

**COMMISSION OF SILICON VALLEY CLEAN WATER  
JOINT POWERS AUTHORITY  
SPECIAL MEETING – Monday, February 22, 2021  
8:00 a.m.**

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

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

**COMMISSIONERS**

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

**MANAGER:** TERESA A. HERRERA

**ATTORNEY FOR THE AUTHORITY:** CHRISTINE C. FITZGERALD

**CONTROLLER:** MICHELLE P. FLAHERTY

**TREASURER:** MATTHEW ANDERSON

**AMERICANS WITH DISABILITIES ACT**

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

**AGENDA**

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

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

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

## 5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 7
- B. Manager's Report
  - 1. Upcoming Commission Actions.....pg. 9
  - 2. Memo re: WIFIA Loans Congratulatory Letter.....pg. 10
- C. Financial Reports
  - 1. Investment Report.....pg. 14
  - 2. Quarterly Investment Update.....pg. 18
  - 3. Quarterly Operating Fund Financials Update.....pg. 39
- D. Engineering Capital Projects Report.....pg. 42
- E. Commission Requested Staff-Level Action Items.....pg. 45
- F. RESCU Program Design-Build Project Status Update.....pg. 48

## 6. MATTERS OF COMMISSION MEMBER'S INTEREST

## 7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 56)

## 8. BUSINESS ITEMS

- A. CONSIDERATION OF RESOLUTION ESTABLISHING CLASSIFICATIONS FOR CONFIDENTIAL GENERAL, UNREPRESENTED GENERAL, PROFESSIONAL AND MANAGEMENT EMPLOYEES; AND APPROVING RATES OF PAY (pg. 67)

Proposed Action:

Move adoptions of:

- i. RESOLUTION AMENDING SECTION 6 OF RESOLUTION NO. SVCW 77-6, THE SVCW PERSONNEL RESOLUTION, RELATING TO CLASSIFICATION OF POSITIONS AND RESCINDING PARAGRAPH 1 OF RESOLUTION NO. SVCW 20-24 AND ANY AND ALL OTHER RESOLUTIONS OR PROVISIONS THEREOF IN CONFLICT HEREWITH
- ii. RESOLUTION ESTABLISHING RATES OF PAY AND RELATED COMPENSATION PROVISIONS FOR CONFIDENTIAL GENERAL

EMPLOYEES OF SILICON VALLEY CLEAN WATER AND RESCINDING  
RESOLUTION NO. SVCW 20-21 AND ANY AND ALL OTHER  
RESOLUTIONS OR PROVISIONS THEREOF IN CONFLICT HEREWITH

- iii. RESOLUTION APPROVING AND ADOPTING CONSOLIDATED PAY  
SCHEDULE FOR ALL REPRESENTED AND UNREPRESENTED  
EMPLOYEES OF SILICON VALLEY CLEAN WATER FOR FISCAL YEAR  
2021-2022

B. CONSIDERATION OF MOTION APPROVING SILICON VALLEY CLEAN  
WATER LONG RANGE FINANCIAL PLAN 2021 UPDATE (pg. 71)

Proposed Action:

Move approval of RECEIPT AND ACCEPTANCE OF SILICON VALLEY CLEAN  
WATER LONG RANGE FINANCIAL PLAN 2021 UPDATE

- 9. CLOSED SESSION  
Not Used
- 10. RECONVENE IN OPEN SESSION – Announce action taken in Closed Session, if any
- 11. ADJOURN

## CONSENT CALENDAR

### **NOTICE TO PUBLIC**

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

7. A. APPROVAL OF MINUTES –January 25, 2021 – Special Meeting (pg. 56)
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JANUARY 4, JANUARY 8, JANUARY 14, AND JANUARY 22, 2021 AND NECESSARY PAYMENTS THROUGH JANUARY 22, 2021 (pg. 62)
- C. CONSIDERATION OF RESOLUTIONS APPROVING AND AUTHORIZING EXECUTION OF TWO PERMITS WITH SAN MATEO COUNTY FOR USE OF REAL PROPERTY NEEDED TO FACILITATE CONSTRUCTION ACTIVITIES FOR THE GRAVITY PIPELINE PROJECT (pg. 64)

#### Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF RESTATED AND AMENDED PERMIT AND RELATED EXPENDITURES FOR CONSTRUCTION SITE, STORAGE AND ASSEMBLY AREA IN CONJUNCTION WITH GRAVITY PIPELINE CONSTRUCTION PROJECT (County of San Mateo – North of Holly)
- ii. Move adoption of RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF PERMIT AND RELATED EXPENDITURES FOR CONSTRUCTION SITE, STORAGE AND ASSEMBLY AREA IN CONJUNCTION WITH GRAVITY PIPELINE CONSTRUCTION PROJECT (County of San Mateo – Bair Island)



Microsoft Teams Access Information  
Silicon Valley Clean Water  
Regular Meeting  
Monday, February 22, 2021

WEBSITE: [Link to access meeting](#)

MEETING ID: 679 647 558#

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](mailto: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](mailto: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](http://www.svcw.org).

## **AGENDA ITEM 5A**

## Preventing Back Injury

Back injuries are the most common injury in the workplace, and the cause of most missed work time. The injury can be caused by a strain, spasm, or sprain to the ligaments or muscles of the back. This can happen due to lifting something that's too heavy, or over-extending (overstretching) the back. If the spine suffers from strain or compression, it can cause rupture or bulging of the discs. This assault to the disc can create extreme pain and pressure on one of more than fifty spinal nerves.

Lower back pain may be caused by muscle irritation, bone lesions, or nerve disruption. It can follow trauma or injury to the back but can also be caused by degeneration as a result of poor habits or the normal consequences of aging. Lower back pain can be created or worsened by poor physical condition or posture, obesity, smoking, or even sleep position. Age contributes to the risk of injury or damage because over time, small twists, slips, or over lifting can have cumulative negative effects.

### Many injuries to the back are caused by stressors such as:

- Repetitive motion--especially overhead
- Awkward posture
- Vibration – such as jackhammer operation
- Contact stress – falls, accidents
- Heavy lifting

### Minimize risk and discomfort through prevention:

- Get help with heavy lifts
- Lift with object close to your body. Bend knees, contract abdominal muscles, and keep head neutral
- Do NOT twist when lifting
- Reduce back curvature with straight posture and your weight balanced on both feet
- Engage in exercise to strengthen core, including speed walking, swimming, stationary biking, or yoga



## **AGENDA ITEM 5B**

Recurring and Upcoming 2021 Commission Actions  
Updated for February 2021 Meeting

January	February	March	April
<ul style="list-style-type: none"> <li>Review Investment Policy</li> </ul>	<ul style="list-style-type: none"> <li>Long Range Financial Plan (typically in January)</li> <li>CIP Update (annual or biennial) (typically in January)</li> </ul>	<ul style="list-style-type: none"> <li>Budget Workshop</li> </ul>	<ul style="list-style-type: none"> <li>Budget Approval</li> </ul>
May	June	July	August
<ul style="list-style-type: none"> <li>Initiate Manager Performance Evaluation</li> <li>Review Reserve Funds Policy</li> </ul>	<ul style="list-style-type: none"> <li>Approve Resolution 77-6 "Personnel Resolution"</li> <li>Perform Manager Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Commission Chair, Vice Chair, and Secretary Appointment</li> </ul>	<ul style="list-style-type: none"> <li>Conflict of Interest Update (Biennial; even-numbered years)</li> <li>Investment Program Status Annual Update</li> </ul>
September	October	November	December
<ul style="list-style-type: none"> <li>Review Debt Policy</li> </ul>			<ul style="list-style-type: none"> <li>Commission Meeting schedule for following year</li> <li>Audited Financial Report</li> </ul>

-  - Recurring Commission Actions
-  - Upcoming Commission Actions



February 17, 2021

To: Commissioners

From: Teresa Herrera

Subject: Congratulatory Letter from Anna G. Eshoo, Member of Congress

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I recently received a congratulatory letter from Congresswoman Anna Eshoo, regarding SVCW's receipt of two loan guarantees under the WIFIA Loan program. We are appreciative of Ms. Eshoo's effort in assisting SVCW in qualifying for their first WIFIA loan, and for her continued support.

I have included Congresswoman Eshoo's letter, as well as the first draft of my acknowledgement letter





*Congress of the United States  
House of Representatives  
Washington, D.C. 20515*

*Anna G. Eshoo  
Eighteenth District  
California*

January 21, 2021

Ms. Teresa Herrera, Manager  
Silicon Valley Clean Water  
1400 Radio Road  
Redwood City, California 94065

Dear Ms. Herrera,

Congratulations on receiving two loan guarantees of \$70 million and \$38 million from the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) program to replace aging wastewater treatment facilities. These substantial awards are an eloquent statement about you, your leadership, and your commitment to providing reliable wastewater treatment services for communities in our region.

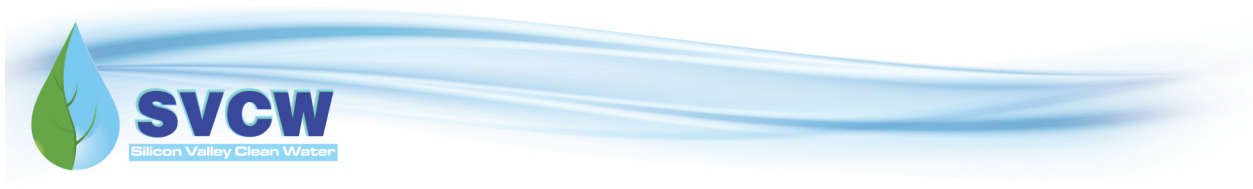
Whenever I can be of assistance to you in your superb work, just let me know.

All my best,

Anna G. Eshoo  
Member of Congress

*Congress of the United States  
House of Representatives  
Washington, D.C. 20515*





February 22, 2021

Ms. Anna G. Eshoo  
Member of Congress  
Congress of the United States  
House of Representatives  
Washington D.C. 20515

Subject: Environmental Protection Agency WIFIA Loans  
Two Loan Guarantees Offered to SVCW

Dear Ms. Eshoo:

We are appreciative of your congratulatory letter to Silicon Valley Clean Water related to our receipt of two loan guarantees under the WIFIA Loan program. The critical infrastructure repair work that we are implementing to ensure public health protection and environmental stewardship will benefit greatly from this attractive financing program. Infrastructure we are putting into place will be available for generations to come as our designs extends facilities' lives to 100 years!

Your letter of support on behalf of SVCW in 2017 assisted us in receiving the first WIFIA loan. These two additional loans will allow us to complete our important work in a timely manner and with sustainable sewer rates for the local community we serve. Silicon Valley Clean Water is able to deliver wastewater conveyance and treatment at competitively low rates due to low administrative cost burdens so that the monies received from the EPA goes directly to funding the construction and operation of our sewer facilities.

I also want to commend the staff at EPA who manage the WIFIA program. They are highly professional and efficient in managing the loan application and approval process and have been a pleasure to work with.

Sincerely,  
SILICON VALLEY CLEAN WATER

Teresa A. Herrera, P.E.  
Manager



## AGENDA ITEM 5C1

**Silicon Valley Clean Water Authority  
Cash & Investments Summary Report  
January 31, 2021**

<b>Description</b>	<b>Market Value</b>	<b>% of Total Holdings</b>	<b>Yield</b>
<b><u>Reserve Accounts</u></b>			
Operating Reserve* - Securities	\$ 3,556,794	2.92%	1.19%
Operating Reserve - Money Market Fund Balance	285,552	0.23%	0.03%
CIP Reserve* - Securities	17,596,093	14.46%	1.89%
CIP Reserve - Money Market Fund Balance	253,119	0.21%	0.03%
Stage 2 Capacity Reserve* - Securities	14,351,859	11.79%	1.81%
Stage 2 Capacity Reserve - Money Market Fund Balance	320,706	0.26%	0.03%
<b>Total Market Value: Operating and Reserve Accounts</b>	<b>\$ 36,364,123</b>	<b>29.9%</b>	<b>1.75%</b>
Total Accrued Interest: Operating and Reserve Accounts	179,250		
<b>GRAND TOTAL, OPERATING AND RESERVE ACCOUNTS</b>	<b>\$ 36,543,373</b>		
<b><u>Bond and Notes Accounts</u></b>			
Trustee Accounts:			
2018 Project Fund Account - CAMP	\$ 14,481,850	11.90%	0.12%
2018 Revenue Account	2,705,831	2.22%	0.01%
2019A Notes WIFIA* - Securities	30,851,509	25.35%	2.13%
2019A Notes WIFIA - Money Market Fund	866,476	0.71%	0.01%
2019A Capitalized Interest Account* - Securities	21,867,321	17.97%	1.84%
2019A Capitalized Interest Account - Money Market Fund	8,176	0.01%	0.01%
2014 Revenue Account	2,542,701	2.09%	0.02%
2014 Interest Account - Money Market Fund	13	0.00%	-
2014 Principal Account - Money Market Fund	7	0.00%	-
2015 Revenue Account	1,625,048	1.34%	-
<b>Total Market Value, Trustee Accounts</b>	<b>\$ 74,948,933</b>	<b>61.59%</b>	<b>1.44%</b>
Accrued Interest:	393,393		
Operating Cash (includes outstanding checks)	1,556,510	1.28%	
Local Agency Investment Funds (LAIF) Balance	8,826,828	7.25%	0.46%
<b>Total Cash &amp; Investments</b>	<b>\$ 122,269,038</b>	<b>100.00%</b>	<b>1.44%</b>



Matthew P Anderson  
Chief Financial Officer / Assistant Manager

Feb 11, 2021  
Date

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

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

**Silicon Valley Clean Water**  
**Operating and Reserve Funds - Sector Allocation & Compliance Jan. 31, 2021**

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	1,095,328	5,933,828	5,506,453	12,535,609	34.3%	100%	✓	2.7%
Supranationals	200,960	0	0	200,960	0.5%	100%	✓	(0.0%)
Federal Agency/GSE	1,319,056	2,952,153	2,232,758	6,503,967	17.8%	100%	✓	(0.1%)
Federal Agency CMO	0	2,533,692	1,798,044	4,331,736	11.9%	100%	✓	(0.2%)
Federal Agency MBS	0	1,278,748	1,196,504	2,475,252	6.8%	100%	✓	(0.3%)
Municipal	0	1,086,769	846,907	1,933,676	5.3%	100%	✓	(0.0%)
Corporate Notes	665,560	3,810,903	2,771,193	7,247,656	19.8%	30%	✓	(0.1%)
Asset-Backed Securities	275,890	0	0	275,890	0.8%	10%	✓	0.1%
<b>Securities Sub-Total</b>	<b>\$ 3,556,794</b>	<b>\$ 17,596,093</b>	<b>\$ 14,351,859</b>	<b>\$ 35,504,746</b>	<b>97.2%</b>			
Accrued Interest	11,699	93,038	74,513	179,250	0.5%			
<b>Securities Total</b>	<b>\$ 3,568,493</b>	<b>\$ 17,689,130</b>	<b>\$ 14,426,373</b>	<b>\$ 35,683,996</b>	<b>97.6%</b>			
Money Market Fund	285,552	253,119	320,706	859,377	2.4%	20%	✓	(2.1%)
<b>Total Investments</b>	<b>\$ 3,854,046</b>	<b>\$ 17,942,249</b>	<b>\$ 14,747,078</b>	<b>\$ 36,543,373</b>	<b>100%</b>			
As % of 6/30/21Target:	102%	101%	100%	101%				

*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 Authority'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 Authority's bonds, notes or other obligations and investors and potential investors should rely only on information filed by the Authority 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>*

## AGENDA ITEM 5C2



February 25, 2021

To: SVCW Commissioners

From: Matt Anderson, SVCW CFO/Assistant Manager

Subject: Investment Update for Quarter Ended December 31, 2020

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Attached is an update from PFM Asset Management LLC regarding the investment performance of SVCW Cash Reserves portfolio for the quarter ended December 31, 2020. Highlights include:

**Market Update:**

- An uneven economic recovery continues, fueled by massive policy support.
- Markets rallied after presidential election
- Long-term yields rose, while short-term yields remain low.

**SVCW Investment Program:**

- At December 31, 2020 the Authority had nearly \$36.4 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	4 <sup>th</sup> Quarter Returns	1-Year Returns
Operating Reserve (slide 18)	0.12%	3.18%
CIP Reserve (slide 24)	0.22%	5.75%
Stage 2 Capacity Reserve (slide 30)	0.22%	5.88%

- Anticipate some volatility in the Corporate note market. PFM is monitoring inflation signals and potentially widening spread, keeping SVCW poised for opportunities.

**Outlook:**

- Federal Agency spreads remain tight. Supply is expected to decline which will likely pressure spreads to widen.
- 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 December 31, 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

44 Montgomery Street, 3rd Floor  
San Francisco, CA 94104  
415-982-5544

213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723

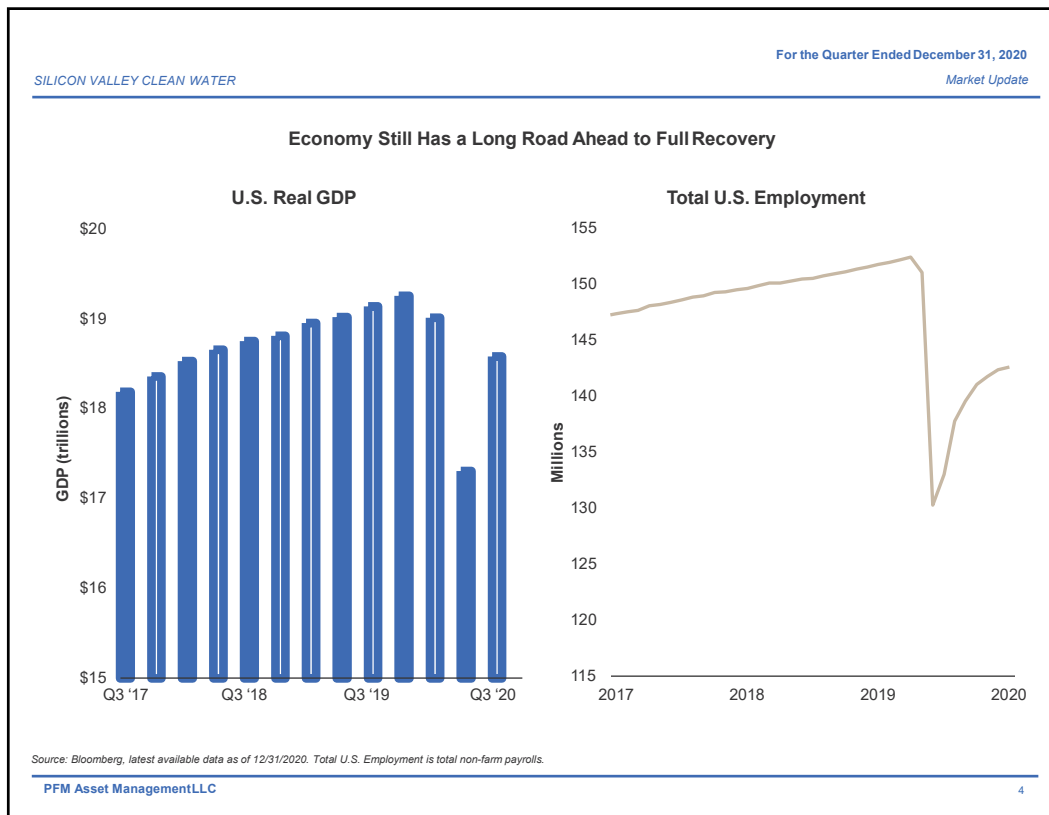
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*Market Update*

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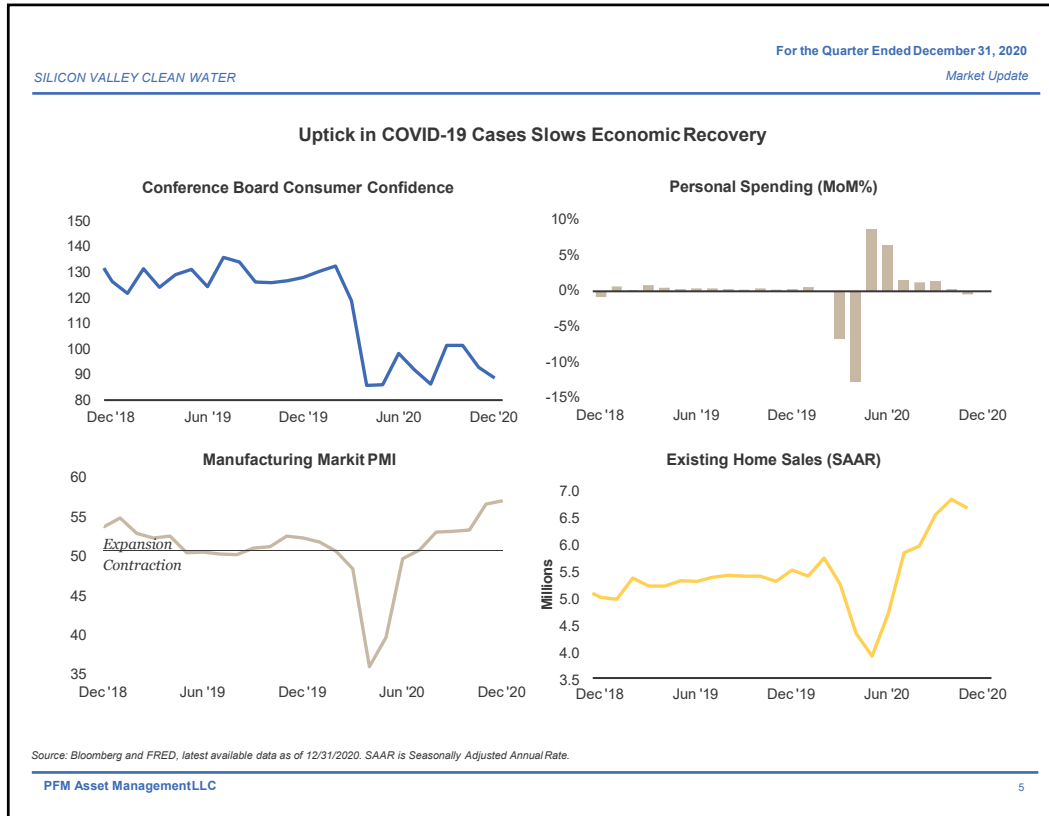


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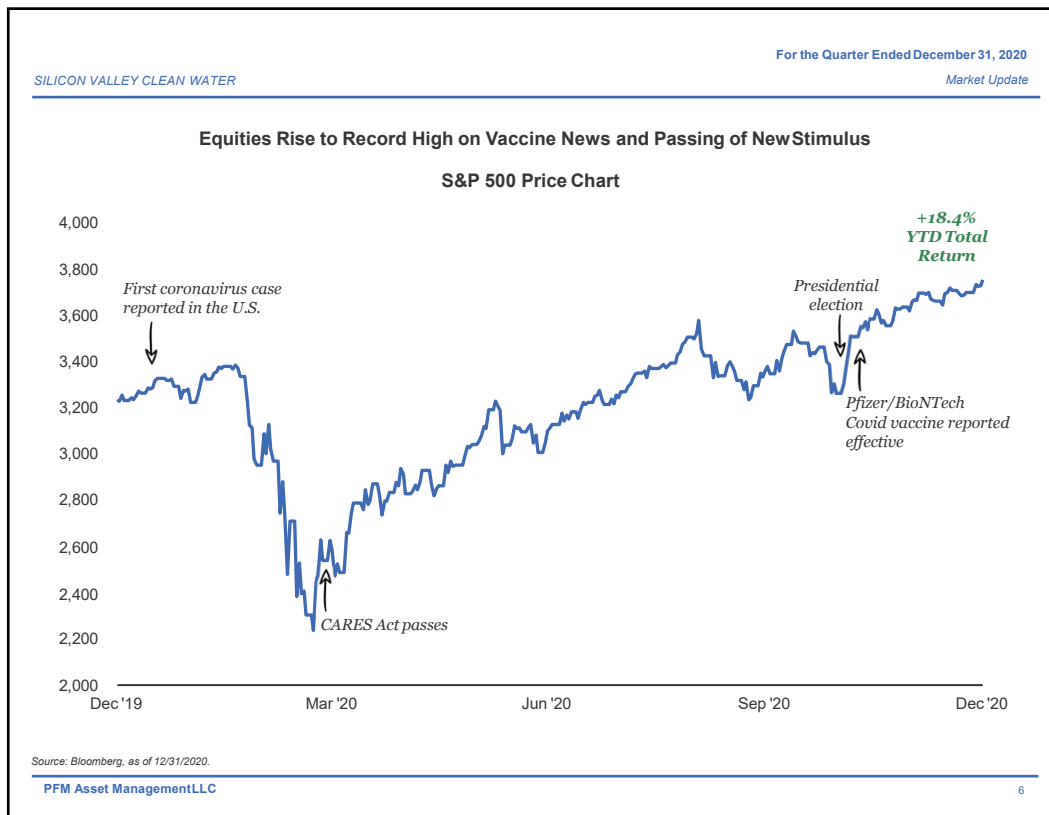


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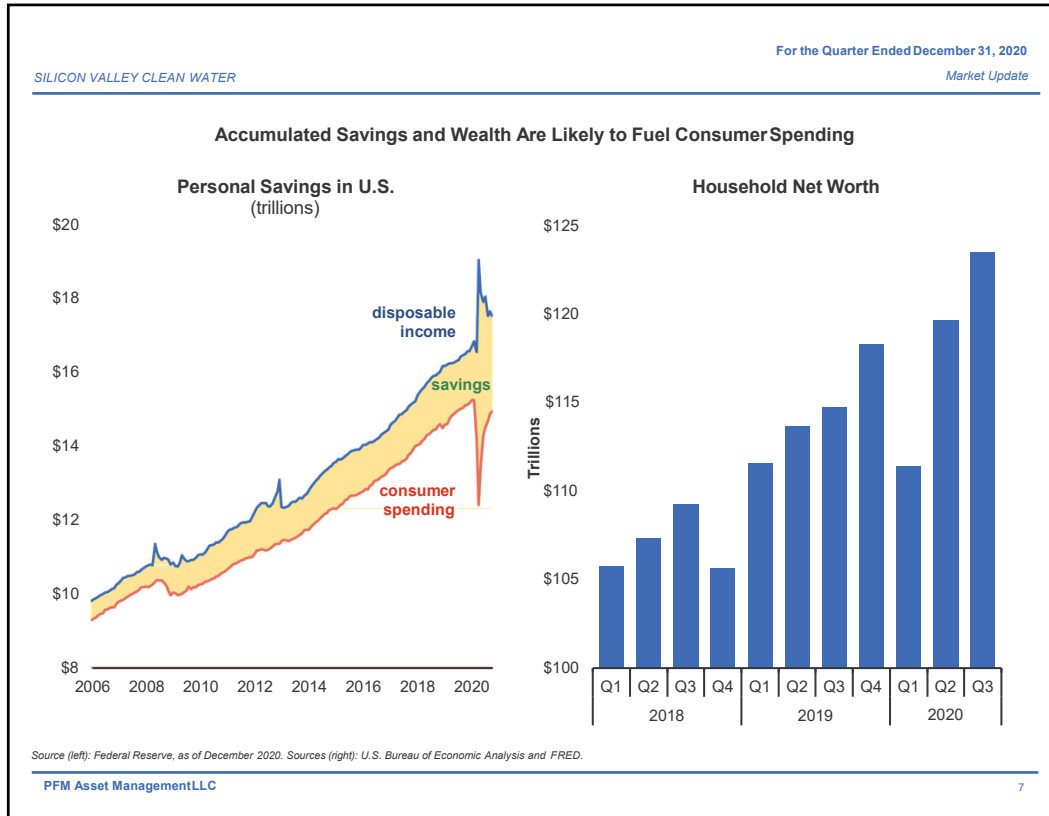




