

**COMMISSION OF SILICON VALLEY CLEAN WATER
JOINT POWERS AUTHORITY
REGULAR MEETING – Monday, October 10, 2022
8:00 a.m.**

Place: Pelican Conference Room
Silicon Valley Clean Water
1400 Radio Road, 2nd Floor
Redwood City, CA

Place: Ron Collins, Commissioner
1662 Chestnut Street
San Carlos, CA 94070

Consistent with Government Code Section 54953, this meeting will be held both in person and virtually. See page 5 of this agenda for virtual meeting access information and instructions.

COMMISSIONERS

COUNCIL MEMBER ALICIA AGUIRRE, REDWOOD CITY – CHAIR

BOARD MEMBER GEORGE OTTE, WEST BAY SANITARY DISTRICT – VICE CHAIR

COUNCIL MEMBER WARREN LIEBERMAN, BELMONT – SECRETARY

COUNCIL MEMBER RON COLLINS, SAN CARLOS – MEMBER

MANAGER: TERESA A. HERRERA

ATTORNEY FOR THE AUTHORITY: CHRISTINE C. FITZGERALD

CONTROLLER: MICHELLE P. FLAHERTY

TREASURER: MATTHEW ANDERSON

AMERICANS WITH DISABILITIES ACT

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

AGENDA

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

Any member of the public may address and ask questions of the Chair under this item relating to any matter within the Commission's jurisdiction that does not appear as a separate item on the Agenda. An opportunity will be provided for members of the public to address the Chair and ask questions about any item that is listed on the agenda at the time the Commission considers the item and before action is taken. If you address the

Commission on a non-agenda item, be aware that the Ralph M. Brown Act (Gov. C. § 54950 et seq.) prohibits the Commission from acting on or discussing such matters at this meeting. Any such item may be referred to staff for a decision with regard to placing it on a future agenda for discussion, action or a report.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 7
- B. Manager's Report
 - 1. Upcoming Commission Actions.....pg. 9
 - 2. Outfall Dive Inspection.....pg.11
 - 3. Brown Act Remote Meeting Rules.....pg.15
- C. Financial Report
 - 1. Investment Reports (June - August).....pg. 18
 - 2. Annual Investment Update.....pg. 30
- D. Engineering Capital Projects Report.....pg. 47
- E. Commission Requested Staff-Level Action Items..... pg. 50
- F. RESCU Program Design-Build Project Status Update..... pg. 53

6. MATTERS OF COMMISSION MEMBER'S INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 61)

8. BUSINESS ITEMS

- A. CONSIDERATION OF MOTION APPROVING CONTRACT CHANGE ORDER FOR THE DIGESTER NO. 1 REHABILITATION PROJECT (CIP #9215) (pg. 118)

Proposed Action:

Move approval of CONTRACT CHANGE ORDER FOR THE DIGESTER NO. 1 REHABILITATION PROJECT (CIP #9215) IN AN AMOUNT NOT TO EXCEED \$619,000 (Trinet Construction, Inc.)

9. CLOSED SESSION (none)

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

11. ADJOURN

CONSENT CALENDAR

NOTICE TO PUBLIC

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

7. A. APPROVAL OF MINUTES – July 11, 2022 - Regular Meeting (pg. 61)

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JUNE 15 – AUGUST 8, 2022, AND NECESSARY PAYMENTS THROUGH AUGUST 8, 2022 (pg. 65)

C. CONSIDERATION OF RESOLUTION APPROVING SILICON VALLEY CLEAN WATER'S CONFLICT OF INTEREST CODE AND LIST OF DESIGNATED POSITIONS (pg. 67)

Proposed Action:

Move adoption of RESOLUTION REVIEWING AND APPROVING 2022 CONFLICT OF INTEREST CODE FOR SILICON VALLEY CLEAN WATER

D. CONSIDERATION OF MOTION ACCEPTING STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES PROJECT (CIP #9240) AND AUTHORIZING TO FILE NOTICE OF COMPLETION (pg. 71)

Proposed Action:

Move approval to ACCEPT STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES PROJECT (CIP #9240) AND AUTHORIZE FILING NOTICE OF COMPLETION – D.W. Nicholson

E. CONSIDERATION OF MOTION ACCEPTING LAB BUILDING HVAC PROJECT (CIP# 9251) AND AUTHORIZING TO FILE NOTICE OF COMPLETION (pg. 76)

Proposed Action:

Move approval to ACCEPT LAB BUILDING HVAC PROJECT (CIP #9251) AND AUTHORIZE FILING NOTICE OF COMPLETION – Blocka Construction, Inc.

F. CONSIDERATION OF RESOLUTION APPROVING MASTER SERVICES AGREEMENT WITH ZENITH ENGINEERS INC FOR ON-CALL STRUCTURAL ENGINEERING SERVICES (pg. 80)

Proposed Action:

Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR ON-CALL STRUCTURAL ENGINEERING SERVICES – Zenith Engineers Inc.

- G. CONSIDERATION OF RESOLUTION APPROVING REVISIONS TO SVCW COMMISSION POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY (pg. 82)

Proposed Action:

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

- H. CONSIDERATION OF MOTION APPROVING DISPOSAL OF PERSONAL PROPERTY BELONGING TO SILICON VALLEY CLEAN WATER (pg. 116)

Proposed Action:

Move approval to AUTHORIZE SVCW MANAGER TO ENTER FUTURE SALES AGREEMENTS TO DISPOSE OF EXCESS SOIL

Microsoft Teams Access Information
Silicon Valley Clean Water
Regular Meeting
Monday, October 10, 2022

WEBSITE: [Link to access meeting](#)

MEETING ID: 395 025 034#

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

You may log in via URL located on SVCW's website at <https://svcw.org/about/governance/commission-meetings>. You may view video during the meeting via live stream. An audio will be available after the meeting at SVCW's website. If you experience technical difficulties or have technical questions prior to or during the meeting, please contact Teams meeting support at 707-862-0859. Note: Public participation is not permitted during closed session discussion items.

Public Comment

Public comment may be made by joining the meeting using the link or phone number above. Members of the public may provide public comments via the Teams platform by using the "raise hand" feature or, if calling in by phone, by unmuting and beginning to speak. In response to a "raised hand", SVCW will unmute the member of public and allow them to speak. In response to a phone request to speak, SVCW will ask what is the nature of the comment and will provide directions to follow to provide comment. Public comments will be limited to three minutes.

Public comment may also be made by emailing comments to commission@svcw.org up to two hours prior to the scheduled meeting time. Indicate in your email the agenda item to which your comment applies. If you have anything that you wish distributed to the Commission and included for the official record, please include it in your email.

Accessibility for Individuals with Disabilities

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

Subject to Change:

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

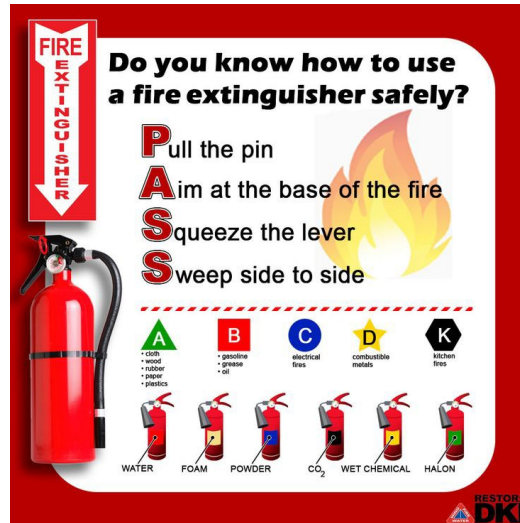
AGENDA ITEM 5A

Fire Extinguishers

A portable fire extinguisher can save lives and property by putting out a small fire or containing it until the fire department arrives; but portable extinguishers have limitations. Fire extinguishers are one element of a fire response plan, but the primary element is safe escape. Every household should have a home fire escape plan and working smoke alarms.

Safety tips

- Use a portable fire extinguisher when the fire is confined to a small area, such as a wastebasket, and is not growing; everyone has exited the building; the fire department has been called or is being called; and the room is not filled with smoke.
- To operate a fire extinguisher, remember the word **PASS**:



- For the home, select a multi-purpose extinguisher (can be used on all types of home fires) that is large enough to put out a small fire, but not so heavy as to be difficult to handle.
- Choose a fire extinguisher that carries the label of an independent testing laboratory.
- Read the instructions that come with the fire extinguisher and become familiar with its parts and operation before a fire breaks out. Local fire departments or fire equipment distributors often offer hands-on fire extinguisher trainings.
- Install fire extinguishers close to an exit and keep your back to a clear exit when you use the device so you can make an easy escape if the fire cannot be controlled. If the room fills with smoke, leave immediately.
- Know when to go. Fire extinguishers are one element of a fire response plan, but the primary element is safe escape. Every household should have a [home fire escape plan](#) and working smoke alarms.

AGENDA ITEM 5B1

Recurring and Upcoming 2022 Commission Actions
Updated for October 2022 Meeting

January	February	March	April
<ul style="list-style-type: none"> Review Investment Policy CIP Update (annual or biennial) Long Range Financial Plan 	<ul style="list-style-type: none"> Recycled Water Planning Organic Co-Digestion Update 	<ul style="list-style-type: none"> Budget Workshop 	<ul style="list-style-type: none"> Operating Budget Approval
May	June	July	August
<ul style="list-style-type: none"> Initiate Manager Performance Evaluation Receive Q1 Investment Summary 	<ul style="list-style-type: none"> Approve Resolution 77-6 "Personnel Resolution" Perform Manager Evaluation Review Reserve Funds Policy 	<ul style="list-style-type: none"> Nominate Commission Chair & Vice Chair; Appoint Secretary 	<ul style="list-style-type: none"> Consider Meeting Cancellation
September	October	November	December
<ul style="list-style-type: none"> Review Debt Management Policy Investment Program Status Annual Update 	<ul style="list-style-type: none"> Conflict of Interest Update (Biennial; even numbered years) Review Debt Mgmt Policy 	<ul style="list-style-type: none"> Audited Financial Report 	<ul style="list-style-type: none"> Commission Meeting schedule for following year Specifications Update (annual or biennial)

-  - Recurring Commission Actions
-  - Upcoming Commission Actions

AGENDA ITEM 5B2



To: SVCW Commission

From: Teresa Herrera, SVCW Manager

Subject: SVCW Outfall Dive Inspection

SVCW is permitted by the Regional Water Quality Control Board which dictates the quality and method of treated water discharge into San Francisco Bay. SVCW's permit ("NPDES permit") is due for renewal in spring 2023. In anticipation of its renewal, staff is undertaking several activities.

One of the major activities required is inspection of the outfall pipeline. The outfall is inspected approximately every 5 years, the last one being completed in 2017. It's worthwhile for the Commission to know the configuration of the outfall and the results of its inspection since it is a highly critical facility for SVCW.

Outfall Structure

The SVCW Outfall Pipeline consists of approximately 7,515 feet (~1.4 miles) of 66" Reinforced Concrete Pipe (RCP). It leaves the eastern border of the treatment facility and heads northward to the deep-water channel in the Bay towards the San Mateo Bridge.

The final 163 feet of the outfall is considered the "diffuser section" with thirty (30) total diffusers. The diffusers are 12" sections of mortar lined pipe with a flanged end that protrudes from the main outfall pipeline by approximately 8". The 30 diffusers are spaced approximately every 5 feet starting from the end of the diffuser section, alternating between the 09:30 and 14:30 position. The end of the diffuser section is blocked with a reinforced concrete stop gate. The diffuser section is fixed in place with five (5) pairs of "H" piles, equally spaced along the length of the pipeline.

Inspection Methodology

SVCW hires a firm who inspects the outfall using divers, an engineer, and a multi-beam scanning technician on a dive boat. The inspection includes visual inspection of the pipeline and tactile and visual examination of the diffuser. The diver is outfitted with a helmet light and camera so that the inspection is videotaped for later viewing.

Observations

The pipe exterior was in overall good condition with no corrosion observed and with a light amount of marine growth attached. The outfall diffusion section was found to be in good

Memo to SVCW Commission

SVCW Outfall Inspection

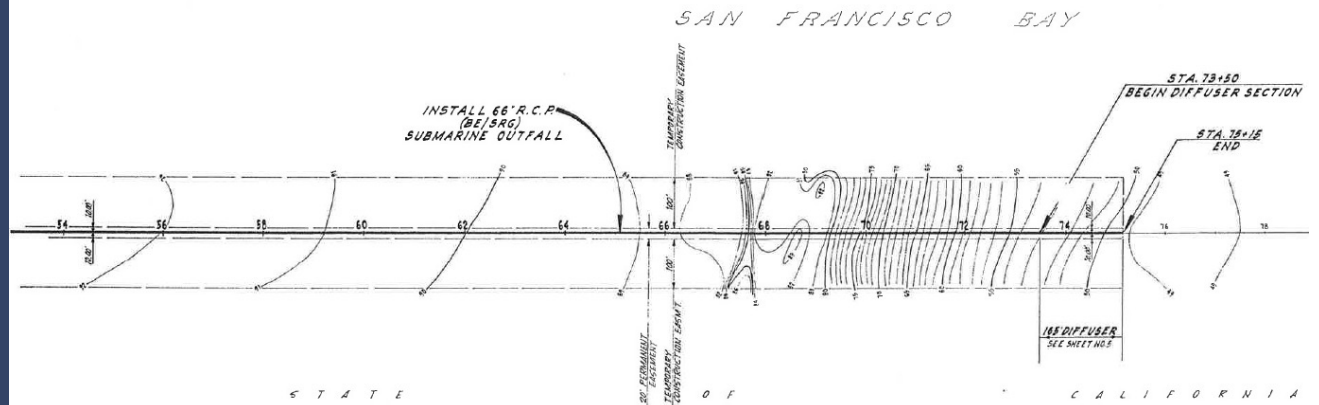
October 10, 2022

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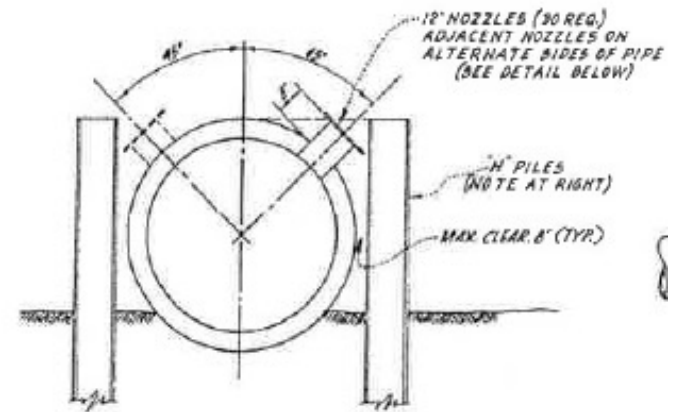
condition, with all diffusers flowing freely and not plugged. There was no settling of the pipe and diffuser.

Next Steps

The inspection firm has provided a report of findings which was submitted to the Regional Water Quality Control Board with SVCW's draft permit application. We expect that there will be no further requirements related to the outfall. Another inspection will occur in approximately 5 years.



