

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
REGULAR MEETING – Monday, March 14, 2022
8:00 a.m.**

THIS MEETING WILL BE HELD REMOTELY UNDER PARAGRAPH (1) OF SUBDIVISION (e) OF GOVERNMENT CODE SECTION 54953 DUE TO THE CURRENT PROCLAIMED STATE OF EMERGENCY. THIS MEETING WILL NOT HAVE A PHYSICAL LOCATION.

SEE PAGE 4 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. Instructions for addressing the Commission during public comment periods are provided below. 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.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 6
- B. Manager's Report
 - 1. Upcoming Commission Actions.....pg. 9
- C. Financial Report
 - 1. Investment Report.....pg. 11
 - 2. Investment Update.....pg. 15
- D. Engineering Capital Projects Report.....pg. 18
- E. Commission Requested Staff-Level Action Items..... pg. 22
- F. RESCU Program Design-Build Project Status Update..... pg. 25

6. MATTERS OF COMMISSION MEMBER'S INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 33)

8. BUSINESS ITEMS

- A. CONSIDERATION OF RESOLUTION APPROVING REMOTE COMMISSION MEETINGS UNDER GOVERNMENT CODE SECTION 54953 OF THE BROWN ACT DURING EMERGENCY CONDITIONS (pg. 60)

Proposed Action:

Move adoption of RESOLUTION MAKING FINDINGS AND DETERMINATIONS AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE COMMISSION OF SILICON VALLEY CLEAN WATER UNDER GOVERNMENT CODE SECTION 54953 OF THE BROWN ACT DURING EXISTENCE OF STATE OF EMERGENCY CONDITIONS RELATED TO THE COVID-19 PANDEMIC

- B. RECEIVE PRESENTATION ON THE FISCAL YEAR 2022-23 PROPOSED ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET (pg. 63)

Proposed Action:

NO ACTION REQUIRED AT THIS TIME

9. CLOSED SESSION

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

11. ADJOURN

CONSENT CALENDAR

NOTICE TO PUBLIC

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

7. A. APPROVAL OF MINUTES – February 14, 2022 - Regular Meeting (pg. 33)
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JANUARY 18, 2022, JANUARY 21, 2022, FEBRUARY 1, 2022, AND FEBRUARY 4, 2022, AND NECESSARY PAYMENTS THROUGH FEBRUARY 4, 2022 (pg. 38)
- C. CONSIDERATION OF RESOLUTION APPROVING SVCW COMMISSION POLICY 1992-01, INVESTMENT POLICY AND GUIDELINES (pg. 40)

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION U TO COMMISSION POLICY 1992-01, SILICON VALLEY CLEAN WATER'S INVESTMENT POLICY AND GUIDELINES

Microsoft Teams Access Information
Silicon Valley Clean Water
Regular Meeting
Monday, March 14, 2022

WEBSITE: [Link to access meeting](#)

MEETING ID: 395 025 034#

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

You may log in via URL located on SVCW's website at <https://svcw.org/about/governance/commission-meetings>. 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. Members of the public may provide public comments via the Teams platform by using the "raise hand" feature or, if calling in by phone, by unmuting and beginning to speak. In response to a "raised hand", SVCW will unmute the member of public and allow them to speak. In response to a phone request to speak, SVCW will ask what is the nature of the comment and will provide directions to follow to provide comment. Public comments will be limited to three minutes.

Public comment may also be made by emailing comments to commission@svcw.org up to two hours prior to the scheduled meeting time. 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.

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 change 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

Office Safety

An office may seem like a harmless place to work, but it contains many potential hazards. Identifying these hazards and correcting them can help ensure a safer work environment.

Heavy Objects:

Prevent back injuries: know how much you can lift safely and get help when needed.

Unsafe Ladders:

Never stand on a table, counter, or chair when reaching for items overhead. Always use a sturdy stool or stepladder.

Loose Electric Cords:

Keep wiring organized and out of walking areas to prevent tripping. Don't put wiring under carpets. This conceals frayed cords and increases the risk of fires.

Slippery Floors:

Clean up spills on the floor immediately to prevent slipping. Areas with potential for wet surfaces should be covered with non-slip rugs to avoid individuals from sliding.

File Cabinets:

Don't place file cabinets where people are liable to walk into open drawers. Do not overload top drawers and create a top-heavy file cabinet that could topple. Keep files loosely packed to prevent hand and wrist injuries.

Broken Equipment:

Do not use broken or unguarded equipment (such as a paper cutter without a guard). Mark the equipment "unsafe" and report it to your Office Safety Representative.

Unstable Furniture:

Heavy equipment and furniture over 6 feet tall should be braced to prevent tipping and injuring anyone or blocking exits during an earthquake.

Propped-open fire doors:

Do not prop open self-closing, fire-rated doors. They can resist flames and keep smoke out only if they are kept closed.

Blocked Exits:

Be sure you know the location of more than one emergency exit and that nothing blocks your egress. Walk the route taking notice at what is low next to the floor. In a fire emergency, smoke may cause you to crawl to your emergency exit.

Fire Equipment:

Be aware of the location of the closest fire alarm and fire extinguisher. If you are not trained or not comfortable using a fire extinguisher, don't try to extinguish the fire, just pull the nearest alarm and leave the area immediately. Call 9-1-1 from a safe location.

Workstation:

If you work at a computer for four or more hours a day, have your computer workstation evaluated by your Office Safety Representative to help identify and correct ergonomic problems. If you are experiencing pain or tingling in any part of your body contact your Office Safety Representative immediately for assistance.

Remember, all the tips provided above are pertinent whether you're working in an office building or a home office.

AGENDA ITEM 5B

Recurring and Upcoming 2022 Commission Actions
Updated for March 2022 Meeting


January	February	March	April
<ul style="list-style-type: none"> Review Investment Policy CIP Update (annual or biennial) Long Range Financial Plan 	<ul style="list-style-type: none"> Recycled Water Planning Organic Co-Digestion Update 	<ul style="list-style-type: none"> Budget Workshop 	<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 	<ul style="list-style-type: none"> Conflict of Interest Update (Biennial; even-numbered years) Investment Program Status Annual Update
September	October	November	December
<ul style="list-style-type: none"> Review Debt Policy 		<ul style="list-style-type: none"> Audited Financial Report 	<ul style="list-style-type: none"> Commission Meeting schedule for following year Specifications Update (annual or biennial)

-  - Recurring Commission Actions
-  - Upcoming Commission Actions

AGENDA ITEM 5C1

Silicon Valley Clean Water Authority
Cash & Investments Summary Report
January 31, 2022

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,809,698	2.00%	0.97%
Operating Reserve - Money Market Fund Balance	7,939	0.00%	0.02%
CIP Reserve* - Securities	18,554,381	9.76%	1.70%
CIP Reserve - Money Market Fund Balance	588,816	0.31%	0.02%
Stage 2 Capacity Reserve* - Securities	14,436,425	7.59%	1.67%
Stage 2 Capacity Reserve - Money Market Fund Balance	265,350	0.14%	0.02%
Total Market Value: Operating and Reserve Accounts	\$ 37,662,608	19.8%	1.58%
Total Accrued Interest: Operating and Reserve Accounts	138,233		
GRAND TOTAL, RESERVE ACCOUNTS	\$ 37,800,842		
<u>Trustee Accounts:</u>			
2018 Bond Project Fund Account - CAMP	\$ 7,604,947	4.00%	0.05%
2018 Bond Revenue Account	2,638,809	1.39%	0.01%
2019A Notes WIFIA - Money Market Fund	1,580,266	0.83%	0.01%
2019A Notes Capitalized Interest Account* - Securities	15,499,743	8.15%	2.17%
2019A Notes Capitalized Interest Account - Money Market Fund	9,415	0.00%	0.01%
2021 Refunding Bonds Revenue Account	1,414,088	0.74%	0.01%
2021 Refunding Bonds Interest Account	0	0.00%	0.01%
2021A Notes (RESCU) - Money Market Fund	542,324	0.29%	0.01%
2021A Notes (RESCU) - LAIF	50,300,000	26.45%	0.23%
2021B Notes (WWTP) - Money Market Fund	4,470,008	2.35%	0.01%
2021B Notes (WWTP)* - Securities	39,557,101	20.80%	1.21%
2021B Notes (WWTP) - LAIF	24,400,000	12.83%	0.23%
2021 Notes Capitalized Interest Account - Money Market Fund	2,051,490	1.08%	0.01%
2021 Notes Cost of Issuance Account	49,092	0.03%	0.01%
Total Market Value, Trustee Accounts	\$ 150,117,284	78.95%	0.66%
Accrued Interest:	245,182		
Operating Cash (includes outstanding checks)	2,148,670	1.13%	0.00%
Local Agency Investment Funds (LAIF) Balance	210,549	0.11%	0.23%
Total Cash & Investments	\$ 190,522,527	100.00%	0.84%


Matthew P Anderson
Chief Financial Officer / Assistant Manager

2/8/2022
Date

* Monthly report of security transactions and interest available upon request

Silicon Valley Clean Water
Operating and Reserve Funds - Sector Allocation & Compliance January 31, 2022

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	\$ 1,743,345	\$ 7,893,129	\$ 6,118,375	\$ 15,754,850	42%	100%	✓	(2.0%)
Supranationals	351,202	-	-	351,202	1%	15%	✓	0.0%
Federal Agency/GSE	641,685	1,936,875	1,443,620	4,022,181	11%	100%	✓	0.0%
Federal Agency/CMBS	-	531,597	364,982	896,579	2%	100%	✓	0.0%
Federal Agency CMO	-	1,021,007	773,727	1,794,735	5%	100%	✓	0.0%
Federal Agency MBS	-	2,360,102	1,894,096	4,254,198	11%	100%	✓	1.0%
Municipal	-	891,672	722,292	1,613,965	4%	30%	✓	0.0%
Corporate Notes	702,826	3,368,873	2,701,046	6,772,745	18%	30%	✓	0.0%
Asset-Backed Securities	370,638	551,125	418,286	1,340,050	4%	10%	✓	0.0%
Securities Sub-Total	3,809,698	18,554,381	14,436,425	36,800,504	98%			
Accrued Interest	10,594	73,311	54,328	138,233				
Securities Total	3,820,292	18,627,692	14,490,753	36,938,737				
Money Market Fund	7,939	588,816	265,350	862,105	2%	20%	✓	1.0%
Total Investments	\$ 3,828,231	\$ 19,216,507	\$ 14,756,103	\$ 37,800,842	100%			
<i>As % of 6/30/22 Target:</i>	<i>99.5%</i>	<i>93.2%</i>	<i>100.0%</i>	<i>96.4%</i>				

This report contains financial information which has not been reviewed or audited by an independent auditor, does not reflect the application of generally accepted accounting principles in all instances and is subject to future revision. This report has not been prepared with a view to informing an investment decision in any of the 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 bond, 2019A note, 2021 bond, 2021A and 2021B notes 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 and 2021A&B notes 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 5C2



March 4, 2022

To: SVCW Commissioners

From: Matt Anderson, SVCW CFO/Assistant Manager

Subject: Investment Update

Lesley Murphy from PFM Asset Management LLC (PFMAM) will attend the meeting to provide a brief update on the SVCW Cash Reserves portfolio and will be available to answer any questions.

Market Highlights:

- Domestic economic conditions during the 4th quarter were characterized by surging inflation, improving labor market conditions, and depressed consumer confidence.
- In response to the sustained surge in inflation, the Federal Reserve signaled that it will begin to reduce monetary policy accommodation in the new year; as a result, U.S. Treasury yields surged, with the yield on the 2-year U.S. Treasury note increasing by 45 basis points (0.45%) to end the quarter at 0.73%.

SVCW Investment Program:

- As of December 31, 2021, the Authority had over \$38.05 million in combined assets under management, and each reserve balance meets or exceeds SVCW policy.
- During the quarter, the impact of rising interest rates on the Authority's portfolios was two-fold:
 - Market valuations were challenged, resulting in unrealized market value losses on existing security holdings (would only be realized if securities were sold prior to maturity) and negative total return performance, but
 - Newer securities were purchased at higher yields, resulting in an increase in the portfolios' yield at cost and interest earnings potential.
- The Authority's portfolios continue to deliver strong performance relative to assigned benchmarks over longer time periods. Since inception, returns demonstrate value of longer investment horizon.

Reserve Fund	Market Value (\$M)	Yield at Cost	Yield at Market	4th Quarter Returns	1-Year Returns	Since Inception
Operating Reserve	\$3.84	0.96%	0.77%	-0.49%	-0.48%	1.41%
CIP Reserve	\$19.27	1.69%	1.44%	-0.81%	-1.55%	1.95%
Stage 2 Capacity Reserve	\$14.93	1.65%	1.44%	-0.83%	-1.60%	1.98%

Outlook:

- Post quarter-end, short-term interest rates continued to rise in line with evolving expectations for Fed rate hikes; longer-term rates tend to track longer-term inflation expectations and have been slower to increase.
- Increasing rates will continue to provide new opportunities to reinvest at higher rate levels, but any new investment opportunities are weighed against the probability for further rate increases and their potential to diminish the fair value of the Authority's investments.
- Diversification across permitted investments will remain a key element of our strategy.

AGENDA ITEM 5D

**ENGINEERING REPORT: FEBRUARY 2022
CAPITAL IMPROVEMENT PROGRAM**

UPCOMING COMMISSION ACTIONS:

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

Recoating concrete surfaces in all three passes of the chlorine Contact Tank, recoating and/or replacement of CCT valves and piping.

Planned Commission Actions: Accept Construction Project – April 2022

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

Relocation of the power feed and a new transformer will enable SVCW's existing backup generators to be used for the Front of Plant facilities. This project will use existing infrastructure, saving significant costs.

Planned Commission Actions: Accept Construction Project – April 2022

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

SVCW 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.

Work to connect San Carlos and Belmont flows to the new gravity pipe were not originally designed and priced into the Stage 2 contracts. One segment will be done by BBJV under the GP project and one by SPJV under the PSI project. A change order was awarded to BBJV in February and a change order to SPJV will be brought to the Commission in April. All RESCU projects are in their construction phases; refer to Commission Item 5F for status updates.

Planned Commission Actions: Contract Change Order for Connecting Pipe Construction - April 2022

Digester #1 Rehabilitation (9215): Rehabilitation of Digester #1.

This project includes repair of coatings and structural elements in Digester #1. The design of the project was completed by Kennedy/ Jenks were opened on March 4, 2022.

Planned Commission Actions: Award Construction Contract – April 2022

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

The HVAC system serving the Laboratory is original (circa 1991) and is past its useful life. Maintenance on the system is no longer possible. A new system was designed, the project bid and construction is in progress with anticipated completion in February.

Planned Commission Actions: Accept Construction Project – April or May 2022

Return Activated Sludge (RAS) Pipeline Rehabilitation (9120): Rehabilitation of RAS pipeline.

The RAS pipes, connecting the secondary clarifiers to the six RAS pumps in the pump room, are steel pipes with cement mortar lining and were constructed more than 40 years ago. Various condition assessment reports conducted indicate that these pipes have undergone significant corrosion and have lost up to 30% pipe wall thickness. Kennedy Jenks has completed design for rehabilitation of the pipeline.

The bid was cancelled after staff received feedback from bidders about potential issues with the material procurements and impacts of the construction on plant operations which may conflict with RESCU startup and commissioning. Canceling the bid now offers an important opportunity to combine this bid with Waste Activated Sludge (WAS) pipeline rehabilitation project. WAS and RAS pipelines would require the same shutdowns and contractors will have the benefits of doing work on both pipes in the same shutdown which will offer economy of scale. The project will be rebid in late 2022.

Planned Commission Actions: Award Construction Contract – Anticipated to be December 2022

ONGOING PROJECTS IN CONSTRUCTION:

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.

The extreme storm event on October 24, 2021 presented the potential for flooding due to constricted flow, in turn posing significant risk to the facilities and permit compliance. For these reasons, staff instructed the contractor to remove a channel bypass that was placed for this project and to stop work. The remaining work has been moved to this year's dry season period.

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

Work involves replacing feed conveyor system to be followed by co-operation of the entire facility.

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

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

SVCW also received final grants contract documents from USBR in February.

AGENDA ITEM 5E

Silicon Valley Clean Water
Commissioners' Requested Action Items

MARCH 14, 2022
AGENDA ITEM 5E

Updated: 3/3/2022

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
2/14/2022	1	Recycled Water	N/A		✓			Look into possible BAWSCA water system facilities tour
1/10/2022	1	Long-Range Financial Plan	prior to finalizing			✓		Enhance discussion re: nominal savings and NPV savings as to reflect (positive) impact on fixed-income individuals. Enhance description of dips and increases on treatment unit costs (primarily dependent on flows/drought conditions). LRFPP redistributed to member agency finance staff.
12/13/2021	1	Investment Report Summary	N/A			✓		Show information on p. 43 of report for <u>all</u> funds on a single summary page (esp. Yield @ cost and Yield @ market)
	2	Article in Climate Magazine featuring SVCW	N/A			✓	12/13/2021	Send copy of article to all Commissioners
	3	RESCU Update	1/10/2022			✓	1/3/2022	Analyze effect of including all known risks into LRFPP model. State values as \$ (vs %) as this translates to rates more readily
	4	Commission meeting dates	1/10/2022			✓	1/3/2022	Bring to Commission an agenda item to change meeting dates to 2nd Monday/month (vs 3rd Monday/month)
11/15/2021	1	Recycled Water Exploratory Program	Jan/Feb		✓			Provide discussion on PREP (Potable Reuse Exploratory Program), status and activities. Summary to be provided Feb 14.
10/18/2021	1	Water Feature Development	N/A		✓			Research feasibility of creating a water feature behind the Shores Dog Park including possible funding mechanisms.
	2	RESCU Pump Station project	N/A			✓	11/9/2021	MTBM became stuck while tunneling the Belmont Gravity Pipe. It was repaired & tunneling continues. No schedule impact.
9/20/2021	1	Financial Information / Notes Issuance	N/A			✓	9/20/2021	Commission request powerpoint slides re: Notes Issuance. Slides sent to Commission and member agency finance staff.
	2	Meeting Log-in	10/18/2021			✓	10/11/2021	Spell out URL for Commission meeting log-in. Note that the URL is very long but it is now included in the agenda packet. Note also that logging in can be accomplished easily via the SVCW website.
8/16/2021	1	Investment Reports	next qrtly report			✓		Included in December Commission meeting agenda
7/16/2021	1	Cyber-Security Training	N/A			✓	11/15/2021	Reported at November Commission meeting
	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						

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

**MARCH 14, 2022
AGENDA ITEM 5E**

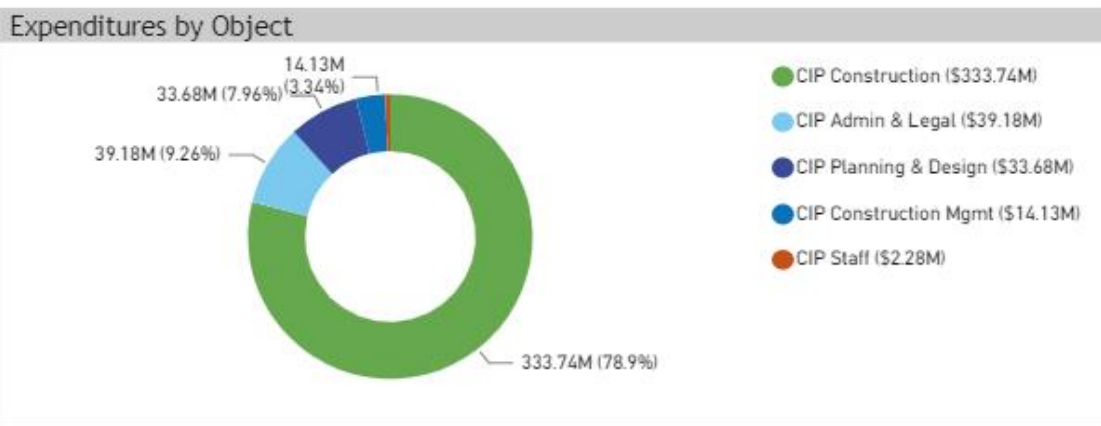
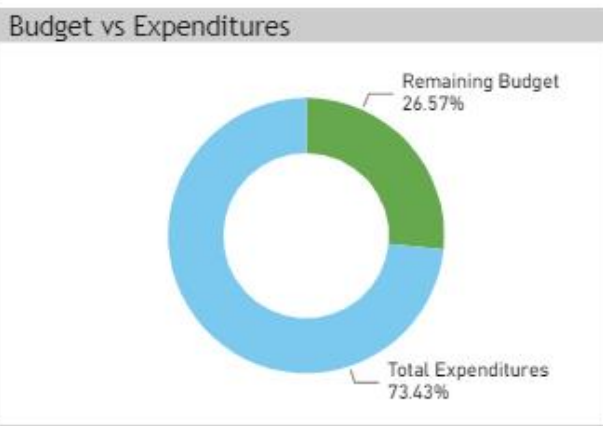
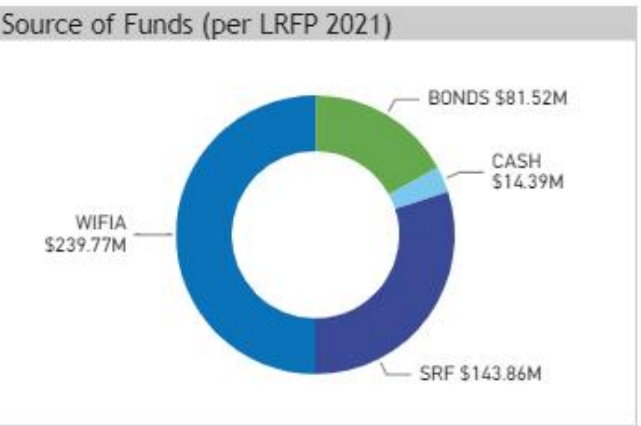
Updated: 3/3/2022

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
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. As of February 2022, source remains unknown.
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			✓	1/31/2022	Inform Commission if the natural gas excursion on Cogens result in a fine from BAAQMD. None expected as a year has passed.
> 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. Incorporate plant capacity information re: connection fees.
	2	Project Changes/Commission Notification	N/A	✓			Ongoing	Ensure Commission is kept apprised of possible/potential project cost and/or schedule increases.
	3	Maple Street Development	N/A	✓				SVCW and RWC staff coordinating efforts and messages to developer to protect mutual and exclusive interests.
	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

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	Total Expenditure	Remaining Budget
\$574.16M	\$421.61M	\$152.55M



NOTE: all information in this report are as of the end of previous month, except for the SPI data, which is one month behind all other information.