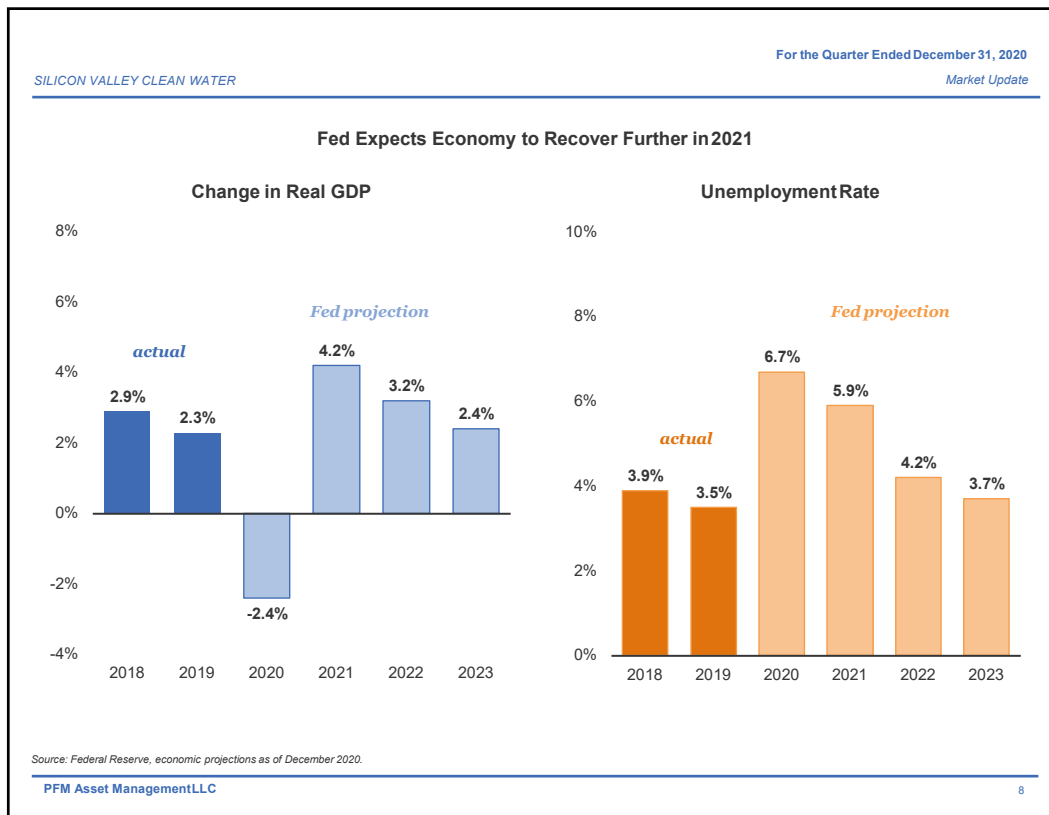
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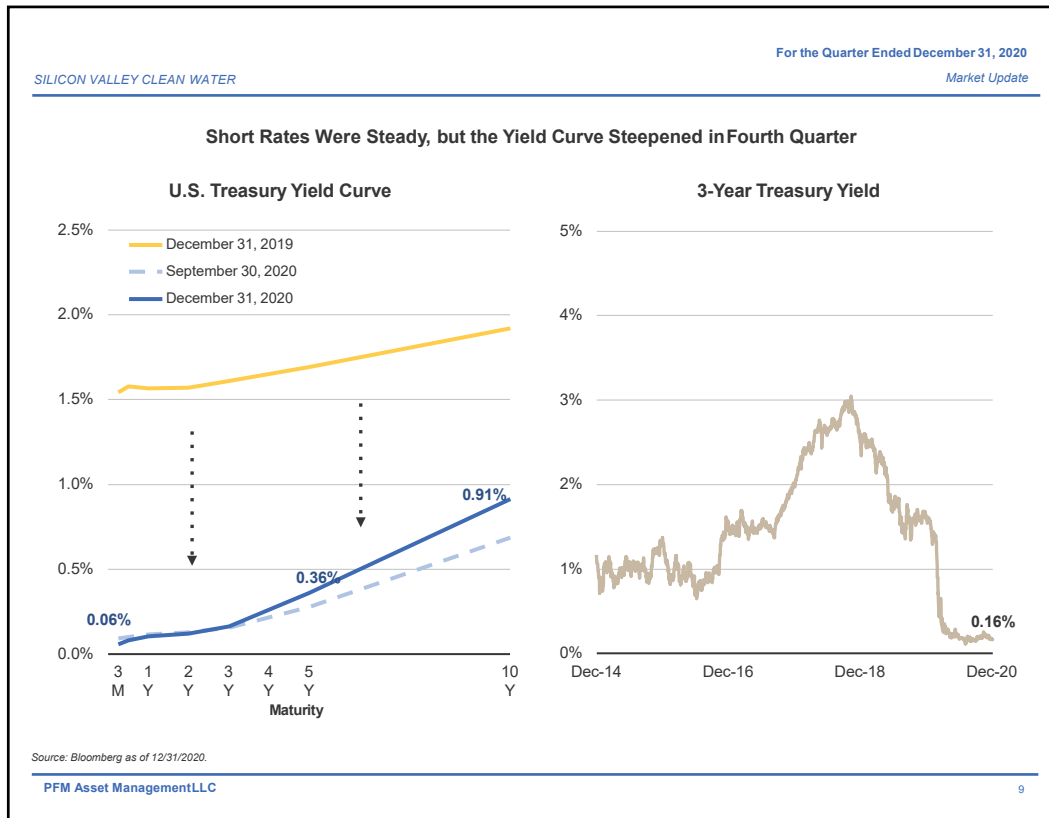
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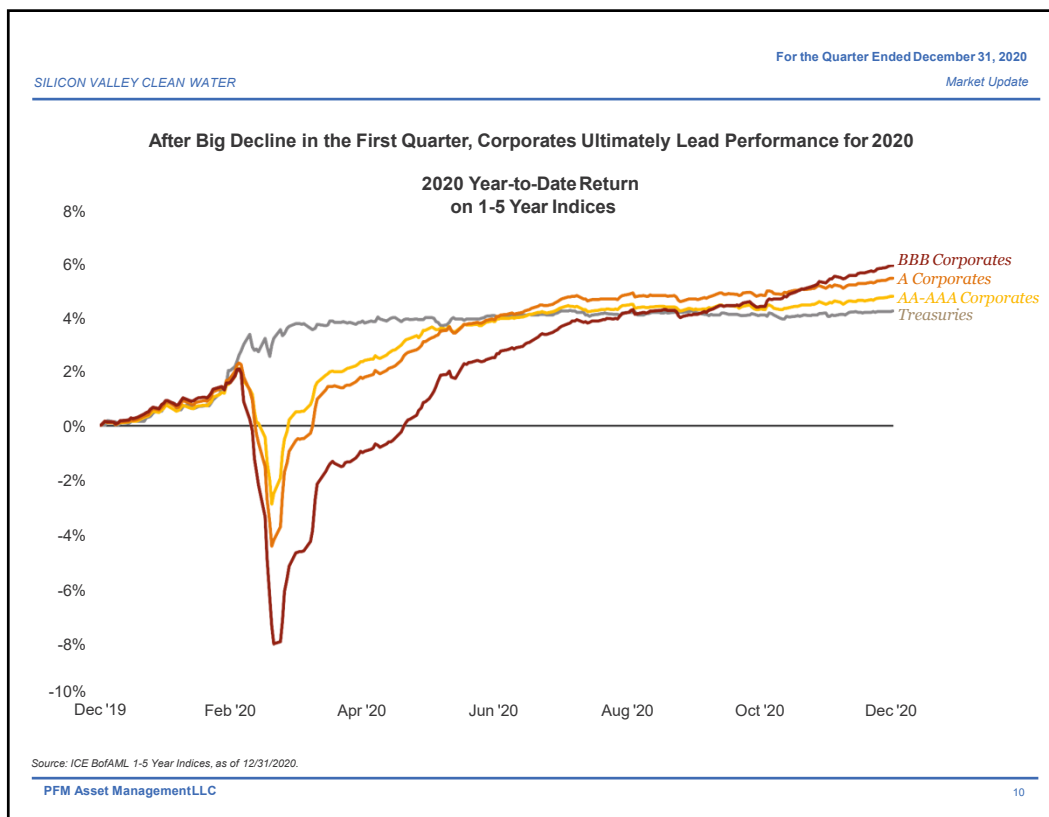
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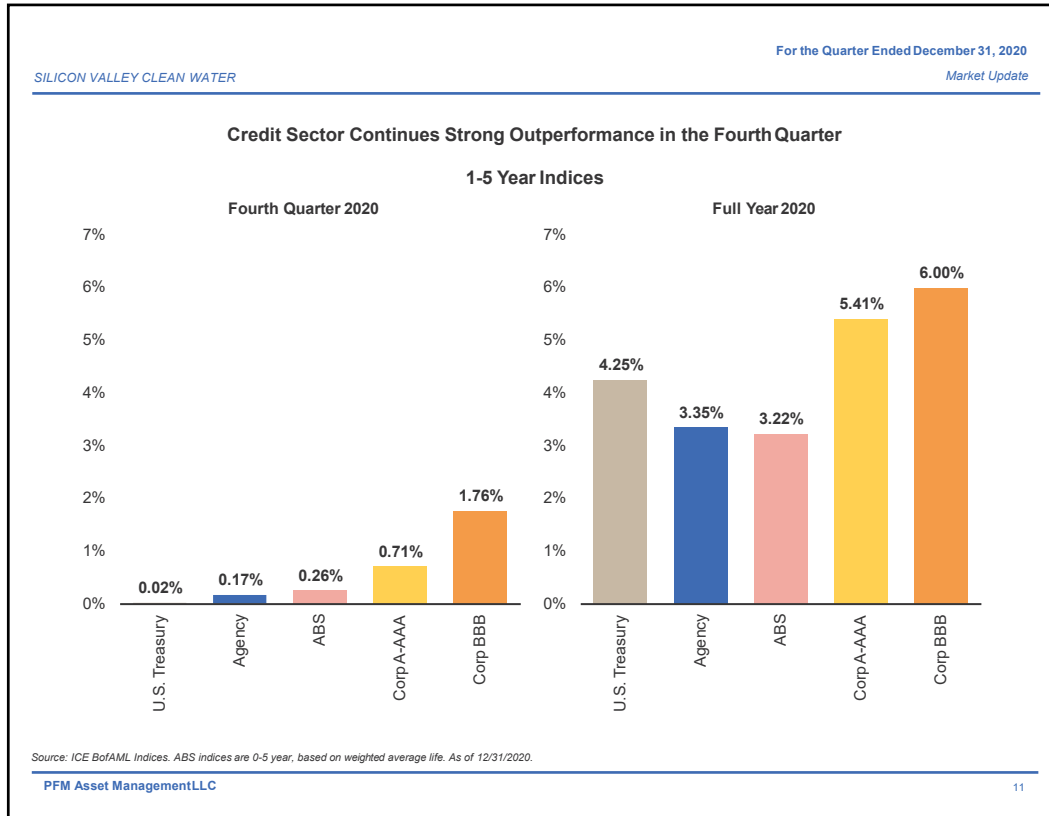
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For the Quarter Ended December 31, 2020  
Market Update

SILICON VALLEY CLEAN WATER

### Fixed Income Sector Outlook – January 2021

Sector	Our Investment Preferences	Comments
<b>COMMERCIAL PAPER / CD</b>		• Credit spreads have tightened 5-10 basis points across the curve as year-end volatility has subsided. Select issuers may offer fixed paper at about 15 basis points to comparable-maturity Treasuries in 6- to 12-month maturities.
<b>TREASURIES</b>		
T-Bill		• The T-Bill curve is very flat; however, the sector remains attractive relative to agency discount notes. Bill supply is expected to decline in 2021, but additional fiscal stimulus may offset the reduction.
T-Note		• Yields have repriced higher, more notably in longer tenors, with the outcome of the Georgia Senate Election and additional fiscal stimulus. Market-based measures of inflation expectations climbed above 2.0% for the first time since 2018.
<b>FEDERAL AGENCIES</b>		
Bullets		• Federal agency bullet spreads continue to tighten, erasing most of the relative value in the sector. Potentially higher rates and tighter supply will likely pressure spreads. There may be opportunities to reduce allocations of bonds trading at or through comparable-maturity Treasuries. Attractive new issues will continue to be evaluated.
Callables		• New issue callable levels are low, leaving spreads near historic tightness. There may be value in longer-maturity, longer lock-out structures for some accounts.
<b>SUPRANATIONALS</b>		• Supranational spreads started the year unchanged, but the new issue pipeline has opened across the curve. Given the expected increased supply, there will likely be attractive new issue opportunities.
<b>CORPORATES</b>		
Financials		• Spreads on high-quality corporate bonds have reached new tightness as investors looked forward to further economic recovery in 2021. The expiration of the Fed's corporate facilities may leave credit markets exposed to higher volatility than during the second half of 2020, although lax monetary policy will remain supportive of the sector.
Industrials		• Companies that borrowed heavily during 2020 warrant closer scrutiny to ensure that management prioritizes balance sheet repair over M&A or share buybacks. Overall, we remain cautious on the sector and are well-positioned to take advantage of opportunities should spreads widen.
<b>SECURITIZED</b>		
Asset-Backed		• ABS spreads are tighter month-over-month and are approaching the record lows of early 2020 on the back of strong collateral performance and better-than-expected macro economic data. Further spread compression from current levels is likely limited. We expect a healthy level of new issuance in January.
Agency Mortgage-Backed		• The Fed continues "to support the smooth functioning" of the MBS market through its ongoing purchase program. Spreads are narrow, especially in the lower coupons. Expectations are that prepayments will slow modestly in the coming months but remain elevated relative to historic standards.
Agency CMBS		• Strong demand has led to CMBS outperformance as spreads tightened, leaving valuations stretched. Multifamily fundamentals remain challenged in certain markets.
<b>MUNICIPALS</b>		• Taxable supply will begin to ramp up at the start of the new year, but investor demand will keep spreads contained. Issuers' fiscal positions need to continue to be monitored.

Negative   Slightly Negative   Neutral   Slightly Positive   Positive

PFM Asset Management LLC 12

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## Aggregate Portfolio Review

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SILICON VALLEY CLEAN WATER

For the Quarter Ended December 31, 2020  
Portfolio Review

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### Portfolio Recap

- In the fourth quarter, PFM managed to a **neutral** duration positioning, maintained broad **diversification** across permitted investment sectors, and continued to carefully **monitor** and manage the risks associated with the uneven and decelerating economic recovery.
- We continued to evaluate various high-quality fixed income investment sectors for value. Key highlights of our sector allocation strategy are included below:
  - The **taxable municipal** sector remained abuzz as issuers continued to take advantage of low borrowing rates. This increase in supply created attractive buying opportunities for investors. In total, PFM purchased approximately \$760,000 in taxable municipal securities during the quarter, increasing the overall portfolio's allocation to the sector by 2% over the prior quarter.
  - After many months of relative quiet, value recently returned to the **supranational** sector. In November, PFM purchased an International Bank of Reconstruction and Development (World Bank) note in the Operating Reserve portfolio with three years to maturity at a yield of 0.32%. This represented an attractive yield pick-up of approximately 15 basis points (0.15%) over similar-maturity U.S. Treasury notes.
  - We remained alert for opportunities in the **AAA-rated asset-backed securities (ABS)** sector. The ABS sector posted strong returns for both the fourth quarter and the calendar year while providing diversification and incremental income potential. We continued to prefer high-quality issues with increased creditenhancements.
  - Holdings of investment-grade **corporate notes** were, once again, a significant boon for portfolio performance as continued strong investor demand pushed spreads to near 20-year lows by year-end. Narrower spread levels benefited current-quarter performance but made new purchases less attractive. As a result, we modestly reduced allocations while keeping durations extended where value was greatest.
- 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.

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SILICON VALLEY CLEAN WATER

For the Quarter Ended December 31, 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. 9/30/20	Permitted by Policy	In Compliance
U.S. Treasury	\$11,524,364	32%	+1%	100%	✓
Supranationals	\$200,866	1%	-	15%	✓
Federal Agency/GSE	\$6,524,004	18%	-	100%	✓
Asset-Backed Securities	\$225,541	1%	+1%	10%	✓
Federal Agency/CMO	\$4,404,074	12%	-1%	100%	✓
Federal Agency MBS	\$2,565,950	7%	-1%	100%	✓
Municipal	\$1,929,479	5%	+2%	30%	✓
Corporate Notes	\$7,256,540	20%	-1%	30%	✓
<b>Securities Sub-Total</b>	<b>\$34,360,817</b>	<b>94%</b>			
Accrued Interest	\$172,293				
<b>Securities Total</b>	<b>\$34,803,110</b>				
Money Market Fund	\$1,607,112	4%	-1%	20%	✓
<b>Total Investments</b>	<b>\$36,410,222</b>	<b>100%</b>			

Detail may not add to total due to rounding. Current investment policy as of March 2020.

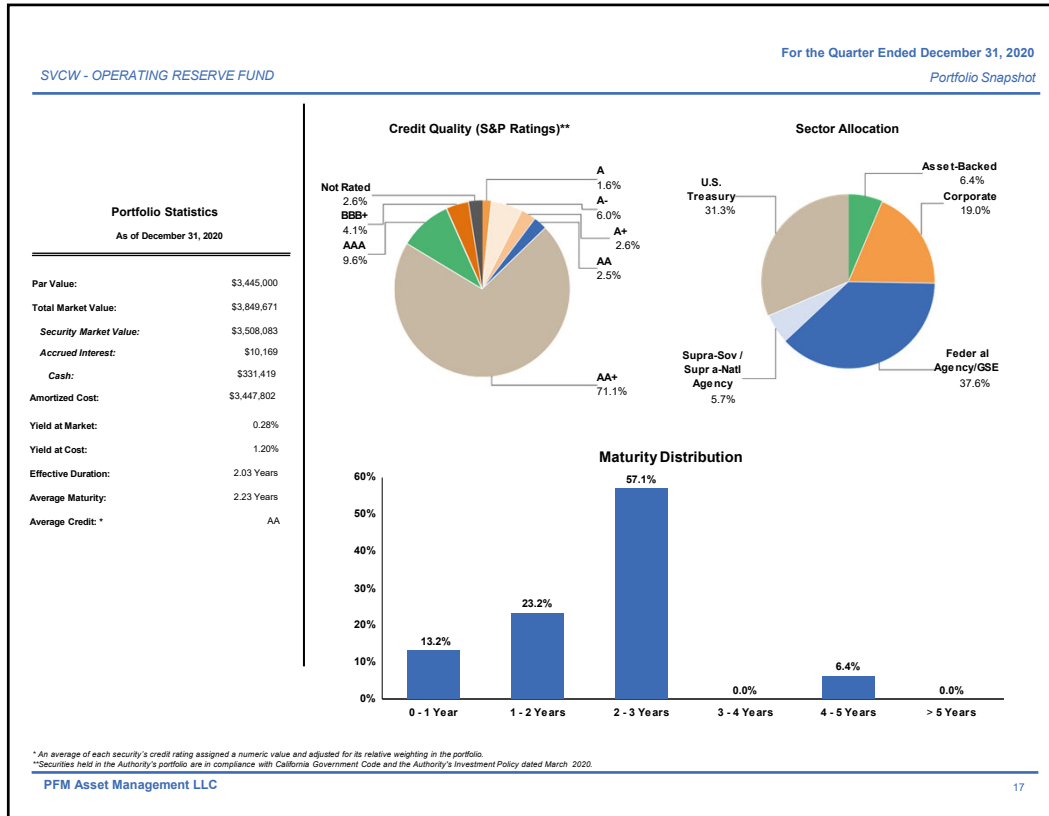
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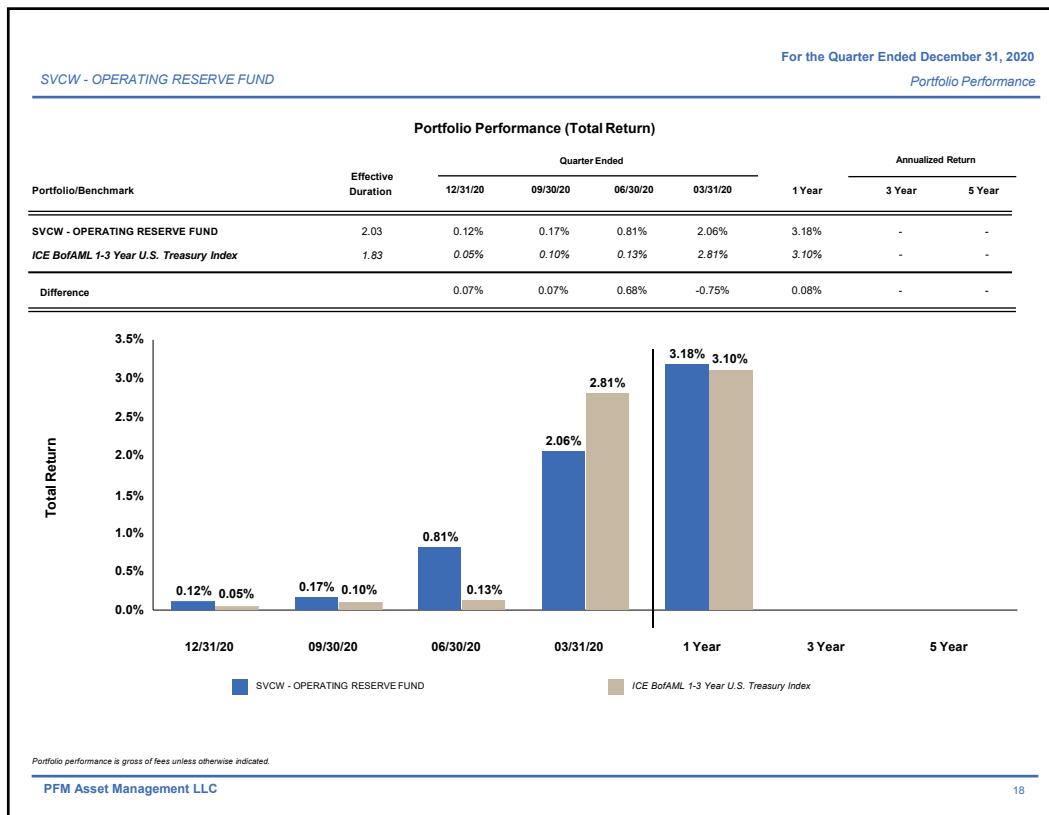
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SVCW - OPERATING RESERVE FUND

For the Quarter Ended December 31, 2020

Portfolio Performance

	Portfolio Earnings	
	Quarter-Ended December 31, 2020	
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2020)	\$3,340,250.37	\$3,273,760.41
Net Purchases/Sales	\$174,353.40	\$174,353.40
Change in Value	(\$6,521.21)	(\$311.69)
Ending Value (12/31/2020)	\$3,508,082.56	\$3,447,802.12
Interest Earned	\$11,210.63	\$11,210.63
Portfolio Earnings	\$4,689.42	\$10,898.94

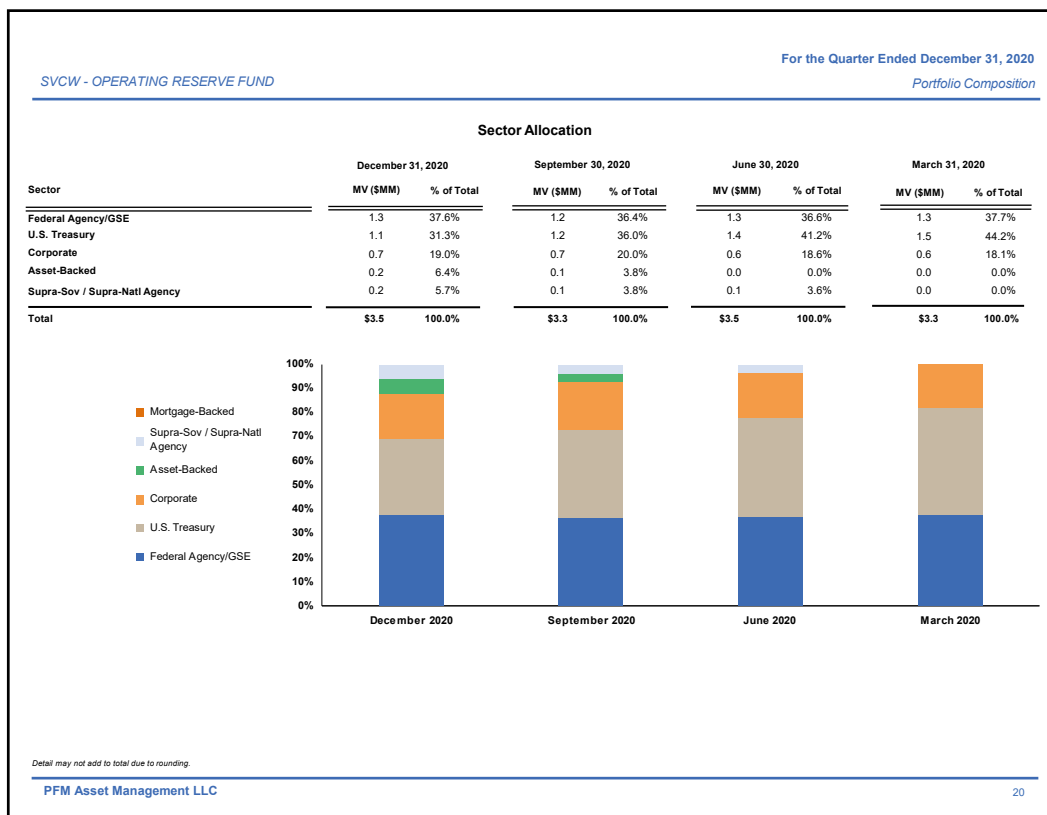
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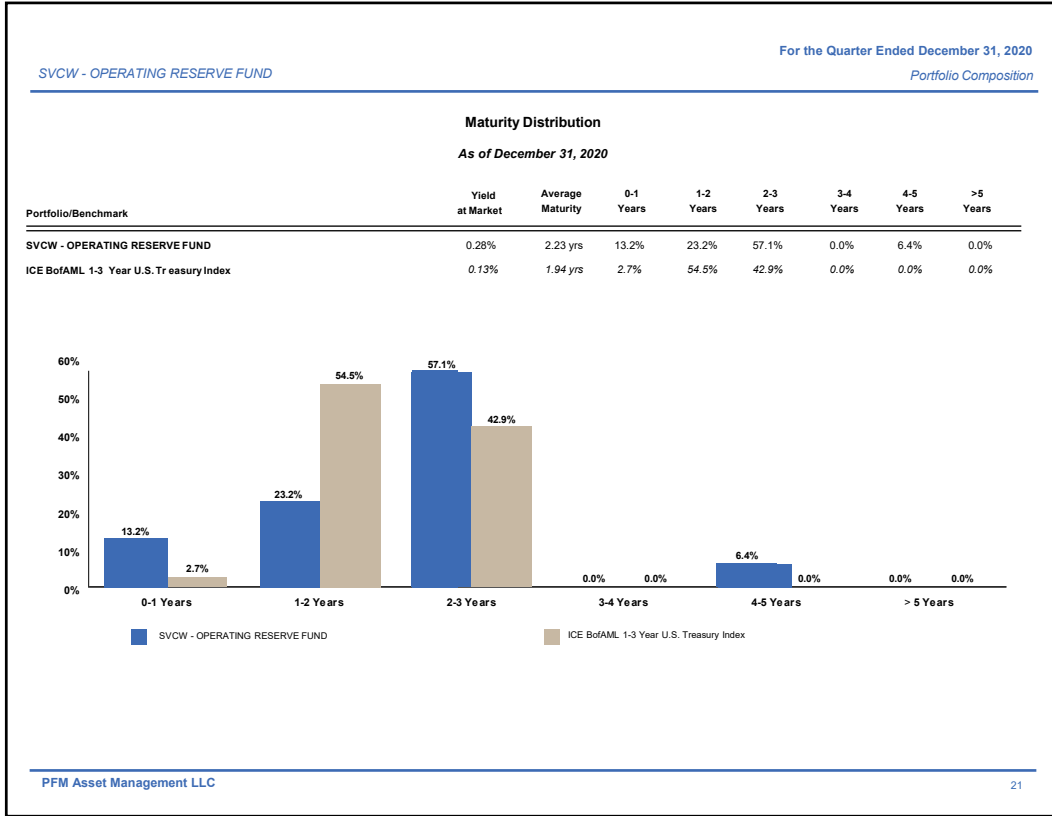


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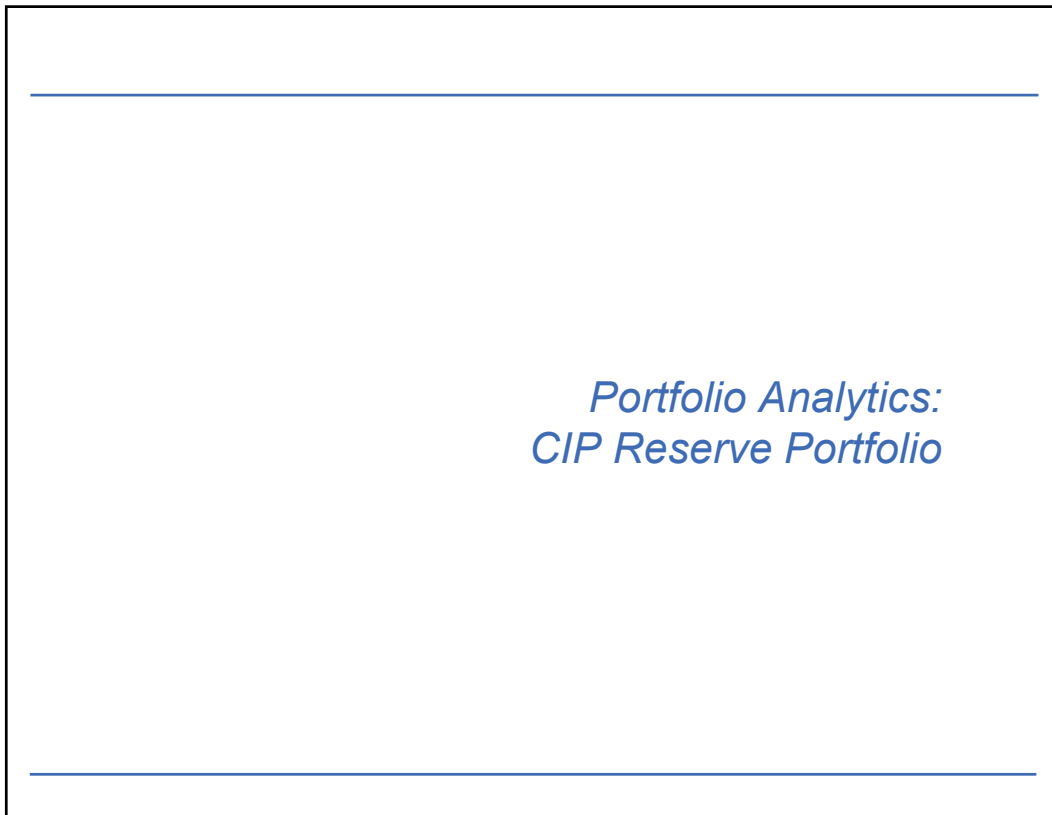
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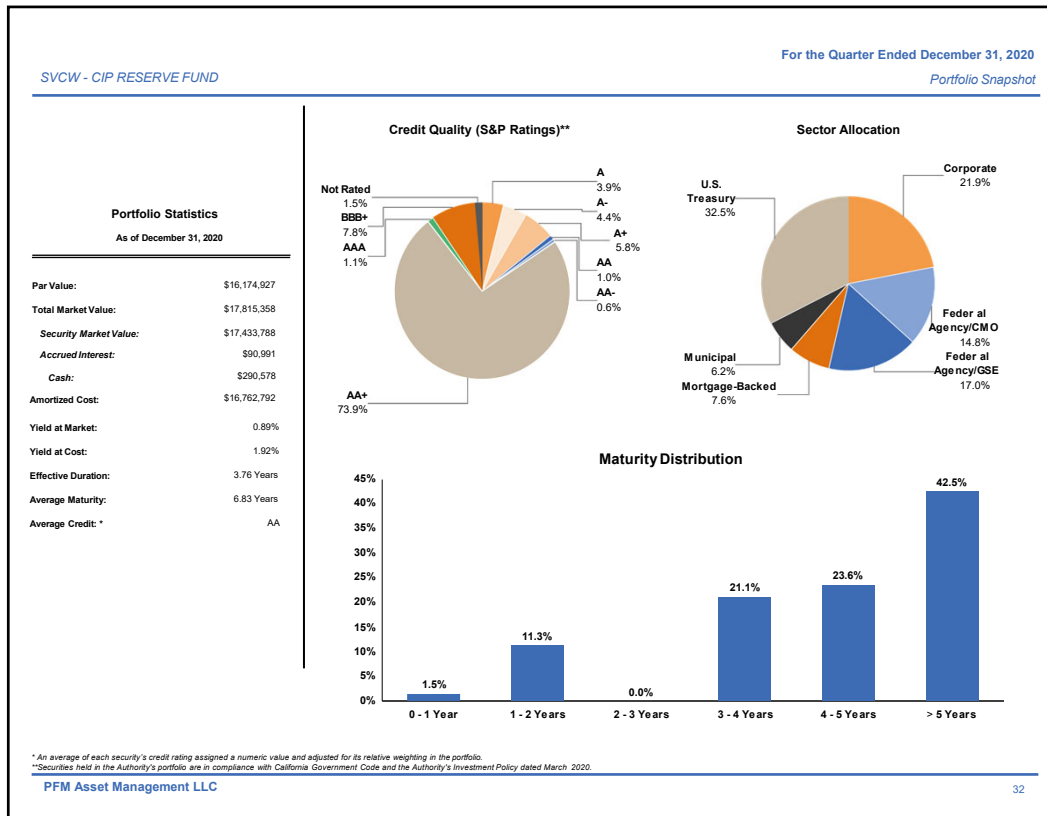




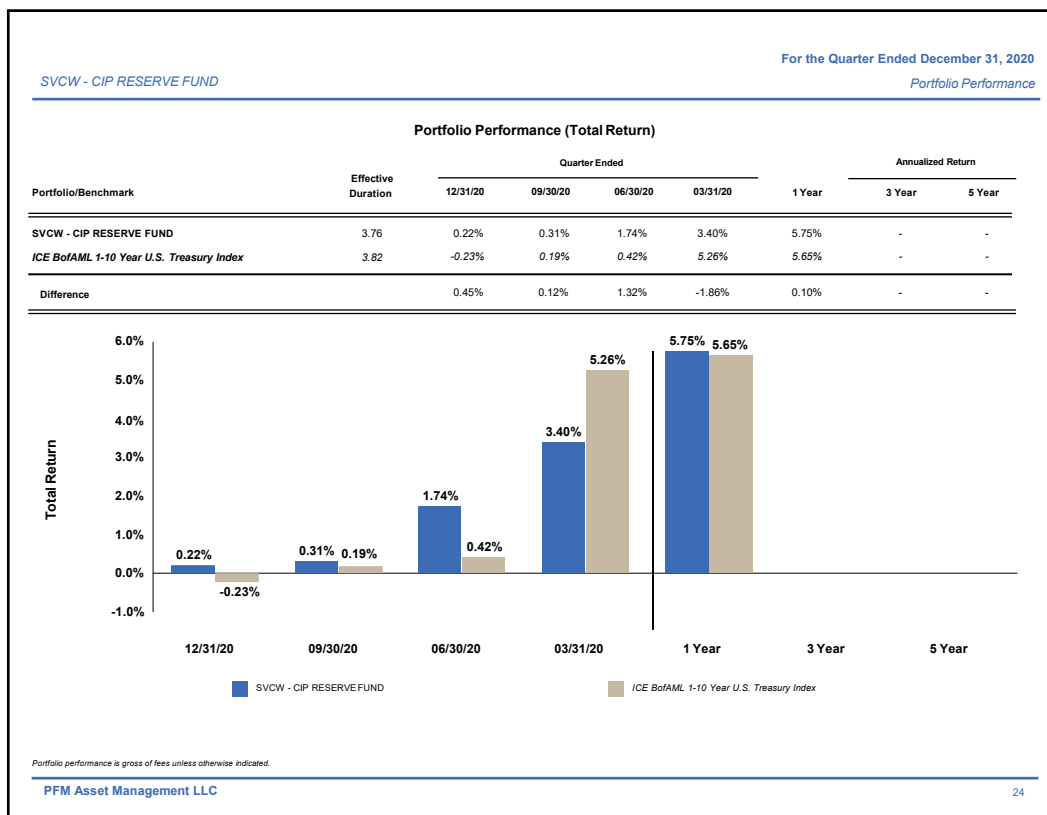
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SVCW - CIP RESERVE FUND