Outfall Pipe (partial)



DIFFUSER SECTION

AGENDA ITEM 5B3



To: SVCW Commission

From: Teresa Herrera, SVCW Manager

Subject: Brown Act Remote Meeting Rules

AB 2449 was recently signed into law by Governor Newsom pertaining to Brown Act remote meetings rules. Effective Jan. 1, 2023, AB 2449 provides an entirely distinct and separate method of conducting remote meetings and allows up to a minority of commissioners to participate remotely under limited circumstances without posting or having to provide public access to their location. For example, a member may attend remotely from their residence without compromising privacy or security -- something that traditional (pre-COVID) Brown Act teleconferencing rules do not allow.

Under AB 2449, only a minority of commissioners may participate remotely during any given meeting as long as a quorum of the commission meets in-person. In the case of SVCW, a minority is counted by the number of each member's votes. Therefore, any two Commissioners from San Carlos, Belmont or West Bay may participate remotely at the same time; however, if the Redwood City Commissioner attends remotely, then no other Commissioner could, at the same time, attend remotely otherwise there would be more than a minority attending remotely.

Also, a commissioner may attend remotely only for "just cause" or in cases of "emergency" (defined in the statute, see below), which must be described during the meeting; if based on just cause, the minority member notifies the Commission at the earliest opportunity but in cases of emergency, the member must make a request to the Commission which then must take formal action at the meeting to approve the request.

Just Cause and Emergency Circumstances

The following circumstances define "just cause" and "emergency circumstances" (Government Code §54953, subd. (j), (1) and (2)):

(j) For the purposes of this section, the following definitions shall apply:

- (1) "Emergency circumstances" means a physical or family medical emergency that prevents a member from attending in person.
- (2) "Just cause" means any of the following:
 - (A) A childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. "Child,"

Memo to SVCW Commission

Brown Act Remote Meetings

October 10, 2022

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“parent,” “grandparent,” “grandchild,” and “sibling” have the same meaning as those terms do in Section 12945.2.

- (B) A contagious illness that prevents a member from attending in person.
- (C) A need related to a physical or mental disability as defined in Sections 12926 and 12926.1 not otherwise accommodated by subdivision (g).
- (D) Travel while on official business of the legislative body or another state or local agency.

Further, no member may participate remotely for a period of more than 3 consecutive months or 20% of regular meetings.

Public Participation

Finally, *at least* one of the following must be provided so that the public may remotely observe the meeting and provide comments:

1. A two-way audio-visual platform; and/or
2. A two-way telephonic service *and* a live webcasting of the meeting.

SVCW currently uses the first method and anticipates continuing to use that method.

Summary


In summary, there are three options for conducting remote meetings or allowing remote participation under the Brown Act:

1. Under AB 361, agencies may conduct remote meetings in their entirety during a declared state of emergency (as we did during COVID). This law sunsets Jan. 1, 2024.
2. Absent a declared state of emergency, AB 2449 allows remote participation by a minority of members without having to post their location or allow public access if at least a quorum participates in-person from a singular location clearly identified on the agenda and situated within the boundaries of the agency’s jurisdiction. Effective Jan. 1, 2023 and sunsets Jan. 1, 2026.
3. Absent a declared state of emergency, traditional Brown Act teleconference rules allow a member to attend remotely but the member must identify their location, including a private address, and make it accessible to the public. No sunset date.

AGENDA ITEM 5C1a

**Silicon Valley Clean Water Authority
Cash & Investments Summary Report
June 30, 2022**

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,573,469	2.09%	1.18%
Operating Reserve - Money Market Fund Balance	160,741	0.09%	1.27%
CIP Reserve* - Securities	18,359,307	10.75%	1.79%
CIP Reserve - Money Market Fund Balance	711,701	0.42%	1.27%
Stage 2 Capacity Reserve* - Securities	13,813,640	8.08%	1.69%
Stage 2 Capacity Reserve - Money Market Fund Balance	190,022	0.11%	1.27%
Total Market Value: Operating and Reserve Accounts	\$ 36,808,879	21.5%	1.68%
Total Accrued Interest: Operating and Reserve Accounts	147,078		
GRAND TOTAL, RESERVE ACCOUNTS	\$ 36,955,957		
<u>Trustee Accounts:</u>			
2018 Bond Project Fund Account - CAMP	\$ 7,062,352	4.13%	1.14%
2018 Bond Revenue Account	7	0.00%	0.28%
2019A Notes WIFIA - Money Market Fund	1,580,686	0.93%	0.28%
2019A Notes Capitalized Interest Account* - Securities	12,254,181	7.17%	2.29%
2019A Notes Capitalized Interest Account - Money Market Fund	10,146	0.01%	0.28%
2021 Refunding Bonds Revenue Account	4	0.00%	0.28%
2021A Notes (RESCU) - Money Market Fund	778	0.00%	0.28%
2021A Notes (RESCU) - LAIF	43,241,677	25.31%	0.86%
2021B Notes (WWTP) - Money Market Fund	4,359,585	2.55%	0.28%
2021B Notes (WWTP)* - Securities	38,932,808	22.79%	1.23%
2021B Notes (WWTP) - LAIF	23,424,265	13.71%	0.86%
2021 Notes Capitalized Interest Account - Money Market Fund	1,821,861	1.07%	0.28%
2021 Notes Cost of Issuance Account	42,779	0.03%	0.28%
Total Market Value, Trustee Accounts	\$ 132,731,128	77.68%	1.08%
Accrued Interest:	261,116		
Operating Cash (includes outstanding checks)	1,107,515	0.65%	0.00%
Local Agency Investment Funds (LAIF) Balance	210,715	0.12%	0.86%
Total Cash & Investments	\$ 171,266,431	100.00%	1.20%


Matthew P Anderson
Chief Financial Officer / Assistant Manager

7/13/2022
Date

* Monthly report of security transactions and interest available upon request

Silicon Valley Clean Water
Operating and Reserve Funds - Sector Allocation & Compliance June 30, 2022

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,662,940	\$ 7,781,195	\$ 5,760,344	\$ 15,204,479	41%	100%	✓	(0.3%)
Supranationals	343,529	-	-	343,529	1%	15%	✓	0.1%
Federal Agency/GSE	630,432	1,601,051	1,362,591	3,594,074	10%	100%	✓	0.2%
Federal Agency/CMBS	-	607,979	421,739	1,029,718	3%	100%	✓	0.2%
Federal Agency CMO	-	783,702	605,404	1,389,105	4%	100%	✓	0.1%
Federal Agency MBS	-	2,205,674	1,603,719	3,809,394	10%	100%	✓	(0.1%)
Municipal	-	852,756	690,822	1,543,578	4%	30%	✓	(0.2%)
Corporate Notes	597,046	3,988,966	2,960,702	7,546,714	21%	30%	✓	0.6%
Asset-Backed Securities	339,522	537,984	408,320	1,285,825	3%	10%	✓	(0.5%)
Securities Sub-Total	3,573,469	18,359,307	13,813,640	35,746,416	97%			
Accrued Interest	7,871	77,217	61,990	147,078				
Securities Total	3,581,340	18,436,524	13,875,630	35,893,494				
Money Market Fund	160,741	711,701	190,022	1,062,463	3%	20%	✓	0.0%
Total Investments	\$ 3,742,081	\$ 19,148,224	\$ 14,065,652	\$ 36,955,957	100%			
<i>As % of 6/30/22 Target:</i>	<i>97.3%</i>	<i>92.9%</i>	<i>100.0%</i>	<i>95.9%</i>				


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

- 1. All operating fund accounts are in compliance with SVCW's Investment Policy, and all bond proceeds accounts are in compliance with the relevant bond documents.*
- 2. SVCW has adequate funding levels for more than six months of operations and claim payments, as referenced in CA Code Section 53646.*
- 3. Market valuations for the Operating and Reserve accounts along with the 2018 bond, 2019A note, 2021 bond, 2021A and 2021B notes proceeds accounts are provided by PFM Asset Management LLC (PFM). Generally, PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFM believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold.*
- 4. In accordance with Generally Accepted Accounting Principles (GAAP), month-end holdings and information are reported on a trade date basis.*
- 5. The yields shown for securities portions of the operating and reserve accounts and the 2019A and 2021A&B notes proceeds accounts are the yields to maturity at cost.*
- 6. The yield for LAIF is the average monthly effective yield. Source: https://www.treasurer.ca.gov/pmia-laif/historical/avg_mn_ylds.asp*
- 7. The yields shown for the PFM-managed money market funds are the Yield to Maturity at Cost, and the Yield to Maturity at Market sourced from the respective fund providers' statements. Yields for BNY-managed funds are Market Yields sourced from the respective fund providers' statements.*
- 8. Yield shown for CAMP is the monthly distribution yield.*

AGENDA ITEM 5C1b

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

Description	Market Value	% of Total Holdings	Yield
<u>Reserve Accounts</u>			
Operating Reserve* - Securities	\$ 3,710,346	2.09%	1.26%
Operating Reserve - Money Market Fund Balance	47,116	0.03%	1.27%
CIP Reserve* - Securities	19,207,546	10.80%	1.88%
CIP Reserve - Money Market Fund Balance	554,094	0.31%	1.27%
Stage 2 Capacity Reserve* - Securities	14,312,035	8.05%	1.78%
Stage 2 Capacity Reserve - Money Market Fund Balance	53,540	0.03%	1.27%
Total Market Value: Operating and Reserve Accounts	\$ 37,884,677	21.3%	1.77%
Total Accrued Interest: Operating and Reserve Accounts	147,907		
GRAND TOTAL, RESERVE ACCOUNTS	\$ 38,032,584		
<u>Trustee Accounts:</u>			
2018 Bond Project Fund Account - CAMP	\$ 6,864,453	3.86%	1.64%
2018 Bond Revenue Account	4,288,867	2.41%	0.28%
2019A Notes WIFIA - Money Market Fund	1,581,564	0.89%	0.28%
2019A Notes Capitalized Interest Account* - Securities	12,248,733	6.89%	2.29%
2019A Notes Capitalized Interest Account - Money Market Fund	10,151	0.01%	0.28%
2021 Refunding Bonds Revenue Account	6,442,522	3.62%	0.28%
2021A Notes (RESCU) - Money Market Fund	700	0.00%	0.28%
2021A Notes (RESCU) - LAIF	37,782,177	21.24%	1.09%
2021B Notes (WWTP) - Money Market Fund	4,355,345	2.45%	0.28%
2021B Notes (WWTP)* - Securities	38,956,452	21.90%	1.23%
2021B Notes (WWTP) - LAIF	22,824,601	12.83%	1.09%
2021 Notes Capitalized Interest Account - Money Market Fund	1,822,874	1.02%	0.28%
2021 Notes Cost of Issuance Account	42,803	0.02%	0.28%
Total Market Value, Trustee Accounts	\$ 137,221,241	77.15%	1.15%
Accrued Interest:	237,497		
Operating Cash (includes outstanding checks)	2,545,251	1.43%	0.00%
Local Agency Investment Funds (LAIF) Balance	211,109	0.12%	1.09%
Total Cash & Investments	\$ 178,247,682	100.00%	1.27%


Matthew P Anderson
Chief Financial Officer / Assistant Manager

8/15/2022
Date

* Monthly report of security transactions and interest available upon request

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

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,839,301	\$ 7,893,883	\$ 5,793,391	\$ 15,526,574	41%	100%	✓	0.0%
Supranationals	344,143	-	-	344,143	1%	15%	✓	0.0%
Federal Agency/GSE	632,038	1,456,175	1,186,561	3,274,775	9%	100%	✓	(1.0%)
Federal Agency/CMBS	-	1,082,951	770,537	1,853,489	5%	100%	✓	2.0%
Federal Agency CMO	-	767,092	595,264	1,362,356	4%	100%	✓	0.0%
Federal Agency MBS	-	2,422,235	1,766,066	4,188,301	11%	100%	✓	1.0%
Municipal	-	855,565	693,095	1,548,660	4%	30%	✓	0.0%
Corporate Notes	565,407	4,190,419	3,097,857	7,853,683	21%	30%	✓	0.0%
Asset-Backed Securities	329,458	539,226	409,263	1,277,948	3%	10%	✓	0.0%
Securities Sub-Total	3,710,346	19,207,546	14,312,035	37,229,927	98%			
Accrued Interest	10,723	79,495	57,690	147,907				
Securities Total	3,721,069	19,287,041	14,369,725	37,377,835				
Money Market Fund	47,116	554,094	53,540	654,750	2%	20%	✓	(1.0%)
Total Investments	\$ 3,768,185	\$ 19,841,134	\$ 14,423,265	\$ 38,032,584	100%			
<i>As % of 6/30/22 Target:</i>	<i>93.7%</i>	<i>87.4%</i>	<i>100.0%</i>	<i>92.4%</i>				


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- 1. All operating fund accounts are in compliance with SVCW's Investment Policy, and all bond proceeds accounts are in compliance with the relevant bond documents.*
- 2. SVCW has adequate funding levels for more than six months of operations and claim payments, as referenced in CA Code Section 53646.*
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- 6. The yield for LAIF is the average monthly effective yield. Source: https://www.treasurer.ca.gov/pmia-laif/historical/avg_mn_ylds.asp*
- 7. The yields shown for the PFM-managed money market funds are the Yield to Maturity at Cost, and the Yield to Maturity at Market sourced from the respective fund providers' statements. Yields for BNY-managed funds are Market Yields sourced from the respective fund providers' statements.*
- 8. Yield shown for CAMP is the monthly distribution yield.*

AGENDA ITEM 5C1c

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

Description	Market Value	% of Total Holdings	Yield
Reserve Accounts			
Operating Reserve* - Securities	\$ 3,720,391	2.24%	1.32%
Operating Reserve - Money Market Fund Balance	18,388	0.01%	1.27%
CIP Reserve* - Securities	18,442,076	11.10%	1.88%
CIP Reserve - Money Market Fund Balance	949,932	0.57%	1.27%
Stage 2 Capacity Reserve* - Securities	13,590,869	8.18%	1.77%
Stage 2 Capacity Reserve - Money Market Fund Balance	470,053	0.28%	1.27%
Total Market Value: Operating and Reserve Accounts	\$ 37,191,709	22.4%	1.76%
Total Accrued Interest: Operating and Reserve Accounts	144,591		
GRAND TOTAL, RESERVE ACCOUNTS	\$ 37,336,300		
Trustee Accounts:			
2018 Bond Project Fund Account - CAMP	\$ 6,877,846	4.14%	2.30%
2018 Bond Revenue Account	1,421	0.00%	1.81%
2019A Notes WIFIA - Money Market Fund	1,583,052	0.95%	1.81%
2019A Notes Capitalized Interest Account* - Securities	9,211,684	5.54%	2.52%
2019A Notes Capitalized Interest Account - Money Market Fund	3,150,526	1.90%	1.81%
2021 Refunding Bonds Revenue Account	2,093	0.00%	1.81%
2021A Notes (RESCU) - Money Market Fund	21,380	0.01%	1.81%
2021A Notes (RESCU) - LAIF	37,782,177	22.73%	1.28%
2021B Notes (WWTP) - Money Market Fund	6,044,921	3.64%	1.81%
2021B Notes (WWTP)* - Securities	37,293,933	22.44%	1.28%
2021B Notes (WWTP) - LAIF	22,824,601	13.73%	1.28%
2021 Notes Capitalized Interest Account - Money Market Fund	1,824,589	1.10%	1.81%
Total Market Value, Trustee Accounts	\$ 126,618,224	76.18%	1.48%
Accrued Interest:	121,777		
Operating Cash (includes outstanding checks)	2,190,244	1.32%	0.00%
Local Agency Investment Funds (LAIF) Balance	211,109	0.13%	1.28%
Total Cash & Investments	\$ 166,477,655	100.00%	1.52%


