

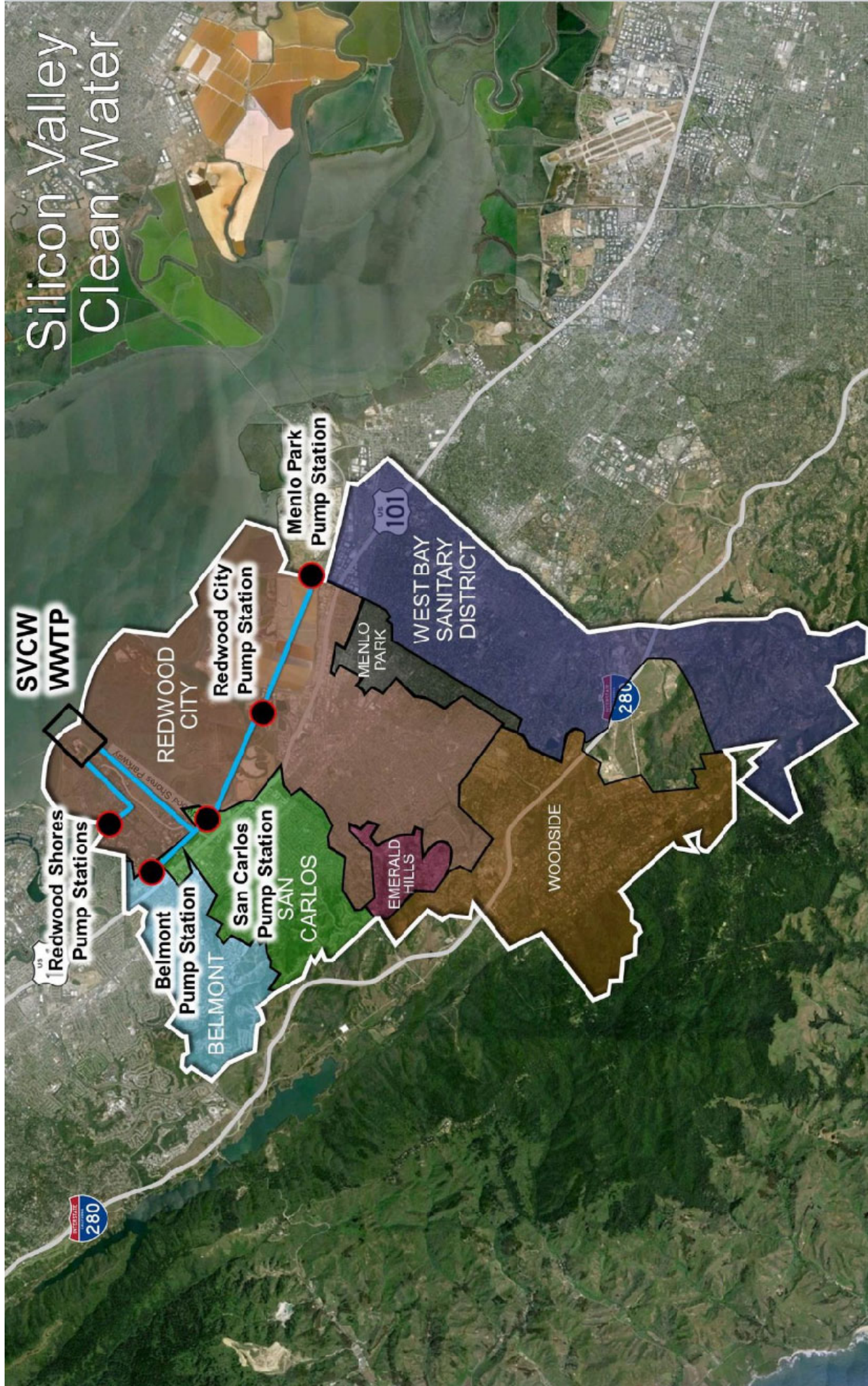


ADOPTED 2023-24 OPERATING BUDGET

REVIEWED APRIL 10, 2023



Silicon Valley Clean Water



Commissioners

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

SVCW Staff

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

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SECTION 1 – OVERVIEW

Organization and Business

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

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

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

Governance & Management

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

| Commissioner | Commission Title | Agency Represented |
|---------------------|-------------------------|----------------------------|
| Alicia Aguirre | Chair | City of Redwood City |
| George Otte | Vice Chair | West Bay Sanitary District |
| Ron Collins | Secretary | City of San Carlos |
| Davina Hurt | Member | City of Belmont |

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

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

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

Financial Oversight and Control

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the Capital Improvement Program (CIP) and the Long-Range Financial Plan (LRFP). The Adopted 2023-24 Budget is consistent with those goals and reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that benefit the community served by SVCW.

