149
Prepaid expenses	-	-	-	103,796	103,796
Total Current Assets	186,780	63,443	139,072,784	12,328,573	197,870,501
Noncurrent Assets:					
Property held for resale	-	-	-	-	-
Capital assets:					
Depreciable capital assets - net	-	-	-	178,353,486	178,353,486
Non depreciable capital assets:					
Land	-	-	-	1,282,081	1,282,081
Construction in progress:					
Stage 2	-	-	-	-	2,934,618
General	-	-	331,737,808	-	338,649,566
Total capital assets - net	-	-	331,737,808	179,635,567	521,219,751
Total Noncurrent Assets	-	-	331,737,808	179,635,567	521,219,751
Total Assets	\$ 186,780	\$ 63,443	\$ 470,810,592	\$ 191,964,140	\$ 719,090,252
Deferred Outflows of Resources					
Pension adjustments	\$ -	\$ -	\$ -	\$ 4,466,528	\$ 4,466,528
OPEB adjustments	-	-	-	2,302,975	2,302,975
Deferred Loss on Defeasance	-	-	4,777,794	-	4,777,794
Total Deferred Outflows of Resources	\$ -	\$ -	\$ 4,777,794	\$ 6,769,503	\$ 11,547,297
Liabilities					
Current Liabilities:					
Accounts payable	\$ -	\$ -	\$ 10,750,438	\$ 1,066,747	\$ 12,221,582
Accrued payroll and employee benefits	-	-	-	1,064,043	1,064,043
Accrued interest payable	-	-	7,220,362	-	7,220,362
Due to other funds	-	12,151	3,010,379	225,572	14,930,811
Unearned revenue	-	-	-	833,598	918,892
Compensated absences due within one year	-	-	-	1,135,408	1,135,408
Noncurrent liabilities due within one year	-	-	11,703,599	-	11,703,599
Total Current Liabilities	-	12,151	32,684,778	4,325,368	49,194,697
Long term debt due in more than one year	-	-	540,947,144	-	540,947,144
Net pension liabilities	-	-	-	15,053,146	15,053,146
Net OPEB liabilities	-	-	-	963,883	963,883
Total Liabilities	\$ -	\$ 12,151	\$ 573,631,922	\$ 20,342,397	\$ 606,158,870
Deferred inflows of Resources					
Pension adjustments	\$ -	\$ -	\$ -	\$ 1,366,694	\$ 1,366,694
OPEB adjustments	-	-	-	-	-
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ 1,366,694	\$ 1,366,694
Net Position					
Net Investment in Capital Assets	\$ -	\$ -	\$ (81,840,151)	\$ 179,635,567	\$ 107,641,792
Restricted for:					
Debt service	-	-	-	-	4,156,730
Capital projects	-	-	-	-	-
Retiree health benefits	-	-	-	-	-
Unrestricted	186,780	51,292	(16,203,385)	(2,611,015)	11,313,463
Total Net Position	\$ 186,780	\$ 51,292	\$ (98,043,536)	\$ 177,024,552	\$ 123,111,985

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Operating Revenues:				
Member contributions for services	\$ -	\$ -	\$ -	\$ -
Member contributions for cash reserves	52,572	1,000,008	1,684,332	935,920
Member contributions for debt service	-	-	-	-
Member contributions for Capital Improvements	-	-	-	-
Sources control charges	-	-	-	-
Miscellaneous revenues	-	-	6,809	-
Total operating revenues	52,572	1,000,008	1,691,141	935,920
Operating Expenses:				
Operations	-	-	-	-
Maintenance	-	-	46,652	-
Laboratory	-	-	-	-
Environmental services	-	-	-	-
Engineering	-	-	83	-
Information systems	-	-	-	-
Safety	-	-	-	-
Administration	4,100	16,978	-	11,683
Depreciation	-	-	-	-
Total operating expenses	4,100	16,978	46,735	11,683
Operating Income (Loss)	48,472	983,030	1,644,406	924,237
Nonoperating Revenues (Expenses):				
Grants	-	-	-	-
Other revenue (expense)	-	-	-	-
Interest Income:				
Operations fund	-	-	-	-
Stage 2 capacity fund	-	-	-	325,638
Capital improvement reserve fund	-	553,691	-	-
Operating reserve fund	77,908	-	-	-
Capital improvement fund	-	-	-	-
Net increase (decrease) in fair value of investments	83,225	760,422	-	557,240
Interest expense	-	-	-	-
Premium amortization	-	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-	-
Total nonoperating revenues (expenses)	161,133	1,314,113	-	882,878
Income (Loss) Before Transfers	209,605	2,297,143	1,644,406	1,807,115
Transfers In	-	-	-	-
Transfers Out	-	-	(1,712,041)	-
Change in Net Position	209,605	2,297,143	(67,635)	1,807,115
Beginning Net Position	6,849,525	7,016,488	9,073,652	16,707,004
Prior Period Adjustment	-	-	-	-
Ending Net Position	\$ 7,059,130	\$ 9,313,631	\$ 9,006,017	\$ 18,514,119

