

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
REGULAR MEETING – Monday, September 20, 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
COUNCIL MEMBER 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.....pg. 9
- C. Financial Report
 - 1. Investment Report.....pg. 11
- D. Engineering Capital Projects Report.....pg. 15
- E. Commission Requested Staff-Level Action Items..... pg. 19
- F. RESCU Program Design-Build Project Status Update..... pg. 22

6. MATTERS OF COMMISSION MEMBER'S INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 30)

8. BUSINESS ITEMS

- A. CONSIDERATION OF MOTION TO HOLD PUBLIC HEARING ON MODIFICATION TO SVCW INDUSTRIAL PRETREATMENT PROGRAM (pg. 77)

Proposed Action:

- i. OPEN PUBLIC HEARING AND RECEIVE TESTIMONY
- ii. Close Public Hearing and Move Approval AUTHORIZING SUBMISSION OF REPORT TO THE REGIONAL WATER QUALITY CONTROL BOARD OF PUBLIC COMMENTS RECEIVED REGARDING SVCW'S PROPOSED LOCAL LIMITS MODIFICATIONS

- B. CONSIDERATION OF MOTION APPROVING BROWN AND CALDWELL TASK ORDER SCOPE AND BUDGET FOR DESIGN AND BID PERIOD SERVICES ASSOCIATED WITH THE FIXED FILM REACTORS REHABILITATION PROJECT (CIP# 9242) (pg. 83)

Proposed Action:

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR PRELIMINARY DESIGN, DETAILED DESIGN, AND BID PERIOD SERVICES RELATED TO THE FFR REHABILITATION PROJECT (CIP# 9242) IN THE AMOUNT NOT TO EXCEED \$1,229,430 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK

ON AN AS-NEEDED BASIS – BROWN AND CALDWELL

- C. CONSIDERATION OF MOTION APPROVING TANNER PACIFIC TASK ORDER AMENDMENT FOR CONSTRUCTION QUALITY ASSURANCE SERVICES ASSOCIATED WITH STAGE 2 OF GRAVITY PIPELINE PROJECT (CIP #6008) (pg. 86)

Proposed Action:

Move approval of TASK ORDER SCOPE AND BUDGET AMENDMENT FOR CONSTRUCTION QUALITY ASSURANCE SERVICES FOR THE GRAVITY PIPELINE PROJECT STAGE 2 (CIP #6008) IN AN AMOUNT NOT TO EXCEED \$2,440,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – TANNER PACIFIC INC.

- D. CONSIDERATION OF RESOLUTION ESTABLISHING PROTOCOLS FOR COMMISSION MEETINGS ATTENDANCE (pg. 89)

Proposed Action:

Move adoption of RESOLUTION ESTABLISHING PROTOCOLS FOR RETURN TO THE COMMISSION'S REGULAR MEETING LOCATION FOLLOWING TERMINATION OF THE COVID-19 EMERGENCY

9. CLOSED SESSION
No Closed Session
10. RECONVENE IN OPEN SESSION – Announce action taken in Closed Session, if any
11. ADJOURN

CONSENT CALENDAR

NOTICE TO PUBLIC

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

7. A. APPROVAL OF MINUTES – August 16, 2021 – Regular Meeting (pg. 30) and August 17, 2021 – Special Meeting (pg. 34)
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED AUGUST 2, 2021, AUGUST 6, 2021, AND AUGUST 20, 2021 NECESSARY PAYMENTS THROUGH AUGUST 20, 2021 (pg. 37)
- C. CONSIDERATION OF RESOLUTION APPROVING REVISIONS TO SVCW COMMISSION POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT (pg. 39)

Proposed Action:

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

- D. CONSIDERATION OF RESOLUTION AND MOTION APPROVING AWARD OF CONSTRUCTION CONTRACT AND ENGINEERING SERVICES DURING CONSTRUCTION TASK ORDER FOR THE UNDERGROUND FUEL TANK REPLACEMENT PROJECT (PROJECT #0329) (pg. 73)

Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR UNDERGROUND FUEL TANK REPLACEMENT PROJECT (PROJECT #0329); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER; REJECTING ALL OTHER BIDS; AUTHORIZING EXECUTION OF AGREEMENT AND DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – JMB CONSTRUCTION (\$625,500)
- ii. Move approval of ENGINEERING SERVICES DURING CONSTRUCTION TASK ORDER SCOPE AND BUDGET FOR UNDERGROUND FUEL TANK REPLACEMENT PROJECT (PROJECT #0329) IN AN AMOUNT NOT TO EXCEED \$87,622 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS.

Microsoft Teams Access Information
Silicon Valley Clean Water
Regular Meeting
Monday, September 20, 2021

WEBSITE: [Link to access meeting](#)

MEETING ID: 965 853 36#

CALL IN PHONE NUMBER: +1 747-216-0281

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

Public Comment

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

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

Accessibility for Individuals with Disabilities

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

Subject to Change:

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

AGENDA ITEM 5A

How can you improve your emotional well-being? Here are 8 tips:

Emotional well-being is an important part of holistic wellness, as it can impact your outlook on life, your relationships, and your health. Emotional well-being is the ability to produce positive emotions, moods, thoughts, and feelings, and adapt when confronted with adversity and stressful situations. Emotional well-being allows you to focus on the positive, and manage the negative emotions and feelings you may have in a given situation. This can help you forge stronger relationships with those around you. As you place more emphasis on your emotional well-being, you're able to:

- Receive and offer feedback with a healthy perspective.
- Have discussions and difficult conversations with anyone.
- Establish stronger relationships.

Your range of emotions—and how you manage them—influences your emotional health. Here are eight ways you can control your emotions and feelings, and stay resilient:

1. **Move your body.** Do some sort of physical activity every 90 minutes. Exercise. Dance. Fold laundry. Weather permitting, get outside. Walk around the block. Run. Visit a park.
2. **Establish a routine.** Create a schedule that balances the work you do with the life you want. Set time for your meetings. Block space to set goals. Create room to read. Cook a new dish. Listen to music.
3. **Connect with others.** Love on your family. Check in with those who support you. Ask for help. Learn something out of your comfort zone. Spend time with someone who you respect.
4. **Forgive.** Forgive others and forgive yourself. Forgiveness frees you to keep your power. Forgiveness opens the path to live in the moment. Forgiveness allows for growth and happiness.
5. **Do something for others.** Offer to do something for someone you know or don't know, for which you cannot be repaid. Pick up groceries for a neighbor. Volunteer online. Send a thank you note.
6. **Sleep.** Healthy sleep gives your body the chance to repair itself. Sleep refreshes your brain to manage your memories and process information. You wake up in a better mood.
7. **Be kind to yourself.** What gives you joy? Where are you most at peace? When do you have space to be you? As you are kind to yourself, you will want to extend that kindness beyond yourself.
8. **Be self-aware.** Notice the thoughts, actions, habits, and character traits that serve you well. And when you spot what needs to change, you'll be ready. You will simply know.



AGENDA ITEM 5B

Recurring and Upcoming 2021 Commission Actions
Updated for September 2021 Meeting


January	February	March	April
<ul style="list-style-type: none"> Review Investment Policy CIP Update (annual or biennial) 	<ul style="list-style-type: none"> Long Range Financial Plan (typically in January) 	<ul style="list-style-type: none"> Budget Workshop Line of Credit Renewal Conflict of Interest Update (due to change in Reso 77-6) 	<ul style="list-style-type: none"> Operating Budget Approval
May	June	July	August
<ul style="list-style-type: none"> Initiate Manager Performance Evaluation Review Reserve Funds Policy 	<ul style="list-style-type: none"> Approve Resolution 77-6 "Personnel Resolution" Perform Manager Evaluation 	<ul style="list-style-type: none"> Nominate Commission Chair & Vice Chair; Appoint Secretary WIFIA Agreement Review Cyber Security Presentation 	<ul style="list-style-type: none"> Conflict of Interest Update (Biennial; even-numbered years) Investment Program Status Annual Update WIFIA Agreement Approval
September	October	November	December
<ul style="list-style-type: none"> Review Debt Policy 			<ul style="list-style-type: none"> Commission Meeting schedule for following year Audited Financial Report