For the Quarter Ended December 31, 2020

Portfolio Performance

	Portfolio Earnings	
	Quarter-Ended December 31, 2020	
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2020)	\$17,181,520.29	\$16,460,116.43
Net Purchases/Sales	\$315,802.99	\$315,802.99
Change in Value	(\$63,534.81)	(\$13,126.93)
Ending Value (12/31/2020)	\$17,433,788.47	\$16,762,792.49
Interest Earned	\$102,608.54	\$102,608.54
Portfolio Earnings	\$39,073.73	\$89,481.61

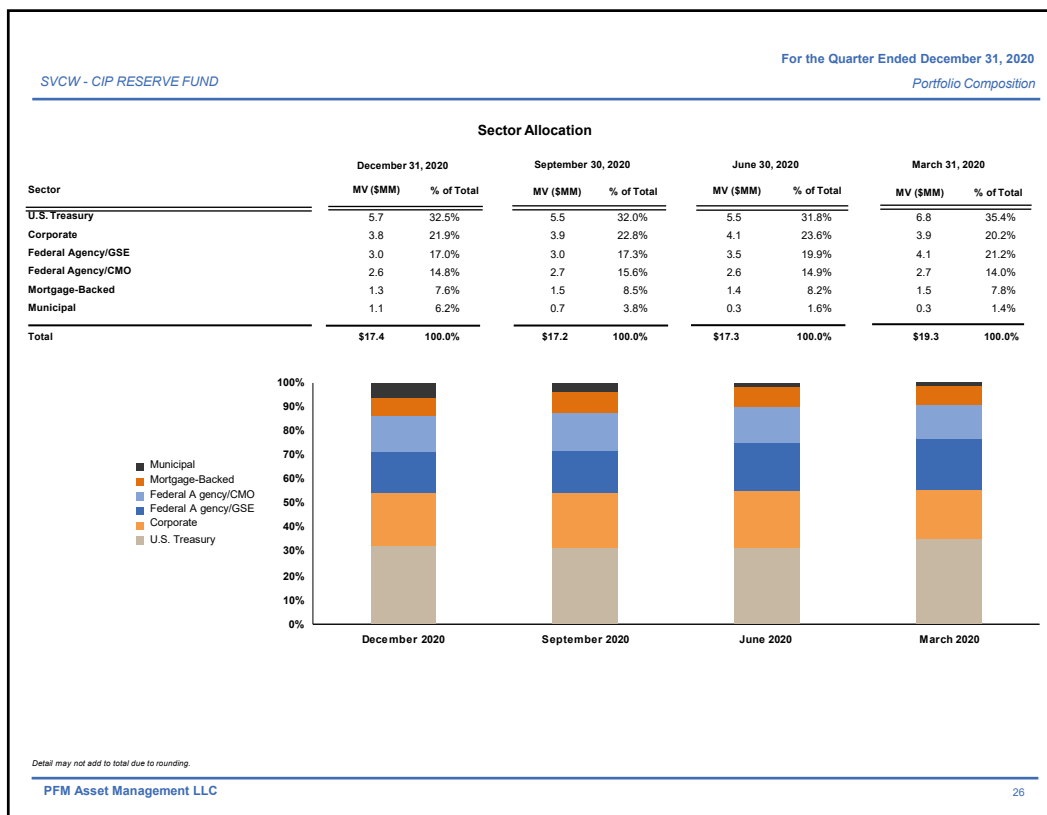
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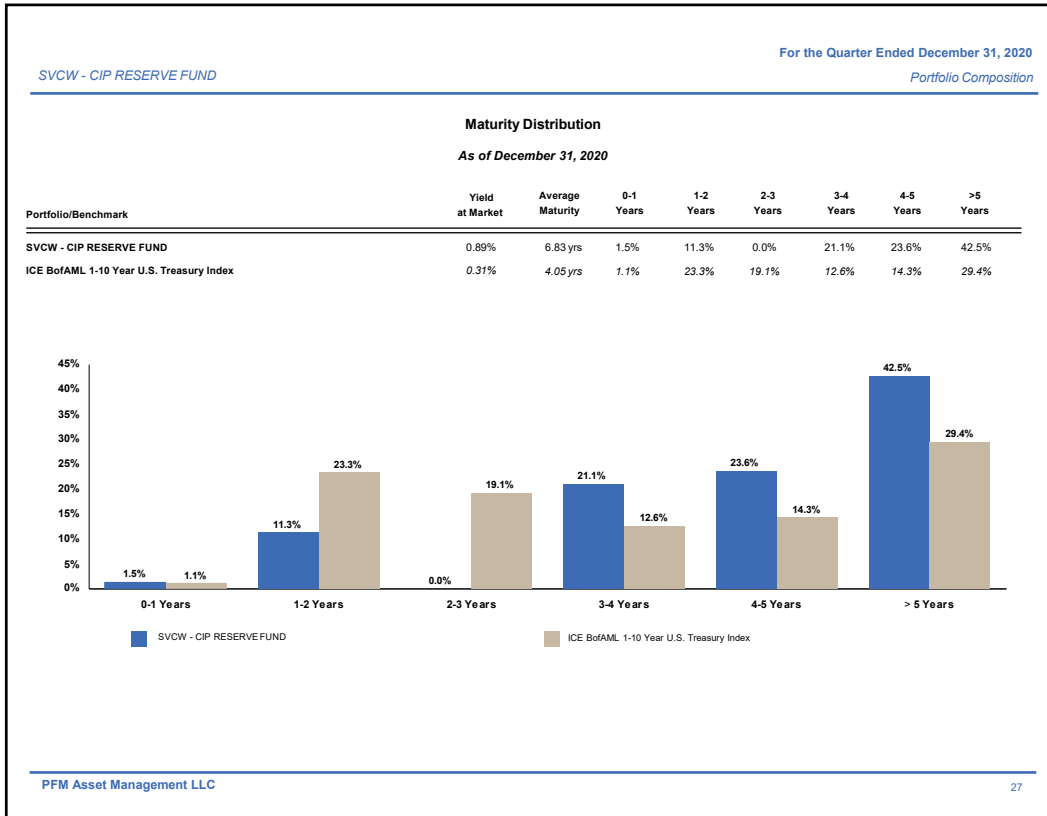
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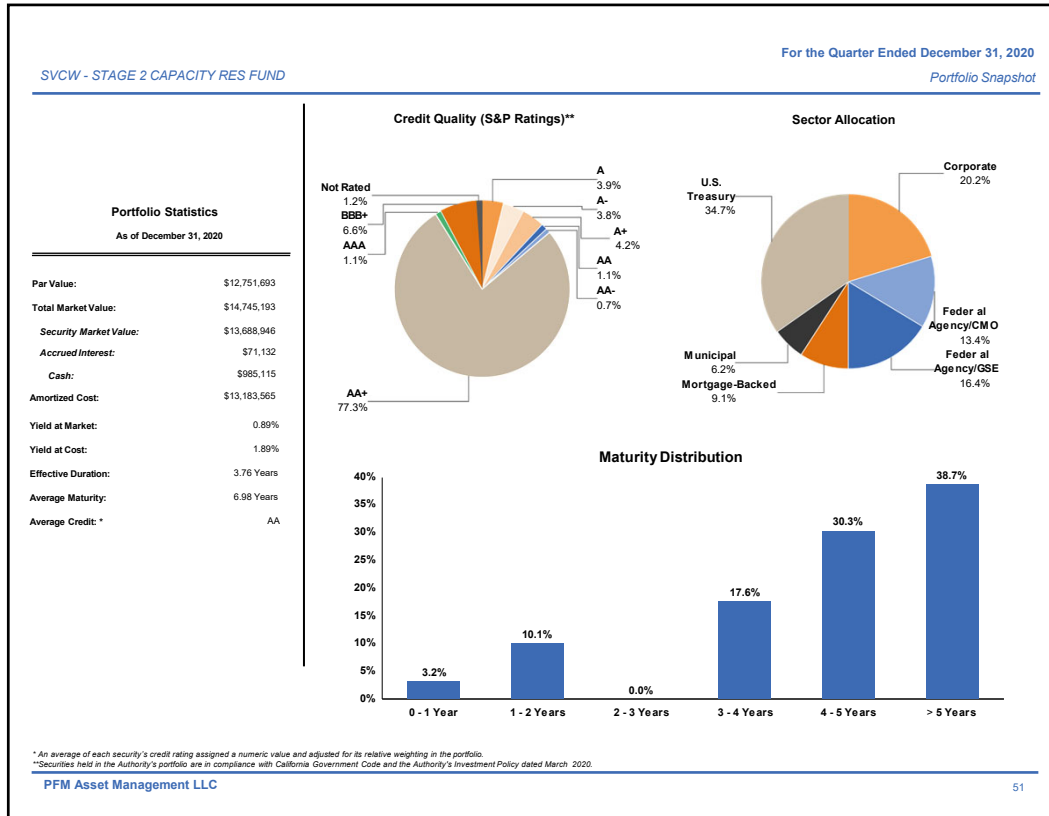


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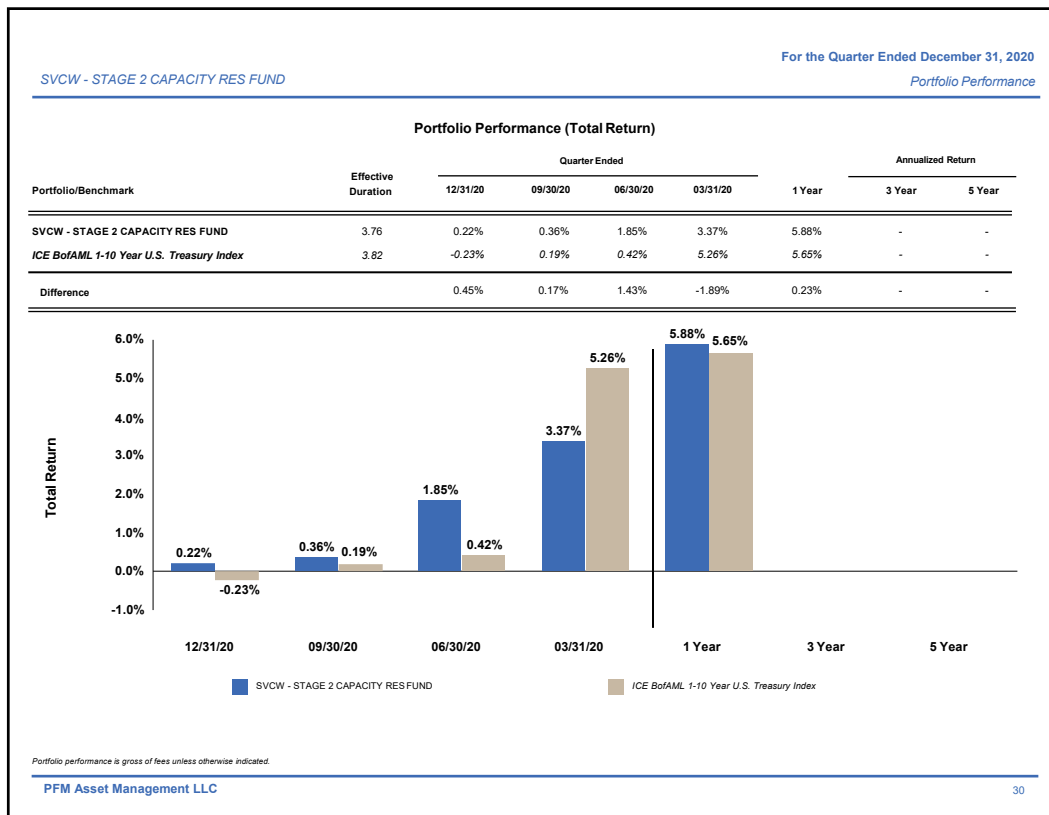
*Portfolio Analytics:*

**Stage 2 Capacity Reserve Portfolio**

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SVCW - STAGE 2 CAPACITY RES FUND

For the Quarter Ended December 31, 2020

Portfolio Performance

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2020)	\$13,425,045.41	\$12,890,543.53
Net Purchases/Sales	\$310,810.37	\$310,810.37
Change in Value	(\$46,909.68)	(\$17,788.78)
Ending Value (12/31/2020)	\$13,688,946.10	\$13,183,565.12
Interest Earned	\$76,944.23	\$76,944.23
Portfolio Earnings	\$30,034.55	\$59,155.45

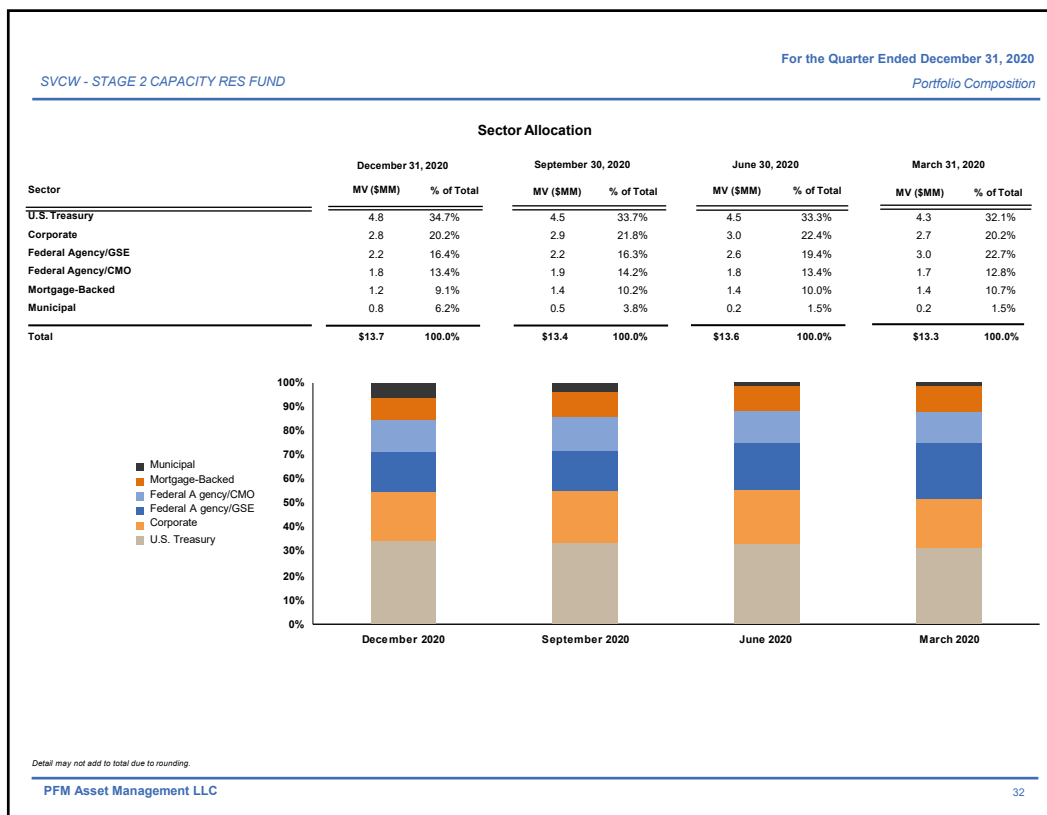
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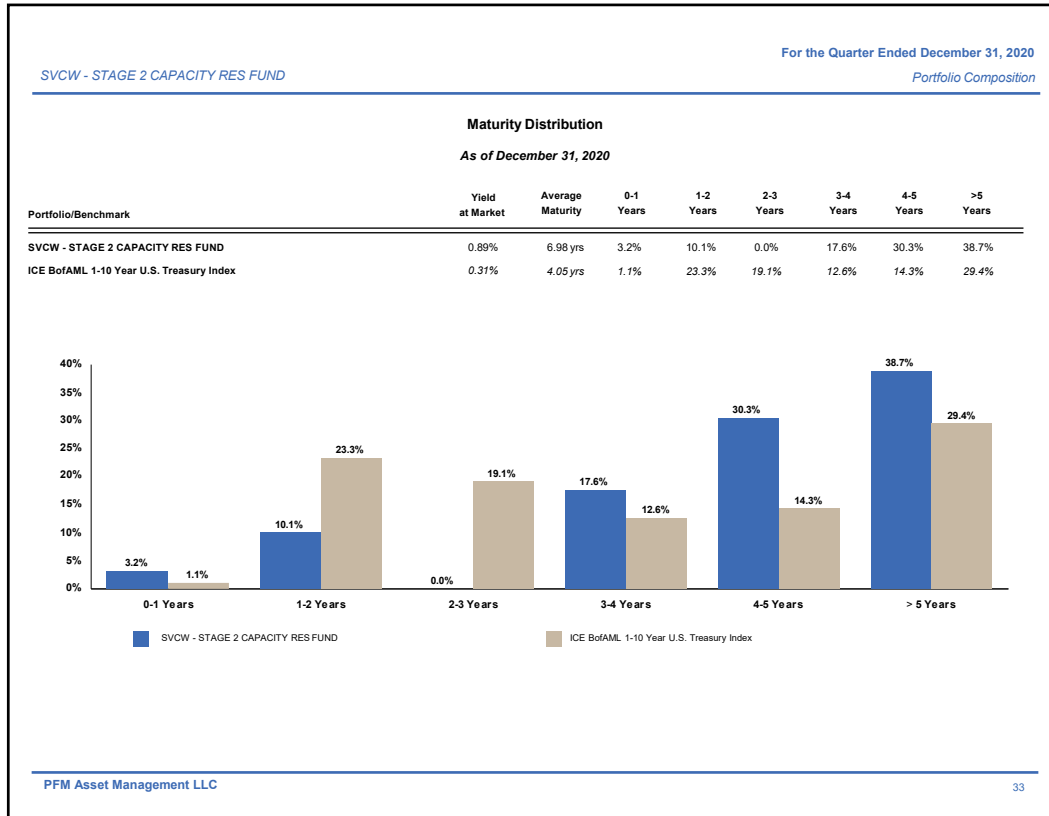
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SILICON VALLEY CLEAN WATER	For the Quarter Ended December 31, 2020
	Appendix
<b>IMPORTANT DISCLOSURES</b>	
<p>This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset 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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.</li> <li>• Money market fund/cash balances are included in performance and duration computations.</li> <li>• Standard &amp; Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.</li> <li>• 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.</li> <li>• MBS maturities are represented by expected average life.</li> </ul>	
PFM Asset Management LLC	35

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SILICON VALLEY CLEAN WATER	For the Quarter Ended December 31, 2020
	Appendix
<b>GLOSSARY</b>	
<ul style="list-style-type: none"> <li>• <b>ACCruED INTEREST:</b> Interest that is due on a bond or other fixed income security since the last interest payment was made.</li> <li>• <b>AGENCIES:</b> Federal agency securities and/or Government-sponsored enterprises.</li> <li>• <b>AMORTIZED COST:</b> 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.</li> <li>• <b>BANKERS' ACCEPTANCE:</b> 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.</li> <li>• <b>COMMERCIAL PAPER:</b> An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.</li> <li>• <b>CONTRIBUTION TO DURATION:</b> 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.</li> <li>• <b>EFFECTIVE DURATION:</b> A measure of the sensitivity of a security's price to a change in interest rates, stated in years.</li> <li>• <b>EFFECTIVE YIELD:</b> 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.</li> <li>• <b>FDIC:</b> Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.</li> <li>• <b>INTEREST RATE:</b> Interest per year divided by principal amount and expressed as a percentage.</li> <li>• <b>MARKET VALUE:</b> The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.</li> <li>• <b>MATURITY:</b> The date upon which the principal or stated value of an investment becomes due and payable.</li> <li>• <b>NEGOTIABLE CERTIFICATES OF DEPOSIT:</b> A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.</li> <li>• <b>PAR VALUE:</b> The nominal dollar face amount of a security.</li> <li>• <b>PASS THROUGH SECURITY:</b> A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.</li> </ul>	
PFM Asset Management LLC	36

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SILICON VALLEY CLEAN WATER	For the Quarter Ended December 31, 2020
Appendix	
<b>GLOSSARY</b>	
● <b>REPURCHASE AGREEMENTS:</b> A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.	
● <b>SETTLE DATE:</b> 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.	
● <b>TRADE DATE:</b> The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.	
● <b>UNSETTLED TRADE:</b> A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.	
● <b>U.S. TREASURY:</b> The department of the U.S. government that issues Treasury securities.	
● <b>YIELD:</b> 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.	
● <b>YTM AT COST:</b> 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.	
● <b>YTM AT MARKET:</b> 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.	
PFM Asset Management LLC	37

## AGENDA ITEM 5C3

**QUARTERLY OPERATING FUND FINANCIAL STATUS REPORT****ISSUE**

Review Operating Fund Financial Status as of December 31, 2020

**DISCUSSION**

Staff presents to the Commission an operating fund financial update each quarter of the fiscal year. Below are highlighted findings from the attached summary table.

**Revenue:** Year to date, actual revenues were \$13.5 million or \$193 thousand (1.4%) less than budget. All Member contributions were paid in full. Miscellaneous Revenue declined, however, during the COVID-19 pandemic and are unlikely to recover this fiscal year. Pandemic staffing levels reduced the ability to complete stormwater monitoring, source control monitoring, and laboratory services. Restaurant closures caused a sharp decline in the amount of grease received. Finally, interest earnings fell as investment market conditions deteriorated.

**Expense:** Operating expenses were \$12 million, or \$2 million (14.7%) less than budget. Notable variances include:

- Personnel Expenses were \$1 million (11.3%) less than budget. The Maintenance and Operations divisions sustained several vacancies from retirements and resignations and incurred little overtime during the pandemic.
- Utilities Expense was \$55 thousand (6.3%) over budget after the loss of several months' power production from biogas cogeneration engines due to maintenance.
- Administrative Expenses, Supplies, and Leases were \$32 thousand (3.9%) less than budget. A payment for an air permit will be processed later than budgeted. Additionally, certain maintenance activities had to be deferred during the pandemic.
- Equipment Maintenance Expenses were \$293 thousand (28.9%) less than budget as work was deferred during the pandemic. It is unclear the extent to which these savings will remain as the Maintenance division addresses a backlog of activities.
- Chemical Expenses were \$265 thousand (33.1%) less than budget. Use of disinfection chemicals declined as fewer-than-anticipated rain events occurred. Site construction interrupted the planned dosing of ferric chemicals, and delays in thickening process improvements resulted in less polymer use. Finally, nitrate usage was less than planned as pump station equipment installations were delayed. All delays are now addressed and chemical usage returned to anticipated levels in the 3<sup>rd</sup> quarter.
- Professional Services Expenses were \$38 thousand (8.8%) more than budget after delayed conversion to a new payroll system. The implementation is now scheduled to occur in the 4<sup>th</sup> quarter.
- Contractual Services Expenses were \$456 thousand (45.8%) less than budget due to certain services like tank cleaning being deferred during the pandemic. Those services have since resumed.
- Memberships, Conferences, & Training Expenses were \$98 thousand (50.4%) less than budget as training, conferences, and travel ceased during the pandemic.

REPORT BY: M.A.

5C3-1

Description	YTD Actual	YTD Budget	Greater / (Less) than Budget \$	Greater / (Less) than Budget %
<b>Revenue:</b>	<b>\$ 13,533,172</b>	<b>\$ 13,726,742</b>	<b>\$ (193,570)</b>	<b>(1.4%)</b>
<b>Expenditures:</b>				
Personnel	\$ 7,918,680	\$ 8,926,602	\$ (1,007,922)	(11.3%)
Utilities	921,502	866,725	54,777	6.3%
Admin Exp, Supplies, Leases	791,733	824,184	(32,451)	(3.9%)
Equipment Maintenance	722,623	1,015,684	(293,061)	(28.9%)
Chemicals	535,322	799,858	(264,536)	(33.1%)
Professional Services	461,874	424,421	37,453	8.8%
Contractual Services	539,960	995,696	(455,736)	(45.8%)
Memberships, Travel, Training	96,607	194,845	(98,238)	(50.4%)
<b>TOTAL Expenditures:</b>	<b>\$ 11,988,301</b>	<b>\$ 14,048,015</b>	<b>\$ (2,059,714)</b>	<b>(14.7%)</b>

## AGENDA ITEM 5D

**ENGINEERING REPORT: JANUARY 2021  
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.

SVCW staff have been in discussions with San Mateo County Real Property staff regarding the lease agreements for the two County-owned sites that are being used for staging and construction areas for the Gravity Pipeline Project. Agreements for these two areas will be going to the Commission for approval in February.

Planned Commission Actions: Approve County Agreements – February 2021

**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 the HVAC system and miscellaneous support systems for the installed equipment.

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

**Fixed Film Reactor Rehabilitation (9242):** Rehabilitate the three remaining fixed film reactors.

This project includes improvements and rehabilitation of three Fixed-Film Reactors (FFR). The FFRs are original equipment and are the last process facility in the treatment plant to be rehabilitated. The work includes assessing the condition of the structures and media and overall process and performance. One FFR will be rehabilitated at a time to ensure treatment can continue with the other two in service. Staff will be seeking proposals for design services from an engineering consulting firm.

Planned Commission Actions: Authorize Design Services – May 2021

**Digester #1 Rehabilitation (9215):** Rehabilitate Digester #1 and upgrade mixing systems.

This project includes repair of coatings and structural elements in Digester #1. Work will also include upgrade of the mixing pumps of all three digesters with a new type of mixing system. Design is being performed by Kennedy/ Jenks and the bidding process is expected to start in May 2021.

Planned Commission Actions: Award Construction Contract – July 2021

## AGENDA ITEM 5E



**Silicon Valley Clean Water**  
**Commissioners' Requested Action Items**

Updated: 02/08/2021

**FEBRUARY 22, 2021**  
**AGENDA ITEM 5E**

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
1/25/2021	1	Air Permit Excursion	N/A		✓			Inform Commission if the natural gas excursion on Cogen Engines result in a fine from BAAQMD
	2	Project Changes/Commission Notification	N/A	✓				Ensure Commission is kept apprised of possible/potential project cost and/or schedule increases.
12/14/2020	1	2021 Commission Meeting Dates	12/14/2020			✓	12/14/2020	Confirm dates for Commission meetings in 2021. Done at 12/14 meeting. Three Special meetings scheduled due to holidays.
	2	Project Changes/Commission Notification	N/A	✓				Ensure Commission is kept apprised of possible/potential project cost and/or schedule increases.
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			✓	11/16/2020	Bylaws note change to officers in July each year. Discussed at the November 2020 meeting; consensus to keep as is.
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.

**Silicon Valley Clean Water**  
**Commissioners' Requested Action Items**

**FEBRUARY 22, 2021**  
**AGENDA ITEM 5E**

Updated: 02/08/2021

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	3	1406 Radio Road Building	N/A		✓			Research and make recommendation related to historic registry restraints on what can/can't be done with buildings. On hold due to Covid-19
1/27/2020	1	Clarify verbiage in Local 39-SVCW MOU Side Letter	N/A			✓	3/2/2020	Clarify that the term "bi-weekly" equates to two times per month; i.e., coincides with pay periods.
	2	Clarify Financial Impact section on Agenda Letters	3/9/2020			✓	3/2/2020	Simplify the financial impact section to enable the reader to more readily decipher the information.
	3	Investment Policy Re-work	3/9/2020			✓	2/24/2020	SVCW CFO reach out to Bel CFO to discuss strategy further. Bring item to March meeting for consideration.
	4	CIP Update Document	N/A			✓	1/28/2020	Email CIP document to WBSD Commissioner and upload to website. For future, include CIP document with the agenda packet, especially the CEQA table.
> 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

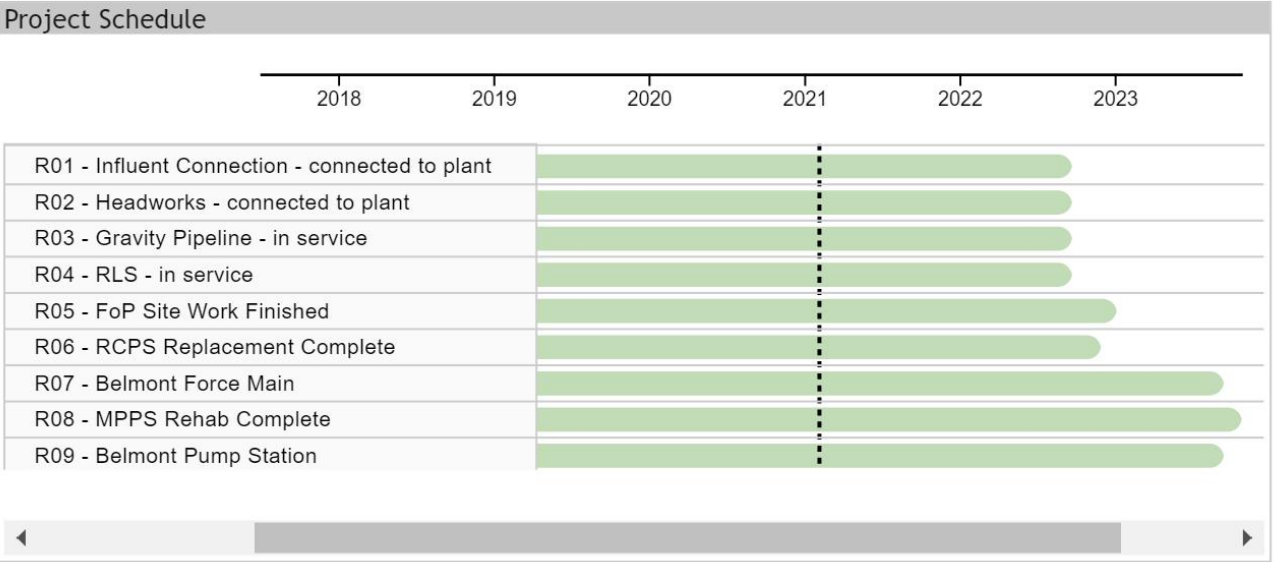
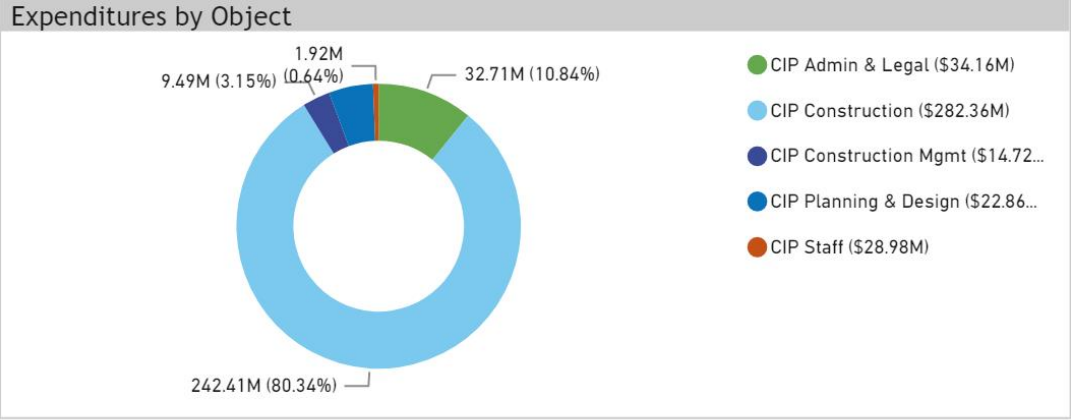
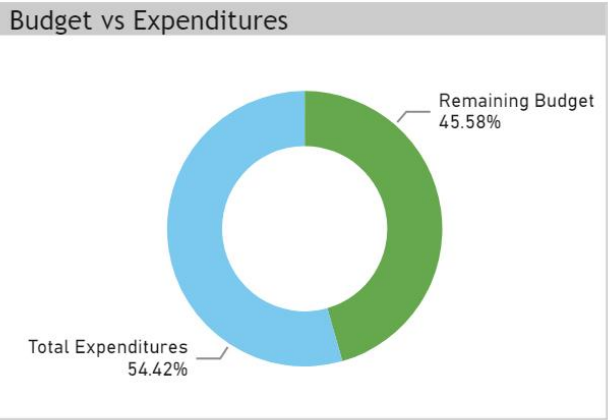
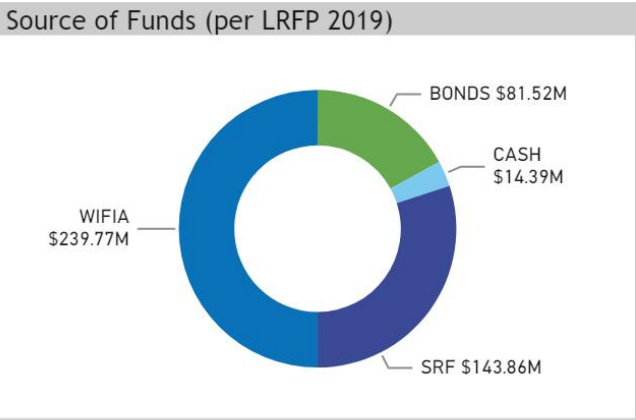
\$554.36M