Matthew P Anderson
Chief Financial Officer / Assistant Manager

9/12/2022
Date

* Monthly report of security transactions and interest available upon request

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

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,876,910	\$ 7,697,262	\$ 5,650,250	\$ 15,224,422	41%	100%	✓	(0.1%)
Supranationals	342,732	-	-	342,732	1%	15%	✓	(0.1%)
Federal Agency/GSE	630,525	1,128,763	789,022	2,548,310	7%	100%	✓	(2.1%)
Federal Agency/CMBS	-	1,054,993	750,262	1,805,255	5%	100%	✓	(0.1%)
Federal Agency CMO	-	728,859	566,429	1,295,288	3%	100%	✓	(0.5%)
Federal Agency MBS	-	2,324,920	1,692,547	4,017,467	11%	100%	✓	(0.2%)
Municipal	-	843,697	683,462	1,527,159	4%	30%	✓	0.1%
Corporate Notes	550,833	4,126,823	3,051,496	7,729,152	21%	30%	✓	(0.2%)
Asset-Backed Securities	319,391	536,760	407,400	1,263,551	3%	10%	✓	0.4%
Securities Sub-Total	3,720,391	18,442,076	13,590,869	35,753,336	96%			
Accrued Interest	11,823	79,835	52,933	144,591				
Securities Total	3,732,214	18,521,911	13,643,802	35,897,927				
Money Market Fund	18,388	949,932	470,053	1,438,373	4%	20%	✓	1.9%
Total Investments	\$ 3,750,602	\$ 19,471,843	\$ 14,113,855	\$ 37,336,300	100%			
<i>As % of 6/30/22 Target:</i>	<i>93.3%</i>	<i>85.8%</i>	<i>100.0%</i>	<i>91.4%</i>				

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AGENDA ITEM 5C2



To: SVCW Commissioners

From: Matt Anderson, SVCW CFO/Assistant Manager

Subject: Investment Update for Year Ended June 30, 2022

Attached is an update from PFM Asset Management LLC (PFMAM) regarding the investment performance of SVCW Cash Reserves portfolio for the year ended June 30, 2022. Lesley Murphy and Wale Kajopaiye from PFMAM will attend the meeting to provide a brief report and answer questions.

Highlights include:

Market Update:

- The U.S. economy continues to battle the effects of high inflation. Growing potential of a recession depresses consumer confidence.
- The job market remains very strong with unemployment back to pre-Covid levels of 3.5%.
- Federal Reserve reiterated plans to combat inflation by raising rates with a target Fed Funds rate of 3.25 to 3.75% by year end.

SVCW Investment Program:

- On June 30, 2022, the Authority had over \$36.9 million in combined assets under management.
- The Authority's portfolios continue to outperform assigned benchmarks over longer time periods, since inception returns demonstrate value of longer investment horizon.

Reserve Fund	Market Value (\$M)	2 nd Quarter Returns	1-Year Returns	Since Inception
Operating Reserve	\$3.74	-0.46 %	-3.02%	0.18%
CIP Reserve	\$19.14	-1.71%	-6.51%	-0.56%
Stage 2 Capacity Reserve	\$14.06	-1.74	-6.58%	0.56%

Outlook:

- Continued focus on safety and liquidity.
- Maintain modestly defensive duration positioning until we are more confident rates will stabilize.
- Markets appear to have adjusted for a slowing economy; thus, we view current corporate and ABS spreads as an attractive entry point.

Silicon Valley Clean Water

Annual Investment Update

October 10, 2022

415-393-7270

pfmam.com

Lesley Murphy, Director

Wale Kajopaiye, Senior Managing Consultant

PFM Asset Management LLC

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

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Agenda Packet Page 31

Market Update

Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ High inflation
 - ▶ A strong labor market
 - ▶ Depressed consumer confidence
 - ▶ Growing potential for economic recession



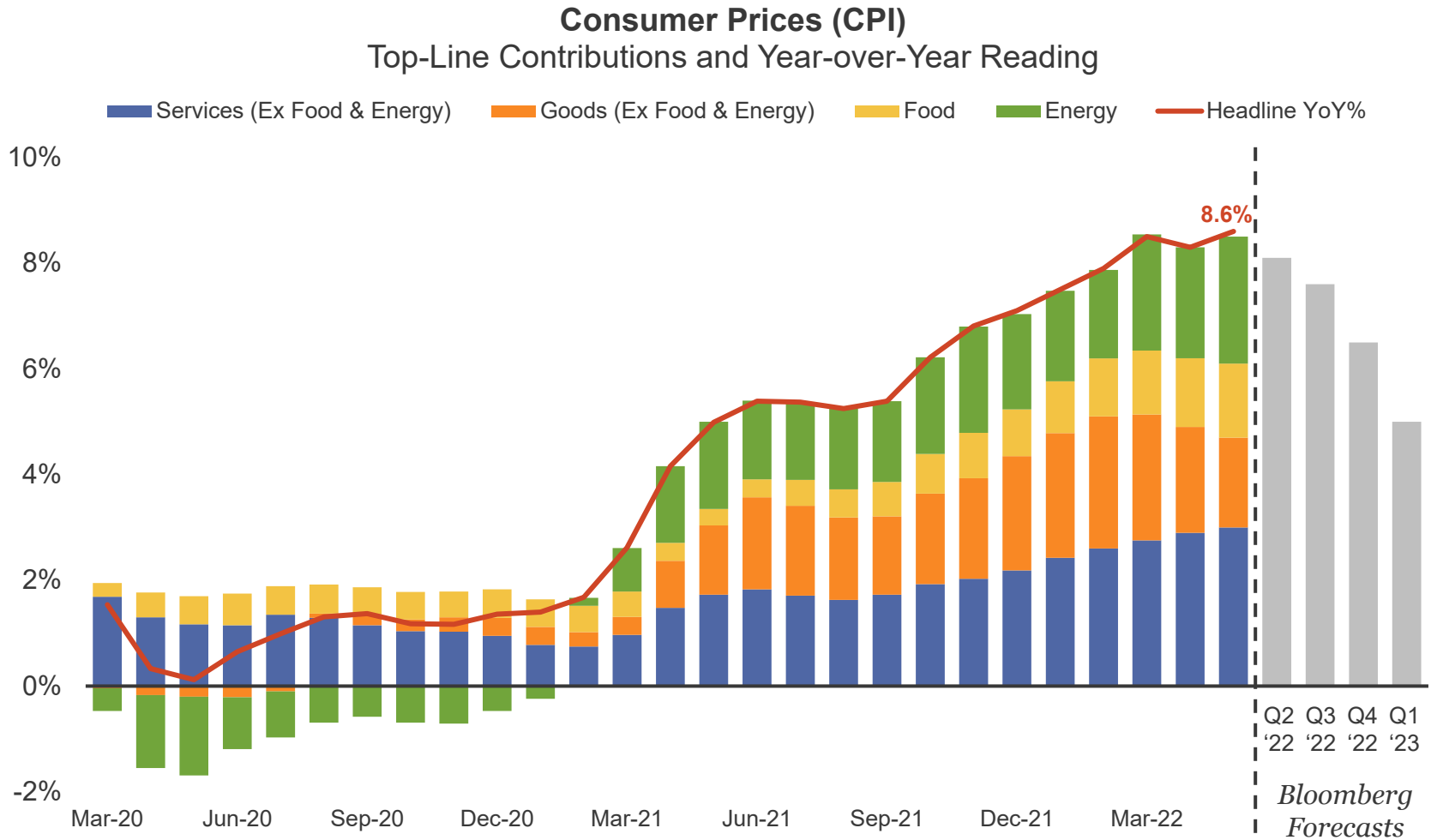
- ▶ The Federal Reserve is tightening monetary policy
 - ▶ More aggressive rate hikes to battle persistent inflation
 - ▶ Short-term fed funds rate projected to reach 3.25% to 3.75% by year-end
 - ▶ Start of balance sheet reduction; pace to double beginning in September



- ▶ Asset prices have fallen sharply in 2022 as a result of:
 - ▶ The impact of higher rates on bond prices and equity valuations
 - ▶ Wider credit spreads
 - ▶ High commodity prices, rising labor costs, and the continuing conflict in Ukraine
 - ▶ High levels of volatility and uncertainty



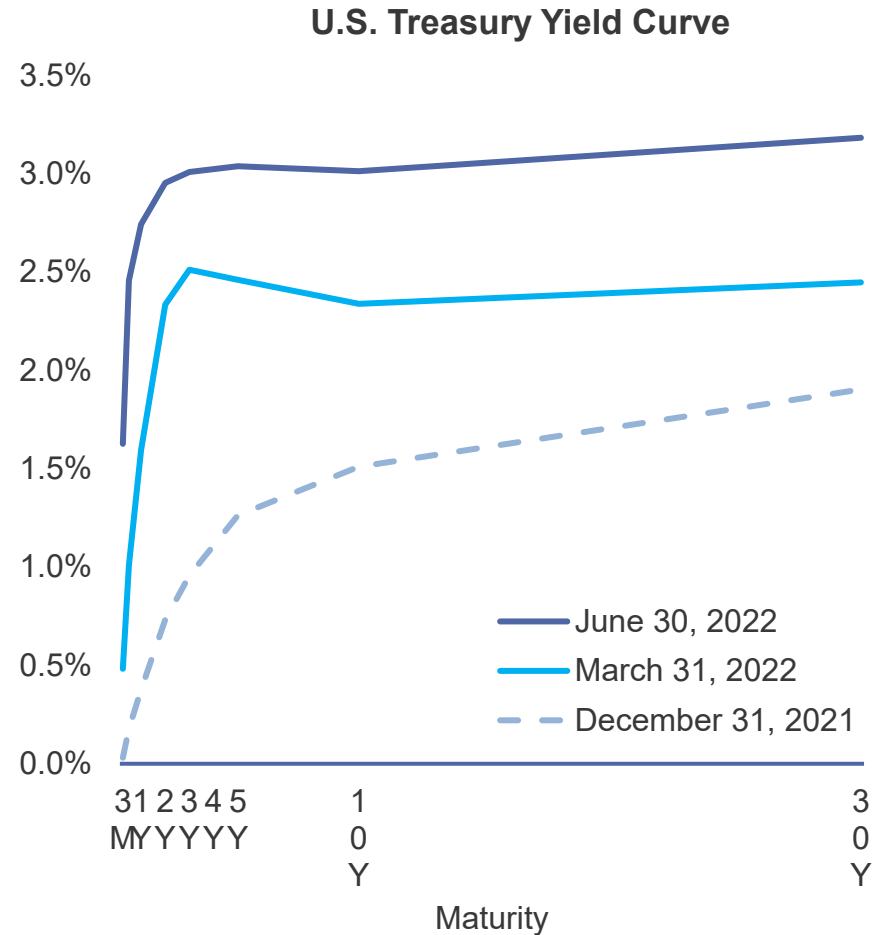
U.S. Inflation Hit a New Four-Decade High in May



Source: Bloomberg, as of May 2022.

Treasury Yields Move Higher Across the Curve; Curve Remains Flat Beyond Two Years

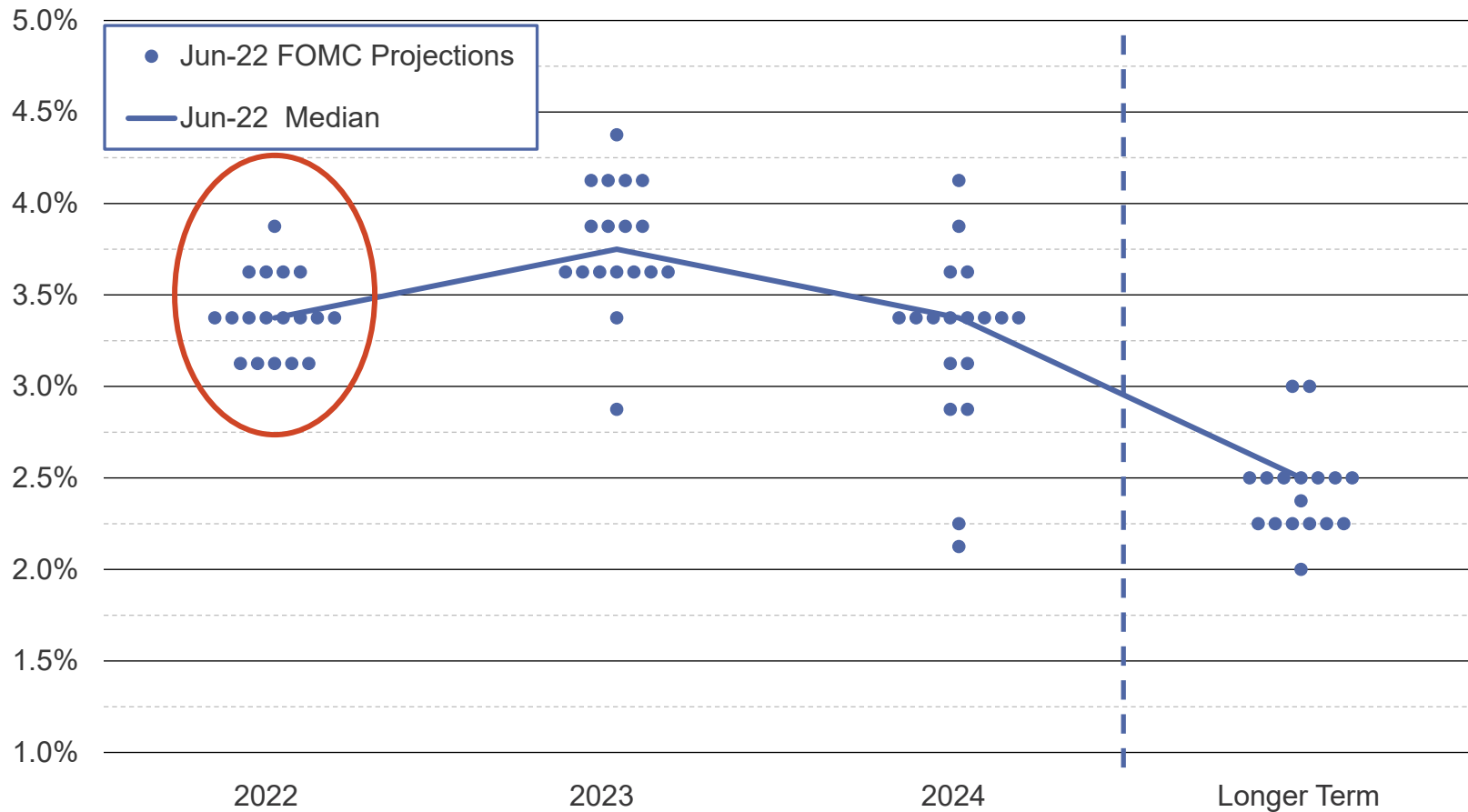
	2Q2022 06/30/22	1Q2022 03/31/22	QoQ Change
3-month	1.63%	0.48%	+1.15%
1-year	2.74%	1.60%	+1.14%
2-year	2.95%	2.33%	+0.62%
3-year	3.01%	2.51%	+0.50%
5-year	3.04%	2.46%	+0.58%
10-year	3.01%	2.34%	+0.67%
30-year	3.18%	2.45%	+0.73%



Source: Bloomberg, as of 6/30/2022.