Agenda Packet Page 25

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

\$162.21M

Total Expenditure

\$121.05M

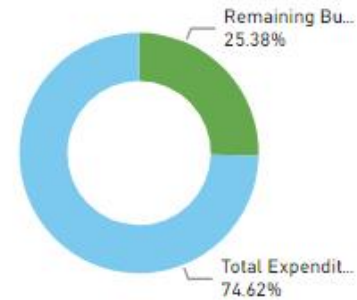
Remaining Budget

\$41.16M

Milestone Schedule

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

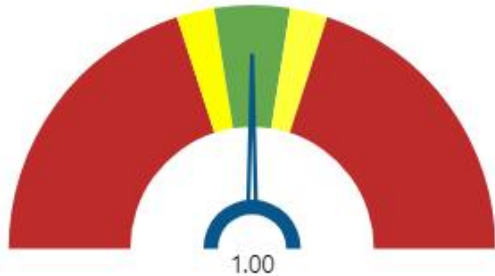
Budget vs Expenditures



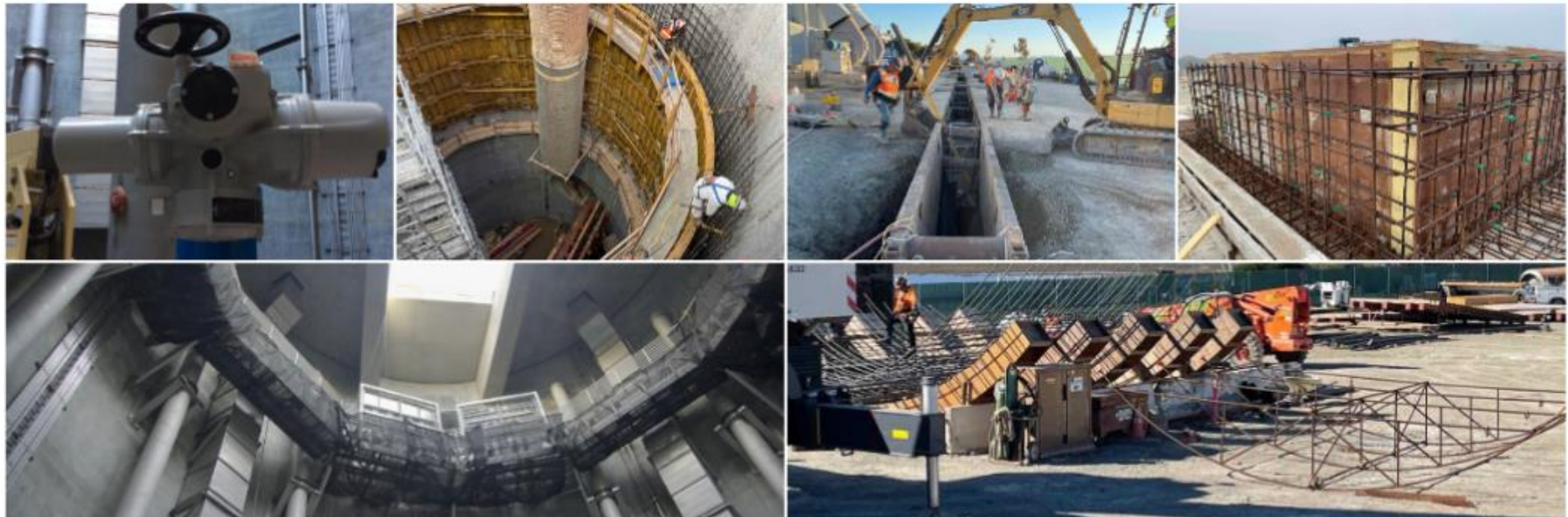
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Major Accomplishments this Period

Construction	<ul style="list-style-type: none"> - SPJV continues the installation of electrical control devices around the Headworks Facility. - SPJV installed the medium voltage cable from SVCW's existing switchgear to the FoP transformers. - SPJV continues completing punchlist items around the 125' Deck, Truckbay Mechanical Items, and the Odor Control system. - SPJV installed conduits around the maintenance platform for the RLS pumps, valve actuators, and miscellaneous. - SPJV completed the installation of the the wall mounted and main jib crane in the RLS. - SPJV set Precast Roof Section number 8 on top of the RLS and secured it in place. SPJV also constructed the two remaining roof sections that will be set at a future date. - SPJV completed three of four concrete lifts for the SFS Second Pass Walls. SPJV set the rebar, blockouts, and forms for the Second Pass Wall for the fourth lift. Each lift is approximately 25 feet tall. - SPJV began the construction of the fill concrete at the invert of the SFS that will convert waste water from the tunnel to the manifold inlets. - SPJV continues installation of the Storm Drain - fusing and placing 12-inch HDPE piping. - SPJV performed investigatory work on the existing forcemain at the bypass tie-in location that will take place this dry season.
Design	<ul style="list-style-type: none"> - SPJV and CID finalized the Process Control Narrative and Control Strategies. - CID is preparing to hold Software Acceptance Testing workshops to demonstrate that the software is in full compliance with the approved Control Strategies.
Procurement of Trade Packages	<ul style="list-style-type: none"> - All major headworks equipment is onsite except RLS pumps. This month, the RLS pumps were shipped to a local coatings subcontractor to receive an interior protective coating and are expected to arrive onsite beginning of March. - The gas detection system was factory tested on 2/28/22.

3 - Month Look Ahead

	Start	End	March	April	May
Install RLS Pumps	February 28, 2022	March 25, 2022	X		
Install SFS Second Pass Walls	November 19, 2021	April 6, 2022	X	X	
Pull Wire & Terminate from Control Panel down to Devices at Base of RLS	March 2, 2022	April 12, 2022	X	X	
Install conduit, wire and electrical devices to major equipment at the Headworks Facility	July 1, 2021	May 1, 2022	X	X	X
Install SFS Sloped Concrete (connection from gravity tunnel to RLS manifold inlets)	February 23, 2022	May 24, 2022	X	X	X
Set-up ILS Bypass System	May 10, 2022	May 23, 2022			X
Coat SFS Second Pass Walls	May 9, 2022	June 14, 2022			X

Potential Issues

Bair Island and San Carlos Pump Station Pipe Connection Work
 Intrinsically Safe Relay Panel
 Plant water pipeline size upgrade and related fixtures
 Utilidor extension for piping

Project Changes

Change order for odor control system
 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

\$264.36M

Total Expenditure

\$238.44M

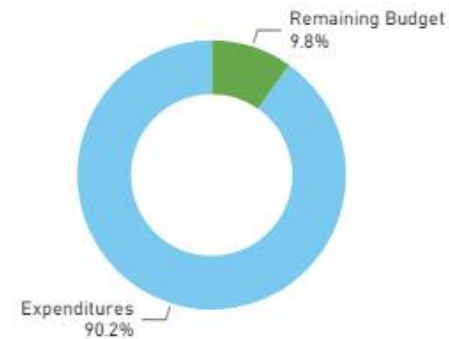
Remaining Budget

\$25.92M

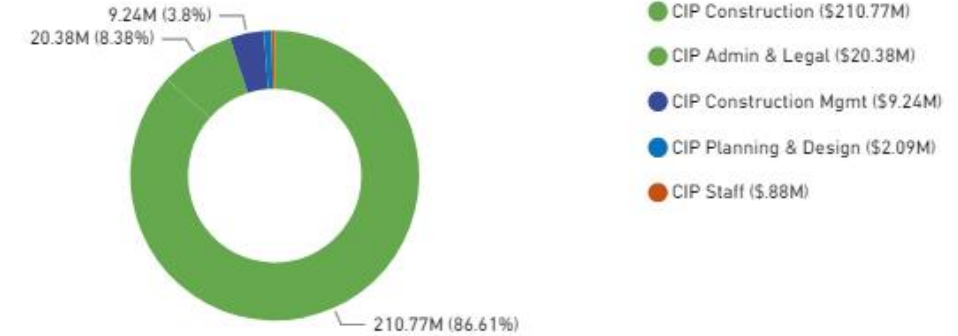
Milestone Schedule

	Start	Finish
San Carlos Inlet Structure Installation	5/16/2022	6/21/2022
Bair Island Inlet Structure Installation	1/4/2022	5/24/2022
FRP Pipe Installation and Annular Grout	9/27/2021	4/7/2022
Basement Connection	2/15/2022	6/7/2022
Substantial Completion		7/1/2022

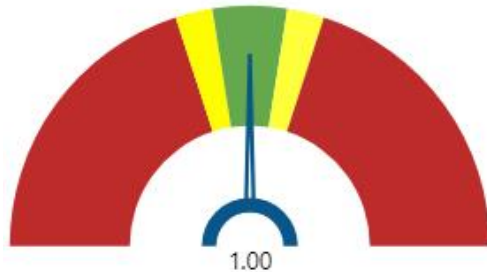
Budget vs Expenditures



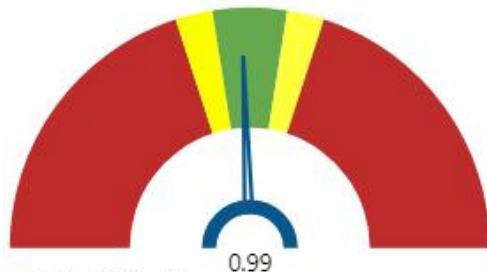
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of : 2022 - 02



Major Accomplishments this Period

Construction	<ul style="list-style-type: none"> - BBJV completed grouting in the first tunnel drive and began grouting the last half of the second tunnel drive. BBJV completed the remaining pipe installation in the second tunnel drive. -BBJV continued installation of the Bair Island Drop Structure
Design	<ul style="list-style-type: none"> - BBJV continues transferring Connecting Piping design documents to SPJV
Muck Disposal	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Outreach in conformance with SRF and WIFIA funding requirements

3 - Month Look Ahead

	Start	End	March	April	May
FRP Annular Space Grouting	November 18, 2021	April 7, 2022	X	X	
Bair Island Drop Structure Installation	January 4, 2022	May 24, 2022	X	X	X
Basement Connection - Sump Relocation	February 15, 2022	April 1, 2022	X	X	
Basement Connection - Pipe Installation	February 22, 2022	June 7, 2022	X	X	X

Potential Issues

Additional costs for SFS Break-in approach
San Carlos Basement Connection

Project Changes

Additional Survey at Governors Bay
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
Redwood City Sales Tax Increase 2021
San Carlos Adit Ammonia Mitigation
San Carlos Shaft Ammonia Mitigation
SCPS Basement Connection
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.

Available Budget
\$132.29M

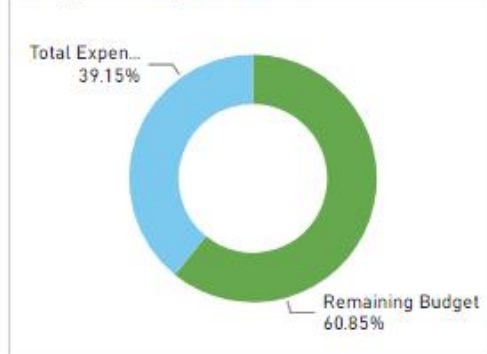
Total Expenditure
\$51.79M

Remaining Budget
\$80.50M

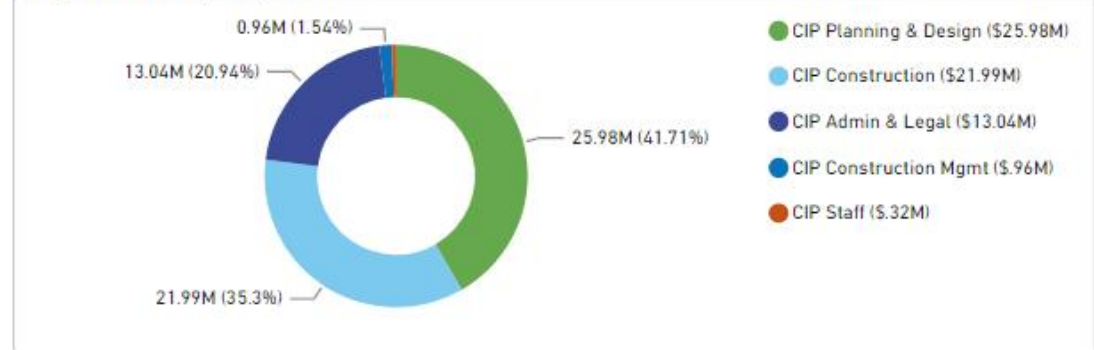
Milestone Schedule

	Start	Finish
BGP - Gravity Pipe Installed	9/30/2022	12/13/2022
MPPS - A-side Pumps Completed	8/25/2022	2/11/2023
MPPS - B-side Pumps Completed	3/15/2022	8/24/2022
MPPS - Segment 1 and 2 CARVs Completed	3/29/2022	7/6/2022
RCPS - Electrical Building Completed	2/8/2021	10/13/2022
RCPS - PG&E Service Work	7/28/2022	8/10/2022
RCPS - Wet Well & Screening Building Completed	3/24/2023	4/7/2023
Substantial Completion - BGP		6/5/2023
Substantial Completion - MPPS		8/7/2023
Substantial Completion - RCPS		8/7/2023

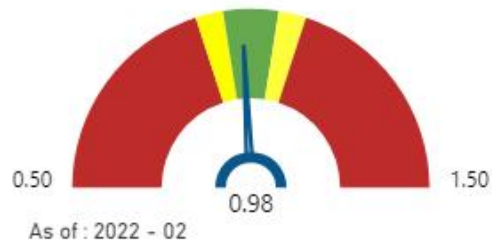
Budget vs Expenditures



Expenditures by Object



Cost Performance Index (CPI)



Major Accomplishments this Period

Construction	<p>- BGP: Power Engineering (PEC) completed coating of the manholes at JS-1, RS-1, and JS-2 and completed paving work at JS-1 and RS-1. PG&E conduit has been installed and inspected and PEC is coordinating with Cal Water to schedule the reroute of Cal Water's line that conflicts with RS-3.</p> <p>- RCPS: Installed housekeeping pad. Placed wet well 1st lift walls (east side). Installed form work for screening building 1st lift walls (north and south).</p> <p>- MPPS: Place blister walls around existing MPPS. Install conduit. Prepare for B-side wet well shutdown and Segment 2 shutdown for RVA installation.</p>
Design	SVCW provided direction for SPJV to move forward with preparing an alternative and workshop for re-classifying the San Carlos Pump Station. SPJV continues to evaluate construction methods and pricing for work to install the 60-inch pipe at RCPS.

Potential Issues

Additional costs due to paving thickness in City of San Carlos
Challenges from permitting and land acquisition conditions at RCPS

3 - Month Look Ahead

	Start	End	March	April	May
MPPS - PG&E Design and Construction	August 26, 2020	May 23, 2022	X	X	X
MPPS - Segment 1 and 2 CARVs	March 29, 2022	July 6, 2022	X	X	X
MPPS - Building/Roof Improvements	September 10, 2021	November 29, 2022	X	X	X
MPPS - Electrical Room Improvements	July 6, 2021	November 28, 2022	X	X	X
BGP - Set Up Phase 3 Traffic Control	March 2, 2022	March 8, 2022	X		
BGP - Relocate Utilities at RS3	March 1, 2022	March 14, 2022	X		
RCPS - Wet Well & Screening Building Excavation and Backfill	May 24, 2021	September 26, 2022	X	X	X
RCPS - Wet Well and Screening Building Structural Concrete	September 8, 2021	November 29, 2022	X	X	X
RCPS - Electrical Building & Restroom	February 8, 2021	October 13, 2022	X	X	X

Project Changes

BGP Design Development
Differing Site Conditions and MPPS Generator Warranty Release
Segment 1 Force Main Junction Box Repairs
Stage 2 Baseline Schedule Revision
Traffic Control Changes Allowance Release

Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	0

AGENDA ITEM 7A

MINUTES OF SILICON VALLEY CLEAN WATER

REGULAR MEETING – February 14, 2022

8:00 a.m.

**This meeting took place remotely pursuant to
SVCW Resolution No. 22-03 due to coronavirus pandemic**

ITEM 1

CALL TO ORDER

The meeting was called to order at 8:01 a.m.

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

Council Member Alicia Aguirre, Redwood City – Chair
Board Member George Otte, 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
Arvind Akela, SVCW Engineering & Environmental Services Director
Alex Miot, SVCW Sr. Engineer
Kara Tremblay, SVCW Engineer
Cindy Hui, SVCW Accounting Supervisor
Kiki Newberry, SVCW Financial Analyst
Jessica Mangual, SVCW Secretary Pro Tem
Mark Minkowski, Kennedy Jenks
Sheryl Chia, Kennedy Jenks
Dawn Taffler, Kennedy Jenks
Mike Jaeger, Tanner Pacific
Derek Rampone, City of Redwood City
Molly Flowerday, City of Redwood City
Theresa Yee, City of Redwood City
Aren Hansen, Brown & Caldwell
EJ Shalaby, DNS Strategic Partners
Sergio Ramirez, West Bay Sanitary District
Lora Carpenter, PFM
Suzanne Solomon, LCW
Jim Lewis, Member of the Public

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 and providing public comment during the remote meeting site were provided.

Item 5A Safety Moment concerned tips on staying hydrated.

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

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

There were no matters discussed

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

- A. APPROVAL OF MINUTES – January 10, 2022 - Special Meeting
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED DECEMBER 23, 2021, JANUARY 3, 2022, AND JANUARY 7, 2022, NECESSARY PAYMENTS THROUGH JANUARY 7, 2022
- C. CONSIDERATION OF RESOLUTION APPROVING AGREEMENT FOR DEPOSITORY AND TREASURY MANAGEMENT SERVICES WITH WELLS FARGO BANK, N.A.

Proposed Action:

Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR DEPOSITORY AND TREASURY MANAGEMENT SERVICES WITH WELLS FARGO BANK, N.A.

- D. CONSIDERATION OF MOTION APPROVING PAYMENT OF ESTIMATED RELOCATION CONSTRUCTION COSTS TO CALIFORNIA WATER SERVICE (PUMP STATIONS IMPROVEMENTS PROJECT – CIP #9501)

Proposed Action:

Move approval of PAYMENT OF ESTIMATED CONSTRUCTION COSTS (\$188,971) AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – CALIFORNIA WATER SERVICE

Motion/Second: Mr. Collins / Dr. Lieberman

The Motion carried by Unanimous Roll Call Vote

ITEM 8A

CONSIDERATION OF RESOLUTION APPROVING REMOTE COMMISSION MEETINGS UNDER GOVERNMENT CODE SECTION 54953 OF THE BROWN ACT DURING EMERGENCY CONDITIONS

Proposed Action:

Move adoption of RESOLUTION MAKING FINDINGS AND DETERMINATIONS AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE COMMISSION OF SILICON VALLEY CLEAN WATER UNDER GOVERNMENT CODE SECTION 54953 OF THE BROWN ACT DURING EXISTENCE OF STATE OF EMERGENCY CONDITIONS RELATED TO THE COVID-19 PANDEMIC

Motion/Second: Mr. Otte / Mr. Collins

The Motion carried by Unanimous Roll Call Vote

ITEM 8B

CONSIDERATION OF MOTION APPROVING TASK ORDER FOR NEXINITE LLC DESIGN AND IMPLEMENTATION SCOPE OF WORK AND BUDGET FOR EQUIPMENT INFORMATION MANAGEMENT SYSTEM PROJECT (CIP #9196)

Proposed Action:

Move approval of TASK ORDER FOR ELECTRONIC INFORMATION MANAGEMENT SYSTEM DEVELOPMENT (CIP #9196) IN AN AMOUNT NOT TO EXCEED \$892,000 AND AUTHORIZE MANAGER TO APPROVE UP TO A TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – NEXINITE LLC

Motion/Second: Mr. Otte / Dr. Lieberman

The Motion carried by Unanimous Roll Call Vote

ITEM 8C

CONSIDERATION OF MOTION APPROVING CONTRACT CHANGE ORDER FOR SAN CARLOS SHAFT CONNECTION TUNNELING FOR THE GRAVITY PIPELINE PROJECT (CIP #6008)

Proposed Action:

Move approval of CONTRACT CHANGE ORDER FOR THE GRAVITY PIPELINE PROJECT IN AN AMOUNT NOT TO EXCEED \$1,990,000

Motion/Second: Mr. Otte / Mr. Collins

The Motion carried by Unanimous Roll Call Vote

ITEM 8D

RECEIVE UPDATE ON SVCW RECYCLED WATER ACTIVITIES

Proposed Action:

NO ACTION WAS REQUIRED OR TAKEN

ITEM 8E

RECEIVE STATUS UPDATE ON THE ORGANICS CO-DIGESTION PROJECT (CIP# 9229)

Proposed Action:

NO ACTION WAS REQUIRED OR TAKEN

ITEM 9

Closed Session was called to order at 9:17 a.m.

