



Silicon Valley Clean Water

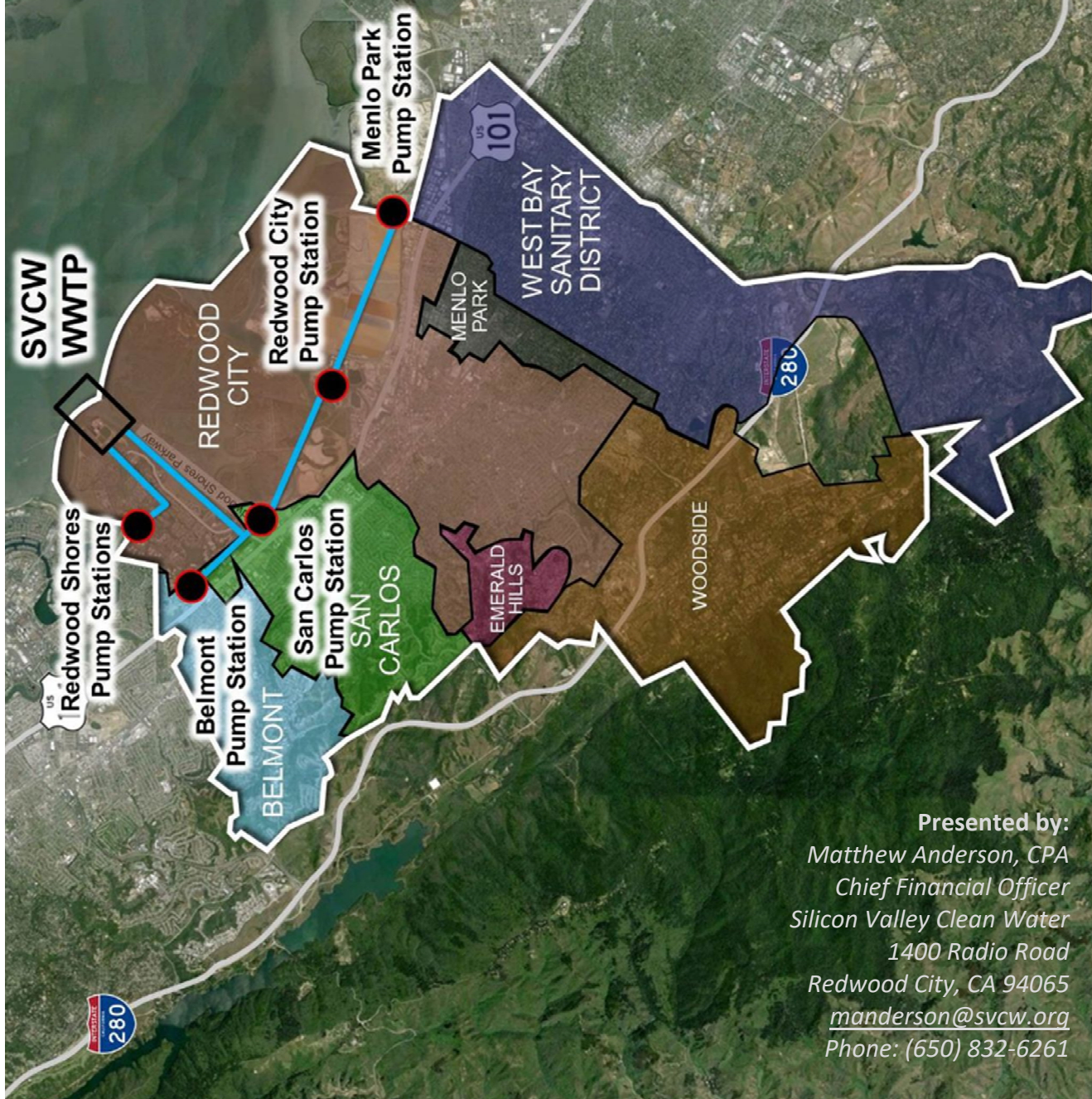


## FINAL 2021-22 OPERATING BUDGET

April 19, 2021



# Silicon Valley Clean Water



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## Commissioners

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

## SVCW Staff

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Brent Brown	Information Systems Director
Cindy Hui	Accounting Supervisor

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## SECTION 1 – OVERVIEW

### Organization and Business

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

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

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

### Governance & Management

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

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



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

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

A vote of at least seventy five percent is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, contracts, appropriations, or transfers of more than \$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. In addition, any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the SVCW Member Entities' governing bodies.

### **Financial Oversight and Control**

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

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

### **Debt Reserves**

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

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

### **Long Range Financial Plan**

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

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

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

### **Comparative Residential Sewer Charges**

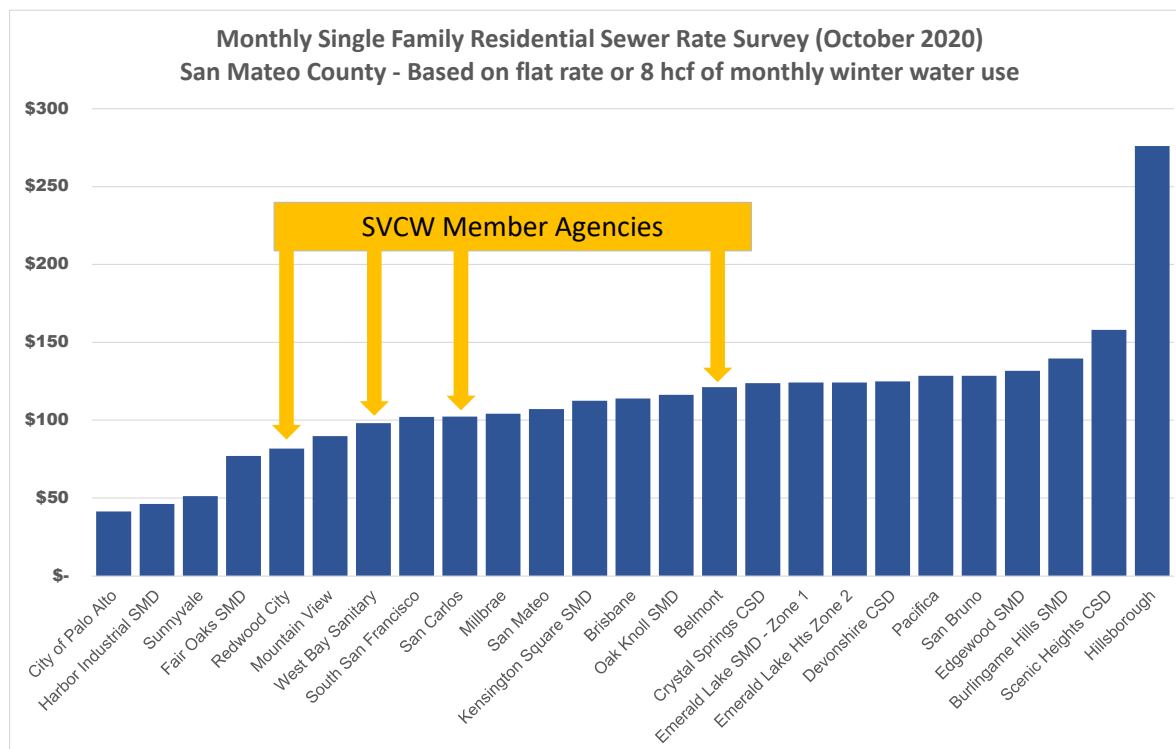
Since the introduction of the CIP, Member Agencies have been proactively raising sewer rates to support their allocable share of SVCW expenditures, as well as their own sewer operating and capital programs. While to date, rate increases have been substantial, going forward only modest increases are anticipated.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



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

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

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



## Accomplishments

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

### *Operations*

- Treated over 4.6 billion gallons of wastewater, maintaining full compliance with SVCW's National Pollutant Discharge Elimination (NPDES) System permit.
- Processed and removed 4,746 dry tons of biosolids for land application, composting, alternative daily cover, landfill and Bio Force Tech.
- Produced 208 million gallons of recycled water for Redwood City.
- Incurred Zero (0) NPDES Permit Violations in calendar year 2020.
- Achieved full compliance with monthly acute bioassay analysis to ensure NPDES Permit Compliance.
- Participated in CIP Program design meetings under construction, including:
  - Gravity Tunnel Project – This project will replace sections of the aging concrete pipeline with a gravity tunnel from Bair Island to the treatment plant. This project is under construction and has installed new tunnel segments from the San Carlos Pump Station to the Bair Island wildlife refuge. Construction has begun on the segment from the San Carlos Pump Station to the SVCW treatment plant.
  - Pump Station Improvements – This project will upgrade the current Pump Stations with a new facility at Redwood City, an upgraded Menlo Park facility, a modified San Carlos pump station that will be gravity fed into the new conveyance tunnel and a new gravity pipeline from Belmont Pump Station through the modified San Carlos pump station and into the new conveyance tunnel.
  - Front of Plant – This project will include a new Receiving Lift Station (RLS, receiving flow from the new gravity tunnel), a new screening facility and a new Influent Pipeline that will convey flow to the existing treatment plant.
  - Primary Influent Channel and Primary Effluent Channel coating projects – During the summer of 2021, SVCW will be recoating these existing influent channels. SVCW Operations staff is directly involved in planning these projects to ensure they can occur during normal dry weather plant operations with minimal plant disruptions. This work consists of taking 2 of 4 primaries out of service for re-coating the channels.
  - Chlorine Contact Tank (CCT) valve replacement – This dry weather project will replace 3 major valves in the CCT. This work will require taking different passes in the CCT out of service in the summer of 2021 to replace the valves. Existing valves are from original construction and are increasing difficult to operate and prevent from leaking. This

project will also install a baffle wall in Effluent wetpit “B” that will serve to ensure that sufficient disinfection detention time during CCT single pass operation.

- Above Ground Diesel Storage Tank Installation – these serve the financially and process reliability critical cogeneration engines. Operations staff is intricately involved in planning the project to ensure minimal downtime for the system.

Took over equipment operation and Implemented operational changes for the following project completions during 2020:

- Site Waste Pumps Replacement – SVCW replaced all three existing pumps to increase pumping capacity and reliability.
- Rotary Fan Press 3 & 4 installation – Two additional Rotary Fan Presses were added, doubling capacity and providing redundancy. Installed an overhead crane to lift heavy components during overhauls.
- Sludge Dewatering Pump Station – A new sludge dewatering pump station was added to replace existing pumps.
- 66” Outfall Pipe Repair – The 66” Outfall Pipe had experienced settling due to the substrate the pipe sets on. Repairs were made to raise the pipe to the original grade. Additionally, a pipe lifting system was installed on the 66” outfall pipe to correct future settling of the pipe
- 33” Forcemain Condition Assessment – As part of the Pump Station Improvements CIP, a condition assessment was performed on the existing 33” Forcemain to determine the condition of the pipe and make repairs as necessary. This portion of the pipe is currently not planned for replacement, so it was determined that a condition assessment was needed to evaluate its current and future life.
- Backwash Pumps replacement – Two new Dual Media Filter Pumps were installed to replace original equipment thus ensuring future reliability of this system.
- 12KV Switchgear Replacement – The main plant 12 KV electrical switchgear was replaced with a new state of the art electrical receiving switchgear.
- Tesla Battery Storage – A 2 MW battery storage system was installed to reduce high electrical demand during peak electrical power times. The system operates during peak hours by supplying battery stored electricity to the plant electrical grid to reduce plant demand.
- Primary Clarifier Sludge Collector Replacement – All primary clarifiers received new heavy-duty cross-collector and longitudinal flights, sprockets and shafts. These heavy-duty flights will be needed when the Front of Plant Receiving Lift station is completed and thickening sludge in the primary clarifiers is initiated.

- DMF Media Addition – Five of the twelve dual media filters received new media to improve filter efficiency and reduce turbidity.
- 1Water, 2Water, 3Water System Improvements – The 1Water system was upgraded when the old freshwater booster system was removed for installation of the new Influent Pipeline as part of the Front of Plant upgrade. This included installation of 2 new Reduced Pressure Zone valves at the connection to the potable water system. The 2Water system was upgraded by installation of an air gap on that system to completely disconnect it from the 1Water potable system to prevent any possibility of cross connection between the two systems. The 3Water system was upgraded to include flowmeters to accurately measure 3Water usage and provide design parameters for supplying 3Water to the new Receiving Lift Station when it comes online.
- Calcium Nitrate Dosing System at Menlo Park Pump Station – A calcium nitrate system was installed at the Menlo Park Pump Station to provide corrosion control for the existing 33” concrete Forcemain mentioned above.

#### Other Facility Programs

- BioForceTech – SVCW is in the process of purchasing a sludge drying system from BioForceTech. This system uses a combination of forced air and heat from biological reactions to dry dewatered sludge. This dewatered sludge is then further processed in a pyrolysis unit to produce biochar, a high carbon-source organic media with a wide-range of uses. This operation will give SVCW another venue for processing biosolids and possibly a revenue stream.
- SAF MBR – SVCW is hosting a Stanford University pilot project to use anaerobic fluidized bed and MBR to treat primary influent. This is a low-cost process and can potentially produce high quality effluent. Grants from the State Water Resources Control Board and the U.S. Bureau of Reclamation are funding the majority of the pilot project.
- Mango Materials – SVCW has hosted this startup venture for several years. This year was scaled up to a larger working model. Mango Materials’ process uses methane from SVCW’s anaerobic digester to produce a biodegradable polymer.
- Covid 19 Block Scheduling – During the Covid 19 pandemic, SVCW instituted an Operating schedule to minimize contact between operators and spread of the virus. The Block schedule created 3 separate 2-week work scheduling blocks so that operators only work with a defined group of staff. SVCW also adjusted start time to minimize contact in common areas such as locker rooms and break rooms. This was done to ensure a healthy work force to meet the needs of the treatment plant operation. SVCW also enabled staff to work from remote workstations off site to further minimize spread of the virus.

- Competency Based Training – SVCW began development of a training program that includes electronic SOPs (Standard Operating Procedures), competency-based testing and video programs for new hires as well as to meet needs of existing staff.
- Reviewed and updated certain Operations Manual Chapters, including Recycled Water, Safety, Dual Media Filtration, and Activated Sludge.
- Reviewed and updated Contingency Plans for Chemical Shortages and shutdown of SAF-MBR
- Reviewed and updated 37 separate SOPs to ensure instructions and training materials are up to date.