-  - Recurring Commission Actions
-  - Upcoming Commission Actions

AGENDA ITEM 5C

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

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,838,535	5.05%	1.03%
Operating Reserve - Money Market Fund Balance	14,907	0.02%	0.02%
CIP Reserve* - Securities	18,267,993	24.02%	1.73%
CIP Reserve - Money Market Fund Balance	352,619	0.46%	0.02%
Stage 2 Capacity Reserve* - Securities	14,628,134	19.23%	1.69%
Stage 2 Capacity Reserve - Money Market Fund Balance	19,647	0.03%	0.02%
Total Market Value: Operating and Reserve Accounts	\$ 37,121,835	48.8%	1.62%
Total Accrued Interest: Operating and Reserve Accounts	174,965		
GRAND TOTAL, RESERVE ACCOUNTS	\$ 37,296,800		
<u>Trustee Accounts:</u>			
2018 Project Fund Account - CAMP	\$ 12,244,560	16.10%	0.05%
2018 Revenue Account	5,185,839	6.82%	0.01%
2019A Notes WIFIA - Money Market Fund	1,580,171	2.08%	0.01%
2019A Capitalized Interest Account* - Securities	18,748,031	24.65%	1.97%
2019A Capitalized Interest Account - Money Market Fund	8,058	0.01%	0.01%
2021 Cost of Issuance Account	61,194	0.08%	0.01%
Total Market Value, Trustee Accounts	\$ 37,827,854	49.74%	0.99%
Accrued Interest:	154,263		
Operating Cash (includes outstanding checks)	894,161	1.18%	0.00%
Local Agency Investment Funds (LAIF) Balance	210,300	0.28%	0.22%
Total Cash & Investments	\$ 76,383,378	100.00%	1.29%


Matthew P Anderson
Chief Financial Officer / Assistant Manager

8/13/2021
Date

* Monthly report of security transactions and interest available upon request

Silicon Valley Clean Water
Operating and Reserve Funds - Sector Allocation & Compliance July 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	\$ 1,320,574	\$ 7,123,695	\$ 5,986,016	\$ 14,430,285	39%	100%	✓	(0.1%)
Supranationals	357,329	-	-	357,329	1%	15%	✓	(0.0%)
Federal Agency/GSE	1,096,371	2,913,980	2,205,976	6,216,327	17%	100%	✓	(0.3%)
Federal Agency CMO	-	2,130,881	1,525,436	3,656,317	10%	100%	✓	(0.2%)
Federal Agency MBS	-	1,197,625	1,081,885	2,279,510	6%	100%	✓	1.1%
Municipal	-	1,106,686	852,890	1,959,576	5%	30%	✓	0.3%
Corporate Notes	688,770	3,380,207	2,660,987	6,729,964	18%	30%	✓	0.1%
Asset-Backed Securities	375,491	414,918	314,945	1,105,353	3%	10%	✓	(0.0%)
Securities Sub-Total	3,838,535	18,267,993	14,628,134	36,734,662	99%			
Accrued Interest	12,324	90,736	71,905	174,965				
Securities Total	3,850,859	18,358,729	14,700,040	36,909,627				
Money Market Fund	14,907	352,619	19,647	387,173	1%	20%	✓	(1.0%)
Total Investments	\$ 3,865,766	\$ 18,711,348	\$ 14,719,686	\$ 37,296,800	100%			
As % of 6/30/22 Target:	100%	91%	100%	95%				

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 at <https://emma.msrb.org>

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

AGENDA ITEM 5D

ENGINEERING REPORT: AUGUST 2021
CAPITAL IMPROVEMENT PROGRAM

UPCOMING COMMISSION ACTIONS:

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

This project includes improvements and rehabilitation of three originally built fixed-film reactors (FFRs). Engineering work will include a condition assessment of the structure, evaluation of the media, and analysis of the overall process performance. After these items have been evaluated, the design will be completed to implement the necessary repair/rehabilitation items. One FFR will be rehabilitated at a time to ensure continuous treatment throughout the project.

Planned Commission Actions: Approve Design Task Order – September 2021

Underground Fuel Tank Replacement (9041): Decommission and replace underground diesel storage tank with aboveground storage tank.

Diesel for Standby Generators 1 through 3 is stored in a 15,000 underground storage tank that was installed at the time the treatment plant was originally constructed. The tank is a single-wall type and does not meet the modern standards for an underground storage tank that would be built today. SVCW received notification from the State Water Resources Control Board that all single-wall underground storage tanks must be decommissioned by 2025. San Mateo County Department of Health administers regulations related to fuel tanks within county boundaries and staff has been in communication with the County regarding required work. SVCW staff has been working with its engineering consultant Kennedy Jenks to complete the design of a new, above ground storage tank that will replace the underground tank. The bid documents were publicly advertised in July 2021 staff will seek to have the construction contract awarded at the September Commission meeting.

Planned Commission Actions: Approve Construction Contract – September 2021

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. SVCW staff and consultant project team are intricately involved in all stages of work.

All three projects are in their construction phases; refer to Commission Item 5F for status updates.

Planned Commission Actions: Task Order Amendment for Quality Assurance Services, Gravity Pipeline Project – September 2021

ONGOING PROJECTS IN CONSTRUCTION:

CCT Valve Replacement (9107): Rehabilitation of Chlorine Contact Tank

Recoat concrete surfaces in all three passes of the Chlorine Contact Tank, replace valves and piping. This project is in the construction phase; work anticipated to be complete in December.

BioforceTech Improvements (9231): Biodryer and Pyrolysis Facility improvements.

Replace feed conveyor system, followed by 12-months co-operation of the facility.

SAF-MBR (9236): Pilot testing of new treatment system in conjunction with Stanford University

System is operational with various pieces of equipment being tested. Additional equipment being procured to further test different scenarios of treatment.

Generator Feed Relocation (9240): Provide new generator feed and transformer.

Relocating the power feed and a new transformer will enable SVCW's existing backup generators to be used for the Front of Plant facility. This project will use existing infrastructure, saving significant costs. Construction is scheduled for completion in December 2021.

Primary Channels Rehabilitation and Hatch Replacement (9241): Re-coating concrete surfaces and replacing deck hatches.

Recoating concrete surfaces in Primary Sedimentation Tanks 3 and 4, in Primary Influent Channel, and Primary Effluent Channel. Work needs to ensure continued treatment in other tanks and channel. Hatches on the deck above the tanks are aluminum and significant corrosion is visible; the hatches will be replaced with FRP (fiberglass reinforced plastic) hatches. Construction is currently underway by ERS Industrial, with an anticipated completion date in November 2021.

Laboratory Building HVAC (9251): Replace HVAC system serving Laboratory Building.

The HVAC system serving the Laboratory is original (circa 1991), is past its useful life and system maintenance is no longer possible. Construction is in progress to replace all of the major mechanical and electrical components of this critical system.

AGENDA ITEM 5E

Silicon Valley Clean Water
Commissioners' Requested Action Items

SEPTEMBER 20, 2021
AGENDA ITEM 5E

Updated: 09/08/2021

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
8/16/2021	1	Investment Reports	next qrtly report		✓			Back out PFM Fees from total return values.
7/16/2021	1	Cyber-Security Training	N/A		✓			Fake phishing emails to workgroup; report out on progress and % of effectiveness
	2	Recycled Water Expansion	8/16/2021			✓		Presentation made to Commission at August meeting. As information changes, updates will be provided.
6/21/2021	1	No Action Items						
5/17/2021	1	CWEA Plant of the Year Award - Public Info	6/21/2021			✓	6/20/2021	Public info "blast" out on award(s) received have and are occurring
	2	Gravity Pipeline project - San Carlos Shaft	N/A		✓			if a source for ammonia becomes known, report out to Commission
4/19/2021	1	Schedule Performance Index for RESCU FoP	5/17/2021			✓	5/17/2021	SPI increased for April due to delivery and payment of large equipment items. SPI now at 0.95
3/15/2021	1	No Action Items						
2/22/2021	1	Staff Re-Organization	2/26/2021			✓	2/22/2021	Send new organization chart to commissioners
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. None as of this update.
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. Updates provided in monthly RESCU reports, Item 5F on Commission agendas.
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.
> 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 consolidated. Next step to meet with member agencies for consensus.

Silicon Valley Clean Water
Commissioners' Requested Action Items

SEPTEMBER 20, 2021
AGENDA ITEM 5E

Updated: 09/08/2021

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	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.
	5	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. Historic marker applied Aug. 28, 2021.
	6	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.