Total Expenditure

\$301.73M

Remaining Budget

\$252.63M





# 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

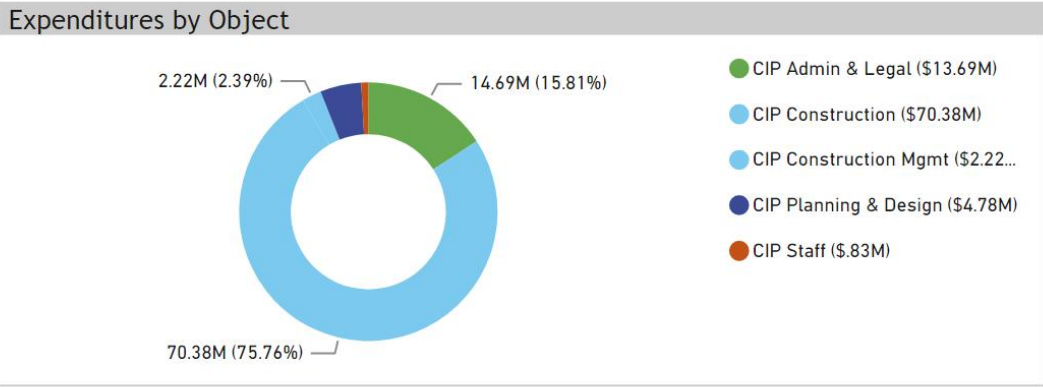
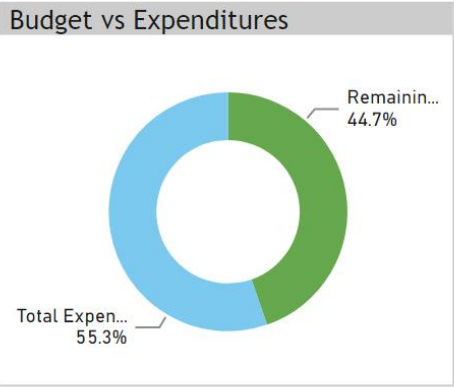
Total Expenditure

\$89.56M

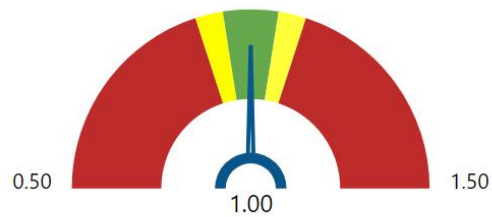
Remaining Budget

\$72.40M

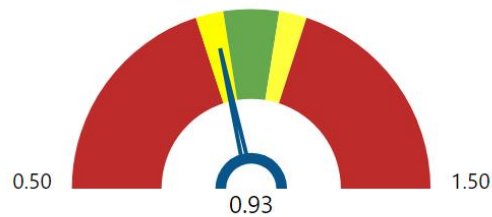
Milestone Schedule		
	Start	Finish
Influent Pipeline Completed	7/24/2020	4/13/2022
Headworks Facility Completed	12/6/2018	11/5/2021
SFS/RLS Completed	12/6/2018	7/1/2022
Start-up and Commissioning	1/28/2022	8/31/2022



## Cost Performance Index (CPI)



## Schedule Performance Index (SPI)



## Major Accomplishments this Period

▼	
Design	<ul style="list-style-type: none"> <li>- SPJV continued developing the control strategies in coordination with Operations staff. O&amp;M is reviewing a chapter of the first draft.</li> <li>- SPJV continued developing the start-up and testing plan for Operations to review.</li> <li>- SPJV continued detailing the design of the utilidor, the 60" IPL Flow Meter, hose bibs, and pipe conflicts/structural changes in the RLS with the Operations and Maintenance staff.</li> </ul>
Procurement of Trade Packages	- WIFIA and SRF requirements compliance for trade packages are in progress.
Construction	<ul style="list-style-type: none"> <li>- SPJV continued installation of lighting fixtures at the Headworks Facility and began installing lighting devices at the RLS stairwells.</li> <li>- SPJV completed coating of the Headworks Facility channels and installed the screenings and grit classifier equipment.</li> <li>- SPJV completed construction the CMU retaining wall.</li> <li>- SPJV began installing the electrical duct bank for the Headworks Switchgear.</li> <li>- The BTF and GAC Odor Control equipment arrived onsite.</li> <li>- SPJV began installing HVAC ducting in the RLS stairwells.</li> <li>- SPJV continued installing handrails for the enclosed stairwells in the RLS shaft.</li> <li>- SPJV installed the 24-inch pump discharge pipes on the RLS walls and began excavating, chipping and exposing blockouts. SPJV also began installing the pipe support system on the west side of HW Facility.</li> </ul>

## 3 - Month Look Ahead

	▼ Start	End	February	March	April
Form/Set Rebar/Place Concrete for Precast RLS Roof Sections	March 15, 2021	April 23, 2021		X	X
Install 3W Connection Piping	March 15, 2021	April 8, 2021		X	X
Install Channel Cover Plates	March 29, 2021	April 2, 2021		X	X
Install Electrical Conduit and Wire at RLS	March 17, 2021	May 18, 2021		X	X
Install Elevators	March 17, 2021	April 20, 2021		X	X
Install Grit Piping and Pumps	March 29, 2021	April 6, 2021		X	X
Install Grit Removal Equipment	January 4, 2021	April 21, 2021	X	X	X
Install permanent lighting around Headworks Facility	November 24, 2020	April 23, 2021	X	X	X
Install Pump VFDs	February 22, 2021	April 9, 2021	X	X	X
Install RLS Pump Discharge Piping	January 29, 2021	April 16, 2021	X	X	X
Place Elevator/Stairwell Roofs	January 29, 2021	March 12, 2021	X	X	

## Potential Issues

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

## 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

\$186.63M

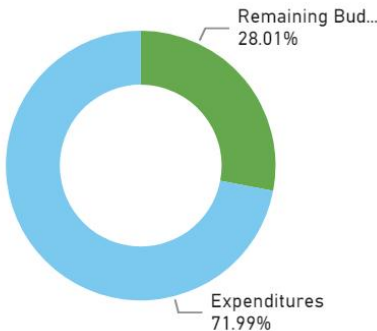
Remaining Budget

\$72.60M

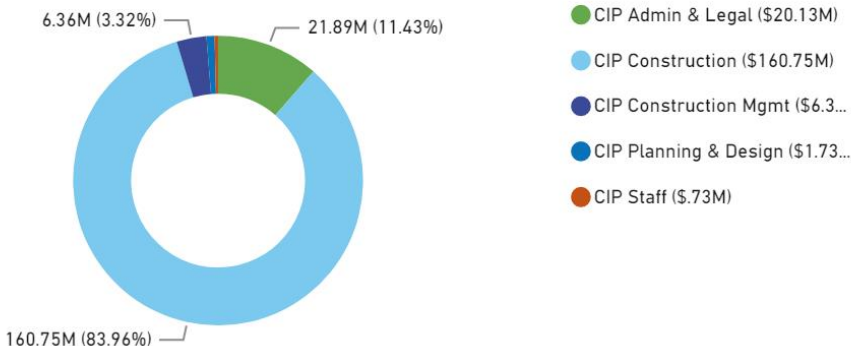
Milestone Schedule

	Start	Finish
100% Design Documents		3/15/2021
San Carlos Shaft and Adit Construction	6/15/2020	6/23/2021
TBM Drive (AAS to SFS)	7/6/2020	6/11/2021
FRP Pipe Installation	11/16/2020	3/4/2022
Final Commissioning		7/1/2022

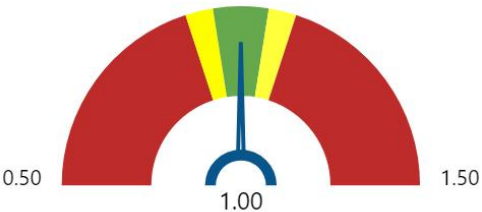
Budget vs Expenditures



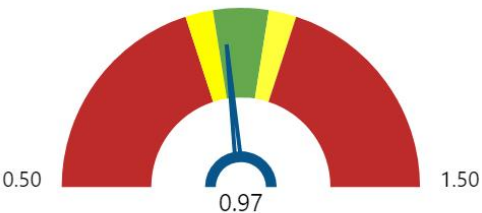
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



## Major Accomplishments this Period

▼	
Design	- BBJV continues 100% design development for San Carlos and Bair Island piping.
Procurement of Trade Packages	- SFS jet grout contract executed - SC Shaft excavation contract in progress - Outreach in conformance with SRF and WIFIA funding requirements
Construction	- BBJV continued tunneling the second drive to the SFS - BBJV completed site prep for the jet grout operation at the SFS - BBJV completed 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.
San Carlos Site Access Modifications

## 3 - Month Look Ahead

	Start	End	February	March	April
100% Design Completion	August 10, 2018	March 15, 2021	X	X	
San Carlos Adit Construction	March 15, 2021	June 23, 2021		X	X
San Carlos Shaft Excavation	January 25, 2021	March 12, 2021	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	
SFS Ground Improvement	January 4, 2021	May 8, 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

\$31.08M

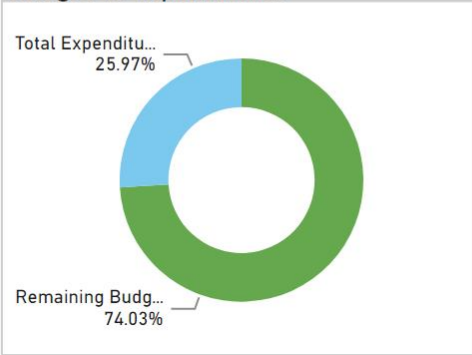
Remaining Budget

\$88.60M

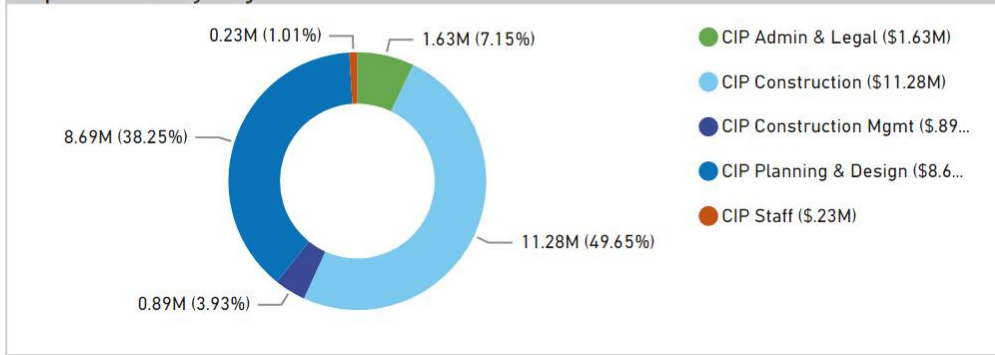
## Milestone Schedule

	Start	Finish
MPPS - Mobilize	4/1/2021	4/21/2021
MPPS - Site Modifications	4/22/2020	10/28/2022
MPPS - Pump Station Rehabilitation	8/27/2021	10/19/2022
BGP - Mobilize	12/14/2020	1/21/2021
BGP - Pipe Installation Completed	2/21/2021	2/23/2023
RCPS - Site Demo	11/30/2020	1/29/2021
RCPS - PG&E Service Work	3/24/2021	11/2/2021
RCPS - Facility Construction	2/1/2021	6/27/2023

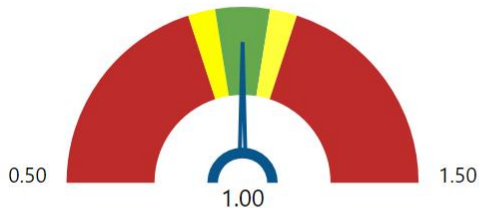
## Budget vs Expenditures



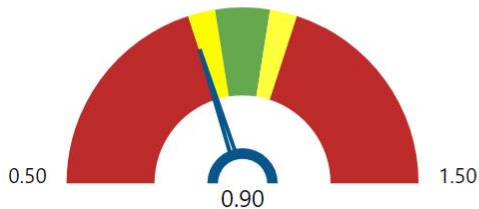
## Expenditures by Object



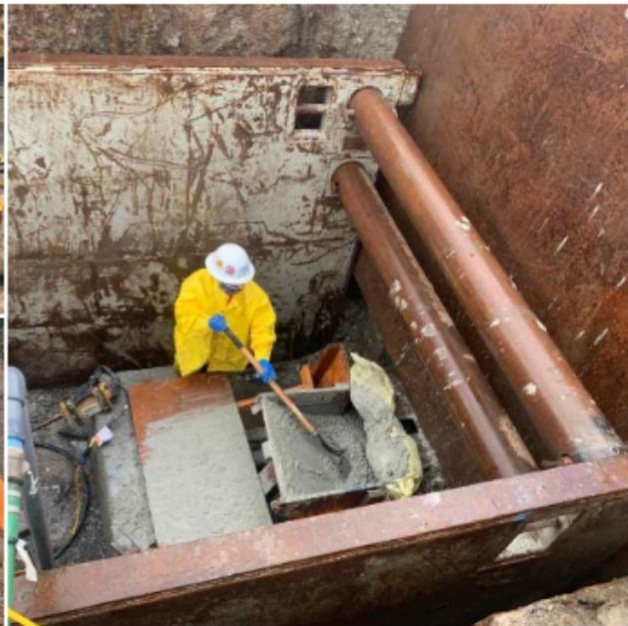
## Cost Performance Index (CPI)



## Schedule Performance Index (SPI)



As of : 2021 - 01



## Major Accomplishments this Period

Design	- SPJV issued the IFC design for the RCPS Remaining Work Package.
Construction	<ul style="list-style-type: none"> <li>- Completed demolition of the abandoned 48-inch Force Main at RCPS.</li> <li>- Installed a construction power connection at the San Carlos Pump Station.</li> <li>- Completed all four Segment 1 Force Main Junction Box Repairs.</li> </ul>

## Potential Issues

Schedule challenges from permitting and land acquisition conditions

## 3 - Month Look Ahead

	Start	End	February	March	April
BGP - Phase 1	December 14, 2020	April 19, 2021	X	X	X
BGP - Phase 2	April 6, 2021	December 2, 2021			X
BGP - Procurement	February 2, 2021	September 15, 2021	X	X	X
MPPS - CARV and Meter Vault Work	April 22, 2021	June 9, 2021			X
MPPS - Mobilization	April 1, 2021	April 21, 2021			X
MPPS - Procurement	January 22, 2021	September 29, 2021	X	X	X
RCPS - Permits & Easements Acquisition	June 11, 2020	September 15, 2021	X	X	X
RCPS - PG&E Service	March 24, 2021	November 2, 2021		X	X
RCPS - Procurement	January 22, 2021	August 17, 2021	X	X	X
RCPS - Wet Well & Screening Building Excavation and Backfill	February 1, 2021	October 20, 2022	X	X	X

## Project Changes

BGP Design Development  
BGP Traffic Control Plan Changes  
Segment 1 Force Main Junction Box Repairs

## Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	0

## AGENDA ITEM 7A

**MINUTES OF SILICON VALLEY CLEAN WATER  
SPECIAL MEETING – January 25, 2021  
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 8:02 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 Ron Collins, 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  
Anir Bhagwat, SVCW Senior Engineer  
EJ Shalaby, Senior Consultant, DNS Strategic Partners  
Bill Tanner, Tanner Pacific, Inc.  
Mark Minkowski, Kennedy/Jenks  
Steven Machida, City of San Carlos  
Aren Hansen, Brown & Caldwell  
Molly Flowerday, City of Redwood City  
Lora Carpenter, Fieldman, Rolapp, & Associates  
Sergio Ramirez, West Bay Sanitary District  
Doug Brown, Stradling, Yocca, Carlson, & Rauth

**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, Item 5A, concerned tips on ocean safety and what to do if you're caught in a rip current.

Under Manager's Report, Item 5B, information re: an air permit excursion was provided. The Commission requested an update when and if a fine is levied by the Air District.

Under RESCU Report, Item 5F, explanation was provided on the schedule metric for Pump Station Improvements Project.

For other reports contained within the agenda packet, there were no questions nor comments.

## **ITEM 6**

### **MATTERS OF COMMISSION MEMBER'S INTEREST**

Welcoming comments were provided to Mr. Ron Collins, new Commission representative from San Carlos.

## **ITEM 7**

### **CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR ITEMS 7A THROUGH 7E**

- A. APPROVAL OF MINUTES –December 14, 2020 – Special Meeting
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED DECEMBER 1, DECEMBER 11, AND DECEMBER 24, 2020 AND NECESSARY PAYMENTS THROUGH DECEMBER 24, 2020
- C. CONSIDERATION OF MOTION APPROVING TASK ORDER WITH FIELDMAN, ROLAPP & ASSOCIATES FOR LONG-TERM FINANCIAL PLANNING ADVISORY SERVICES

Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR CIP FINANCIAL PLANNING SERVICES (CIP #9158) IN THE AMOUNT NOT TO EXCEED \$500,000– FIELDMAN, ROLAPP & ASSOCIATES

- D. CONSIDERATION OF RESOLUTION APPROVING UPDATE TO SILICON VALLEY CLEAN WATER INVESTMENT POLICY AND GUIDELINES

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION "T" TO ADMINISTRATIVE POLICY 1992-01 ESTABLISHING SILICON VALLEY CLEAN WATER'S INVESTMENT POLICY AND GUIDELINES

- E. CONSIDERATION OF MOTION APPROVING TASK ORDER FOR KENNEDY JENKS CONSULTANTS DESIGN AND BID PERIOD SERVICES SCOPE OF WORK AND BUDGET FOR RETURN ACTIVATED SLUDGE PIPELINE REHABILITATION PROJECT (CIP #9120)

Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR DESIGN AND BID PERIOD SERVICES RELATED TO THE RETURN ACTIVATED SLUDGE PIPELINE REHABILITATION PROJECT (CIP #9120) IN THE AMOUNT NOT TO EXCEED \$327,980 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS CONSULTANTS

**Motion/Second: Dr. Lieberman / Mr. Otte**

The Motion carried by Unanimous Roll Call Vote

**ITEM 8A**

CONSIDERATION OF RESOLUTION AUTHORIZING SILICON VALLEY CLEAN WATER TO ISSUE DEBT FOR THE REFUNDING OF A STATE REVOLVING FUND LOAN

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 THE SRF CONTROL BUILDING LOAN

**Motion/Second: Mr. Otte / Mr. Collins**

The Motion carried by Unanimous Roll Call Vote

**ITEM 8B**

CONSIDERATION OF MOTION TO APPROVE TASK ORDERS AND CONSTRUCTION CONTRACT CHANGE ORDER TO PROTECT SVCW FORCE MAIN INFRASTRUCTURE TO ACCOMMODATE CONSTRUCTION OF THE 1548 MAPLE STREET DEVELOPMENT IN REDWOOD CITY AND CONSIDERATION OF RESOLUTION APPROVING REIMBURSEMENT AGREEMENT WITH DEVELOPER

Proposed Actions:

- i. Move approval of TASK ORDER FOR DESIGN SERVICES RELATED TO MAPLE STREET FORCE MAIN MODIFICATIONS PROJECT (CIP #9504) IN AN

AMOUNT NOT TO EXCEED \$126,100 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY/JENKS CONSULTANTS

- ii. Move approval of TASK ORDER FOR CONSTRUCTION MANAGEMENT SERVICES RELATED TO MAPLE STREET FORCE MAIN MODIFICATIONS PROJECT (CIP #9504) IN AN AMOUNT NOT TO EXCEED \$460,422 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – TANNER PACIFIC INC.
- iii. Move approval of TASK ORDER FOR PROJECT MANAGEMENT SERVICES RELATED TO MAPLE STREET FORCE MAIN MODIFICATIONS PROJECT (CIP #9504) IN AN AMOUNT NOT TO EXCEED \$171,612 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – COLLABORATIVE STRATEGIES CONSULTING INC.
- iv. Move approval of CONTRACT CHANGE ORDER TO PUMP STATIONS IMPROVEMENTS PROJECT IN AN AMOUNT NOT TO EXCEED \$3,119,136 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – POWER ENGINEERING CONSTRUCTION
- v. Move adoption of RESOLUTION APPROVING AGREEMENT WITH 1548 MAPLE LLC FOR REIMBURSEMENT OF COSTS RELATED TO MAPLE STREET FORCE MAIN MODIFICATIONS PROJECT AND AUTHORIZING MANAGER TO FINALIZE TERMS AND EXECUTE AGREEMENT

**Motion/Second: Dr. Lieberman / Mr. Collins**

The Motion carried by Unanimous Roll Call Vote

## **ITEM 9**

### **CLOSED SESSION**

Prior to convening in Closed Session, SVCW General Counsel Christine C. Fitzgerald stated as follows: Pursuant to the requirements of the Brown Act, Item 9A relates to facts and circumstances arising from a potential contract dispute under the RESCU Program.

#### **A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

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

Closed Session was then called to order at 8:43 a.m.



**ITEM 10**

**RECONVENE IN OPEN SESSION**

Open session reconvened at 8:56 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 8:57 a.m.

Minutes prepared by Teresa A. Herrera  
Reviewed by General Counsel

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Warren Lieberman, Secretary



## AGENDA ITEM 7B

**SVCW WARRANT REGISTER**

SVCW Warrant Register dated December 29, 2020 – January 12, 2021 and January 12, 2021 – January 25, 2021, were scanned and a copy was emailed to Commissioners and Legal Counsel on February 17, 2021.

## AGENDA ITEM 7C

**PERMITS WITH SAN MATEO COUNTY TO  
FACILITATE CONSTRUCTION AND INSTALLATION  
OF GRAVITY PIPELINE PROJECT**

**ISSUE**

Consideration of Resolutions Approving and Authorizing Execution of Two Permits with San Mateo County for Use of Real Property Needed to Facilitate Construction Activities for the Gravity Pipeline Project

**BACKGROUND**

The Gravity Pipeline project requires large areas of land around the locations of its tunnel launch and receiving shafts for storage, staging and construction activities to facilitate the tunnel construction. Early in the project, three shaft locations were chosen in large, unimproved areas. The first shaft location was the Front of Plant location, owned by SVCW. The other two locations are on property owned by San Mateo County, just to the north and south of the San Carlos airport, respectively.

In May 2015, the SVCW Commission authorized execution of a permit with San Mateo County for the largest shaft area, which SVCW refers to as the Airport Access Shaft. This permit allowed SVCW to use 6.4 acres of the site just to the north of the intersection of Holly Street and Shoreway Road. This permit expired on July 1, 2020, although the County and SVCW have maintained an informal agreement that has allowed SVCW to continue using the site while the permit renewal was negotiated.

The other site is on Inner Bair Island, just to the south of the San Carlos airport runway. SVCW has been using this site since August 2019. It is the location of the receiving shaft, from which the TBM was removed after its first drive. The SVCW 48-Inch Force Main will flow into the tunnel at this location.

**DISCUSSION**

While SVCW has been working in these two areas for quite some time, with the County's permission, negotiation of the Bair Island Shaft permit and for the renewal of the Airport Access Shaft permit has taken substantially more time than anticipated. Reasons for the extended time can be attributed to the many priorities for the County over the past year. Whereas SVCW was intending to obtain both permanent easements for its sewer infrastructure on County property and permits for use of the shaft areas' construction at the same time, County staff elected to focus on the easements first, followed by the construction permits later. Additionally, much of the focus for the County shifted to Covid-19 pandemic response in 2020, which contributed to loss of momentum on the negotiations.

The County prefers to provide permits, rather than leases, for use of its unimproved properties for temporary construction, storage and assembly areas. The permits have been negotiated by staff from both agencies and reviewed by legal counsel for SVCW and County Counsel.

The monetary provisions of the permits are as follows:

- Monthly permit fee for use of Airport Access Shaft Area: \$103,000
- Monthly permit fee for use of Bair Island Shaft Area: \$52,150

Both of these permits include annual 3% increases to the permit fees.

#### FINANCES

The total amount anticipated to be paid by SVCW for use of the County properties is \$3,476,433. The project has approximately \$1.6 million of this amount included in the budget, and it is anticipated that the remaining funds will be paid from project contingency.

#### RECOMMENDATION

- i. Move adoption of RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF RESTATED AND AMENDED PERMIT AND RELATED EXPENDITURES FOR CONSTRUCTION SITE, STORAGE AND ASSEMBLY AREA IN CONJUNCTION WITH GRAVITY PIPELINE CONSTRUCTION PROJECT (County of San Mateo – North of Holly)
- ii. Move adoption of RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF PERMIT AND RELATED EXPENDITURES FOR CONSTRUCTION SITE, STORAGE AND ASSEMBLY AREA IN CONJUNCTION WITH GRAVITY PIPELINE CONSTRUCTION PROJECT (County of San Mateo – Bair Island)

## AGENDA ITEM 8A

**ESTABLISHING CLASSIFICATIONS FOR CONFIDENTIAL GENERAL,  
UNREPRESENTED GENERAL, PROFESSIONAL AND MANAGEMENT  
EMPLOYEES; AND APPROVING RATES OF PAY****ISSUE**

Consideration of Organizational Changes and Related New Position Titles and Consolidated Pay Schedule for Specific Employees

**BACKGROUND**

Significant numbers of workers within the wastewater industry are reaching retirement age and leaving the workforce. At the same time, fewer numbers of workers are entering the field. This is a phenomenon affecting all wastewater agencies in the Bay Area, state, and nation. Specific to SVCW, an estimated 18 staff will retire between now and five years, representing over twenty percent of the workforce. The industry as a whole acknowledges this phenomenon and there are various ongoing efforts to increase the visibility of the water and wastewater industry as an attractive career. SVCW is contributing to these efforts in the Bay Area by participating in occupational training/teaching, high school and community college outreach, and community works programs.

In addition to the high number of expected retirements at SVCW, new treatment facilities will come online with corresponding high levels of automation. Automation requires a somewhat different skillset within our staff and the impending retirements present the agency with opportunity to refocus the workgroup to meet the new skills. Finally, for the past 13 years, focus has been on SVCW's capital projects and accompanying planning, design, and construction. The large Capital Improvement Program, begun in 2008, will decrease in scope after 2023-2024 when RESCU facilities are completed and put into operation and focus will shift to operational optimization.

**DISCUSSION**

In response to the shifting personnel resource needs, SVCW's Senior Management team has been putting effort towards succession planning. These efforts culminated in a reorganized staffing arrangement, implemented in January 2021. The new organization responds to succession planning needs, new skillset requirements, and the changing emphasis to optimization. While there are no changes to salaries of specific individuals and no additional staffing headcount, there are recommended changes to salary ranges and titles of several positions.

SVCW's Commission approves all SVCW personnel position titles, compensation, and classifications via Resolution in June of each year. Unrepresented employee categories requiring Commission approval are Confidential General, Unrepresented General, Professional, and Management. Since the reorganization was rolled out in January, there is need for Commission action on several positions prior to the typical annual update in June. This is necessary to ensure compliance with CalPERS regulations. Recommended changes to titles and salary ranges are indicated in the table below.

<b>Current Position Title</b>	<b>New Position Title</b>	<b>Current Salary Range</b>	<b>New Salary Range</b>
Engineering Director	Engineering/ Environmental Services Director	\$16,629 - \$20,212	No Change
Laboratory/ Environmental Services Director	Laboratory Director	\$16,629 - \$20,212	No Change
Procurement/ Materials Specialist	Materials Specialist	\$8,126 - \$10,088	No Change
Procurement/ Materials Specialist	Procurement Specialist	\$8,126 - \$10,088	\$8,126 - \$10,823
No Current Position	Facilities Maintenance Worker	\$8,365 - \$11,212	TBD (Will be less than current) <sup>1</sup>

<sup>1</sup> Upon the individual's retirement, the opportunity to reduce the salary range will exist.

The new Procurement Specialist position will require Commission action to create the position and approve the increase to the salary range top step. The position will be a Confidential General Employee classification. The rationale for increasing the top step is twofold: 1) the Procurement Specialist position includes significantly more responsibility than the previous Procurement/Materials Specialist position in that it will be the “buyer” for the entire agency, will oversee contracts for services and purchases, and will be the agency’s risk manager, ensuring insurance requirements are met by all vendors and 2) the individual to be transferred into this position moves from a position with a higher salary range (Financial Analyst) and is recommended to be moved to the Procurement Specialist position without decrease in salary.

Recommended actions by the Commission are to change the position titles as noted in the table above and to change the salary range and classification for the Procurement Specialist. Positions and rates of pay for all positions are codified in Resolution No. SVCW 77-6 which is considered and acted upon by the Commission every year in June. This mid-year action will modify Resolution No. SVCW 77-6 accordingly. It is also recommended that SVCW’s master consolidated pay schedule be concurrently updated to reflect these changes as required by CalPERS regulations.

#### FINANCES

No changes to the approved SVCW FY20-21 operating budget are required.



## RECOMMENDATION

Move adoptions of:

- i. RESOLUTION AMENDING SECTION 6 OF RESOLUTION NO. SVCW 77-6, THE SVCW PERSONNEL RESOLUTION, RELATING TO CLASSIFICATION OF POSITIONS AND RESCINDING PARAGRAPH 1 OF RESOLUTION NO. SVCW 20-24 AND ANY AND ALL OTHER RESOLUTIONS OR PROVISIONS THEREOF IN CONFLICT HERewith
- ii. RESOLUTION ESTABLISHING RATES OF PAY AND RELATED COMPENSATION PROVISIONS FOR CONFIDENTIAL GENERAL EMPLOYEES OF SILICON VALLEY CLEAN WATER AND RESCINDING RESOLUTION NO. SVCW 20-21 AND ANY AND ALL OTHER RESOLUTIONS OR PROVISIONS THEREOF IN CONFLICT HERewith
- iii. RESOLUTION APPROVING AND ADOPTING CONSOLIDATED PAY SCHEDULE FOR ALL REPRESENTED AND UNREPRESENTED EMPLOYEES OF SILICON VALLEY CLEAN WATER FOR FISCAL YEAR 2021-2022

## **AGENDA ITEM 8B**

**LONG RANGE FINANCIAL PLAN  
2021 UPDATE****ISSUE**

Receipt and Approval of the Silicon Valley Clean Water Long Range Financial Plan 2021 Update

**BACKGROUND**

Silicon Valley Clean Water (“SVCW”) updates its Long-Range Financial Plan (“LFRP” or “the Plan”) annually at the beginning of the calendar year. Updates to the Plan describe cash flows needed by SVCW over the 10-year period following issuance. Therefore, this proposed LFRP 2021 update describes the cash flows needed by SVCW over the next decade, through fiscal year 2030-31. It includes funding for operations and maintenance of wastewater facilities, revenue-funded capital projects, debt service payments, and ongoing cash reserve contributions. The LFRP informs Member Agency staff who require up-to-date financial projections for decision-making and rate planning.

The Plan conforms to the financial and budgetary aspects of the SVCW Joint Powers Agreement. It incorporates the adopted 2020-21 operating/capital budgets and relevant fiscal policies that influence SVCW cash flow requirements. SVCW staff strives to adhere to the Plan when managing operating costs, construction schedules and expenditures, and debt coverage measures.