### *Maintenance*

- During the COVID-19 pandemic and quarantine, continued equipment maintenance without interruptions. Closed 4,082 corrective and predictive work orders/tasks as logged into the Computerized Maintenance Management System (CMMS) system.
- Identified underperforming Dual Media Filters and added new filter media.
- Participated in extensive renovation activities including design meetings and workshops Supported system outage requests (SORs) to re-route sewer flows, change utilities, and install temporary equipment that assisted with process requirements.
- Relocated the workshops and office space for electricians and instrumentation / controls technicians to accommodate social distancing requirements during the Covid-19 pandemic.
- Relocated the maintenance tool room to improve facility layout and access.
- Rebuilt multiple Hydrostahl digested sludge mix pumps to support digester sludge mixing and heating.
- Supported new Rotary Drum Thickening (RDT) process startup with multiple modifications that will improve sludge handling performance. Modifications were made to polymer dosing system, flowmeters, level sensors, discharge pumps, discharge pipes, pressure sensors, supply water, filtering screens adjustments, and process automation programs.
- Provided support to reroute site waste pit flows, allowing contractor to install new upgraded site waste pumps.
- Installed two natural gas flowmeters to Boilers 1 and 2 that will help manage gas usage.
- Worked with contractors to replace aging and underperforming Dual Media Filters (DMF) backwash pumps, control valves, electrical modifications, and programming.



- Cogeneration engines 1&2 alternators (generators) were removed, shipped for overhaul, and re-installed. This major repair will promote more dependable electricity generation.
- Cleaned radiators of cogeneration engines 1&2 to ensure proper cooling.
- Continued upgrades to primary sedimentations tanks (PST) equipment to ensure reliable solids handling.
- Replaced aged plant air pressure compressor #3 that supports pneumatic equipment throughout the treatment plant.
- Participated in troubleshooting digester gas conditioning system with engineering and operations personnel. Good results have identified methods to remove unwanted elements from the digester gas that otherwise damage cogeneration engines.
- Industrial Automation Platform (IAP). With a contractor, SVCW technicians have been upgrading and modifying fiber termination panel (FTPs) throughout the plant, programming ports for MCC switches and plant process equipment, adding and modifying IAP new addresses.
- Supported installation of digested sludge dewatering filter presses 3 and 4 and removal of old sludge dewatering equipment.
- Dismantled Fournier dewatering filter press 1&2; now overhauling the equipment.
- Retrofitted 3 variable frequency drives attached to critical process pumping equipment.
- Rebuilt 3 pump stations diminutors to ensure this shredding equipment at pump stations continue to reduce the risk of damage to conveyance and treatment equipment.
- Replaced underperforming Waste Activated Sludge (WAS) pumps critical to reduction of organic content during the aeration process.
- Replaced dry air compressor needed for laboratory equipment.
- Performed emergency generators Load Bank annual testing to verify power reliability.
- Performed annual preventive maintenance on all pump station emergency power generators.
- Completed San Carlos pump station booster engines 1 and 2 annual preventive maintenance.
- Replaced emergency generators diesel supply pump #3 after identifying fuel issues during an unplanned power outage.
- Installed ambient temperature sensor in Cogeneration room and integrated Programmable Logic Controls that continuously monitor temperatures.
- Repaired generator #2 heat exchanger water leak.

- Installed Programmable Logic Controls on cogeneration room supply and exhaust fans to automatically adjust supply air and improve room temperatures.
- Verified Recycle water controls logic for chlorine contact tanks flush operations.
- Installed bar screens in Redwood City Pump Station flow channels during high wet weather flows and removed after wet weather flows ended.

### *Environmental Services*

- Further developed the Stormwater Inspections program for the cities of San Carlos and Belmont, maintaining compliance with their Municipal Regional Stormwater NPDES Permit even with the challenges surrounding the pandemic.
- Incorporated 95 new Food Service Establishments to SVCW's FOG Control Program.
- Performed over 170 industrial sampling events.
- Effectively maintained the Industrial Pretreatment Program to meet NPDES permit requirements, despite constant changes to County's social distancing and shelter in place orders due to the pandemic.
- Reissued 3 mandatory wastewater discharge permits which, in addition to fulfilling need for new permits, also allowed for training of staff.
- Continued troubleshooting support for Operations staff during pump stations sampling season.
- Evaluated and permitted approximately 30 non-routine and groundwater requests for discharge.
- Coordinated with dental offices to meet their requirements for the EPA Dental Rule. 90% of the dental offices within SVCW's service area reached compliance by their October 2020 deadline.
- Coordinated water conservation presentations reaching over 3,800 students, teachers and parents with assembly duo ZunZun, both in-person and virtually.
- Modified the Sewer Science program to accommodate distance learning for participating schools. Created video lessons and utilized Zoom to present Sewer Science courses to 600 local high school students.
- Participated in San Mateo Office of Education's Water education workshops for teachers along with other community partners.

### *Laboratory*

- Laboratory Staff generated over 15,000 reportable results during 2020 in support of Plant Operations, Permit Regulations, Environmental Services, and customer projects. Results

ranged from simple daily pH measurements of the Effluent to complex trace metal analysis of Industrial User samples.

- Participated in two wastewater COVID-19 studies by submitting daily and weekly samples for analyses. The National HHS (Human Health Services) COVID-19 Wastewater Surveillance Project and the other as part of the SCAN (sewer coronavirus alert network) project based out of Stanford University.
- Successfully completed the monthly, 96-hour, Acute Bioassays on the Treatment Plant Effluent during the year and all were passing with greater than 90% survival. Each Acute Bioassay requires 395 supporting laboratory analyses such as Conductivity, Hardness, Dissolved Oxygen, pH, Salinity, Temperature, Total Residual Chlorine, and Metals.
- The Laboratory staff maintained their State ELAP Certification (Environmental Laboratory Accreditation Program) by meeting all requirements and successfully producing passing results on the annual Performance Test samples.
- The Laboratory furthered their succession planning goals by sending three staff members to the Advanced Management & Supervisory Leadership Training program with the Public Utilities & Waterworks Management Institute.
- The Laboratory staff attended training (virtual) and commissioned a new ICP (Inductively-Coupled Plasma) spectrometer for trace metal analysis in wastewater. The ICP is used to monitor metal pollutants in wastewater from our influent pump stations and in samples from permitted Industrial Users.
- The Laboratory continued to advance their Data Quality Assurance Program to meet State Laboratory Certification Requirements. Reagents and chemicals used in any analysis must be tracked and traceable in their database system (LIMS).
- The Laboratory staff assisted the Environmental Services Division in producing training videos for the SVCW Sewer Science Classes. The videos included staff performing chemical analyses and interviews of the Laboratory staff. The Sewer Science Program introduces High School students to pollution prevention and wastewater treatment and helps satisfy SVCW's outreach requirements found in our NPDES Permit.

### *Safety*

- Reached a two-year milestone of zero work-related injuries or OSHA recordable incidents.
- Developed, updated, and implemented COVID-19 Exposure Control and Prevention Plan to reduce COVID-19 exposure risk to employees and visitors and to ensure we meet current regulatory requirements.
- Safe workplace measures were recognized by insurance industry, as SVCW saw its workers' compensation experience modification ratio decline to 62%. This improvement

results in a 38% discount in workers' compensation insurance rates and saves \$142 thousand in premiums.

- Developed and implemented a plant-wide security camera system to mitigate trespasser problems. This defense system helps protect employees and deter intruders.
- Provided over 680 hours of online safety training to employees. The online solution also provides 24/7 access that can schedule, deliver, track, and report training that helps reduce safety risks, time and money.
- Published monthly wellness newsletters to help employees adopt and maintain healthy behaviors that prevent chronic diseases and improve quality of life. Giving employees accurate, helpful information at the right time will increase better living lifestyles.
- Designed a new Safety Reward Program to recognize employees' proactive safety activities. Ultimately the program will raise safety awareness, reduce accidents, eliminate workplace hazards, and discourage non-reporting of incidents.

### *Engineering*

- The Engineering Division submitted applications and won two awards at the Santa Clara Valley Section of California Water Environment Association (CWEA). Energy Storage Project won the Engineering Achievement Award and the SAF-MBR Pilot Project won the Research Achievement Award. Both projects will move to compete at the state level in their respective categories.
- Completed Site Waste Pump Station Upgrade project by installing three new 24.5 horsepower submersible pumps. The new pumps provide enhanced level of redundancy in pumping the site waste collected from Solids Handling Building.
- Completed the design of three projects - Laboratory Building HVAC, Primary Sedimentation Tank Channel Coating and Hatch Replacement and Generator Feed Relocation and Panel Replacement. All three projects were bid, and the lowest responsible bidders were awarded the construction contracts. These projects have entered in construction in 2021.
- Final acceptance and completion of new 12kV primary switchgear was achieved and contract was closed. The new 12kV Switchgear has been in operation for over 1.5 years. The new switchgear is installed on an elevated platform above the 100-year flood level to ensure the treatment process will be powered in case of a flood event.
- Final approval from PG&E was achieved for export-import to fully utilize all biogas generated. This will reduce or eliminate the flaring of biogas generated from the anaerobic digesters.
- Final acceptance and completion of energy storage system of 1MW/2MWh Tesla batteries was achieved and was placed in service after it passed PG&E's pre-parallel inspection in July 2020. Staff also were able to terminate the previous asset management

contract with Advanced Microgrid Solutions and hire a new asset management firm EnelX through a competitive bidding and negotiation process.

- Completed the dewatering system upgrades by adding two more Rotary Fan Presses (RFP) in Solids Handling Building. These two 40 horsepower RFPs replaced the 200-horsepower centrifuge saving significant amounts of energy and operating costs. The new dewatering system upgrades added a cross conveyor to provide flexibility in operation.
- BioforceTech replaced old dryers with three new upgraded dryers. These dryers and pyrolysis process were placed into operation. BioforceTech is expected to complete the final upgrade work in 2021 and handover the system to SVCW. This process will allow SVCW to dispose of over 40% of its biosolids and convert into biochar which is a marketable commodity.
- A partnership was created between SVCW, San Francisco Public Utility Commission and City of San Mateo to embark on the next phase of Potable Reuse Exploratory Plan (PREP). Under this collaboration, the three partners will explore on feasibility of developing potable reuse as a new water supply.

#### *Information Services (I.S.)*

- COVID-19 Pandemic preparedness and response: The SVCW IS Division quickly responded to the State Order to shelter-in-place by assisting and supporting staff to securely work from home. Every employee was provided the ability to work remotely as approved by management. Prior strategic planning allowed quick transition from on-premise to remote work. Information Services staff expanded and improved work-from-home systems while supporting increased onsite demands during the pandemic.
  - I.S. Division assisted with policies for Telework and introduced new technologies used by other California agencies
  - Supported Safety Director with the configuration of Apps and devices to report or monitor COVID-19 symptoms
  - New Virtual Desktop portal – Provided access via virtual remote workstations available for home use, which can operate a fully functional SVCW computer from any internet-connected web browser. Maintained security thru MFA (Multifactor Authentication) that supports up to 50 simultaneous users
  - Set up staff to work full-time remote from home; built and reimaged machines quickly for deployment; shipped phones and workstations to new employees
  - Mass and rapid deployment of MFA/DUO to 31 employees
  - Distributed new mobile iPhones as needed
  - Configured Single Number Reach to more employees that extended work phones and allowed uninterrupted work

- Deployed and assisted users to utilize Microsoft Teams and/or Zoom conferencing tools
- Deployed Microsoft Surface devices to Maintenance during hybrid work schedule
- Cybersecurity – Responded to 2020 SolarWinds supply chain hack by immediately shutting down SolarWinds services on SVCW network. Completed the analysis phase which included manually monitoring processes and analyzing data and traffic logs. IS Staff also searched through network files and logs for compromised data signatures, repeating the process daily concurrent with automated scans. All procedures followed the guidance of Department of Homeland Security and Water ISAC (Information Sharing and Analysis Centers) Cybersecurity groups. The proper planning, implementation of Next Generation hardware/software, and cyber security practices protected SVCW from this supply chain hack event. No evidence of the SolarWinds supply chain hack event was found on SVCW equipment.
- The SolarWinds supply chain hack was a highly sophisticated attack affecting US government, State and Local agencies. SVCW had the affected products in its network environment at that time and responded to the incident by immediately shutting down the services provided by SolarWinds on SVCW networks. Following the guidance of Department of Homeland Security and Water ISAC cybersecurity groups, SVCW I.S. began the painstaking investigation to identify any compromised files. Historical network traffic logs and system data were checked/re-checked for flagged IP addresses or malicious data signatures. Real-time scanning was added to our critical systems for immediate threat detections. Leveraging the SVCW I.S. Divisions important investment on Next Generation Firewalls, cyber security practices, and forensic analysis tools, we conclude no threats have been found to date. SolarWinds has since been decommissioned.
  - Attended several DHS (Department of Homeland Security) and Water ISAC discussions and event updates regarding this major Cybersecurity Breach. Staying up to date on the incident and recommendations.
  - Extended cybersecurity protection by installing additional tools on Mobile workstations and implementing Mobile Device Management.
  - Now researching and testing alternatives to SolarWinds that meet the divisions' current philosophy and approach to cybersecurity as well as our needs for monitoring logs and network devices.
- Installed new Software-Defined Wide Area Network (“SDWAN”) at pump stations
  - System designed to allow for multiple encrypted networks
  - Meshed system installed at pump stations with cloud management
  - Circuits at pump stations converted to internet only
  - Real time threat protection provided at each site with new system
  - Awaiting 4GLTE failover solutions
- Increased forensic logging thru SPLUNK application services to increase reporting on wireless activity and network access events. Improved Homeland Security alerts, SANS and Multistate information Sharing, and Analysis Center to better identify threats and risks.