Federal Reserve Officials Project 1.75% More in Rate Hikes in 2022

Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

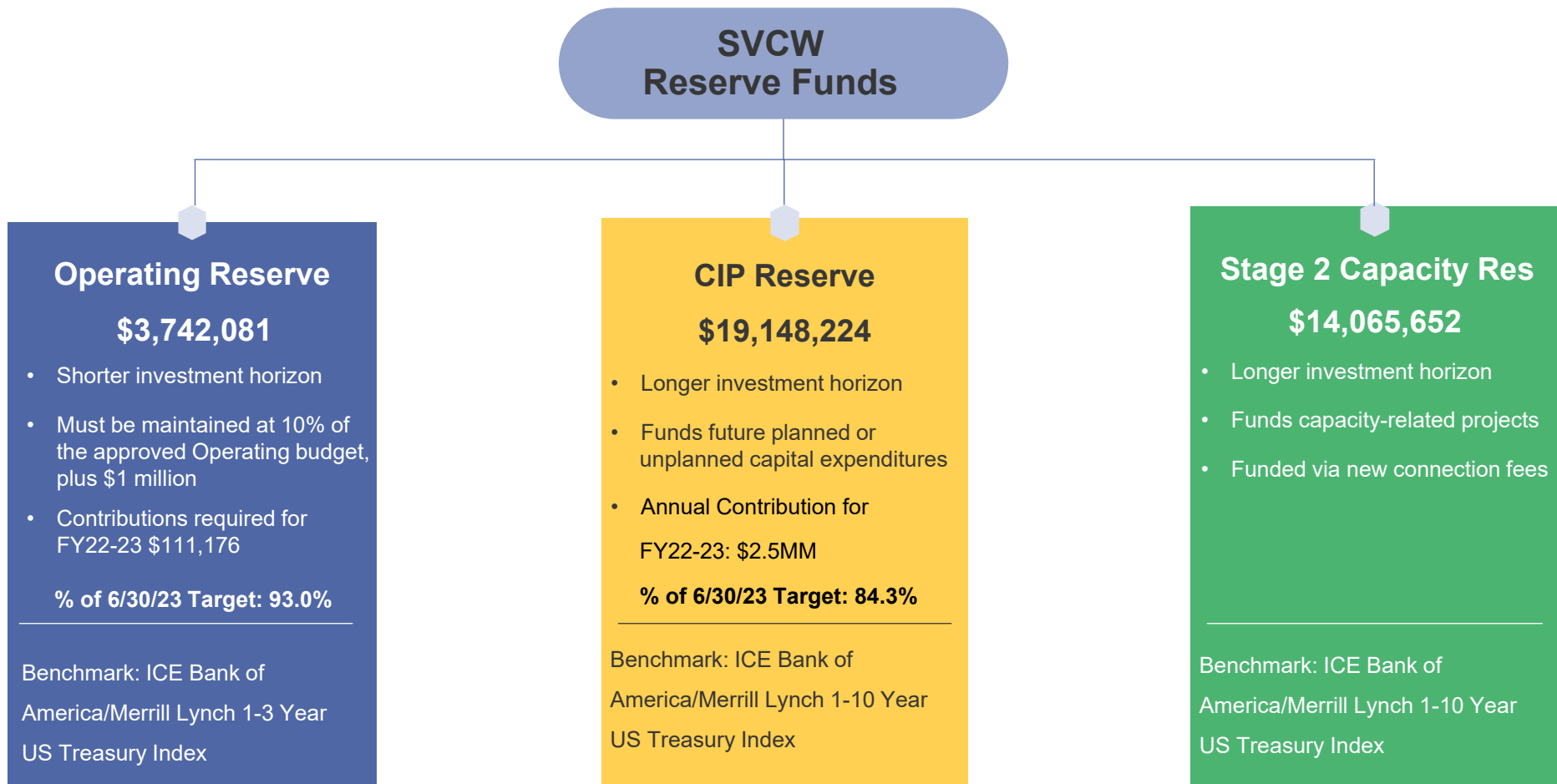
Investment Program Highlights

Achieving SVCW's Investment Objectives

Objective	Achieved Through...
<p>Safety</p> <p><u>Safety of the principal</u> shall be the top priority in the consideration of any investment undertaken by the CFO</p>	<ul style="list-style-type: none"> • <u>High-quality</u> investments • <u>Diversification</u> by sector, issuer, and maturity • Continual <u>monitoring</u> of the creditworthiness of all investment securities
<p>Liquidity</p> <p>The CFO shall keep the portfolio <u>sufficiently liquid</u> to meet the operating and capital needs of the authority which can be reasonably anticipated from his/her experience of the Authority's operations and adopted budget</p>	<ul style="list-style-type: none"> • <u>Cash flow</u> coordination with SVCW • Appropriate <u>allocation</u> among short-term liquidity vehicles and the longer-term managed portfolios • Investment in <u>highly liquid</u> securities which could readily be sold in the open market
<p>Return on Investment</p> <p>Within the safety and liquidity constraints imposed by law and the Authority's own safety objective and cash flow requirements, the investment portfolio shall be designed to <u>attain the market rate of return</u></p>	<ul style="list-style-type: none"> • <u>Duration</u> management • <u>Active trading</u> and continual evaluation of relative value among allowable sectors



SVCW's Reserve Fund Investment Program



Market values of portfolio holdings plus accrued interest and money market fund balances as of June 30, 2022.

Aggregate Portfolio: June 30, 2022 Statistics

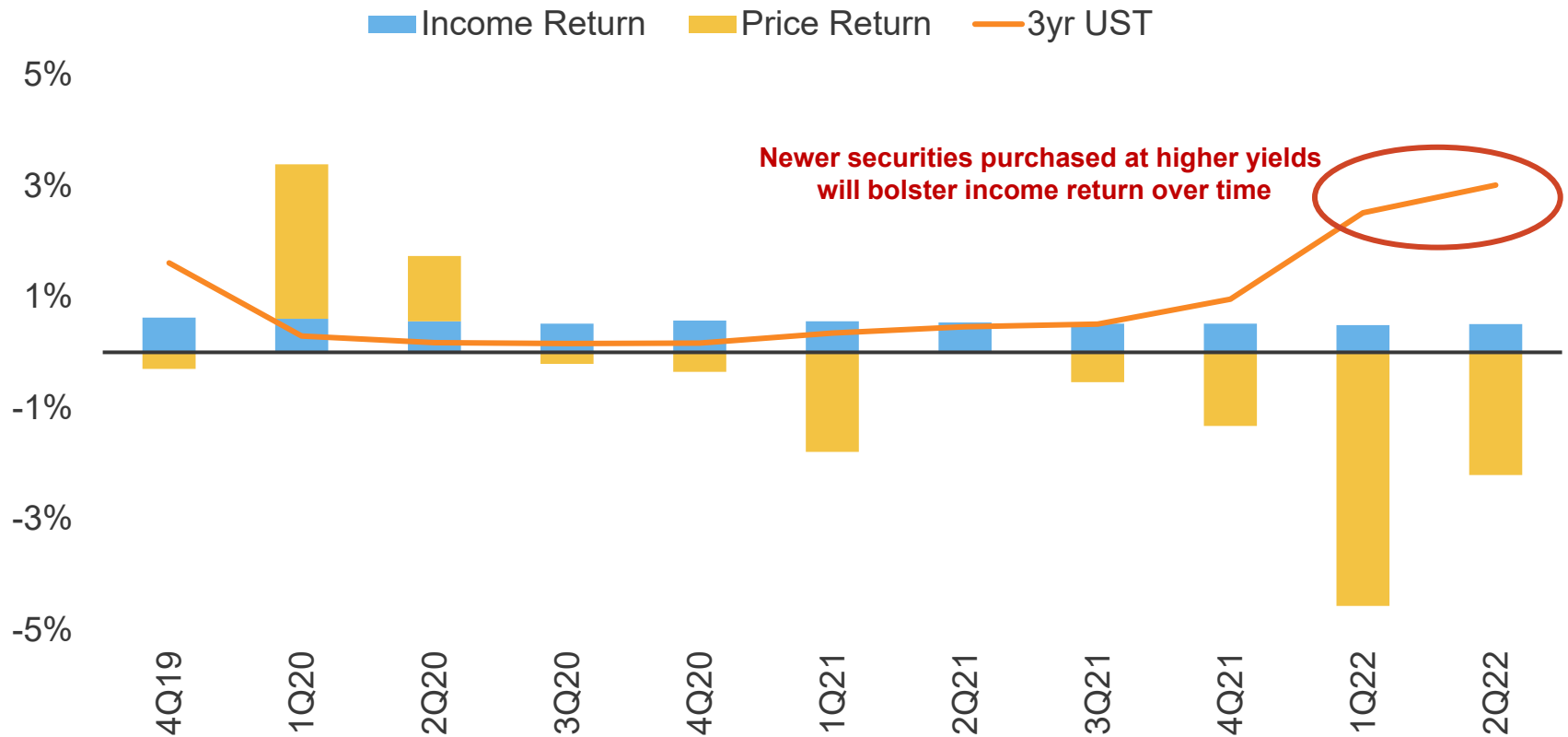
Security Type	June 30, 2022	% of Portfolio	% Change YOY	Permitted by Policy
U.S. Treasury	15,204,479	41%	+2%	100%
Supranationals	343,529	1%	-	15%
Federal Agency/GSE	3,594,074	10%	-7%	100%
Federal Agency/CMBS	1,029,718	3%	+3%	100%
Federal Agency CMO	1,389,105	4%	-6%	100%
Federal Agency MBS	3,809,394	10%	+5%	100%
Municipal	1,543,578	4%	-1%	30%
Corporate Notes	7,546,714	21%	+3%	30%
Asset-Backed Securities	1,285,825	3%	-	10%
Money Market Fund	1,062,463	3%	+1%	20%
Accrued Interest	147,078			
Total Investments	36,955,957	100%		

End of quarter trade-date market valuations. Details may not add up due to rounding. Current Investment Policy as of June 30, 2022.

The Impact of Rising Rates on Total Return

SVCW CIP Reserve Fund

Quarterly Price & Income Returns



Source: PFMAM calculations. Quarterly total returns are shown on an unannualized basis. The yield on the 3yr UST is annualized.

CIP Reserve Fund – Second Quarter 2022 Purchases

Trade Date	Settle Date	Par Value	Security Description	Maturity Date	Yield at Market
4/5/2022	4/14/2022	140,000	FHMS K141 A1	5/1/2031	2.90%
4/11/2022	4/13/2022	90,000	AMAZON.COM INC CORPORATE NOTES	4/13/2025	3.06%
5/13/2022	5/17/2022	150,000	NORTHERN TRUST CORP NOTE (CALLABLE)	5/10/2027	3.73%
6/7/2022	6/8/2022	175,000	US TREASURY NOTES	12/31/2027	3.07%
6/9/2022	6/13/2022	275,000	NATIONAL AUSTRALIA BK/NY CORPORATE NOTES	6/9/2027	4.10%
6/27/2022	6/30/2022	200,000	FN FS2262	6/1/2037	3.89%
Total		1,030,000			



Total Return Performance

As of June 30, 2022

	Yield to Maturity at Cost	Duration (years)	Total Return Quarter Ended		
			Current Quarter	1 Year	Since Inception
SVCW Operating Reserve Fund	1.18%	1.70	-0.46%	-3.02%	0.18%
<i>Benchmark: ICE BofAML 1-3 Year U.S. Treasury Index</i>	<i>N/A</i>	<i>1.78</i>	<i>-0.50%</i>	<i>-3.30%</i>	<i>0.05%</i>
<i>Difference</i>		-	+0.04%	+0.28%	+0.13%
SVCW CIP Reserve Fund	1.79%	3.81	-1.71%	-6.51%	-0.56%
<i>Benchmark: ICE BofAML 1-10 Year U.S. Treasury Index</i>	<i>N/A</i>	<i>3.74</i>	<i>-1.59%</i>	<i>-6.10%</i>	<i>-0.67%</i>
<i>Difference</i>		-	-0.12%	-0.41%	+0.11%
SVCW Stage 2 Capacity Reserve Fund	1.69%	3.70	-1.74%	-6.58%	0.56%
<i>Benchmark: ICE BofAML 1-10 Year U.S. Treasury Index</i>	<i>N/A</i>	<i>3.74</i>	<i>-1.59%</i>	<i>-6.10%</i>	<i>-0.67%</i>
<i>Difference</i>		-	-0.15%	-0.48%	+0.11%

- Portfolio performance is gross of fees unless otherwise indicated.
- ICE Bank of America Merrill Lynch (BofAML) Indices provided by Bloomberg Financial Markets.
- The performance inception date for each of the funds is September 30, 2019.

Current Market Outlook

KEY TAKEAWAYS

- Inflation remained elevated, reflecting higher energy prices, lingering supply chain disruptions, and strong demand.
- The Fed has redoubled efforts to tamp down inflation via aggressive rate hikes and balance sheet reduction.
- Investors have grown concerned that aggressive action by the Fed may tip the U.S. economy into a recession.

PORTFOLIO STRATEGY IMPLICATIONS

- Continued focus on safety and liquidity.
- We will maintain modestly defensive duration positioning until we are more confident rates will stabilize.
- Markets appear to have adjusted for a slowing economy; thus, we view current corporate and ABS spreads as an attractive entry point.

Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM's services or entities, please visit www.pfmam.com.

AGENDA ITEM 5D

**ENGINEERING REPORT: SEPTEMBER 2022
CAPITAL IMPROVEMENT PROGRAM****UPCOMING COMMISSION ACTIONS:**

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

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

The construction work on the GP project has been completed, while the acceptance testing will be performed when the FoP is ready to receive flow. An update on the GP project, as well as an overall program update is expected to be provided at the November Commission meeting.

Refer to Commission Item 5F for more detailed status updates.

Planned Commission Actions: Receive Detailed Program Update – November 2022

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

Relocation of the power feed and a new transformer will enable SVCW's existing backup generators to be used for the Front of Plant facilities. This project will use existing infrastructure, saving significant costs. The work is complete and reached substantial completion on August 15, 2022.

Planned Commission Actions: Accept Construction Project – October 2022

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

The HVAC system serving the Laboratory is original (circa 1991) and is past its useful life. Maintenance on the system is no longer possible. A new system was designed, and construction is complete. The substantial completion reached on August 31, 2022.