**DISCUSSION**

In 2008 SVCW initiated its Capital Improvement Program (“CIP”) to replace and rehabilitate the wastewater conveyance and treatment system in a structured and prioritized manner. Now in its thirteenth year, the CIP has completed over 120 projects and, through December 01, 2020, \$571 million was spent to rebuild, rehabilitate, and upgrade SVCW facilities. The next two to three years will see the RESCU program coming to completion leaving a smaller scope of projects in the CIP. Upon completion of the large-scale projects identified in 2008, the focus of the CIP will shift to preventative maintenance projects. Over the next ten years, expenditures for projects identified in the CIP are estimated at \$381 million as illustrated below:

SVCW Identified Capital Expenditures through Fiscal Year 2030; By CIP Program											
CIP Program	FYE 2021 (Remaining)	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	Total
Gravity Pipeline	\$ 45.2	\$ 36.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81.8
Front of Plant Facilities	38.1	30.2	4.5	-	-	-	-	-	-	-	72.9
Pump Stations & Pipelines	17.7	55.2	29.8	-	-	-	-	-	-	-	102.7
Treatment Facilities	9.6	26.1	31.9	26.3	16.0	5.7	1.8	1.8	1.8	2.7	123.8
<b>TOTAL</b>	<b>\$ 110.5</b>	<b>\$ 148.0</b>	<b>\$ 66.3</b>	<b>\$ 26.3</b>	<b>\$ 16.0</b>	<b>\$ 5.7</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	<b>\$ 2.7</b>	<b>\$ 381.1</b>

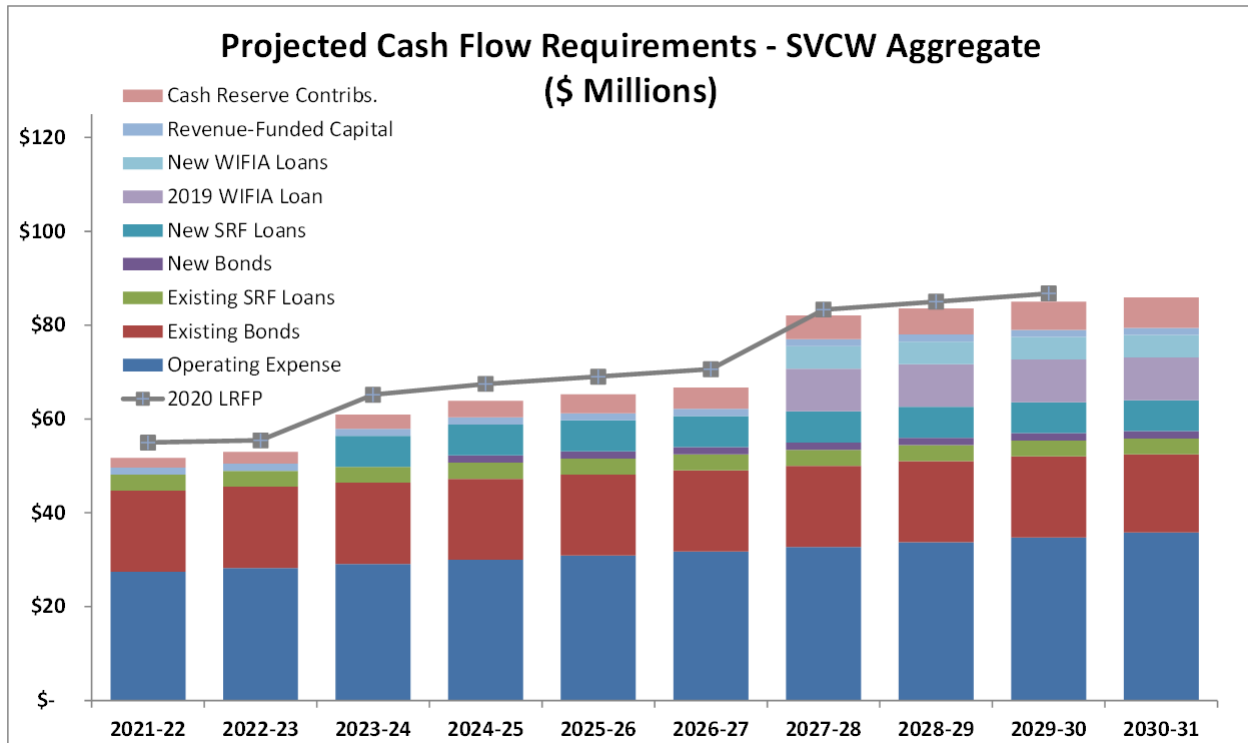
The CIP is largely funded by use of long-term debt. Last year's LRFP assumed the source of funds for remaining expenditures would be 23% wastewater revenue bonds, 67% Government Loans, and 10% from Proceeds or Members' cash contributions.

Each year, the LRFP updates funding strategies by considering three critical items:

- **CIP Update:** SVCW continues to update its CIP cost estimates, which includes project additions and deletions, changes in project scope, and incorporating new information about prices. These factors added \$21 million in anticipated CIP expenditures.
- **Construction Timing:** Significant construction has been completed on two elements of the RESCU program (Regional Environmental Sewer Conveyance Upgrade). The use of a Progressive Design-Build (PDB) project delivery method has seen the Gravity Pipeline and the Front of Plant projects remain on schedule. Design of the final element (Pump Station Improvements) is complete and construction has commenced.
- **Financing Sources and Rates:** The LRFP reflects how SVCW continues to obtain record-low interest rates when funding the CIP. Improvements include:
  - In November 2020 the Authority refinanced its \$218 million WIFIA Loan to reduce its interest rate from 2.40% to 1.41%. This decreases future debt service by \$1.69 million annually, or \$37.8 million in Net Present Value (NPV) terms over the life of the WIFIA Loan.
  - A planned \$169 million State Revolving Fund Loan is now being executed at 0.90% rather than the 1.90% anticipated in last year's plan, saving \$1.1 million annually or NPV \$22 million over the term of the SRF Loan.
  - An anticipated refunding of \$118 million in outstanding 2014 and 2015 Bonds, as well as refinancing of an outstanding \$8.1 million 2011 SRF Loan. Combined, annual savings are estimated at today's market environment to be \$450 thousand, or NPV \$7.9 million over the refunding bonds' repayment term.
  - SVCW received confirmation from the U.S. Environmental Protection Agency that it was selected for two additional WIFIA Loans of \$67 million and \$39 million, respectively. These new loans are estimated to save approximately \$1 million annually compared to issuing revenue bonds.

## FINANCES

The LRFP describes the structure, timing, and amount of all SVCW expenditures over the next decade and is useful to Member Entities for rate-setting purposes. It incorporates inflationary factors, estimates debt service payments, provides for cash-funded capital projects, and accounts for future contributions to cash reserves. SVCW anticipates \$51.68 million of cash flows are needed in fiscal year 2021-22, with the annual figure rising to \$85.96 million in ten years. Projected cash flow requirements are shown on the following page.



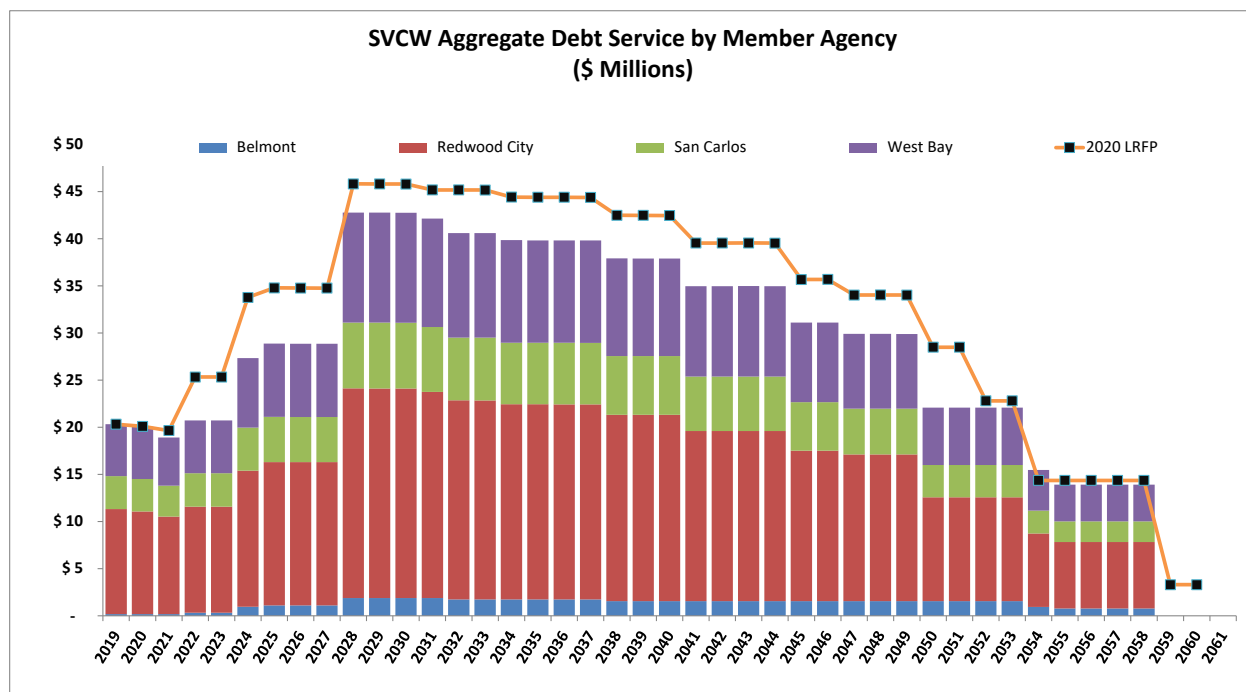
Debt service increases compared to prior year's LRFP as additional CIP expenditures will require more wastewater revenue bonds to be issued. While mitigated by low interest rates, annual debt service payments increase compared to the prior year's LRFP.

A comparison of debt strategies is below. It shows how interest rates have improved after restructuring the 2019 WIFIA loan, securing the SRF Loan at a lower rate, refunding outstanding debt, and being selected for two new WIFIA Loans. With these changes, the Weighted Average Cost of Capital of remaining borrowing has declined to an SVCW record low of 1.41%.

Description	2020 LRFP	2021 LRFP
<b>Remaining funding to be secured</b>	<b>\$561 Million</b>	<b>\$381 Million</b>
\$ Fixed Bonds / % of New Debt	\$99M / 18%	\$26M / 7%
\$ Variable Bonds / % of New Debt	\$29M / 5%	\$0M / 0%
\$ SRF Loans* / % of New Debt	\$169M / 30%	\$169M / 44%
\$ WIFIA Loan / % of New Debt	\$208M / 37%	\$106M / 28%
Proceeds or Cash / % of New Debt	\$56M / 10%	\$80M / 21%
 Weighted Average Cost of Capital	 2.57%	 1.41%

The projected debt to fund known CIP projects will generate total debt payments of approximately \$1.19 billion over their amortization periods, which is \$148.8 million less

(in nominal dollars) than prior year's Plan. Discounted to January 2021 dollars, this is a reduction of NPV \$63.7 million. The Maximum Annual Debt Service payment (or "MADS", anticipated in fiscal year 2027-28) is estimated at \$42.8 million, a \$3.0 million reduction from last year's Plan due to securing lower-cost sources of funding.



The impact of the above to each Member is described in pages 40 through 44 of the attached LFRP, and reflects factors such as cash contributions in lieu of debt, participation assumptions for future debt issuances, and flow & loading behaviors. A presentation further discussing the 2021 LFRP Update will be given at the Commission meeting.

## RECOMMENDATION

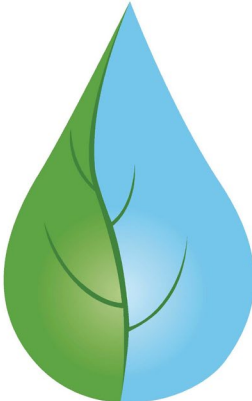
Move approval of RECEIPT AND ACCEPTANCE OF SILICON VALLEY CLEAN WATER LONG RANGE FINANCIAL PLAN 2021 UPDATE





# Long Range Financial Plan

# 2021



**SVCW**

Silicon Valley Clean Water

One Drop at a Time  
Agenda Packet Page 75

**Presented February 2021 by:**

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## **Silicon Valley Clean Water Commissioners**

<b><u>Commissioner</u></b>	<b><u>Title</u></b>	<b><u>Member Agency</u></b>
Alicia Aguirre	Chair	City of Redwood City
George Otte	Vice Chair	West Bay Sanitary District
Warren Lieberman	Secretary	City of Belmont
Ron Collins	Member	City of San Carlos

## **Member Agency Staff**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Member Agency</u></b>
Michelle Poche Flaherty	ACM, Admin Services Director	City of Redwood City
Terrence Kyaw	Public Works Director	City of Redwood City
Grace Castaneda	Finance Director	City of Belmont
Afshin Oskoui	City Manager	City of Belmont
Rebecca Mendenhall	Administrative Services Director	City of San Carlos
Grace Le	City Engineer	City of San Carlos
Steven Machida	Public Works Director	City of San Carlos
Sergio Ramirez	District Manager	West Bay Sanitary District
Debra Fisher	Finance Manager	West Bay Sanitary District

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### **Silicon Valley Clean Water Staff**

**Name**

Teresa A. Herrera  
Matthew Anderson  
Kim Hackett  
Arvind Akela  
Monte Hamamoto

**Title**

SVCW Manager  
Assistant Manager & Chief Finance Officer  
Authority Engineer  
Engineering Director  
Chief Operating Officer

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## SECTION 1 – EXECUTIVE SUMMARY AND INTRODUCTION

This Long Range Financial Plan (LRFP; or the Plan) describes the anticipated cash flows required by Silicon Valley Clean Water (SVCW; or the Authority) over the next decade to provide wastewater services and fund critical construction for the communities it serves. This includes funding for operations and maintenance of wastewater facilities, revenue-funded capital projects, as well as Capital Improvement Program (CIP) program expenditures and associated debt service payments. It also describes contributions to cash reserves to fund future capital improvements. This Plan is meant to encourage discussion and support decision-making. It provides up-to-date financial information to Member Agencies (“Member Agencies”, as herein defined) as they measure the financial implications of decisions and communicate with internal and external stakeholders.

SVCW’s Wastewater Treatment Plant (WWTP) was placed in operation November 1981 and connected to an influent conveyance system and effluent disposal system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. SVCW therefore initiated a CIP that identifies equipment and facilities that need replacement or rehabilitation; and describes the schedule of construction and expenditures (Capital expenditures or costs) in a structured and prioritized manner. It has also anticipated that more stringent treatment requirements will be necessary. Now in its thirteenth year, the CIP has completed over 120 projects and spent \$571 million through October 2019. The CIP is the Authority’s guiding document and a recent update in December 2020 estimates that, inclusive of spending to date, the program will have constructed \$953 million of new or rehabilitated assets over a 22-year period.

This Plan incorporates the guidelines from the SVCW Joint Powers Agreement, the adopted 2019-20 Operating and Capital Budget, and relevant fiscal policies that influence cash flow requirements. It also recognizes the importance of growing the Authority’s cash reserves dedicated to future projects.

The LRFP is updated each year to measure SVCW’s financial position relative to anticipated cash flows needed from SVCW’s Member Agencies. After incorporating CIP construction and expenditure schedules, the LRFP-recommended strategy ensures SVCW obligations can be met while Members strengthen their credit ratings.

Compared to the January 2020 LRFP, this Plan incorporates three significant changes:

- **CIP Update:** SVCW continues to update its CIP cost estimates, which includes project additions and deletions, changes in project scope, and new information about prices. These factors added \$21 million in anticipated CIP expenditures over the next ten years.

- **Construction Timing:** Significant construction has been completed on two elements of the RESCU program (Regional Environmental Sewer Conveyance Upgrade). The use of a progressive Design-Build (PDB) project delivery method has seen the Gravity Pipeline and the Front of Plant projects remain on schedule. Design of the final element (Pump Station Improvements) is complete and construction has commenced.
- **Financing Sources and Rates:** The LRFP reflects how SVCW continues to obtain near record-low interest rates when funding the CIP. Improvements include:
  - In November 2020 the Authority refinanced its \$218 million WIFIA Loan to reduce its interest rate from 2.40% to 1.41%. This decreases future debt service by approximately \$1.69 million annually, or \$37.8 million in Net Present Value (NPV) terms over the life of the WIFIA Loan.
  - A planned \$169 million State Revolving Fund Loan is now being executed at 0.90% rather than the 1.90% anticipated in last year's Plan, saving approximately \$1.1 million annually or NPV \$22 million over the term of the SRF Loan.
  - An anticipated refunding of \$118 million of outstanding 2014 and 2015 Bonds, as well as refinancing of an outstanding \$8.1 million 2011 SRF Loan. Combined, annual savings are estimated at today's market environment to be \$450 thousand annually, or NPV \$7.9 million over the refunding bonds' repayment term.
  - SVCW received confirmation from the U.S. Environmental Protection Agency that it was selected for two additional WIFIA Loans of \$67 million and \$39 million, for the Wastewater Treatment Plan and RESCU program, respectively. These new loans are estimated to save approximately \$1 million annually compared to issuing revenue bonds.

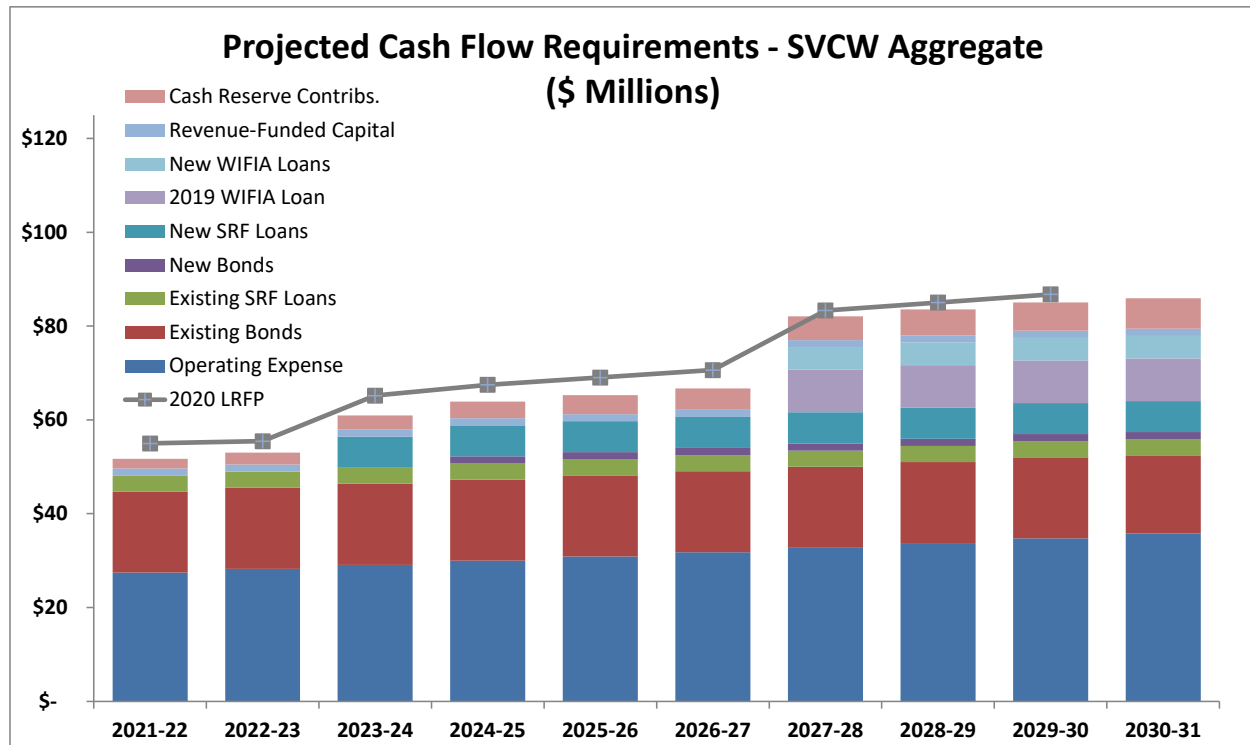
Like many other wastewater treatment, SVCW infrastructure was originally funded by the 1972 Clean Water Act. As assets aged, the absence of a capital replacement fund at SVCW created a reliance on debt to fund the current CIP. The Authority now strives to obtain the lowest-cost financing available through a combination of Wastewater Revenue Bonds, low-cost Governmental Loans at federal and state levels, and cash reserves when available. Additionally, SVCW has taken steps to increase capital reserves to reduce its reliance on debt issuances for future capital projects.

When made aware in 2008 of the need to invest a significant amount into SVCW infrastructure, Member Agencies enacted strategies to increase sewer rates. Regular updates to the SVCW CIP and this LRFP keep Member Agencies informed of the next decade's cash flow requirements and, as a result of their steady rate adjustments, forecasted rate increases are likely modest.

SVCW annual cash flow requirements in FY 2021-22 are estimated at \$51.68 million. Cash flow requirements are thereafter projected to reach \$85.96 million by FY 2030-31. The largest increase in expenditures over the next decade is for debt service payments, estimated to peak at \$42.8 million annually once fully in place. Other non-debt related expenditures are less impactful;



the average annual increase in Operating Expense is approximately 3%. This LRFP informs SVCW Member Agencies of SVCW cash flows anticipated over the next decade.



Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 27.43	\$ 28.25	\$ 29.10	\$ 29.97	\$ 30.87	\$ 31.80	\$ 32.75	\$ 33.73	\$ 34.74	\$ 35.79
Existing Bonds	17.31	17.31	17.30	17.31	17.28	17.28	17.28	17.28	17.26	16.64
Existing SRF Loans	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41
New Bonds	-	-	-	1.55	1.55	1.55	1.55	1.55	1.55	1.55
New SRF Loans	-	-	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61
2019 WIFIA Loan	-	-	-	-	-	-	9.11	9.11	9.11	9.11
New WIFIA Loans	-	-	-	-	-	-	4.81	4.81	4.81	4.81
Revenue-Funded Capital	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cash Reserve Contribs.	2.03	2.53	3.03	3.53	4.03	4.53	5.03	5.53	6.03	6.53
TOTAL	\$ 51.68	\$ 53.00	\$ 60.95	\$ 63.88	\$ 65.26	\$ 66.68	\$ 82.06	\$ 83.53	\$ 85.03	\$ 85.96

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## INTRODUCTION

### **Purpose of Long-Term Financial Planning**

Member Agencies' sewer rates provide the underlying repayment security for all SVCW financing. As such, in 2008, SVCW developed a Five-Year Financial Plan (the "Financial Plan") to provide a financial roadmap for funding the CIP and ongoing operating costs. The Financial Plan was frequently updated and presented to the SVCW Commission (as hereinafter defined) to incorporate CIP budget figures. It provides a roadmap that Member Agencies follow when considering sewer rates.

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

SVCW will manage its finances and meet critical funding needs while recognizing its Member Agencies' need to maintain reasonable wastewater rates. This LRFP will be enacted as SVCW and its Members adopt annual budgets, monitor financial performance, and incorporate Commission-directed actions. The LRFP is based upon financial planning models that include long-term forecasts of operating and capital expenditures. It includes reasonably conservative assumptions and attempts to account for uncertainties. It aims to generate adequate cash reserves for capital projects while maintaining good standing in the credit markets to provide ready access to cost-effective capital financing when needed. It evaluates the capital financing and debt service coverage policies to optimize cash funding of capital investments. Finally, it continues to evaluate cash reserve policies that must consider intergenerational equity with regards to funding capital projects and raising rates.

The LRFP includes a debt structure model to document recommended debt strategy, identify risks to that strategy, and offer mitigation steps available or alternative funding solutions. As part of the Plan a financial model (the Model) was created to assess financing alternatives for the CIP.

This LRFP is meant to stimulate discussions for decision making by providing up-to-date financial information. Member Agencies can incorporate this material to understand the financial impact of decisions, and to communicate those impacts to internal and external stakeholders. This long-term financial plan includes the following elements:

- **Time Horizon:** The plan looks ten years into the future.
- **Scope:** The plan considers all expenditures associated with the conveyance and treatment of wastewater received from Member Agencies. Expenditures include all SVCW operating costs, capital improvements, debt service, and cash reserve requirements.
- **Frequency:** This long-term plan is updated annually to aid Member Agencies with their own budgets and rate-setting processes.
- **Content:** The plan includes an analysis of the economic and financial environments, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and monitoring mechanisms such as a scorecard of key financial health indicators. Adherence with the financial plan and the ability to comply with the financial requirements of this Plan can be measured primarily through debt service coverage and the number of days cash on hand. SVCW can readily monitor these financial metrics through an annual review of the Member Agencies' respective audited financial statements.
- **Visibility:** The plan will inform Member Agencies about the long-term financial prospects of SVCW. Each year going forward, actual results will be compared to the LRFP by integrating it into future LRFPs.

SVCW Member Agency staff was involved in advance of Plan preparation to identify necessary tables, discuss assumptions, and review results. Member Agencies, via the Silicon Valley Clean Water Commission can now integrate the information provided into their own respective financial plans.

## **Organizational and Business Structure**

SVCW was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan. SVCW took title to all property, capital and equipment of the Strategic Consolidation Sewerage Plan. SVCW maintains and operates sanitary sewerage pumping, transmission and outfall facilities that were originally constructed or otherwise owned by the Strategic Consolidation Sewerage Plan. SVCW provides wastewater transmission, treatment, and effluent disposal services for the surrounding communities including the Cities of Belmont, Redwood City, and San Carlos and for the West Bay Sanitary District (collectively, the Members Agencies). SVCW provides recycled water to the City of Redwood City.

SVCW is a Joint Exercise of Powers Authority (JPA) that provides wastewater transmission, treatment, recycled water, and effluent disposal services to its Member Agencies, all facilities of which (hereinafter referred to as Joint Facilities) 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. SVCW serves more than 200,000 people and businesses located predominantly in San Mateo County, California. SVCW operates in a strong Bay Area economy, with a customer base that includes large business customers such as Oracle Corporation, EA Sports, and Facebook.

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

## **Governance & Management**

The JPA is governed by a four-Member Commission consisting of one appointed person from each of the Member Agencies' governing bodies. There is a total of 100 votes, allocated as follows:

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

A vote of at least 75% is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, contracts, appropriations, or transfers of more than \$75,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a

simple majority of the votes. In addition, any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the Member Agencies' governing bodies.

### Financial Oversight and Control

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the CIP and the LRFP. The Budget reflects a progressive approach to fund wastewater operations while controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that provide the long-term resources needed for the community.

SVCW has no taxing power. SVCW receives nearly all funding, other than interest earnings and other miscellaneous revenues, from payments made by the Member Agencies for operations, capital improvements, debt service, and cash reserves.

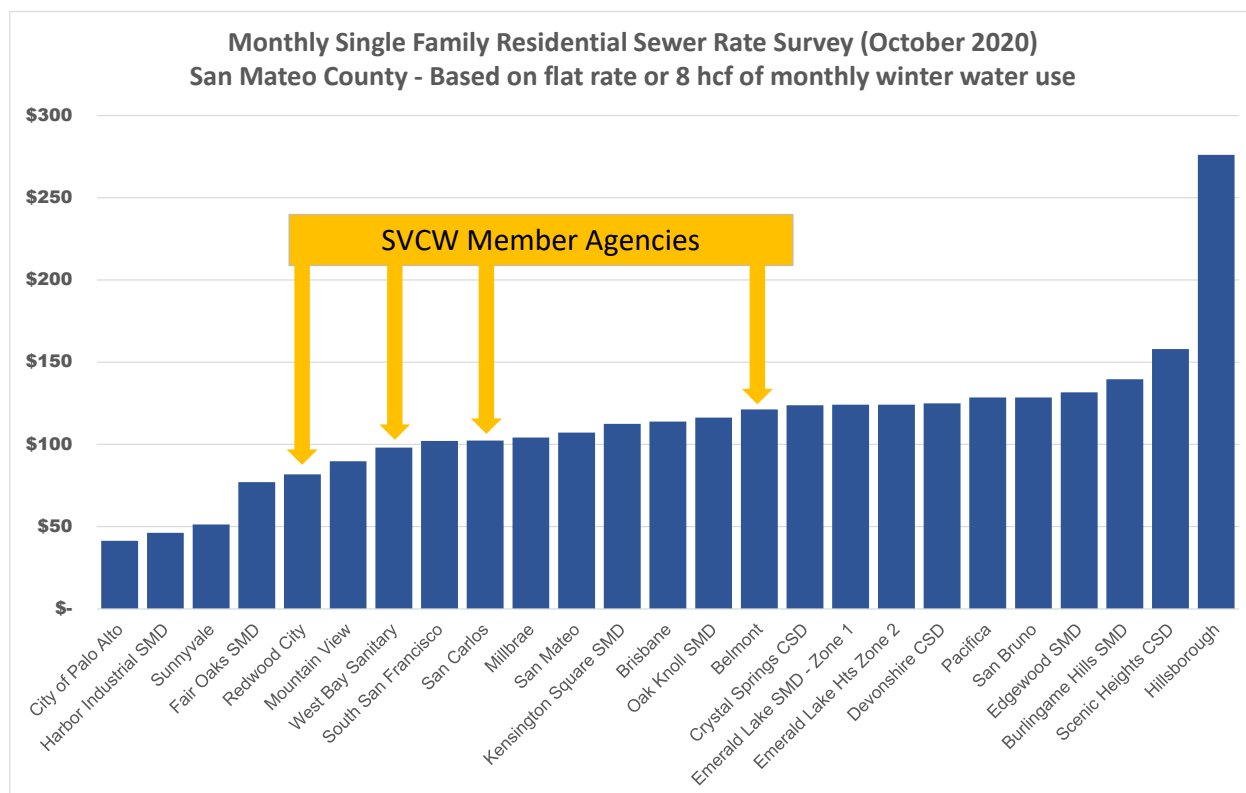
### Comparative Residential Sewer Charges

Member Agencies have adopted significant rate increases and currently generate adequate revenues to fund their share of the CIP and capital program costs. The below tables show Members' increases in single family residential monthly sewer rates over the past decade.

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

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

Despite these increases, Member Agencies' rates remain among the middle tier of San Mateo County sewer rates:



## Regulations and Permits

The federal Clean Water Act requires that all municipal, industrial and commercial facilities that discharge wastewater or storm-water directly from a point source into a water of the United States (such as a lake, river, bay, or ocean) must obtain a National Pollutant Discharge Elimination System (“NPDES”) permit. All permits are written to ensure the receiving waters will achieve certain water quality standards.

The federal government delegates the NPDES Program to the State of California for implementation through the State Water Resources Control Board and its nine Regional Water Quality Control Boards, collectively Water Boards. It is the responsibility of the Water Boards to preserve and enhance the quality of the state's waters through the development of water quality control plans and the issuance of NPDES Permits.

SVCW currently operates under a five-year NPDES permit that is valid through September 2022. As an active Member in the Bay Area Clean Water Agencies (“BACWA”), a consortium of publicly-owned treatment works Agencies that operate within the nine-county San Francisco Bay Area, SVCW prepares for future NPDES permit requirements. BACWA is central since some

requirements imposed may be efficiently fulfilled as a group. Through BACWA, SVCW meets provisions related to overall receiving water quality monitoring, Total Maximum Daily Load and Site Specific-Objective Support, Mercury Special Studies, Copper Action Plans, and Cyanide Action Plans.

Regulatory requirements of the NPDES program may increase in the future. Many California Agencies have already been required to significantly increase treatment to remove nutrients (ammonia, nitrates and phosphates) and further reduce pathogenic organisms. Studies are also underway regarding Active Pharmaceutical Ingredients to monitor the cumulative effects of pharmaceuticals and personal products, including anti-psychotic and antihypertensive drugs.

Additionally, nutrients like nitrogen and phosphorus are found in municipal waste. When excessive, these nutrients are considered harmful water pollutants leading to such problems as algae blooms. Nutrient management is an important planning consideration for California wastewater treatment operators – both to remove and to recover these resources. This LRFP funds the research to assess future nutrient mitigation in wastewater. It should be noted, however, that SVCW participates in a cooperative that explores joint response strategies regarding future Nutrient Removal requirements.