(Continued)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Operating Revenues:					
Member contributions for services	\$ -	\$ 243,443	\$ -	\$ 25,209,276	\$ 25,452,719
Member contributions for cash reserves	-	-	-	-	3,672,832
Member contributions for debt service	-	-	20,488,973	-	20,488,973
Member contributions for Capital Improvements	-	-	12,969,079	-	12,969,079
Sources control charges	-	-	-	61,964	61,964
Miscellaneous revenues	-	-	-	372,367	379,176
Total operating revenues	-	243,443	33,458,052	25,643,607	63,024,743
Operating Expenses:					
Operations	-	105,556	-	10,072,540	10,178,096
Maintenance	-	102,277	-	6,689,721	6,838,650
Laboratory	-	11,756	-	1,979,156	1,990,912
Environmental services	-	-	-	1,051,499	1,051,499
Engineering	-	-	6,867	879,261	886,211
Information systems	-	-	-	1,650,921	1,650,921
Safety	-	-	-	451,704	451,704
Administration	-	-	1,212,433	4,427,579	5,672,773
Depreciation	-	-	-	9,041,764	9,041,764
Total operating expenses	-	219,589	1,219,300	36,244,145	37,762,530
Operating Income (Loss)	-	23,854	32,238,752	(10,600,538)	25,262,213
Nonoperating Revenues (Expenses):					
Grants	-	-	-	217,655	217,655
Other revenue (expense)	-	-	-	763,713	763,713
Interest Income:					
Operations fund	-	-	-	187,022	187,022
Stage 2 capacity fund	-	-	-	-	325,638
Capital improvement reserve fund	-	-	-	-	553,691
Operating reserve fund	-	-	-	-	77,908
Capital improvement fund	-	-	3,369,063	-	3,369,063
Net increase (decrease) in fair value of investments	-	-	1,475,512	(16,747)	2,859,652
Interest expense	-	-	(19,603,899)	-	(19,603,899)
Premium amortization	-	-	4,167,599	-	4,167,599
Gain (loss) on disposal of fixed assets	-	-	-	170,281	170,281
Total nonoperating revenues (expenses)	-	-	(10,591,725)	1,321,924	(6,911,677)
Income (Loss) Before Transfers	-	23,854	21,647,027	(9,278,614)	18,350,536
Transfers In	-	-	-	44,543,844	44,543,844
Transfers Out	-	-	(42,831,803)	-	(44,543,844)
Change in Net Position	-	23,854	(21,184,776)	35,265,230	18,350,536
Beginning Net Position	186,780	27,438	(76,858,760)	141,759,322	104,761,449
Prior Period Adjustment	-	-	-	-	-
Ending Net Position	\$ 186,780	\$ 51,292	\$ (98,043,536)	\$ 177,024,552	\$ 123,111,985

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Cash Flows from Operating Activities:				
Cash received from member agencies	\$ 52,572	\$ 1,000,008	\$ 1,684,332	\$ 881,346
Cash paid to suppliers for goods and services and employees for services	(4,177)	12,635	285,410	(11,683)
Other cash received (paid)	-	-	6,809	-
Net Cash Provided (Used) by Operating Activities	<u>48,395</u>	<u>1,012,643</u>	<u>1,976,551</u>	<u>869,663</u>
Cash Flows from Capital and Related Financing Activities:				
Cash received from member agencies other than for services	-	-	-	-
Cash received from grants	-	-	-	-
Contributions (to) from other funds	2,246	(18,223)	3,784,177	(11,421)
Interest paid on capital debt	-	-	-	-
Principal paid on capital debt	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Cash received on sale of capital assets	-	-	-	-
Purchases and construction of capital assets	-	-	(5,760,728)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,246</u>	<u>(18,223)</u>	<u>(1,976,551)</u>	<u>(11,421)</u>
Cash Flows from Investing Activities:				
Investment income	161,134	1,314,113	-	882,878
Net Cash Provided (Used) by Investing Activities	<u>161,134</u>	<u>1,314,113</u>	<u>-</u>	<u>882,878</u>
Net Increase (Decrease) in Cash and Cash Equivalents	211,775	2,308,533	-	1,741,120
Cash and Cash Equivalents Beginning	3,614,865	18,725,295	-	12,023,851
Cash and Cash Equivalents Ending	<u>\$ 3,826,640</u>	<u>\$ 21,033,828</u>	<u>\$ -</u>	<u>\$ 13,764,971</u>
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 48,472	\$ 983,030	\$ 1,644,406	\$ 924,237
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Net change in:				
Accounts receivable	(415)	(7,875)	(13,264)	(54,574)
Employee notes receivable	-	-	-	-
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Deferred outflows of resources for benefits	-	-	-	-
Accounts payable	-	-	319,495	-
Accrued payroll and employee benefits	-	-	-	-
Unearned revenue	338	37,488	25,914	-
Deferred inflows of resources for benefits	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,395</u>	<u>\$ 1,012,643</u>	<u>\$ 1,976,551</u>	<u>\$ 869,663</u>
Noncash Transactions:				
Changes in fair values of investments	\$ 83,225	\$ 760,422	\$ -	\$ 557,240
Noncash transfers of capital assets	\$ -	\$ -	\$ (1,712,041)	\$ -

(Continued)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Cash Flows from Operating Activities:					
Cash received from member agencies	\$ -	\$ 243,443	\$ 33,458,052	\$ 25,209,276	\$ 62,529,029
Cash paid to suppliers for goods and services and employees for services	-	(244,468)	(10,780,008)	(24,692,821)	(35,435,112)
Other cash received (paid)	-	-	-	434,331	441,140
Net Cash Provided (Used) by Operating Activities	-	(1,025)	22,678,044	950,786	27,535,057
Cash Flows from Capital and Related Financing Activities:					
Cash received from member agencies other than for services	-	-	-	763,713	763,713
Cash received from grants	-	-	-	217,655	217,655
Contributions (to) from other funds	-	1,025	7,669,323	(11,427,127)	-
Interest paid on capital debt	-	-	(19,603,899)	-	(19,603,899)
Principal paid on capital debt	-	-	(7,427,870)	-	(7,427,870)
Proceeds from long-term debt	-	-	225,428,658	-	225,428,658
Cash received on sale of capital assets	-	-	-	170,281	170,281
Purchases and construction of capital assets	-	-	(129,795,603)	-	(135,556,331)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	1,025	76,270,609	(10,275,478)	63,992,207
Cash Flows from Investing Activities:					
Investment income	-	-	5,673,140	170,275	8,201,540
Net Cash Provided (Used) by Investing Activities	-	-	5,673,140	170,275	8,201,540
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	104,621,793	(9,154,417)	99,728,804
Cash and Cash Equivalents Beginning	-	-	34,450,991	10,821,354	79,636,356
Cash and Cash Equivalents Ending	\$ -	\$ -	\$ 139,072,784	\$ 1,666,937	\$ 179,365,160
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ -	\$ 23,854	\$ 32,238,752	\$ (10,600,538)	\$ 25,262,213
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	9,041,764	9,041,764
Net change in:					
Accounts receivable	-	(2,068)	1,105,390	(160,261)	866,933
Employee notes receivable	-	-	-	1,705	1,705
Inventory	-	-	-	230,141	230,141
Prepaid expenses	-	-	-	319,529	319,529
Deferred outflows of resources for benefits	-	-	(4,428,965)	(1,507,198)	(5,936,163)
Accounts payable	-	(22,791)	(6,237,133)	305,175	(5,635,254)
Accrued payroll and employee benefits	-	(20)	-	2,617,385	2,617,365
Unearned revenue	-	-	-	583,248	646,988
Deferred inflows of resources for benefits	-	-	-	119,836	119,836
Net Cash Provided (Used) by Operating Activities	\$ -	\$ (1,025)	\$ 22,678,044	\$ 950,786	\$ 27,535,057
Noncash Transactions:					
Changes in fair values of investments	\$ -	\$ -	\$ 1,475,512	\$ (16,747)	\$ 2,859,652
Noncash transfers of capital assets	\$ -	\$ -	\$ (42,831,803)	\$ 44,543,844	\$ -