AGENDA ITEM 5F

Overview



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

Available Budget

\$554.36M

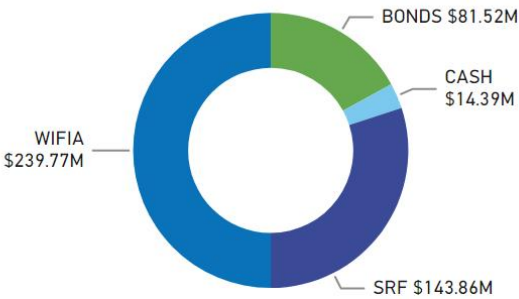
Total Expenditure

\$385.37M

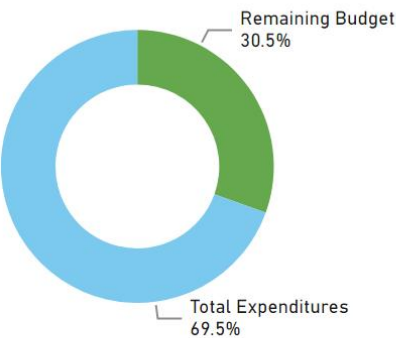
Remaining Budget

\$168.99M

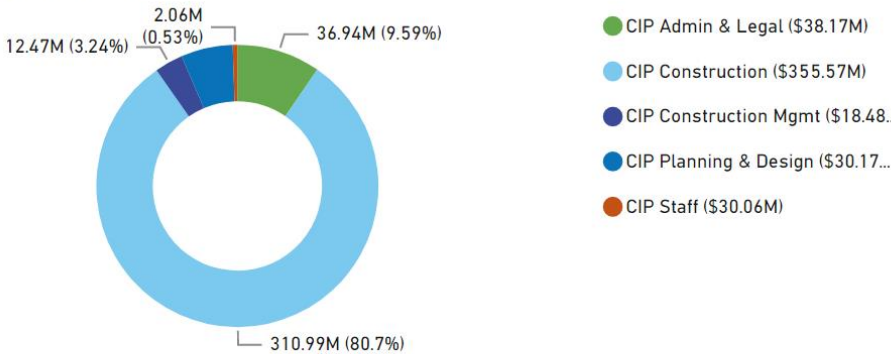
Source of Funds (per LRFP 2021)



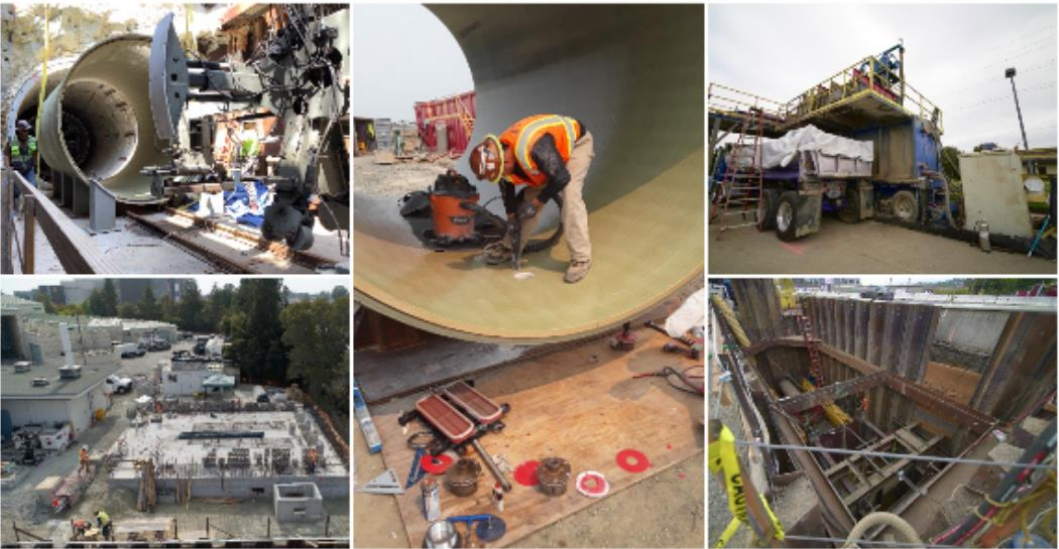
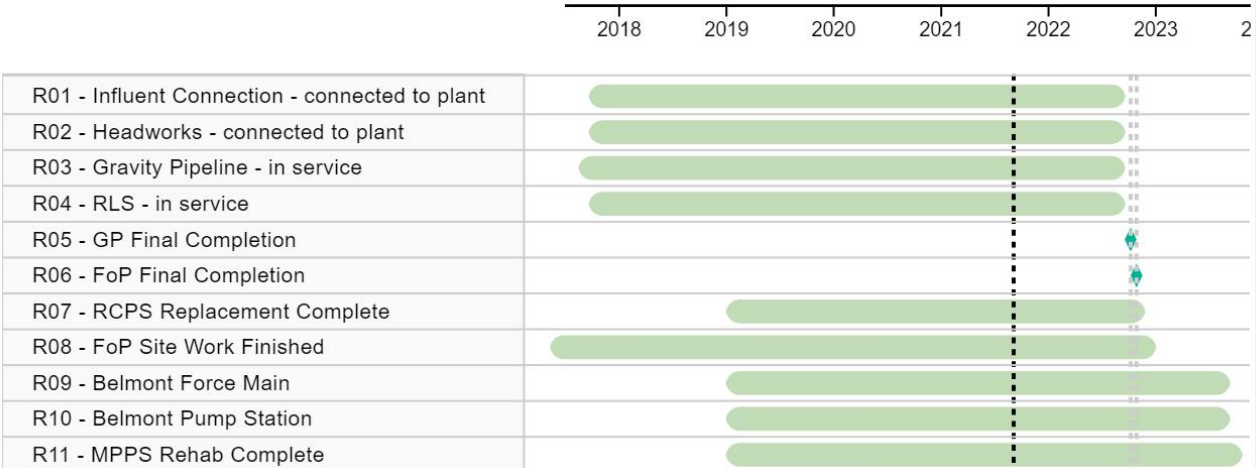
Budget vs Expenditures



Expenditures by Object



Project Schedule



Front of Plant Progressive DB Project (CIP 9502)



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

Available Budget

\$161.95M

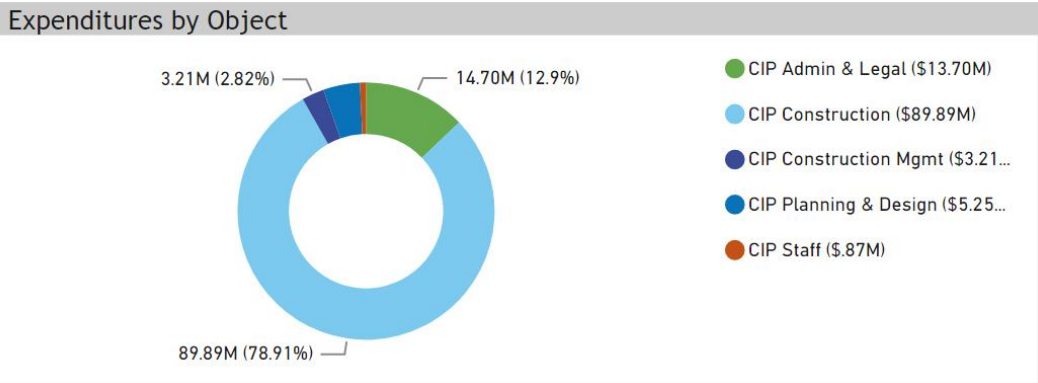
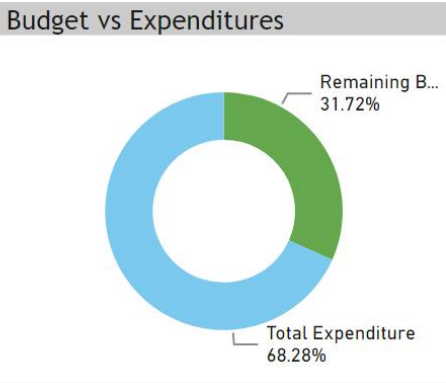
Total Expenditure

\$110.59M

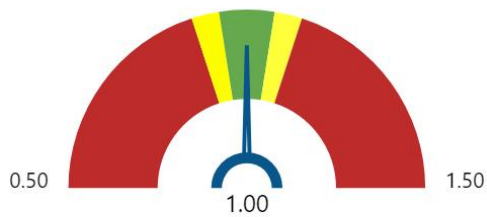
Remaining Budget

\$51.37M

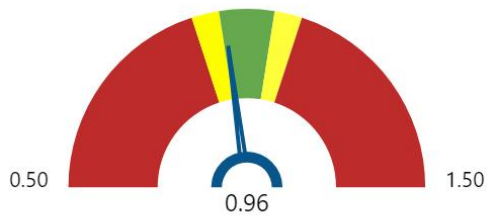
Milestone Schedule		
	Start	Finish
Interconnection Pipe Completed	7/24/2020	4/13/2022
Headworks Facility Completed	12/6/2018	11/5/2021
SFS/RLS Completed	12/6/2018	7/1/2022
Substantial Completion		9/30/2022



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Major Accomplishments this Period

▼	
Construction	<ul style="list-style-type: none"> - SPJV continued with the installation of various carrier pipes around the Headworks Facility. - SPJV completed anchoring equipment in the electrical room. - SPJV continues the installation of electrical conduit, pulling cables, and installing control panels throughout the RLS and Headworks. - SPJV completed the installation of the remaining 3 of 6 24-inch HDPE discharge lines. - SPJV completed the installation of ducting for the RLS HVAC system. - 4 of 8 RLS precast concrete roof panels were constructed by SPJV. Panels have cured and test breaks were completed. Panels are planned to be placed on top of the RLS in September. - The major components of the RLS Manifold Piping is in place and welded. Other metal appurtenances will continue to be installed in the following months. - SPJV completed the placement of aluminum cover plates over the channels at the Headworks Facility. SPJV to anchor panels in place next month. - SPJV completed the installation of the grit pumps, piping, and pipe supports on the East side of the Headworks building.
Design	<ul style="list-style-type: none"> - SPJV is working with CID and O&M to further develop control strategies. - SPJV is working on refining the third draft of the start-up and testing plan.
Procurement of Trade Packages	<ul style="list-style-type: none"> - WIFIA and SRF requirements compliance for trade packages issued. - All major headworks equipment is onsite. - RLS manifold piping arrived onsite and was coated, installed and welded.