## **Financial Modeling**

The CIP estimates approximately \$381 million remains to be spent on capital expenditures over the next ten fiscal years. This Financial Plan documents the funding strategy, risks to this strategy, and anticipated mitigation and/or alternative funding solutions available. Prior to issuing debt SVCW updates a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service to its, and the Member Agencies', financial condition. To that end, SVCW's Chief Financial Officer oversees ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows;
- Historic and projected capital expenditures;
- Historic and projected operating costs;
- Historic and projected cash reserve balances, including the Operating Fund, the CIP Fund, Revenue-funded Capital Fund, and Debt Service Reserve Fund, if any;
- Historic and projected debt service coverage;
- The most efficient mix of funding sources (debt and cash);
- The most efficient form of debt (government-subsidized loans, capital market offerings, or private loans) and most efficient structures;
- Projected revenue requirements; and
- Revenue Sources, including miscellaneous revenues and grants.



The Plan incorporates these factors to develop an all-inclusive projection of future cash flow requirements. As part of the Plan, the Financial Model was created to generate and assess multiple debt-based financing alternatives for the CIP. Several scenarios were analyzed to reach the recommended plan, including the extent to which funds would be sourced from Wastewater Revenue Bonds versus Governmental Loans. Further analysis and results are described in Sections 2 and 3 of this Plan.

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## SECTION 2 – GUIDING DOCUMENTS AND PRINCIPLES

### Audited Financial Reports

SVCW financial statements are maintained in accordance with all state and federal laws, Generally Accepted Accounting Policy, and standards of the Government Accounting Standards Board. This means revenues and expenses are recognized on a full accrual basis, where revenues are recognized in the period earned and expenses are recognized in the period incurred.

An annual audit is performed by an independent public accounting firm, with an unqualified opinion that SVCW financial statements are presented fairly in all material respects.

### Operating Budgets

Each year, the adopted budget establishes the funding requirements for Member Agencies. It includes all operating costs, revenue-funded capital needs, debt service payments, and cash reserves requirements. A full overview of all expenditures facilitates discussion of anticipated changes. Subsequent to the fiscal year-end closing, annual payments made by each SVCW Member Agency are reconciled against the actual expenditures allocated to each SVCW Member Agency and any differences are applied toward funding reserves held by SVCW.

The Budget is constructed consistent with goals established by the Commission to support operational priorities and the CIP. The Budget reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risk, and investing in activities that provide the long-term resources needed for the community.

Used as a baseline for this study, the 2020-21 Budget was \$49.1 million. This includes \$26.6 million in operating expenditures, \$1.29 million for revenue-funded capital projects, additional cash reserve contributions of \$1.5 million, and debt service payments estimated at \$19.6 million (which excludes \$742 thousand of anticipated savings from financing an outstanding SRF Loan).

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

## Expenditure Allocation

SVCW annual operating and maintenance costs are allocated according to the Joint Powers Agreement. Specifically, administrative, safety, and conveyance operating costs are allocated based on each Member Agency's proportionate share of total flow contributed to the Joint Facilities. Treatment plant operation and maintenance costs are allocated according to each Member Agency's proportionate contribution of hydraulic flow ("Flow"), Biochemical Oxygen Demand ("BOD") and Suspended Solids ("SS") to the Joint Facilities. The total annual treatment plant maintenance and operation costs are allocated as 26.5% to flow, 33.5% to Biochemical Oxygen Demand and 40% to Suspended Solids. Specific Pump Station maintenance and operation costs are tracked as actual costs by coding to each pump station and borne by the Member Agency served by that particular pump station. However, maintenance and operation costs of the booster station are split on a percentage basis between West Bay Sanitary District and Redwood City at 92% and 8%, respectively.

Using these allocations, the 2020-21 Operating Budget assigns costs using the following three-year flow and loading averages:

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

Capital costs are distributed based on each Member Agency's percentage of its capacity rights as defined in the Joint Powers Agreement:

<u>Belmont</u>	<u>San Carlos</u>	<u>Redwood City</u>	<u>West Bay SD</u>
9.45%	15.14%	48.57%	26.84%

Unrelated to the number of votes originally ascribed to Member Agencies in the Joint Powers Agreement, the above capital cost distributions are derived from each Member Agency's share of maximum capacity rights of the originally-built facilities ("Stage 1" capacity) plus its share of expansion capacity ("Stage 2"), based on average dry weather flows.

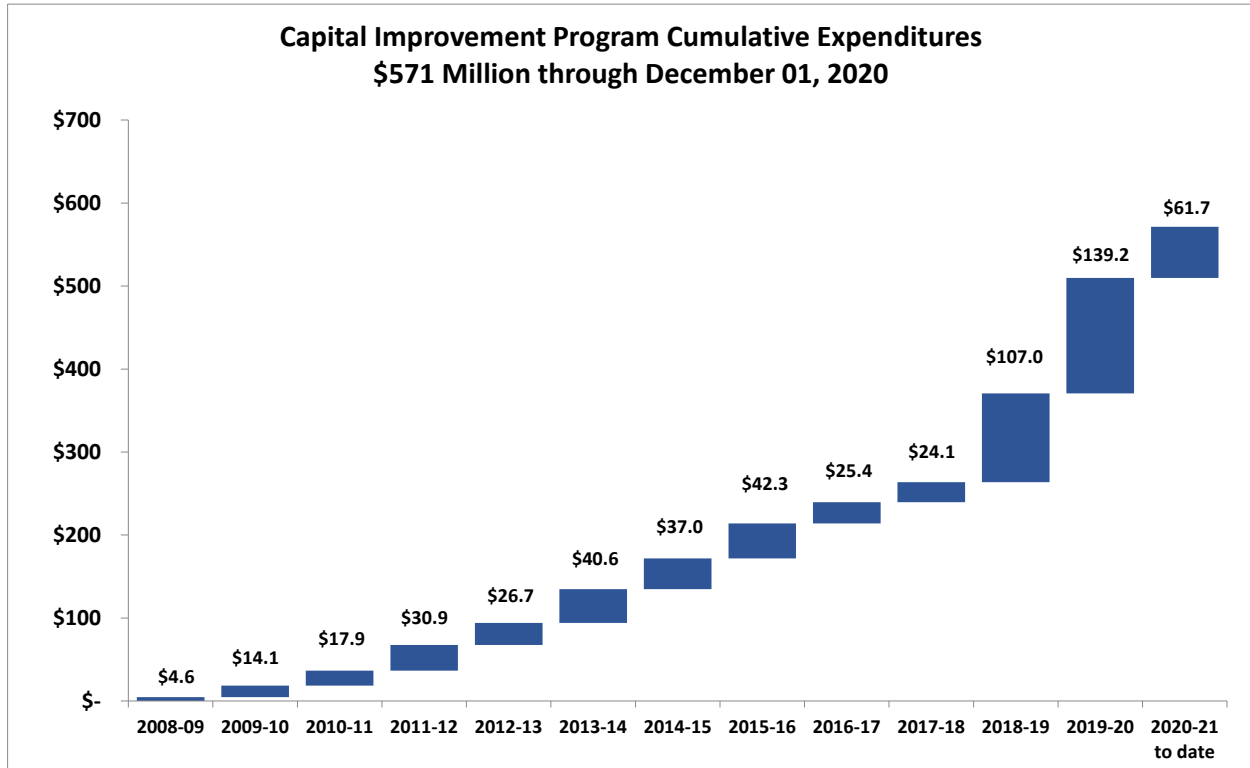
Capital costs associated with the Joint Facilities include improvements resulting from reconstruction, replacement, rehabilitation, remodeling or relocation. This includes all costs meeting the definition of a capital expense as defined in SVCW's Capital Expense Policy.

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

### Capital Improvement Program (CIP)

SVCW is in the process of rebuilding, rehabilitating, and updating its wastewater conveyance and treatment facilities which are at or approaching the end of their useful operating lives. The CIP was originally implemented in 2008 to address near-term and long-term capital replacement needs. Engineering staff periodically updates the CIP to include projects that will address known Joint Facility deficiencies. This includes rehabilitation and replacement of aging infrastructure and equipment; improvements and additions to the treatment plant and conveyance system that substantially enhance reliability; technological upgrades, required regulatory treatment improvements and system-wide automation projects designed to improve operational efficiency and reliability (thereby reducing future operating and maintenance expenses); and additional energy management solutions.

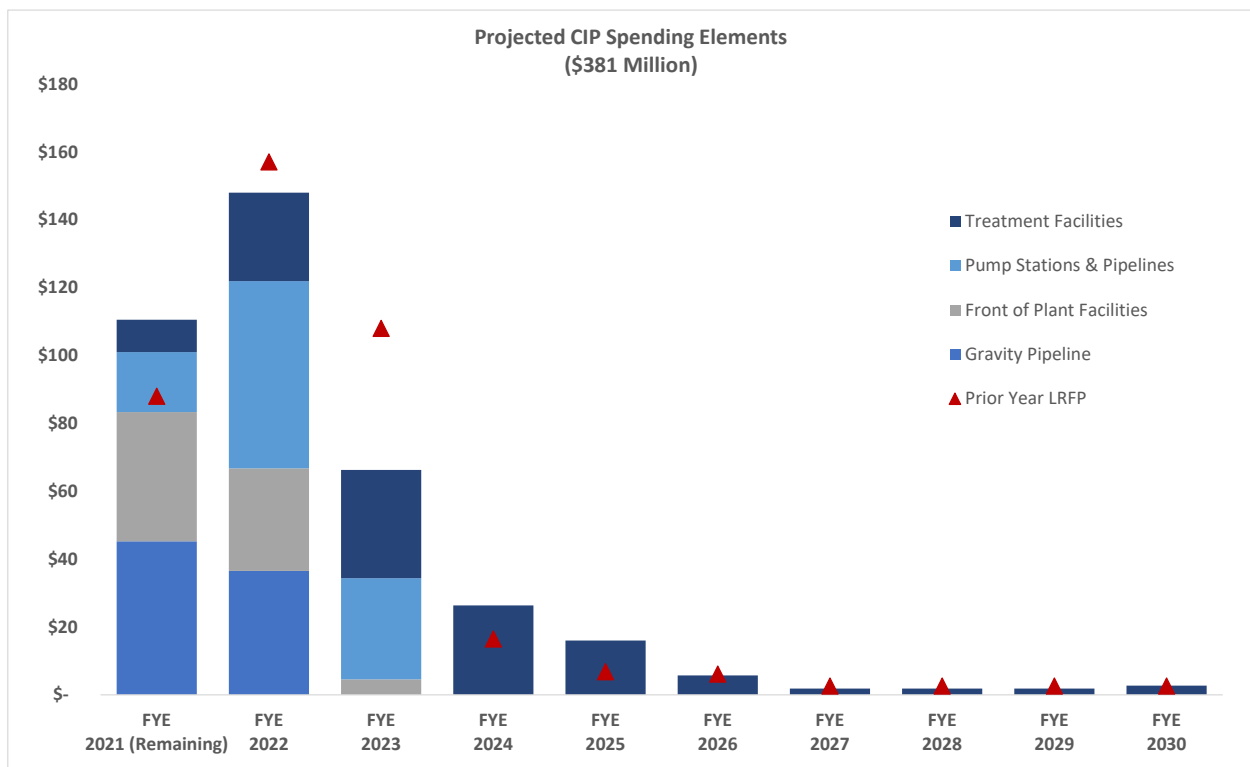
Charges to the CIP include all capitalized components of projects such as planning, design, engineering, construction, and construction management. The costs also include certain administrative costs like insurance and engineering labor directly related to projects. Since the inception of the CIP, SVCW spent approximately \$571 million through December 01, 2020. Expenditures during the 2019-20 fiscal year were the highest on record, reflecting significant construction on two of the RESCU projects.



### Forecasted CIP Expenditures

Concurrent with this LRFP update, the CIP continues to be updated. It currently identifies expenditures at approximately \$953 million over a 23-year period from inception. SVCW has expended approximately \$571 million through December 1, 2020 and the further CIP expenditures estimated as of December 1, 2020 to be \$381 million over the next ten years.

SVCW Capital Improvement Program Expenditures (\$ Millions)				
Description	Spent thru		Remaining	Total
	Dec. 01,2020			
Gravity Pipeline	\$ 177.5	\$	81.8	\$ 259.2
Front of Plant Facilities	89.1		72.9	162.0
Pump Station Improvements, Program Mgmt	17.0		102.7	119.7
Other Conveyance	50.0		0.3	50.3
Treatment Plant Improvements	237.9		123.5	361.4
<b>TOTAL</b>	<b>\$ 571.5</b>	<b>\$</b>	<b>381.1</b>	<b>\$ 952.6</b>



SVCW Identified Capital Expenditures through Fiscal Year 2030; By CIP Program												
		FYE 2021	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	
CIP Program	(Remaining)	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
Gravity Pipeline	\$	45.2	\$ 36.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81.8
Front of Plant Facilities		38.1	30.2	4.5	-	-	-	-	-	-	-	72.9
Pump Stations & Pipelines		17.7	55.2	29.8	-	-	-	-	-	-	-	102.7
Treatment Facilities		9.6	26.1	31.9	26.3	16.0	5.7	1.8	1.8	1.8	2.7	123.8
TOTAL	\$	110.5	\$ 148.0	\$ 66.3	\$ 26.3	\$ 16.0	\$ 5.7	\$ 1.8	\$ 1.8	\$ 1.8	\$ 2.7	\$ 381.1

Capital expenditures are allocated to Members per the Joint Powers Authority Agreement, as displayed in the following projection:

SVCW Remaining Capital Expenditures - By Fiscal Year End and Member Allocation (\$ Millions)																							
Description			FYE																				
			2021 (Remaining)											FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	Total
Redwood City	48.57%	\$	53.7	\$	71.9	\$	32.2	\$	12.8	\$	7.8	\$	2.8	\$	0.9	\$	0.9	\$	0.9	\$	1.3	\$	185.1
West Bay SD	26.84%		29.7		39.7		17.8		7.1		4.3		1.5		0.5		0.5		0.5		0.7		102.3
San Carlos	15.14%		16.7		22.4		10.0		4.0		2.4		0.9		0.3		0.3		0.3		0.4		57.7
Belmont	9.45%		10.4		14.0		6.3		2.5		1.5		0.5		0.2		0.2		0.2		0.3		36.0
TOTAL	100.00%	\$	110.5	\$	148.0	\$	66.3	\$	26.3	\$	16.0	\$	5.7	\$	1.8	\$	1.8	\$	1.8	\$	2.7	\$	381.1

The majority of upcoming CIP expenditures is attributed to projects within the RESCU program. RESCU is comprised of three significant elements with combined remaining expenditures of approximately \$257 million. These projects include:

1. Gravity Pipeline: Replaces the influent force main with a gravity pipeline;
2. Front of Plant: Constructs a headworks facility comprised of a receiving lift station, screening and grit removal, peak flow and storm water handling facilities, and an influent connector pipeline; and
3. Pump Station Improvements: Replaces, rehabilitates, decommissions SVCW pump stations.



## **Cash Reserves Policy**

In 2013, the SVCW Commission adopted a cash reserves policy that protects its fiscal solvency and funds future long-term capital needs. The policy describes the goals and amounts intended to be held in reserves. Each year during the budget process, SVCW reviews reserve balances and adjusts as needed. SVCW debt reserves mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for Member Agencies, and to help fund future long-term capital needs.

- The Operating Reserve must be maintained at a minimum balance of 10% of the approved Operating and Pay-go Capital Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. As of December 31, 2020 the amount held in this reserve was \$3.8 million.
- The objective of the CIP Reserve Fund is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life is met. This ultimately addresses how to fund unanticipated capital expenditures, and provides some funding for pay-as-you go projects to limit borrowing. Per policy, a minimum of \$1.5 million was added to the CIP Reserve Fund in fiscal year 2020-21. This amount will increase by \$500 thousand annually until the reserve balance reaches an inflation-adjusted \$50 million in 2019 dollars. As of December 31, 2020 the CIP Reserve was \$17.7 million.
- The Stage 2 Capacity Reserve is utilized to pay for capital projects that will increase SVCW's treatment capacity. Funding is received after Members collect fees associated with new sewer connections. SVCW may use this reserve on construction that increases capacity, as approved by the SVCW Commission. As of December 31, 2020 the amount in this reserve was \$14.7 million.

## **Debt Policy**

SVCW adopted a debt management policy in 2017, which was most recently amended in September 2020. The policy considers intergenerational equity between residents, strives to achieve the lowest possible cost of capital, and mitigates market and credit risk. Appropriately structured, the debt policy attempts to assign capital costs between current ratepayers and future generations.

Significant capital acquisitions can be funded through traditional bonds or alternative financing mechanisms such as government loans (e.g. SRF and WIFIA) and/or public/private partnerships.

Long term financings are structured to minimize transaction-specific risk and total debt portfolio risk to SVCW and its Member Agencies.

SVCW debt must comply with all laws, legal agreements, contracts, best practices, and adopted policies related to debt issuance and management, including disseminating, in a timely manner, disclosure information concerning SVCW's and SVCW's Member Agencies' financial condition. It must also follow sound procurement practices to avoid conflicts of interest.

SVCW debt promotes cooperation and coordination with all stakeholders in the financing and delivery of services by maintaining cost-effective access to capital markets through prudent debt management. This includes integrating debt policies with the operating and capital budgets, the multi-year CIP, the Long-Range Financial Plan, and other financial goals. SVCW must also maintain good investor relationships through the timely dissemination of material financial information to maintain the highest practical credit rating and ensure efficient access to capital markets.

Long-term debt financing is not used to fund operating costs or operating deficits of SVCW. The principal types of municipal debt instruments employed by SVCW to finance long-term capital projects are government subsidized loans, WIFIA and SRF Loans, and Wastewater Revenue Bonds. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

Short-term debt has terms to maturity of less than five years and may be issued to provide financing for the acquisition and/or construction of long-lived capital projects that could otherwise be funded by long-term debt financing described above. This includes commercial paper notes that are issued to provide interim project financing, Bond Anticipation Notes which may have a final maturity of not more than five years and are issued in anticipation of the issuance of wastewater revenue bonds, and a short-term line of credit not to exceed five years.

### **Investment Policy**

SVCW has adopted a policy to invest monies not required for immediate expenditure. The policy is reviewed annually and establishes a standard of care to ensure investments are made with the appropriate considerations of capital safety, liquidity, and yield. The investment portfolio is diversified such that losses, if any, on specific securities are offset by the revenue generated from other investments. The portfolio is also kept sufficiently liquid to meet the operating and capital needs of SVCW. Within these two constraints, as well as in accordance with California Government Code Section 53601 through 53686, the investment portfolio is designed to attain the market rate of return after consideration is given to safety and liquidity.

## **SECTION 3 – MODELING ASSUMPTIONS**

SVCW has developed a Debt Model (the Model) to project debt service costs associated with the Capital Improvement Plan. Currently approximately \$381 million of capital projects requires funding over the next decade. The Model produces multiple funding scenarios that compare debt service costs at aggregate and Member Agency levels. The Model also optimizes variables by considering the impact of using cash, longer repayment terms, caps on debt service levels, deferred repayment, and changes in interest rate assumptions.

The Model displays total aggregate debt service, maximum aggregate annual cost, average annual debt service cost, weighted average cost of capital and weighted average CIP repayment year, among a few other debt summary outputs. Additionally, the Model illustrates the height and length of the debt service “plateau”, a critical consideration for Members’ sewer rates. Finally, the Model also compares efficiency versus affordability of financing the debt by determining the length of each repayment period and financing rates.

### **Debt Structure**

Using the Model, SVCW staff generated and compared multiple debt financing scenarios that could fund the remaining CIP by comparing interest rates and average costs per year. The flexibility of the Model allows for changing multiple assumptions, including interest rates, the timing and structure of government loan or bond repayments, and the mix of financing methods such as government loans or wastewater revenue bonds.

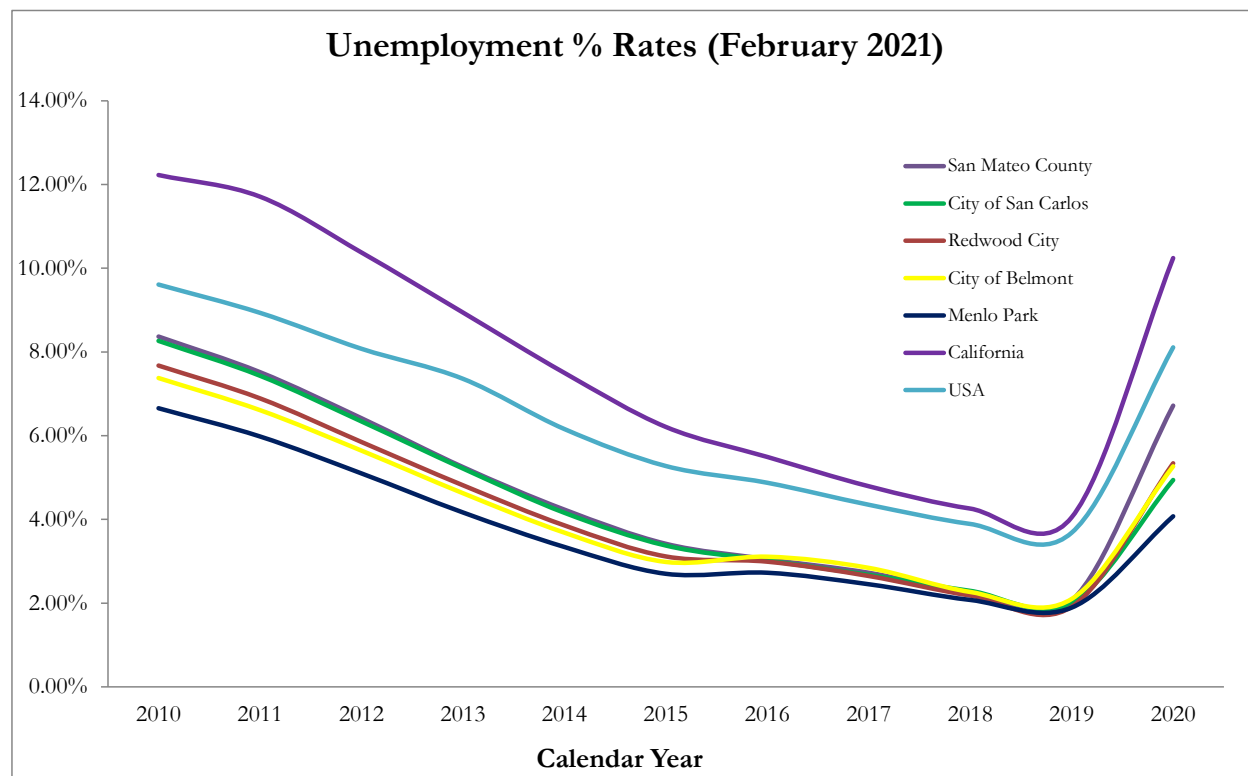
Though government loan programs like SRF and WIFIA present timing challenges, both are pursued for their attractive low interest rates and flexible repayment structures. While both structures are similar to revenue bonds, the SRF loan amortizes over 30 years at an interest rate equal to half the California General Obligation Bonds rate. The WIFIA loan amortizes over 35 years at a rate equal to Treasury rates plus one basis point.

### **Economic Factors**

Sewer revenues are somewhat influenced by the strength of the economy and other financial indicators. SVCW-estimated operating costs and the timing of CIP expenditures assume neither a significant downturn nor expansion in the San Francisco Bay Area economy. General economic conditions are comprised of many different factors; but sewer revenues are likely influenced by only a few factors. This report therefore focuses on six different broad factors that are good indicators of a strong economic environment: unemployment, assessed property valuation, taxable sales, income (measured by effective buying income and median household income), and interest rates.

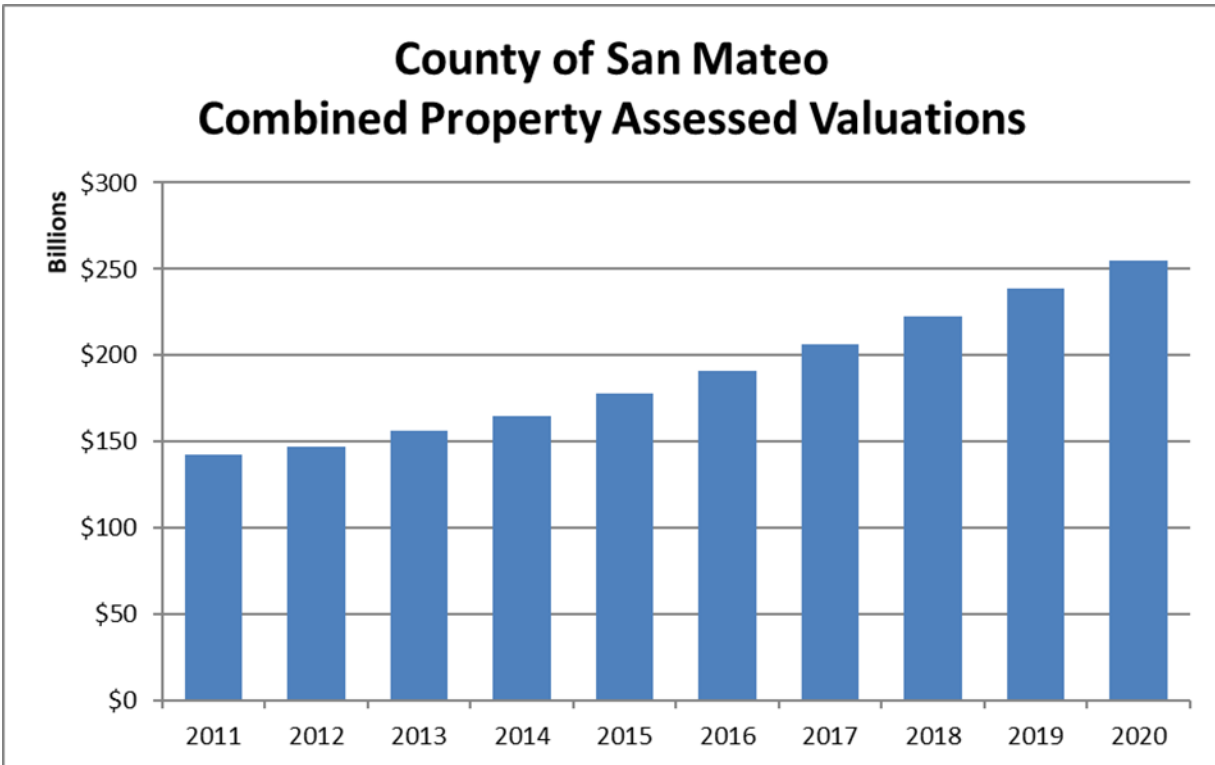
## Unemployment

The Bay Area economy, like others, was recently challenged by the COVID-19 pandemic. Recent 2021 data from the United States Bureau of Labor Statistics shows how unemployment rates for San Mateo County and SVCW Member Agencies rose to 4% to 6%, though fared considerably better than statewide California and nationwide U.S. rates.



### *County Assessed Valuations*

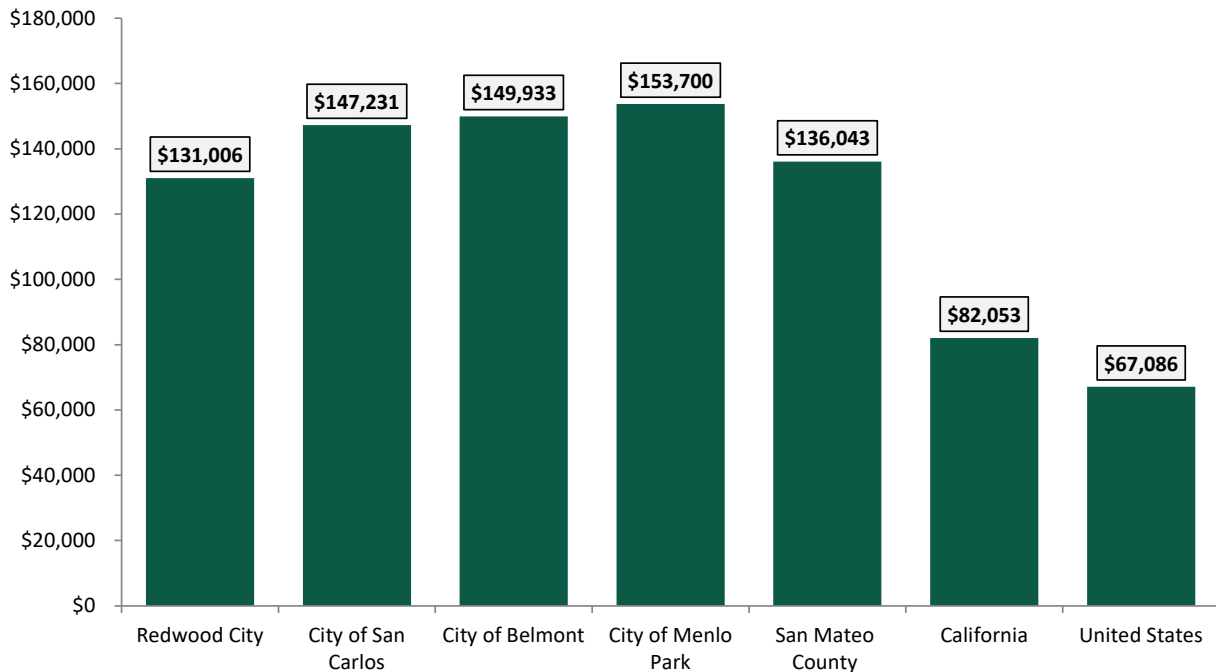
San Mateo County had approximately \$255 billion in total assessed 2020 real property valuation, an increase of \$16.7 billion (or 7.0%) from the previous year. Recent trends indicate that, during the COVID pandemic, assessed property values have continued to further increase.



### *Median Household Income*

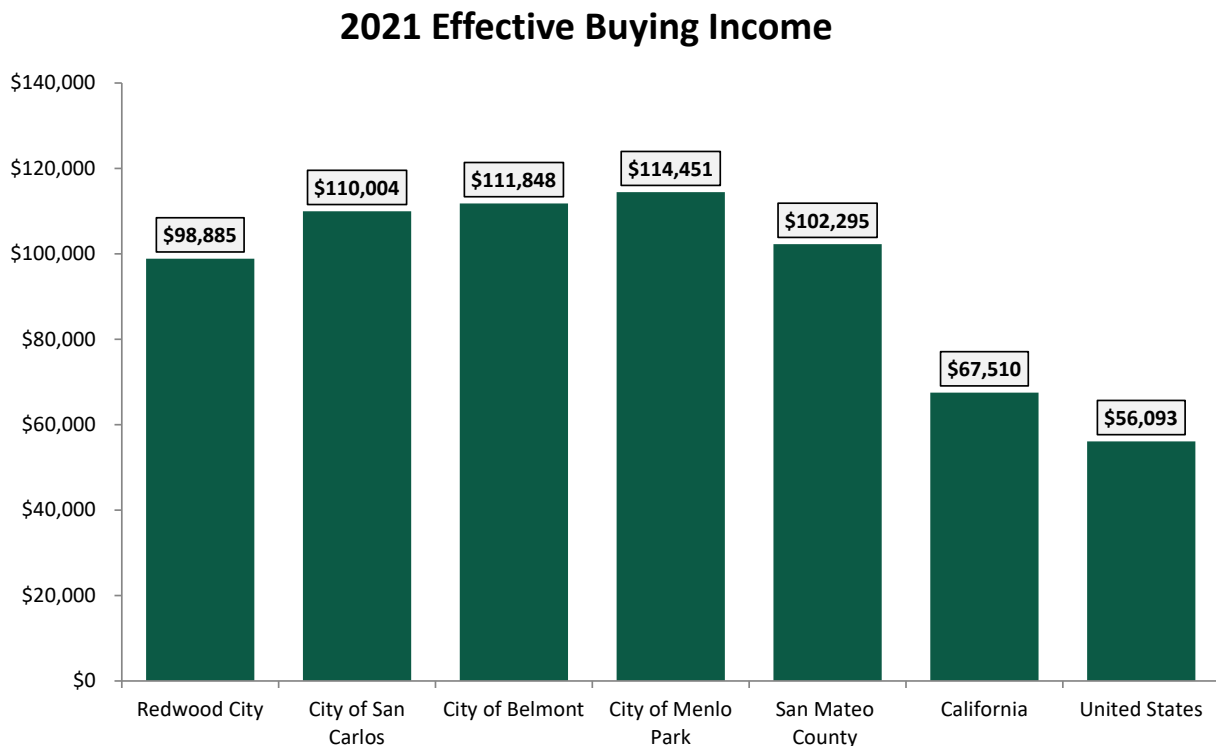
The median household incomes and effective buying incomes of Member Agencies are consistently above the State and National levels. Public 2021 economic data shows that the median household income of San Mateo County, at \$136 thousand, is 203% and 166% of the Nation's and State's median household income, respectively.