(Concluded)

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Silicon Valley Clean Water

Analysis of Net Position

Supplemental Schedule

For the Year Ended June 30, 2020

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Operations (Fund 18)					
Balance at June 30, 2019	\$ 12,605,098	\$ 69,676,067	\$ 20,361,655	\$ 38,492,955	\$ 141,135,777
Member Agency Contributions	3,004,200	11,999,292	3,341,412	6,864,372	25,209,276
Other Miscellaneous Revenue	49,383	225,286	60,198	99,461	434,329
Grant Revenue	24,747	112,897	30,167	49,843	217,655
Unrealized Gain / (Loss) on Investments	(1,904)	(8,687)	(2,321)	(3,835)	(16,747)
Interest Income	22,050	91,660	24,163	49,149	187,022
Capitalized Projects Transferred from other Funds	4,209,393	21,634,945	6,743,938	11,955,568	44,543,844
Gain / (Loss) on Asset Disposal	16,092	82,705	25,781	45,703	170,281
Operating & Maintenance Costs	(2,997,807)	(13,663,293)	(3,639,606)	(6,627,937)	(26,928,643)
Depreciation Expenditures	(854,447)	(4,391,585)	(1,368,923)	(2,426,809)	(9,041,764)
Balance at June 30, 2020	\$ 16,076,806	\$ 85,759,289	\$ 25,576,464	\$ 48,498,470	\$ 175,911,029
Retiree Medical Health Benefits Reserve (Fund 12)					
Balance at June 30, 2019	\$ 79,962	\$ 280,646	\$ 159,511	\$ 103,428	\$ 623,545
Contributions to Fund 12	86,834	396,137	105,850	174,890	763,712
Expenditures	(31,124)	(141,987)	(37,940)	(62,686)	(273,736)
Balance at June 30, 2020	\$ 135,672	\$ 534,796	\$ 227,421	\$ 215,632	\$ 1,113,520
Capital Improvement Program Reserve (Fund 13)					
Balance at June 30, 2019	\$ 663,049	\$ 3,407,894	\$ 1,062,308	\$ 1,883,237	\$ 7,016,487
Member Contributions - Replacement Reserve	94,500	485,700	151,404	268,404	1,000,008
Change in Fair Value, Unrealized Gain/(Loss)	71,860	369,337	115,128	204,097	760,422
Fees	(1,604)	(8,245)	(2,570)	(4,556)	(16,976)
Interest Income	52,324	268,928	83,829	148,611	553,691
Balance at June 30, 2020	\$ 880,128	\$ 4,523,613	\$ 1,410,098	\$ 2,499,793	\$ 9,313,631
Construction Stage 2 (Fund 15)					
Balance at June 30, 2019	\$ 566,147	\$ 9,394,025	\$ 2,839,864	\$ 3,906,967	\$ 16,707,003
Member Purchases of Capacity	-	434,086	501,834	-	935,920
Interest Income	30,773	158,162	49,302	87,401	325,638
Interest / (Unrealized Loss) Investments	52,659	270,652	84,366	149,563	557,240
Fees	(1,104)	(5,673)	(1,768)	(3,135)	(11,681)
Capitalized Projects Transferred to Fund 18	-	-	-	-	-
Balance at June 30, 2020	\$ 648,475	\$ 10,251,251	\$ 3,473,598	\$ 4,140,797	\$ 18,514,121
Self Insurance (Fund 16)					
Balance at June 30, 2019	\$ 19,639	\$ 75,631	\$ 34,110	\$ 57,399	\$ 186,780
Expenses / Claims	-	-	-	-	-
Balance at June 30, 2020	\$ 19,639	\$ 75,631	\$ 34,110	\$ 57,399	\$ 186,780
Operating & Capital Reserve (Fund 17)					
Balance at June 30, 2019	\$ 772,105	\$ 3,373,790	\$ 879,998	\$ 1,823,632	\$ 6,849,527
Member Contributions	4,968	25,536	7,956	14,112	52,572
Unrealized Gain / (Loss) on Investment	9,463	43,169	11,535	19,059	83,225
Fees	(466)	(2,127)	(568)	(939)	(4,102)
Interest Income	8,858	40,411	10,798	17,841	77,908
Balance at June 30, 2020	\$ 794,928	\$ 3,480,778	\$ 909,719	\$ 1,873,705	\$ 7,059,130