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

Debt Reserves

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

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

Long-Range Financial Plan

SVCW Member Agencies' sewer rates provide the underlying repayment security for all SVCW financing. As such, SVCW developed a LRF to provide a roadmap for funding the CIP and ongoing operating costs. It also provides information to Member Agencies as they consider sewer rates. The Financial Plan is updated annually and presented to the Commission for approval. Most recently, the LRF was approved by the Commission at its January 2023 meeting.

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

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

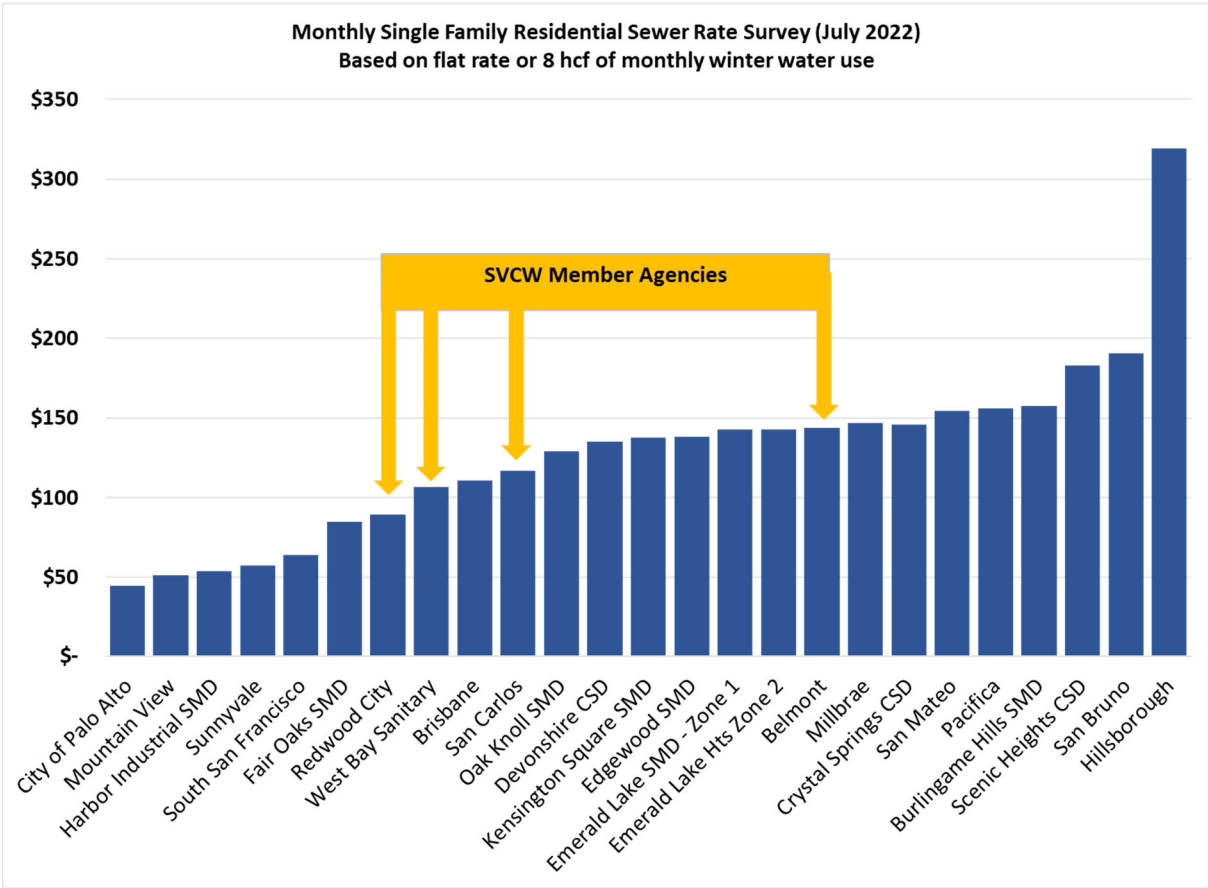
Comparative Residential Sewer Charges

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

| Residential Sewer Rates by Member Agency | | | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Based on 8 HCF of flow | | | | | | | | | | | | | |
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Belmont | \$51.34 | \$72.13 | \$77.33 | \$82.77 | \$88.13 | \$ 88.13 | \$ 99.47 | \$ 105.35 | \$ 116.14 | \$ 121.28 | \$ 128.37 | \$ 135.83 | \$ 143.91 |
| Redwood City | \$48.72 | \$53.10 | \$57.88 | \$63.09 | \$68.77 | \$74.95 | \$75.11 | \$76.68 | \$78.24 | \$81.76 | \$ 81.76 | \$ 89.28 | \$ 89.28 |
| San Carlos | \$46.82 | \$50.10 | \$53.10 | \$67.29 | \$80.75 | \$88.82 | \$88.82 | \$93.26 | \$97.93 | \$102.32 | \$ 102.33 | \$ 111.74 | \$ 116.77 |
| West Bay SD | \$54.17 | \$57.50 | \$62.67 | \$68.33 | \$74.42 | \$81.08 | \$85.92 | \$89.33 | \$93.83 | \$98.08 | \$ 102.00 | \$ 104.58 | \$ 106.67 |

| Residential Sewer Rate Year-over-Year % Increase, by Member Agency | | | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Belmont | 6.8% | 40.5% | 7.2% | 7.0% | 6.5% | 0.0% | 12.9% | 5.9% | 10.2% | 4.4% | 5.8% | 5.8% | 6.0% |
| Redwood City | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 0.2% | 2.1% | 2.0% | 4.5% | 0.0% | 9.2% | 0.0% |
| San Carlos | 7.0% | 7.0% | 6.0% | 26.7% | 20.0% | 10.0% | 0.0% | 5.0% | 5.0% | 4.5% | 0.0% | 9.2% | 4.5% |
| West Bay SD | 16.1% | 6.1% | 9.0% | 9.0% | 8.9% | 8.9% | 6.0% | 4.0% | 5.0% | 4.5% | 4.0% | 2.5% | 2.0% |

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



Accomplishments

Each year, SVCW management sets goals to ensure its communities' wastewater is conveyed and treated in a safe and dependable manner. Key achievements during 2022 on a Division-by-Division basis are:

Safety

- Launched new safety campaign (STOP, THINK, ACT) to raise safety awareness and find creative ideas on how to place safety at the forefront of everything we do. Provided additional posters, banners, and trainings to staff to raise safety awareness to reduce injuries.