ITEM 10

RECONVENE IN OPEN SESSION

Open Session reconvened at 9:47 a.m.

Ms. Fitzgerald reported that, as to closed session item 9A, no action was taken and direction was given to staff and Counsel.

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 9:48 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 January 11 – January 24, 2022 and January 25, 2022 – February 8, 2022, were scanned and a copy was emailed to Commissioners and Legal Counsel on March 8, 2022.

AGENDA ITEM 7C

**COMMISSION POLICY 1992-01
INVESTMENT POLICY AND GUIDELINES
ANNUAL REVIEW AND UPDATE**

ISSUE

Review and Update SVCW Commission Policy 1992-01, Investment Policy and Guidelines

BACKGROUND

In July 1992, SVCW adopted an Investment Policy and Guidelines (Commission Policy No. 1992-01, or “the Investment Policy”) to formally guide the investment of all surplus funds not required for immediate use by SVCW. The Investment Policy requires annual Commission review and approval of changes proposed by staff, if any. Policy No. 1992-01 was last updated as Revision T at the January 25, 2021 Commission meeting.

Investments of SVCW funds are governed by California Government Code Section 53600, et seq and by the Authority’s Investment Policy. The Investment Policy serves as a strategic guide for planning, implementation, and oversight of investments.

DISCUSSION

The Investment Policy governs how SVCW and its investment advisor, PFM Asset Management LLC (PFM), manage three distinct Cash Reserve Funds:

Reserve Fund	As of 01/31/2022 (\$ Millions)
Operating Reserve	\$ 3.83 million
Capital Improvement Plan Reserve	19.21 million
Stage 2 Capacity Reserve	<u>14.76 million</u>
TOTAL	\$37.80 million

There were no changes in government code that necessitate edits to the Investment Policy. The sole recommended change is clarification on the frequency of reports provided to the Commission. The proposed amendment is shown in the attached “redline” version of the Investment Policy.

FINANCES

No financial impact is associated with the proposed changes.

RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION U TO COMMISSION POLICY 1992-01, SILICON VALLEY CLEAN WATER’S INVESTMENT POLICY AND GUIDELINES

Silicon Valley Clean Water

COMMISSION POLICY NO. 1992-01

APPROVED BY: _____

Revision: ~~T-U~~

Revision Date:

Issue Date: 07/20/1992

~~01/25/2021~~03/14/2022

Approved by the SVCW Commission at the Meeting held on ~~January 25, 2021~~March 14, 2022 by Resolution No. SVCW ~~21-0122-~~

SUBJECT: Silicon Valley Clean Water Investment Policy and Guidelines

PURPOSE:

The purpose of this Investment Policy (the “Policy”) is to establish the investment policy and guidelines to be followed in the investment of all Silicon Valley Clean Water (“SVCW” or the “Authority”) surplus funds not required for immediate use by SVCW. All investment of such surplus monies is governed by California Government Code Section (CGC) 53600, et seq. and by the Policy.

To the extent possible, all money belonging to or in the custody of SVCW required for the immediate use of the Authority shall be deposited for safekeeping pursuant to relevant CGC sections, including Sections 53635.2, 53637-53645 and 53649.

SCOPE:

This Policy applies to all funds and investment activities of the Authority except the investment of bond proceeds, which are governed by the appropriate bond documents, and any pension or other post-employment benefit funds held in a trust.

RESPONSIBILITIES:

The Chief Financial Officer (CFO) shall have the responsibility of investing all Authority surplus funds in accordance with this Policy, providing regular investment reports to the Commission (as described in more detail in Section X of this Policy), and allocating interest to each fund.

The SVCW Commission shall have the responsibility of annually reviewing the Investment Policy and Guidelines and approving proposed changes.

POLICY:

I. INTRODUCTION

Authority monies not required for immediate expenditure will be invested in compliance with governing provisions of law, the Joint Exercise of Powers Agreement establishing the Authority and this Policy.

Funds of the Authority will be invested in accordance with California Government Code Sections 53601 through 53686 and with sound treasury management.

Investments will be made in a range of instruments to ensure diversification of the Authority's portfolio and liquidity of assets.

II. STANDARD OF CARE

Prudence: All investments shall be made within the policy framework of liquidity and safety with the judgment and care which a prudent and intelligent person would, under circumstances then prevailing (including, but not limited to, the general economic conditions and the anticipated needs of SVCW), exercise in the management of his/her affairs. The standard of prudence to be used by investment officials will be the “prudent investor” standard, which states that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

Ethics: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with reporting requirements of applicable state laws including annual filing of Statements of Economic Interest.

III. OBJECTIVES The primary investment objectives of this policy in order of priorities are:

Safety: Safety of the principal shall be the top priority in consideration of any investment undertaken by the CFO. The portfolio shall be so diversified that the losses, if any, on particular securities shall be offset by the revenue generated from other investments. The Authority’s portfolio shall be actively managed. Therefore, securities may be sold prior to maturity if doing so would better align the portfolio with its selected performance benchmark, and/or increase the earnings potential or credit quality of the portfolio. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

Credit risk: Defined as the loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the Authority's capital base and cash flow. In the event of a downgrade in credit after the date of purchase to a level below the minimum credit standards provided in the California Government Code, the CFO or his/her designee shall advise the Commission of the change at or before the next regular meeting. If the Authority has retained the services of an Investment Advisor, the Investment Advisor will notify the CFO of such a downgrade and will recommend a plan of action.

Market risk: Defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by structuring the investment portfolio so that

securities mature to meet the cash requirements for ongoing operations, thereby limiting the need to sell securities prior to maturity.

Liquidity: The CFO shall keep the portfolio sufficiently liquid to meet the operating and capital needs of the Authority which can be reasonably anticipated from his/her experience of the Authority's operations and adopted budget. S/he shall also review the various construction and other contracts the Authority has entered into to anticipate the cash needs.

Return on Investment: Within the safety and liquidity constraints imposed by law and the Authority's own safety objective and cash flow requirements, the investment portfolio shall be designed to attain the market rate of return.

IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY

The CFO shall have the authority to invest the funds of the Authority.

The CFO may delegate day-to-day investment decision-making and execution authority to an investment advisor. Such investment advisor must have not less than five years' experience managing public agency funds subject to California Government Code and must have total public agency assets under management nationwide of at least \$10 billion. The rights and responsibilities delegated to an investment advisor must be in a written agreement. The investment advisor shall make all investment decisions and transactions in accordance with California Government Code and this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO and approved by the SVCW Commission.

Investments of Authority monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by Section 53601, et seq. of the California Government Code for the investment of public funds, except those expressly prohibited by this policy.

V. CASH FLOW AND AVAILABILITY

An amount equal to two weeks' cash flow requirements is to be maintained in immediately available investments, such as the State Treasurer's Local Agency Investment Fund, money market funds, or similar liquid instruments.

VI. ACCEPTABLE INVESTMENT INSTRUMENTS

All investments must be made in accordance with this policy and the State of California Government Code Section 53600, et seq. In the case of a discrepancy between this Policy and California Government Code Section 53600, et seq., the more stringent requirements shall apply.

The Authority will limit investments in any one issuer except for obligations of the U.S. Treasury, U.S. federal agencies, U.S. government-sponsored enterprises, U.S. instrumentalities, and pooled funds (e.g., money market funds, local government investment pools, and LAIF) to no more than 5%, regardless of security type.

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

The Commission may, as part of a bond issuance, direct or authorize staff to invest bond proceeds in investment instruments authorized by the California Government Code that are not contained within this policy.

The Authority's investment portfolio may include the following instruments:

1. **U.S. Treasury Obligations.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **U.S. Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. **California State and Local Agency Obligations.** Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by a Nationally Recognized Statistical Rating Organizations ("NRSRO"). Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.
4. **Other State Obligations.** Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by an NRSRO. Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.

No more than 30% of the Authority's portfolio may be invested in California State and Local Agency Obligations (subsection 3 above) and Other State Obligations (subsection 4 above), collectively.

5. **Medium-Term Notes.** Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S. medium-

term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.

6. **Bank Deposits.** Funds may be deposited in federally-insured or collateralized bank deposits to include, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive deposits from the Authority, the financial institution must be located in California and comply with the requirements listed in Government Code Section 53630 et. seq. The CFO, at his/her discretion, may waive the collateralization requirements for any portion that is insured by the Federal Deposit Insurance Corporation or by the National Credit Union Administration. The Authority shall have a signed agreement with any depository accepting Authority funds per Government Code Section 53649. The final maturity of time deposits may not exceed five years. There is no limit on the percentage of the Authority's portfolio that may be invested in bank deposits. However, a maximum of 50% of the Authority's portfolio may be invested in time deposits.
7. **State of California's Local Agency Investment Fund (LAIF).** The State Treasurer established LAIF for the benefit of local agencies. The Authority may invest up to the maximum amount permitted by the State Treasurer.
8. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either:
 - Attain the highest-ranking letter or numerical rating provided by not less than two of the three largest NRSROs *or*
 - Have an Investment Advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000).

No more than 20% of the Authority's portfolio may be invested in money market funds.

9. **Shares of a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Government Code Section 53601. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:
 - 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*
 - 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*

- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
10. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
- 1) The entity meets the following criteria:
 - a. Is organized and operating in the United States as a general corporation;
 - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
 - c. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.
 - 2) The entity meets the following criteria:
 - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company;
 - b. Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond;
 - c. Has commercial paper that is rated “A-1” or higher by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 15% of the Authority’s portfolio may be invested in commercial paper.

11. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The legislative body of the Authority and the treasurer or other officials of the Authority having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, a person with investment decision making authority employed by the investment advisor, if so engaged, or a person with investment decision making authority in the administrative office manager’s office, budget office, auditor-controller’s office, or treasurer’s office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Eligible negotiable certificates of deposit shall have a maximum remaining maturity of five years or less and shall be rated in a rating category of “A” for long-term, “A-1” for short-term, their equivalent, or better by an NRSRO.

No more than 15% of Authority's portfolio may be invested in negotiable certificates of deposit.

12. **Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer

receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AAA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than 10% of the Authority’s portfolio may be invested in these asset-backed securities.

13. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO.

No more than 15% of the Authority’s portfolio may be invested in these specific supranational obligations.

VII. PROHIBITED INVESTMENTS

The Authority shall not invest any funds in Repurchase Agreements (REPOS) or Reverse Repurchase Agreements (REVERSE REPOS). The Authority shall not purchase or sell securities on margin or invest in financial futures/financial options.

VIII. MAXIMUM MATURITY OF INVESTMENTS

Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3, and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less. This change to the investment program was authorized at the June 17, 2019 meeting of the SVCW Commission.

IX. BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The CFO, or his/her designee, will maintain a list of financial dealers and institutions qualified and authorized to transact business with the Authority.

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The CFO shall annually send a copy of the current Investment Policy to all financial institutions and broker/dealers approved to do business with the Authority. Written confirmation of receipt of this Policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this Investment Policy. Moreover, the Authority will execute an agreement with any broker/dealer prior to doing business with such.

If the Authority has retained the services of an Investment Advisor, the Investment Advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Authority.

Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, whenever possible.

X. REPORTS TO COMMISSION

On not less than a quarterly basis, the CFO shall provide to the Commission a detailed investment report that shall include the following information: description of investment instrument, issuer name, maturity date, credit rating, interest rate, yield, purchase price, par value, book value, current market value and the source of the valuation. This report shall also state compliance of the portfolio with this Investment Policy, or manner in which the portfolio is not in compliance. The CFO shall also make a list of monthly investment transactions available upon request.

XI. PERFORMANCE EVALUATION

The Authority's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration similar to that of the the Authority's portfolio(s), against which portfolio performance shall be compared on a regular basis.

XII. INTEREST ALLOCATION

Quarterly interest is to be allocated to each fund using the average rate of return and based on the average monthly cash balance for each fund. Residual interest earned will remain in the operations fund.

Funds with a negative cash balance will be charged interest using the average rate of return.

The Authority will further allocate the interest earned for each fund by entity. The interest earnings will be allocated based on the average monthly balance of each entity. The beginning balances for each entity will be taken from the audited financial statements of the previous year.

XIII. SAFEKEEPING OF SECURITIES

All marketable securities owned by the Authority shall be held in safekeeping by a third-party administrator (custody bank or trust department) acting as agent for the Authority

under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

XIV. INTERNAL CONTROL

The CFO is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the Authority are protected from loss, theft, or misuse. A CFO's office staff member who is not involved in the purchase of investments, wire transfers, or maintaining the general ledger shall be assigned the responsibility of reviewing and reconciling the monthly reports received from the investment advisor and custody bank. This review shall include, but not be limited to, reconciling the listing and amounts of each investment position and transaction.

Silicon Valley Clean Water

COMMISSION POLICY NO. 1992-01

APPROVED BY: _____

Revision: U

Revision Date: 03/14/2022

Issue Date: 07/20/1992

Approved by the SVCW Commission at the Meeting held on March 14, 2022 by Resolution No. SVCW 22-07

SUBJECT: Silicon Valley Clean Water Investment Policy and Guidelines

PURPOSE:

The purpose of this Investment Policy (the “Policy”) is to establish the investment policy and guidelines to be followed in the investment of all Silicon Valley Clean Water (“SVCW” or the “Authority”) surplus funds not required for immediate use by SVCW. All investment of such surplus monies is governed by California Government Code Section (CGC) 53600, et seq. and by the Policy.

To the extent possible, all money belonging to or in the custody of SVCW required for the immediate use of the Authority shall be deposited for safekeeping pursuant to relevant CGC sections, including Sections 53635.2, 53637-53645 and 53649.

SCOPE:

This Policy applies to all funds and investment activities of the Authority except the investment of bond proceeds, which are governed by the appropriate bond documents, and any pension or other post-employment benefit funds held in a trust.

RESPONSIBILITIES:

The Chief Financial Officer (CFO) shall have the responsibility of investing all Authority surplus funds in accordance with this Policy, providing regular investment reports to the Commission (as described in more detail in Section X of this Policy), and allocating interest to each fund.

The SVCW Commission shall have the responsibility of annually reviewing the Investment Policy and Guidelines and approving proposed changes.

POLICY:

I. INTRODUCTION

Authority monies not required for immediate expenditure will be invested in compliance with governing provisions of law, the Joint Exercise of Powers Agreement establishing the Authority and this Policy.

Funds of the Authority will be invested in accordance with California Government Code Sections 53601 through 53686 and with sound treasury management.

Investments will be made in a range of instruments to ensure diversification of the Authority's portfolio and liquidity of assets.

II. STANDARD OF CARE

Prudence: All investments shall be made within the policy framework of liquidity and safety with the judgment and care which a prudent and intelligent person would, under circumstances then prevailing (including, but not limited to, the general economic conditions and the anticipated needs of SVCW), exercise in the management of his/her affairs. The standard of prudence to be used by investment officials will be the “prudent investor” standard, which states that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

Ethics: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with reporting requirements of applicable state laws including annual filing of Statements of Economic Interest.

III. OBJECTIVES The primary investment objectives of this policy in order of priorities are:

Safety: Safety of the principal shall be the top priority in consideration of any investment undertaken by the CFO. The portfolio shall be so diversified that the losses, if any, on particular securities shall be offset by the revenue generated from other investments. The Authority's portfolio shall be actively managed. Therefore, securities may be sold prior to maturity if doing so would better align the portfolio with its selected performance benchmark, and/or increase the earnings potential or credit quality of the portfolio. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

Credit risk: Defined as the loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the Authority's capital base and cash flow. In the event of a downgrade in credit after the date of purchase to a level below the minimum credit standards provided in the California Government Code, the CFO or his/her designee shall advise the Commission of the change at or before the next regular meeting. If the Authority has retained the services of an Investment Advisor, the Investment Advisor will notify the CFO of such a downgrade and will recommend a plan of action.

Market risk: Defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by structuring the investment portfolio so that

securities mature to meet the cash requirements for ongoing operations, thereby limiting the need to sell securities prior to maturity.

Liquidity: The CFO shall keep the portfolio sufficiently liquid to meet the operating and capital needs of the Authority which can be reasonably anticipated from his/her experience of the Authority's operations and adopted budget. S/he shall also review the various construction and other contracts the Authority has entered into to anticipate the cash needs.

Return on Investment: Within the safety and liquidity constraints imposed by law and the Authority's own safety objective and cash flow requirements, the investment portfolio shall be designed to attain the market rate of return.

IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY

The CFO shall have the authority to invest the funds of the Authority.

The CFO may delegate day-to-day investment decision-making and execution authority to an investment advisor. Such investment advisor must have not less than five years' experience managing public agency funds subject to California Government Code and must have total public agency assets under management nationwide of at least \$10 billion. The rights and responsibilities delegated to an investment advisor must be in a written agreement. The investment advisor shall make all investment decisions and transactions in accordance with California Government Code and this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the CFO and approved by the SVCW Commission.

Investments of Authority monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by Section 53601, et seq. of the California Government Code for the investment of public funds, except those expressly prohibited by this policy.

V. CASH FLOW AND AVAILABILITY

An amount equal to two weeks' cash flow requirements is to be maintained in immediately available investments, such as the State Treasurer's Local Agency Investment Fund, money market funds, or similar liquid instruments.

VI. ACCEPTABLE INVESTMENT INSTRUMENTS

All investments must be made in accordance with this policy and the State of California Government Code Section 53600, et seq. In the case of a discrepancy between this Policy and California Government Code Section 53600, et seq., the more stringent requirements shall apply.

The Authority will limit investments in any one issuer except for obligations of the U.S. Treasury, U.S. federal agencies, U.S. government-sponsored enterprises, U.S. instrumentalities, and pooled funds (e.g., money market funds, local government investment pools, and LAIF) to no more than 5%, regardless of security type.

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

The Commission may, as part of a bond issuance, direct or authorize staff to invest bond proceeds in investment instruments authorized by the California Government Code that are not contained within this policy.

The Authority's investment portfolio may include the following instruments:

1. **U.S. Treasury Obligations.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **U.S. Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. **California State and Local Agency Obligations.** Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by a Nationally Recognized Statistical Rating Organizations ("NRSRO"). Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.
4. **Other State Obligations.** Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. Obligations eligible for investment under this subdivision with maturities in excess of one year must be rated "A," its equivalent, or better by an NRSRO. Obligations eligible for investment under this subdivision with maturities under one year must be rated at least "A-1," its equivalent, or better by an NRSRO.

No more than 30% of the Authority's portfolio may be invested in California State and Local Agency Obligations (subsection 3 above) and Other State Obligations (subsection 4 above), collectively.

5. **Medium-Term Notes.** Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S. medium-

term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.

6. **Bank Deposits.** Funds may be deposited in federally-insured or collateralized bank deposits to include, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive deposits from the Authority, the financial institution must be located in California and comply with the requirements listed in Government Code Section 53630 et. seq. The CFO, at his/her discretion, may waive the collateralization requirements for any portion that is insured by the Federal Deposit Insurance Corporation or by the National Credit Union Administration. The Authority shall have a signed agreement with any depository accepting Authority funds per Government Code Section 53649. The final maturity of time deposits may not exceed five years. There is no limit on the percentage of the Authority's portfolio that may be invested in bank deposits. However, a maximum of 50% of the Authority's portfolio may be invested in time deposits.
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8. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either:
 - Attain the highest-ranking letter or numerical rating provided by not less than two of the three largest NRSROs *or*
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 - 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*
 - 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*

- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
10. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
- 1) The entity meets the following criteria:
 - a. Is organized and operating in the United States as a general corporation;
 - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
 - c. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.
 - 2) The entity meets the following criteria:
 - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company;
 - b. Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond;
 - c. Has commercial paper that is rated “A-1” or higher by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 15% of the Authority’s portfolio may be invested in commercial paper.

11. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The legislative body of the Authority and the treasurer or other officials of the Authority having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, a person with investment decision making authority employed by the investment advisor, if so engaged, or a person with investment decision making authority in the administrative office manager’s office, budget office, auditor-controller’s office, or treasurer’s office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Eligible negotiable certificates of deposit shall have a maximum remaining maturity of five years or less and shall be rated in a rating category of “A” for long-term, “A-1” for short-term, their equivalent, or better by an NRSRO.

No more than 15% of Authority's portfolio may be invested in negotiable certificates of deposit.

12. **Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer

receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AAA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than 10% of the Authority’s portfolio may be invested in these asset-backed securities.

13. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO.

No more than 15% of the Authority’s portfolio may be invested in these specific supranational obligations.

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The Authority shall not invest any funds in Repurchase Agreements (REPOS) or Reverse Repurchase Agreements (REVERSE REPOS). The Authority shall not purchase or sell securities on margin or invest in financial futures/financial options.

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Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3, and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less. This change to the investment program was authorized at the June 17, 2019 meeting of the SVCW Commission.

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The CFO, or his/her designee, will maintain a list of financial dealers and institutions qualified and authorized to transact business with the Authority.

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The CFO shall annually send a copy of the current Investment Policy to all financial institutions and broker/dealers approved to do business with the Authority. Written confirmation of receipt of this Policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this Investment Policy. Moreover, the Authority will execute an agreement with any broker/dealer prior to doing business with such.

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Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, whenever possible.

X. REPORTS TO COMMISSION

On not less than a quarterly basis, the CFO shall provide to the Commission a detailed investment report that shall include the following information: description of investment instrument, issuer name, maturity date, credit rating, interest rate, yield, purchase price, par value, book value, current market value and the source of the valuation. This report shall also state compliance of the portfolio with this Investment Policy, or manner in which the portfolio is not in compliance. The CFO shall also make a list of monthly investment transactions available upon request.

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Quarterly interest is to be allocated to each fund using the average rate of return and based on the average monthly cash balance for each fund. Residual interest earned will remain in the operations fund.