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Silicon Valley Clean Water

Analysis of Net Position

Supplemental Schedule

For the Year Ended June 30, 2020

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Revenue-Funded Capital Improvements (Fund 14)					
Balance at June 30, 2019	\$ 915,647	\$ 4,492,448	\$ 1,135,326	\$ 2,530,230	\$ 9,073,652
Member Contributions - Pay go capital projects	159,168	818,076	255,012	452,076	1,684,332
Miscellaneous Revenue	643	3,307	1,031	1,828	6,809
Project Expenditures not yet transferred to Fund 18	(4,416)	(22,699)	(7,076)	(12,544)	(46,735)
Capitalized Projects transferred to Fund 18	(161,788)	(831,538)	(259,203)	(459,512)	(1,712,041)
Balance at June 30, 2020	<u>\$ 909,254</u>	<u>\$ 4,459,594</u>	<u>\$ 1,125,091</u>	<u>\$ 2,512,078</u>	<u>\$ 9,006,017</u>
Recycled Water (Fund 19)					
Balance at June 30, 2019	\$ -	\$ 27,438	\$ -	\$ -	\$ 27,438
RWC Recycled Water O&M Contributions	-	243,443	-	-	243,443
RWC Recycled Water O&M Expenditures	-	(219,589)	-	-	(219,589)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 51,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,292</u>
Plant Capital Improvement Program (Fund 20)					
Balance at June 30, 2019	18,778,233	(48,715,278)	(18,907,145)	(28,014,570)	\$ (76,858,762)
Member Contributions	6,731,502	11,235,452	3,538,085	11,953,013	33,458,052
Unrealized Gain (Loss)	53,501	762,982	237,837	421,193	1,475,512
Interest on Trustee Reserves	73,418	1,837,137	537,923	920,586	3,369,063
Capitalized Projects Transferred to Fund 18	(4,047,605)	(20,803,407)	(6,484,735)	(11,496,056)	(42,831,803)
Interest Expense, Direct	(133,524)	(9,431,160)	(2,939,160)	(4,690,277)	(17,194,121)
Interest Expense, Allocated	(156,225)	(848,967)	(297,422)	(539,931)	(1,842,545)
Amortization of Bond Premium	117,285	2,205,989	676,614	1,167,711	4,167,599
Other Expenses	(168,827)	(867,719)	(270,481)	(479,505)	(1,786,533)
Balance at June 30, 2020	<u>\$ 21,247,758</u>	<u>\$ (64,624,971)</u>	<u>\$ (23,908,485)</u>	<u>\$ (30,757,837)</u>	<u>\$ (98,043,536)</u>
TOTAL NET POSITION - June 30, 2020	\$ 40,712,659	\$ 44,511,273	\$ 8,848,015	\$ 29,040,036	\$ 123,111,984
CY %	33.07%	36.16%	7.19%	23.59%	100.00%

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OTHER INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Commission
Silicon Valley Clean Water

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Silicon Valley Clean Water (SVCW) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SVCW's basic financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SVCW's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SVCW's internal control. Accordingly, we do not express an opinion on the effectiveness of SVCW's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SVCW's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Maze & Associates". The script is cursive and fluid, with the ampersand being particularly stylized.

October 15, 2020
Pleasant Hill, California

AGENDA ITEM 7F

**PRIMARY CHANNELS REHABILITATION AND
HATCH REPLACEMENT PROJECT (CIP # 9241)
AWARD OF CONSTRUCTION CONTRACT AND APPROVAL OF ENGINEERING
SERVICES DURING CONSTRUCTION TASK ORDERS**

ISSUE

Award of Construction Contract and Approval of Task Order for Engineering Services During Construction for the Primary Channels Rehabilitation and Hatch Replacement Project (CIP #9241).

BACKGROUND

An early stage of the wastewater treatment process is primary sedimentation whereby raw wastewater enters a long tank via a Primary Influent Channel. In the tank, heavy solids (rocks, grit, sand) drop out of the water and light solids (grease, plastics, etc) float to the top. Each of the heavy and light solids are scraped and skimmed off the bottom and top of the tanks, respectively. The water then exits a tank via a Primary Effluent Channel and onto the next treatment process. There are four tanks total, all served by common a Primary Influent Channel for inflow and a Primary Effluent Channel for outflow.

The Primary Influent and Effluent Channels are constructed of steel and concrete. Because these surfaces are located in the early stages of treatment, they are exposed to a very corrosive atmosphere with high concentrations of hydrogen sulfide in the water. When hydrogen sulfide is exposed to air, it chemically converts to sulfuric acid which attacks concrete and steel. The Primary Effluent Channel was recoated in 2009. It is not known when the Primary Influent Channel was last recoated.

DISCUSSION

Inspections conducted in 2019 by V&A Consulting Engineers, Tanner Pacific Inc., and Bay Area Coating Consultants Inc. concluded that a significant portion of coating is missing from both channels. Without protective coatings, the concrete and steel are exposed to the corrosive atmosphere and, indeed, extensive corrosion was identified. The design team concluded that the need for surface rehabilitation and recoating the channels is critical. Inspections also identified that the aluminum access hatches atop the tanks are exposed to the corrosive environment and approximately 80 hatches need to be replaced. These aluminum access hatches have become difficult to operate and, in some cases, completely inoperable or damaged to the point of becoming a safety hazard. The hatches will be replaced with corrosion resistant Fiber Reinforced Plastic (FRP) hatches and are expected to have a longer life than aluminum.

Kennedy/Jenks Design Consultants prepared drawings and specifications for the Primary Channels Rehabilitation and Hatch Replacement Project. The project was publicly advertised for bidding on October 16, 2020 with a mandatory pre-bid meeting held on October 29, 2020. Bids were due on December 1, 2020; three bids were received. The lowest responsible bidder is ERS Industrial Services, Inc. with a bid amount of \$2,374,020. The bid results are shown in the attached bid summary table. ERS Industrial

Services Inc. has performed work for SVCW on prior projects, most recently a recoating project for the Chlorine Contact Tank. This contractor does excellent high-quality work. Staff recommends awarding the construction contract to ERS Industrial Services, Inc.

In addition, staff negotiated a scope of work and budget for the engineer-of-record, Kennedy Jenks, for Engineering Services During Construction at a not-to-exceed fee of \$197,520. Kennedy Jenks will perform equipment submittal reviews, respond to requests for information/clarification, and evaluate potential changes in the design that may be discovered to be necessary during construction.

FINANCES

The funding for this project comes from CIP #9241, Primary Channels Rehabilitation and Hatch Replacement Project. The allocated budget for this project is \$3,402,000. Based on the bid amount and the anticipated consultant costs, this project is projected to be completed under budget.

RECOMMENDATION

- i. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR PRIMARY CHANNELS REHABILITATION AND HATCH REPLACEMENT PROJECT (CIP #9241); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER, REJECTING ALL OTHER BIDS; AND AUTHORIZING EXECUTION OF AGREEMENT, DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – ERS INDUSTRIAL SERVICES, INC. (\$2,374,020).
- ii. Move approval of TASK ORDER SCOPE AND BUDGET FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR PRIMARY CHANNELS REHABILITATION AND HATCH REPLACEMENT PROJECT (CIP #9241) IN AN AMOUNT NOT TO EXCEED \$197,520 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS.