- Developed and updated the Injury and Illness Prevention Program, Emergency Action Plan, Lock Out/Tag Out (LOTO) Program, Confined Space Program, Hazardous Waste Management Program and Hazard Communication Program to ensure they meet regulatory standards.
- Refined and updated Employee Safety Training Matrix to achieve 100% of required safety trainings to ensure safe working practices and procedures.
- Updated and implemented COVID-19 Prevention Program to reduce COVID-19 exposure risk to employees and visitors and to ensure that we consistently meet current regulatory requirements. Developed guidelines to safely transition employees back to in-person onsite work.
- Provided over 600 hours of online safety training from TargetSolutions.com to supplement our training program. This provides 24/7 online access to schedule, deliver, track, and report training: ultimately reducing safety risks and saving time and money.
- Provided monthly wellness newsletter to help employees adopt and maintain healthy behaviors to prevent chronic diseases and improve quality of life. Giving employees accurate, helpful information at the right time will increase better living lifestyles.
- Maintained the Authority's Experience Modification to 63%, resulting in a 37% discount in workers' compensation insurance rate: thus, saving over \$150,704 in premiums.

Operations

- Treated over 4.625 billion gallons of wastewater, maintaining full compliance with SVCW's National Pollutant Discharge Elimination (NPDES) System permit.
- Processed 4,135 dry tons of biosolids of which 2,407 dry tons sent to land application, 87 dry tons sent to Central Valley compost, and 96 dry tons sent to BioForceTech Pyrolysis.
- Produced 250 million gallons of recycled water for Redwood City.
- Incurred Zero (0) NPDES Permit Violations in calendar year 2022.
- Achieved full compliance with monthly acute bioassay analyses to ensure NPDES Permit Compliance.

- Integrated Instrumentation into the Operations Division.
- Promoted a Utility Worker to an Operator in training role.
- Hired 4 new employees, including one Senior Operator, one Operator, and two new Utility Workers to replace promotions and retirees.
- Attended Supervisor trainings to continue to ensure staff remains well prepared for personnel matters, including a course on Maximizing Supervisory Skills for the First Line Supervisor.
- Completed a Mental Health and First Aid USA course.
- Supported Capital Improvement Projects by providing input, conducting site-walks, developing lock-out/tag-outs, and coordinating shutdowns.