Funds with a negative cash balance will be charged interest using the average rate of return.

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under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

XIV. INTERNAL CONTROL

The CFO is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the Authority are protected from loss, theft, or misuse. A CFO's office staff member who is not involved in the purchase of investments, wire transfers, or maintaining the general ledger shall be assigned the responsibility of reviewing and reconciling the monthly reports received from the investment advisor and custody bank. This review shall include, but not be limited to, reconciling the listing and amounts of each investment position and transaction.

AGENDA ITEM 8A

COMMISSION MEETINGS ATTENDANCE

ISSUE

Remote Commission Meetings Under Government Code Section 54953 of the Brown Act During Emergency Conditions

BACKGROUND

AB361 was signed into law by the Governor on September 16, 2021. AB361 amends Government Code Section 54953 of the Brown Act by allowing local agencies to hold meetings remotely during emergency situations, under the following conditions:

1. An emergency situation arises that produces an imminent risk to public health and safety.
2. A gubernatorial state of emergency is declared (pursuant to Gov't. Code § 8625).
3. A local agency wishes to meet remotely via teleconferencing as a result of the emergency. A meeting notice/agenda are produced and posted, with an agenda item dedicated to consideration of a resolution to transition to teleconferenced meetings consistent with the terms of Gov't. Code § 54953, subdivision (e).
4. A resolution is passed by majority vote consistent with the terms of Gov't. Code § 54953, subdivision (e), paragraph (1), subparagraph (B) i.e., determining that in-person meetings present imminent risks to the health or safety of attendees or when state or local officials impose or recommend social distancing measures. This resolution is valid for 30 days.
5. 30 days later: if the state of emergency remains active, a local agency may pass a resolution authorizing continued teleconferenced meetings upon finding that legislative body has both 1) reconsidered the circumstances of the state of emergency, and 2) the state of emergency continues to directly impact the ability of the members to meet safely in person or state/local officials continue to impose or recommend social distancing measures.

At its September 20 meeting the Commission considered the above requirements and made the determination to hold remote meetings by adopting Resolution No. 21-32. At subsequent meetings, the Commission has reiterated its determination via Resolution.

DISCUSSION

This item is for the purpose of reconsidering whether the current state of emergency warrants holding remote meetings for the next 30 days. To continue to qualify for AB 361's waiver of in-person meeting requirements, the Commission must, within thirty (30) days of its first meeting under AB361, and every thirty (30) days thereafter, make findings that a) state or local officials continue to recommend measures to promote social distancing, or that b) an in-person meeting would constitute an imminent risk to the safety of attendees.

The state of emergency proclaimed by the Governor on March 4, 2020 remains active. While case counts of the two primary variants of SARS-CoV-2 have diminished throughout the County (B.1.617.2, Delta and B.1.1.529, Omicron), risks remain.

Moreover, Cal-OSHA regulation 3205 continues to recommend physical distancing in the workplace generally and regulates a “close contact” defined as being within 6 feet of another under certain circumstances. The state of California recently has relaxed face covering requirements but the requirement to don face masks at SVCW indoor spaces, for both vaccinated and unvaccinated employees, remains.

For the above reasons, holding in-person meetings poses an imminent risk to attendees and staff recommends that remote meetings are presently necessary to protect the health and safety of all attendees, including SVCW staff and Commissioners.

FINANCES

There is no financial impact to this agenda item.

RECOMMENDATION

Move adoption of RESOLUTION MAKING FINDINGS AND DETERMINATIONS AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE COMMISSION OF SILICON VALLEY CLEAN WATER UNDER GOVERNMENT CODE SECTION 54953 OF THE BROWN ACT DURING EXISTENCE OF STATE OF EMERGENCY CONDITIONS RELATED TO THE COVID-19 PANDEMIC

AGENDA ITEM 8B

FISCAL YEAR 2022-23 ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET

ISSUE

Receive Presentation on Proposed Fiscal Year 2022-23 Annual Operating and Capital Expenditures Budget

BACKGROUND

Prior to May 1st of each calendar year, Silicon Valley Clean Water must adopt an Operating and Capital Expenditures Budget (Budget) for the upcoming Fiscal Year. The Budget outlines revenues needed for operations, maintenance, administration, and compliance monitoring activities. Furthermore, it describes cash flow requirements to meet capital projects, debt service, and cash reserve needs.

This 2022-23 Budget incorporates the long-term impact of capital expenditures and follows a funding strategy described in the January 2022 Long-Range Financial Plan update. Following the most recent issuance of debt in 2021, the known balance of the Authority's long-term Capital Improvement Program (CIP) is now funded.

DISCUSSION

Total Member Contributions described in the Proposed Budget increase by \$1.46 million, or 2.88% over last year. It allots \$29.10 million for Net Operating Expenses and \$1.40 million for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$2.5 million in contributions to the CIP Reserve and \$95 thousand towards the Operating Reserve. Debt Service Payments are budgeted to be \$18.86 million.

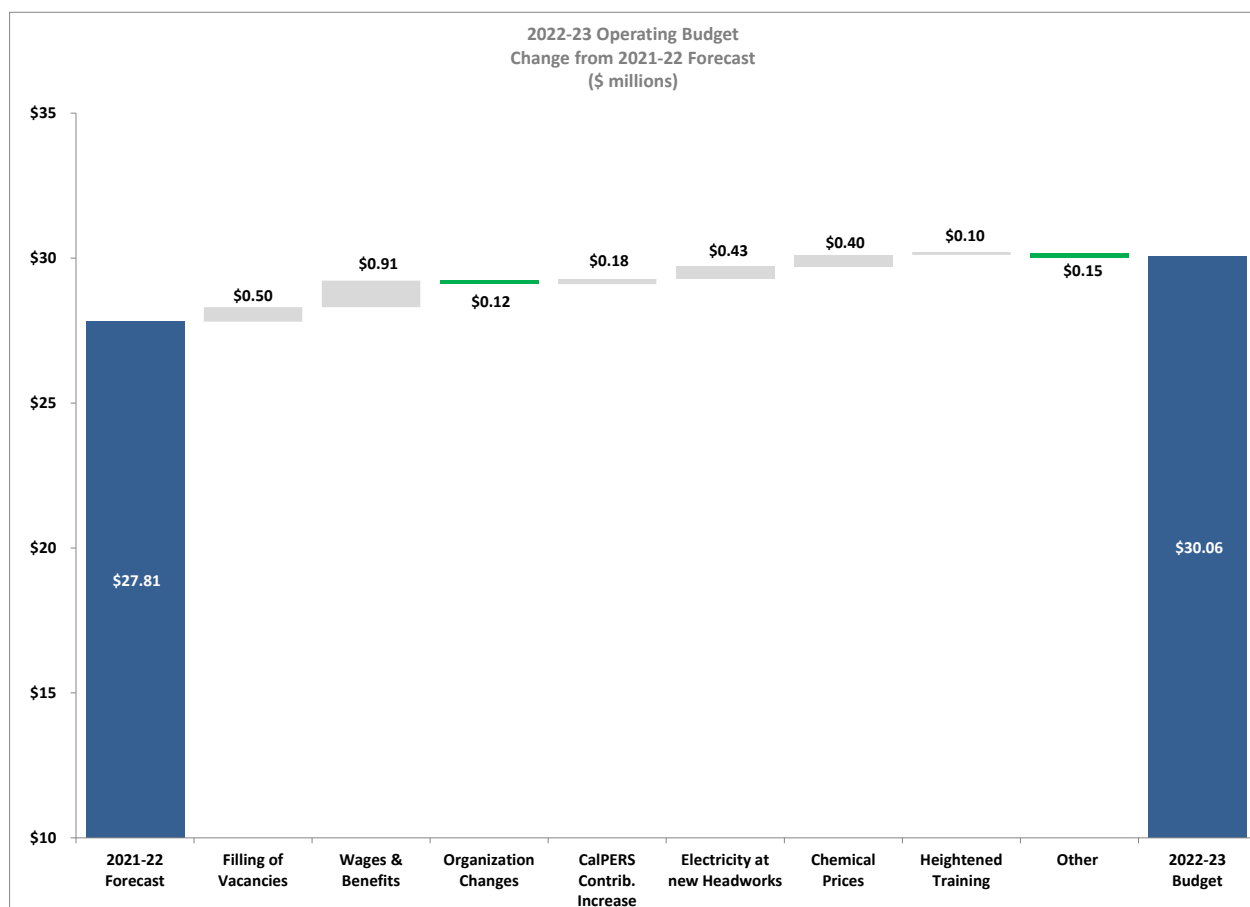
Year-over-year Budgeted Member Entity Contributions				
Description	2021-22 Adopted Budget	2022-23 Proposed Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Expenses	\$ 28,467,513	\$ 30,058,179	\$ 1,590,666	5.59%
Less: Miscellaneous Revenue	(855,000)	(956,600)	101,600	11.88%
Contributions, Net Operating Expenses	\$ 27,612,513	\$ 29,101,579	\$ 1,489,066	5.39%
Add: Revenue-Funded Capital Projects	1,497,500	1,404,000	(93,500)	(6.24%)
Contributions, Before Reserves & Debt Service	\$ 29,110,013	\$ 30,505,579	\$ 1,395,566	4.79%
Add: Reserve Designations	2,000,000	2,595,418	595,418	29.77%
Add: Debt Service, Participating members	19,394,786	18,860,826	(533,960)	(2.75%)
Contributions, Total	\$ 50,504,799	\$ 51,961,823	\$ 1,457,024	2.88%

Gross Operating Expenses

Specific to the operating budget only, the following table and chart compares next year's 2022-23 Proposed Operating Budget to 2021-22's forecasted expenditures ("Forecast"). The comparative increase is \$2.25 million, or 8.1%, though it is estimated that forecasted

expenditures will end the year nearly \$659 thousand (2.3%) below the 2021-22 Budget, mostly due to personnel vacancies incurred during the year. Positions in Maintenance, Operations, and Laboratory divisions were initially vacant after retirements and resignations, and most are now filled except for two positions in Maintenance. Additional comparative comments between the two periods include significant inflationary pressures as well as operational changes when newly constructed headworks facilities are placed into service.

Silicon Valley Clean Water Expenditure Summary - By Expense Category						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel	\$ 18,227,600	\$ 18,280,601	\$ 17,810,358	\$ 18,867,311	\$ 1,056,953	5.9%
Utilities	1,619,814	1,576,620	1,744,228	2,047,966	303,738	17.4%
Administrative Expenses	688,173	631,843	626,719	744,875	118,156	18.9%
Equipment & Supplies Expense	2,632,740	2,738,854	2,802,279	2,842,483	40,204	1.4%
Chemicals	1,254,370	1,928,592	1,733,040	2,179,380	446,340	25.8%
Professional & Contractual Services	2,696,528	2,947,492	2,806,447	2,939,562	133,115	4.7%
Training, Memberships, Travel	131,658	363,511	284,830	436,602	151,772	53.3%
TOTAL	\$ 27,250,883	\$ 28,467,513	\$ 27,807,901	\$ 30,058,179	\$ 2,250,278	8.1%



- Personnel costs will increase by \$1.06 million, or 5.6% compared to the 2021-22 Forecast. Approximately \$500 thousand of this increase is to recognize vacant positions are now filled. Other increases include \$910 thousand cost-of-living and step wage adjustments and an estimated \$180 thousand increase in CalPERS contribution rates. Offsetting these increases is approximately \$120 thousand in personnel savings associated with an organizational change.
- Electricity use will increase at the treatment plant when the new headworks facilities are brought online midyear, as lift pumps and odor control fans go into service. It is estimated that the additional power demand will raise costs by \$431 thousand compared to the Forecast. PG&E rates are anticipated to remain unchanged next year.
- Administrative Expense will increase from the Forecast by \$118 thousand (18.9%) primarily due to higher permit fees and increased technology services.
- Chemicals are anticipated to increase by \$446 thousand, or 25.8%. Much of this increase is due to inflation as suppliers advise to expect significant increases caused by supply shortages and logistics challenges. Formal bids are due shortly after this report is published, and the budget may need to be adjusted when brought to the Commission in April 2022.
- Training, Memberships, and Travel will increase by \$151.7 thousand (53%). Most training and travel remained suspended during the COVID-19 pandemic. SVCW anticipates a return to ordinary training and education practices next fiscal year and is planning additional training as new facilities are placed in service.

Miscellaneous Revenue

SVCW is paid to receive grease & septic from community restaurants and other commercial sites, to monitor stormwater management programs, and to manage some communities' discharges from restaurants and business. In addition, the Authority will partner with the local solid waste agency to receive organic waste, which includes tipping fee revenue. There is also grant revenue from a battery storage incentive program.

Next year this Miscellaneous Revenue is anticipated to increase by \$102 thousand (11.9%) from the 2021-22 Budget. This reflects good performance from the battery storage incentive program and new tipping fee revenue from the organic waste program.

Flow and Loading Changes

Since the pandemic's advent SVCW Members experienced shifts in relative flow and loading values. Flows are measured by calibrated meters and composite loading values calculated from samples taken at the pump stations serving the respective Members' service areas. Updating for 2021 data, relative flows and loadings continued to see higher flow and loading values in Redwood City while other Members' numbers declined. Influencing factors suggest housing density plays a role, as well as the type and pace of development, the condition of Members' respective collection systems, and the lack of

rainfall during 2021. Overall, the pandemic appears to unevenly impact communities as work-from-home practices led to vacant office campuses and lower occupancy at businesses and restaurants.

Revenue-Funded Capital

Revenue-Funded Capital Expenditures fund individual capital projects with costs less than \$1 million each that can be completed within one year. These projects address immediate needs for equipment and facilities and typically include minor construction projects, major maintenance projects, and preliminary engineering analysis for major capital improvements. The proposed budget includes revenue-funded capital expenditures of \$1.4 million, slightly less than the amount typical budgeted each year.

2022-23 Revenue-Funded Capital Expenditures	
Project Name	Estimated Cost
Track Loader to clean / maintain Drying Beds	\$ 145,000
Vapex Units at primary influent & effluent channels	235,000
Replace Uninterruptible Power Supply (UPS)	30,000
Replace Network Field Switches	144,000
Biosolids Shunt Truck, used to move Biosolids*	160,000
Replace Quincy Compressors	90,000
Replace Chillers in Thickener Gallery	400,000
Rotary Drum Thickeners - Piping Upgrades	200,000
TOTAL	\$ 1,404,000

- A track loader is a new piece of equipment needed to maintain the integrity of drying bed levees.
- Vapex units are used to mitigate production of corrosive hydrogen sulfide gas and treat odorous compounds. New units will be placed at the Primary Sedimentation influent and effluent channels.
- Critical technology equipment is powered through an Uninterruptible Power Supply (UPS) to avoid damage and/or operational issues. The existing UPS has reached the end of its useful life.
- The information systems network extends throughout the treatment plant, where industrial-grade field switches have reached the end of their useful life.
- *Biosolids are currently moved on the plant site using equipment leased from a vendor. California emission standards require this equipment be replaced, and initial financial analysis suggests it is advantageous to purchase a truck rather than lease. Staff will track status of the vendor's plan to replace their fleet truck to determine when and if the financial analysis indicates purchase is economically beneficial.

- Compressors provide high-pressure air used to actuate pneumatic valves and other equipment throughout the treatment plant. The current compressors are at the end of their useful life.
- Chillers produce cool air for air conditioning systems, including the units used to cool the data center. Existing chillers are at the end of their useful life.
- Rotary Drum Thickeners (RDT) are used to dewater biosolids. Relatively new to SVCW, the RDTs will replace original gravity thickener equipment. There have been difficulties in moving the resultant thickened biosolids, and new piping upgrades will improve RDT reliability.

Reserves

Operating Reserve contributions follows Policy to ensure a balance of \$3.91 million is reached by the end of the fiscal year. It is estimated that \$95.4 thousand in contributions to Operating Reserves is needed. Separately, this Budget recognizes a required \$2.5 million contribution to Capital Improvement Program Reserves to comply with Policy.

Debt Service

SVCW's debt service payments for next fiscal year will be \$18.86 million. This amount reflects the full CIP funding strategies outlined in the Long-Range Financial Plan. It is an improvement of approximately \$534 thousand as SVCW received commitment from the State Water Resource Control Board that an outstanding State Revolving Fund loan could be restructured from a 10-year amortization to 30 years.

RECOMMENDATION

No Commission action is requested or required at this meeting. Staff will present information and receive direction for proposed budget modifications and return at the April Commission Meeting with an updated budget proposal to present for approval at that time.

It is anticipated the following items, or modified versions per Commission direction, will be proposed for adoption by resolution at the April 2022 Commission Meeting:

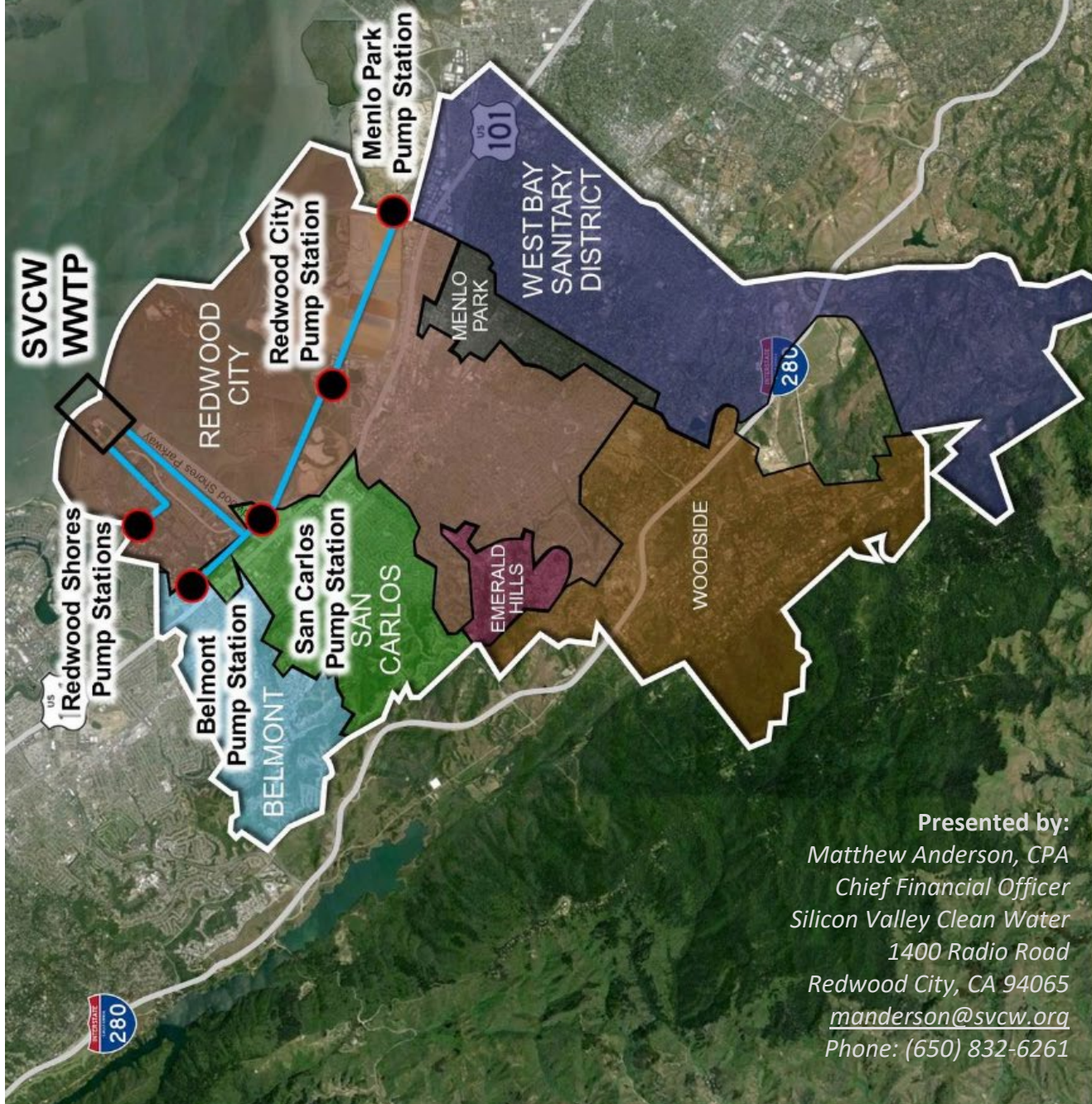
- FISCAL YEAR 2022-23 REVENUE PLAN IN THE AMOUNT OF \$29,101,579 IN NET OPERATING REVENUES REQUIRED AND \$1,404,000 FOR REVENUE-FUNDED CAPITAL PROJECTS
- FISCAL YEAR 2022-23 CASH RESERVE DESIGNATIONS IN THE AMOUNT OF \$2,500,000 TO THE CAPITAL IMPROVEMENT PROGRAM RESERVE FUND AND \$95,418 TO THE OPERATING RESERVE FUND
- FISCAL YEAR 2022-23 DEBT SERVICE EXPENDITURES IN AN AMOUNT OF \$18,860,826
- AUTHORIZING SVCW MANAGER TO IMPLEMENT, MANAGE AND APPROVE EXPENDITURES AUTHORIZED WITHIN THE FISCAL YEAR 2022-23 ANNUAL OPERATING AND CAPITAL EXPENDITURES BUDGET AS ADOPTED BY THE SILICON VALLEY CLEAN WATER COMMISSION



2022-23 OPERATING BUDGET

PROPOSED MARCH 14, 2022

Silicon Valley Clean Water



Presented by:
Matthew Anderson, CPA
Chief Financial Officer
Silicon Valley Clean Water
1400 Radio Road
Redwood City, CA 94065
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Commissioners

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

SVCW Staff

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

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SECTION 1 – OVERVIEW

Organization and Business

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

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

SVCW is a joint exercise of powers agency located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. The Agency’s wastewater treatment plant is in the City of Redwood City and serves more than 220,000 people and businesses in San Mateo County, California. SVCW operates in a strong Bay Area economy, with a customer base that includes large business customers such as Oracle Corporation, EA Sports, and Facebook.