SVCW
Primary Channels Rehab. Hatch Replacement Project, CIP 9241
Bidders Checklist
Tuesday, December 1, 2020; 2:00 pm

Name of Bidder												
	Addendum	Proposal	Proposal Guaranty Bond	Cert. of Bidders Exp. & Qualifications	Cert. of Subcontractor's Experience & Quals.	Design of Subcontractors	Site Visit Affidavit	Schedule of Major Equipment & Material Suppliers	Ackw. of Insurance Req's.	Noncollusion Affidavit	Affidavit of Safety Compliance	Total Bid Amt.
Construction Firm	#1-3	Section 00300	Section 00410	Section 00420	Section 00420A	Section 00430	Section 00440	Section 00450	Section 00470	Section 00480	Section 00490 1 & 2	
1 ERS Industrial Services, Inc.	1,2,3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$2,374,020
2 Trinet Construction, Inc.	1,2,3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$2,587,000
3 Valentine Corporation	1,2,3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$2,679,369
** Pending Commission Approval. Next Commission meeting is scheduled for Monday, December 14, 2020.												

AGENDA ITEM 7G

**STANDBY GENERATORS FEED RELOCATION &
ELECTRICAL PANEL UPGRADES (CIP #9240)
AWARD OF CONSTRUCTION CONTRACT AND APPROVAL OF ENGINEERING
SERVICES DURING CONSTRUCTION TASK ORDERS**

ISSUE

Award of Construction Contract and Approval of Task Orders for Engineering Services During Construction for the Standby Generators Feed Relocation & Electrical Panel Upgrades (CIP #9240)

BACKGROUND

At the treatment plant, SVCW receives electrical utility power from PG&E at the primary switchgear (also known as the 12kV Switchgear), which is then distributed to two Power Distribution Panels (PDPs) feeding various Motor Control Centers (MCCs) and all plant equipment. The 12kV power received from PG&E is transferred to the 480-volt PDPs via step-down transformers. All wastewater treatment utilities, including SVCW, are required to have standby emergency power so that operation can continue during a utility power outage. SVCW has two sets of standby generators connected and supplying the two PDPs.

From its inception, SVCW's Capital Improvement Program (CIP) included major electrical reliability under a program named "Power Reliability Program" The major electrical upgrades undertaken thus far include:

2010:

- PDP-1 was replaced with an upgraded and modern panel
- 3 original 750kW backup generators feeding PDP-1 were replaced with three-1MW generators.

2013:

- New PDP-2 was installed to separate critical "wet side" treatment process loads from critical "dry side" treatment process loads. This provides significant reliability to the entire plant.

2016:

- Two-2MW standby emergency generators were installed for PDP-2 as critical loads were transferred to PDP-2 from PDP-1.

2019:

- New 12kV Main Switchgear bringing power from the utility to the treatment plant and enabling power export from SVCW's Cogeneration system.

All five standby generators (three 1MW connected to PDP-1 serving dry side and two 2MW connected to PDP-2 serving wet side) generate power at 480 volts, then feed to PDPs and eventually to the final loads, either directly at 480 volts or through stepdown transformers to 120 volts.

DISCUSSION

Since the CIP's inception, emphasis has been placed on replacing and upgrading the Plant's electrical power facilities. A robust and reliable power system is required to ensure full compliance with SVCW's permits. Most work is complete within the CIP's Power

Reliability Program. There are two major items remaining, which are the topics of this agenda item: 1) Standby Generator Feed and 2) Electrical Panels Replacement.

Standby Generators Feed

Under CIP #9807 - New 12KV Switchgear, a new primary switchgear was installed and commissioned in September 2019 and the final construction completed in Spring 2020. This new switchgear expands the electrical capacity of the plant to accommodate new electrical loads scheduled to come online in 2022 from RESCU projects. The new switchgear, a critical power facility, is placed on a raised platform for resiliency against sea level rise and 100-year flood plain. A new power distribution panel (PDP-3) is being added as part of the Front-of-Plant RESCU project to supply power to Receiving Lift Station, Headworks and ancillary loads.

Similar to PDP-1 and PDP-2, PDP-3 will require standby emergency power. There are two options for providing such standby power: 1) continue the past practice of adding standby generators to PDP-3 at 480-volt level (similar to PDP-1 and PDP-2) or 2) use existing standby generators and provide backup power at higher voltage levels; i.e. at 12kV. SVCW staff evaluated the two options and recommended proceeding with utilizing the existing two 2MW backup generators to serve as backup power for both PDP-2 and PDP-3. To increase the power reliability further, a portable rental generator hook-up connection will be provided at PDP-2 and PDP-3.

This approach has many benefits as follows:

- Avoids millions of dollars in capital cost of two new 2MW backup generators
- Avoids any increase in air emissions from the plant and associated cost/schedule impacts of obtaining an air permit or becoming a major (Title V) facility
- Uses existing assets to their maximum capabilities
- Provides a third level of power reliability by installing rental generator hookup connection

Staff worked with engineering consultants to develop the design to move the two 2MW standby generators electrical power feed from PDP-2 to the new 12kV switchgear. The new switchgear was designed with the capability to accommodate the two large standby generators. Work includes installing two step-up transformers so the standby power generated at 480-volt can be stepped up to 12kV to be fed to the primary (12kV) switchgear main electrical bus. Once the main electrical bus at 12kV switchgear is energized, this electricity can be used by the entire plant; PDP-1, PDP-2 and PDP-3.

While the main intention is to use the 4MW of standby generators for PDP-2 and PDP-3, controls and automation will be installed that will also make this standby power available for PDP-1 if ever needed. The three 1MW generators currently tied to PDP-1 will be the main source of backup power for PDP-1 but this new configuration provides flexibility and even greater reliability.

Other work involves running conduit and cabling between PDP-2, the two new step-up transformers, and the 12kV switchgear and installing conduit and cable between PDP-2 and a new rental generator hookup station.