3 - Month Look Ahead

	▲ Start	End	September	October	November
Form/Set Rebar/Place Concrete for Precast RLS Roof Sections	March 15, 2021	October 27, 2021	X	X	
Install 48-inch Foul Air Piping and Storm Drain Line from HW to SFS	July 23, 2021	September 22, 2021	X		
Excavate/Grade/install flow meter for new 18" RFSM to Influent Mix Box	September 2, 2021	September 17, 2021	X	X	
Excavate Utilidor and place Pre-Cast Trench Boxes	August 13, 2021	October 15, 2021	X	X	X
Install conduit, wire and electrical devices to major equipment at the Headworks Facility	July 1, 2021	November 10, 2021	X	X	X
Install RLS Manifold Piping and Valves from SFS Wall Connections to Pumps	July 14, 2021	November 5, 2021	X	X	X

Potential Issues

Influent pipeline repair - glass fiber reinforced polymer lining
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

\$233.86M

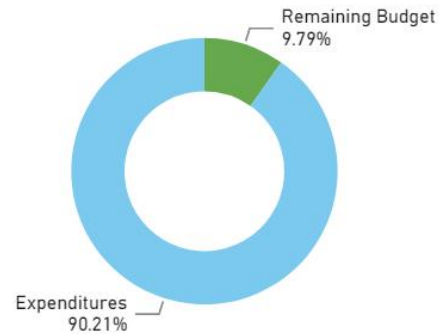
Remaining Budget

\$25.37M

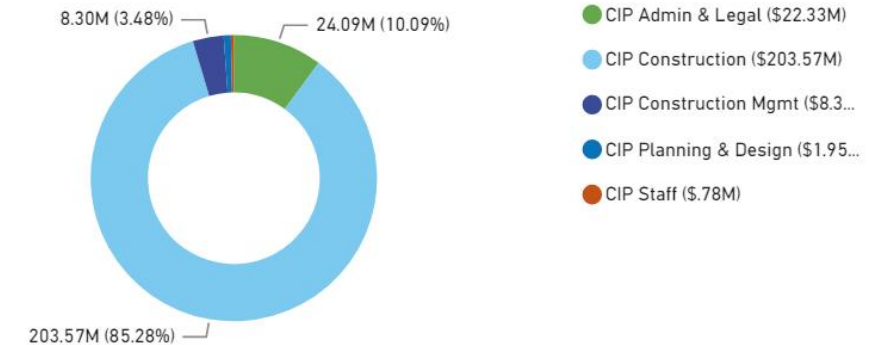
Milestone Schedule

	Start	Finish
San Carlos Shaft and Adit Construction	2/4/2021	9/20/2021
San Carlos Inlet Structure Installation	1/3/2022	2/1/2022
Bair Island Inlet Structure Installation	10/20/2021	10/27/2021
FRP Pipe Installation	10/25/2021	2/21/2022
Substantial Completion		7/1/2022

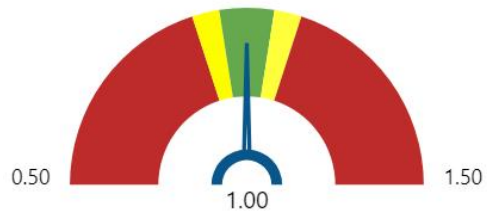
Budget vs Expenditures



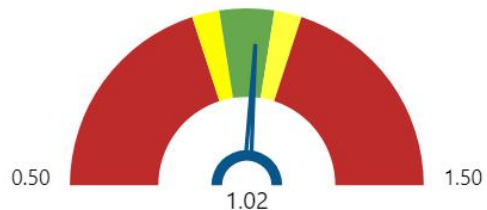
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of : 2021 - 08





Major Accomplishments this Period	
▼	
Construction	- BBJV continued disassembly of the TBM and reconfiguration of the AAS for pipe install - BBJV continued preparation for pipe jacking at the San Carlos Adit
Design	- BBJV is incorporating SVCW comments into the Issued-for-Construction (IFC) design drawings for San Carlos and Bair Island connection piping.
Muck Disposal	- 76% of Muck Disposal Amendment spent - 24% of Muck Disposal Amendment remaining - Last Muck bin offhaul and San Carlos Adit spoils remaining
Procurement of Trade Packages	- Letter of Intent to Award FRP Pipe Cell Grout contract sent out by BBJV - Outreach in conformance with SRF and WIFIA funding requirements

3 - Month Look Ahead					
	Start	End	September	October	November
FRP Pipe Installation	September 21, 2021	January 26, 2022	X	X	X
FRP Annular Space Grouting	October 28, 2021	February 21, 2022		X	X

Potential Issues
Additional costs for SFS Break-in approach San Carlos and Bair Island Connecting Piping

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 San Carlos Adit Ammonia Mitigation San Carlos Shaft Ammonia Mitigation Soil Conditioner Leak at CPT Hole STA 171 + 80

Safety Spot Light	
Lost Time	1
Near Misses	4
Recorded Losses	5

Pump Stations (CIP 9501)

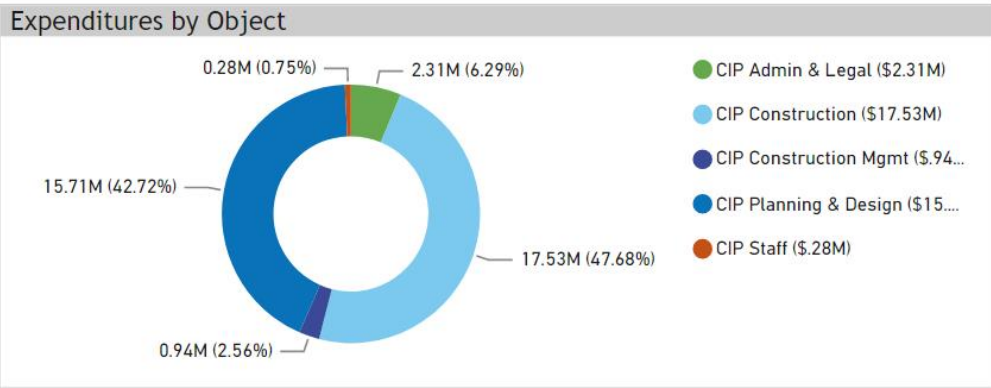
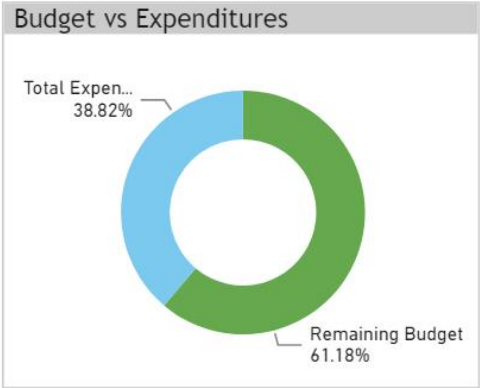


All SVCW pump stations require replacement or rehabilitation. Menlo Park PS will be rehabilitated. Redwood City PS will be replaced. Belmont PS will be replaced with a gravity pipeline. San Carlos PS is no longer needed due to the new gravity pipeline; flows from San Carlos and Belmont will enter into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

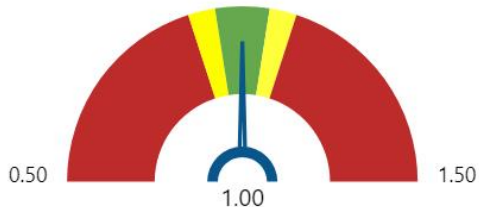


Milestone Schedule

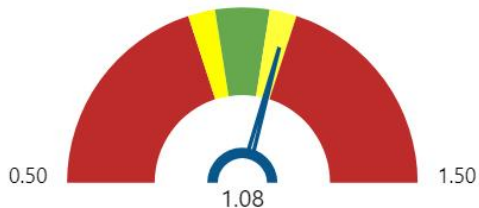
	Start	Finish
MPPS - A-side Pumps Completed		7/25/2022
MPPS - B-side Pumps Completed		12/8/2022
MPPS - Segment 1 and 2 CARVs Completed		1/5/2021
BGP - Gravity Pipe Installed		12/13/2022
RCPS - PG&E Service Work		8/24/2022
RCPS - Electrical Building Completed		11/10/2022
RCPS - Wet Well & Screening Building Completed		2/3/2023



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of : 2021 - 08



Major Accomplishments this Period

Construction	<ul style="list-style-type: none"> - BGP: Placed base slab at JS-4. Finished installing shoring for RS-4 and Open Cut and began excavating and installing walers. Completed portal stabilization at RS-4. Vadrnais microtunneled from JS-1 to RS-1. - RCPS: Began constructing CMU walls for the electrical building and restroom. Completed excavation for the wet well and screening structure. Undergrounded PG&E power lines. - MPPS: Installed duct bank under future back-up generator location and prepped for generator pad installation.
Design	<ul style="list-style-type: none"> - Design related to the SCPS declassification is ongoing. - Re-designed conduit routing and meter location based on design changes requested by PG&E.