- Upgraded CORTEX XDR that captures and analyzes threats with advanced AI (Artificial Intelligence) and zero-day threat protection. Investigating data integration with SPLUNK services.
- Onboarded new Microsoft consultant, Nexinite, to support SharePoint solutions and other collaborative services.
  - Assisted with implementation of Adobe Sign into the SharePoint environment. Customized Adobe DC package to facilitate online review and approvals.
  - Transferred Microsoft consultant services to I.S. group from Finance. Negotiated agreements and statements of work for specific tasks regarding SharePoint, internal intranet, and external SVCW websites. I.S. staff now managing requests for services provided under these agreements and Purchase Orders.
  - Developed a service request ticket tracker on SharePoint enabling users to submit help or change requests on “The Hub” or website.
- Managed installation of several new high-resolution cameras for perimeter monitoring and property security.
- Continued staff awareness training thru Security Mentor and IS-initiated ‘Phishing’ programs to test user’s cybersecurity awareness. The service has successfully raised staff preparedness and awareness.
- Upgraded and added to the design of the plantwide Emergency Alarm and Notification System. This multiphase project improves SVCW’s safety culture.
- Installed new SVCW WiFi infrastructure hardware to the next generation, WiFi6 system, to strengthen WiFi signal throughout the treatment plant. This technology will be needed as SVCW prepares to use mobile technologies for both ICS (Industrial Control System) and Business networks.
- Assisted consultants and SVCW instrumentation team to install new Building Management System that monitors the HVAC system in the control building.

#### *Administration & Finance*

- Developed work-from-home solutions once stay-at-home orders were announced, including a new digital workflow process to approve documents. This allowed staff to safely and securely work and perform accounting and payroll functions without interruption.
- Refinanced a \$218 million Water Infrastructure Finance and Innovation Act (WIFIA) loan with the U.S. Environmental Protection Agency (EPA). By reducing the loan’s interest rate from 2.40% to 1.41%, Net Present Value debt service savings were estimated to be \$37.8 million over 30 years.
- Issued \$125.7 million in 2021 Bonds to refund two outstanding bond series (2014 and 2015) and to refinance a 2011 State Revolving Fund Loan. Achieved Net Present Value savings of \$14.7 million.

- Submitted Letters of Interest to the EPA for two additional WIFIA loans valued at a combined \$106 million; with both loans selected for approval. Compared to issuing wastewater revenue bonds, the new WIFIA Loans are anticipated to save \$330 thousand annually, or \$19.6 million over the loans' amortization periods.
- Completed the 2019-20 financial statement audit while working remotely, without issues.
- Updated the Long-Range Financial Plan in February 2021 reflecting changes in debt mix, construction schedule, and project cost estimates.
- Resolved outstanding balances for active employees affected by CalPERS audit of Performance Pay.

#### *Office of the Manager / Human Resources*

- Continued operating the wastewater treatment plant safely, effectively, and efficiently with reduced onsite staff throughout the pandemic year.
- Enabled continued remote work practices ensuring productivity remained high for SVCW's remote workers.
- Put emphasis on succession planning to ensure the agency is positioned to function effectively given the high number of upcoming retirements within the next 3-4 years.
- Offered Leadership Training to 15 employees to develop SVCW's future leaders and managers.
- Performed internal recruitment for 3 management positions; filled three key positions, two for maintenance and one for operations.
- Advertised and hired 7 personnel to fill positions opened by retirements and resignations.
- Developed a newly reorganized workforce structure which responds to ongoing retirements, shift in focus from CIP construction to ongoing operations, and optimizing all operations using available automation and data availability. The reorganization was implemented in January 2021.
- Initiated a "book club" for SVCW management staff (Supervisors, Directors, Managers). First book: "The Leaders Guide to Unconscious Bias". The goal is to use discussion and discourse to create a high-performing and cohesive leadership team.
- Launched a redesigned website which brought SVCW's outward face to today's expectations in a social media dominated environment. Successfully used Twitter and Facebook feeds along with electronic newsletters to disseminate information.
- Applied for and was selected as a "Water Resources Utility of the Future" by five National Water Associates, including the U.S. EPA. The program recognizes wastewater leadership, innovation and sustainability.
- Manager participated in virtual presentations to industry and community organizations, assisting in support of the wastewater industry during the pandemic.

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## SECTION 2 – OPERATING BUDGET SUMMARY

The 2021-22 Operating and Revenue-Funded Budget anticipates Total Member Contributions will increase by \$1.41 million, or 2.87% over the prior year budget. The Proposed Budget allots \$27.6 million in Net Operating Expenses and \$1.49 million for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$2.0 million in contributions. Debt Service Payments are budgeted to be \$19.39 million.

Year-over-year Budgeted Member Entity Contributions				
Description	2020-21 Adopted Budget	2021-22 Proposed Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Expenses	\$ 27,728,484	\$ 28,467,513	\$ 739,029	2.67%
Less: Miscellaneous Revenue	(1,099,500)	(855,000)	(244,500)	(22.24%)
<b>Contributions, Net Operating Expenses</b>	<b>\$ 26,628,984</b>	<b>\$ 27,612,513</b>	<b>\$ 983,529</b>	<b>3.69%</b>
Add: Revenue-Funded Capital Projects	1,295,500	1,497,500	202,000	15.59%
<b>Contributions, Before Reserves &amp; Debt Service</b>	<b>\$ 27,924,484</b>	<b>\$ 29,110,013</b>	<b>\$ 1,185,529</b>	<b>4.25%</b>
Add: Reserve Designations	1,524,866	2,000,000	475,134	31.16%
Add: Debt Service, Participating members	19,646,217	19,394,786	(251,431)	(1.28%)
<b>Contributions, Total</b>	<b>\$ 49,095,567</b>	<b>\$ 50,504,799</b>	<b>\$ 1,409,232</b>	<b>2.87%</b>

- Gross Operating Expenditures will increase by \$739 thousand (2.67%), which reflects CalPERS contribution increases and ordinary inflationary pressures on staff wages and vendor pricing. When possible, the budget pursues savings from improved cogeneration performance, staffing reorganization, and process improvements.
- Miscellaneous Revenue will be \$244.5 thousand less than the 2020-21 Budgeted amount, largely due to the expiration of a cogeneration self-generation incentive program.
- Revenue-funded capital spending will be \$1.49 million, or \$202 thousand higher than the 2020-21 Budget due to the need to replace an underground fuel tank.
- Reserve Designations will increase by \$475 thousand next year. The 2021-22 Budget follows Reserve Policy, which calls for an annual CIP Reserve contribution of \$2.0 million; an increase of \$500 thousand. The Operating Reserve requires no contributions next year since investment earnings helped achieve fully-funded status.
- SVCW's Debt structure for next fiscal year declines by \$251 thousand, or 1.28%. This reduction in debt service payments is the result of refinancing a 2011 State Revolving Fund Loan and refunding outstanding 2014 and 2015 Bonds. The savings more than offset the scheduled first payment due in 2021-22 of a State Revolving Fund planning loan.

Further analysis of SVCW's Long Term Debt is in Section 5 and draws from SVCW's February 2021 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	2020-21 Adopted Budget	2021-22 Proposed Budget	Point Increase/ (Decrease)
Belmont	Flow	11.60%	11.30%	(0.30)
	Biochem. Oxygen Demand	11.91%	11.31%	(0.60)
	Suspended Solids	11.69%	10.61%	(1.08)
Redwood City	Flow	50.47%	53.24%	2.77
	Biochem. Oxygen Demand	47.29%	52.55%	5.26
	Suspended Solids	48.39%	55.52%	7.13
San Carlos	Flow	14.80%	13.65%	(1.15)
	Biochem. Oxygen Demand	12.84%	12.05%	(0.79)
	Suspended Solids	12.58%	11.80%	(0.78)
WBSD	Flow	23.13%	21.81%	(1.32)
	Biochem. Oxygen Demand	27.96%	24.09%	(3.87)
	Suspended Solids	27.34%	22.07%	(5.27)

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

## Member Agency Operating Contributions Calculation

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

2021-22 Budget Revenue Allocation to Member Agencies - Adopted									
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%	\$ 1,192,045	\$ 5,828,788	\$ 1,337,617	\$ 2,451,447	\$ 10,809,897
	Maintenance	26.5%	33.5%	40.0%	799,107	3,907,422	896,693	1,643,367	7,246,589
	Laboratory	26.5%	33.5%	40.0%	198,295	969,610	222,510	407,794	1,798,210
	Environmental Services	26.5%	33.5%	40.0%	109,581	535,822	122,963	225,354	993,719
	Engineering	26.5%	33.5%	40.0%	153,568	750,910	172,322	315,814	1,392,615
	Safety	100.0%	0.0%	0.0%	55,608	261,997	67,173	107,328	492,106
	Information Services	26.5%	33.5%	40.0%	217,939	1,065,665	244,554	448,193	1,976,351
	Administrative Services	100.0%	0.0%	0.0%	424,657	2,000,774	512,971	819,626	3,758,027
Total Operating Expend.				\$ 3,150,800	\$ 15,320,988	\$ 3,576,802	\$ 6,418,923	\$ 28,467,513	
Subtract Miscellaneous Income	26.5%	33.5%	40.0%	\$ 94,284	\$ 461,023	\$ 105,798	\$ 193,895	\$ 855,000	
2021-22 Net Operating Revenue Required				\$ 3,056,516	\$ 14,859,965	\$ 3,471,004	\$ 6,225,028	\$ 27,612,513	
2020-21 Net Operating Revenue Required				3,119,636	13,023,505	3,602,305	6,883,538	26,628,984	
\$ Increase / (Decrease)				(63,120)	1,836,460	(131,301)	(658,510)	983,529	
% Increase / (Decrease)				(2.02%)	14.10%	(3.64%)	(9.57%)	3.69%	

## Miscellaneous Revenue

Miscellaneous Revenue is derived from grease and septic receipts, property leases, and services performed by the Laboratory and Environmental Services Divisions. Next year, Self-Generation Incentive Program (SGIP) revenue will decline as the cogeneration program expired and was replaced with a smaller SGIP associated with battery storage.

2021-22 Budget Miscellaneous Revenue						
Description	2019-20	2020-21	2020-21	2021-22	\$	%
	Actual	Adopted Budget	Forecast	Adopted Budget	Incr/(Decr) v. Forecast	Incr/(Decr) v. Forecast
Grease & Septic Receiving	\$ 230,924	\$ 325,000	\$ 180,000	\$ 325,000	\$ 145,000	80.6%
Other Miscellaneous Revenue	265,700	128,000	128,000	128,000	-	0.0%
Source Control	30,267	87,500	50,000	90,000	40,000	80.0%
Laboratory Services	29,275	50,000	7,000	14,000	7,000	100.0%
Interest Earnings	187,022	80,000	45,000	80,000	35,000	77.8%
Self-Generation Incentive Program	217,655	275,000	225,000	100,000	(125,000)	(55.6%)
Stormwater Monitoring	31,696	154,000	75,000	118,000	43,000	57.3%
<b>TOTAL</b>	<b>\$ 992,539</b>	<b>\$ 1,099,500</b>	<b>\$ 710,000</b>	<b>\$ 855,000</b>	<b>\$ 145,000</b>	<b>20.4%</b>



## Capital and Reserve Contributions

As described in Section 4 of this budget, Revenue-financed Capital projects are estimated at \$1.49 million in 2021-22. Contributions to the CIP Reserve follow policy and is scheduled to be \$2.0 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.

2021-22 Capital and Reserve Allocation Calculations									
Description		City of Belmont		Redwood City		City of San Carlos		West Bay San District	TOTAL
Capital and Reserve Allocation Factors		9.45%		48.57%		15.14%		26.84%	100.00%
CAPITAL IMPROVEMENT									
Plant (cash-funded capital)	\$	131,119	\$	673,909	\$	210,068	\$	372,405	\$ 1,387,500
Pump Stations		-		-		-		-	-
Force Main		-		-		-		-	-
Equipment		10,395		53,427		16,654		29,524	110,000
Subtotal	\$	141,514	\$	727,336	\$	226,722	\$	401,929	\$ 1,497,500
RESERVE CONTRIBUTIONS									
Operating Reserve	\$	-	\$	-	\$	-	\$	-	\$ -
CIP Reserve		189,000		971,400		302,800		536,800	2,000,000
Subtotal	\$	189,000	\$	971,400	\$	302,800	\$	536,800	\$ 2,000,000
Contributions for Capital & Reserves	\$	330,514	\$	1,698,736	\$	529,522	\$	938,729	\$ 3,497,500

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 2021-22 contributions (including debt service) will be \$50.6 million, allocated as follows:

2021-22 Budget - Total Contributions by Member Agency						
Description	City of Belmont		Redwood City	City of San Carlos		West Bay San District
Net Operating Expenditures	\$	3,056,516	\$	14,859,965	\$	3,471,004
Revenue-Funded Capital Expendit		141,514		727,336		226,722
Reserve Contributions		189,000		971,400		302,800
Projected Debt Service		228,943		10,591,588		3,341,522
<b>Total Contributions to SVCW</b>	<b>\$</b>	<b>3,615,973</b>	<b>\$</b>	<b>27,150,288</b>	<b>\$</b>	<b>7,342,048</b>
					<b>\$</b>	<b>12,396,489</b>
						<b>\$ 50,504,799</b>

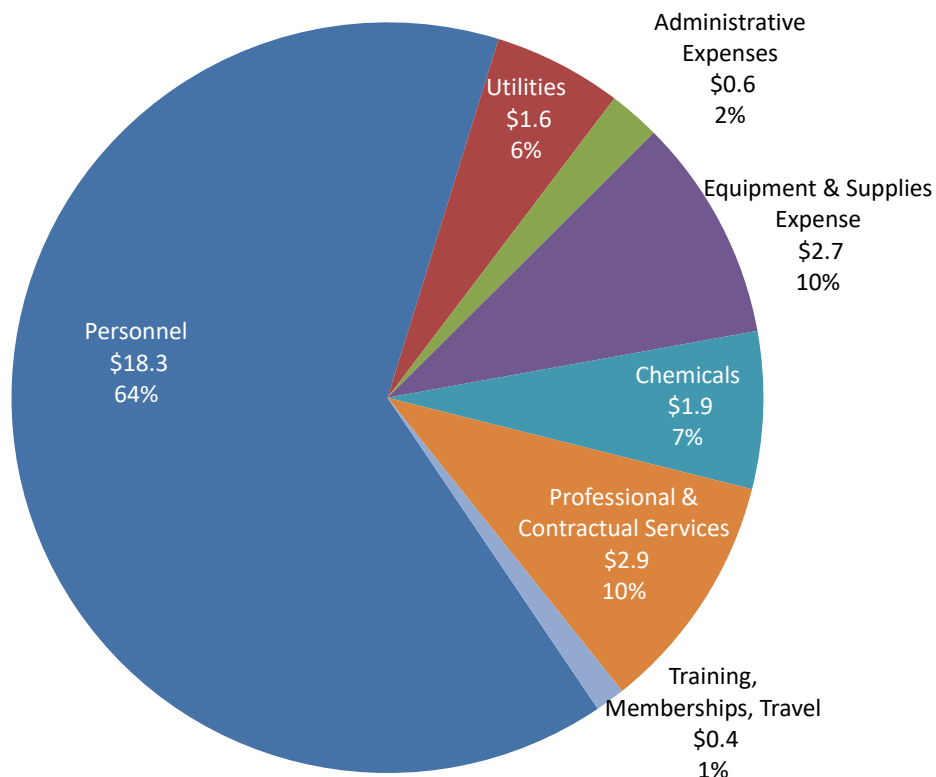


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### SECTION 3 – GROSS OPERATING EXPENDITURES