Electrical Panels Replacement

Since the start of SVCW's CIP, over ten new Motor Control Center panels were installed through various projects, replacing old and obsolete panels. The remaining electrical panels are aging and frequently fail. They are extremely difficult to repair due to unavailability of replacement parts. Aging electrical equipment in the maintenance building including MCC-1P1, MCC-1P6 and panelboard 24P2 will be removed and replaced with new panelboards and new buckets in existing MCCs. These electrical panels are the last to be upgraded as part of the CIP program.

Two consulting engineers completed the design scope above, Beecher Engineering for the electrical design and Brown and Caldwell for the civil and structural design. The construction bid documents were publicly advertised on November 3, 2020. A mandatory pre-bid meeting was held virtually on Thursday, November 12, 2020 and a mandatory pre-bid site walk was held at the plant site on Monday, November 16, 2020. Bids were due on Tuesday, December 8, 2020 and two proposals were received. The bid summary is attached. D.W.Nicholson submitted the lowest responsible bid in the amount of \$3,024,200. The Engineer's Estimate of Probable Cost is \$3.3 million.

D.W.Nicholson has performed a significant amount of work for SVCW over the past twenty-plus years. Their work quality is excellent and they are solid and cooperative contractors to work with. Staff recommends awarding the construction contract to D.W.Nicholson.

FINANCES

Work under this task order will be funded from Standby Generators Feed Relocation and Electrical Panel Upgrades (CIP #9240). The allocated budget for this project is \$3,575,000 and no budget adjustment is necessary.


RECOMMENDATION

- i. Move adoption of RESOLUTION ACCEPTING CONTRACT DOCUMENTS AND ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES PROJECT (CIP #9240); REJECTING ALL OTHER BIDS, AUTHORIZING EXECUTION OF AGREEMENT FOR SAID WORK, DIRECTING RETURN OF SECURITY DEPOSITS THEREFORE, AND AUTHORIZE MANAGER TO APPROVE CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT VALUE FOR SAID PROJECT \$3,024,200 – D.W.Nicholson
- ii. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR ENGINEERING SERVICES DURING CONTRUCTION AND REPLAY PROGRAMMING FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) PROJECT IN AN AMOUNT NOT TO EXCEED \$392,028 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN

PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS
– BEECHER ENGINEERING

- iii. Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR STRUCTURAL AND CIVIL ENGINEERING DESIGN SERVICES FOR THE STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) PROJECT IN AN AMOUNT NOT TO EXCEED \$93,007 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BROWN AND CALDWELL

SVCW
Standby Generators Feed Relocation Electrical Panel Upgrades, CIP# 9240
Bidders Checklist
Tuesday, December 8, 2020; 11:00 am

												
Name of Bidder	Addendum	Proposal	Proposal Guaranty Bond	Cert. of Bidders Exp. & Qualifications	Cert. of Subcontractor's Experience & Quals.	Desig. of Subcontractors	Site Visit Affidavit	Schedule of Major Equipment & Material Suppliers	Ackw. of Insurance Req's.	Noncollusion Affidavit	Affidavit of Safety Compliance	Total Base Bid Amt.
	#1-3	Section 00300	Section 00410	Section 00420	Section 00420A	Section 00430	Section 00440	Section 00450	Section 00470	Section 00480	Section 00490 - 1 & 2	
1 D.W. Nicholson	1,2,3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$1,554,100.00
											Alternate A	\$763,300.00
											Alternate B	\$706,800.00
2 JF Shea	1,2,3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$2,573,500.00
											Alternate A	\$1,034,000.00
											Alternate B	\$1,200,000.00
** Pending Commission Approval. Next Commission meeting is scheduled for Monday, December 14, 2020												

AGENDA ITEM 8A

**LABORATORY HVAC REHABILITATION PROJECT (CIP # 9251)
AWARD OF CONSTRUCTION CONTRACT AND APPROVAL OF ENGINEERING
SERVICES DURING CONSTRUCTION TASK ORDER**

ISSUE

Award Construction Contract and Task Order for Engineering Services During Construction for the Laboratory HVAC Rehabilitation Project (CIP #9251)

BACKGROUND

SVCW's Laboratory Building was built in 1993. It is an office-type structure that has continuous employee occupancy and was built with materials and equipment that could withstand the corrosive environment that both the wastewater treatment facility and the bay's marine environment longer than typical office-type buildings. Even with the higher quality materials, the Laboratory Building's heating, ventilation, and air conditioning (HVAC) system has been in service for 28 years and is well past its useful life. SVCW Laboratory and Maintenance staff have reported multiple system malfunctions and equipment failures due to corrosive air entering the building highlighting the fact that the mechanical system is in need of replacement.

Laboratory environments use specialized equipment and highly sensitive analytical instrumentation that require a complex air handling system. Specialized HVAC equipment is necessary to assure evacuation of chemical fumes from work spaces. As an example, fume hoods have powerful exhaust fans that operate while a laboratory analyst is working with harmful chemicals under the hoods. Beyond the fume hoods, it is critical to maintain a positive air pressure in the building at all times (positive air pressure in the building pushes air out versus negative air pressure which pulls air in).

DISCUSSION

Requirements for the HVAC system to the Laboratory include several special considerations as listed below:

- The system will be designed with positive air pressure. The atmosphere in the laboratory must be maintained at a higher pressure than the outside so that corrosive gasses are prevented from entering the laboratory through doorways or leaks in the building envelope.
- Air brought into the laboratory through air handling equipment must be filtered and purified to restrict outside corrosive gasses.
- The HVAC equipment is located outdoors and must be designed and built to withstand corrosive gases at the treatment plant.
- Equipment materials of construction will be 316 stainless steel and epoxy-coated paints that are less vulnerable to corrosion.
- Roof top fans and the main air handling unit need to be replaced.
- One of the rooms in the Laboratory is being converted to a new climate-controlled server room to house the treatment plant's SCADA (Supervisory Control and Data Acquisition) system.