3 - Month Look Ahead

	Start	End	September	October	November
MPPS - Segment 1 and 2 CARVs	September 24, 2021	January 5, 2022	X	X	X
MPPS - Electrical Room Improvements	July 6, 2021	October 25, 2022	X	X	
MPPS - PG&E Permit - Design	August 26, 2020	December 31, 2021	X	X	X
MPPS - Building/Roof Improvements	August 30, 2021	October 26, 2022	X	X	X
BGP - Install Shoring & Excavate at JS-4 and RS-4	June 30, 2021	October 6, 2021	X	X	
BGP - Construct Open Cut	August 19, 2021	November 30, 2021	X	X	X
BGP - Microtunnel JS-1 to RS-1, JS-2 to RS-1	July 19, 2021	November 3, 2021	X	X	X
BGP - Install Microtunnel JS-2 to RS-2	November 4, 2021	November 18, 2021			X
BGP - Demobilize Microtunnel Subcontractor	November 19, 2021	December 6, 2021			X
BGP - Backfill and Remove Shoring at JS-1	September 14, 2021	November 4, 2021	X	X	X
BGP - Backfill and Remove Shoring at RS-1	November 5, 2021	December 20, 2021			X
RCPS - Wet Well & Screening Building Excavation and Backfill	June 29, 2021	June 21, 2022	X	X	X
RCPS - Wet Well and Screening Building Structural Concrete	August 26, 2021	August 5, 2022	X	X	X

Potential Issues

Challenges from permitting and land acquisition conditions at RCPS
--

Project Changes

BGP Design Development
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
REGULAR MEETING – August 16, 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 8:00 a.m.

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

Council Member Alicia Aguirre, Redwood City – Chair
Board Member George Otte, West Bay Sanitary District – Vice Chair
Council Member Warren Lieberman, Belmont – Secretary
Council Member Ron Collins, San Carlos

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine C. 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
Sheryl Chia, Kennedy Jenks
Sergio Ramirez, West Bay Sanitary District
Lesley Murphy, PFM
Lawrence Chan, Stradling, Yocca, Carlson, Rauth
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.

Item 5A Safety Moment concerned tips regarding unexpected wildlife encounters.

Item 5C a summary of SVCW's annual investments was provided by PFM portfolio manager.

For all other written reports contained within the agenda packet, there were no questions or comments.

ITEM 6

MATTERS OF COMMISSION MEMBER'S INTEREST

No discussion.

ITEM 7

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

A. APPROVAL OF MINUTES – July 19, 2021 – Regular Meeting

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JUNE 25, 2021, JULY 1, 2021, JULY 9, 2021, JULY 23, 2021, AND JULY 26, 2021, AND NECESSARY PAYMENTS THROUGH JULY 26, 2021

Motion/Second: Mr. Otte / Dr. Lieberman

The Motion carried by Unanimous Roll Call Vote

ITEM 8A

A. CONSIDERATION OF RESOLUTION AND MOTIONS AUTHORIZING SILICON VALLEY CLEAN WATER TO ENTER INTO TWO WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) LOANS, AMEND AN EXISTING WIFIA LOAN AGREEMENT, AND ISSUE 2021A AND 2021B WASTEWATER REVENUE NOTES

Proposed Actions:

- i. Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE EXECUTION AND DELIVERY OF TWO WIFIA LOAN AGREEMENTS, AN AMENDMENT TO AN EXISTING 2020 WIFIA LOAN, THE ISSUANCE OF CERTAIN INTERIM FINANCING AND CERTAIN DOCUMENTS AND OTHER MATTERS IN CONNECTION THEREWITH
- ii. Move approval of FUNDS FOR FINANCIAL ADVISORY SERVICES IN AN AMOUNT NOT TO EXCEED \$165,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – FIELDMAN ROLAPP & ASSOCIATES

- iii. Move approval of FUNDS FOR LEGAL SERVICES IN AN AMOUNT NOT TO EXCEED \$180,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – STRADLING YOCCA CARLSON & RAUTH, P.C.

Motion/Second: Dr. Lieberman / Mr. Collins

The Motion carried by Unanimous Roll Call Vote

ITEM 9

No Closed Session

ITEM 10

No Closed Session items to report

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 8:48 a.m.

Minutes prepared by Teresa A. Herrera

Reviewed by General Counsel

Warren Lieberman, Secretary

AGENDA ITEM 7Aii

**MINUTES OF SILICON VALLEY CLEAN WATER
SPECIAL MEETING – August 17, 2021
10:30 a.m.**

ITEM 1

CALL TO ORDER

The meeting was called to order at 10:33 a.m.

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

Council Member Alicia Aguirre, Redwood City – Chair
Board Member George Otte, 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 C. 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
Michael Regan, EPA
Nick Conger, EPA
David Smith, EPA
Laura Ebbert, EPA
Casey Katims, EPA
David Risley, EPA
Kathleen Lance, EPA
Timothy Carroll, EPA
Michael Alpern, EPA
Grant O'Brien, EPA
Allison Lippert, EPA
Rita Duncan, Oro Loma Sanitary District
Jason Warner, Oro Loma Sanitary District
J. Dang, Oro Loma Sanitary District
Derek Rampone, City of Redwood City
Theresa Yee, City of Redwood City
Melissa Stevenson Diaz, City of Redwood City
Terence Kyaw, City of Redwood City
Jennifer Yamaguma, City of Redwood City
Marjon Saulon, Alameda County Supervisor Chan Office
Sergio Ramirez, West Bay Sanitary District

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 (none)

ITEM 6

MATTERS OF COMMISSION MEMBER'S INTEREST (none)

ITEM 7

None

ITEM 8A

U.S. Environmental Protection Agency Press Event and Project Site Tour for SVCW RESCU Program "Water Infrastructure Finance and Innovation Act" (WIFIA) Funding

ITEM 9

No Closed Session

ITEM 10

No Closed Session items to report

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 11:26 a.m.

Minutes prepared by Teresa A. Herrera

Reviewed by General Counsel

Warren Lieberman, Secretary

AGENDA ITEM 7B

SVCW WARRANT REGISTER

SVCW Warrant Registers dated July 27, 2021 – August 9, 2021 and August 9, 2021 – August 24, 2021, were scanned and a copy was emailed to Commissioners and Legal Counsel on September 14, 2021.

AGENDA ITEM 7C

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

ISSUE

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

BACKGROUND

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

DISCUSSION

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

Proposed changes to the policy are attached and include:

- Grammatical and definition changes offered for clarity, and;
- Recognition of other long-term financing vehicles that may be used, and;
- Clarification of how to measure potential refunding transactions.

The SVCW Manager recommends approval of SVCW Commission Policy 2017-01, Revision D, dated September 20, 2021.

FINANCIAL IMPACT

There are no direct financial impacts to this action.

RECOMMENDATION

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

Rev: DC

Rev Date: 09/21/2020 09/20/2021

Issue Date: 3/23/2017

Approved by Commission at Meeting of September 21, 2020 20, 2021 by Resolution No. SVCW 20-31 ___

SUBJECT: Statement of Debt Management Policy

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

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

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

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

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

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

provides for an effective means of paying for assets over their useful lives in lieu of paying for the assets over a much shorter period with cash and thereby avoiding sharp spikes in customers' rates; (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iv) if there are other important policy reasons therefor.

POLICY:

CREATION AND GOVERNING PRINCIPLES

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

GOVERNING LAWS

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

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

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

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

ETHICAL STANDARDS GOVERNING CONDUCT

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

Authority staff to achieve its goals and objectives as defined in this Policy; shall make cooperation with Authority staff its highest priority and shall take reasonable actions to avoid conflicts of interest and immediately advise SVCW of possible conflicts of interest.

PERMITTED DEBT BY TYPE

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

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

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

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

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

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

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

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

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

LIMITATIONS ON DEBT ISSUANCE

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

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

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

Subordinate Lien Long-Term Debt - The Authority’s subordinate lien Debt, for which revenues

are pledged, shall be limited to that amount for which current and projected net revenues of each participating Member Agency can generate overall Debt service coverage of at least 100 percent.

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

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

PURPOSE FOR BORROWING

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

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

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

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

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

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

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

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

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

issues under state and federal laws as applicable. The CFO and General Counsel shall jointly select bond, tax and /or ~~disclosure-bond~~ counsel (“Bond Counsel”) for each transaction. SVCW General Counsel shall periodically review the performance of Bond Counsel with SVCW management in terms of quality and timeliness of legal services.

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

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

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

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

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

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

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

- An issue of debt with specialized distribution requirements; and
- An issue of debt sold during a period of extreme market disruption or volatility.

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

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

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

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

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

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

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

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

- Detailed information on final designations earned by each underwriter; and
- Summary of total compensation received by each underwriter.