Maintenance

- Completed 1,034 corrective action work orders.
- Completed 1,631 Preventative Maintenance work orders.
- Installed New Electrical thermal imaging inspections IR Windows to all plant high voltage transformers.
- Completed electrical safety improvements including ARC Flash adjustments to breakers.
- Installed final effluent pump variable frequency drive (VFD) #2.
- Installed effluent pump motor #3.
- Installed Flow Equalization Facility (FEF) overflow pump station VFD upgrade.
- Installed FEF overflow Pump.
- Installed electrical wiring and controls systems for new 40-ton gas skid chiller.
- Updated mission controls from 3G to 5G.
- Installed electrical wiring and controls for new Uninterruptible Power Supply (UPS) for the laboratory server room.
- Assisted to install biodryer video cameras, including wires, fiber patch, and Cat6.
- Installed electrical wiring and controls for new Rotary Drum Thickener (RDT) flow meters, analyzers, Rotork valves & emergency lights.
- Replaced and repaired Fixed Film Reactor blower #4.
- Replaced two Aeration Basin gearboxes and three Mixer motors.
- Upgraded the Rotary Drum Thickener piping system to expand from 4" to 6", switch from HDPE pipe to glass lined, and add cleanouts and a "Pig" launcher.
- Installed thermal image IR windows on all high voltage transformers.
- Repaired pumps at decant pump station 1 and 2.
- Attended training sessions for new Front of Plant Headworks facility.

Engineering

- Won the Best Engineering Research Award by California Water Environment Association (CWEA) at the state level for the SAF-MBR project.
- Submitted and received a \$4,000,000 million in grant funds to expand organic co-digestion receiving capacity.
- Hired two new senior engineers to work on capital projects.
- Completed construction on four capital improvement projects:
 - Lab HVAC Building project to replace the air handling unit and exhaust fan system, including the replacement of air control valves through the ducting system.
 - Primary Sedimentation Tank (PST) Channel Coating and Hatch Replacement included protective coatings and concrete repair inside the Primary Influent and Effluent channels and replacing over 80 aluminum access hatches with Fiber Reinforced Plastic (FRP) material.
 - Generator Feed Relocation and Panel Replacement to avoid significant capital cost of two additional backup generators, and to avoid increased air emissions at the treatment plant.
 - Third and final phase of the Chlorine Contact Tank Rehab project, including the replacement of a large 60-inch butterfly valve, two bypass valves and installation of a baffle wall in Wet Pit B.
- Commenced construction on three new CIP projects:
 - Digester 1, offline since 2013, needs rehabilitation which includes replacement of deteriorated mix piping and nozzles, replacement of coatings and insulation, piping improvements, construction of a new sump, electrical and control modifications, and other miscellaneous repairs.
 - The Diesel Aboveground Tank project is to ensure compliance with legislation that requires risks associated with underground storage tanks be remediated. SVCW is now installing an above ground storage tank In addition to the construction projects mentioned above, Engineering division also continue to make progress on the following ongoing projects:
 - A research project funded by California Energy Commission (CEC), United States Bureau of Reclamation (USBR) and State Water Resources Control Board (SWRCB), the SAF-MBR project will test a revolutionary method's potential to replace convention activated sludge methods with a highly energy efficient process.
 - Made improvements to the Rotary Drum Thickener pumping and piping to ensure primary sludge thickening up to 10 percent and reduce water content going into the digesters.
 - Optimized Biodryer and Pyrolysis processes to improve solids disposal.

- Made progress on the San Francisco Peninsula Regional Purewater (SPRP) effort, now transitioned to the Basis of Design Report (BODR) phase.