Governance & Management

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

Commissioner	Commission Title	Entity Represented
Alicia Aguirre	Chair	City of Redwood City
George Otte	Vice Chair	West Bay Sanitary District
Warren Lieberman	Secretary	City of Belmont
Ron Collins	Member	City of San Carlos

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

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

A vote of at least seventy five percent is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital expenditures, contracts, appropriations, or transfers of more than \$50,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a simple majority of the votes. Any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the SVCW Member Entities' governing bodies.

Financial Oversight and Control

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the Capital Improvement Program (CIP) and the Long-Range Financial Plan (LRFP). The Proposed 2022-23 Budget is consistent with those goals and reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that benefit the community served by SVCW.

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

Debt Reserves

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

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

Long-Range Financial Plan

SVCW Member Entities' sewer rates provide the underlying repayment security for all SVCW financing. As such, SVCW developed a Long-Range Financial Plan ("Financial Plan", "LRFP") to provide a roadmap for funding the CIP and ongoing operating costs. It also provides information to Member Entities as they consider sewer rates. The Financial Plan is updated annually and presented to the Commission for approval. Most recently, the LRFP was approved by the Commission at its January 2022 meeting.

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

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

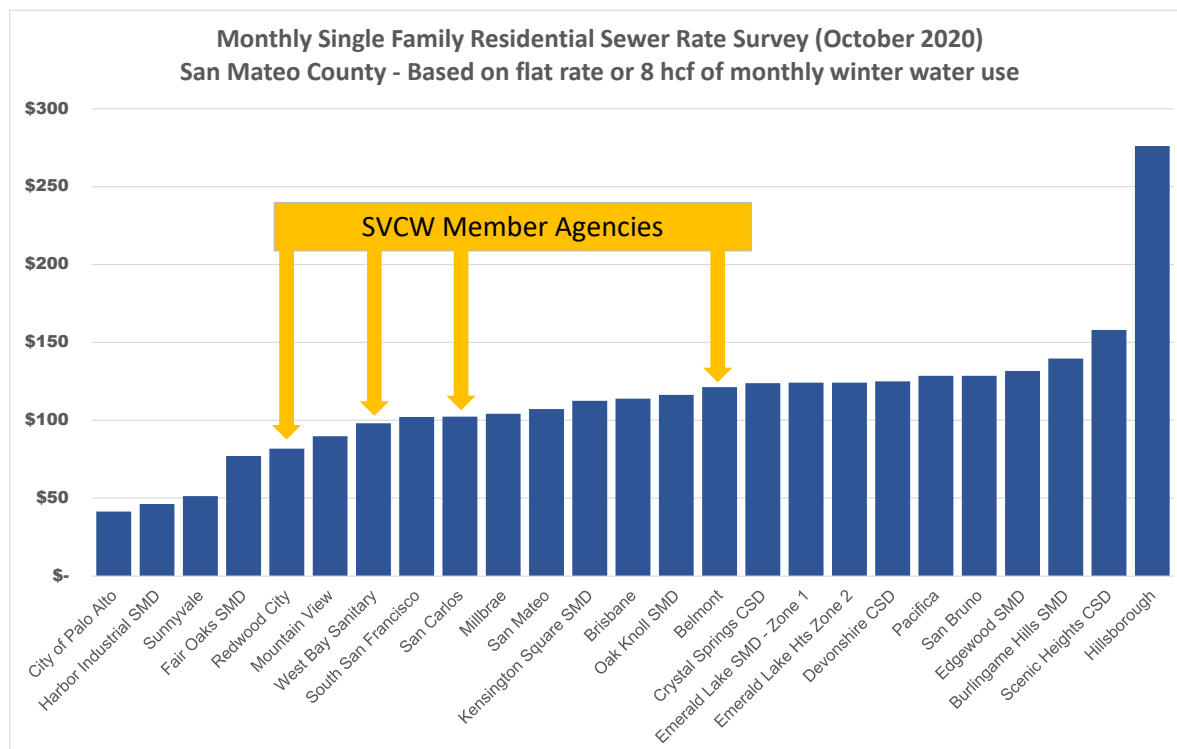
Comparative Residential Sewer Charges

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

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

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

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



Accomplishments

Each year, SVCW management sets goals to ensure its communities' wastewater is conveyed and treated in a safe and dependable manner. Key achievements during 2021 on a Division-by-Division basis are:

Safety

- Developed, updated, and implemented COVID-19 Exposure Control and Prevention Plan to reduce COVID-19 exposure risk to employees and visitors and to ensure that we consistently meet current regulatory requirements. No positive COVID-19 work-related incidents.
- Provided over 700 hours of online safety training from TargetSolutions.com to supplement our training program. This provides 24/7 online access to schedule, deliver, track, and report training; ultimately reducing safety risks and saving time and money.
- Provided monthly wellness newsletter to help employees adopt and maintain healthy behaviors to prevent chronic diseases and improve quality of life. Giving employees accurate, helpful information at the right time will increase better living lifestyles.
- Designed and formulated a new Safety Reward Program to recognize employees for their proactive safety activities. This program recognizes employees for their safety engagements that made our agency safer. It raises safety awareness, reduces accidents, helps to eliminate workplace hazards, and discourages non-reporting of incidents.
- Developed and implemented a plant wide security camera system to mitigate trespasser problems. This defense system increases our capabilities to protect our plant and deter unwanted intruders.
- Lowered the Authority's Experience Modification to 62%, resulting in a 38% discount in workers' compensation insurance rate; thus, saving over \$142,386 in premiums.

Operations

- Treated over 4.6 billion gallons of wastewater, maintaining full compliance with SVCW's National Pollutant Discharge Elimination (NPDES) System permit.
- Processed and removed 4224 dry tons of biosolids for land application, composting, alternative daily cover, landfill, and Bio Force Tech.
- Produced 200 million gallons of recycled water for Redwood City.
- Incurred Zero (0) NPDES Permit Violations in calendar year 2021.
- Achieved full compliance with monthly acute bioassay analyses to ensure NPDES Permit Compliance.
- Possible air permit violation due to high digester H₂S
- Attended supervisor training to ensure new supervisors and staff are well prepared for personnel matters, including a course on maximizing performance through

documentation, evaluation, and corrective Action. Also joined Advanced Management & Supervisory Leadership Training Program presented by the Public Utilities & Waterworks Management Institute.

- Started up a new process: Food Waste (started in April 2021) pilot program.
- Supported seven Capital Improvement Projects by providing input, conducting site-walks, developing lock-out/tag-outs, and coordinating shutdowns.
- Hired two new employees, including two Senior Operators to replace retirees.

Maintenance

- Overhauled primary sedimentation tanks #1, #2 and #3 including sprockets, shafts, drive chain, cross collector chains, shoes, and flights.
- Overhauled Rotary Fan Presses #1 and #2.
- Installed #1 and #2 water system flowmeters.
- Maximized cogeneration engines uptime to offset PG&E electrical charges throughout the year
- Overhauled both Fixed Film Reactor units and Vapex odor control systems.
- Re-piped and expanded the Rotary Drum Thickener #3 piping from 4-inch to 6-inch to increase water volume.
- Installed a new Sullair Compressor #3 to replace an out-of-service unit.
- Relocated a storage shed from behind Solids Handling Building near the drying bed area behind the warehouse to make space for a new underground storage tank.
- Installed, piped, and ran conduit, electrical and controls programming for a new gas conditioning skid Chiller.
- Removed, rebuilt, and installed Effluent Pump #1.
- Completed over 1,000 Corrective Action work orders.
- Completed over 2,800 Preventative Maintenance work orders.

Information Services

- Developed a project scope for a new Equipment Information Management System and completed proposal process and selection.
- Prepared Technology Road Map for division vision, accomplishments, and goals.
- Upgraded SVCW WiFi networks to next-generation Wifi6 hardware and software.
- Upgraded SD-WAN network including cellular LTE failover as network redundancy and resilience.
- Strengthened cybersecurity training and response readiness.
- Introduced Multifactor Authentication layer on servers across the network.
- Promoted Cybersecurity culture and awareness across the organization, focused on:

- Enhanced O365 email security using Defender licensing for Phishing & Spam links/attachments
- Enhanced Phishing and Junk email reporting and upgraded phishing simulation tests
- Zero Trust Implementation throughout the Business Network
- Completed Phase 2 of Workspace One controls over Microsoft Surface devices
- Developed & published Cybersecurity Tip area on SharePoint

Laboratory

- In January, Laboratory staff successfully designed and set up a composite sampling system for the Digester Purification System. Siloxane concentrations needed to be tracked to prevent the cogeneration engines from being fouled. Using sampling composites with duplicates provided engineering staff with the needed confidence in the results.
- Provided weekend laboratory services to WBSD Recycled Water Program. Samples were tested for Total Coliform every Saturday and Sunday throughout the summer.
- Operated laboratory during renovation of the building's 30-year-old HVAC system.
- Supplied primary clarifier sludge samples daily to Stanford for a COVID-19 epidemiology study.
- Conducted Laboratory Staff training on 96-hr Acute Bioassay.
- Selected and hired a new Laboratory Analyst I to fill a vacancy.

Administrative/Finance

- Completed discovery and testing phases for payroll conversion program, including implementation of new time and attendance software platform. New payroll system is to be implemented April 2022.
- Reduced SVCW's total Weighted Average Cost of Capital (borrowing cost) to 1.68% by closing three SRF Loans for \$169 million at 0.90%, two new WIFIA Loans for \$143 million at 1.93%, and issuing 2021A and 2021B Notes to fund construction in lieu of drawing from WIFIA Loans (at interest rates of 0.26% and 0.51%, respectively), saving \$7.0 million in debt service payments

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SECTION 2 – OPERATING BUDGET SUMMARY

The 2022-23 Operating and Revenue-Funded Budget anticipates Total Member Contributions will increase by \$1.46 million, or 2.88% over the prior year Budget. The Proposed Budget allots \$29.1 million in Net Operating Expenses and \$1.40 million for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$2.5 million in contributions to the CIP Reserve and \$95 thousand to the Operating Reserve. Debt Service Payments are budgeted to be \$18.86 million, a \$534 thousand decline associated with a restructured SRF planning loan.

Year-over-year Budgeted Member Entity Contributions				
Description	2021-22 Adopted Budget	2022-23 Proposed Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Expenses	\$ 28,467,513	\$ 30,058,179	\$ 1,590,666	5.59%
Less: Miscellaneous Revenue	(855,000)	(956,600)	101,600	11.88%
Contributions, Net Operating Expenses	\$ 27,612,513	\$ 29,101,579	\$ 1,489,066	5.39%
Add: Revenue-Funded Capital Projects	1,497,500	1,404,000	(93,500)	(6.24%)
Contributions, Before Reserves & Debt Service	\$ 29,110,013	\$ 30,505,579	\$ 1,395,566	4.79%
Add: Reserve Designations	2,000,000	2,595,418	595,418	29.77%
Add: Debt Service, Participating members	19,394,786	18,860,826	(533,960)	(2.75%)
Contributions, Total	\$ 50,504,799	\$ 51,961,823	\$ 1,457,024	2.88%

- Gross Operating Expenditures will increase by \$1.59 million (5.59%), which reflects extraordinary inflationary pressures on the cost of chemicals and supplies, as well as the incorporation of additional electricity needed when new headworks facilities are placed into service by January 2023. When possible, the budget pursued savings from improved cogeneration performance, staffing reorganization, and process improvements.
- Miscellaneous Revenue will be \$101.6 thousand higher than the 2021-22 Budgeted amount, as a battery storage incentive program outperformed expectations and as SVCW begins to receive food waste tipping fees.
- Revenue-funded capital spending will be \$1.40 million, or \$93.5 thousand less than the 2021-22 Budget. Certain projects were deferred to keep this amount to a minimum.
- Reserve Designations will increase by \$595 thousand next year. The 2022-23 Budget follows Reserve Policy, which calls for an annual CIP Reserve contribution of \$2.5 million; an increase of \$500 thousand. Another \$95.4 thousand in contributions to Operating Reserves is needed to maintain compliance with the Reserve Policy of having a balance of 10% of the Operating Budget plus \$1 million.

- SVCW's Debt structure for next fiscal year declines by \$534 thousand, or 2.75%. This reduction is possible after confirmation from the State Water Resource Control Board that an outstanding State Revolving Fund Planning Loan will be restructured to a longer amortization period. Further analysis of SVCW's Long Term Debt is in Section 5 and draws from SVCW's January 2022 Long-Range Financial Plan.

Expenditure Allocations

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

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

Three-year Average Flow and Loading Averages - by Member				
Agency	Factor	2021-22 Adopted Budget	2022-23 Proposed Budget	Point Increase/ (Decrease)
Belmont	Flow	11.30%	11.38%	0.08
	Biochem. Oxygen Demand	11.31%	11.38%	0.07
	Suspended Solids	10.61%	10.66%	0.05
Redwood City	Flow	53.24%	54.84%	1.60
	Biochem. Oxygen Demand	52.55%	54.80%	2.25
	Suspended Solids	55.52%	57.56%	2.04
San Carlos	Flow	13.65%	13.84%	0.19
	Biochem. Oxygen Demand	12.05%	12.22%	0.17
	Suspended Solids	11.80%	11.28%	(0.52)
WBSD	Flow	21.81%	19.94%	(1.87)
	Biochem. Oxygen Demand	24.09%	21.60%	(2.49)
	Suspended Solids	22.07%	20.50%	(1.57)

These year-over-year changes reflect relative flow and loading behaviors between Member Entities. These metrics are shared with the SVCW Technical Committee for validation.

Member Agency Operating Contributions Calculation

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

2022-23 Budget Revenue Allocation to Member Agencies - Proposed									
Description				Belmont	Redwood City	San Carlos	West Bay San District	TOTAL	
Allocation Factors									
Flow				11.30%	53.24%	13.65%	21.81%	100%	
Biochemical Oxygen Demand (BOD)				11.31%	52.55%	12.05%	24.09%	100%	
Suspended Solids (SS)				10.61%	55.52%	11.80%	22.07%	100%	
Operating Expenditures	Weightings								
	Flow	BOD	SS						
	Operations	26.5%	33.5%	40.0%	\$ 1,311,996	\$ 6,415,316	\$ 1,472,216	\$ 2,698,126	\$ 11,897,654
	Maintenance	26.5%	33.5%	40.0%	743,405	3,635,055	834,189	1,528,816	6,741,464
	Laboratory	26.5%	33.5%	40.0%	203,478	994,955	228,327	418,454	1,845,213
	Environmental Services	26.5%	33.5%	40.0%	116,443	569,374	130,663	239,465	1,055,945
	Engineering	26.5%	33.5%	40.0%	191,799	937,847	215,221	394,436	1,739,303
	Safety	100.0%	0.0%	0.0%	58,467	275,467	70,626	112,846	517,406
	Information Services	26.5%	33.5%	40.0%	258,660	1,264,778	290,247	531,935	2,345,620
	Administrative Services	100.0%	0.0%	0.0%	442,460	2,084,651	534,476	853,986	3,915,573
Total Operating Expend.				\$ 3,326,707	\$ 16,177,443	\$ 3,775,964	\$ 6,778,064	\$ 30,058,179	
Subtract Miscellaneous Income				\$ 105,488	\$ 515,807	\$ 118,370	\$ 216,936	\$ 956,600	
2022-23 Net Operating Revenue Required				\$ 3,221,219	\$ 15,661,637	\$ 3,657,594	\$ 6,561,128	\$ 29,101,579	
2021-22 Net Operating Revenue Required				3,056,516	14,859,965	3,471,004	6,225,028	27,612,513	
\$ Increase / (Decrease)				164,703	801,672	186,590	336,100	1,489,066	
% Increase / (Decrease)				5.39%	5.39%	5.38%	5.40%	5.39%	

Miscellaneous Revenue

Miscellaneous Revenue is derived from grease and septic receipts, property leases, and services performed by the Environmental Services Divisions. SVCW has continued to secure Self-Generation Incentive Program (SGIP) revenues from a battery storage program and has initiated a program to receive organic waste which generates tipping fees.

2022-23 Budget Miscellaneous Revenue							
Description	2020-21		2021-22	2022-23		\$	%
	Actual	Budget	Forecast	Adopted Budget	Incr/(Decr) v. Forecast	Incr/(Decr) v. Forecast	
Grease & Septic Receiving	\$ 193,518	\$ 325,000	\$ 300,000	\$ 300,000	\$ -	0.0%	
Other Miscellaneous Revenue	110,932	128,000	130,000	284,600	154,600	118.9%	
Source Control	55,926	90,000	66,000	86,500	20,500	31.1%	
Laboratory Services	2,400	14,000	5,000	5,000	-	0.0%	
Interest Earnings	24,459	80,000	1,000	12,500	11,500	1150.0%	
Self-Generation Incentive Program	231,302	100,000	150,000	150,000	-	0.0%	
Stormwater Monitoring	49,958	118,000	82,000	118,000	36,000	43.9%	
TOTAL	\$ 668,495	\$ 855,000	\$ 734,000	\$ 956,600	\$ 222,600	30.3%	

Capital and Reserve Contributions

As described in Section 4 of this budget, Revenue-financed Capital projects are estimated at \$1.40 million in 2022-23. Contributions to the CIP Reserve follow policy and is scheduled to be \$2.5 million next fiscal year. These costs are allocated to Members according to JPA-defined percentages, which are based on each Member Agency's dry weather capacity owned and its allocated share of future dry weather capacity.

2022-23 Capital and Reserve Allocation Calculations					
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL
Capital and Reserve Allocation Factors	9.45%	48.57%	15.14%	26.84%	100.00%
CAPITAL IMPROVEMENT					
Treatment Plant	\$ 22,208	\$ 114,140	\$ 35,579	\$ 63,074	\$ 235,000
Pump Stations	-	-	-	-	-
Force Main	-	-	-	-	-
Equipment	110,471	567,783	176,987	313,760	1,169,000
Subtotal	\$ 132,678	\$ 681,923	\$ 212,566	\$ 376,834	\$ 1,404,000
RESERVE CONTRIBUTIONS					
Operating Reserve	\$ 10,579	\$ 51,437	\$ 12,013	\$ 21,549	\$ 95,578
CIP Reserve	236,250	1,214,250	378,500	671,000	2,500,000
Subtotal	\$ 246,829	\$ 1,265,687	\$ 390,513	\$ 692,549	\$ 2,595,578
Contributions for Capital & Reserves	\$ 379,507	\$ 1,947,610	\$ 603,078	\$ 1,069,382	\$ 3,999,578

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

Total Member Entity Contributions

Total 2022-23 contributions (including debt service) will be \$51.96 million, allocated as follows:

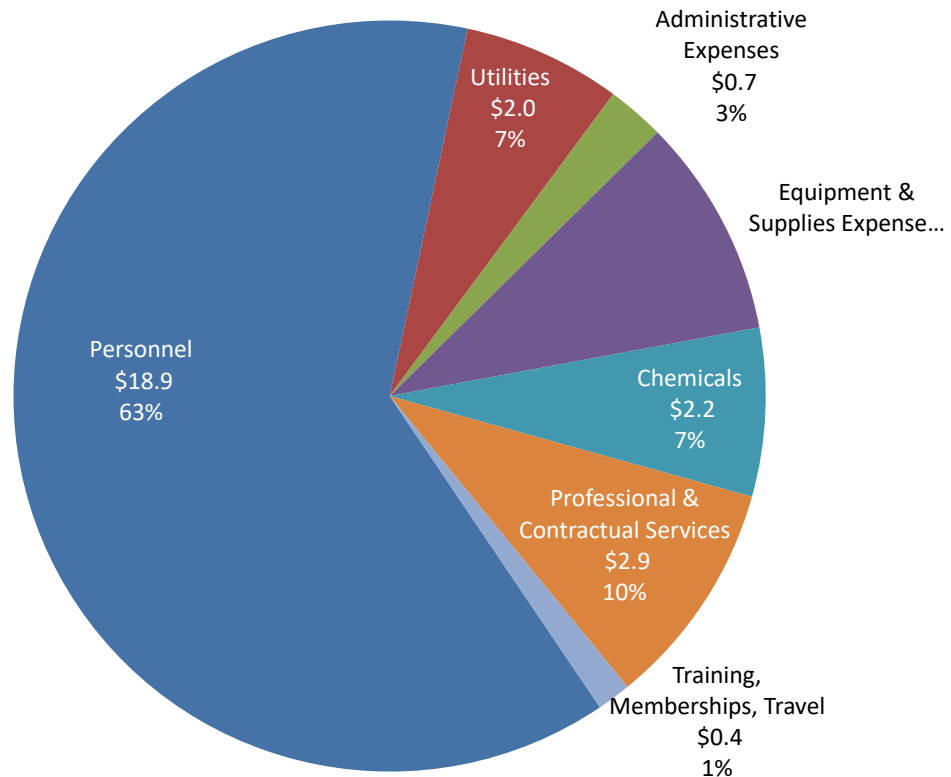
2022-23 Budget - Total Contributions by Member Agency					
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL
Net Operating Expenditures	\$ 3,221,219	\$ 15,661,637	\$ 3,657,594	\$ 6,561,128	\$ 29,101,579
Revenue-Funded Capital Expenditure	132,678	681,923	212,566	376,834	1,404,000
Reserve Contributions	246,812	1,265,601	390,493	692,513	2,595,418
Projected Debt Service	178,425	10,334,733	3,268,999	5,078,669	18,860,826
Total Contributions to SVCW	\$ 3,779,134	\$ 27,943,894	\$ 7,529,651	\$ 12,709,144	\$ 51,961,823