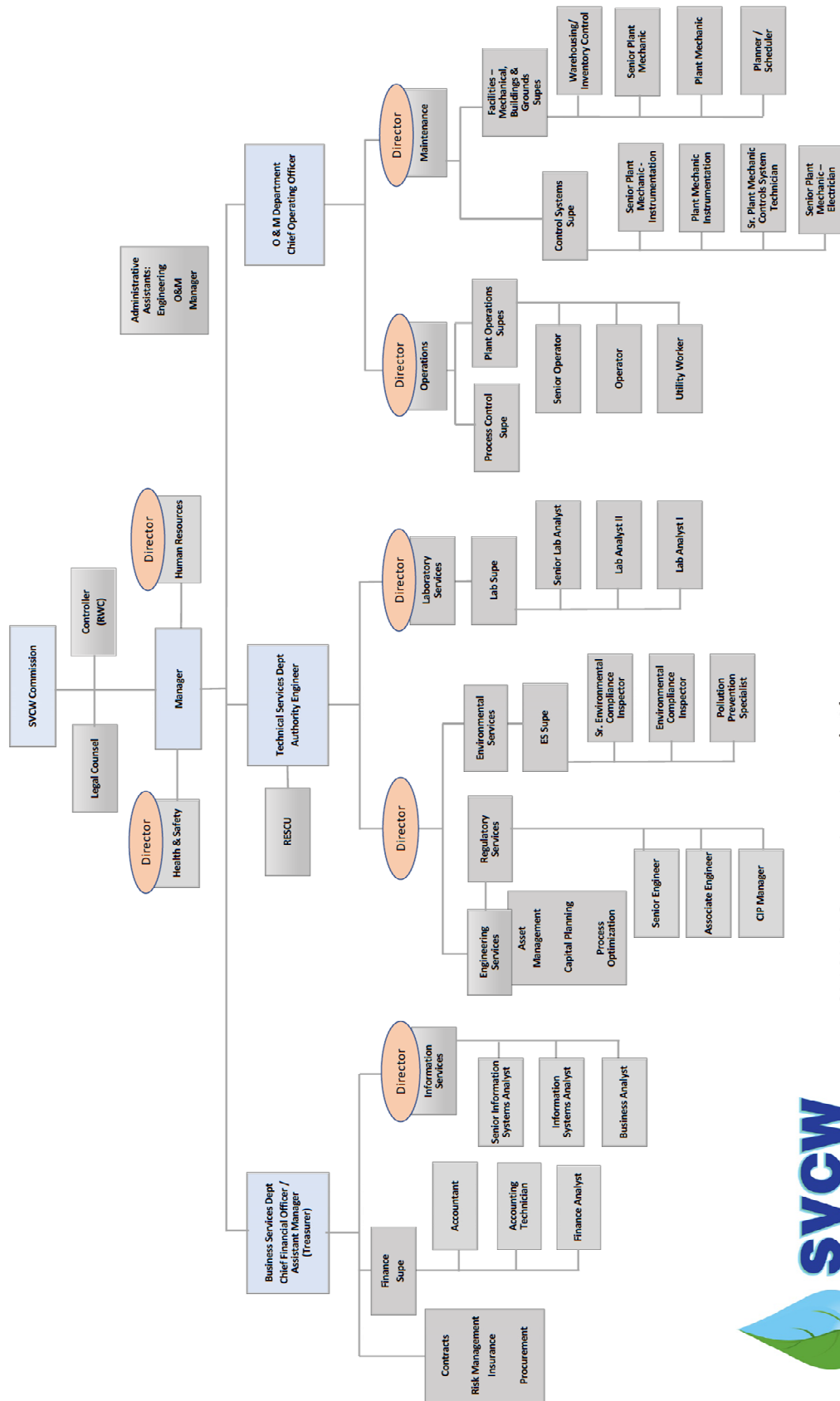
The FY 2021-22 Gross Operating Budget will be \$28.5 million. The below chart illustrates the significant expenditure categories, showing 64% of expenditures are for personnel-related costs associated with approximately 79 full-time equivalent employees in the Operating Budget.

#### SVCW 2021-22 Operating Budget (\$28.5 million)



#### Personnel

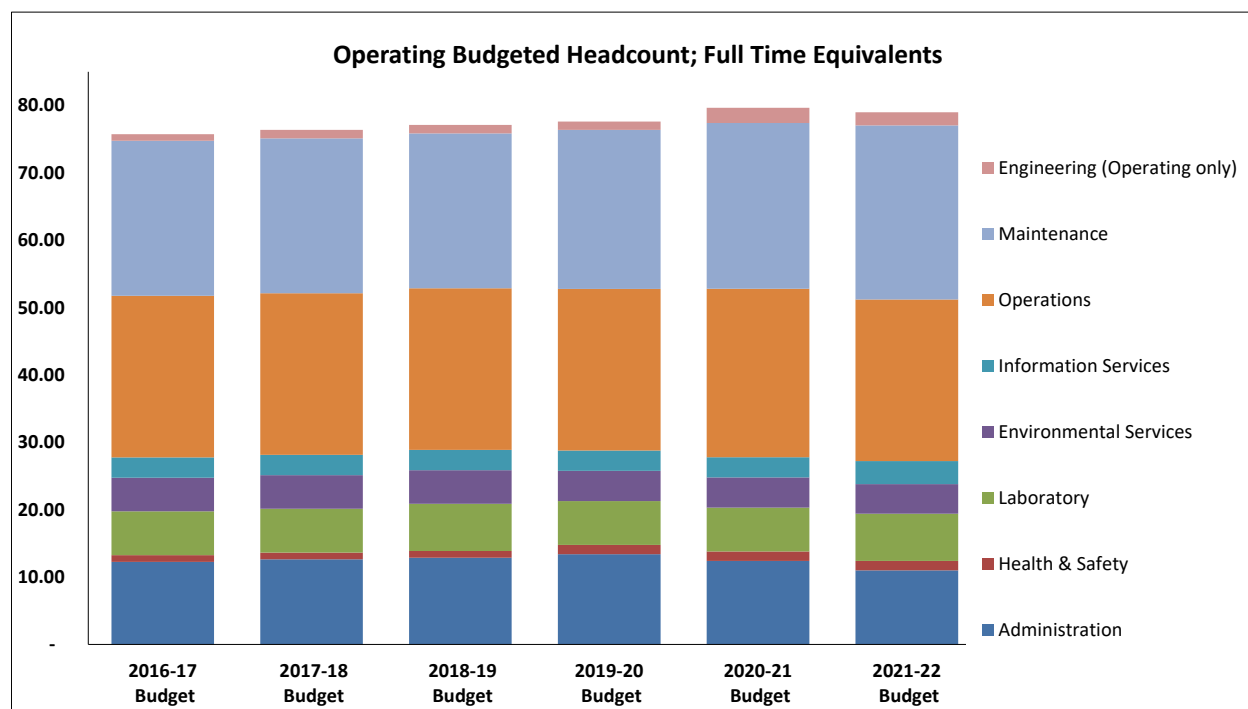
Operating Budget staffing levels have ranged from 72 to 79 full time equivalents across eight divisions since 2010 when SVCW increased staffing to address critical maintenance matters and develop a capital improvement program. Those positions, as well employees dedicated to the Capital Improvement Program,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



**SVCW Organizational Chart**  
Effective 2021

Positions included in the Operating Budget will decrease by 0.65 Full Time Equivalent positions next year. The February 2021 reorganization reduced a purchasing supervisor position from the Administrative Division, offset by labor previously charged to CIP projects by the Engineering Division as it focuses on operational matters. Other net changes in headcount reflect organizational changes as positions moved between divisions.

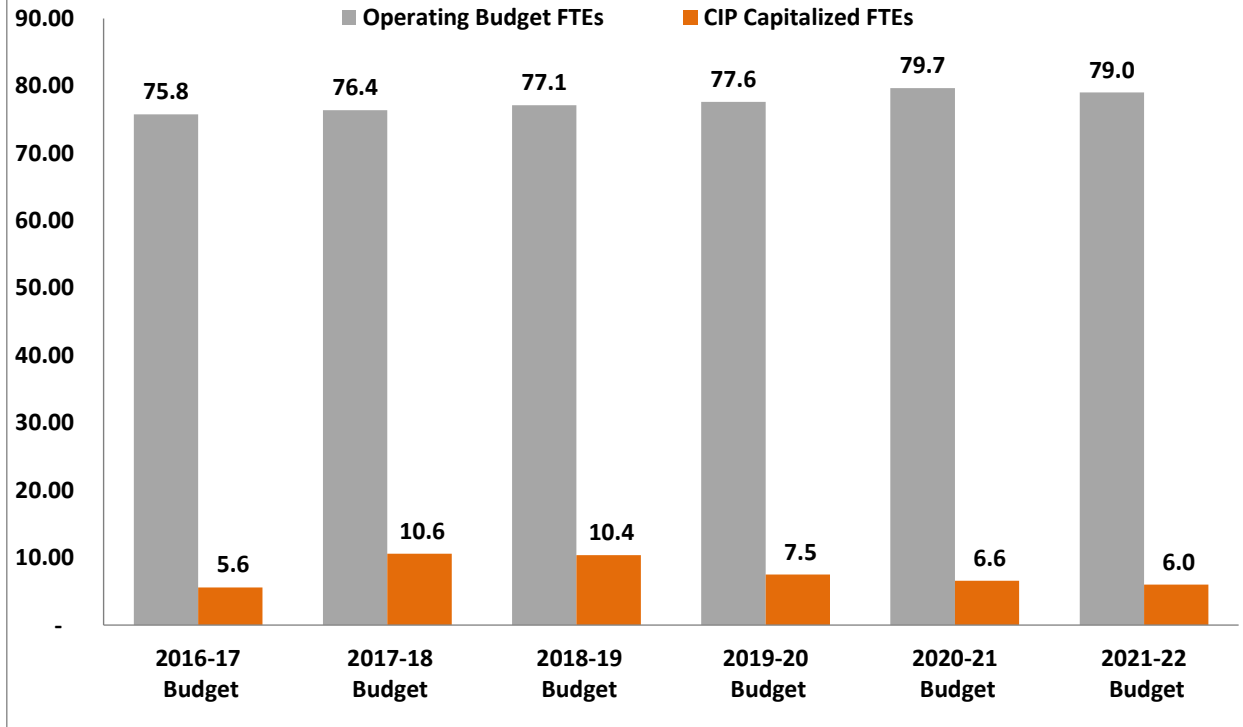
Full-time Equivalent Headcount - Operating Budget							
Division	2016-17 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	Increase/ (Decrease)
Operations	24.00	24.00	24.00	24.00	25.00	24.00	(1.00)
Maintenance	23.00	23.00	23.00	23.60	24.60	25.85	1.25
Laboratory	6.50	6.50	7.00	6.50	6.50	7.00	0.50
Environmental Services	5.00	5.00	5.00	4.50	4.50	4.40	(0.10)
Engineering (Operating only)	1.00	1.25	1.25	1.25	2.25	1.95	(0.30)
Health & Safety	1.00	1.00	1.00	1.40	1.40	1.40	-
Information Services	3.00	3.00	3.00	3.00	3.00	3.40	0.40
Administration	12.25	12.63	12.88	13.38	12.40	11.00	(1.40)
<b>TOTAL Full Time Equivalents</b>	<b>75.75</b>	<b>76.38</b>	<b>77.13</b>	<b>77.63</b>	<b>79.65</b>	<b>79.00</b>	<b>(0.65)</b>



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 increasingly large and complex projects.