Planned Commission Actions: Accept Construction Project – October 2022

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

This project includes repair of coatings and structural elements in Digester #1. The construction of the project is underway and is expected to be completed in 2023. In the early stages of the project, the contractor (Trinet Construction, Inc.) has discovered some pipelines that show a greater level of coating loss and corrosion than expected. A Contract Change Order (CCO) for the repair of these pipelines will be brought to the Commission at the October meeting.

Planned Commission Actions: Approve CCO for Pipe Rehabilitation – October 2022

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

Recoating concrete surfaces in Primary Sedimentation Tanks 3 and 4, in Primary Influent Channel, and Primary Effluent Channel. Work needs to ensure continued treatment in other tanks and channels. Hatches on the deck above the tanks are aluminum and significant corrosion is visible; the hatches will be replaced with FRP (fiberglass reinforced plastic) hatches. The extreme storm event on October 24, 2021 presented the potential for flooding due to constricted flow, in turn posing significant risk to the facilities and permit compliance. For these reasons, staff instructed the contractor to remove a channel bypass that was placed for this project and to stop work. The construction resumed this year, and the remaining work is expected to complete by the end of the year 2022.

Planned Commission Actions: Accept Construction Project – December 2022

ONGOING PROJECTS IN CONSTRUCTION:

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

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

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

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

AGENDA ITEM 5E

Silicon Valley Clean Water
Commissioners' Requested Action Items

OCTOBER 10, 2022
AGENDA ITEM 5E

Updated: 9/26/2022

Commission Meeting Date		Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
8/8 & 9/12		Meetings Cancelled						
7/11/2022	1	State Water Resources Control Board - SVCW's COO Appointment to Certification Advisory Board	N/A			✓	7/11/2022	Provide talking points for Commissioners' use re: Monte Hamamoto's appointment to the Certification Board
	2	SAF-MBR	N/A		✓			Have Stanford lead person provide Commissioners a presentation on SAF-MBR
	3	Potable Reuse	N/A			✓	7/11/2022	Provide talking points for Commissioners' use re: SVCW potable water reuse activities
6/13/2022	1	No Action Items						
5/9/2022	1	No Action Items						
4/11/2022	1	CWEA State Employee Awards	N/A			✓	4/26/2022	Send letters of commendation and slide showing names to Commissioners to enable them to share with respective Councils.
	2	Commission Meetings: in person and hybrid	5/9/2022			✓	6/13/2022	Determine capability to offer hybrid (both onsite & remote access). June meeting held in person and remote.
3/14/2022	1	CWEA State Employee Awards	4/11/2022			✓	4/11/2022	Ask winners of State CWEA awards to attend and be recognized by Commission
	2	Remote Meetings	April or May			✓	4/11/2022	Determine when to return to onsite meetings. Met in person for June 2022 meeting.
2/14/2022	1	Recycled Water	N/A			✓	5/31/2022	BAWSCA water system facilities tour May 31; one spot available and Commissioner Collins attended tour
1/10/2022	1	Long-Range Financial Plan	prior to finalizing			✓	1/17/2022	Enhance discussion re: nominal savings and NPV savings as to reflect (positive) impact on fixed-income individuals. Enhance description of dips and increases on treatment unit costs (primarily dependent on flows/drought conditions). LRFP redistributed to member agency finance staff.
12/13/2021	1	Investment Report Summary	N/A			✓	1/10/2022	Show information on p. 43 of report for <u>all</u> funds on a single summary page (esp. Yield @ cost and Yield @ market)
	2	Article in Climate Magazine featuring SVCW	N/A			✓	12/13/2021	Send copy of article to all Commissioners

Silicon Valley Clean Water
Commissioners' Requested Action Items

OCTOBER 10, 2022
AGENDA ITEM 5E

Updated: 9/26/2022

Commission Meeting Date	Action Item		Requested or Estimated Date for Completion	Status			Date of Completion	Notes
				Ongoing	In Progress	Complete		
	3	RESCU Update	1/10/2022			✓	1/3/2022	Analyze effect of including all known risks into LRFP model. State values as \$ (vs %) as this translates to rates more readily
	4	Commission meeting dates	1/10/2022			✓	1/3/2022	Bring to Commission an agenda item to change meeting dates to 2nd Monday/month (vs 3rd Monday/month)
11/15/2021	1	Recycled Water Exploratory Program	Jan/Feb			✓	2/14/2022	Provide discussion on PREP (Potable Reuse Exploratory Program), status and activities. Summary provided Feb 14.
10/18/2021	1	Water Feature Development	N/A		✓			Research feasibility of creating a water feature behind the Shores Dog Park including possible funding mechanisms.
	2	RESCU Pump Station project	N/A			✓	11/9/2021	MTBM became stuck while tunneling the Belmont Gravity Pipe. It was repaired & tunneling continues. No schedule impact.
> One Year		8E - JPA Amendment; re-initiate "clean up" to JPA	N/A		✓			Make required and requested changes to the JPA a priority. Comments received; Manager has consolidated. Next step to meet with member agencies for consensus. Incorporate plant capacity information re: connection fees.
		Project Changes/Commission Notification	N/A	✓			Ongoing	Ensure Commission is kept apprised of possible/potential project cost and/or schedule increases.
		1406 Radio Road Building	N/A		✓			Research and make recommendation related to historic registry restraints on what can/can't be done with buildings. On hold due to Covid-19. Historic marker applied Aug. 28, 2021.
		Pump Stations Improvements - Capital vs Life Cycle Costs	N/A		✓			Reducing pump stations from 5 to 2 have been reported to save long-term costs; provide analysis results to Commissioners.

AGENDA ITEM 5F

Overview



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

Available Budget

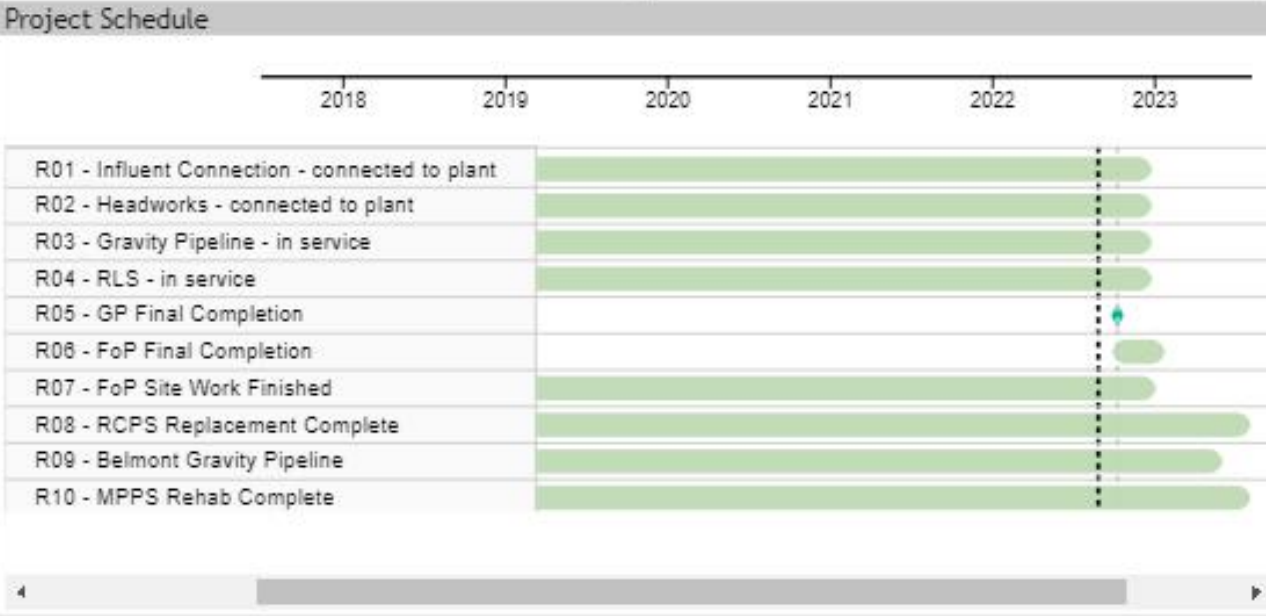
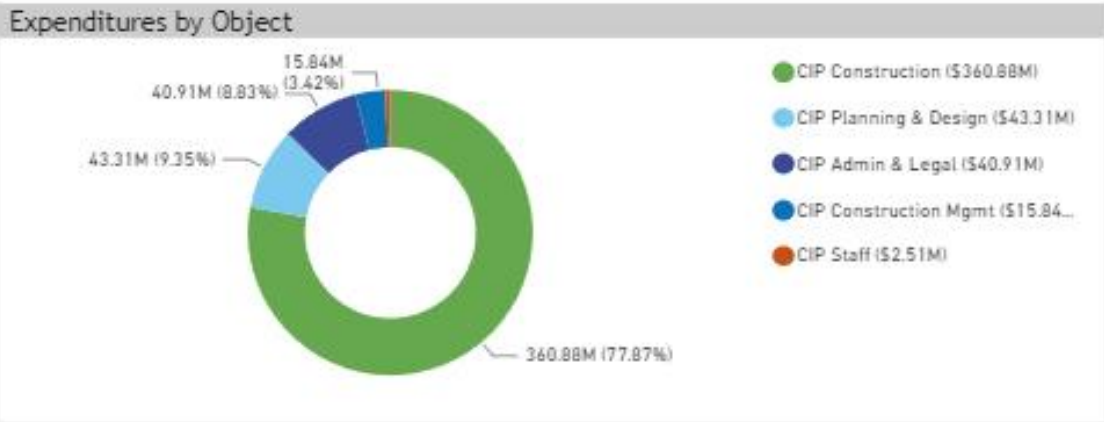
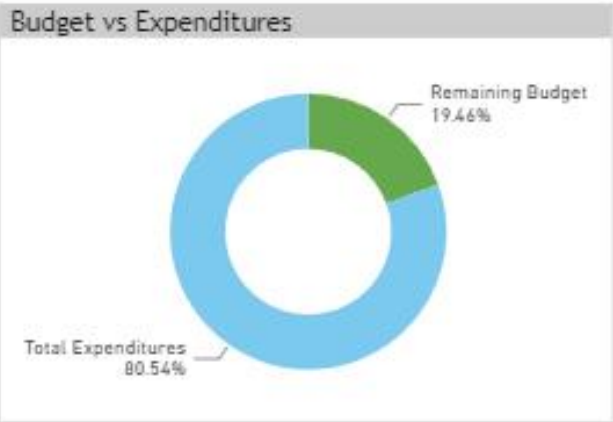
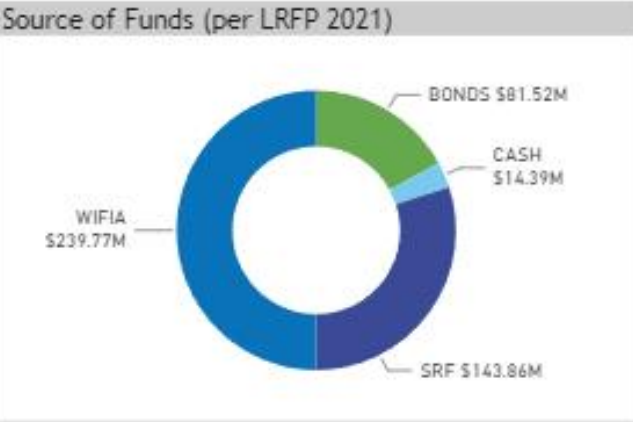
\$574.16M

Total Expenditure

\$462.42M

Remaining Budget

\$111.74M



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

Front of Plant Progressive DB Project (CIP 9502)

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

Available Budget

\$162.21M

Total Expenditure

\$132.59M

Remaining Budget

\$29.62M

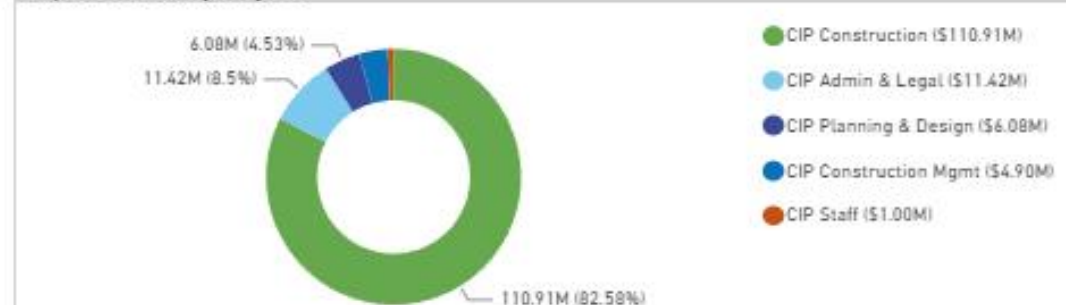
Milestone Schedule

	Start	Finish
Interconnection Pipe Completed	7/24/2020	4/13/2022
Headworks Facility Completed	12/6/2018	11/5/2022
SFS/RLS Completed	12/6/2018	7/1/2022
Substantial Completion		12/28/2022

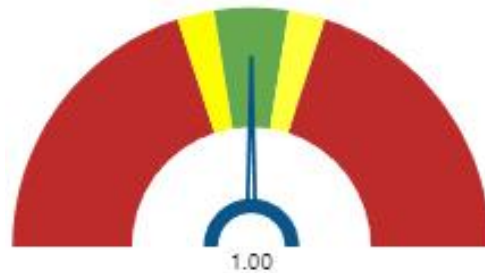
Budget vs Expenditures



Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Major Accomplishments this Period

Construction	<ul style="list-style-type: none"> -SPJV relocated the existing plant lift pumps to a new temporary concrete pad to utilize for the IPL bypass system. SPJV is preparing to core an opening in the existing screening structure to allow for screening during the bypass. - SPJV has been working throughout the Headworks Facility connecting equipment grounds for electrical. Outside the RLS, SPJV has installed lighting and conduit. SPJV working on the ground loops inside the RLS. - SPJV is hydro testing all RLS process piping. - In the Surge and Flow Splitter (SFS) shaft, the coating subcontractor completed coating installation. - Ongoing storm drain and sanitary sewer scope of work includes excavation to subgrade, pipeline installation, catch basin installation, SFS shaft pipeline penetrations, and subsequent base rock and backfill placement.
Design	- Software acceptance testing was completed.
Procurement of Trade Packages	- SPJV is procuring grit pump Variable Frequency Drives (VFD's) and bypass piping material.