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SECTION 3 – GROSS OPERATING EXPENDITURES

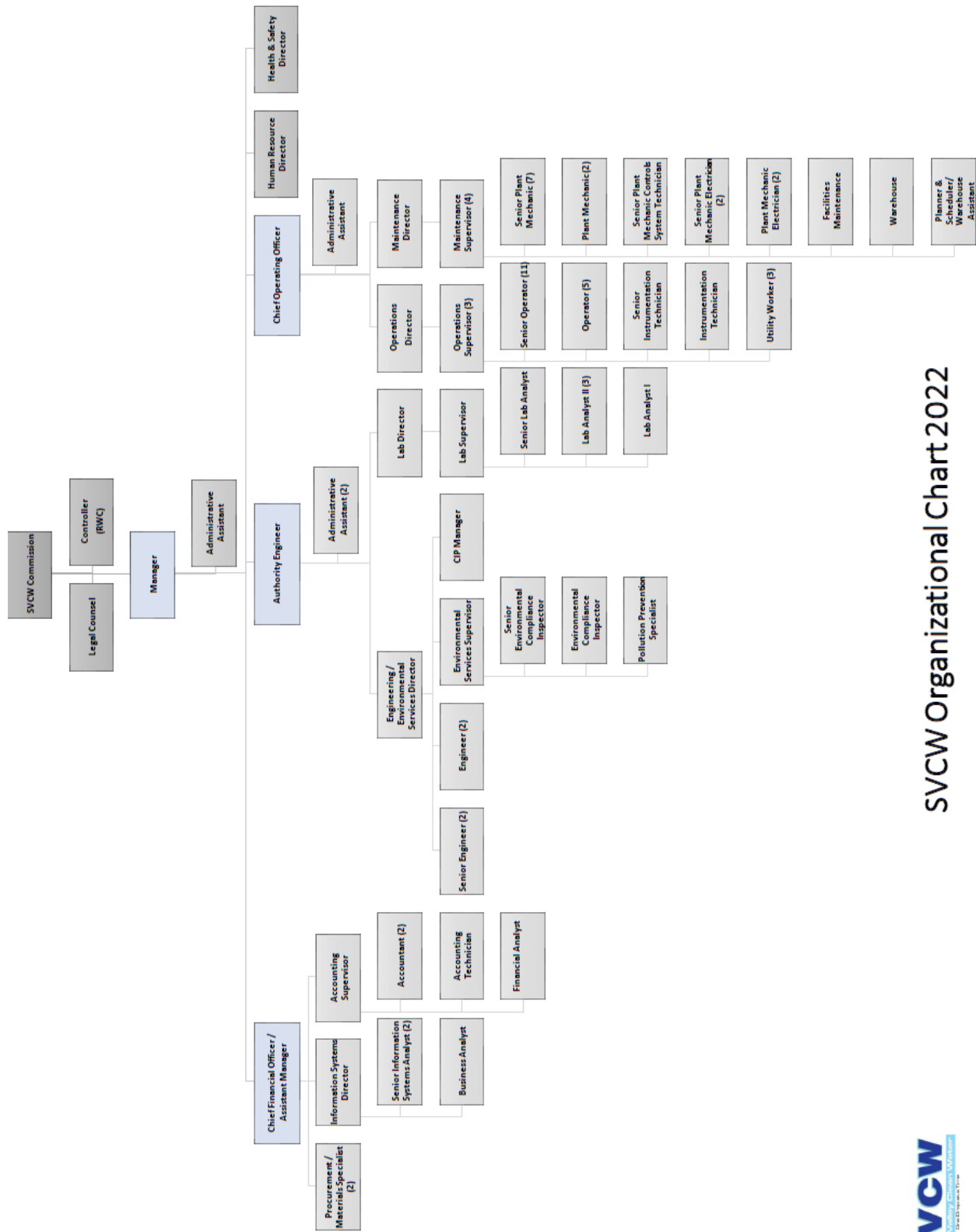
The FY 2021-22 Gross Operating Budget will be \$30.06 million. The below chart illustrates the significant expenditure categories, showing 63% of expenditures are for personnel-related costs associated with approximately 79 full-time equivalent employees in the Operating Budget.

SVCW 2022-23 Operating Budget (\$30.06 million)



Personnel

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

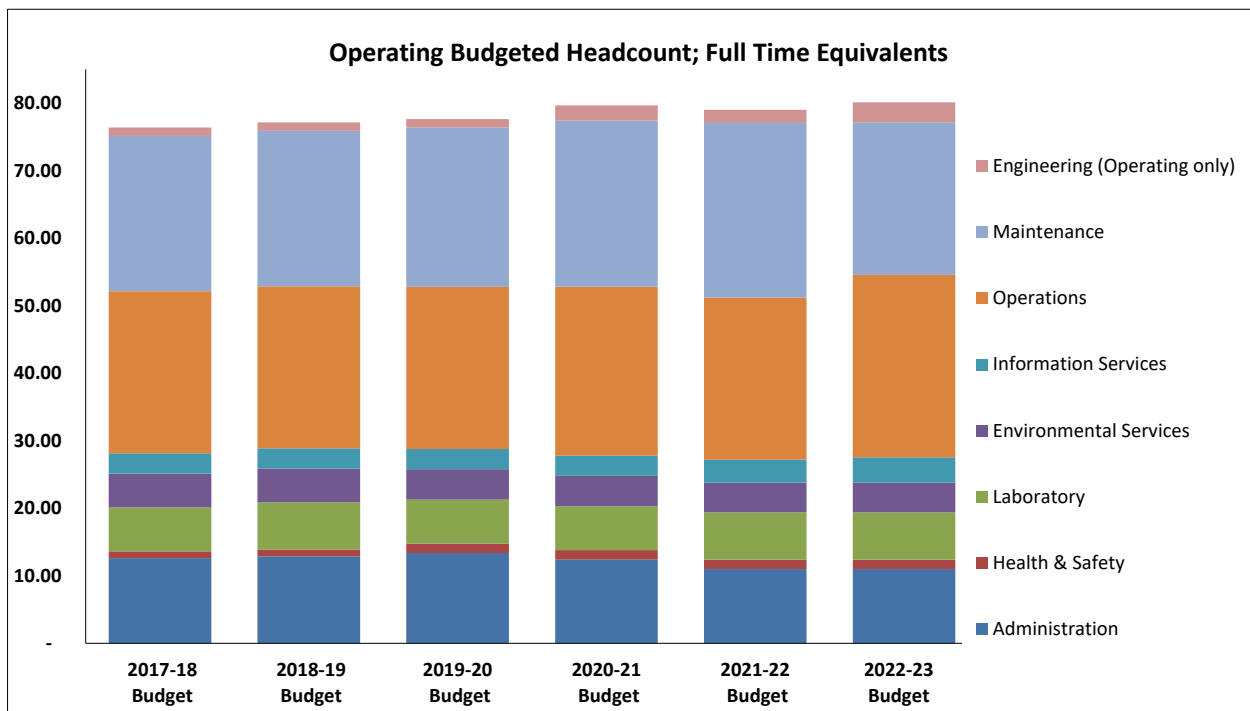


SVCW Organizational Chart 2022

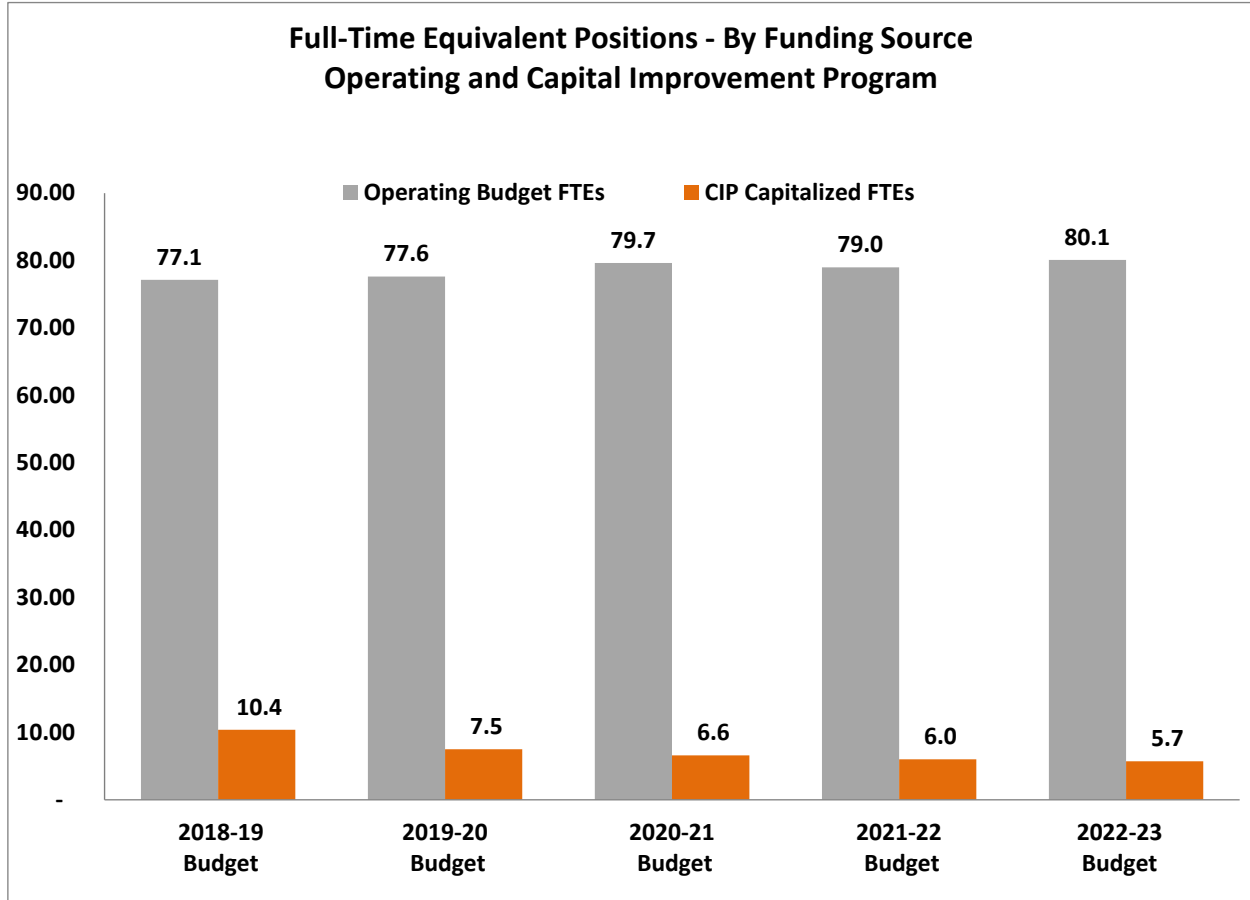


Positions included in the Operating Budget will increase by 0.30 Full Time Equivalent positions next year, reflecting a gradual movement of staff time from the CIP Fund to the Operating Fund. Other changes include one less supervisor in Operations, exchanged for an additional Operator. Other net changes in headcount reflect organizational changes as positions moved between the Operating, Maintenance, and Engineering divisions.

Full-time Equivalent Headcount - Operating Budget							
Division	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-23 Budget	Increase/ (Decrease)
Operations	24.00	24.00	24.00	25.00	24.00	27.00	3.00
Maintenance	23.00	23.00	23.60	24.60	25.85	22.60	(3.25)
Laboratory	6.50	7.00	6.50	6.50	7.00	7.00	-
Environmental Services	5.00	5.00	4.50	4.50	4.40	4.40	-
Engineering (Operating only)	1.25	1.25	1.25	2.25	1.95	2.95	1.00
Health & Safety	1.00	1.00	1.40	1.40	1.40	1.40	-
Information Services	3.00	3.00	3.00	3.00	3.40	3.75	0.35
Administration	12.63	12.88	13.38	12.40	11.00	11.00	-
TOTAL Full Time Equivalents	76.38	77.13	77.63	79.65	79.00	80.10	1.10



It should be noted that the Operating Budget excludes costs associated with work performed on CIP projects. The chart below defines the number of positions that have been traditionally charged to capital projects versus operating costs, and further illustrates how the 2021-22 Budget continues to dedicate approximately six staff to manage large and complex projects.



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Operating Costs Summary by Objective

Gross Operating Expenses (compared to 2021-22 Forecast) increases by \$2.25 million, or 8.1%, though forecasted expenditures are estimated to end the year nearly \$659 thousand (2.3%) below the 2021-22 Budget mostly due to personnel vacancies incurred during the year. Positions in Maintenance, Operations, and Laboratory divisions were initially vacant after retirements and resignations, though most are now filled except two positions in Maintenance. Additional comparative comments between the two periods include significant inflationary pressures as well as operational changes when newly constructed headworks facilities are placed into service. Comments below explain a return to normal operations, certain inflationary pressures, and highlight savings planned for the upcoming fiscal year.

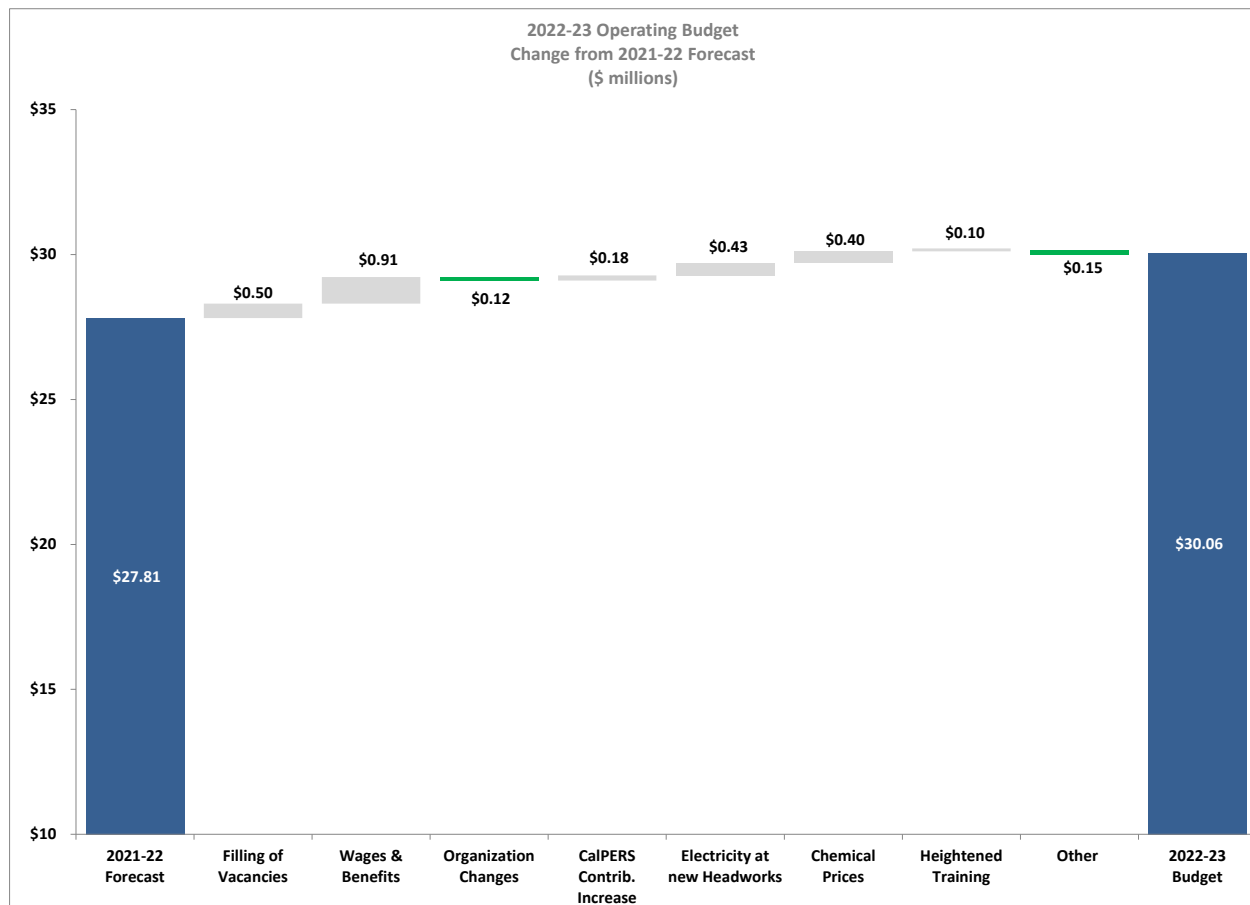
Silicon Valley Clean Water Expenditure Summary - By Expense Category						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel	\$ 18,227,600	\$ 18,280,601	\$ 17,810,358	\$ 18,867,311	\$ 1,056,953	5.9%
Utilities	1,619,814	1,576,620	1,744,228	2,047,966	303,738	17.4%
Administrative Expenses	688,173	631,843	626,719	744,875	118,156	18.9%
Equipment & Supplies Expense	2,632,740	2,738,854	2,802,279	2,842,483	40,204	1.4%
Chemicals	1,254,370	1,928,592	1,733,040	2,179,380	446,340	25.8%
Professional & Contractual Services	2,696,528	2,947,492	2,806,447	2,939,562	133,115	4.7%
Training, Memberships, Travel	131,658	363,511	284,830	436,602	151,772	53.3%
TOTAL	\$ 27,250,883	\$ 28,467,513	\$ 27,807,901	\$ 30,058,179	\$ 2,250,278	8.1%

Comparing the 2022-23 Budget to the 2021-22 Forecast:

- Personnel costs will increase by \$1.06 million, or 5.6% compared to the 2021-22 Forecast. Approximately \$500 thousand of this increase is to recognize vacant positions are now filled. Other increases include \$910 thousand cost-of-living and step wage adjustments and an estimated \$180 thousand increase in CalPERS contribution rates. Offsetting these increases is approximately \$120 thousand in personnel savings associated with an organizational change.
- Electricity use will increase at the treatment plant when the new headworks facilities are brought online midyear, as lift pumps and odor control fans go into service. It is estimated that the additional power demand will raise costs by \$431 thousand compared to the Forecast. PG&E rates are anticipated to remain unchanged next year.
- Administrative Expense will increase from the Forecast by \$118 thousand (18.9%) primarily due to higher permit fees and increased technology services for cyber security, offsite data storage, and technology planning.
- Chemicals are anticipated to increase by \$446 thousand, or 25.8%. Much of this increase is due to inflation as suppliers advise to expect significant increases caused by supply shortages and logistics challenges. Formal bids are due shortly after this report is

published, and the budget may be adjusted when brought to the Commission in April 2021.

- Training, Memberships, and Travel will increase by \$151.7 thousand (53%). Most training and travel remained suspended during the COVID-19 pandemic. SVCW anticipates a return to ordinary training and education practices next fiscal year and is planning additional training as new facilities are placed in service.



Silicon Valley Clean Water Operating Expenditures						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 12,265,539	\$ 12,956,108	\$ 12,669,432	\$ 13,330,532	\$ 661,101	5.2%
Overtime	298,879	260,120	291,813	275,738	(16,075)	(5.5%)
Retirement Benefit Contributions	3,863,755	2,757,395	2,677,985	3,100,782	422,796	15.8%
Health Insurance	1,397,376	1,617,679	1,549,092	1,662,636	113,544	7.3%
Payroll Tax	1,044	1,246	791	842	51	-
Workers' Compensation	218,950	285,168	255,690	272,524	16,834	6.6%
Health Insurance - Retiree	2,139	210,900	180,171	26,580	(153,591)	(85.2%)
Medicare	179,917	191,984	185,384	197,676	12,293	6.6%
Subtotal: Personnel Costs	18,227,600	18,280,601	17,810,358	18,867,311	1,056,953	5.9%
Utilities	1,619,814	1,576,620	1,744,228	2,047,966	303,738	17.4%
Administrative Expenses	688,173	631,843	626,719	744,875	118,156	18.9%
Equipment & Supplies Expense:						
Office Supplies	14,439	17,087	18,994	17,339	(1,655)	(8.7%)
Rentals & Leases	39,626	86,100	69,534	55,296	(14,238)	(20.5%)
Supplies & Expenses	619,310	510,778	604,345	572,227	(32,118)	(5.3%)
Equipment Maint - Materials	1,131,615	980,696	1,096,785	969,092	(127,693)	(11.6%)
Equipment Maint - Services	778,525	1,113,993	987,440	1,187,145	199,705	20.2%
Non-Capital Equipment	49,226	30,200	25,182	41,384	16,202	64.3%
Subtotal: Equipment & Supplies	2,632,740	2,738,854	2,802,279	2,842,483	40,204	1.4%
Chemicals	1,254,370	1,928,592	1,733,040	2,179,380	446,340	25.8%
Professional Services	1,028,518	992,486	915,192	1,005,157	89,965	9.8%
Contractual Services	1,668,011	1,955,006	1,891,256	1,934,405	43,149	2.3%
Memberships & Meetings	48,379	81,864	70,737	82,325	11,588	16.4%
Conferences & Travel	24,029	111,757	79,289	113,432	34,143	43.1%
Training	59,250	169,890	134,804	240,845	106,041	78.7%
TOTAL EXPENDITURES	\$ 27,250,883	\$ 28,467,513	\$ 27,807,901	\$ 30,058,179	\$ 2,250,278	8.1%

Total Operating Expenditures by Division

Compared to the 2021-22 Forecast, Divisional changes in budget ranged according to individual strategies. Analysis of each Division is described on the following pages.