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

Structural Elements

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

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

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

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

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

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

opportunities. For each transaction, the Authority will evaluate the efficiency of call provision alternatives.

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

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

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

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

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

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

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

acceptance by the Authority's Commission;

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

Bond Insurers

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

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

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

PROCEDURE V. REFUNDING

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

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

interest cost as the discount rate to calculate Net Present Value Savings for taxable issuances.

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

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

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

PROCEDURE VI. REINVESTMENT OF PROCEEDS

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

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

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

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

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

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

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

Post-Issuance Tax Compliance

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

Continuing Disclosure

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

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

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

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

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

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

Legal Covenants

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

PROCEDURE IX. DEBT DATABASE MANAGEMENT

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

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

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

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

PROCEDURE X. MISCELLANEOUS

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

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

Internal Controls

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

for disbursement and may request further documentation as may be deemed appropriate.

- To ensure that proceeds of any Debt issued in accordance with its governing documents and this Policy, no disbursements shall be made without the written approval of the CFO and SVCW Manager. The draw request shall be provided to the Authority's Engineering Department by the Contractor. Approval shall only be provided when the CFO is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and / or contractors evidencing appropriate expenses in connection with the project.
- In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the Authority, the Authority may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

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

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

Approval by the Commission

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

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

Approved by Commission at Meeting of September 20, 2021 by Resolution No. SVCW 21-30

SUBJECT: Statement of Debt Management Policy

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

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

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

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

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

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

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

POLICY:

CREATION AND GOVERNING PRINCIPLES

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

GOVERNING LAWS

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

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

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

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

ETHICAL STANDARDS GOVERNING CONDUCT

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

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

PERMITTED DEBT BY TYPE

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

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

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

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

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

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

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

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

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

LIMITATIONS ON DEBT ISSUANCE

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

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

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

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

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

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

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

PURPOSE FOR BORROWING

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

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

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

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

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

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

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

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

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

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

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

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

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

- Summary of total compensation received by each underwriter.

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

Structural Elements

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

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

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

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

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

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

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

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

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

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

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

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

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

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

Bond Insurers

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

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

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

PROCEDURE V. REFUNDING

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

Upon the advice of the CFO, with the assistance of the Municipal Advisor and Bond Counsel, the Authority will consider undertaking refunding transactions for other than economic purposes, such as to restructure Debt, change the type of Debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable, or onerous covenants; such refunding transactions do not need to achieve any net present value savings for tax-exempt issuances and will use the true interest cost as the discount rate to calculate Net Present Value Savings for taxable issuances.

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

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

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

PROCEDURE VI. REINVESTMENT OF PROCEEDS

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

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

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

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

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

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

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

Post-Issuance Tax Compliance

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

Continuing Disclosure

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

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

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

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

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

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

Legal Covenants

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

PROCEDURE IX. DEBT DATABASE MANAGEMENT

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

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

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

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

PROCEDURE X. MISCELLANEOUS

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

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

Internal Controls

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

for disbursement and may request further documentation as may be deemed appropriate.

- To ensure that proceeds of any Debt issued in accordance with its governing documents and this Policy, no disbursements shall be made without the written approval of the CFO and SVCW Manager. The draw request shall be provided to the Authority's Engineering Department by the Contractor. Approval shall only be provided when the CFO is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and / or contractors evidencing appropriate expenses in connection with the project.
- In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the Authority, the Authority may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

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

Approval by the Commission

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

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

AGENDA ITEM 7D

**UNDERGROUND FUEL TANK REPLACEMENT (Project #0329)
AWARD CONSTRUCTION CONTRACT**

ISSUE

Award of Construction Contract and Engineering Services During Construction Task Order for the Underground Fuel Tank Replacement Project (Project #0329)

BACKGROUND

SVCW is required to process sewage 24/7/365, with no planned or unplanned downtime or shutdowns to the treatment processes that would result in untreated water being discharged to the Bay. To ensure continuous operation, the Plant relies on standby generators in case of power failure. There are a total of five standby generators in the plant. Generators 1, 2, and 3 are fueled with diesel from a 15,000-gallon underground storage tank (UST) located next to the Solids Handling Building. Generators 4 and 5 each have their own built-in 4,000-gallon fuel storage tanks.

The UST is a single-wall tank that was installed with the original plant construction. This style of tank does not meet current code requirements for USTs.

On September 25, 2014, a new California law (Health and Safety Code, Section 25292.05) became effective that applies to the owners of 1) USTs constructed before 1984 or 2) single-wall type USTs. These tanks are to be permanently closed and decommissioned by December 31, 2025. SVCW falls under both conditions of this requirement. Under the law, new fuel tanks can be either below ground or above ground. Requirements under both options are described in the Health and Safety Code.

DISCUSSION

SVCW will meet the new requirement by first constructing a new Above Ground Diesel Storage Tank (AST). After the AST is constructed and placed into service, work will proceed to decommission or remove the old UST. This sequence will ensure the plant is protected against any unforeseen energy interruptions by maintaining the Plant's access to an emergency diesel fuel supply.

SVCW has chosen to go forward with an above ground storage tank since it provides improved monitoring against any unforeseen environmental spills, breaches of the tank, or nonapparent complications. Further, SVCW staff have evaluated the volume needed for emergency power generation and have determined that the tank size can be reduced to 12,000 gallons. Once the new tank is installed above ground, regulatory monitoring and inspections will be reduced thus saving administrative costs.

Kennedy Jenks completed the design for the project and the final bid documents were publicly advertised on July 21, 2021. A mandatory pre-bid conference was conducted on August 10 followed by a mandatory site-walk on August 12. Bids were opened on August 26; the bid summary sheet is attached. SVCW received four bids with JMB Construction submitting the lowest responsive, responsible bid in the amount of \$625,500. The engineer's estimate of probable cost was \$539,600.

SVCW staff reviewed the bid alongside the engineer's estimate and concluded that the higher cost reflects the current bidding climate and high cost of materials. It is not expected that construction costs will decrease in the foreseeable future due to the continued materials' shortages, the high demand for construction workers, and competitive bidding climate. Specifically, fuel storage tank projects are anticipated to get more expensive over the next few years as the 2025 deadline approaches. For these reasons, staff recommends moving forward with awarding that construction contract to JMB Construction.

For Engineering Services During Construction, SVCW engineering staff and Kennedy Jenks negotiated a scope of work and budget. Tasks include reviewing construction submittals, responding to contractor Requests for Information (RFIs), and providing final record drawings at the completion of the project. These services will be provided on a time and expense basis at a not-to-exceed amount of \$87,622.


FINANCES

Funding for this project comes from Fund 14 – Revenue-Funded Capital Budget, Underground Fuel Tank Replacement project (Project #0329), which has an allocated budget of \$925,373. As of July 2021, \$236,771 has been expended. Approval of these two actions will exceed the project budget by approximately \$25,000. Fund 14 has the available funds in it to cover this project budget exceedance.

RECOMMENDATION

- i. Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR UNDERGROUND FUEL TANK REPLACEMENT PROJECT (PROJECT #0329); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER; REJECTING ALL OTHER BIDS; AUTHORIZING EXECUTION OF AGREEMENT AND DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT – JMB CONSTRUCTION (\$625,500)
- ii. Move approval of ENGINEERING SERVICES DURING CONSTRUCTION TASK ORDER SCOPE AND BUDGET FOR UNDERGROUND FUEL TANK REPLACEMENT PROJECT (PROJECT #0329) IN AN AMOUNT NOT TO EXCEED \$87,622 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY JENKS.

SVCW
Underground Fuel Tank Replacement Project_Capital #0329
Bidders Checklist
Thursday, August 26, 2021; 2:00 pm

											
Name of Bidder	Addendum	Proposal	Proposal Guaranty Bond	Cert. of Bidders Exp. & Qualifications	Desig. of Sub-contractors	Site Visit Affidavit	Schedule of Major Equipment & Material Suppliers	Ackw. of Insurance Req's.	Non-collusion Affidavit	Affidavit of Safety Compliance	Total Bid Amt.
	#1 & 2	Section 00300	Section 00410	Section 00420	Section 00430	Section 00440	Section 00450	Section 00470	Section 00480	Section 00490-1,2,3, Parts A, B, C, D	
1 CIC	1,2 ✓	No	✓	✓	✓	✓	✓	✓	✓	✓	\$0.00
2 JMB Construction, Inc.	1,2	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$625,500.00
3 McGuire & Hester	1,2	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$723,000.00
4 GEM Environmental Mgmt. Services	1,2	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$975,551.52
5 Fuel Oil Systems	1,2	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$1,550,000.00
Award Pending Commission Approval. Next Commission meeting is scheduled for Monday, September 20, 2021.											