3 - Month Look Ahead

	Start	End	September	October	November
ILS Demolition and IPL Bypass	June 9, 2022	September 30, 2022	X		
ILS CFRP Repair	September 8, 2022	November 29, 2022	X	X	X
3W and Potable Water Lines Installation	September 13, 2022	September 28, 2022	X		
Utilidor Installation (Seybert Lot Access Rd)	August 29, 2022	September 12, 2022	X		
Start Up FoP Mechanical/Electrical Equipment/Components	July 18, 2022	December 29, 2022	X	X	X
SCPS Connecting Piping	August 2, 2022	May 26, 2023	X	X	X

Potential Issues

Additional cost due to changes to the temporary ILS bypass and procurement delays

Intrinsically Safe Relay Panel

Plant water pipeline size upgrade and related fixtures

Utilidor extension for piping

Project Changes

Bair Island and San Carlos Pump Station Pipe Connection Work - mechanical

Change order for odor control system

Credit for deletion of 48" bypass from 54" force main

Credit for the deletion of the chemical storage system

Electrical System

ILS Pipe Repair

New County/Local Sales Tax

Project Management past December 2021

Safety Spot Light

Lost Time	0
Near Misses	5
Recorded Losses	2

Gravity Pipeline Progressive DB Project (CIP 6008)

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

Available Budget

\$264.36M

Total Expenditure

\$251.64M

Remaining Budget

\$12.72M

Milestone Schedule

	Start	Finish
Substantial Completion		7/1/2022

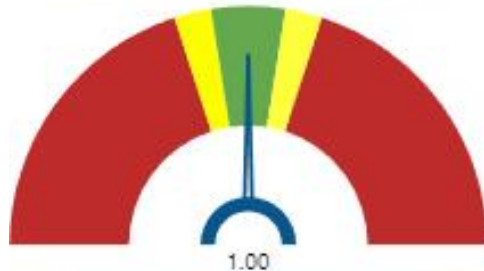
Budget vs Expenditures



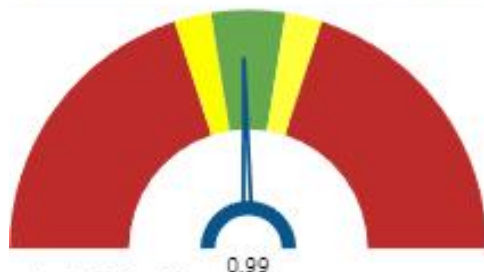
Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



Construction	<ul style="list-style-type: none"> - BBJV completed backfill of the Airport Access Shaft - BBJV completed site restoration at the AAS
Design	<ul style="list-style-type: none"> - Gravity Pipeline design is complete.
Muck Disposal	<ul style="list-style-type: none"> - 79% of Muck Disposal Amendment spent - 21% of Muck Disposal Amendment remaining. Credit to be issued for remaining funds.
Procurement of Trade Packages	<ul style="list-style-type: none"> - Gravity Pipeline Trade Procurement is Complete

Acceptance Testing and Final Completion Contract Extension
Additional costs for SFS Break-in approach

Additional Survey at Governors Bay
Bair Island Force Main Exposure and Additional Monitoring
Bair Island Weir Optimization
Exceedence of Muck Offhaul Allowance
New County/Local Sales Tax and US Tariffs
Redwood City Sales Tax Increase 2021
San Carlos Adit Ammonia Mitigation
San Carlos Shaft Ammonia Mitigation
SCPS Basement Connection
Soil Conditioner Leak at CPT Hole STA 171 + 80

Lost Time	1
Near Misses	4
Recorded Losses	5

Pump Stations (CIP 9501)

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

Available Budget

\$132.29M

Total Expenditure

\$66.89M

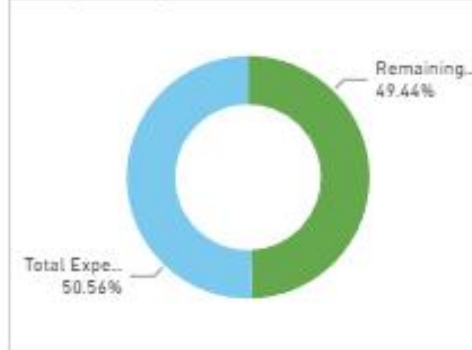
Remaining Budget

\$65.40M

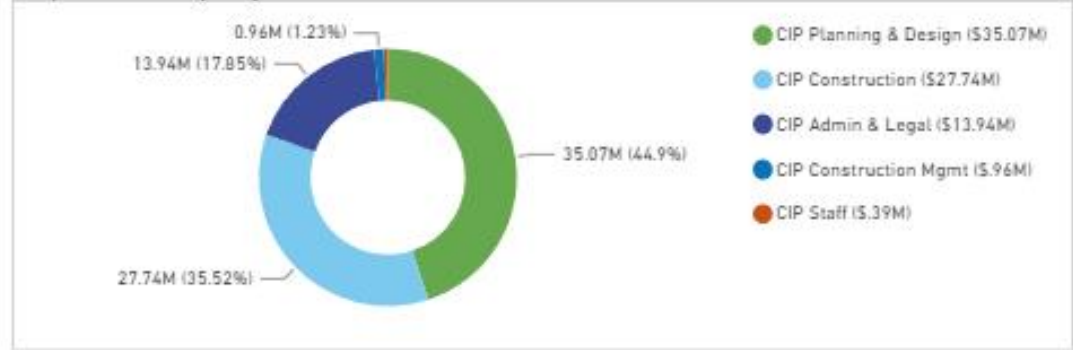
Milestone Schedule

	Start	Finish
BGP - Gravity Pipe Installed	4/5/2023	6/15/2023
MPPS - A-side Pumps Completed	10/1/2022	2/12/2023
MPPS - B-side Pumps Completed	3/15/2022	9/30/2022
MPPS - Segment 1 and 2 CARVs Completed	3/7/2022	6/24/2022
RCPS - Electrical Building Completed	1/10/2023	1/30/2023
RCPS - PG&E Service Work	11/17/2022	12/2/2022
RCPS - Wet Well & Screening Building Completed	3/22/2023	4/5/2023
Substantial Completion - BGP		6/5/2023
Substantial Completion - MPPS		8/7/2023
Substantial Completion - RCPS		8/7/2023

Budget vs Expenditures



Expenditures by Object



Cost Performance Index (CPI)



Schedule Performance Index (SPI)



As of: 2022 - 08



Pump Stations (CIP 9501)



Major Accomplishments this Period

Construction	<p>BGP - Micro-tunneling completion from JS-4 to RS-3.</p> <p>RCPS - SPJV completed Screening Structure and Wet Well wall concrete pours.</p> <p>MPPS: Hydrotesting for B-Side discharge piping is complete. New Vaughan pumps (B side only) and motors testing and training is complete.</p>
Design	<p>RCPS - SVCW is coordinating with City of Redwood City regarding SPJV's proposal to slip line the existing 48-inch influent pipe in order to allow SPJV to begin Contract work that has been delayed. SPJV is gathering additional vendor info on the option to use spiral wound HDPE.</p> <p>MPPS - Amendment 13 was executed to formally accept the alternative approach for MPPS B-Side Startup and Functional/Acceptance Testing without some of the electrical equipment that experienced delays.</p>

3 - Month Look Ahead

	Start	End	September	October	November
MPPS - PG&E Design and Construction	August 26, 2020	December 14, 2022	X	X	X
MPPS - Wet Well & Barminutor Area	March 15, 2022	November 23, 2022	X	X	X
MPPS - Pump & Motor Rooms	March 15, 2022	December 14, 2022	X	X	X
MPPS - Building/Roof Improvements	September 10, 2021	December 27, 2022	X	X	X
MPPS - Electrical Room Improvements	July 6, 2021	January 31, 2023	X	X	X
MPPS - Startup/Acceptance Testing of MPPS B-side	August 22, 2022	September 30, 2022	X		
BGP - Microtunnel from JS3 to RS2	September 6, 2022	October 17, 2022	X	X	
BGP - Restore JS-4	August 22, 2022	September 23, 2022	X		
RCPS - Wet Well and Screening Building Structural Concrete	September 8, 2021	December 5, 2022	X	X	X
RCPS - Mechanical - Wet Well	September 23, 2022	April 5, 2023	X	X	X
RCPS - Mechanical - Screening Structure	October 7, 2022	March 3, 2023		X	X
RCPS - Electrical / I&C	August 18, 2022	March 27, 2023	X	X	X
RCPS - Electrical Building & Restroom	February 8, 2021	March 30, 2023	X	X	X

Potential Issues

Additional costs due to paving thickness in City of San Carlos
 BGP Piping in San Carlos Pump Station
 Challenges from permitting and land acquisition conditions at RCPS
 Condition of Existing Redwood City 48-inch Influent Pipe
 Microtunneling Obstruction at RS-4
 MPPS PG&E-Related Changes
 Redwood City 60-inch Pipe Installation/Connection

Project Changes

Allowance Release, JS-4 Unforeseen Fiber Optic Utility Impacts
 Bair Island and San Carlos Pump Station Pipe Connection Work - electrical/instrumentation
 BGP Design Development
 Differing Site Conditions and MPPS Generator Warranty Release
 Segment 1 Force Main Junction Box Repairs
 Stage 2 Baseline Schedule Revision
 Traffic Control Changes Allowance Release

Safety Spot Light

Lost Time	0
Near Misses	0
Recorded Losses	0

AGENDA ITEM 7A

**MINUTES OF SILICON VALLEY CLEAN WATER
REGULAR MEETING – July 11, 2022
8:00 a.m.**

Place: Pelican Conference Room
Silicon Valley Clean Water
1400 Radio Road, 2nd Floor
Redwood City, California

Members of the public and SVCW staff and consultants were also able to observe and participate remotely per instructions provided in the agenda.

ITEM 1

CALL TO ORDER

The meeting was called to order at 8:02 a.m.

ITEM 2

ROLL CALL - Commissioners Duly Appointed by Each Agency

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

Staff, Consultants and Visitors Present

Teresa A. Herrera, SVCW Manager
Christine C. Fitzgerald, SVCW Legal Counsel
Matt Anderson, SVCW Chief Financial Officer/Assistant Manager
Monte Hamamoto, SVCW Chief Operating Officer
Kim Hackett, SVCW Authority Engineer
Jennifer Flick, SVCW Human Resources Director
Arvind Akela, SVCW Engineering & Environmental Services Director
Jessica Mangual, SVCW Secretary Pro Tem
Mark Minkowski, Kennedy Jenks
Sheryl Chia, Kennedy Jenks
Theresa Yee, City of Redwood City
Aren Hansen, Brown & Caldwell

ITEM 3

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited by those in attendance

ITEM 4

PUBLIC COMMENT

There was no Public Comment

ITEM 5

SAFETY MOMENT AND REPORTS

Instructions for enabling live captioning and providing public comment during the remote meeting site were provided.

Item 5A Safety Moment concerned tips on how to avoid bug bites.

Item 5B the Manager reported that SVCW COO, Monte Hamamoto, was recently appointed to the State Water Certification Advisory Board for a four-year term.

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

ITEM 6

MATTERS OF COMMISSION MEMBER'S INTEREST

Commissioner Aguirre was elected Chair and Commissioner Otte was elected Vice Chair.

Commissioner Lieberman was appointed Secretary.

Motion/Second: Dr. Lieberman / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 7

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

A. APPROVAL OF MINUTES – JUNE 13, 2022 - Regular Meeting

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED MAY 6, MAY 13, MAY 27, JUNE 1, AND JUNE 10, 2022, AND NECESSARY PAYMENTS THROUGH JUNE 10, 2022

Motion/Second: Dr. Lieberman / Mr. Collins

The Motion carried by Unanimous Roll Call Vote

ITEM 8A

CONSIDERATION OF MOTION APPROVING SF-PENINSULA REGIONAL PUREWATER (SPRP) LONG TERM STRATEGIC RECYCLED WATER PLANNING (CIP#9232)

Proposed Action:

Move approval of MEMORANDUM OF AGREEMENT AMONG BAY AREA WATER SUPPLY AND CONSERVATION AGENCY, CALIFORNIA WATER SERVICE COMPANY, CITY OF REDWOOD CITY, CITY OF SAN MATEO, CITY & COUNTY OF

SAN FRANCISCO PUBLIC UTILITIES COMMISSION, MID-PENINSULA WATER DISTRICT AND SILICON VALLEY CLEAN WATER FOR SF-PENINSULA REGIONAL PUREWATER (SPRP) LONG TERM STRATEGIC RECYCLED WATER PLANNING (CIP #9232)

Motion/Second: Dr. Lieberman / Mr. Otte

The Motion carried by Unanimous Roll Call Vote

ITEM 9

No Closed Session

ITEM 10

No Closed Session

ITEM 11

ADJOURN

There being no further business, the meeting adjourned at 8:38 a.m.

Minutes prepared by Teresa A. Herrera
Reviewed by General Counsel

Warren Lieberman, Secretary

AGENDA ITEM 7B

SVCW WARRANT REGISTER

SVCW Warrant Registers dated June 15, 2022 – August 8, 2022, were scanned and a copy was emailed to Commissioners and Legal Counsel on October 5, 2022.

AGENDA ITEM 7C

**SILICON VALLEY CLEAN WATER
2022 CONFLICT OF INTEREST CODE UPDATE**

ISSUE

Review and Approve Silicon Valley Clean Water's Conflict of Interest Code and List of Designated Positions

BACKGROUND

The Political Reform Act (Act) requires all local agencies which have adopted Conflict of Interest Codes (Code) to review their Code at minimum biennially every even-numbered year and amend their Code if changes are necessary. The Code lists each position within the Authority filled by individuals who make or participate in making governmental decisions which could affect their personal interests (attached as Exhibit A). The Code also requires individuals holding those positions to file annually a disclosure of certain personal interests.

This Commission last reviewed and updated the Code in March 2021.

DISCUSSION

There are no recommended or necessary changes to the SVCW 2021 Conflict of Interest Code. It is being brought to the Commission at today's meeting to return the review cycle back to an even-numbered year, biennial basis.

The Resolution which the Commission is adopting confirms that the SVCW Conflict of Interest Code has been reviewed, is current and accurate, and meets the requirements of the Political Reform Act.

RECOMMENDATION

Move adoption of RESOLUTION REVIEWING AND APPROVING 2022 CONFLICT OF INTEREST CODE FOR SILICON VALLEY CLEAN WATER

EXHIBIT A

SILICON VALLEY CLEAN WATER 2022 CONFLICT OF INTEREST CODE UPDATE

DESIGNATED OFFICIALS AND EMPLOYEES

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Commission, Commission of SVCW	All Categories
Secretary, SVCW	All Categories
Manager	All Categories
Assistant Manager/Chief Financial Officer	All Categories
Chief Operating Officer	All Categories
Authority Engineer	All Categories
Executive Assistant to the Manager	3, 4
Health & Safety Director	3, 4
Information Services Director	3, 4
Engineering/ Environmental Services Director	3, 4
Laboratory Director	3, 4
Operations Director	3, 4
Maintenance Director	3, 4
Human Resources Director	3, 4
Attorney	All Categories
Consultant	All Categories

Consultant is defined in Regulation 18700(a) (2) in 2 California Code of Regulations.

The (executive director or executive officer) may determine in writing that a particular consultant, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in this section. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of the disclosure requirements (Exhibit B). The (executive director or executive officer’s) determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code.

9L<6H6`

G@7CB`J5@@M7@5B`K5H9F`
&\$&&7CB: @7HC: `BH9F9GH`7C89`I D85H9`

89G4 B5H98`75H9; CF4G`

75H9; CFM`% A designated employee assigned to Category 1 is required to disclose investments which may foreseeably be materially affected by any decision made or participated in by the designated employee.

75H9; CFM`&` A designated employee assigned to Category 2 is required to disclose interests in real property which may be materially affected by any decision made or participate in by the designated employee.