### Full-Time Equivalent Positions - By Funding Source Operating and Capital Improvement Program



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## Operating Costs Summary by Objective

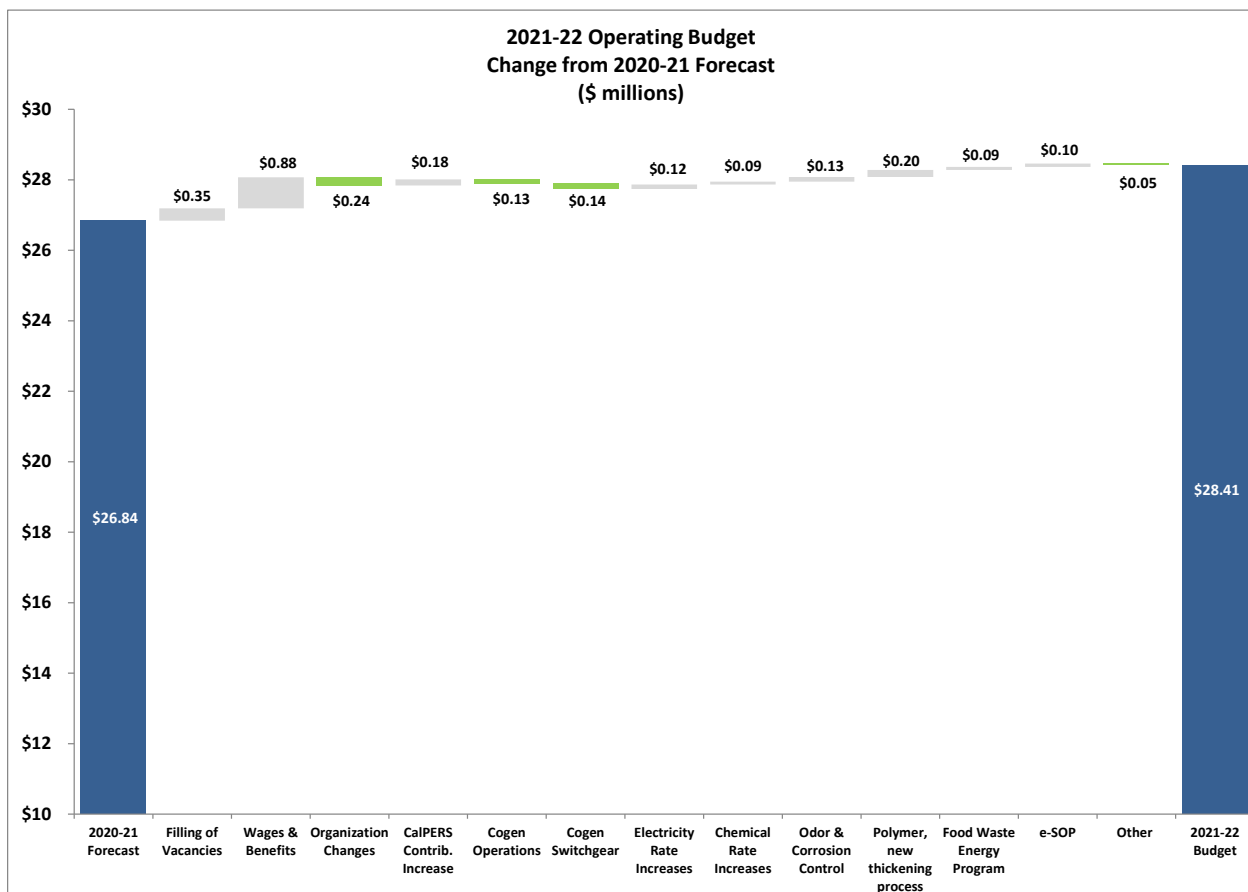
Gross Operating Expenses (compared to 2020-21 Forecast) increases by \$1.63 million, or 6.1%. The Forecast is anticipated to be nearly \$900 thousand below the 2020-21 Budget, mostly for non-recurring COVID-19 reasons. Personnel costs such as compensation, benefits, and workers' compensation insurance were less than budget during this pandemic year as several positions remained vacant while tasks were temporarily deferred. Similarly, COVID-19 caused a temporary decline in other expenditures like repair services, materials purchases, training, and conferences. Much of these reductions are not sustainable, and the 2021-22 Budget assumes a return to SVCW's ordinary workload. 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	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel	\$ 17,863,474	\$ 17,853,205	\$ 16,924,731	\$ 18,280,601	\$ 1,355,870	8.0%
Utilities	1,858,027	1,733,449	1,890,226	1,576,620	(313,606)	(16.6%)
Administrative Expenses	580,200	623,021	593,769	631,843	38,074	6.4%
Equipment & Supplies Expense	2,205,698	2,599,502	2,619,267	2,738,854	119,587	4.6%
Chemicals	1,563,436	1,703,871	1,559,335	1,928,592	369,257	23.7%
Professional & Contractual Services	2,682,934	2,820,575	2,941,793	2,947,492	5,699	0.2%
Training, Memberships, Travel	150,459	394,861	308,623	363,511	54,888	17.8%
<b>TOTAL</b>	<b>\$ 26,904,228</b>	<b>\$ 27,728,484</b>	<b>\$ 26,837,742</b>	<b>\$ 28,467,513</b>	<b>\$ 1,629,771</b>	<b>6.1%</b>

### Comparing the 2021-22 Budget to the 2020-21 Forecast:

- Personnel costs will increase by \$1.35 million, or 8.0% compared to the 2020-21 Forecast. Approximately \$350 thousand of this increase is to fill vacant positions that existed during much of 2020-21. Other increases include \$880 thousand of cost-of-living and step adjustments and a \$180 thousand increase in CalPERS-required contribution rates. Offsetting these increases is approximately \$240 thousand in personnel savings associated with a recent organizational change.
- Despite anticipated rate increases from PG&E for electricity, utilities costs will decrease by \$313 thousand compared to the Forecast, or 16.7%. During fiscal year 2020-21 the cogeneration engine program was temporarily out of service and, when returned to normal operations, will reduce electricity expense versus the 2020-21 Forecast by \$130 thousand. PG&E rates are anticipated to increase by 8%, or \$120 thousand, though is offset by \$130 thousand of cogeneration benefits associated with utilization of SVCW's new electrical switchgear.
- Administrative Expense will increase from the Forecast by \$38 thousand (6.4%) primarily attributed to increases in annual permit fees from the State Water Board.
- Equipment & Supplies Expense will increase by \$119 thousand, or 4.6%, as the Maintenance Division addresses work that was deferred during the COVID-19 pandemic.

- Chemicals will increase by \$369 thousand, or 23.7%, \$90 thousand of which is for an anticipated 5% price increase. Additionally, chemical costs increase by \$130 thousand from Forecast as SVCW enforces measures to reduce odors and mitigate corrosion in the conveyance system. Finally, SVCW introduced a new gravity-thickening process that will improve water quality and reduce maintenance needs but uses \$200 thousand in additional polymer.
- Professional & Contractual Services will be flat year-over-year, with an increase of \$5.7 thousand or 0.2%.
- Training, Memberships, and Travel will increase by \$54.9 thousand (17.8%). SVCW suspended most training and travel during the COVID-19 pandemic period, though expects ordinary training and education practices next fiscal year.



Silicon Valley Clean Water Operating Expenditures						
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 11,681,659	\$ 12,628,344	\$ 12,183,623	\$ 12,956,108	\$ 772,485	6.3%
Overtime	225,672	282,290	252,830	260,120	7,290	2.9%
Retirement Benefit Contributions	3,375,629	2,463,337	2,406,198	2,757,395	351,196	14.6%
Health Insurance	1,464,339	1,579,258	1,425,670	1,617,679	192,010	13.5%
Payroll Tax	911	1,190	762	1,246	484	-
Workers' Compensation	245,324	283,116	249,010	285,168	36,158	14.5%
Health Insurance - Retiree	699,761	428,130	227,265	210,900	(16,365)	(7.2%)
Medicare	170,178	187,540	179,372	191,984	12,612	7.0%
Subtotal: Personnel Costs	17,863,474	17,853,205	16,924,731	18,280,601	1,355,870	8.0%
Utilities	1,858,027	1,733,449	1,890,226	1,576,620	(313,606)	(16.6%)
Administrative Expenses	580,200	623,021	593,769	631,843	38,074	6.4%
Equipment & Supplies Expense:						
Office Supplies	22,357	17,555	16,567	17,087	520	3.1%
Rentals & Leases	57,270	85,540	57,232	86,100	28,868	50.4%
Supplies & Expenses	588,091	520,400	545,676	510,778	(34,898)	(6.4%)
Equipment Maint - Materials	846,071	984,572	1,048,352	980,696	(67,656)	(6.5%)
Equipment Maint - Services	662,906	944,265	919,674	1,113,993	194,319	21.1%
Non-Capital Equipment	29,002	47,170	31,765	30,200	(1,565)	(4.9%)
Subtotal: Equipment & Supplies	2,205,698	2,599,502	2,619,267	2,738,854	119,587	4.6%
Chemicals	1,563,436	1,703,871	1,559,335	1,928,592	369,257	23.7%
Professional Services	827,699	822,308	1,017,261	992,486	(24,775)	(2.4%)
Contractual Services	1,855,235	1,998,267	1,924,531	1,955,006	30,475	1.6%
Memberships & Meetings	55,234	82,520	77,366	81,864	4,498	5.8%
Conferences & Travel	54,315	140,328	105,483	111,757	6,274	5.9%
Training	40,910	172,013	125,774	169,890	44,116	35.1%
<b>TOTAL EXPENDITURES</b>	<b>\$ 26,904,228</b>	<b>\$ 27,728,484</b>	<b>\$ 26,837,742</b>	<b>\$ 28,467,513</b>	<b>\$ 1,629,771</b>	<b>6.1%</b>

## Total Operating Expenditures by Division

Compared to the 2020-21 Forecast, Divisional changes in budget ranged according to individual strategies. Analysis of each Division is described on the following several pages.

Silicon Valley Clean Water Expenditure Summary - By Division						
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Operations	\$ 10,072,541	\$ 10,554,300	\$ 10,194,749	\$ 10,809,897	\$ 615,148	6.0%
Maintenance	6,689,721	6,835,021	6,734,310	7,246,589	512,278	7.6%
Laboratory Services	1,979,154	1,890,060	1,846,544	1,798,210	(48,334)	(2.6%)
Environmental Services	1,051,499	1,044,663	942,118	993,719	51,602	5.5%
Engineering	879,262	990,110	967,719	1,392,615	424,896	43.9%
Safety	451,703	534,072	465,399	492,106	26,707	5.7%
Information Services	1,630,225	1,718,814	1,638,842	1,976,351	337,508	20.6%
Administration	4,150,123	4,161,444	4,048,061	3,758,027	(290,034)	(7.2%)
<b>TOTAL</b>	<b>\$ 26,904,228</b>	<b>\$ 27,728,484</b>	<b>\$ 26,837,742</b>	<b>\$ 28,467,513</b>	<b>\$ 1,629,771</b>	<b>6.1%</b>

## 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 24 full-time equivalent positions in 2020-21 including the Chief Operating Officer, an Operations Director, and four Operations Supervisors. There are fourteen Operators, three Utility Workers, and one Administrative Assistant. There are no proposed changes in headcount next fiscal year.

Operations Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 3,480,135	\$ 3,795,531	\$ 3,589,365	\$ 3,813,016	\$ 223,651	6.2%	
Overtime	138,627	161,516	150,378	153,373	2,995	2.0%	
Retirement Benefit Contributions	1,030,595	784,297	768,871	884,377	115,506	15.0%	
Health Insurance	497,741	546,758	489,220	527,220	38,000	7.8%	
Workers' Compensation	83,680	101,522	86,769	98,426	11,658	13.4%	
Health Insurance - Retiree	221,162	134,100	67,050	63,600	(3,450)	(5.1%)	
Medicare	51,019	57,473	54,293	57,600	3,307	6.1%	
Subtotal: Personnel Costs	5,502,958	5,581,196	5,205,946	5,597,613	391,667	7.5%	
Utilities	1,671,416	1,555,609	1,720,547	1,402,980	(317,567)	(18.5%)	
Equipment & Supplies Expense:							
Rentals & Leases	-	6,000	3,000	22,596	19,596	653.2%	
Supplies & Expenses	95,315	3,496	17,924	34,296	16,372	91.3%	
Equipment Maint - Materials	834	-	1,890	-	(1,890)	(100.0%)	
Non-Capital Equipment	1,941	-	-	-	-	-	
Subtotal: Equipment & Supplies	98,832	9,496	22,815	56,892	34,077	149.4%	
Chemicals	1,563,436	1,703,871	1,559,335	1,928,592	369,257	23.7%	
Professional Services	57,613	-	93,903	-	(93,903)	(100.0%)	
Contractual Services	1,165,307	1,644,300	1,556,558	1,771,560	215,002	13.8%	
Memberships & Meetings	2,670	8,276	5,699	5,280	(419)	(7.4%)	
Conferences & Travel	6,969	20,304	11,245	13,500	2,255	20.1%	
Training	3,342	31,248	18,703	33,480	14,777	79.0%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,072,541</b>	<b>\$ 10,554,300</b>	<b>\$ 10,194,749</b>	<b>\$ 10,809,897</b>	<b>\$ 615,148</b>	<b>6.0%</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Operations include:

- Personnel costs will increase \$391.7 thousand, or 7.5%, which includes \$75 thousand to fill an Operator position vacant during the 2020-21 fiscal year. The remaining increase is from contractual step increases in compensation and cost-of-living adjustments, plus assumed price increases in insurance costs.
- Budgeted Utilities Expense will decrease by \$317 thousand, or 18.5% versus Forecast. This reflects the absence next year of a \$300 thousand impact when Cogeneration engines were out of service for maintenance. Aside from this matter electricity rates are expected to increase by 8%. A recently-completed electrical switchgear project will help offset this increase by allowing cogeneration engines to operate at higher production levels.
- Chemical costs will increase by \$369.3 thousand (23.7%) next year. While an anticipated price increase of 5% contributes to this increase, a larger contributor is the increased use of chemicals to control odors control and reduce corrosion. There are also added funds for increased polymer used for a newly-implemented Rotary Drum Thickener process.



## 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 25.6 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 twelve Plant Mechanics, five Instrumentation Mechanics, three Senior Electrical Mechanics, and one Assistant Planner/Scheduler.