Integral Group Inc. consulting engineering firm prepared specifications and drawings for the Laboratory HVAC Rehabilitation Project. The project was publicly advertised for bidding on September 14, 2020. A mandatory pre-bid meeting was held on October 1, 2020 and seven potential bidders remotely attended the virtual meeting. Bids were due on November 3, 2020 and only one bid was received in the amount of \$2,769,000 by Blocka Construction Inc. (BCI). The engineer's estimate of probable cost is \$2,074,136. Since the bid amount exceeded the budget and only one bid was received, SVCW staff was able to negotiate with BCI to value engineer the project and reduce the cost. BCI has performed a relatively high volume of work for SVCW and, thus, is a known contractor. BCI has extensive experience in both wastewater treatment facilities and with HVAC systems and, in fact, troubleshooted significant issues SVCW was having with the air handling system in the Solids Handling Building three years ago. Staff is extremely comfortable with BCI as the contractor for this work.

During negotiations, SVCW and BCI identified many opportunities to reduce the cost without significantly reducing the scope of work. These items include:

- Changing the equipment manufacturers of air handling units, exhaust fans, AC units, valves, etc. All the changed manufacturers will meet the specification requirements, and some were listed in the specs as "or equal" manufacturers. Design engineer has reviewed the proposed manufacturers and agrees with the changes.
- Removing duct cleaning which can be done more cost effectively by conventional duct cleaning companies than by contractor.
- Removing rental generator to provide power supply to temporary ventilation system during air handling changeouts. Temporary power will be supplied by SVCW which is more reliable and has additional standby generators onsite.
- Removing installation of corrosion sensors scope which can be accomplished by specialized vendor more cost effectively.
- Reducing contractor's overhead and profit.

The negotiations have resulted in reduction of the bid amount by \$486,350 for a total project construction cost of \$2,282,650. This value, together with the administrative costs for project delivery, will exceed the allocated budget. However, SVCW staff recommends that the Commission award the construction contract for CIP #9251: Laboratory HVAC Rehabilitation Project to bidder Blocka Construction, Inc. The reasons are that the SVCW Laboratory is a critical function of the treatment process and necessary tasks are undertaken for permit compliance. Without a functioning HVAC system, SVCW is at risk for both harm to staff who work within the laboratory and for potentially not being able to perform necessary analytical tests for permit and process optimization.

In addition to construction contract award, this item seeks approval for a task order to Integral Group, Inc. for Engineering Services During Construction. Staff have negotiated a scope of work and budget not-to-exceed \$80,000. Engineering Services During Construction services include reviewing equipment submittals, responding to requests for information and clarifications, and evaluating potential changes in the design that

may be discovered during construction.

FINANCES

Existing CIP #9251, Laboratory HVAC Rehabilitation has \$2,026,509 in remaining funds. The not-to-exceed fee for the construction contract and task order total \$2,362,650. Funds also will be needed for other administrative costs including project and construction management. Additionally, a ten percent contingency is requested for Manager-authorized project changes during construction. Additional budget in the amount of \$687,141 is needed for the overall project budget. The table below summarizes the various cost items.

9251 – Laboratory HVAC Rehabilitation Finance Summary:

Cost Item	Cost	Allocated Budget
		\$2,300,000
Planning, Design, Project Management	\$273,491	
Construction*	\$2,282,650	
Engineering Services During Construction	\$80,000	
Other Administrative Costs During Construction	\$115,000**	
10% Contingency upon Manager-authorization	\$236,000	
Total	\$2,987,141	
Budget Adjustment		\$687,141


*Bid by Blocka after negotiations

**Estimate at 5% of construction cost

RECOMMENDATION

- i. Move approval to SUSPEND COMPETITIVE BIDDING REQUIREMENTS FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) ON THE GROUNDS THAT THE PUBLIC INTEREST WOULD NOT BE SERVED BY STRICT COMPLIANCE WITH SAID REQUIREMENTS (5/7th WEIGHTED VOTE COUNT REQUIRED)
- ii. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) AND AWARD OF CONTRACT; AUTHORIZE EXECUTION OF AGREEMENT AND AUTHORIZE MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – BLOCKA CONSTRUCTION, INC. (\$2,282,650)
- iii. Move approval of TASK ORDER FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR LABORATORY HVAC REHABILITATION PROJECT (CIP #9251) IN AN AMOUNT NOT TO EXCEED \$80,000 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – INTEGRAL GROUP

SVCW
Lab Building HVAC Project, CIP #9251
Bidders Checklist
Tuesday, November 3, 2020

											
Name of Bidder	Addendum	Proposal Guaranty Bond	Cert. of Bidders Exp. & Qualifications	Cert. of Subcontractor's Experience & Quals.	Desig. of Subcontractors	Site Visit Affidavit	Schedule of Major Equipment & Material Suppliers	Ackw. of Insurance Req's.	Noncollusion Affidavit	Affidavit of Safety Compliance	Total Bid Amount
	#1 - 4	Section 00410	Section 00420	Section 00420A	Section 00430	Section 00440	Section 00450	Section 00470	Section 00480	Section 00490	
1 Blocka Construction**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$2,769,000
2											
** Apparent lowest bidder pending Commission Approval.											

AGENDA ITEM 8B

**RESCU PROGRAM
PUMP STATIONS IMPROVEMENTS PROJECT (CIP 9501)
CONTRACT CHANGE ORDER**

ISSUE

Approve Contract Change Order to the Pump Stations Improvements Project (PSI) Design-Build Agreement with Shea Parsons Joint Venture (SPJV) for the Belmont Gravity Pipeline Construction

BACKGROUND

SVCW's Regional Environmental Sewer Conveyance Upgrade (RESCU) Program includes conveyance system improvements to transport wastewater from member agencies' collection systems to the SVCW wastewater treatment plant. RESCU is comprised of three projects: Pump Stations Improvements, Gravity Pipeline, and Front of Plant.

The Pump Stations Improvements (PSI) Project improves the facilities that move flow from each member agencies' collection systems into the SVCW force main and gravity pipeline system, which will then discharge flow to the Front of Plant facilities. The PSI Project includes rehabilitating the Menlo Park Pump Station, building a new Redwood City Pump Station, abandoning the Belmont and San Carlos Pump Stations and building a gravity sewer to connect the Belmont collection system to the tunnel.