Silicon Valley Clean Water Expenditure Summary - By Division						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Operations	\$ 9,643,967	\$ 10,809,897	\$ 10,626,569	\$ 11,897,654	\$ 1,271,085	12.0%
Maintenance	7,059,041	7,246,589	7,070,324	6,741,464	(328,860)	(4.7%)
Laboratory Services	2,144,253	1,798,210	1,686,044	1,845,213	159,169	9.4%
Environmental Services	909,922	993,719	902,126	1,055,945	153,819	17.1%
Engineering	1,104,171	1,392,615	1,381,495	1,739,303	357,809	25.9%
Safety	473,827	492,106	472,758	517,406	44,648	9.4%
Information Services	1,784,330	1,976,351	1,994,069	2,345,620	351,551	17.6%
Administration	4,131,370	3,758,027	3,674,516	3,915,573	241,057	6.6%
TOTAL	\$ 27,250,883	\$ 28,467,513	\$ 27,807,901	\$ 30,058,179	\$ 2,250,278	8.1%

Operations

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

This Division has a total of 27 full-time equivalent positions in 2022-23 including the Chief Operating Officer, Operations Director, and three Operations Supervisors. There are sixteen Operators, three Utility Workers, and one Administrative Assistant. In addition, the new budget assumes a proposed organizational change that will transfer two Instrumentation Technicians from the Maintenance Division to provide Operations direct supervision of their assignments.

Operations Department Expenditures						
Description	2020-21	Adopted	2021-22	Proposed	\$	%
	Actual	2021-22 Budget	Forecast	2022-23 Budget	Incr/(Decr) v. Forecast	Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 3,583,364	\$ 3,813,016	\$ 3,755,349	\$ 4,214,671	\$ 459,322	12.2%
Overtime	163,344	153,373	188,335	157,588	(30,747)	(16.3%)
Retirement Benefit Contributions	1,210,162	884,377	873,794	1,050,886	177,092	20.3%
Health Insurance	476,350	527,220	517,824	623,122	105,298	20.3%
Workers' Compensation	74,478	98,426	90,738	107,040	16,302	18.0%
Health Insurance - Retiree	636	63,600	54,992	8,400	(46,592)	(84.7%)
Medicare	53,461	57,600	56,601	63,520	6,918	12.2%
Subtotal: Personnel Costs	5,562,529	5,597,613	5,537,633	6,225,226	687,593	12.4%
Utilities	1,452,848	1,402,980	1,570,504	1,872,606	302,102	19.2%
Equipment & Supplies Expense:						
Rentals & Leases	2,249	22,596	12,157	-	(12,157)	(100.0%)
Supplies & Expenses	23,591	34,296	46,360	3,304	(43,056)	(92.9%)
Equipment Maint - Materials	5,535	-	198	-	(198)	(100.0%)
Non-Capital Equipment	183	-	40	-	(40)	-
Subtotal: Equipment & Supplies	31,948	56,892	58,754	3,304	(55,450)	(94.4%)
Chemicals	1,254,370	1,928,592	1,733,040	2,179,380	446,340	25.8%
Professional Services	122,900	-	12,780	-	(12,780)	(100.0%)
Contractual Services	1,204,354	1,771,560	1,681,929	1,508,976	(172,953)	(10.3%)
Memberships & Meetings	2,575	5,280	3,882	5,868	1,986	51.2%
Conferences & Travel	2,938	13,500	7,445	15,996	8,551	114.9%
Training	7,798	33,480	20,602	86,298	65,696	318.9%
TOTAL EXPENDITURES	\$ 9,643,967	\$ 10,809,897	\$ 10,626,569	\$ 11,897,654	\$ 1,271,085	12.0%

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Operations include:

- Personnel costs will increase \$687.6 thousand, or 12.4%, which includes \$400 thousand in transferred costs for instrumentation personnel. It also includes approximately \$120 thousand in cost reductions associated with a retirement and ensuing reduction in supervisors. There will be approximately \$50 thousand in savings associated with entry-level backfills after retirements. The remaining increase is from contractual step increases in compensation and cost-of-living adjustments.
- Budgeted Utilities Expense will increase by \$302 thousand, or 19.2% versus Forecast. This reflects an increased power demand next year when new headworks facilities are placed into service. Electricity rates are not expected to increase, per PG&E representative's notification to SVCW.
- Chemical costs are estimated to increase by \$446 thousand (25.8%) next year. Suppliers have warned of significant price increases due to inflation and logistics challenges in the industry.
- Contractual Services are anticipated to decline by \$172.9 thousand, or 10.3%. This reflects expanded use of lower-cost biosolids dryers that are now operational. Another source of savings reflects less tank cleaning events are required after remote pump stations are decommissioned.

Maintenance

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

There are 22.6 full-time equivalent positions in the Maintenance Division. It works under the direction of the Maintenance Director, three Maintenance Supervisors, and a Planner / Facilities Supervisor. Staff includes nine Plant Mechanics, two Controls Systems Mechanics, four Electrical Mechanics, and two Warehouse staff. One Plant Mechanic splits time 60/40 between Maintenance and Safety, respectively. This budget reflects a transfer of three positions out of the Maintenance Division, including two Instrumentation Technicians to the Operations Division and one Controls System Technician position to Engineering.

Maintenance Services Department Expenditures						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 3,364,432	\$ 3,703,252	\$ 3,554,910	\$ 3,140,189	\$ (414,720)	(11.7%)
Overtime	58,443	53,895	46,674	51,443	4,769	10.2%
Retirement Benefit Contributions	1,151,705	793,817	767,216	754,810	(12,406)	(1.6%)
Health Insurance	430,390	556,352	519,687	477,813	(41,874)	(8.1%)
Payroll Tax	-	1,246	624	-	(624)	-
Workers' Compensation	79,139	105,147	93,951	87,497	(6,454)	(6.9%)
Health Insurance - Retiree	684	67,440	56,753	7,200	(49,553)	(87.3%)
Medicare	49,996	54,600	51,649	46,383	(5,266)	(10.2%)
Subtotal: Personnel Costs	5,134,788	5,335,751	5,091,464	4,565,336	(526,128)	(10.3%)
Administrative Expenses	910	-	732	-	(732)	
Equipment & Supplies Expense:						
Rentals & Leases	3,820	21,000	16,879	35,496	18,617	110.3%
Supplies & Expenses	126,102	78,168	78,823	85,572	6,749	8.6%
Equipment Maint - Materials	1,023,618	847,896	940,248	846,396	(93,852)	(10.0%)
Equipment Maint - Services	580,704	864,624	843,667	946,236	102,569	12.2%
Non-Capital Equipment	35,997	14,250	17,936	31,332	13,396	74.7%
Subtotal: Equipment & Supplies	1,770,241	1,825,938	1,897,612	1,945,032	47,420	2.5%
Contractual Services	133,734	15,000	25,543	152,004	126,461	495.1%
Memberships & Meetings	4,669	6,132	5,572	6,060	488	8.8%
Conferences & Travel	1,031	8,004	4,002	7,896	3,894	97.3%
Training	13,669	55,764	45,400	65,136	19,736	43.5%
TOTAL EXPENDITURES	\$ 7,059,041	\$ 7,246,589	\$ 7,070,324	\$ 6,741,464	\$ (328,860)	(4.7%)

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Maintenance include:

- Personnel costs will decrease \$526 thousand, or 10.3%, mostly due to the above-mentioned transfers out of the Maintenance Division. Otherwise, ordinary contractual increases in wages (step increases and cost-of-living adjustments) and associated benefits are planned.
- Overall Equipment and Supplies expenses will increase by \$47.4 thousand (2.5%) as the Maintenance Division focuses on ordinary treatment plant activity and foresees less work at remote pump stations when two stations are removed from service.
- Contractual Services increase by \$126 thousand to provide for SCADA (Supervisory Control and Data Acquisition) network support.
- Training increases by \$19.7 thousand (43.5%), as the Maintenance Division resumes a training regimen that had been partially deferred during the COVID-19 pandemic, particularly in the areas of SCADA and process automation.

Laboratory Services

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

The Laboratory Director oversees a Laboratory Supervisor and five Laboratory Analysts.

Laboratory Services Department Expenditures						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 1,046,158	\$ 1,116,588	\$ 1,050,522	\$ 1,171,951	\$ 121,428	11.6%
Overtime	18,722	22,406	18,515	19,764	1,249	6.7%
Retirement Benefit Contributions	318,448	238,718	220,779	255,592	34,812	15.8%
Health Insurance	90,160	97,318	91,950	91,934	(16)	(0.0%)
Workers' Compensation	24,808	31,872	28,110	32,679	4,569	16.3%
Health Insurance - Retiree	190	19,200	15,873	3,000	(12,873)	(81.1%)
Medicare	15,645	16,550	15,425	17,323	1,898	12.3%
Subtotal: Personnel Costs	1,514,132	1,542,652	1,441,175	1,592,242	151,067	10.5%
Administrative Expenses	384,830	8,725	3,657	5,445	1,788	48.9%
Equipment & Supplies Expense:						
Office Supplies	-	-	775	1,596	821	-
Supplies & Expenses	89,930	84,000	82,691	89,160	6,469	7.8%
Equipment Maint - Materials	28,529	45,000	43,797	28,100	(15,697)	(35.8%)
Equipment Maint - Services	28,825	32,536	31,315	42,235	10,920	34.9%
Non-Capital Equipment	11,680	8,400	4,480	5,800	1,321	29.5%
Subtotal: Equipment & Supplies	158,964	169,936	163,057	166,891	3,834	2.4%
Professional Services	-	7,500	5,024	10,000	4,976	-
Contractual Services	78,543	48,722	53,930	50,681	(3,249)	(6.0%)
Memberships & Meetings	1,290	10,325	10,082	10,456	374	3.7%
Conferences & Travel	2,069	5,230	4,220	4,200	(20)	(0.5%)
Training	4,425	5,120	4,899	5,298	399	8.1%
TOTAL EXPENDITURES	\$ 2,144,253	\$ 1,798,210	\$ 1,686,044	\$ 1,845,213	\$ 159,169	9.4%

As compared to the 2021-22 Forecast, material increases / decreases in the Laboratory operating budget include:

- A Laboratory Analyst position was vacant for several months in 2021-22, which suppressed the forecasted personnel costs. There was also a promotion of a Laboratory Analyst I to a Laboratory Analyst II after meeting performance requirements. Otherwise, staffing costs increase by contractual step and cost-of-living adjustments.
- Changes in other cost items were modest, reflecting ordinary operations and spending.

Environmental Services

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

Division personnel includes a shared portion of the Engineering Director, one Supervisor, two Environmental Compliance Inspectors and a Pollution Prevention Specialist.

Environmental Services Department Expenditures							
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 595,177	\$ 687,304	\$ 626,861	\$ 734,823	\$ 107,961	17.2%	
Overtime	3,755	5,546	3,462	3,438	(24)	(0.7%)	
Retirement Benefit Contributions	192,696	141,552	135,310	168,943	33,632	24.9%	
Health Insurance	45,834	59,970	53,029	58,357	5,328	10.0%	
Workers' Compensation	13,165	16,707	15,164	17,400	2,236	14.7%	
Health Insurance - Retiree	108	12,000	9,831	1,440	(8,391)	(85.4%)	
Medicare	8,328	10,067	9,015	10,726	1,711	19.0%	
Subtotal: Personnel Costs	859,062	933,146	852,671	995,126	142,455	16.7%	
Administrative Expenses	26,450	1,544	312	1,544	1,232	395.1%	
Equipment & Supplies Expense:							
Office Supplies	14	-	1,189	-	(1,189)	(100.0%)	
Supplies & Expenses	724	7,100	8,162	9,504	1,342	16.4%	
Equipment Maint - Services	-	1,500	750	1,500	750	100.0%	
Non-Capital Equipment	851	4,750	1,154	1,152	(2)	(0.2%)	
Subtotal: Equipment & Supplies	1,612	13,350	11,353	12,156	803	7.1%	
Contractual Services	19,620	29,924	23,565	31,144	7,579	32.2%	
Memberships & Meetings	667	1,040	839	1,080	241	28.7%	
Conferences & Travel	2,071	11,950	11,880	12,400	520	4.4%	
Training	440	2,765	1,506	2,495	989	65.7%	
TOTAL EXPENDITURES	\$ 909,922	\$ 993,719	\$ 902,126	\$ 1,055,945	\$ 153,819	17.1%	

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Environmental Services include:

- 2021-22 forecasted personnel costs appear low due to inaccurate timecoding between the Environmental Services and Engineering divisions. This will be corrected in 2022-23. Other year-over-year changes are limited to ordinary step and cost-of-living adjustments.
- Contractual Services is increasing by \$7.6 thousand (32.2%) as additional industrial / commercial laboratory analyses is anticipated.

Engineering

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

The Division is currently focused on the RESCU program and improvements to the wastewater treatment plant. It works under the direction of the Authority Engineer and an Engineering Director (shared with Environmental Services), plus four engineers, a CIP Manager, and two Administrative Assistants. In 2022-23, Engineering will receive a newly-transferred position from the Maintenance Division. Most Engineering personnel costs are charged to capital projects.

Engineering Department Expenditures							
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 577,315	\$ 519,716	\$ 542,074	\$ 730,862	\$ 188,788	34.8%	
Retirement Benefit Contributions	193,746	91,818	89,424	137,379	47,954	53.6%	
Health Insurance	54,686	54,313	56,085	84,940	28,855	51.4%	
Payroll Tax	-	-	-	842	842	0.0%	
Workers' Compensation	1,311	1,448	1,477	2,587	1,110	75.2%	
Health Insurance - Retiree	54	5,400	4,606	1,290	(3,316)	(72.0%)	
Medicare	8,045	7,546	7,648	10,616	2,968	38.8%	
Subtotal: Personnel Costs	835,157	680,242	701,314	968,515	267,202	38.1%	
Administrative Expenses	266	384,963	399,375	435,078	35,703	8.9%	
Equipment & Supplies Expense:							
Office Supplies	365	960	1,391	-	(1,391)	(100.0%)	
Supplies & Expenses	1,345	4,200	3,651	5,160	1,509	41.3%	
Subtotal: Equipment & Supplies	1,710	5,160	5,042	5,160	118	2.3%	
Professional Services	245,766	241,500	211,713	255,000	43,287	20.4%	
Memberships & Meetings	4,794	22,846	18,534	20,900	2,366	12.8%	
Conferences & Travel	11,737	51,000	35,405	47,250	11,845	33.5%	
Training	4,740	6,904	5,236	7,400	2,164	41.3%	
TOTAL EXPENDITURES	\$ 1,104,171	\$ 1,392,615	\$ 1,381,495	\$ 1,739,303	\$ 357,809	25.9%	

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Engineering include:

- Operating Fund personnel costs will increase \$267 thousand (38.1%), as a full-time person transfers into Engineering from the Maintenance Division. This reassigned position will oversee all SCADA-related network and devices. Other personnel cost changes reflect ordinary inflationary pressure on wages and benefits.
- Administrative Expense increases by \$35.7 thousand (8.9%) as permit fees are anticipated to increase.
- Professional Services will increase \$43.3 thousand (20.4%) as consulting services are needed to update technical documents and respond to ad hoc operational requests.
- Conference and Travel expenses increase as the Division resumes a training regimen that had been deferred during the COVID-19 pandemic, particularly in the area of asset management..

Safety

The Safety Division develops, implements, and oversees all safety programs for the agency. It is staffed with one Health and Safety Director, along with 40% of one mechanic who assists with safety matters.

Safety Department Expenditures							
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 256,563	\$ 268,888	\$ 258,169	\$ 286,568	\$ 28,399	11.0%	
Overtime	1,054	1,100	1,988	1,716	(272)	-	
Retirement Benefit Contributions	44,430	42,704	42,195	49,347	7,152	0.0%	
Health Insurance	29,276	34,751	32,695	34,323	1,629	5.0%	
Workers' Compensation	5,728	7,556	6,859	7,902	1,042	15.2%	
Health Insurance - Retiree	34	3,960	3,389	600	(2,789)	(82.3%)	
Medicare	3,620	3,924	3,797	4,189	392	10.3%	
Subtotal: Personnel Costs	340,705	362,882	349,091	384,645	35,554	10.2%	
Administrative Expenses	16,429	13,985	12,853	14,300	1,447	11.3%	
Equipment & Supplies Expense:							
Supplies & Expenses	74,636	65,626	64,894	66,228	1,334	2.1%	
Equipment Maint - Materials	4,324	2,000	3,743	2,000	(1,743)	(46.6%)	
Equipment Maint - Services	3,012	6,125	2,500	6,400	3,900	156.0%	
Non-Capital Equipment	515	2,800	1,572	3,100	1,528	97.2%	
Subtotal: Equipment & Supplies	82,487	76,551	72,708	77,728	5,020	6.9%	
Professional Services	450	-	160	-	(160)		
Contractual Services	25,913	19,000	17,000	20,000	3,000	17.6%	
Memberships & Meetings	4,438	4,188	5,128	4,283	(845)	(16.5%)	
Conferences & Travel	149	2,500	2,589	2,450	(139)	(5.4%)	
Training	3,257	13,000	13,228	14,000	772	5.8%	
TOTAL EXPENDITURES	\$ 473,827	\$ 492,106	\$ 472,758	\$ 517,406	\$ 44,648	9.4%	

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Safety include:

- Personnel costs will change \$35.5 thousand (11.3%). Approximately \$10 thousand of this increase is associated with timecoding issued during 2021-22, which suppressed the forecast. The balance of the increase is inflationary pressure on pay and associated benefits.
- Other changes in safety expenses were modest and reflect ordinary operations next year.

Information Services

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

Information Services Department Expenditures							
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 608,208	\$ 693,418	\$ 707,701	\$ 783,080	\$ 75,380	10.7%	
Retirement Benefit Contributions	229,520	185,776	185,269	229,106	43,837	23.7%	
Health Insurance	44,887	62,717	63,175	61,085	(2,090)	(3.3%)	
Workers' Compensation	9,015	10,733	10,439	11,310	871	8.3%	
Health Insurance - Retiree	83	8,700	7,874	450	(7,424)	(94.3%)	
Medicare	8,712	10,059	10,179	11,361	1,182	11.6%	
Subtotal: Personnel Costs	900,426	971,403	984,637	1,096,392	111,755	11.3%	
Utilities	166,966	173,640	173,724	175,360	1,636	0.9%	
Equipment & Supplies Expense:							
Rentals & Leases	20,696	28,800	28,856	6,300	(22,556)	(78.2%)	
Supplies & Expenses	253,633	189,465	273,771	262,089	(11,682)	(4.3%)	
Equipment Maint - Services	140,057	169,104	76,542	175,729	99,187	129.6%	
Equipment Maint - Materials	68,471	85,800	108,245	83,800	(24,445)	(22.6%)	
Subtotal: Equipment & Supplies	482,946	473,169	487,556	527,918	40,362	8.3%	
Professional Services	230,669	314,600	299,629	385,200	85,571	28.6%	
Contractual Services	(5,171)	18,600	27,444	123,600	96,156	350.4%	
Memberships & Meetings	1,740	2,639	1,044	3,650	2,606	249.6%	
Training	6,754	22,300	20,035	33,500	13,465	67.2%	
TOTAL EXPENDITURES	\$ 1,784,330	\$ 1,976,351	\$ 1,994,069	\$ 2,345,620	\$ 351,551	17.6%	

As compared to the 2021-22 Forecast, total expenditures in the Information Services Division will increase by \$351.5 thousand (17.6%). Significant variances include:

- Personnel costs will increase \$111.8 thousand, or 11.3%, which includes approximately \$57 thousand of increased proportion of time the Business Analyst charges to the Operating Fund rather than the Capital Improvement Program Fund. Remaining increases reflect ordinary merit and cost-of-living adjustments.
- Professional Services will increase by \$85.6 thousand as consultant resources are used to develop a technology roadmap and support divisions' request for technology improvements.
- Contractual Services will increase by \$96.2 thousand, mostly for increased off-site storage and recovery services.
- Training expenses increase by \$13.4 thousand as the Division increases its focus on preventative cyber security measures as well as end-user training.

Administrative Services

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

In addition to the Manager and CFO, Administrative Services includes one Human Resources Director, two Procurement Specialists, and one Administrative Assistant. The Finance team includes an Accounting Supervisor, two Accountants, one Accounting Technician, and a Financial Analyst.