Maintenance Services Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 3,216,599	\$ 3,583,995	\$ 3,511,127	\$ 3,703,252	\$ 192,126	5.5%	
Overtime	44,347	65,924	43,304	53,895	10,591	24.5%	
Retirement Benefit Contributions	1,018,428	755,597	763,450	793,817	30,368	4.0%	
Health Insurance	444,930	481,511	427,932	556,352	128,420	30.0%	
Payroll Tax	-	-	-	1,246	1,246	-	
Workers' Compensation	83,921	96,354	87,535	105,147	17,613	20.1%	
Health Insurance - Retiree	202,859	132,060	79,230	67,440	(11,790)	(14.9%)	
Medicare	47,649	53,020	50,431	54,600	4,169	8.3%	
Subtotal: Personnel Costs	5,058,732	5,168,461	4,963,008	5,335,751	372,743	7.5%	
Administrative Expenses	1,806	-	450	-	(450)		
Equipment & Supplies Expense:							
Rentals & Leases	15,793	22,500	11,250	21,000	9,750	86.7%	
Supplies & Expenses	98,903	100,932	111,796	78,168	(33,628)	(30.1%)	
Equipment Maint - Materials	779,607	788,892	866,423	847,896	(18,527)	(2.1%)	
Equipment Maint - Services	469,835	649,908	680,928	864,624	183,696	27.0%	
Non-Capital Equipment	16,402	27,420	24,823	14,250	(10,573)	(42.6%)	
Subtotal: Equipment & Supplies	1,380,540	1,589,652	1,695,220	1,825,938	130,718	7.7%	
Contractual Services	230,101	9,480	21,720	15,000	(6,720)	(30.9%)	
Memberships & Meetings	4,810	5,424	5,332	6,132	800	15.0%	
Conferences & Travel	3,765	8,700	3,905	8,004	4,099	105.0%	
Training	9,966	53,304	44,676	55,764	11,089	24.8%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,689,721</b>	<b>\$ 6,835,021</b>	<b>\$ 6,734,310</b>	<b>\$ 7,246,589</b>	<b>\$ 512,278</b>	<b>7.6%</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Maintenance include:

- Personnel costs will increase \$372.7 thousand, or 7.5%, partially due to one additional warehouse specialist position transferred in from the Administrative Division. Additionally, ordinary contractual increases in wages (step increases and cost-of-living adjustments) and associated benefits are planned.
- Equipment Maintenance Services will increase by \$130.7 thousand (7.7%) as the Maintenance Division addresses a backlog of items that were temporarily deferred during the COVID-19 pandemic.
- Training increases by \$11 thousand (24.8%), as the Maintenance Division resumes a training regimen that was 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, two Lab Analyst I, two Lab Analyst II, and a Senior Lab Analyst. Prior to the reorganization in January 2021, the Director also managed an Environmental Services Supervisor, two Water Quality Specialists, and a Pollution Prevention Specialist.

Laboratory Services Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 964,915	\$ 919,898	\$ 937,234	\$ 1,116,588	\$ 179,354	19.1%	
Overtime	13,471	23,245	16,538	22,406	5,868	35.5%	
Retirement Benefit Contributions	249,317	169,303	182,673	238,718	56,045	30.7%	
Health Insurance	96,669	86,670	85,011	97,318	12,307	14.5%	
Workers' Compensation	25,170	24,916	23,900	31,872	7,972	33.4%	
Health Insurance - Retiree	62,610	35,550	17,775	19,200	1,425	8.0%	
Medicare	14,243	13,710	14,005	16,550	2,545	18.2%	
Subtotal: Personnel Costs	1,426,393	1,273,293	1,277,136	1,542,652	265,516	20.8%	
Administrative Expenses	335,109	341,075	317,835	8,725	(309,110)	(97.3%)	
Equipment & Supplies Expense:							
Office Supplies	4	-	-	-	-	-	
Rentals & Leases	152	-	-	-	-	-	
Supplies & Expenses	78,019	99,996	83,206	84,000	794	1.0%	
Equipment Maint - Materials	17,654	35,000	31,466	45,000	13,534	43.0%	
Equipment Maint - Services	39,944	43,749	37,047	32,536	(4,511)	(12.2%)	
Non-Capital Equipment	10,215	12,100	5,300	8,400	3,100	58.5%	
Subtotal: Equipment & Supplies	145,988	190,845	157,019	169,936	12,917	8.2%	
Professional Services	-	6,000	3,000	7,500	4,500	-	
Contractual Services	59,925	49,247	67,985	48,722	(19,263)	(28.3%)	
Memberships & Meetings	2,154	12,105	11,710	10,325	(1,385)	(11.8%)	
Conferences & Travel	4,626	8,490	4,760	5,230	470	9.9%	
Training	4,960	9,005	7,098	5,120	(1,978)	(27.9%)	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,979,154</b>	<b>\$ 1,890,060</b>	<b>\$ 1,846,544</b>	<b>\$ 1,798,210</b>	<b>\$ (48,334)</b>	<b>(2.6%)</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Laboratory Services include:

- In the prior year, as the Laboratory Director was also responsible for the Environmental Services Division, the associated personnel costs were also shared. The January 2021 reorganization dedicates this director 100% to the Laboratory Division. Other staffing costs are increasing by the contractual step and cost-of-living adjustments.
- Administrative expense decrease by \$310 thousand as all permitting responsibilities and their costs are now assigned to the Engineering Division.
- Equipment Maintenance Materials will increase by \$13.5 thousand to purchase replacement refrigerators, incubators, samplers, and ultra-purified water units. The current year forecast includes less such purchases.
- Equipment Maintenance Services will decrease by \$4.5 thousand in recognition of less repairs needed on newly-purchased equipment.
- Professional Services will increase by \$4.5 thousand to fund a scheduled Environmental Laboratory Accreditation Program (“ELAP”) renewal.
- Contractual Services will decline by \$19.2 thousand (28.3%), as the Laboratory mass spectrometer instrument for detecting trace metals was out of service during much of 2020-21. While out of service, the Laboratory outsourced the testing of industrial user samples to a contract lab. The instrument is now back online in-service and outsourcing costs will not be incurred next fiscal year.
- The budgeted versus forecasted amounts for Memberships and Meetings, Conferences, and Training, will return to ordinary budget levels.

## 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.

The January 2021 reorganization resulted in a director being shared between Environmental Services and the Engineering Division (previously shared with the Laboratory Division). There is an Environmental Services Supervisor, two Environmental Compliance Inspectors and a Pollution Prevention Specialist in this Division.

Environmental Services Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 647,050	\$ 680,491	\$ 625,653	\$ 687,304	\$ 61,651	9.9%	
Overtime	1,408	7,307	4,794	5,546	752	15.7%	
Retirement Benefit Contributions	195,379	142,302	140,301	141,552	1,251	0.9%	
Health Insurance	62,694	73,245	58,256	59,970	1,714	2.9%	
Workers' Compensation	16,539	18,156	15,654	16,707	1,053	6.7%	
Health Insurance - Retiree	40,022	24,150	12,075	12,000	(75)	(0.6%)	
Medicare	9,283	9,990	9,164	10,067	903	9.9%	
Subtotal: Personnel Costs	972,375	955,641	865,896	933,146	67,250	7.8%	
Administrative Expenses	35,393	27,924	23,599	1,544	(22,055)	(93.5%)	
Equipment & Supplies Expense:							
Office Supplies	408	-	-	-	-	0.0%	
Supplies & Expenses	270	7,100	4,027	7,100	3,073	76.3%	
Equipment Maint - Services	-	1,500	750	1,500	750	100.0%	
Non-Capital Equipment	-	4,750	875	4,750	3,875	442.9%	
Subtotal: Equipment & Supplies	678	13,350	5,652	13,350	7,698	136.2%	
Contractual Services	39,656	32,288	33,034	29,924	(3,110)	(9.4%)	
Memberships & Meetings	863	1,040	930	1,040	110	11.8%	
Conferences & Travel	2,358	11,480	11,802	11,950	148	1.3%	
Training	176	2,940	1,205	2,765	1,560	129.5%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,051,499</b>	<b>\$ 1,044,663</b>	<b>\$ 942,118</b>	<b>\$ 993,719</b>	<b>\$ 51,602</b>	<b>5.5%</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Environmental Services include:

- The 2020-21 budget split director costs between the Environmental Services and the Laboratory Division. Now the Laboratory director costs have been fully returned to the Laboratory Division. The newly-assigned Engineering director has now taken on overseeing the Environmental Services Division. Other increases in the personnel costs include contractual increases for salary and anticipated price increases of benefits.
- Administrative Expenses decline by \$22 thousand (93.5%), as air permit fees will transfer to the Engineering Division.
- Non-capital equipment will increase by \$3.9 thousand to replace sewer science lab kits.

## Engineering

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

The Division is currently focused on the RESCU program and improvements to the wastewater treatment plant. It works under the direction of the Authority Engineer and an Engineering Director, whose staff includes three Senior Engineers, one Engineer, a CIP Manager, and two Administrative Assistants. Much of the Engineering Division's personnel costs are charged to capital projects.

Engineering Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 376,671	\$ 522,681	\$ 513,848	\$ 519,716	\$ 5,867	1.1%	
Retirement Benefit Contributions	167,533	76,046	72,325	91,818	19,493	27.0%	
Health Insurance	45,450	53,808	52,483	54,313	1,830	3.5%	
Payroll Tax	588	1,190	595	-	(595)	(100.0%)	
Workers' Compensation	1,334	1,907	1,544	1,448	(96)	(6.2%)	
Health Insurance - Retiree	16,796	10,380	5,190	5,400	210	4.0%	
Medicare	5,584	7,589	7,463	7,546	84	1.1%	
Subtotal: Personnel Costs	613,956	673,600	653,448	680,242	26,793	4.1%	
Administrative Expenses	12	5,004	2,502	384,963	382,461	15286.2%	
Equipment & Supplies Expense:							
Office Supplies	2,309	960	662	960	298	45.0%	
Supplies & Expenses	306	7,224	4,310	4,200	(110)	(2.6%)	
Subtotal: Equipment & Supplies	2,616	8,184	4,972	5,160	188	3.8%	
Professional Services	228,375	228,996	245,928	241,500	(4,428)	(1.8%)	
Memberships & Meetings	9,658	21,646	18,784	22,846	4,062	21.6%	
Conferences & Travel	23,360	45,600	35,042	51,000	15,958	45.5%	
Training	1,286	7,080	7,042	6,904	(138)	(2.0%)	
<b>TOTAL EXPENDITURES</b>	<b>\$ 879,262</b>	<b>\$ 990,110</b>	<b>\$ 967,719</b>	<b>\$ 1,392,615</b>	<b>\$ 424,896</b>	<b>43.9%</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Engineering include:

- Personnel costs will increase \$5.9 thousand (1.1%), as Director personnel costs are now shared with the Environmental Services Division. Other personnel cost changes reflect ordinary inflationary pressure on wages and benefits, and some adjustments to the amount of time engineering staff are assigned to CIP projects.
- Administrative Expense increases by \$384 thousand as the Engineering Division's budget now includes permit fees previously assigned to the Laboratory and Environmental Services Divisions.
- Conference and Travel expenses increase as an Engineering staff person is assuming a leadership role in the California Water Environmental Association ("CWEA"), an industry group focused on increasing the effectiveness of California wastewater professionals.



## Safety

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

Safety Department Expenditures							
Description	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 238,362	\$ 263,546	\$ 237,941	\$ 268,888	\$ 30,947	13.0%	
Overtime	-	1,418	1,715	\$ 1,100	(615)	-	
Retirement Benefit Contributions	30,496	38,059	29,954	42,704	12,750	0.0%	
Health Insurance	29,156	35,435	31,031	34,751	3,720	12.0%	
Workers' Compensation	5,936	6,998	5,970	7,556	1,586	26.6%	
Health Insurance - Retiree	11,916	7,740	3,870	3,960	90	2.3%	
Medicare	3,386	3,851	3,464	3,924	459	13.3%	
Subtotal: Personnel Costs	319,252	357,046	313,945	362,882	48,937	15.6%	
Administrative Expenses	16,989	47,450	28,857	13,985	(14,872)	(51.5%)	
Equipment & Supplies Expense:							
Rentals & Leases	450	-	-	-	-	0.0%	
Supplies & Expenses	73,176	71,596	71,778	65,626	(6,152)	(8.6%)	
Equipment Maint - Materials	5,660	2,000	2,810	2,000	(810)	(28.8%)	
Equipment Maint - Services	-	5,900	5,512	6,125	613	11.1%	
Non-Capital Equipment	444	2,900	767	2,800	2,033	265.1%	
Subtotal: Equipment & Supplies	79,730	82,396	80,867	76,551	(4,316)	(5.3%)	
Professional Services	450	-	450	-	(450)		
Contractual Services	21,570	24,400	22,807	19,000	(3,807)	(16.7%)	
Memberships & Meetings	6,666	3,955	4,799	4,188	(611)	(12.7%)	
Conferences & Travel	844	3,825	3,675	2,500	(1,175)	(32.0%)	
Training	6,203	15,000	10,000	13,000	3,000	30.0%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 451,703</b>	<b>\$ 534,072</b>	<b>\$ 465,399</b>	<b>\$ 492,106</b>	<b>\$ 26,707</b>	<b>5.7%</b>	

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Safety include:

- Personnel costs will change \$48 thousand (15%). Approximately \$40 thousand of this increase is associated with the COVID-19 pandemic, as work assignments for the mechanic working part time on safety tasks were temporarily suspended. The balance of the increase is inflationary pressure on pay and associated benefits.
- Administrative Expense decreases by \$14.9 thousand due to a change in processing of safety award program payments, now handled through payroll.

## 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	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast	
Personnel:							
Salaries	\$ 572,563	\$ 589,587	\$ 580,894	\$ 693,418	\$ 112,524	19.4%	
Retirement Benefit Contributions	205,791	148,425	140,161	185,776	45,615	32.5%	
Health Insurance	45,386	45,933	43,519	62,717	19,197	44.1%	
Workers' Compensation	12,680	15,536	12,208	10,733	(1,475)	(12.1%)	
Health Insurance - Retiree	27,720	15,300	7,650	8,700	1,050	13.7%	
Medicare	8,252	8,549	8,480	10,059	1,579	18.6%	
Subtotal: Personnel Costs	872,391	823,330	792,912	971,403	178,490	22.5%	
Utilities	186,611	177,840	169,679	173,640	3,961	2.3%	
Equipment & Supplies Expense:							
Office Supplies	1,046	-	90	-	(90)	(100.0%)	
Administrative Expenses	-	-	-	-	-	-	
Rentals & Leases	30,283	40,980	27,949	28,800	851	3.0%	
Supplies & Expenses	167,283	147,580	182,892	189,465	6,573	3.6%	
Equipment Maint - Services	109,078	164,404	142,535	169,104	26,569	18.6%	
Equipment Maint - Materials	38,591	157,180	144,122	85,800	(58,322)	(40.5%)	
Subtotal: Equipment & Supplies	346,282	510,144	497,588	473,169	(24,419)	(4.9%)	
Professional Services	74,385	159,900	151,200	314,600	163,400	108.1%	
Contractual Services	137,891	21,200	12,929	18,600	5,671	43.9%	
Memberships & Meetings	2,782	2,600	1,779	2,639	860	48.3%	
Conferences & Travel	-	1,500	1,500	-	(1,500)	(100.0%)	
Training	9,883	22,300	11,255	22,300	11,045	98.1%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,630,225</b>	<b>\$ 1,718,814</b>	<b>\$ 1,638,842</b>	<b>\$ 1,976,351</b>	<b>\$ 337,508</b>	<b>20.6%</b>	

As compared to the 2020-21 Forecast, total expenditures in the Information Services Division will increase by \$337.5 thousand (20.6%). Significant variances include:

- Personnel costs will increase \$178.5 thousand, or 22.5%, which includes approximately \$110 thousand for the transfer of Business Analyst costs previously charged to the Administrative Division. Remaining increases reflect ordinary merit and cost-of-living adjustments.
- Professional Services will increase by \$163 thousand to reflect the transfer from the Administrative Division of technology consulting fees for workflow, SharePoint, and other Microsoft systems.
- Training expenses increase by \$11 thousand, reflecting a need to focus on network security and systems administrator needs.