In January 2020, the Commission approved a budget of \$119.7 million for the PSI project. This budget was based on the 30% design cost estimates provided by the design-builder, Shea Parsons Joint Venture (SPJV). In addition to the 30% estimates, a contingency budget was added to account for the cost risks that had been identified on the project.

When the 60% cost estimates were developed and negotiated, many of the risks that had been identified had come to pass, as well as some items that had not been identified in the risk register. The project took advantage of the contingency amount to cover the additional costs.

In April 2020, the Commission approved a Design-Build Contract Amendment to include the (Stage 2B Amendment) in the amount of \$28,033,000. The Stage 2B Amendment includes completion of the design and the construction of this element of the program. The design is now complete.

DISCUSSION

Due to a combination of factors, SVCW and the project team have concluded that the authorized amount of \$28 million is insufficient to complete the construction of the Belmont Gravity Pipeline portion of the PSI project. Staff is recommending a Contract Change Order (CCO) not to exceed \$4,155,170 in order to complete the Belmont portion. The reasons for this request are outlined below.

Late Change to 60% Design

In an early phase of design, approximately 800 feet of pipeline for the project were going to be constructed via open cut (digging a trench and installing the pipeline inside the trench), while the remainder of the project was going to be constructed by microtunneling (excavating shafts approximately 500 feet apart from each other and tunneling between the shafts). As the 60% design progressed, it became clear that due to the depth of the pipeline (25 feet deep), the narrow width of the street (2 lanes; no shoulder), and the high number of utilities in the street, open cut construction would be prohibitively expensive. It was determined that the whole project should be microtunneled and the design documents were changed accordingly.

This late change in the design, plus a desire to keep the project on schedule, meant that some of the elements of the design were less fully developed than others. In particular, the designs of the jacking and receiving shafts necessary for microtunneling were not developed enough to allow for the subcontractor to provide accurate estimates. The subcontractor provided “plug numbers” for some of the scope of work line items based on their prior experience building microtunneling shafts, but as the design proceeded past the 60% level, these numbers have turned out to be inadequate to cover the costs of building the project.

Several other items outside the control of the design-builder and SVCW evolved as design progressed. These include requirements for thicker pavement sections along Shoreway, access limitations for several of the shafts, and details on public right of way easements along Shoreway which required changes to the microtunneling routing and, in turn, two shafts. Finally, requirements from CalTrans for temporary and permanent easements were unknown during Stage 2B negotiations.

In recognition that additional costs would not be looked upon favorably by SVCW, and in order to help mitigate the cost impact on the project budget, the subcontractor has reduced the percentage of overhead and profit that they will earn on this work.

The increased cost to the project for the items noted above is \$3,155,170.

SVCW has reviewed the costs and has concluded that compensating the contractor for these additional costs is the correct path forward. While the intent of a design-build project is to negotiate the full project cost at the 60% design level, and SVCW has the contractual right to deny this CCO request, the contractor and subcontractor have been transparent and forthright throughout this process. Denying this CCO request would put not only this specific project but the entire RESCU program startup at risk. Additionally, SVCW is getting full value for this changed project cost (as opposed to paying for unnecessary or inflated prices), the costs have been well vetted and the overhead and profit values lowered.

Traffic Control Improvements

Based on public outreach performed with businesses on Shoreway Road, it became clear that the traffic control methods anticipated for this project, essentially a series of road

closures and detours over a two-year time period, would be extremely harmful to the operations of the businesses. One of the businesses that would be severely impacted includes the SBWMA Transfer Station which provides a critical infrastructure service. Based on initial feedback from our outreach process, SVCW staff is recommending additional money be made available to mitigate the impacts of traffic. While it will be impossible to entirely eliminate road closures and detours, there are changes that can be made that will allow for one-way traffic in some instances and in some locations. The changes would require different methods of shaft construction and less efficient staging for the microtunneling process.

Staff are working through different options with the design-builder and a range of costs have been developed with a high value of \$1.3 million and a low value of \$0.5 million. Staff anticipates that the ultimate traffic plan/microtunneling operation costs will be in the \$800 thousand to \$1 million range. Staff is seeking an increase to the project budget in an amount not to exceed \$1 million and will report back to the Commission when the plans are finalized.

FINANCES

Work will be funded from the Pump Station Improvements Project (CIP #9501), which has an allocated budget in the 2020 CIP Update of \$119.7 million.

The following table summarizes the authorized and anticipated expenditures for the Pump Stations Improvement Project.

Design Builder Authorizations	1 – Design	\$7,995,000
	2A – Menlo Park PS	\$20,100,000
	2B – Belmont Sewer*	\$32,188,170
	2C – Redwood City PS	\$42,718,238
	Total	\$103,001,408
Consultant Authorizations	Owners Advisors	\$3,647,360
	Quality Assurance	\$6,337,860
	SCADA Integration	\$3,427,465
	Project Management	\$2,194,584
	Total	\$15,607,269
Other Anticipated or Incurred Costs**		\$1,450,000
Total Anticipated Project Costs		\$120,058,677
Total Allocated Project Budget		\$119,677,613

*Includes funds that are part of the current recommended authorization

**Costs include: OCIP, financing, and RESCU Program shared facilities' costs

With the authorization of this Contract Change Order, the project will exceed the authorized budget by \$381 thousand. It also leaves the overall PSI project budget without

any contingency. Staff requests authorization to increase the overall PSI project budget by \$6,400,000 which equates to 5% of the construction budget as well as this CCO not-to-exceed value. A \$6,400,000 budget increase will cover the budget shortfall that this CCO will create and also provide contingency for future contract change orders. This project includes a significant amount of underground construction, which typically includes higher rates of CCOs than other types of construction. This budget increase gives the project an approximate 5% contingency amount for future unforeseen conditions or necessary changes.

RECOMMENDATION

Move approval of CONTRACT CHANGE ORDER TO THE PUMP STATIONS IMPROVEMENTS PROJECT (CIP #9501) IN THE AMOUNT NOT TO EXCEED \$4,155,170 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – JFSHEA/PARSONS JOINT VENTURE