### **2021 Median Household Income**



### *Effective Buying Income*

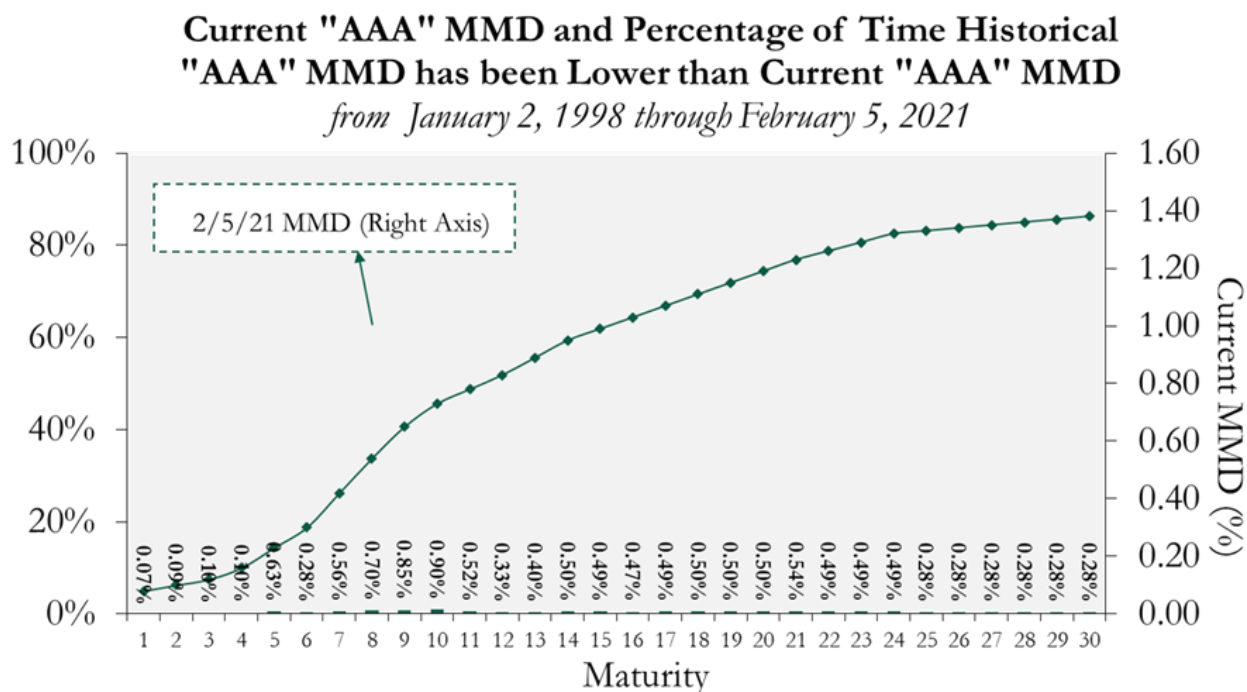
The Communities served by SVCW show high effective buying income levels in comparison to National and State medians. The Effective Buying Income is the amount of a consumer's disposable income; it reflects the money consumers retain after taxes. The following chart shows that SVCW communities have Effective Buying Incomes of \$98 thousand to \$114 thousand, which is 176% to 204% of the National levels, and 146% to 170% of California levels.



## Interest Rates

Based upon market conditions, every financing tool has projected interest rates depending on the type of the debt whether it is fixed or variable. For example, the anticipated SRF loan rate for the RESCU program, which is anticipated to be executed in March 2021, to be as low as 0.90%. The WIFIA loan rate was indexed to the treasury rate and, though originally executed in July 2019 at 2.40%, was refinanced in November 2020 at 1.41%. Future WIFIA Loans currently reflect existing market conditions at 1.75%, and the Authority's Line of Credit reflects the agreement's LIBOR-indexed rate.

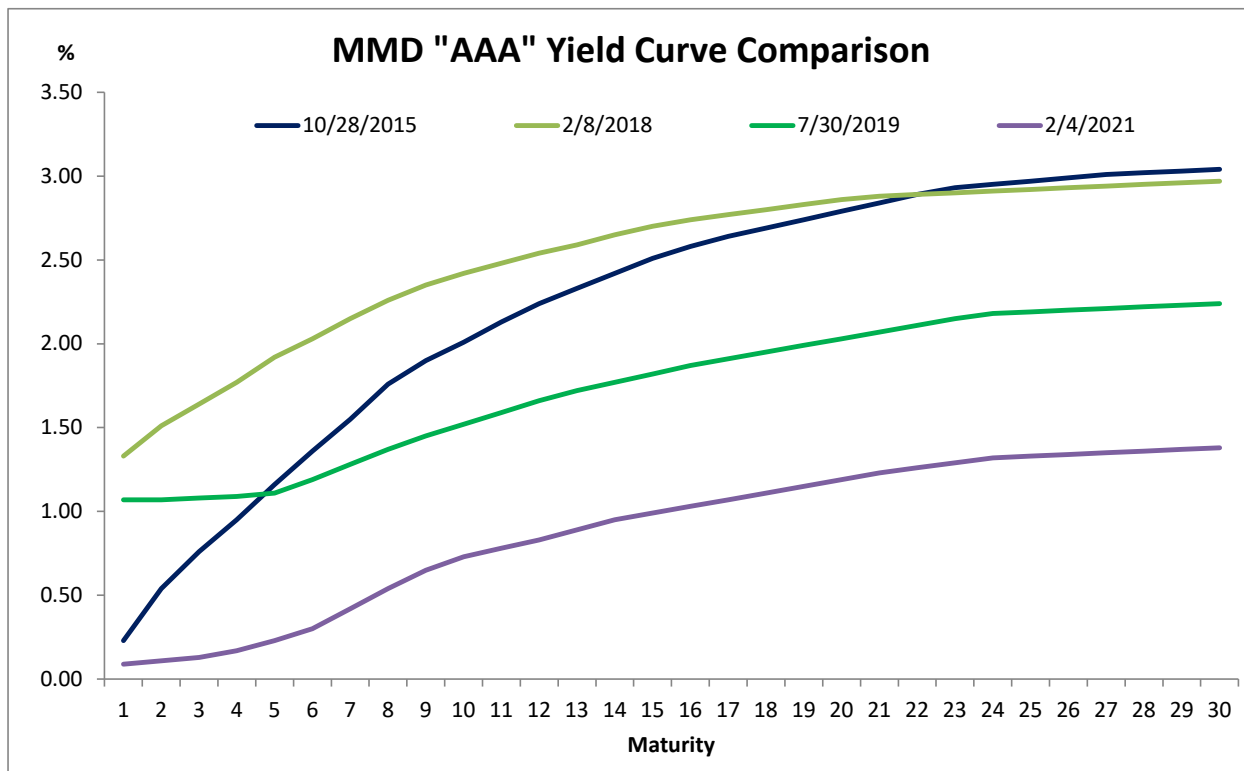
The table below provides context for tax-exempt interest rates in the Municipal Market Index as of February 05, 2021 and compares current rates to historical rates by term. The data demonstrates that interest rates are lower historically across maturities, indicating advantageous market conditions for issuing long-term debt.



Source: Thomson Municipal Market Monitor



The four yield curves shown below are a snapshot of interest rates when SVCW issued three series of Bonds or Notes, with a comparison to February 04, 2021. Notably, current rates are by far the lowest throughout the 30-year maturities. With such low interest rates, it remains advantageous to finance projects.



Source: Thomson Municipal Market Monitor

*Interest earnings on Project Funds and Reserves:*

It is estimated that funds held by SVCW related to the CIP, including reserve funds required by the SRF Loan program, will achieve investment earnings of 1.75% annually over the long term.

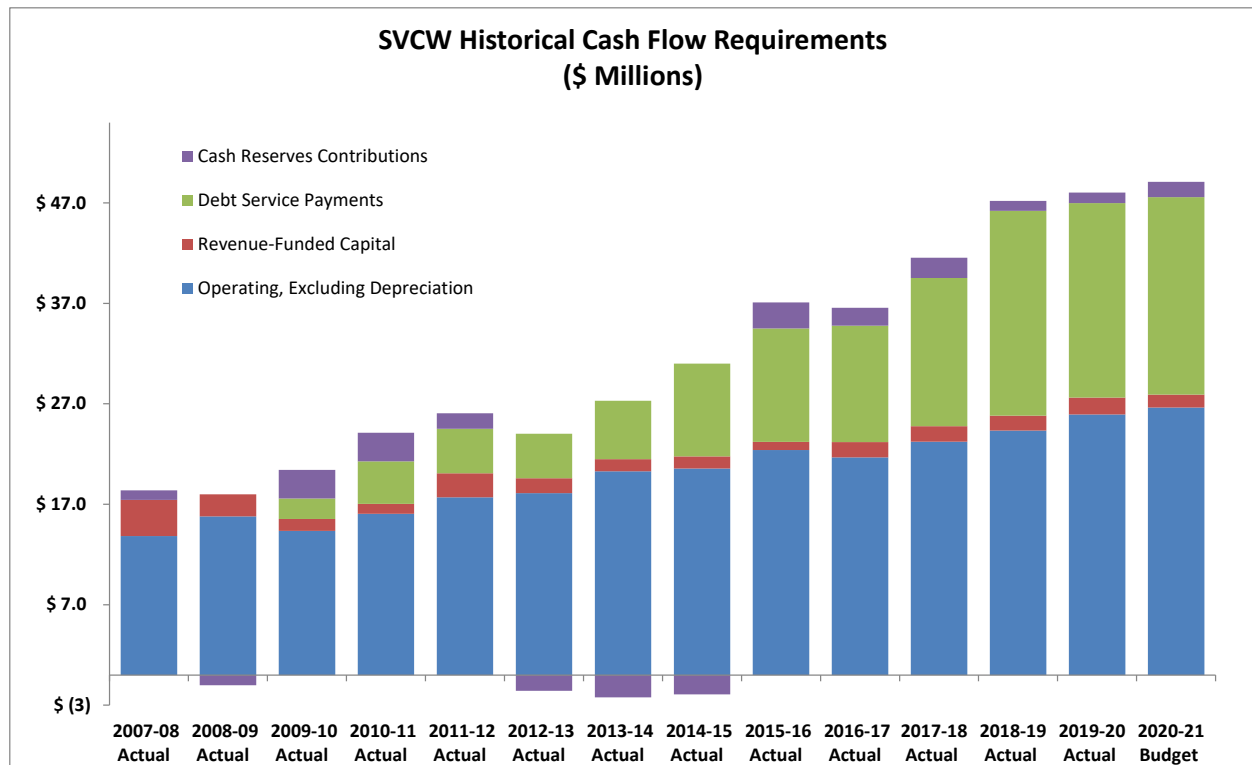
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## SECTION 4 – HISTORICAL FINANCIALS

### Historical Cash Flow Requirements

#### *Total Cash Flow Requirements*

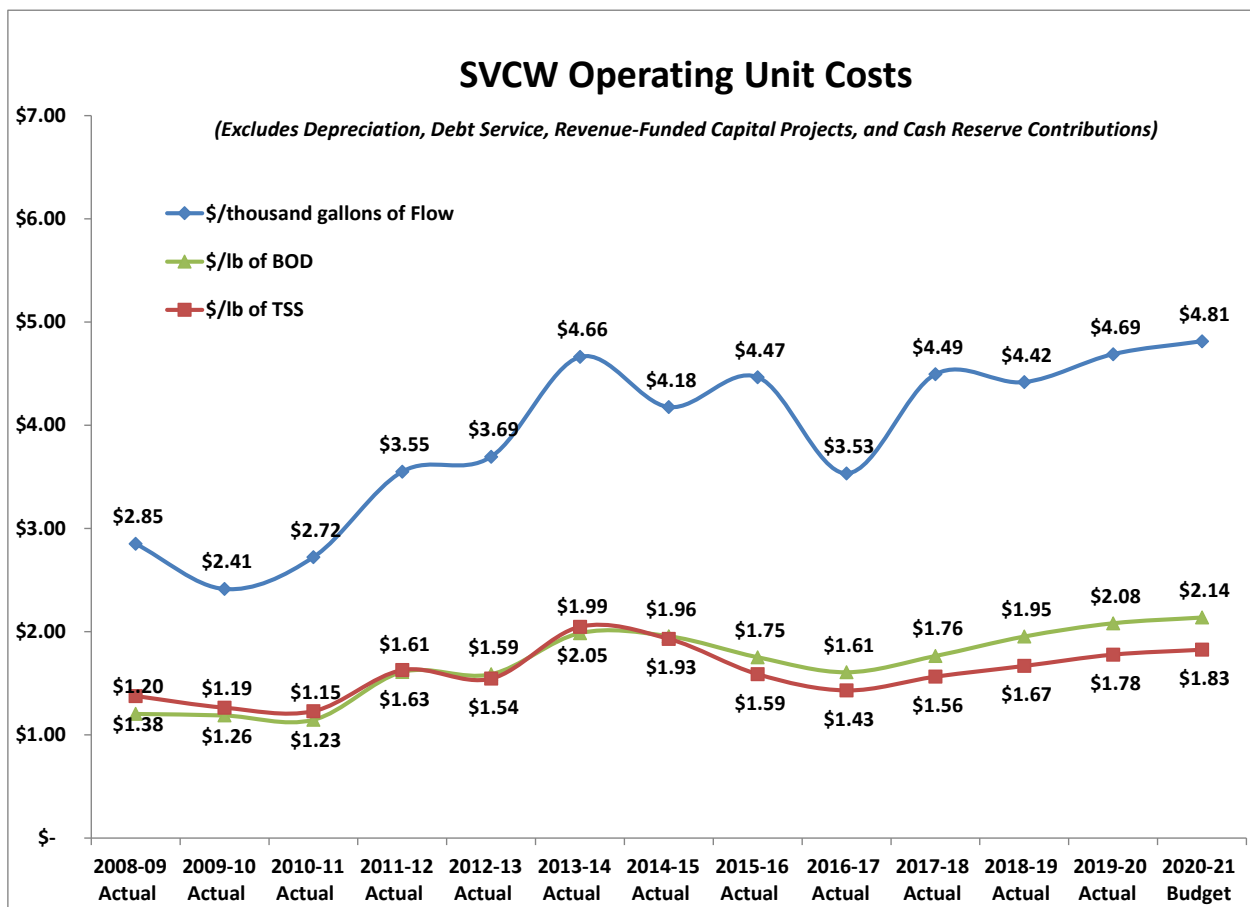
SVCW annual cash flow requirements from Members have more than doubled over the past decade, mostly due to higher debt service payments needed to finance its CIP.



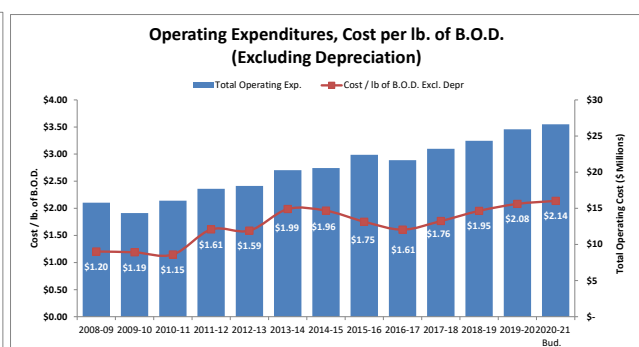
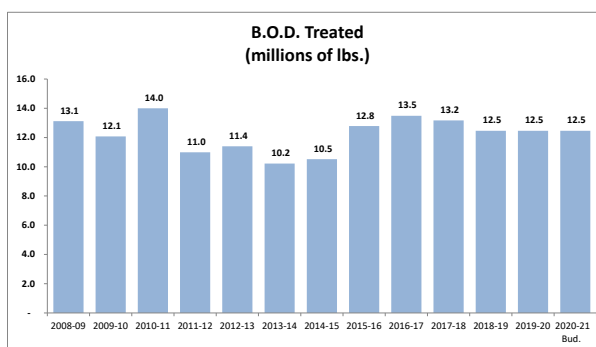
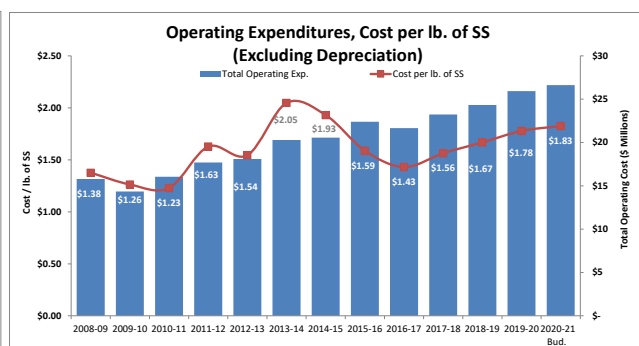
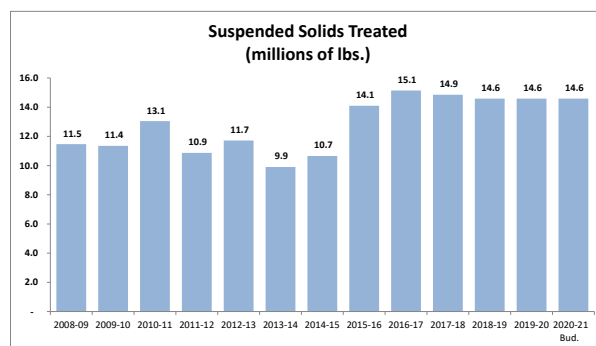
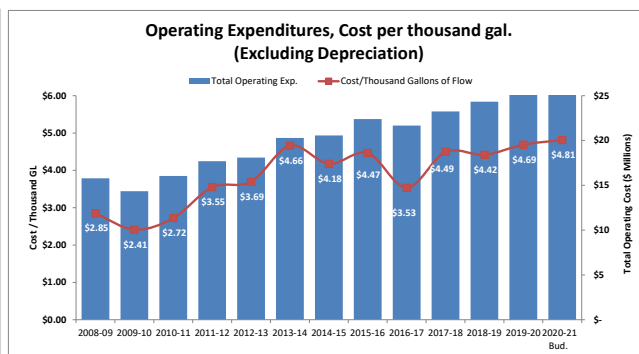
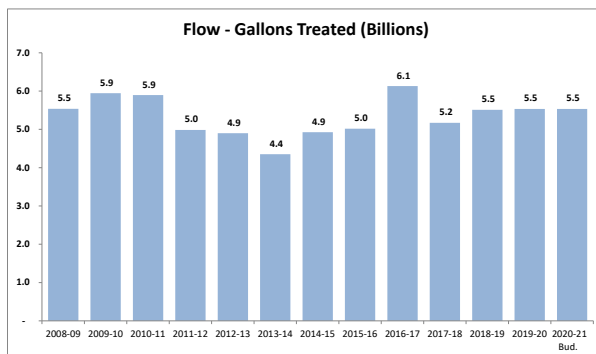
### Historical Unit Costs

When isolated to only Operating Expenditures (excluding Depreciation), SVCW historical operating unit costs have increased 92% since the 2008 CIP was first initiated. These increases were driven by ordinary inflationary pressures, increased staffing to better operate and maintain SVCW assets, and creating an engineering division to develop and manage the CIP.

In addition to the change in wastewater flows caused by droughts, the characteristics of the wastewater stream have also changed as local communities added housing and commercial developments. The following charts provide a side-by-side comparison of operating volumes and unit cost trends.



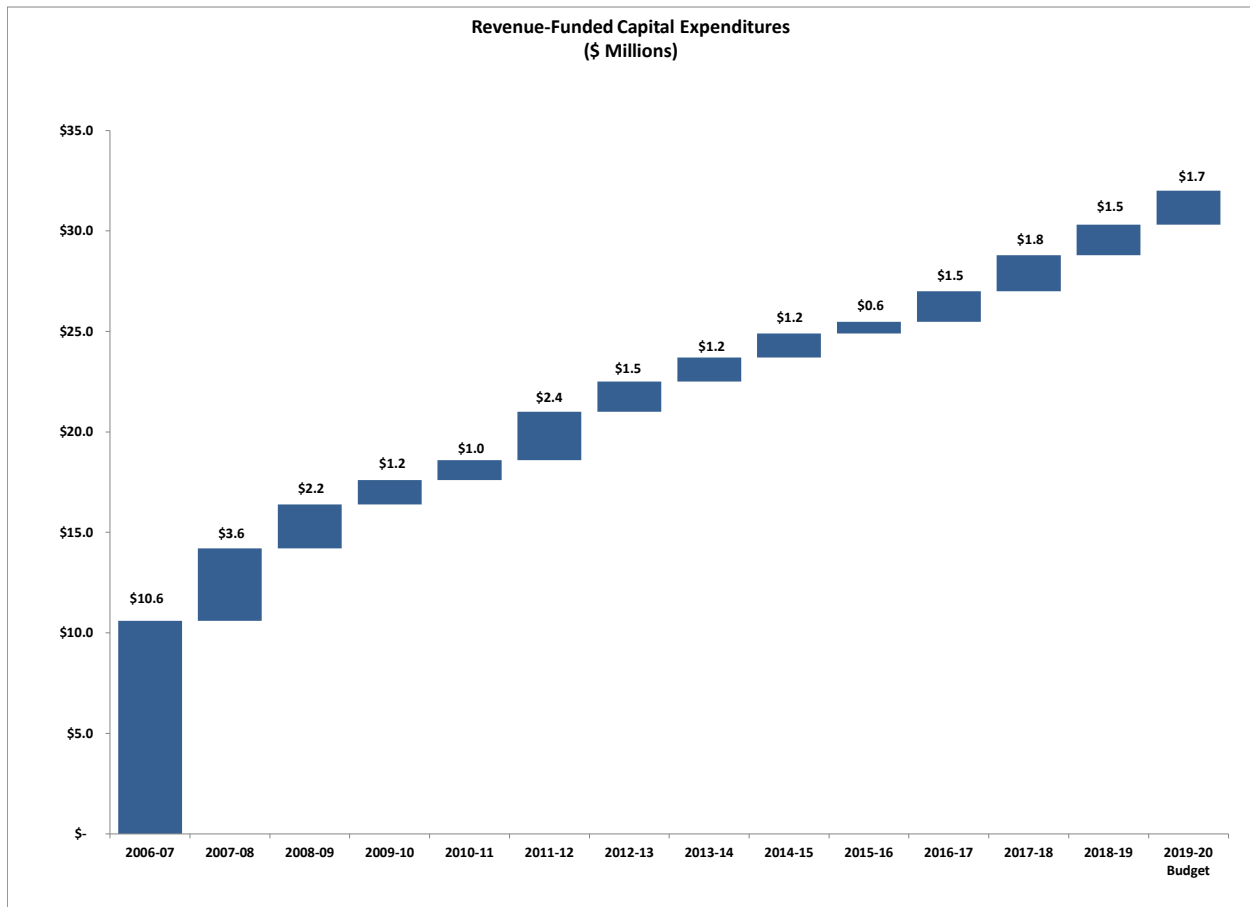
Another influencing factor on unit costs is volatility of operating volumes including Flow, Biological Oxygen Demand (BOD), and Total Suspended Solids (TSS). Drought conditions heavily influence these unit costs, as seen in the rise in Unit Costs between 2011 to 2016, which afterwards declined after a significant rain year in fiscal year 2016-17 and flows returned to “normal” levels. Operating Unit Costs are measured per thousands of gallons treated, per pound of TSS, and per pound of BOD.



### Revenue-Funded Capital Expenditures

Revenue-Funded Capital Expenditures are for capital projects that are generally below \$1 million and completed within one year. Revenue-funded capital projects may include minor construction, purchase of vehicles or heavy equipment, maintenance repairs that improve an asset’s useful life, as well as planning studies or preliminary engineering analysis for major capital improvements. Due to their relatively minor cost, it is appropriate to fund these items using cash rather than long-term debt.

Since 2006-07, SVCW has spent approximately \$32 million on Revenue-Funded Capital. Prior to formally adopting the CIP in fiscal year 2007-08, Member Agencies made relatively large cash contributions to address SVCW's immediate capital project needs. Since 2008-09, however, SVCW has averaged \$1.5 million annually in Revenue-Funded capital expenditures.



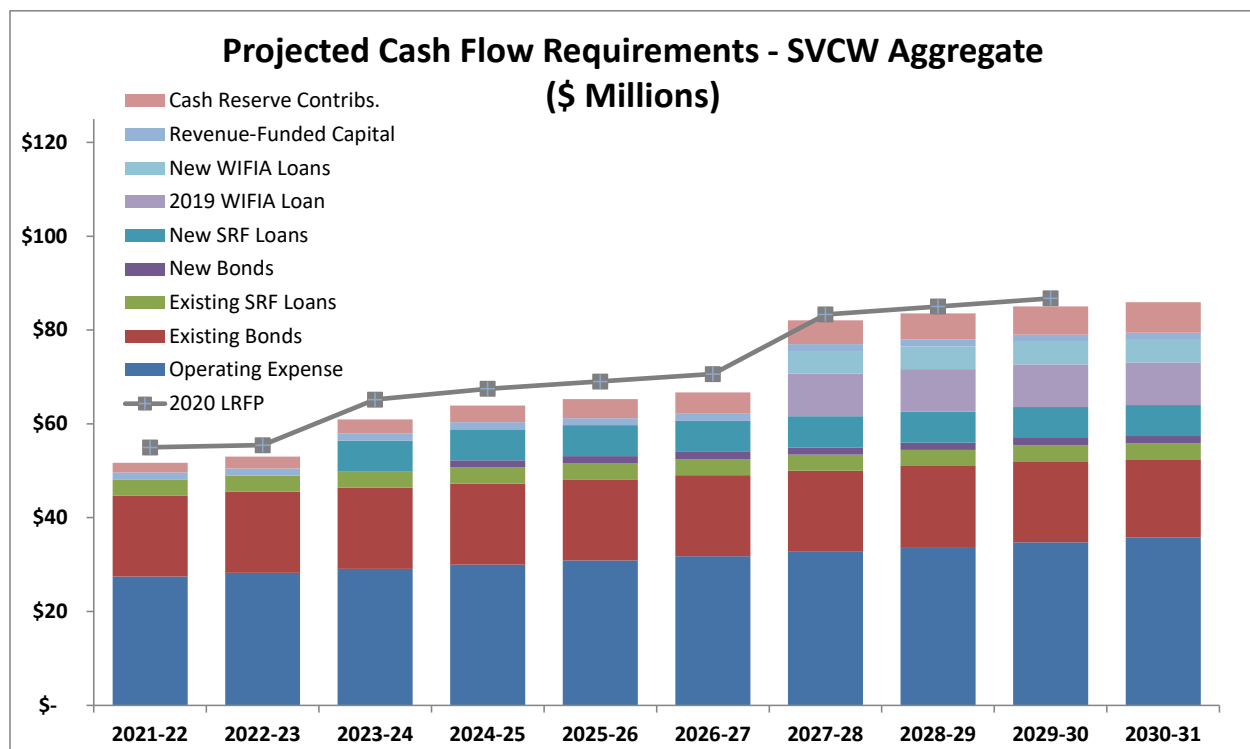
### *Cash Reserves*

The SVCW Commission has adopted cash reserve policies to document the goals and describe amounts intended to be held in reserves. Each year, the SVCW budget process reviews all reserve balances and adjusts as needed to comply with policy. In 2019-20, \$1 million was contributed to the CIP Reserve and another \$1.5 million is being contributed in 2020-21.

## SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS

In fiscal year 2021-22 SVCW anticipates total expenditures will be \$51.68 million for all costs of operations, debt service, revenue-funded capital, and reserve contributions. This figure is anticipated to grow to \$85.96 million over the next ten years:

Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 27.43	\$ 28.25	\$ 29.10	\$ 29.97	\$ 30.87	\$ 31.80	\$ 32.75	\$ 33.73	\$ 34.74	\$ 35.79
Existing Bonds	17.31	17.31	17.30	17.31	17.28	17.28	17.28	17.28	17.26	16.64
Existing SRF Loans	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41
New Bonds	-	-	-	1.55	1.55	1.55	1.55	1.55	1.55	1.55
New SRF Loans	-	-	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61
2019 WIFIA Loan	-	-	-	-	-	-	9.11	9.11	9.11	9.11
New WIFIA Loans	-	-	-	-	-	-	4.81	4.81	4.81	4.81
Revenue-Funded Capital	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cash Reserve Contribs.	2.03	2.53	3.03	3.53	4.03	4.53	5.03	5.53	6.03	6.53
<b>TOTAL</b>	<b>\$ 51.68</b>	<b>\$ 53.00</b>	<b>\$ 60.95</b>	<b>\$ 63.88</b>	<b>\$ 65.26</b>	<b>\$ 66.68</b>	<b>\$ 82.06</b>	<b>\$ 83.53</b>	<b>\$ 85.03</b>	<b>\$ 85.96</b>

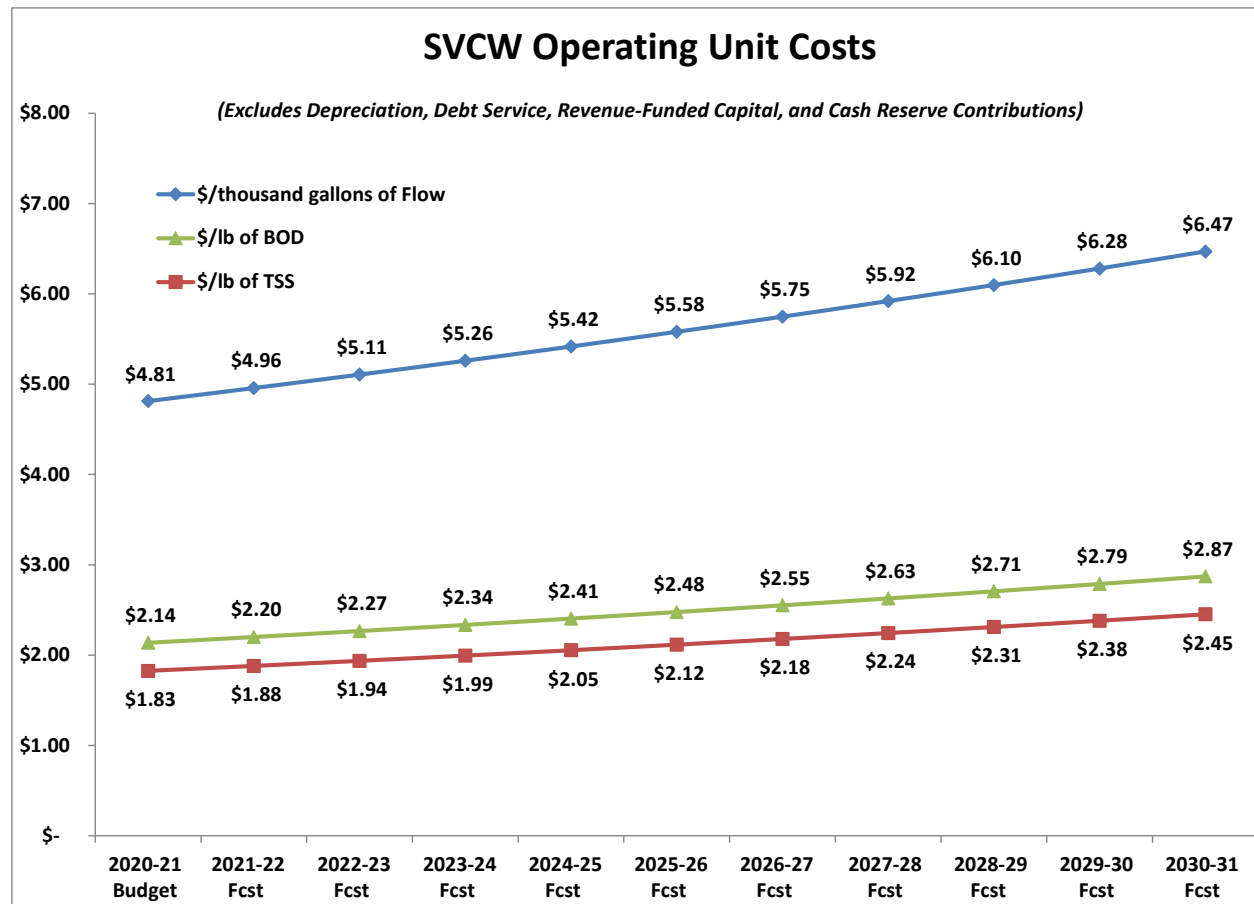


It should be noted that SVCW has benefited from the current low borrowing costs. This is evident in the above chart, showing how anticipated cash flows are less than the estimates in the prior year LRFP.