75H9; CFM`" ` A designated employee assigned to Category 3 is required to disclose income which may be materially affected by any decision made or participated in by the designated employee.

75H9; CFM`(" ` A designated employee assigned to Category 4 is required to disclose any business entity in which the designated employee is a director, officer, partner, trustee, or holds any position of management which may be materially affected by any decision made or participated in by the designated employee.

AGENDA ITEM 7D

**STANDBY GENERATORS FEED RELOCATION &
ELECTRICAL PANEL UPGRADES (CIP #9240)
FINAL PROJECT ACCEPTANCE****ISSUE**

Final Acceptance of the Standby Generators Feed Relocation & Electrical Panel Upgrades (CIP #9240) and Authorization to File Notice of Completion

BACKGROUND

At the treatment plant, SVCW receives electrical utility power from PG&E at the primary switchgear (also known as the 12kV Switchgear), which is then distributed to two Power Distribution Panels (PDPs) feeding various Motor Control Centers (MCCs) and all plant equipment. In addition to utility power, all wastewater treatment facilities, including SVCW, are required to have standby emergency power sources so that operations can continue during a utility power outage.

Since the CIP's inception in 2008, emphasis has been placed on replacing and upgrading the Plant's electrical power facilities. A robust and reliable power system is required to ensure full compliance with SVCW's permits. Major electrical upgrades undertaken prior to this project include:

2010:

- PDP-1 (1980-era original power distribution panel) was replaced with an upgraded and modern panel
- 3 original 750-kilowatt (750kW) backup generators feeding PDP-1 were replaced with three 1-megawatt (1MW) generators.

2013:

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

2016:

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

2019:

- New 12-kilovolt (12kV) Main Switchgear was installed. This new switchgear is built above the flood plain and allows for power export when SVCW's power generation exceeds its demand.

The subject project, initiated in 2020, has two major components:

- 1) Installation of a new power feed to the 2MW standby generators, allowing SVCW to bring the Front of Plant Project online without having to install new standby generators.

- 2) Electrical Panels Replacement, replacing Motor Control Centers and Electrical Panels that are aged beyond their useful life.

DISCUSSION

Standby Generators Feed

The new primary switchgear was installed and commissioned in September 2019, expanding the electrical capacity of the plant to accommodate electrical loads scheduled to come online in 2022 from RESCU projects. The new 12kV switchgear, a critical power facility, is placed on a raised platform for resiliency against sea-level rise and 100-year flood plain. A new power distribution panel (PDP-3) is added as part of the Front-of-Plant RESCU project to supply power to these new facilities.

Similar to PDP-1 and PDP-2, PDP-3 requires emergency standby power. SVCW staff evaluated options and recommended utilizing the existing two-2MW backup generators to serve as backup power for both PDP-2 and PDP-3.

This approach has many benefits as follows:

- Allows for the Front of Plant Project to be fully backed up by diesel generators in the event of a power failure
- Saves millions of dollars by not having to install additional standby generators
- Avoids any increase in air emissions from the plant and associated cost/schedule impacts of obtaining an air permit
- Uses existing assets to their maximum capabilities
- Provides a third level of power reliability by installing rental generator hookup connection

Beecher Engineering developed the design to move the two 2MW standby generator electrical power feeds from PDP-2 to the new 12kV switchgear. Work included installing two step-up transformers (480-volt to 12,000-volt) so that the 480V power generated by the standby generators can be fed to the primary (12kV) switchgear main electrical bus. By relocating these feeders and adding transformers, the two 2MW standby generators can be used to provide power to the entire plant, PDP-1, PDP-2, and PDP-3.

Electrical Panels Replacement

Since the start of SVCW's CIP, over ten new Motor Control Center panels were installed through various projects, replacing old and obsolete panels. The remaining electrical panels were aging, frequently failing and extremely difficult to repair due to unavailability of replacement parts. Aging electrical equipment replaced under this project included MCC-1P1, MCC-1P6 and panelboard 24P2. These electrical panels were the last to be upgraded as part of the overall CIP program.

The project was publicly advertised on November 3, 2020. Bids were received on December 8, 2020 and the contract was awarded on December 14, 2020 to D.W.Nicholson in the amount of \$3,024,200. Notice to Proceed was issued on January 13, 2021 and substantial completion was reached on August 15, 2022. The Substantial Completion Certificate is attached.

FINANCES

Funding for this project derives from Standby Generators Feed Relocation & Electrical Panel Upgrades, CIP #9240 which has an allocated budget of \$4.8 Million. As of August 2022, a total of \$4,593,242 has been spent.

The original construction contract for D.W. Nicholson was in the amount of \$3,024,200. A total of thirty (33) Contract Change Orders (CCOs) were issued, totaling \$385,384. One of these CCOs in the amount of \$146,748 was for strengthening a concrete column and was approved by the Commission in May 2021. The other CCOs totaled \$238,636, representing 7.9% of the contract amount.

RECOMMENDATION

Move approval to ACCEPT STANDBY GENERATORS FEED RELOCATION & ELECTRICAL PANEL UPGRADES (CIP #9240) AND AUTHORIZE FILING NOTICE OF COMPLETION – D.W. Nicholson

**Silicon Valley Clean Water
Generators Feed Relocation & Electrical Panel Upgrades (CIP #9240)
SUBSTANTIAL COMPLETION CERTIFICATE**

The following portions of the Generators Feed Relocation & Electrical Panel Upgrades are accepted as Substantially Complete in accordance with Specification Sections 00700-8.6 and 00800-1.5 and as defined herein.

As of August 15, 2022, these portions of the Project are accepted:

1. All work on the Project except as noted below:
 - a. All work on the attached Punch List, dated August 15, 2022.

As of the above dates the following responsibilities are agreed to:

1. Authority:
 - a. The Authority assumes responsibility for security, maintenance (except as noted below), heat, utilities, damage to the Work (except as caused by the Contractor's actions) and insurance for the facilities.
2. D.W. Nicholson Corp. (DWN):
 - a. The Contractor shall maintain and provide proof of insurance as required by Specification Section 00800-3.1.4 for all work required to complete the Punch List and for five years following Final Completion as required by Specification Section 00800-3.2 or as otherwise referenced in the technical specifications.
 - b. The Contractor shall be responsible for repairs or maintenance, as necessary, until the Contractor has submitted, and the Authority has accepted all Record Documents and Operation & Maintenance Manuals.
 - c. The Contractor shall work in an expeditious manner to complete the remaining work and administrative requirements on the Project including the items on the Punch List, dated August 15, 2022, within sixty (60) days from the date of this certificate.

This Certificate does not constitute an acceptance of Work not in accordance with the Contract Documents nor is it a release of Contractor's obligation to complete the Work in accordance with the Contract Documents. The one-year (365 Calendar Days) warranty for the accepted Work shall commence per Specification Section 01740-1.0 on the date of Acceptance by Silicon Valley Clean Water.

The undersigned hereby acknowledge agreement to the above provisions:

Contractor: D.W. Nicholson Corp

By: 

Thomas Reed Sr.

Title: President, C.E.O.

Date: August 17, 2022

Construction Manager: Tanner Pacific, Inc.

By: 

Andrew Matey, P.E.

Title: Construction Manager

Date: 8/17/2022

AGENDA ITEM 7E

**LAB BUILDING HVAC (CIP# 9251)
FINAL PROJECT ACCEPTANCE**

ISSUE

Final Acceptance of the Lab Building HVAC project (CIP# 9251) and Authorization to File Notice of Completion

BACKGROUND

SVCW's Laboratory Building was built in 1991. It is an office-type structure that has continuous (24/7) employee occupancy and was built with materials and equipment that could withstand the corrosive environment of both the wastewater treatment facility and the bay's marine environment. Even with the higher quality materials, the Laboratory Building's heating, ventilation, and air conditioning (HVAC) system, having been in service for 30 years, is well past its useful life. SVCW Laboratory and Maintenance staff have reported multiple system malfunctions and equipment failures due to corrosive air entering the building, highlighting the fact that the mechanical system needs replacement.

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

DISCUSSION

The scope of the Lab HVAC Building project included replacement of the Lab Building air handling and exhaust fan system, including the roof-mounted air handling unit and air control valves throughout the duct system. The new HVAC system includes a modern computer-controlled Building Management System (BMS) which controls the HVAC system and reports status and alarms to the SVCW Control Room and Lab Staff.

The Lab HVAC Building project bid in December 2020 and was awarded on December 14, 2020 to Blocka Construction, Inc. The original contract amount was \$2,282,650. Notice to Proceed was issued on January 19, 2021 and substantial completion was reached on August 31, 2022. The Substantial Completion Certificate is attached.

Originally intended to be a 180-day duration project, the contract was amended by 5 separate contract extensions, with a final overall contract time of 589 days. While there were several reasons for the extended contract time, the two biggest reasons were 1) COVID travel restrictions and delays in receiving equipment due to supply chain issues, and 2) problems during startup due to faulty existing equipment which needed to be replaced via contract change order.

The quality of the work by Blocka Construction was excellent and all equipment is now in operation. Staff recommends the project be accepted and Notice of Completion for the project issued.

FINANCES

Funding for this project derives from CIP #9251 – Lab Building HVAC Project with an allocated budget of \$3,241,363. As of August 2022, a total of \$3,531,199 has been spent, representing an overage of \$289,836, or 8.9%.

The original construction contract amount approved by Commission for Blocka Construction was \$2,282,650. A total of nineteen (19) Contract Change Orders were issued, totaling \$63,898.46 which represents 2.8% of the original contract amount. The final total contract amount to Blocka Construction is \$2,346,548.

The remaining overage is related to added soft cost expenditures required during the project extensions. Both the designer-of-record and construction management teams were required to put in more work than originally anticipated. To the extent feasible, the consultants minimized additional oversight costs, evidenced by the fact that the contract time was extended to over three times the original duration whereas soft costs expenditures associated with administering the contract came in over budget by approximately 23%.

RECOMMENDATION

Move approval to ACCEPT LAB BUILDING HVAC PROJECT (CIP #9251) AND AUTHORIZE FILING NOTICE OF COMPLETION – Blocka Construction, Inc.

**Silicon Valley Clean Water
Lab Building HVAC
CIP No. 9215
SUBSTANTIAL COMPLETION CERTIFICATE**

The following portions of Lab Building HVAC are accepted as Substantially Complete in accordance with Specification Sections 00700-8.6, 00800-1.5 and 01010-2.3, as defined herein.

As of August 31, 2022, these portions of the project are accepted:

1. All work except as noted below:
 - a. All work on the attached Punch List, Dated August 31, 2022.

As of the above dates the following responsibilities are agreed to:

1. Authority:
 - a. The authority assumes responsibility for security, maintenance (except as noted below), heat, utilities, damage to the Work (except as caused by the Contractor's actions) and insurance for the facilities.
2. Blocka Construction, Inc.:
 - a. The Contractor shall maintain and provide proof of insurance as required by Specification Section 00800-3.1.4 for all work required to complete the Punch List and for five years following Final Completion as required by Specification Section 00800-3.2.
 - b. The Contractor shall be responsible for repairs or maintenance, as necessary, until the Contractor has submitted, and the Authority has accepted all Record Documents and Operation & Maintenance Manuals.
 - c. The contractor shall work in an expeditious manner to complete the remaining work and administrative requirements on the Project including the items on the Punch List dated August 31, 2022.


The one year (365 Calendar Day) warranty for the accepted Work shall commence per Specification Section 01740-1.0 on the date Acceptance by Silicon Valley Clean Water.

The undersigned hereby acknowledge agreement to the above provisions:


Brian Young (Sep 7, 2022 08:42 PDT)
Accepted By (Blocka Construction, Inc.):
Brian Young, Construction Manager

Sep 7, 2022

Date


Recommended By (Tanner Pacific, Inc.)
Andrew Matey, P.E., Construction Manager

Sep 1, 2022

Date

AGENDA ITEM 7F

**MASTER SERVICES AGREEMENT FOR
ON-CALL STRUCTURAL ENGINEERING SERVICES**

ISSUE

Approve Master Services Agreement with Zenith Engineers Inc for On-Call Structural Engineering Services

BACKGROUND

SVCW has extensive aging infrastructure that is being repaired and rehabilitated as necessary to maintain reliability in treatment of wastewater and to meet its permit obligations. Frequently, repair and rehabilitation involve work on pipe supports, pipe hangers, structural foundations, slabs, columns and walls, and pipe penetrations within existing walls. Many projects are delivered by in-house staff but need specialized structural engineering design to ensure that work is being done in compliance with local and State building codes.

SVCW does not have structural engineers on staff and this work is usually too minor and specialized to be designed through SVCW's existing engineering services providers in an efficient manner.

DISCUSSION

SVCW staff conducted a search for engineering firms that specialize in structural engineering design. Three reputable local structural engineering consulting firms were short-listed. All three firms have experience in structural design for municipal water and wastewater agencies and all three have experience in engineering structures located in young bay mud.

SVCW conducted a competitive procurement using a request for proposal (RFP) process with the three short-listed firms. Proposals were evaluated based on working experience with small scale water and wastewater projects, qualifications of structural engineering staff, and each firm's hourly rate schedule. Zenith Engineers was selected as the top-ranked proposer based on their submitted proposal.

The Master Services Agreement will allow SVCW to contract with Zenith Engineers on an on-call task order basis for small projects needing specialized structural design services. The scope of services anticipates not only structural design services for smaller projects, but also second opinion/value engineering review of larger structural designs performed by other engineering firms already contracted with SVCW.

FINANCES

Funding for specialized structural engineering design services will be from Commission-approved CIP or capital project budgets. Currently, no funding is being requested.

RECOMMENDATION

Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR ON-CALL STRUCTURAL ENGINEERING SERVICES – Zenith Engineers Inc.

AGENDA ITEM 7G

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

ISSUE

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

BACKGROUND

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

DISCUSSION

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

Proposed changes to the policy are attached and include:

- Grammatical and definition changes offered for clarity, and;
- Language to strengthen the review of risk associated with long-term debt, and;
- Updates to the amount of maximum principal amount that may be issued for capital equipment leases.

The SVCW Manager recommends approval of SVCW Commission Policy 2017-01, Revision E, dated October 10, 2022.

FINANCES

There are no direct financial impacts to this action.

RECOMMENDATION

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

Silicon Valley Clean Water

Commission Policy 2017-01

Approved by: _____

Rev: DE

Rev Date: 10/10/2022 Issue Date: 3/23/2017

Approved by Commission at Meeting of October 10, 2022 by Resolution No. SVCW 22-XX

SUBJECT: Statement of Debt Management Policy

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

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

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

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

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

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

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

POLICY:

CREATION AND GOVERNING PRINCIPLES

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

GOVERNING LAWS

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

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

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

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

ETHICAL STANDARDS GOVERNING CONDUCT

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

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

PERMITTED DEBT BY TYPE

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

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

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

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

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

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

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

Loans – The Authority is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment. SVCW may enter into Loans with private financial institutions, or federal and state agencies. The CFO shall consult with Bond Counsel and SVCW's its Financial Advisor on any risks associated with entering into the above referenced loans.