AGENDA ITEM 8A

**SILICON VALLEY CLEAN WATER
INDUSTRIAL PRETREATMENT PROGRAM MODIFICATION - LOCAL LIMITS**

ISSUE

Hold Public Hearing on Modification to SVCW Industrial Pretreatment Program

BACKGROUND

SVCW operates a Pretreatment Program to control discharges from non-domestic sources to the SVCW member agencies' wastewater collections systems. The Pretreatment Program aims to achieve the following objectives:

- Protect the wastewater conveyance system and wastewater treatment facilities from fire, explosion, corrosion, flow obstruction, operational difficulties, maintenance challenges, and odor releases.
- Protect the SVCW treatment processes from excessive Biochemical Oxygen Demand (BOD)/Total Suspended Solids (TSS) loading and toxic substances that can upset the biological treatment processes.
- Ensure that SVCW's discharge permit effluent limits are not violated by pollutants that interfere with the treatment processes or pass through to receiving waters.
- Protect worker health and safety at the SVCW conveyance and treatment system facilities.
- Protect biosolids quality to assure economical disposal viability.
- Protect the use of SVCW effluent for water recycling.
- Limit the release of regulated air emissions from the SVCW treatment facility.

Per Federal Regulation 40 CFR 403, SVCW is required to control the amounts of certain pollutants entering its wastewater system from industries. The common method for wastewater agencies to meet regulations is via an established Pretreatment Program. SVCW's Industrial Pretreatment Program is codified in its document titled "Regulations of the Silicon Valley Clean Water Establishing Uniform Standards, Conditions and Requirements for the Use of the Sanitary Sewerage Facilities of Said Authority and its Member Agencies" ("Regulations"). SVCW controls discharges from non-domestic sources by establishing numeric limits on certain pollutants and these "local limits" are listed in Sections 2.3-2.5 of the Regulations. Local Limits are required to be periodically reviewed and updated if needed. The Regulations were last amended in 2005 and a technically-based local limits analysis has not been completed since 1990.

SVCW's service area has changed significantly since 1990 with regards to industrial dischargers and wastewater characteristics. Many of the area's metal plating businesses and computer chip manufacturers have closed or relocated out of the area. The industrial flow to SVCW was 1.38 million gallons per day ("MGD") in 1990. In 2017 the industrial flow had dropped to 0.23 MGD. This dramatic change in industrial flow and loading to the SVCW treatment facility prompted the San Francisco Regional Water Quality Control Board (Regional Board) to require a re-evaluation and update to the SVCW Local Limits.

In early 2018, the Regional Board adopted a renewed National Pollutant Discharge Elimination System (NPDES) Permit for SVCW. Special Provision VI.C.4.a.iv of the NPDES Permit required SVCW to evaluate the need to revise its Local Limits and submit a report within 180 days of the NPDES Permit effective date of April 1, 2018. SVCW submitted a local limits analysis plan and schedule to the Regional Board in September 2018 that committed to submitting a local limits analysis report by May 2019. Subsequent correspondence with Regional Board staff concluded with an August 2019 final report submittal.

SVCW commissioned West Yost Associates to perform the required technical study and develop updated Local Limits. In accordance with 40 CFR 403.18, SVCW submitted a request to the Regional Board on August 29, 2019 for approval of a substantial modification to SVCW's Regulations' Local Limits.

DISCUSSION

In July 2021, SVCW received the Regional Board's Local Limits Verification Report conditionally approving the proposed Local Limits submitted in August 2019. New numerical limits for chromium and copper are included and numerical limits for carbon disulfide, phenolic compounds, and polycyclic aromatics hydrocarbons were removed. This substantial modification was publicly noticed in a newspaper of general circulation (San Mateo Times) on August 26 and September 2, 2021. In accordance with Federal regulations, notice of this public hearing and 30-day comment period was also given to certain designated federal agencies (U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, National Marine Fisheries Service), as well as SVCW's member agencies. A summary of comments received will be provided to the Regional Board; or, if no comments are received, a report that no comments were received will be made. Subsequently, this substantial modification to the Regulations will be reflected and incorporated into SVCW's NPDES permit.

The Regulations' substantial modification consists of updating the maximum allowable industrial loadings ("MAIL") and uniform concentration-based local limits for all the pollutants of concern. The proposed modification also includes adoption of selenium, chemical biochemical oxygen demand (cBOD), total dissolved solids (TDS), and electrical conductivity to SVCW's Local Limits. The changes are summarized in the attached tables.

This agenda item recommends holding a Public Hearing to receive public comments to the proposed Local Limits that have been conditionally approved by the Regional Board. All comments received must be reported to the Regional Board; and, if no comments are received, this must also be reported to the Regional Board prior to its final approval of the Local Limits. Following conclusion of the public hearing and comment period, the Regional Board will issue its final approval and this Commission will be presented with a Resolution for the adoption of SVCW's Local Limits and modifications to its Pretreatment Program Regulations in accordance therewith. This is anticipated to occur at the October 2021 Commission meeting.

FINANCES

Modification of the Local Limits has no financial impact to SVCW and are anticipated to have little to no financial impact to local industrial dischargers.

RECOMMENDATION

- i. OPEN PUBLIC HEARING AND RECEIVE TESTIMONY
- ii. Close Public Hearing and Move Approval AUTHORIZING SUBMISSION OF REPORT TO THE REGIONAL WATER QUALITY CONTROL BOARD OF PUBLIC COMMENTS RECEIVED REGARDING SVCW'S PROPOSED LOCAL LIMITS MODIFICATIONS

Existing and Proposed Local Limits for Silicon Valley Clean Water

Wastewater Strength Limitations/Waste Prohibitions		
Analyte	Existing Value (mg/L)	Proposed Value (mg/L)
Arsenic	0.1	0.27
Cadmium	0.04	0.13
Chromium (Total)	0.2	3.3
Copper	0.2	2.3
Lead	0.2	1.2
Mercury	0.002	0.00097
Nickel	0.06	0.17
Selenium	---	0.098
Silver	0.1	0.44
Zinc	1.0	6.5
Phenolic Compounds	2.6	<i>remove</i>
PAHs	0.2	<i>remove</i>
Benzene	0.002	0.86
Carbon Tetrachloride	0.001	0.043
Chloroform	0.03	1.2
Cyanide	0.06	0.17
Methylene Chloride	0.07	23
Tetrachloroethene (Perchloroethylene)	0.03	0.15
Carbon Disulfide	0.008	<i>remove</i>
cBOD	---	2,000
TDS	---	3,600
Electrical Conductivity	---	1,800 uS/cm
Temperature	150	150
Oil and Grease (Animal/Vegetable)	300	300
Oil and Grease (Mineral/Petroleum)	100	300
pH	6.0	6.0-11.0

Maximum Allowable Industrial Loadings (MAILs)		
Analyte	Existing Value (lbs/day)	Proposed Value (lbs/day)
Arsenic	11.4	2.9
Cadmium	6.11	1.4
Chromium (Total)	31.3	36
Copper	19.9	25
Lead	22.7	13
Mercury	0.915	0.011
Nickel	6.82	1.8
Selenium	---	1.1
Silver	12.5	4.8
Zinc	113.0	71
Phenolic Compounds	385.0	<i>remove</i>
PAHs	15.2	<i>remove</i>
Benzene	---	9.3

Carbon Tetrachloride	---	0.46
Chloroform	---	13
Cyanide	---	1.8
Methylene Chloride	---	254
Tetrachloroethene (Perchloroethylene)	---	1.6
cBOD	---	21,700
TDS	---	39,000
Electrical Conductivity	---	20

AGENDA ITEM 8B

**FIXED FILM REACTOR REHABILITATION PROJECT (CIP #9242)
ENGINEERING DESIGN AND BID PERIOD SERVICES**

ISSUE

Approve Brown and Caldwell Task Order Scope and Budget for Design and Bid Period Services Associated with the Fixed Film Reactors Rehabilitation Project (CIP# 9242)

BACKGROUND

SVCW has three Fixed Film Reactors (“FFRs”) operating as a crucial part of the secondary treatment process. Each of these reactors is 73 feet in diameter and 21.5 feet tall. The reactors are comprised of a steel and concrete superstructure and fiberglass panels inside of which plastic media is situated. The media is a complex honeycomb shape providing a high amount of surface area onto which microbes adhere. Wastewater is applied to the top of each FFR and then trickles down by gravity to the bottom where it is piped to the next secondary process, the activated sludge system. The thin film of biological mass (microbes) growing on the FFR media consume the organic material in the wastewater. The FFRs are a very robust treatment process and reduce the load on the downstream activated sludge system thus helping to reduce overall energy consumption in the plant.

The FFRs were constructed as part of the original plant construction in 1980. With the characteristics of wastewater entering the plant changing significantly since that time, it was concluded that four FFRs were no longer needed to provide necessary treatment. Since three remaining FFRs would provide adequate treatment capacity for all anticipated current and future wastewater flows, FFR #4 was demolished in 2012 to free up space for critical electrical infrastructure. At present, typical operation only requires two FFRs in service at a given time.

The FFR exterior structural steel and concrete has corroded in multiple locations and leaks are visible in the fiberglass panel enclosures for the media. Additionally, the media itself is collapsing due to age and is clogged with rags and grit. The FFR feed piping and pumps have also degraded with age and the whole process is in need of a major rehabilitation to allow SVCW to continue treating wastewater reliably and cost-effectively. This is the last remaining liquid treatment process to be rehabilitated under the current capital improvement program.