Administrative Services Department Expenditures						
Description	2020-21 Actual	Adopted 2021-22 Budget	2021-22 Forecast	Proposed 2022-23 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 2,234,323	\$ 2,153,926	\$ 2,173,845	\$ 2,268,388	\$ 94,543	4.3%
Overtime	53,561	23,800	32,840	41,789	8,949	27.3%
Retirement Benefit Contributions	523,048	378,632	363,998	454,720	90,722	24.9%
Health Insurance	225,792	225,039	214,647	231,062	16,414	7.6%
Payroll Tax	310	-	167	-	(167)	0.0%
Workers' Compensation	11,307	13,278	8,953	6,110	(2,843)	(31.8%)
Health Insurance - Retiree	350	30,600	26,852	4,200	(22,652)	(84.4%)
Medicare	32,111	31,638	31,069	33,558	2,490	8.0%
Subtotal: Personnel Costs	3,080,801	2,856,913	2,852,372	3,039,828	187,456	6.6%
Administrative Expenses	257,579	222,626	208,890	288,508	79,619	38.1%
Equipment & Supplies Expense:						
Office Supplies	13,579	16,127	15,581	15,743	162	1.0%
Rentals & Leases	12,861	13,704	11,642	13,500	1,858	16.0%
Supplies & Expenses	49,349	47,923	46,752	51,210	4,458	9.5%
Equipment Maint - Materials	1,114	-	457	8,796	8,340	1826.8%
Equipment Maint - Services	25,928	40,104	32,666	15,045	(17,621)	(53.9%)
Subtotal: Equipment & Supplies	102,832	117,858	107,097	104,294	(2,803)	(2.6%)
Professional Services	428,732	428,886	385,886	354,957	(30,929)	(8.0%)
Contractual Services	211,018	52,200	56,970	48,000	(8,970)	(15.7%)
Memberships & Meetings	28,206	29,414	25,656	30,028	4,372	17.0%
Conferences & Travel	4,034	19,573	13,748	23,240	9,492	69.0%
Training	18,167	30,557	23,898	26,718	2,820	11.8%
TOTAL EXPENDITURES	\$ 4,131,370	\$ 3,758,027	\$ 3,674,516	\$ 3,915,573	\$ 241,057	6.6%

As compared to the 2021-22 Forecast, significant increases / decreases in the operating budget for Administrative Services include:

- Personnel costs will increase by \$187.5 thousand, or 6.6%, mostly for ordinary step and cost-of-living adjustments.
- Administrative costs will increase by \$79.6 thousand, or 38.1%. Approximately half the increase is for increased cost of insurance coverage as carriers warn of substantial premium increases in the liability and property programs. There is also a \$37 thousand provision for WIFIA loan administrative fees, which are new to the Operating Budget as these are effective only after construction is complete.
- Equipment Maintenance Services decline as the costs are transferred to the Maintenance Division.
- Professional Services decline as less legal services are anticipated to be required.
- Equipment & Supplies expense will decline from Forecast by \$37.3 thousand (24%) as facilities-related costs transfer to the Maintenance Division.
- Professional Services expense declines by \$93.9 thousand (18%), as Microsoft consulting fees transfer from Finance to the Information Services Division.

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SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES

Summary

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

Since 2006-07, SVCW has spent approximately \$36 million on Revenue-Funded capital expenditures. Over the past decade, SVCW has averaged \$1.5 million annually in Revenue-Funded capital expenditures.

The 2022-23 Budget of \$1.40 million for Revenue-Funded capital expenditures includes:

2022-23 Revenue-Funded Capital Expenditures	
Project Name	Estimated Cost
Track Loader to clean / maintain Drying Beds	\$ 145,000
Vapex Units at primary influent & effluent channels	235,000
Replace Uninterruptible Power Supply (UPS)	30,000
Replace Network Field Switches	144,000
Biosolids Shunt Truck, used to move Biosolids*	160,000
Replace Quincy Compressors	90,000
Replace Chillers in Thickener Gallery	400,000
Rotary Drum Thickeners - Piping Upgrades	200,000
TOTAL	<u>\$ 1,404,000</u>

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

- A track loader is a new piece of equipment needed to maintain the integrity of drying bed levees.
- Vapex units are used to mitigate production of corrosive hydrogen sulfide gas and treat odorous compounds. New units will be placed at the Primary Sedimentation influent and effluent channels.
- Critical technology equipment is powered through an Uninterruptible Power Supply (UPS) to avoid damage and/or operational issues. The existing UPS has reached the end of its useful life.

- The information systems network extends throughout the treatment plant, where industrial-grade field switches have reached the end of their useful life.
- Biosolids are currently moved on the plant site using equipment leased from a vendor. California emission standards require this equipment be replaced, and initial financial analysis suggests it is advantageous to purchase a truck rather than lease. Staff will track status of the vendor's plan to replace their fleet truck to determine when and if the financial analysis indicates purchase is economically beneficial.
- Compressors provide high-pressure air used to actuate pneumatic valves and other equipment throughout the treatment plant. The current compressors are at the end of their useful life.
- Chillers produce cool air for air conditioning systems, including the units used to cool the data center. Existing chillers are at the end of their useful life.
- Rotary Drum Thickeners (RDT) are used to dewater biosolids. Relatively new to SVCW, the RDTs will replace original gravity thickener equipment. There have been difficulties in moving the resultant thickened biosolids, and new piping upgrades will improve RDT reliability.

SECTION 5 – CAPITAL IMPROVEMENT PROGRAM & DEBT SERVICE

Background

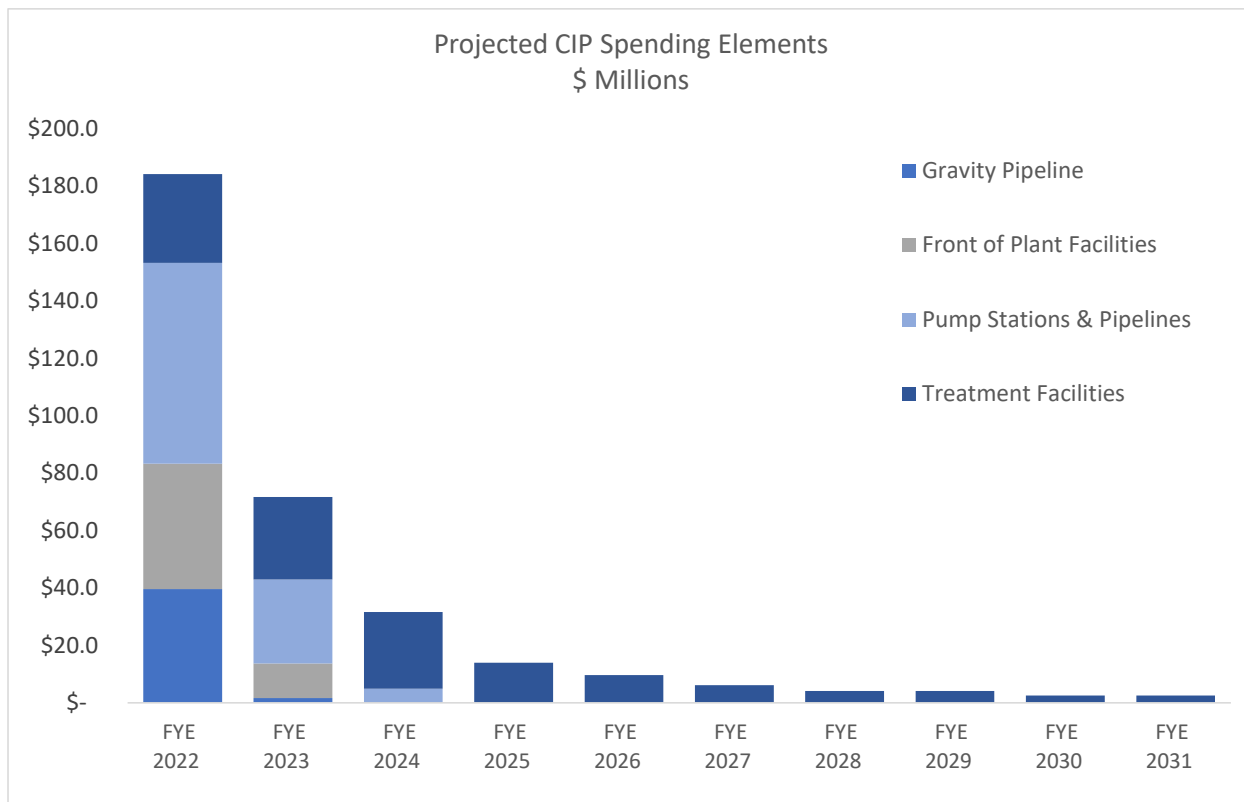
SVCW's wastewater treatment plant was constructed in 1980 and connected to an influent conveyance system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. In 2008 SVCW initiated its CIP to replace and rehabilitate wastewater conveyance and treatment systems in a structured and prioritized manner. Now in its fourteenth year, the CIP has completed over 130 projects through December 2021.

CIP Projected Expenditures

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

The CIP is a guiding document of the LRFP and demonstrates how, when completed and known capital projects are completed, the Authority will have spent over \$950 million. Remaining

project expenditures are currently estimated at \$330.5 million over the next decade, the majority of which will be spent in the next two fiscal years:



The largest projects comprised in the RESCU program together produce capital expenditures greater than \$196 million over the next two fiscal years. As construction is completed, assets of each Member Entity increase per its allocable percentages as follows:

Identified Capital Expenditures through Fiscal Year 2031; by Member Allocation (\$ Millions)												
CIP Program	JPA %	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	Total
Redwood City	48.57%	\$ 89.5	\$ 34.8	\$ 15.3	\$ 6.8	\$ 4.7	\$ 3.0	\$ 2.0	\$ 2.0	\$ 1.2	\$ 1.2	\$ 160.5
WBSD	26.84%	49.4	19.2	8.5	3.7	2.6	1.6	1.1	1.1	0.7	0.7	88.7
San Carlos	15.14%	27.9	10.9	4.8	2.1	1.5	0.9	0.6	0.6	0.4	0.4	50.0
Belmont	9.45%	17.4	6.8	3.0	1.3	0.9	0.6	0.4	0.4	0.2	0.2	31.2
Total	100.00%	\$184.2	\$ 71.7	\$ 31.6	\$ 13.9	\$ 9.6	\$ 6.1	\$ 4.1	\$ 4.1	\$ 2.6	\$ 2.6	\$ 330.5

Debt Service

Due to the compressed timing and large cost to complete the CIP, as well as the lack of significant cash reserves, the most practical funding method was to utilize long-term debt. SVCW updates its LRFP each year to reassess its financial position relative to anticipated cash flows needed from SVCW's Member Entities. It also incorporates CIP construction and expenditure schedules, as well as the current borrowing environment. After considering these factors, the January 2022 LRFP recognized how SVCW managed to secure a substantial amount of governmental loans.

Compared to the prior year's LRFP, the 2021 Plan considered three changes:

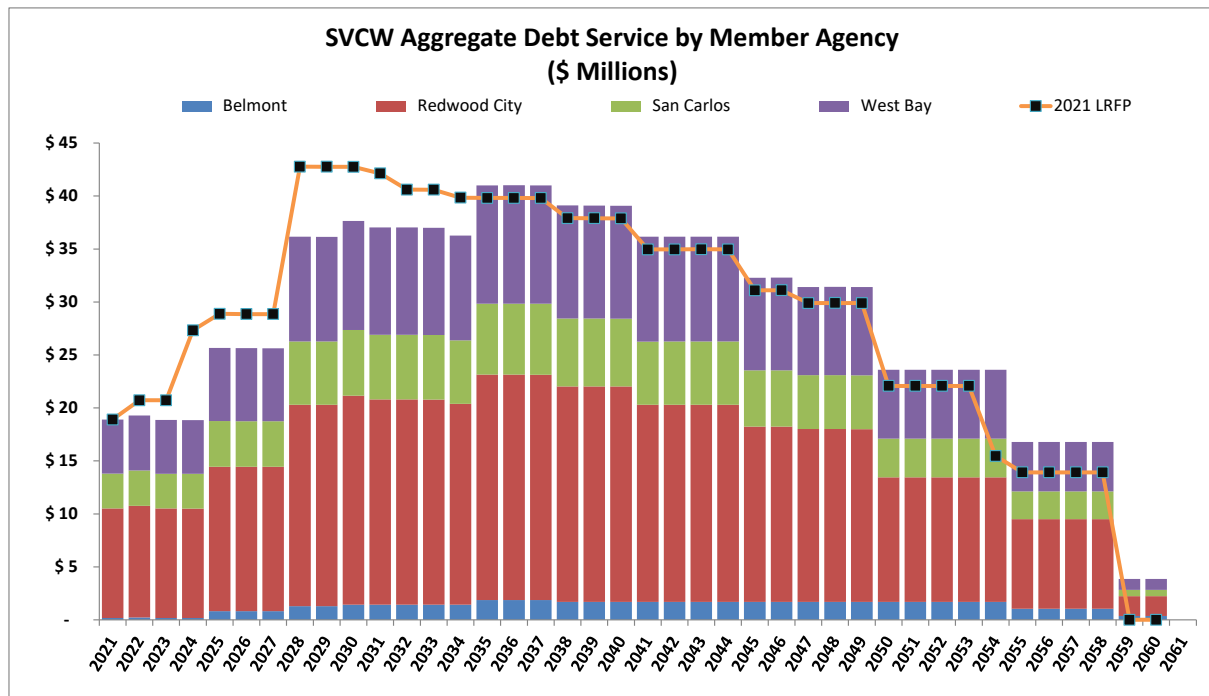
- **CIP Update:** SVCW updated its cost estimates for remaining CIP projects by adjusting for project additions and deletions, changes in project scope, and new pricing information.
- **Construction Timing:** The RESCU program has remained on schedule due to successful implementation of a Progressive Design-Build project delivery method.
- **Financing Sources and Rates:** The LRFP reflects the low interest rates and favorable loan terms secured in 2021. With help of Governmental loans from the California State Water Resource Control Board ("SWRCB") and the U.S. Environmental Protection Agency ("U.S. EPA"), the Authority has now funded the entirety of the RESCU program. Concurrently, other outstanding debt was refinanced to reduce borrowing costs. Details include:
 - Three SWRCB State Revolving Fund Loans, valued at \$169 million, were executed at 0.90% to help fund RESCU. Debt service payments will commence in fiscal year 2024-25, one year after project completion.
 - Two U.S. EPA Water Infrastructure Finance Innovation Act ("WIFIA") Loans were executed with principal of \$68.9 million (RESCU program) and \$73.8 million (Treatment Plant projects), respectively. The EPA allowed SVCW to adjust both loans' debt service into a wrapped structure to blunt an otherwise sharp rise in SVCW's total debt service. The benefit of this approach outweighed slightly-higher interest rates of the new WIFIA loans which, at 1.93% and 1.94% were slightly higher than the 1.75% assumed in the prior year.

A 2021 Bond issuance to advance refund two bond series from 2014 and 2015 as well as one State Revolving Fund Loan from 2011. The combined \$125 million in refunding closed at a True Interest Cost of 2.30%; a better rate than the 2.67% assumed in the 2021 LRFP.

The 2021 LRFP demonstrates the following debt structure was achieved, as compared to the prior year assumptions:

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

Debt service payments, cumulative over the next ten years, are approximately \$299 million, which is \$46.9 million less (in nominal dollars) than the prior year Plan. Discounted to January 2022 dollars, this is a reduction of NPV \$43.2 million. The Maximum Annual Debt Service payment (or “MADS”) is now anticipated in fiscal year 2034-35 and estimated at \$41.0 million, which is a \$1.7 million reduction from last year’s predicted MADS in 2027-28 and a benefit of wrapped payment structures used on new WIFIA Loans.



Debt Service in 2022-23 will be \$18.86 million and is allocated to Member Entities according to JPA-defined percentage of ownership as well as their participation in each debt issuance. As

SVCW continues to fund CIP construction, debt service payments will peak in 2027-28 once significant projects are complete and all necessary debt is secured.

SVCW Aggregate Debt Service Cost 2021									
Fiscal year end	Current Bonds	Current SRF	Refunding		2019 WIFIA Debt Service	New WWTP WIFIA Debt Service	New RESCU WIFIA Debt Service	TOTAL	
			Revenue Bonds	RESCU SRF Debt Service					
2023	\$ 7,817,494	1,888,097	\$ 9,155,235	\$ -	-	\$ -	-	18,860,826	
2024	\$ 7,823,744	1,888,097	\$ 9,142,491	\$ -	-	\$ -	-	18,854,331	
2025	\$ 7,818,119	2,422,679	\$ 9,155,528	\$ 6,269,125	-	\$ -	-	25,665,451	
2026	\$ 7,815,494	2,422,679	\$ 9,139,131	\$ 6,269,125	-	\$ -	-	25,646,429	
2027	\$ 7,820,244	2,422,679	\$ 9,125,532	\$ 6,269,125	-	\$ -	-	25,637,580	
2028	\$ 7,816,994	2,422,679	\$ 9,134,809	\$ 6,269,125	9,105,279	\$ -	1,416,450	36,165,336	
2029	\$ 7,815,494	2,422,679	\$ 9,119,744	\$ 6,269,125	9,105,279	\$ -	1,416,450	36,148,771	
2030	\$ 7,815,244	2,422,679	\$ 9,108,575	\$ 6,269,125	9,105,279	\$ 1,509,651	1,416,450	37,647,003	
2031	\$ 7,820,619	2,422,679	\$ 8,488,862	\$ 6,269,125	9,105,279	\$ 1,509,651	1,416,450	37,032,666	
2032	\$ 7,821,119	2,422,679	\$ 8,485,229	\$ 6,269,125	9,105,279	\$ 1,509,651	1,416,450	37,029,533	
2033	\$ 7,820,044	2,422,679	\$ 8,467,347	\$ 6,269,125	9,105,279	\$ 1,509,651	1,416,450	37,010,576	

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

Belmont

Belmont Debt Service Cost						
Fiscal year end	Current SRF	RESCU SRF Debt Service	2019 WIFIA Debt Service	New WIFIA Debt Service	TOTAL	
2023	\$ 178,425	\$ -	\$ -	\$ -	\$ 178,425	
2024	178,425	-	-	-	178,425	
2025	228,943	592,432	-	-	821,376	
2026	228,943	592,432	-	-	821,376	
2027	228,943	592,432	-	-	821,376	
2028	228,943	592,432	327,665	133,855	1,282,895	
2029	228,943	592,432	327,665	133,855	1,282,895	
2030	228,943	592,432	327,665	276,517	1,425,557	
2031	228,943	592,432	327,665	276,517	1,425,557	
2032	228,943	592,432	327,665	276,517	1,425,557	
2033	228,943	592,432	327,665	276,517	1,425,557	

Redwood City

Redwood City Debt Service Cost						
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	RESCU SRF Debt Service	2019 WIFIA Debt Service	New 2021 WIFIA Debt Service	TOTAL
2023	\$ 9,417,684	\$ 917,049	\$ -	\$ -	\$ -	\$ 10,334,733
2024	9,409,471	917,049	-	-	-	10,326,519
2025	9,407,375	1,176,695	3,044,914	-	-	13,628,984
2026	9,405,793	1,176,695	3,044,914	-	-	13,627,402
2027	9,405,494	1,176,695	3,044,914	-	-	13,627,103
2028	9,406,315	1,176,695	3,044,914	4,707,387	687,970	19,023,281
2029	9,396,961	1,176,695	3,044,914	4,707,387	687,970	19,013,928
2030	9,388,876	1,176,695	3,044,914	4,707,387	1,421,208	19,739,080
2031	9,030,985	1,176,695	3,044,914	4,707,387	1,421,208	19,381,189
2032	9,023,284	1,176,695	3,044,914	4,707,387	1,421,208	19,373,489
2033	9,012,953	1,176,695	3,044,914	4,707,387	1,421,208	19,363,157

San Carlos

San Carlos Debt Service Cost						
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	RESCU SRF Debt Service	2019 WIFIA Debt Service	New 2021 WIFIA Debt Service Loans	TOTAL
2023	\$ 2,983,141	\$ 285,858	\$ -	\$ -	\$ -	\$ 3,268,999
2024	2,987,495	285,858	-	-	-	3,273,353
2025	2,988,955	366,794	949,146	-	-	4,304,894
2026	2,975,798	366,794	949,146	-	-	4,291,737
2027	2,973,476	366,794	949,146	-	-	4,289,415
2028	2,976,842	366,794	949,146	1,466,033	214,451	5,973,266
2029	2,975,429	366,794	949,146	1,466,033	214,451	5,971,852
2030	2,969,780	366,794	949,146	1,466,033	443,012	6,194,764
2031	2,875,928	366,794	949,146	1,466,033	443,012	6,100,912
2032	2,885,225	366,794	949,146	1,466,033	443,012	6,110,210
2033	2,879,798	366,794	949,146	1,466,033	443,012	6,104,782

West Bay Sanitary District

West Bay Sanitary District Debt Service Cost						
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	RESCU SRF Debt Service	2019 WIFIA Debt Service	2021 WIFIA Debt Service	TOTAL
2023	\$ 4,571,904	\$ 506,765	\$ -	\$ -	\$ -	\$ 5,078,669
2024	4,569,269	506,765	-	-	-	5,076,034
2025	4,577,316	650,247	1,682,633	-	-	6,910,197
2026	4,573,034	650,247	1,682,633	-	-	6,905,915
2027	4,566,805	650,247	1,682,633	-	-	6,899,685
2028	4,568,646	650,247	1,682,633	2,604,193	380,175	9,885,894
2029	4,562,848	650,247	1,682,633	2,604,193	380,175	9,880,096
2030	4,565,163	650,247	1,682,633	2,604,193	785,366	10,287,603
2031	4,402,568	650,247	1,682,633	2,604,193	785,366	10,125,008
2032	4,397,838	650,247	1,682,633	2,604,193	785,366	10,120,278
2033	4,394,640	650,247	1,682,633	2,604,193	785,366	10,117,079

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SECTION 6 – CASH RESERVES DESIGNATION

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

- The **Operating Reserve** must be maintained at a minimum balance of 10% of the approved Operating Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. The projected balance in Operating Reserves is \$3.91 million at June 30, 2022, including investment earnings. This amount is short of the policy's required balance by approximately \$95.4 thousand which, per policy, will require Member contributions.
- The **Capital Improvement Program Reserve** (CIP Reserve) goal is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life has been met. This would allow major expenses in the future to be paid for on a "pay-go" basis and limit the need for borrowing. Each year, if funds held in these reserves fall below targeted levels, SVCW makes budget adjustments to return to the target level. The CIP Reserve Policy calls for a \$2.5 million contribution in fiscal year 2022-23.

Based upon the above, total 2022-23 Reserve Designations are as follows:

Reserve Designations - 2022-23 Budget				
Description	Estimated		Target	Proposed
	June 30, 2022	June 30, 2023		2022-23
	Balance	Balance		Contributions
Operating Reserve	\$ 3,910,400	\$ 4,005,818	\$	95,418
CIP Reserve	20,196,037	22,696,037		2,500,000
TOTAL	\$ 24,106,437	\$ 26,701,855	\$	2,595,418

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