## Administrative Services

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

In addition to the 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	2019-20 Actual	Adopted 2020-21 Budget	2020-21 Forecast	Proposed 2021-22 Budget	\$ Incr/(Decr) v. Forecast	% Incr/(Decr) v. Forecast
Personnel:						
Salaries	\$ 2,185,364	\$ 2,272,615	\$ 2,187,561	\$ 2,153,926	\$ (33,635)	(1.5%)
Overtime	27,820	22,880	36,102	23,800	(12,302)	(34.1%)
Retirement Benefit Contributions	478,091	349,308	308,464	378,632	70,168	22.7%
Health Insurance	242,313	255,898	238,218	225,039	(13,178)	(5.5%)
Payroll Tax	322	-	167	-	(167)	0.0%
Workers' Compensation	16,064	17,727	15,431	13,278	(2,153)	(14.0%)
Health Insurance - Retiree	116,678	68,850	34,425	30,600	(3,825)	(11.1%)
Medicare	30,762	33,359	32,072	31,638	(434)	(1.4%)
Subtotal: Personnel Costs	3,097,416	3,020,638	2,852,439	2,856,913	4,474	0.2%
Administrative Expenses	190,893	201,568	220,526	222,626	2,100	1.0%
Equipment & Supplies Expense:						
Office Supplies	17,848	16,595	15,425	16,127	702	4.6%
Rentals & Leases	10,592	16,060	15,033	13,704	(1,329)	(8.8%)
Supplies & Expenses	74,819	82,476	70,134	47,923	(22,211)	(31.7%)
Equipment Maint - Materials	3,726	1,500	1,641	-	(1,641)	(100.0%)
Equipment Maint - Services	44,049	78,804	52,902	40,104	(12,798)	(24.2%)
Subtotal: Equipment & Supplies	151,033	195,435	155,135	117,858	(37,277)	(24.0%)
Professional Services	466,875	427,412	522,780	428,886	(93,894)	(18.0%)
Contractual Services	200,786	217,352	209,498	52,200	(157,298)	(75.1%)
Memberships & Meetings	25,632	27,474	28,333	29,414	1,081	3.8%
Conferences & Travel	12,393	40,429	33,554	19,573	(13,981)	(41.7%)
Training	5,096	31,136	25,796	30,557	4,761	18.5%
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,150,123</b>	<b>\$ 4,161,444</b>	<b>\$ 4,048,061</b>	<b>\$ 3,758,027</b>	<b>\$ (290,034)</b>	<b>(7.2%)</b>

As compared to the 2020-21 Forecast, significant increases / decreases in the operating budget for Administrative Services include:

- Personnel costs will increase by only \$4.4 thousand, or 0.2%, after the reduction of one Purchasing Supervisor position and the transfer of the Business Analyst to Information Services. Other increases include ordinary step and cost-of-living adjustments.
- 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.
- Contractual Services expense declines by \$157.3 thousand (75%) as other facility costs for janitorial, cleaning, and landscaping transfers to the Maintenance Division.

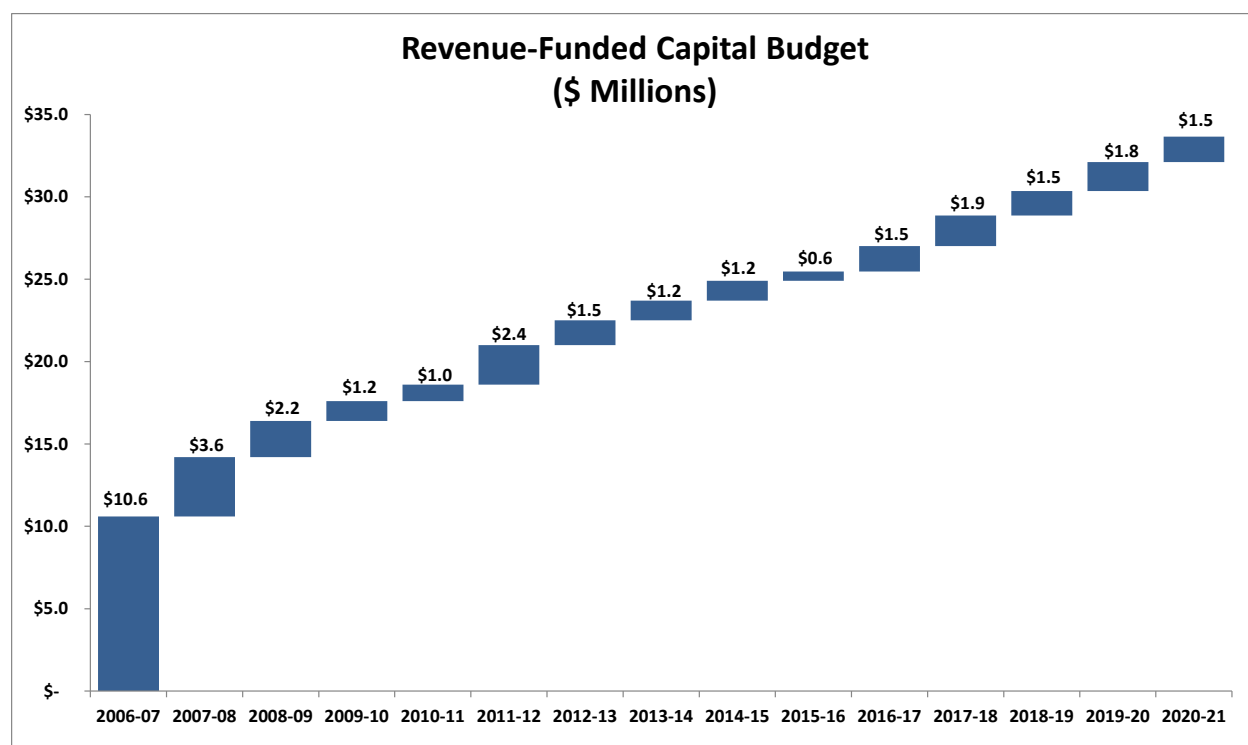
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## SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES

### 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 \$34 million on Revenue-Funded capital expenditures. Prior to formally adopting the Capital Improvement Program in fiscal year 2008-09, Member Agencies made large cash contributions of \$10.6 million to address immediate project needs. Since 2008-09, however, SVCW has averaged \$1.7 million annually in Revenue-Funded capital expenditures.





The 2021-22 Budget of \$1.49 million for Revenue-Funded capital expenditures includes:

2021-22 Revenue-Funded Capital Expenditures	
Project Name	Estimated Cost
Underground Fuel Tank Replacement	\$ 875,000
Motor Control Center Process Logic Controller hardware Upgrade	100,000
Process Automation Improvements	100,000
Industrial Automation Platform Security Upgrades	65,000
Industrial Automation Platform RESCU Connectivity	50,000
Industrial Automation Platform Plantwide Access / Backup	47,500
Overhaul Co-Gen #1 Alternator to Marine Grade Specifications	60,000
Maintenance Building Fire Alarm	40,000
Maintenance Facility Renovations	50,000
Articulating Boom Lift	80,000
SCBA and Air Tank Replacement	30,000
<b>TOTAL</b>	<b>\$ 1,497,500</b>

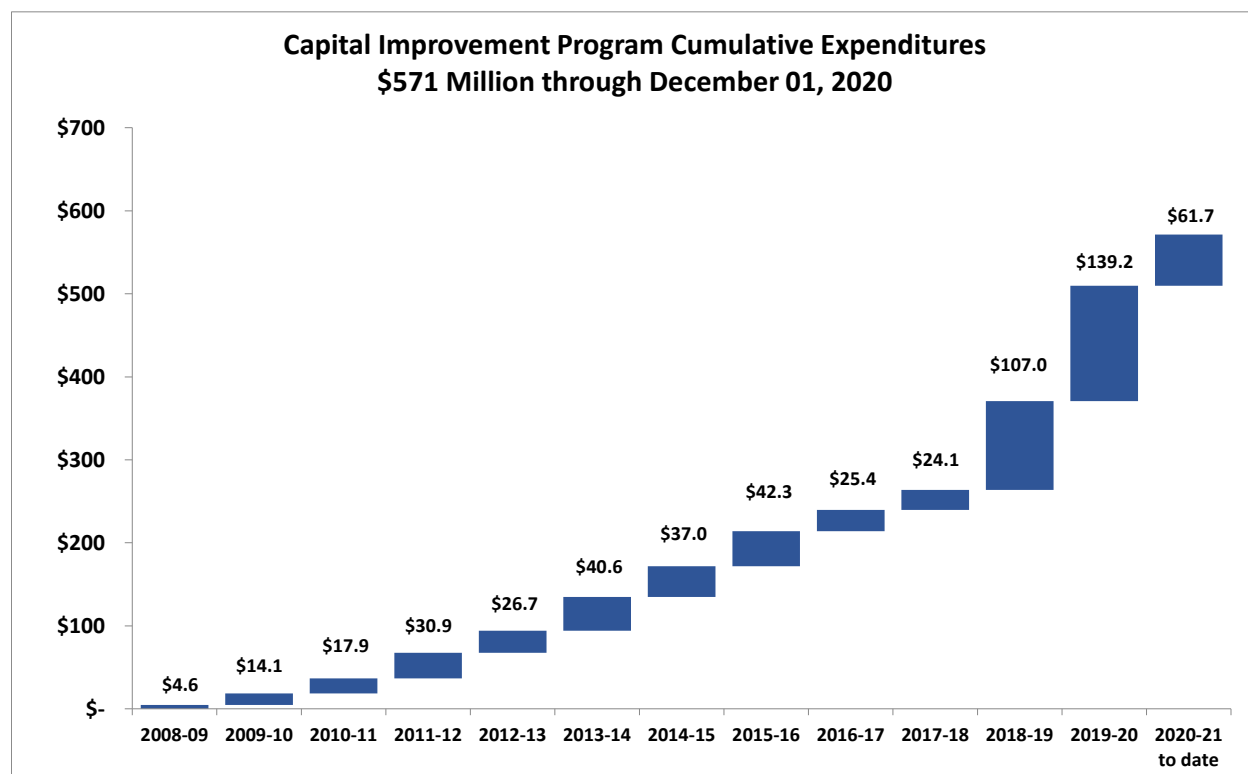
These projects will maintain critical operations and improve productivity. Key projects include:

- Underground Storage Tank: The County of San Mateo requires underground fuel storage systems be replaced with above-ground units.
- A Motor Control Center (“MCC”) Process Logic Controller (“PLC”) upgrade will replace hardware now at end-of-life and/or lacking functionality.
- Industrial Automation Platform improvements include security upgrades, preparation to tie into RESCU equipment coming online, and backup systems. This will ensure the Supervisory Control and Data Acquisition (“SCADA”) system that controls treatment operations is uninterrupted.
- During 2020, cogeneration engine alternators were found to have suffered damage, apparently from marine air. The Budget includes funds to overhaul alternators to better handle such conditions.
- The maintenance building facilities at the plant were originally constructed in 1980 and are due for upgrades to the fire alarm system and updates to work areas.
- Equipment purchases for next year include a new boom lift useful to repair conveyors and other high-reach equipment. It also includes replacing Self Contained Breathing Apparatus (“SCBA”) equipment that provides breathable air when staff perform confined space entries (enter areas with dangerous air conditions).

## SECTION 5 – CAPITAL IMPROVEMENT PROGRAM & DEBT SERVICE

### Background

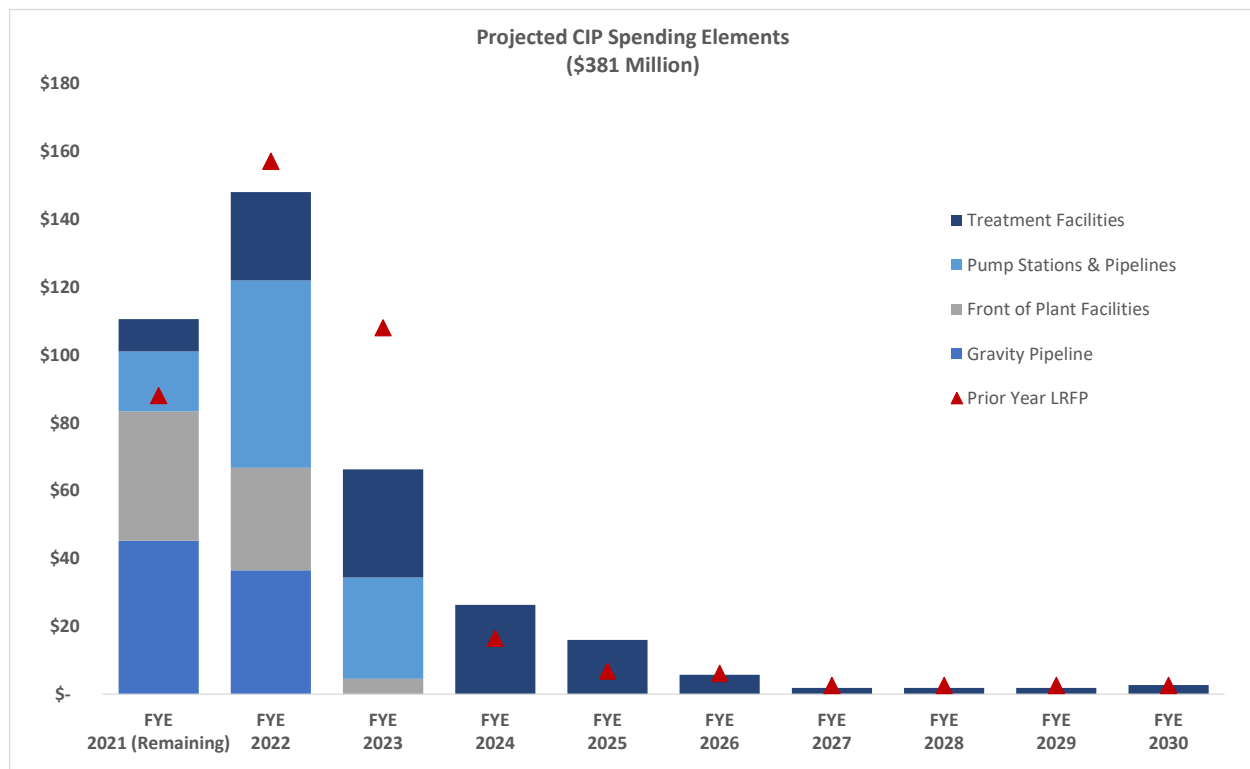
SVCW’s wastewater treatment plant was constructed in 1980 and connected to an influent conveyance system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. In 2008 SVCW initiated its CIP to replace and rehabilitate wastewater conveyance and treatment systems in a structured and prioritized manner. Now in its thirteenth year, the CIP has completed over 120 projects and spent \$571 million through December 01, 2020.