DISCUSSION

To initiate project implementation, SVCW conducted a competitive consultant selection process amongst the four engineering firms that currently have Master Services Agreements with SVCW. The engineering team proposed by Brown and Caldwell was selected as the top-ranked proposer based on the submitted proposal and interview. Brown and Caldwell has a strong process engineering team who has experience in rehabilitating similar reactors throughout the country.

The proposed Task Order covers Preliminary Design, Detailed Design, and Bid Period Services to rehabilitate the FFR process. The scope of work includes rehabilitation of the FFR structure, replacement of process media, upgrades to FFR feed pumps, rehabilitation of supply and discharge piping, new motorized distributor arm in FFR #3, electrical feed improvements, demolition of unused FFR #4 piping and pumps, and upgrade of odor control and related mechanical ventilation equipment. The scope of services includes review of

previous SVCW efforts; condition assessment of the FFRs; multiple technical evaluations on FFR media selection for optimal wastewater treatment, odor control, and pumping configurations; preliminary design; detailed design; and bid period services.

FINANCES

Work under this task order will be funded from FFR Rehabilitation Project (CIP #9242) which currently has an allocated budget of \$25,740,000 and \$75,092 expended. The not-to-exceed fee for the work described in the Brown and Caldwell task order is \$1,229,430. An engineer's Opinion of Probable Construction Costs will be prepared as part of this task order.

This project will be partially funded using loans through the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) Program.

RECOMMENDATION

Move approval of TASK ORDER SCOPE OF WORK AND BUDGET FOR PRELIMINARY DESIGN, DETAILED DESIGN, AND BID PERIOD SERVICES RELATED TO THE FFR REHABILITATION PROJECT (CIP# 9242) IN THE AMOUNT NOT TO EXCEED \$1,229,430 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – BROWN AND CALDWELL

AGENDA ITEM 8C

**GRAVITY PIPELINE PROJECT (CIP #6008)
CONSTRUCTION QUALITY ASSURANCE SERVICES TASK ORDER AMENDMENT**

ISSUE

Approve Tanner Pacific Task Order Amendment for Construction Quality Assurance Services Associated with Stage 2 of the Gravity Pipeline Project (CIP #6008)

BACKGROUND

SVCW's Regional Environmental Sewer Conveyance Upgrade (RESCU) Program includes conveyance system improvements to transport wastewater from member agencies' collection systems to the SVCW wastewater treatment plant. All three projects in the RESCU Program are being performed as progressive design/build projects, in which a single contractual entity is performing both the design and the construction functions. A major component of the conveyance system is the Gravity Pipeline project to be constructed by tunneling from the north edge of Inner Bair Island to the new Front of Plant facilities at the treatment plant. The budget for the Gravity Pipeline project is \$260 million.

Tunneling activities have been completed and it is expected that the project will be completed in Summer 2022. Critical remaining construction tasks include: (1) installing the gravity pipeline inside of the tunnel, (2) pumping grout into the space between the pipeline and the tunnel wall, (3) constructing two drop structures, and (4) making the final connections to deliver conveyance system flow through the tunnel to the treatment plant.

Tanner Pacific, Inc. (TPI) has been providing Quality Assurance Services and Project Management Services under a Task Order authorized in November 2018.

DISCUSSION

TPI's Quality Assurance Task Order services include construction administration tasks as follows:

- Payment Tracking and Review
- Schedule Review and Tracking
- Document Control
- Development of Action Item Logs, Status Logs, and Decision Logs
- Change Order Review, Development, and Management
- Request for Information Tracking
- Constructability Reviews
- Observation of Construction Activities
- Coordination with SVCW O&M and Engineering staff
- Coordinating Project Commissioning
- Contract Close Out Activities

The original task order was developed with an expected level of effort for each of the tasks, with the understanding that the level of effort can vary depending on the

construction choices the design-builder makes, the challenges that arise as construction proceeds, and the quality of work performed by the design/build team. The original budget for this task order was \$7,500,000.

The TPI team is performing the work as was anticipated in the original task order, with a few exceptions. These include:

- **IT Services.** Services were provided by a TPI subconsultant to support the communications, data tracking, and reporting needs of the project. This had not been included in the original scope of work. Approximate cost: \$300,000
- **Deputy Project Manager Tasks.** A consultant with MPF Consulting, who had been acting as the project's Deputy Project Manager, retired in April 2021. When this individual retired, TPI staff took on the tasks that this consultant had been performing, increasing the workload for project administration. Approximate cost: \$740,000. There is a commiserate decrease in the retired consultant's authorized budget which will compensate for the increase to TPI's task order budget.
- **Additional Construction Observation Tasks.** The original task order assumed one full time inspector and two part time inspectors to be used on the project. Based on the contractor's use of several crews concurrently working in different locations, and two shifts a day, more TPI inspectors have been needed to observe the work and assure compliance with the contract. For several months during the tunneling phase, TPI had 4 full time inspectors working on the project. Approximate cost: \$1,400,000.

Based on the exceptions noted above, staff is recommending that TPI's Task Order Authorization be increased by \$2,440,000. The addition of this amendment will equate to a total of \$9,940,000 for construction quality assurance services for this project, or 4.8% of the total construction cost. From a percentage of construction basis, this is significantly less than what would be budgeted for a design-bid-build project, which is to be expected, as this is a progressive design-build project.

FINANCIAL IMPACTS

The scope represented by this work will be funded from the Gravity Pipeline project (CIP #6008), which has an allocated budget of \$260 million. The project is experiencing lower than anticipated costs on some of the other "soft cost" advisory services on this project. It is unclear whether this additional budget will impact the overall project budget, but if it does, it will only be by a very small amount.

RECOMMENDATION

Move approval of TASK ORDER SCOPE AND BUDGET AMENDMENT FOR CONSTRUCTION QUALITY ASSURANCE SERVICES FOR THE GRAVITY PIPELINE PROJECT STAGE 2 (CIP #6008) IN AN AMOUNT NOT TO EXCEED \$2,440,000 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – TANNER PACIFIC INC.

AGENDA ITEM 8D

COMMISSION MEETINGS ATTENDANCE

ISSUE

Return to In-Person Commission Meetings

BACKGROUND

Via Resolution in April 2020, the Commission declared existence of an emergency condition related to the Coronavirus pandemic this, in response to the California State of Emergency Proclamation dated March 4, 2020 and Governor Newsom's Executive Order N-29-20. The Resolution covered four items:

1. Existence of emergency condition with appropriate powers given to the Manager to continue agency operations
2. Authorization to use digital signatures on Authority documents
3. Remote meetings for Regular and Special Commission meetings
4. Increase of Manager's spend authority to \$300,000

Since April 2020, Commission meetings have been conducted virtually and sustained under Governor Newsom's Executive Order N-08-21 which is set to expire September 30, 2021. Termination of the Commission's Resolution was contingent upon either 1) action of the Commission or 2) a declaration by the California Governor and/or County Emergency Services Director that the state Public Health Emergency or Local Emergency, respectively, has ended, whichever is earlier. With both the State and County terminating the emergency, the Resolution is terminated by its own terms.

After September 30, 2021 the ability to continue remote meetings per the Governor's Executive Order expires and the Commission will be required to return to in-person meetings. The prevalence and risk associated with the Delta Variant has highlighted the need to continue flexibility in public meetings and two possibilities exist which may address the continued risk. One is another Governor Executive Order and another is passage of pending legislation (AB361) which would allow for remote meetings in the event of a local or state declared emergency. Neither of these possibilities have been implemented and, thus, it is important for the SVCW Commission to discuss and plan for possible scenarios.

DISCUSSION

At this time, the SVCW Commission and staff should make plans for in-person meetings to resume. If options arise for flexibility in meeting attendance, the Manager will advise the Commission; until then however, meetings will need to take place in-person at the SVCW Administrative Offices.

This agenda item will offer opportunity for the Commission to establish a transition back to in-person meetings. It should be noted that the 08/02/2021 County Health Order (Order No. C19-12) requires face coverings to be worn in workplaces open to the public and, therefore, all attendees to Commission meetings will need to abide by this Order.

Order No. C19-12 may be amended and any new or changed requirements will be monitored by staff.

Suggested topics for discussion are:

1. Guidelines to establish for in-person meetings
 - a. Face coverings
 - b. Social-distancing
 - c. Any additional protective measures required or desired
2. Noticed meetings would be subject to local or state health requirements
3. Offering hybrid meetings with a virtual option for the public and staff/consultants
4. Process for meeting if state law or Governor Order allows for continuation of remote meetings

FINANCES

There is no financial impact to this agenda item.

RECOMMENDATION

Move adoption of RESOLUTION ESTABLISHING PROTOCOLS FOR RETURN TO THE COMMISSION'S REGULAR MEETING LOCATION FOLLOWING TERMINATION OF THE COVID-19 EMERGENCY