## Projected SVCW Operating Expenditures

Overall operating expenses are expected to increase by approximately 3.0% annually over the next decade. This includes benefits derived from efficient operations and power generation.

SVCW Operating Expenditures (\$ Millions)												
Description	2020-21 Budget	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	
Personnel	\$ 17.9	\$ 18.4	\$ 18.9	\$ 19.5	\$ 20.1	\$ 20.7	\$ 21.3	\$ 22.0	\$ 22.6	\$ 23.3	\$ 24.0	
Utilities	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.3	
Administrative Costs	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	
Equipment & Supplies	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	
Chemicals	1.7	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.3	
Professional Services	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1	
Contractual Services	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.5	2.5	2.6	2.7	
Regulatory and Training	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	
Total Expenditures	\$ 27.7	\$ 28.6	\$ 29.4	\$ 30.3	\$ 31.2	\$ 32.1	\$ 33.1	\$ 34.1	\$ 35.1	\$ 36.2	\$ 37.3	
Less Misc. Revenue	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.5)	
Net Operating Expend.	\$ 26.6	\$ 27.4	\$ 28.3	\$ 29.1	\$ 30.0	\$ 30.9	\$ 31.8	\$ 32.8	\$ 33.7	\$ 34.7	\$ 35.8	





## Debt Service Structure / Annual Debt Service Payments

SVCW and its Members have used debt as needed to fund the CIP. Approximately \$647 million of funding has been raised to date. Sources of funds include Wastewater Revenue Bonds, Member Agency cash contributions, SRF Loans, Notes and Grants.

Source of CIP Funds to date (\$ millions)			
Description	All-in TIC / Interest Rate	Max Proceeds	Available Proceeds at Dec. 1 2020
<b>Bonds</b>			
2008 Wastewater Revenue Bonds	5.03%	\$ 10.01	\$ -
2009 Wastewater Revenue Bonds	5.12%	55.86	-
2014 Wastewater Revenue Bonds	4.18%	65.54	-
2015 Wastewater Revenue Bonds	3.75%	30.00	-
2018 Wastewater Revenue Bonds	3.43%	148.98	14.68
Subtotal - Bonds		310.38	14.68
<b>Cash Contributions in lieu of Debt</b>			
Belmont		46.84	4.85
Redwood City		10.00	-
West Bay Sanitary District		13.02	3.79
Subtotal - Cash		69.85	8.64
<b>Government Loans</b>			
SWRCB SRF - Control Building	2.60%	11.36	-
SWRCB SRF - WWTP Improvements	1.80%	31.55	-
SWRCB SRF - Conveyance Planning	1.60%	14.00	-
U.S. EPA WIFIA / Notes - RESCU Program	1.40%	207.33	40.50
Subtotal - Government Loans		264.24	40.50
<b>Grant Funding</b>			
PG&E Cogeneration Grant		2.40	0.32
California Energy Commission		0.50	-
Subtotal - Grant Funding		2.90	0.32
<b>TOTAL</b>		<b>\$ 647.38</b>	<b>\$ 64.14</b>

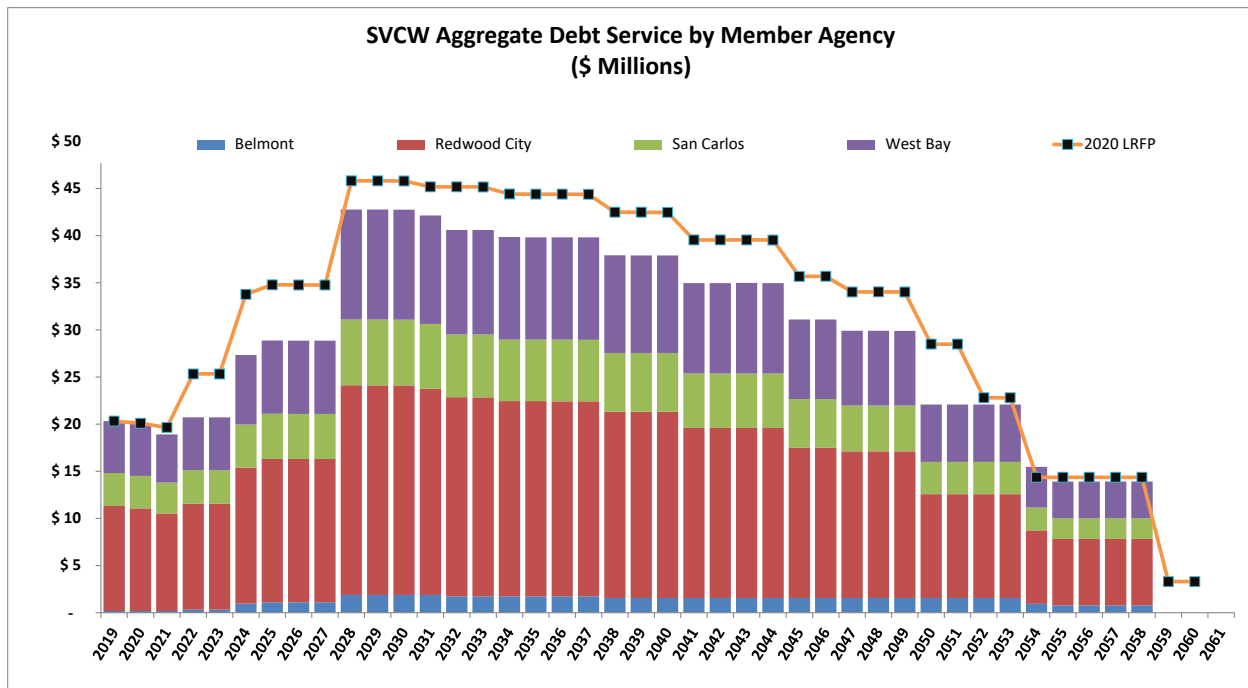
Looking forward, approximately \$381 million of CIP expenditures are identified for the next ten years. This LRFP recommends the following funding approach, with a comparison to the prior year's LRFP:

Description	2020 LRFP	2021 LRFP
<b>Remaining funding to be secured</b>	<b>\$561 Million</b>	<b>\$381 Million</b>
\$ Fixed Bonds / % of New Debt	\$99M / 18%	\$26M / 7%
\$ Variable Bonds / % of New Debt	\$29M / 5%	\$0M / 0%
\$ SRF Loans / % of New Debt	\$169M / 30%	\$169M / 44%
\$ WIFIA Loan / % of New Debt	\$208M / 37%	\$106M / 28%
Proceeds or Cash / % of New Debt	\$56M / 10%	\$80M / 21%
Weighted Average Cost of Capital	2.57%	1.41%

The historically low interest rates of the SRF and WIFIA loan programs, coupled with continued attractive market conditions, result in an improved Weighted Average Cost of Capital (WACC), now estimated at 1.41%.

Over the next four decades displayed below, total remaining aggregate debt service is \$1.19 billion, or approximately \$149 million less (in nominal dollars) than the prior year's Plan. If discounted to January 2021 dollars, this difference is a Net Present Value reduction of \$64 million.

This Plan anticipates Maximum Annual Debt Service payments (MADS) will decline by \$3.0 million after fiscal year 2027-28.



### *SVCW Wastewater Revenue Bonds*

Financing Agreements adopted between SVCW and its Member Agencies obligate each of these Agencies to make payments to SVCW for their respective allocable share of debt service. The City of Belmont has, to date, not participated in SVCW Bond financing and is therefore not obligated to make debt service payments on bonds currently outstanding.

Bond debt service payments are \$17 million in fiscal year 2020-21 including four outstanding series from 2019, 2014, 2015, and 2018. This update recognizes a refunding of 2014 and 2015 bond series in March 2021 and predicts no new-money bond issuances will be necessary.

### *State Revolving Fund Loans*

SVCW has thus far financed certain projects by entering into three separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). This program is funded from the California State Revolving Fund (SRF) program. The project funds, including any accrued interest, are repaid in annual installments commencing one year after construction.

Current SRF loan payments will peak at \$3.4 million. These loans financed the Control Building, certain Wastewater Treatment Improvements loans, and conveyance system planning efforts.

SVCW is currently refinancing one SRF loan from 2011 with an outstanding balance of \$8.1 million. The Authority has also nearly completed execution of a new series of SRF loans to secure \$169 million for the RESCU program. The anticipated interest rate is 0.90%.

### *Line of Credit*

SVCW holds a \$30 million Line of Credit (LOC), with an accordion feature for up to \$65 million, providing bridge financing for CIP projects. The LOC remains a valuable tool to manage cash flow and reduce borrowing costs. Specifically, the LOC furnishes interim cash flows between bond issuances or when SVCW awaits reimbursement of construction costs funded by the SRF program. When borrowing through SRF, SVCW pays for services and afterwards submits paid invoices to the state for reimbursement. Reimbursement generally takes 30 to 90 days and the LOC acts as a bridge loan during this period.

## Revenue-Funded Capital Expenditures

Over the next decade, until the CIP Cash Reserve balance reaches its target, SVCW anticipates investing approximately \$1.5 million annually to revenue-funded capital projects. These projects are typically installed and managed by staff and include fleet, valve replacements, new pumps and motors, gear assemblies, technology upgrades, or maintenance equipment.

## Cash Reserves Contributions

The table below shows the projected annual cash reserve contributions to the Capital Improvement Program Fund, its earnings, and the balances. Cash Reserve contributions follow SVCW policy at \$1.5 million contributed annually in fiscal year 2020-21, after which contributions increase annually by \$500 thousand. Such contributions continue until the CIP Reserve balance reaches an inflation-adjusted target of \$50 million in 2019 dollars, after which the contributions will be redirected to Revenue-Funded Capital projects.

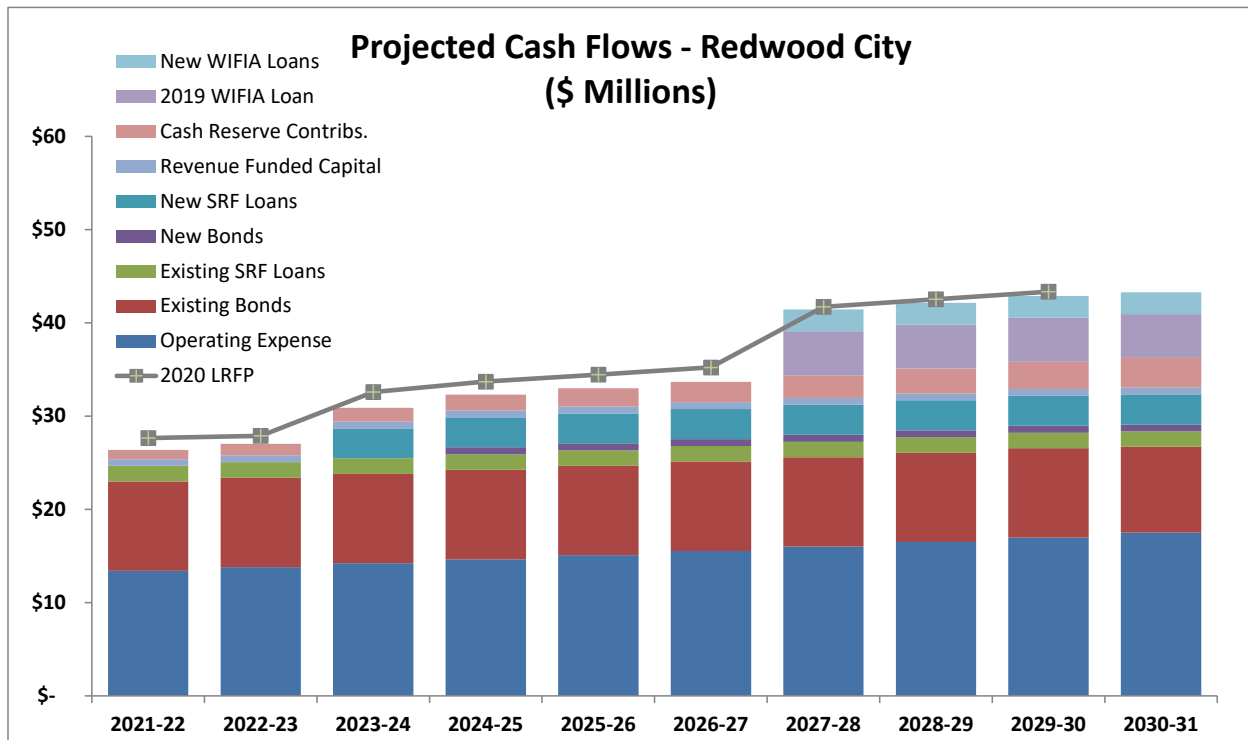
After ten years SVCW is projected to have nearly \$62 million in cash reserves that would be available to fund unanticipated project expenditures or for selected capital improvements.

CIP Cash Reserves Forecast (\$ Millions)											
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Beginning Balance	\$ 17.7	\$ 19.5	\$ 21.9	\$ 24.8	\$ 28.3	\$ 32.4	\$ 37.0	\$ 42.2	\$ 48.1	\$ 54.5	
Contributions	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	
Earnings (at 1.75%)	0.3	0.4	0.4	0.5	0.6	0.6	0.7	0.8	0.9	1.1	
Ending Balance	\$ 19.5	\$ 21.9	\$ 24.8	\$ 28.3	\$ 32.4	\$ 37.0	\$ 42.2	\$ 48.1	\$ 54.5	\$ 61.6	

## Total Cash Flow Projections by Member Agency

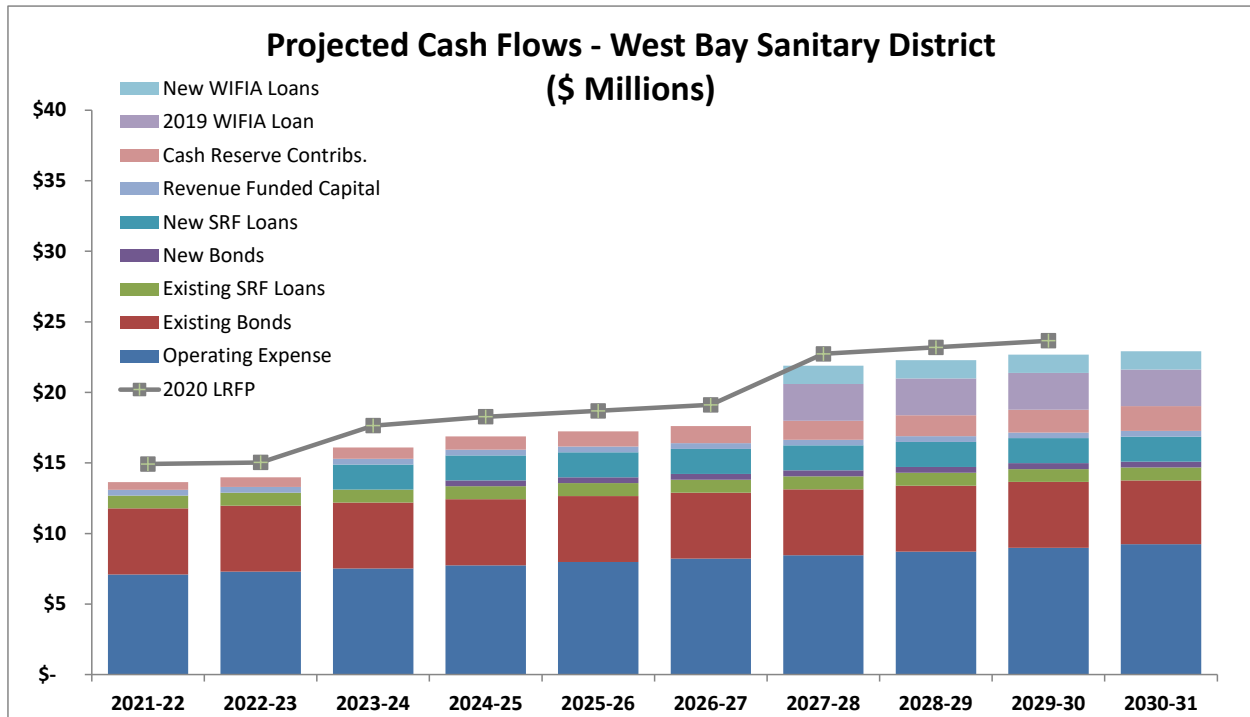
The following charts and tables describe the cash flow projections required for all SVCW expenditures. Each Member Agency is also provided with a detailed description for their own planning purposes.

### Redwood City

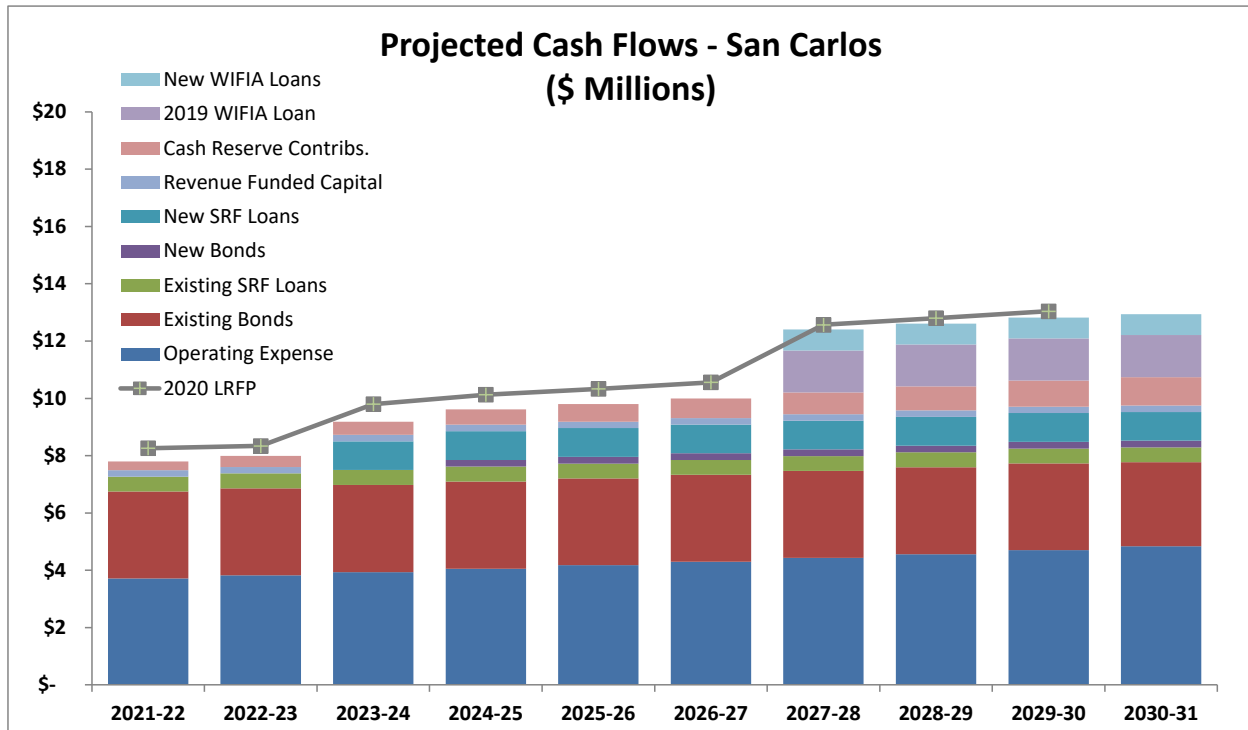


Projected SVCW Cash Flow Requirements - Redwood City (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 13.41	\$ 13.82	\$ 14.23	\$ 14.66	\$ 15.10	\$ 15.55	\$ 16.02	\$ 16.50	\$ 16.99	\$ 17.50
Existing Bonds	9.59	9.59	9.58	9.58	9.58	9.58	9.58	9.57	9.56	9.20
Existing SRF Loans	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
New Bonds	-	-	-	0.75	0.75	0.75	0.75	0.75	0.75	0.75
New SRF Loans	-	-	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21
2019 WIFIA Loan	-	-	-	-	-	-	4.71	4.71	4.71	4.71
New WIFIA Loans	-	-	-	-	-	-	2.34	2.34	2.34	2.34
Revenue Funded Capital	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Cash Reserve Contribs.	0.98	1.23	1.47	1.71	1.96	2.20	2.44	2.69	2.93	3.17
<b>TOTAL</b>	<b>\$ 26.37</b>	<b>\$ 27.02</b>	<b>\$ 30.88</b>	<b>\$ 32.31</b>	<b>\$ 32.98</b>	<b>\$ 33.68</b>	<b>\$ 41.43</b>	<b>\$ 42.15</b>	<b>\$ 42.88</b>	<b>\$ 43.27</b>

West Bay Sanitary District



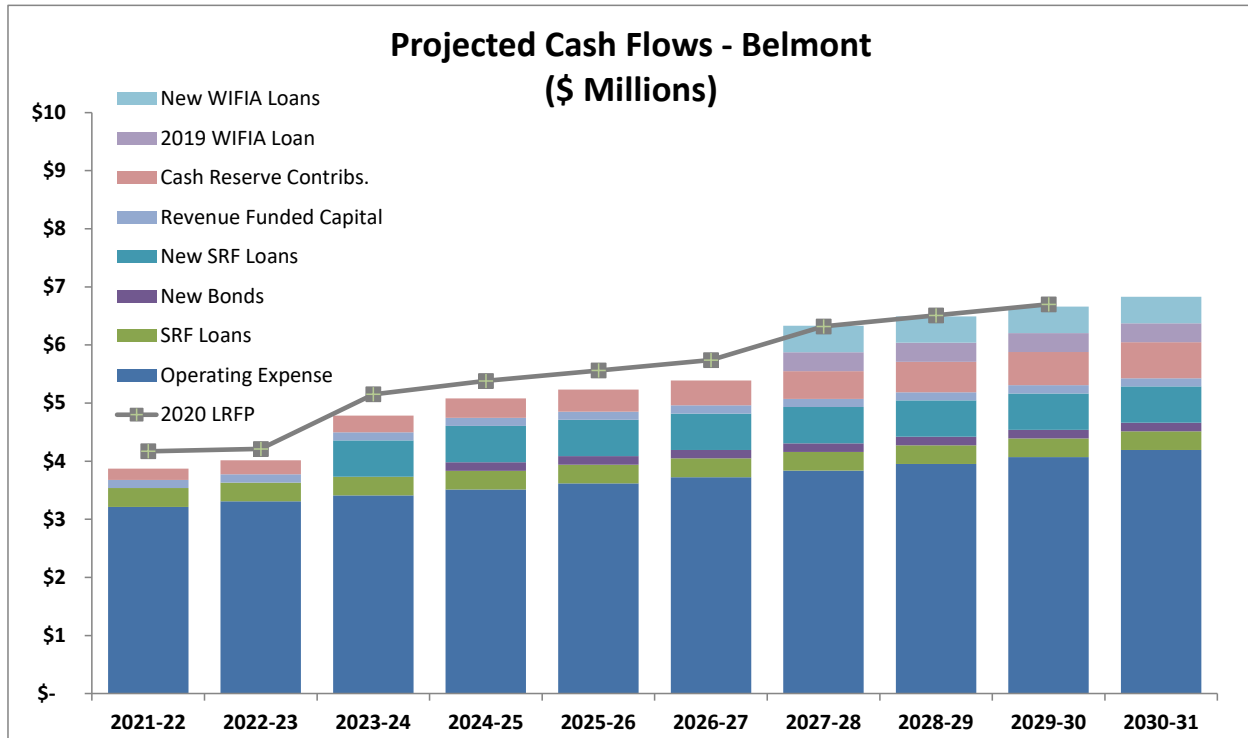
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 7.09	\$ 7.30	\$ 7.52	\$ 7.75	\$ 7.98	\$ 8.22	\$ 8.47	\$ 8.72	\$ 8.98	\$ 9.25
Existing Bonds	4.68	4.68	4.67	4.68	4.67	4.67	4.67	4.67	4.67	4.51
Existing SRF Loans	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92
New Bonds	-	-	-	0.42	0.42	0.42	0.42	0.42	0.42	0.42
New SRF Loans	-	-	1.77	1.77	1.77	1.77	1.77	1.77	1.77	1.77
2019 WIFIA Loan	-	-	-	-	-	-	2.60	2.60	2.60	2.60
New WIFIA Loans	-	-	-	-	-	-	1.29	1.29	1.29	1.29
Revenue Funded Capital	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Cash Reserve Contribs.	0.54	0.68	0.81	0.95	1.08	1.22	1.35	1.48	1.62	1.75
TOTAL	\$ 13.64	\$ 13.97	\$ 16.10	\$ 16.88	\$ 17.24	\$ 17.61	\$ 21.89	\$ 22.28	\$ 22.68	\$ 22.92



Projected SVCW Cash Flow Requirements - San Carlos (\$ Millions)											
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Operating Expense	\$ 3.71	\$ 3.82	\$ 3.94	\$ 4.05	\$ 4.18	\$ 4.30	\$ 4.43	\$ 4.56	\$ 4.70	\$ 4.84	
Existing Bonds	3.04	3.04	3.04	3.05	3.03	3.03	3.04	3.04	3.03	2.93	
Existing SRF Loans	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	
New Bonds	-	-	-	0.23	0.23	0.23	0.23	0.23	0.23	0.23	
New SRF Loans	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
2019 WIFIA Loan	-	-	-	-	-	-	1.47	1.47	1.47	1.47	
New WIFIA Loans	-	-	-	-	-	-	0.73	0.73	0.73	0.73	
Revenue Funded Capital	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	
Cash Reserve Contribs.	0.31	0.38	0.46	0.53	0.61	0.69	0.76	0.84	0.91	0.99	
<b>TOTAL</b>	<b>\$ 7.80</b>	<b>\$ 7.99</b>	<b>\$ 9.18</b>	<b>\$ 9.61</b>	<b>\$ 9.80</b>	<b>\$ 10.00</b>	<b>\$ 12.40</b>	<b>\$ 12.61</b>	<b>\$ 12.82</b>	<b>\$ 12.94</b>	

## Belmont

Belmont has not joined SVCW Bond issuances, instead contributing cash in lieu of debt participation. It has, however, fully participated in certain SRF loans and partially participated in the WIFIA government loan program. This decision reduces Belmont's SVCW-associated debt service as compared to 2019 Long Range Finance Plan.



Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 3.21	\$ 3.31	\$ 3.41	\$ 3.51	\$ 3.62	\$ 3.73	\$ 3.84	\$ 3.95	\$ 4.07	\$ 4.19
SRF Loans	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32
New Bonds	-	-	-	0.15	0.15	0.15	0.15	0.15	0.15	0.15
New SRF Loans	-	-	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
2019 WIFIA Loan	-	-	-	-	-	-	0.33	0.33	0.33	0.33
New WIFIA Loans	-	-	-	-	-	-	0.45	0.45	0.45	0.45
Revenue Funded Capital	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Cash Reserve Contribs.	0.19	0.24	0.29	0.33	0.38	0.43	0.48	0.52	0.57	0.62
<b>TOTAL</b>	<b>\$ 3.87</b>	<b>\$ 4.01</b>	<b>\$ 4.78</b>	<b>\$ 5.08</b>	<b>\$ 5.23</b>	<b>\$ 5.39</b>	<b>\$ 6.33</b>	<b>\$ 6.49</b>	<b>\$ 6.66</b>	<b>\$ 6.83</b>



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## **SECTION 6 – SENSITIVITIES**

Traditional risks to the efficient completion of large capital plans include unanticipated increases such as inflation and interest rate volatility. The risks of inflation and rising interest rates are outside the control of SVCW; however, strategies can mitigate these risks. The Plan, for instance, assumes an across-the-board 3% inflation factor in operating costs. Further, interest rates utilized by the Model are conservative and generally based on best available information and, as a result, are presumed to be higher than market rates. As another example of cost preparedness, SVCW increased the CIP estimates by implementing cost inflators through the midpoint of construction.

To assess the impact of borrowing at interest rates higher than the conservative rates assumed in the recommendation, a sensitivity-analysis was conducted by increasing the weighted cost of capital by 50 basis points (0.50%). Such an increase would result in a greater debt service cost of (Net Present Value) \$20.6 million over the life of the debt issued.

### **Capital Improvement Program Adherence**

The timing of the projects is considered achievable under present economic and operational assessments. Based upon the size of the CIP, project costs and interest expense are both significant. Adhering to the budget and timing of the CIP is singularly the most cost-effective strategy to manage costs. As the regional economy continues to expand, inflationary pressures rise. It is estimated that a one-year delay to the RESCU program, for example, would increase costs by approximately \$10.3 million based upon a construction cost inflation factor of 4%. SVCW has shown that its Progressive Design-Build project delivery method is so far avoiding these schedule risks.

### **Government Loan Availability**

The Authority has thus far secured \$57 million in SRF loans and a \$218 million WIFIA loan. The low cost of these government loans, with their flexible repayment terms, significantly reduces interest expense. As an example, the recently refinanced WIFIA loan closed at a 1.41% interest rate and, when compared to traditional Wastewater Revenue Bonds, is estimated to save SVCW ratepayers \$65 million on a present value basis over the repayment period. SVCW is pursuing another \$106 million in WIFIA Loans to complete the RESCU program and fund future treatment plant projects.

The SWRCB has also agreed to loan \$169 million to SVCW for the RESCU program. A combined three loans are currently being processed by the SWRCB staff. The interest rate is estimated to be 0.90%.

## **Inflation**

Operating Expenditures - The LRFP includes inflationary assumptions of approximately 3% on operating costs. The Consumer Price Index (CPI) is a measure of the “average change in prices over time in a fixed market basket of goods and services” which translates to a guide for determining the prices on food, energy, fuel and other goods and services. CPI is a good indicator of how the economy holds up against inflation and surrounding economic changes.

Capital Expenditures – Construction costs of labor and materials continue to increase. While SVCW negotiates for best pricing on projects, the rise in material and labor costs places upward pressure on the CIP. Such inflationary estimates are based on Engineering News Record’s construction cost index. Additionally, the list of capital projects will evolve as SVCW’s wastewater infrastructure continues to age, new regulations are introduced, or project scopes change.

## **Interest Rates**

It is impossible to predict interest rate levels or the timing of changes. What is known, however, is today’s interest rates are attractive. With tax-exempt interest rates at historical low levels, a decrease in rates is unlikely. A more plausible outcome would be for the market to experience higher interest rates in the future.

Changes in interest rates have been somewhat mitigated with Governmental Loan funding. Publicly issued debt, however, would likely bear the entire market increase with estimated rates.

If SVCW’s remaining Weighted-Average Cost of Capital was to increase by 50 basis points (or 0.5%), SVCW annual debt service payments (at its maximum aggregate point) would increase by \$1.9 million. Over the entire amortization term, the cost of this change in interest rates would be a Net Present Value of \$20.6 million.

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## **SECTION 7 – SUMMARY**

SVCW provides this LRFP as a recommendation and implementation strategy to fund the next decade of capital improvements. The Plan documents the analysis of possible alternatives. Due to the extensive nature and cost of the CIP, leveraging long term debt is the most practical funding method. Individual Members may of course determine that, for their own specific purposes, cash contributions may be appropriate.

Due to the historical lack of a sinking fund and cash reserves, the recommended debt strategy is in lieu of a pay-go cash strategy. Debt allows SVCW to distribute costs over the expected useful lives of constructed assets, and also provides fairness to Members' ratepayers by spreading costs across generations and facilitating moderate and consistent rate increases. In general, CIP funding sources include 1) Capital markets by issuing publicly traded revenue bonds; 2) Government loans through SRF and WIFIA programs when available; and 3) cash that has been contributed by the Members Agencies.

This LRFP's recommendations and its outcomes are for planning purposes. SVCW believes it is a reasonable forecast of expenditures over the next year, including a well-informed position that SVCW will be able to access government loan programs from the SWRCB. This LRFP therefore is useful for Member Agencies as they consider budgets and analyze their sewer rates.