### 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 is currently estimated at \$953 million over a 23-year period from inception. A large amount of expenditures will be incurred over the next three fiscal years:



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

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

## Debt Service

Due to the compressed timing and large cost to complete the CIP, as well as the lack of significant cash reserves, the most practical funding method has been the use of long-term debt. SVCW updates its LRFP each year to reassess its financial position relative to anticipated cash flows needed from SVCW's Member Entities. It also incorporates CIP construction and expenditure schedules, as well as the current borrowing environment. After considering these factors, the February 2021 LRFP recommended a strategy that recognizes governmental loans are available.

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

- **CIP Update:** SVCW continues to update its CIP cost estimates, which includes project additions and deletions, changes in project scope, and new information about prices. These factors added \$21 million in anticipated CIP expenditures over the next ten years.
- **Construction Timing:** Significant construction has been completed on two elements of the RESCU program (Regional Environmental Sewer Conveyance Upgrade). The use of a progressive Design-Build (PDB) project delivery method has seen the Gravity Pipeline and the Front of Plant projects remain on schedule. Design of the final element (Pump Station Improvements) is complete and construction has commenced.
- **Financing Sources and Rates:** The LRFP reflects how SVCW continues to obtain near record-low interest rates when funding the CIP. Improvements include:
  - In November 2020 the Authority refinanced its \$218 million WIFIA Loan to reduce its interest rate from 2.40% to 1.41%. This decreases future debt service by approximately \$1.69 million annually, or \$37.8 million in Net Present Value (NPV) terms over the life of the WIFIA Loan.
  - A planned \$169 million State Revolving Fund Loan is now being executed at 0.90% rather than the 1.90% anticipated in last year's Plan, saving approximately \$1.1 million annually or NPV \$22 million over the term of the SRF Loan.
  - An anticipated refunding of \$118 million of outstanding 2014 and 2015 Bonds, as well as refinancing of an outstanding \$8.1 million 2011 SRF Loan. Combined, annual savings are estimated at today's market environment to be \$450 thousand annually, or NPV \$7.9 million over the refunding bonds' repayment term.
- SVCW received confirmation from the U.S. Environmental Protection Agency that it was selected for two additional WIFIA Loans of \$70 million and \$38 million, for the Wastewater Treatment Plan and RESCU program, respectively. These new loans are estimated to save approximately \$1 million annually compared to issuing revenue bonds.

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

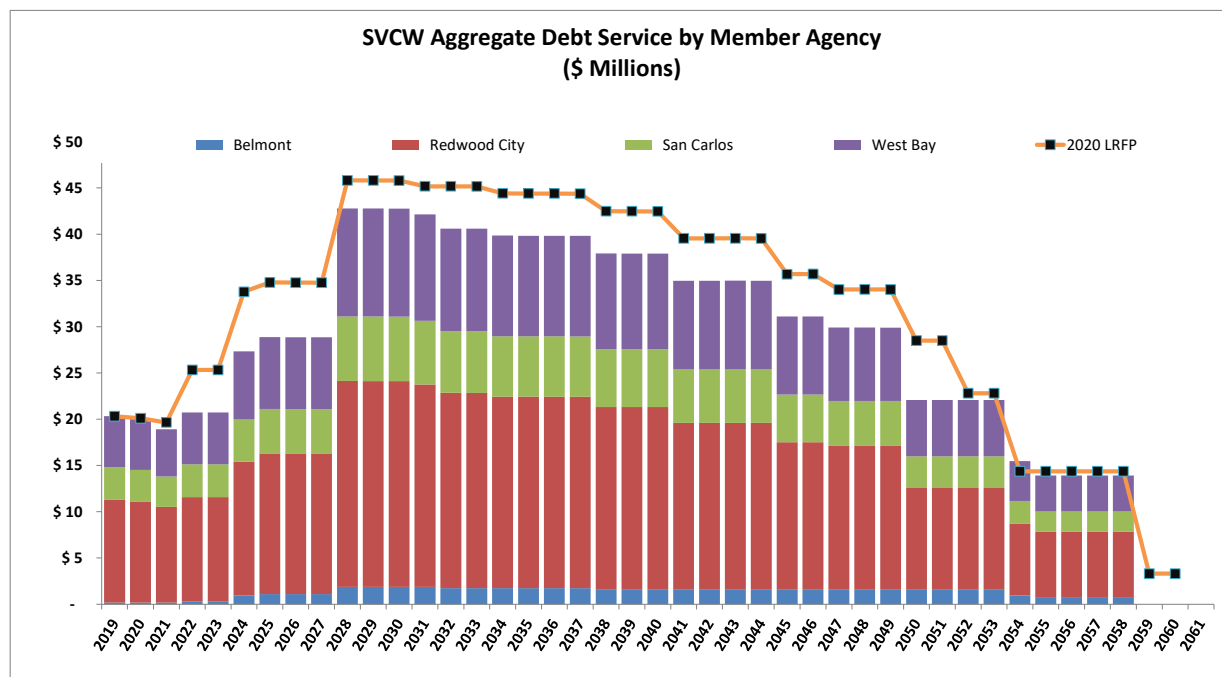
Source of CIP Funds to date (\$ millions)			
Description	All-in TIC / Interest Rate	Max Proceeds	Available Proceeds at Dec. 1 2020
<b>Bonds</b>			
2008 Wastewater Revenue Bonds	5.03%	\$ 10.01	\$ -
2009 Wastewater Revenue Bonds	5.12%	55.86	-
2014 Wastewater Revenue Bonds	4.18%	65.54	-
2015 Wastewater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

Due to the historical lack of a sinking fund and cash reserves, the recommended debt strategy is in lieu of a pay-go cash strategy. Debt allows SVCW to distribute costs over the expected useful lives of constructed assets and provide fairness to Members' ratepayers by spreading costs across generations to facilitate moderate and consistent rate increases. The 2021 LRFP recognizes that, for remaining debt, SVCW will draw from governmental loans.

The 2021 LRFP recommends the following debt structure as compared to the prior year's LRFP:

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

The attractive interest rates of WIFIA and the recent market conditions will improve the Authority's Weighted Average Cost of Capital (WACC), now estimated at 1.41%. Over the next four decades displayed below, total remaining aggregate debt service is \$1.19 billion, or approximately \$149 million less (in nominal dollars) than prior year's Plan. If discounted to February 2021 dollars, this difference is a Net Present Value of \$64 million. This Plan anticipates Maximum Annual Debt Service payments (MADS) to decrease by \$3.0 million after 2027-28.



Debt Service in 2021-22 will be \$19.39 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					
Fiscal year end	Belmont	RWC	San Carlos	WBSD	Total
2022	\$ 228,943	\$ 10,591,588	\$ 3,341,522	\$ 5,232,733	\$ 19,394,786
2023	228,943	10,594,379	3,349,935	5,222,151	19,395,408
2024	853,653	13,796,976	4,355,146	6,993,824	25,999,599
2025	1,000,168	14,547,921	4,591,341	7,418,005	27,557,436
2026	1,000,168	14,546,339	4,578,183	7,413,723	27,538,414
2027	1,000,168	14,546,040	4,575,862	7,407,494	27,529,565
2028	1,782,589	21,591,550	6,773,834	11,305,131	41,453,104
2029	1,782,589	21,582,197	6,772,420	11,299,333	41,436,539
2030	1,782,589	21,574,111	6,766,771	11,301,649	41,425,120
2031	1,782,589	21,216,220	6,672,919	11,139,054	40,810,782
2032	1,782,589	21,208,520	6,682,216	11,134,324	40,807,649

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

*Belmont*

Belmont Debt Service Cost							
Fiscal year end	Current Bonds	Current SRF	New SRF	Future Bonds	2019 WIFIA	New WIFIA	TOTAL
2022	\$ -	228,943	\$ -	-	\$ -	-	228,943
2023	\$ -	228,943	\$ -	-	\$ -	-	228,943
2024	\$ -	228,943	\$ 624,710	-	\$ -	-	853,653
2025	\$ -	228,943	\$ 624,710	146,515	\$ -	-	1,000,168
2026	\$ -	228,943	\$ 624,710	146,515	\$ -	-	1,000,168
2027	\$ -	228,943	\$ 624,710	146,515	\$ -	-	1,000,168
2028	\$ -	228,943	\$ 624,710	146,515	\$ 327,665	454,756	1,782,589
2029	\$ -	228,943	\$ 624,710	146,515	\$ 327,665	454,756	1,782,589
2030	\$ -	228,943	\$ 624,710	146,515	\$ 327,665	454,756	1,782,589
2031	\$ -	228,943	\$ 624,710	146,515	\$ 327,665	454,756	1,782,589
2032	\$ -	228,943	\$ 624,710	146,515	\$ 327,665	454,756	1,782,589

*Redwood City*

Redwood City Debt Service Cost							
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	New SRF	Future Bonds	2019 WIFIA	New WIFIA	TOTAL
2022	\$ 9,414,893	\$ 1,176,695	\$ -	\$ -	\$ -	\$ -	\$ 10,591,588
2023	9,417,684	1,176,695	-	-	-	-	10,594,379
2024	9,409,471	1,176,695	3,210,810	-	-	-	13,796,976
2025	9,407,375	1,176,695	3,210,810	753,041	-	-	14,547,921
2026	9,405,793	1,176,695	3,210,810	753,041	-	-	14,546,339
2027	9,405,494	1,176,695	3,210,810	753,041	-	-	14,546,040
2028	9,406,315	1,176,695	3,210,810	753,041	4,707,387	2,337,302	21,591,550
2029	9,396,961	1,176,695	3,210,810	753,041	4,707,387	2,337,302	21,582,197
2030	9,388,876	1,176,695	3,210,810	753,041	4,707,387	2,337,302	21,574,111
2031	9,030,985	1,176,695	3,210,810	753,041	4,707,387	2,337,302	21,216,220
2032	9,023,284	1,176,695	3,210,810	753,041	4,707,387	2,337,302	21,208,520



### San Carlos

San Carlos Debt Service Cost							
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	New SRF	Future Bonds	2019 WIFIA	New WIFIA	TOTAL
2022	\$ 2,974,728	\$ 366,794	\$ -	\$ -	\$ -	\$ -	\$ 3,341,522
2023	2,983,141	366,794	-	-	-	-	3,349,935
2024	2,987,495	366,794	1,000,858	-	-	-	4,355,146
2025	2,988,955	366,794	1,000,858	234,734	-	-	4,591,341
2026	2,975,798	366,794	1,000,858	234,734	-	-	4,578,183
2027	2,973,476	366,794	1,000,858	234,734	-	-	4,575,862
2028	2,976,842	366,794	1,000,858	234,734	1,466,033	728,572	6,773,834
2029	2,975,429	366,794	1,000,858	234,734	1,466,033	728,572	6,772,420
2030	2,969,780	366,794	1,000,858	234,734	1,466,033	728,572	6,766,771
2031	2,875,928	366,794	1,000,858	234,734	1,466,033	728,572	6,672,919
2032	2,885,225	366,794	1,000,858	234,734	1,466,033	728,572	6,682,216

### West Bay Sanitary District

West Bay Sanitary District Debt Service Cost							
Fiscal Year end	Current Bonds (Includes Refunding)	Current SRF	New SRF	Future Bonds	2019 WIFIA	New WIFIA	TOTAL
2022	\$ 4,582,485	\$ 650,247	\$ -	\$ -	\$ -	\$ -	\$ 5,232,733
2023	4,571,904	650,247	-	-	-	-	5,222,151
2024	4,569,269	650,247	1,774,308	-	-	-	6,993,824
2025	4,577,316	650,247	1,774,308	416,134	-	-	7,418,005
2026	4,573,034	650,247	1,774,308	416,134	-	-	7,413,723
2027	4,566,805	650,247	1,774,308	416,134	-	-	7,407,494
2028	4,568,646	650,247	1,774,308	416,134	2,604,193	1,291,603	11,305,131
2029	4,562,848	650,247	1,774,308	416,134	2,604,193	1,291,603	11,299,333
2030	4,565,163	650,247	1,774,308	416,134	2,604,193	1,291,603	11,301,649
2031	4,402,568	650,247	1,774,308	416,134	2,604,193	1,291,603	11,139,054
2032	4,397,838	650,247	1,774,308	416,134	2,604,193	1,291,603	11,134,324

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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 \$3.87 million at June 30, 2021, including investment earnings. This amount exceeds the policy's required balance by approximately \$23.6 thousand which, per policy, will not 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 \$2.0 million contribution in fiscal year 2021-22.

Based upon the above, total 2021-22 Reserve Designations are as follows:

Reserve Designations - 2021-22 Budget			
Description	Estimated	Target	Proposed
	June 30, 2021 Balance	June 30, 2022 Balance	2021-22 Contributions
Operating Reserve	\$ 3,870,363	\$ 3,846,751	\$ -
CIP Reserve	18,608,920	20,608,920	2,000,000
TOTAL	\$ 22,479,283	\$ 24,455,671	\$ 2,000,000

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