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

LIMITATIONS ON DEBT ISSUANCE

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

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

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

Subordinate Lien Long-Term Debt - The Authority's subordinate lien Debt, for which revenues are pledged, shall be limited to that amount for which current and projected net revenues of each participating Member Agency can generate overall Debt service coverage of at least 100 percent.

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

Capital Equipment Leases - The outstanding aggregate principal amount of capitalized lease agreements in connection with equipment may not exceed ~~\$5,000,000~~ \$6,700,000; ~~however,~~ such amount ~~shall may be increased~~ by ~~up to five percent~~ 5% each fiscal year ~~starting with fiscal year 2016/17~~. SVCW will monitor the amount of capital equipment lease outstanding and maximum limitation to ensure sufficient borrowing capacity.

PURPOSE FOR BORROWING

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

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

Annually as part of its updates to its Long-Range Financial Plan, ~~t~~The Authority shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and Debt service on its financial condition. To that end, the CFO shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows including capital expenditures and operating costs;
- Historic and projected fund balances, including the Operating Fund, the Rate Stabilization Fund, (if any), Pay-As-You-Go Fund, Debt Proceeds Fund, and Debt Service Reserve Fund, if any,
- Historic and projected Debt service coverage;
- The most efficient mix of funding sources (long-term Debt; short-term Debt, and cash);

- Projected revenue requirements; and
- Collaborative modeling with Member Agencies to establish projected rates and charges.

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

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

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

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

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

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

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

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

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

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

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

- Variable rate demand obligations;
- Commercial paper;
- An issue of debt so large that the number of potential bidders would be too limited to provide the Authority with truly competitive bids;

- An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and
- An issue of debt sold during a period of extreme market disruption or volatility.

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

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

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

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

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

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

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

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

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

Structural Elements

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

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

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

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

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

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

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

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

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

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

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

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

- Full disclosure on an annual basis of the financial condition of the Authority and its Member Entities through publicly available documents;
- A formal presentation, as necessary to the rating agencies analysts, covering economic,

financial, operational, and other issues that impact the Authority's credit;

- Timely disclosure of major financial events that impact the Authority's credit;
- Timely dissemination of the ~~Comprehensive~~ Annual ~~Comprehensive~~ Financial Report, following its acceptance by the Authority's Commission;
- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the Wastewater Treatment Plant, as appropriate.

Bond Insurers

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

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

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

PROCEDURE V. REFUNDING

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

Upon the advice of the CFO, with the assistance of the Municipal Advisor and Bond Counsel, the

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

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

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

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

- **Final Maturity Date** – The CFO may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

PROCEDURE VI. REINVESTMENT OF PROCEEDS

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

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

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

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

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

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

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

Post-Issuance Tax Compliance

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

Continuing Disclosure

The Authority shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the Authority shall mirror certain selected information in any Authority Official Statement at the time of a primary offering. Annual financial information will be sent by the Authority or its designated consultant, within nine months of the Authority's fiscal year end, to all Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) designated by the SEC and to the State Information Depository (SID), if one exists. This shall include:

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

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

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

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

Legal Covenants

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

PROCEDURE IX. DEBT DATABASE MANAGEMENT

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

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions

- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriter(s) Members

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

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

PROCEDURE X. MISCELLANEOUS

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

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

Internal Controls

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

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

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

Approval by the Commission

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

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

Approved by Commission at Meeting of October 10, 2022 by Resolution No. SVCW 22-32

SUBJECT: Statement of Debt Management Policy

APPLICABLE CODES AND REGULATIONS:

Government Code Section 8855, Government Code 5852.1

PURPOSE:

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

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

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

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

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

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

POLICY:

CREATION AND GOVERNING PRINCIPLES

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

GOVERNING LAWS

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

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

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

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

ETHICAL STANDARDS GOVERNING CONDUCT

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

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

PERMITTED DEBT BY TYPE

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

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

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

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

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

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

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

Loans – The Authority is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment. SVCW may enter into Loans with private financial institutions, or federal and state agencies. The CFO shall consult with Bond Counsel and SVCW’s Financial Advisor on any risks associated with entering into the above referenced loans.

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

LIMITATIONS ON DEBT ISSUANCE

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

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

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

Subordinate Lien Long-Term Debt - The Authority's subordinate lien Debt, for which revenues are pledged, shall be limited to that amount for which current and projected net revenues of each participating Member Agency can generate overall Debt service coverage of at least 100 percent.

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

Capital Equipment Leases - The outstanding aggregate principal amount of capitalized lease agreements in connection with equipment may not exceed \$6,700,000; such amount may be increased by up to 5% each fiscal year. SVCW will monitor the amount of capital equipment lease outstanding and maximum limitation to ensure sufficient borrowing capacity.

PURPOSE FOR BORROWING

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

PROCEDURE:

PROCEDURE I. INTEGRATION OF CAPITAL PLANNING AND DEBT ACTIVITIES

Evaluating Capital Improvement Program Spending

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

- Historic and projected cash flows including capital expenditures and operating costs;
- Historic and projected fund balances, including the Operating Fund, the Rate Stabilization Fund, (if any), Pay-As-You-Go Fund, Debt Proceeds Fund, and Debt Service Reserve Fund, if any,
- Historic and projected Debt service coverage;
- The most efficient mix of funding sources (long-term Debt; short-term Debt, and cash);

- Projected revenue requirements; and
- Collaborative modeling with Member Agencies to establish projected rates and charges.

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

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

PROCEDURE II. PROCUREMENT AND EVALUATION OF PROFESSIONAL SERVICES

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

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

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

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

PROCEDURE III. TRANSACTION-SPECIFIC ACTIVITIES

Method of Sale for Publicly Offered Debt

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

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

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

- Variable rate demand obligations;
- Commercial paper;
- An issue of debt so large that the number of potential bidders would be too limited to provide the Authority with truly competitive bids;

- An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds);
- An issue requiring intensive marketing efforts to establish investor acceptance;
- An issue of debt with specialized distribution requirements; and
- An issue of debt sold during a period of extreme market disruption or volatility.

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

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

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

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

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

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

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

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

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

Structural Elements

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

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

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

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

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

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

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

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

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

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

PROCEDURE IV. COMMUNICATION AND DISCLOSURE

Rating Agencies

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

- Full disclosure on an annual basis of the financial condition of the Authority and its Member Entities through publicly available documents;
- A formal presentation, as necessary to the rating agencies analysts, covering economic,

financial, operational, and other issues that impact the Authority's credit;

- Timely disclosure of major financial events that impact the Authority's credit;
- Timely dissemination of the Annual Comprehensive Financial Report, following its acceptance by the Authority's Commission;
- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the Wastewater Treatment Plant, as appropriate.

Bond Insurers

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

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

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

PROCEDURE V. REFUNDING

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

Upon the advice of the CFO, with the assistance of the Municipal Advisor and Bond Counsel, the

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

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

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

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

- **Final Maturity Date** – The CFO may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

PROCEDURE VI. REINVESTMENT OF PROCEEDS

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

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

PROCEDURE VII. CREATION AND MAINTENANCE OF FUNDS

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

PROCEDURE VIII. COMPLIANCE

Arbitrage Liability Management

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

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

Post-Issuance Tax Compliance

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

Continuing Disclosure

The Authority shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the Authority shall mirror certain selected information in any Authority Official Statement at the time of a primary offering. Annual financial information will be sent by the Authority or its designated consultant, within nine months of the Authority's fiscal year end, to all Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) designated by the SEC and to the State Information Depository (SID), if one exists. This shall include:

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

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

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

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

Legal Covenants

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

PROCEDURE IX. DEBT DATABASE MANAGEMENT

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

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions

- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriter(s) Members

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

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

PROCEDURE X. MISCELLANEOUS

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

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

Internal Controls

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

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

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

Approval by the Commission

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

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

AGENDA ITEM 7H

SALE OF PERSONAL PROPERTY

ISSUE

Approval to Dispose of Personal Property Belonging to Silicon Valley Clean Water

BACKGROUND

Disposal of SVCW personal property may occur when the property is of no use to the Authority. The property may be discarded if determined to be of no value or may be sold if value is found to exist. Such sales of personal property must be conducted in an open, competitive environment to maximize the public's benefit.

During construction at the Front of Plant facility, excavated soil was stored on site for future use or disposal. This soil is in good condition and free of contaminants. There is no intended use by SVCW of the soil and it will likely remain in its current location unless a use can be found for it or a use of the site dictates that the soil needs to be removed.

SVCW's project management team has located a third-party contractor (Teichert Construction) who has expressed interest in acquiring approximately 500 cubic yards of this soil for a project unrelated to and separate from SVCW.

Prior to sale SVCW would take soil samples and analyze the samples to confirm soil characteristics. To further protect SVCW's interests, the soil will be sold "as-is" and "where-is", with no warranty, guarantee or representation as to its condition, utility or useability, and the purchaser would be required to sign a release of liability. Terms remain to be negotiated, but the sales price will, at a minimum, meet the cost of any testing and sale oversight. Additional soil sales to other parties could be anticipated in the future which, cumulatively, may exceed \$25,000.

DISCUSSION

Section 3.5.e of the SVCW Joint Powers Agreement (JPA) and Standard Administrative Procedure 1981-02 Revision G require the Commission to approve disposal of personal and/or surplus property with a value greater than \$25,000. Per the JPA and Standard Administrative Procedure 1981-02 Revision G, future possible disposal could fall under the jurisdiction of the Commission.

Staff seeks authorization from the Commission for the Manager to enter future sales agreements for excess soil. This authorization will facilitate what is typically a time-critical activity, ensuring that a sale isn't lost due to a time lag waiting for a commission meeting.

FINANCES

Revenue derived from sale of excess soil will be credited to the Front of Plant Project CIP #9502. Potential sale to Teichert Construction is anticipated to be less than the amount needing to be authorized by the Commission.

RECOMMENDATION

Move approval to **AUTHORIZE SVCW MANAGER TO ENTER FUTURE SALES AGREEMENTS TO DISPOSE OF EXCESS SOIL**

AGENDA ITEM 8A

**DIGESTER NO. 1 REHABILITATION PROJECT (CIP #9215)
APPROVE CONTRACT CHANGE ORDER****ISSUE**

Approve Contract Change Order to Digester No. 1 Rehabilitation Project (CIP #9215)

BACKGROUND

SVCW has three anaerobic digesters that have been in service since 1982. The digesters provide anaerobic (absence of oxygen) conditions for microorganisms to break down organic solids removed in the wastewater treatment process. The microorganisms produce biogas as a byproduct that is then afterwards used in SVCW's cogeneration engines to produce electricity and offset external power purchase. After the digestion process is complete, the digested solids are dewatered and hauled away for further use as compost or land applied as fertilizer. The capacity of each digester is 1.6 million gallons. The three digesters are identical in terms of their general configuration with fixed covers and full mixing and heating capabilities. To ensure operability, the digesters have undergone rehabilitation and upgrades since they were put into service in 1980.

Typically, two of the three digesters are in service at any given time. Digester Nos. 3 and 2 were last rehabilitated in 2011 and 2013, respectively, and are currently in service. Rehabilitation includes removal of rags and grit that accumulate over the years, replacement of gas collection and conveyance equipment, water seals, sludge conveyance piping, and valves, as well as repair of any concrete and coatings that have degraded over time. Digester No. 1 has been offline for nearly ten years, since 2013, and SVCW approved the construction contract for the Digester 1 Rehabilitation Project (CIP #9215) in April 2022.

Since construction began, several pipes have been inspected as part of the project and identified as having lost protective interior lining and experiencing extensive corrosion/holes in piping and supports. Accordingly, these pipes and pipe-supports require repair and/or replacement to ensure reliable operation of the Digester. Pipe replacements were not part of the awarded scope as the extent of work that was required could not be established until the pipes were inspected. The pipes are not visible from the exterior and it took disconnecting the existing pipes to perform internal inspections.

DISCUSSION

The following work elements are to be considered for a contract change order (CCO) as part of this Agenda Item.

24" Digester Mix Return Piping – SIPP lining and Pipe Support Repair

The 24" Mix Return Pipe carries sludge pumped from the Solids Handling Building to the Digester. The construction project included scope for the contractor to clean and perform CCTV inspection of this piping and then determine the necessity and urgency to replace this 24" piping.

The CCTV inspection showed that while the pipe was in relatively good condition, the interior protective lining has been completely eroded over the last 40 plus years. Loss of this lining will accelerate interior corrosion of the pipe and require expensive pipe replacement if not rectified. The design engineer, Kennedy Jenks, is recommending Spray-In-Place (SIPP) lining as a mitigation measure. This technology provides a structural lining bonded to the pipe with an expected service life of more than 30 years. As part of this work, the General Contractor, Trinet Construction, Inc. (TCT) will remove existing 24" valves and pipe fittings to provide access to a specialty subcontractor to perform the SIPP lining. In addition, existing pipe supports in the utility trench for this pipe are completely corroded and will be replaced.

24" Sludge Withdrawal Pipes – Pipe Repair and Rehabilitation

Two 24" Sludge Withdrawal Pipes were disconnected as part of the project to allow cleaning of rags, grit, settled sludge, and debris from the digester centerwell. Accumulation of this inorganic material over the past 40 plus years was exacerbated due to the previous lack of wastewater influent screening and grit removal. The Stage 1 Influent Screening project put into place in 2015 has drastically decreased the volume of rags that accumulate throughout plant processes, and once online, the Front of Plant (FoP) project will provide screening and grit removal processes thus eliminating the source of this issue.

Removing the centerwell debris required four days of draining, hauling, and cleaning work. Upon disconnecting the two 24" sludge withdrawal pipes to perform cleaning, extensive exterior corrosion was noticed on these pipes. Further sandblasting revealed that the pipes had large holes in them at the connections with other piping. Repair will require removal of damaged piping and welding new pipe ends to maintain reliable operation without leaks. In addition, interior lining of the piping has eroded over time and extensive interior corrosion is noted in the pipes within the digester as well as the run extending underground to the pump room. This piping will be repaired through a combination of epoxy lining of removable segments and SIPP lining of static segments.

SVCW Engineering staff and TCT are finalizing cost negotiations to perform the pipe repair work described above; it is anticipated to be in an amount not-to-exceed \$619,000.

This is work that SVCW would undertake regardless of the Digester No. 1 Rehabilitation Project and is budgeted as part of CIP #9600 - Buried and Exposed Process Pipe Repair. Performing it at this time not only ensures that SVCW is able to reliably use Digester No. 1 upon rehabilitation work completion but also provides the lowest cost method to have the repair work completed as the digester is out of service at present and the pipes accessible for repair. Performing this work later would require extensive shutdowns, operational complexity, and contractor mobilization thus making it more expensive.

FINANCES

The change order will result in an increase of \$619,000 to the construction budget for the Digester No. 1 Rehabilitation project. Funds will be transferred from CIP #9600 – Buried and Exposed Process Pipe Repair. CIP #9600 has an allocated budget of \$16.9 million.

RECOMMENDATION

Move approval of CONTRACT CHANGE ORDER FOR THE DIGESTER NO. 1 REHABILITATION PROJECT IN AN AMOUNT NOT TO EXCEED \$619,000 (Trinet Construction, Inc.)