Information Services

- Created a secure VPN tunnel to support the Operations Division’s Simulation Server for SCADA training.
- Set up emergency cellular communication for Flow Equalization Facility pond for SCADA.
- Designed and coordinated fiber communication access to Bio Dryer cabinet.
- Designed and installed Bio dryer Cameras and Wi-Fi.
- Created new control operations system for front gate entrance.
- Upgraded Pump Station firewall equipment hardware.
- Proposed solutions for routing network services and requirements for new pump stations including facilitation between contractors, SVCW staff, and the Internet Service Provider.
- Presented alternatives to replace phone system solution; now in implementation phase.
- Configured and implemented mobile workstations for ops and maintenance.
- Configured, set up and maintained secure SCADA Historian services on SVCW business network.
- Reconfigured and updated Cisco ISE system for advanced networking authentication.
- Designed and coordinated with contractors the network services needed at FoP facilities including cameras, WiFi, and secure access readers. Designed conduit routes and extensions required.
- Kept apace with Cyber-attack threats, updated and enforced mobile device enforcement policies. Deployed solution to push new policies to workstation and mobile devices.
- Upgraded pump station SD-WAN network, including cellular LTE failover, to provide redundancy and resilience.
- Studied off site storage service needs to increase data storage security and recovery.
- Strengthened cybersecurity training and response readiness.
- Promoted Cybersecurity culture and awareness across the organization, focused on:
 - Enhanced O365 email security using Defender licensing for Phishing & Spam links/attachments.
 - Enhanced Phishing and Junk email reporting and upgraded phishing simulation tests.
 - Implemented Zero Trust policies throughout the Business Network
 - Completed Phase 2 of Workspace One controls over Microsoft Surface devices.
 - Developed & published Cybersecurity Tip area on SharePoint.

Environmental Services

- Reissued mandatory wastewater discharge permits to 4 significant industrial users.
- Sewer science videos simulating the lessons in the sewer science workbooks and in-class teaching were made available for viewing on SVCW's website.
- Coordinated clean water & wastewater treatment awareness assemblies at 9 schools reaching over 3000 students, teachers, and parents.
- Remained in compliance with our Pretreatment program requirements.
- Performed over 160 industrial sampling events.
- Performed over 800 inspections pertaining to our FOG and Stormwater programs.
- Continued public outreach efforts by providing plant tours to local high school students and sharing monthly pollution prevention messages to the workgroup.

Laboratory

- Staff generated over 16,000 reportable results during 2022 in support of Plant Operations, Permit Regulations, Environmental Services, and customer projects. The number of reportable results remained constant from 2021 to 2022 while the number of quality control results increased by 10% to a value of 30,000 due to new regulatory requirements.
- Successfully completed the monthly, 96-hour, Acute Bioassays on the Treatment Plant Effluent and all were passing with greater than 90% survival. Each Acute Bioassay requires 395 supporting laboratory analyses such as Conductivity, Hardness, Dissolved Oxygen, pH, Salinity, Temperature, Total Residual Chlorine, and Metals.
- Participated along with other wastewater treatment plants in Stanford University's Sewer Coronavirus Alert Network (SCAN) tracking project. Sludge samples from the SVCW service area represent 220,000 people and businesses. Our partnership with this project has been critical in informing the public with the onset of the COVID pandemic, Monkeypox virus, Influenza, and RSV. We are now a part of WastewaterSCAN.org, a national effort to spread monitoring of diseases to inform public health responses locally and nationally.
- Maintained State ELAP Certification (Environmental Laboratory Accreditation Program) by meeting all requirements and successfully producing passing results on annual Performance Test samples.
- Made significant progress in preparing for the new State regulatory requirements for Laboratories. All operating procedures, analysis methods, work instructions, policies, bench sheets, and the Quality Manual have been upgraded to meet the new rigorous requirements.

- Provided training and laboratory space to Engineering interns to perform Treatment Plant process improvements. Laboratory staff also provided support to maintain their in-lab mini digesters over the weekends.
- Supported the Operations and Environmental Services investigation of possible illegal discharges of Total Petroleum Hydrocarbons (TPH) into the sewer system. Worked to provide daily sample receiving, processing, shipping, and summary reports. The Treatment Plant performance was marginally impacted as elevated levels of TPH were detected.

Administrative/Finance

- Migrated SVCW to a new time and attendance solution and converted payroll processing to ADP's Workforce Now platform. All employees were paid accurately and on time.
- Completed core development, configuration, and testing of new SharePoint-based solution to associate electronic files with specific equipment. This Equipment Information Management System is anticipated to go live by Summer 2023.
- Developed PowerBI budget variance reports that provide up-to-date expenditure details to divisions.

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SECTION 2 – OPERATING BUDGET SUMMARY

The 2023-24 Operating and Revenue-Funded Budget anticipates Total Member Contributions will increase by \$1.65 million, or 3.2% over the prior year Budget. The Adopted Budget allots \$31.0 million in Net Operating Expenses and \$480 thousand for Revenue-Funded Capital projects next year. Reserve Designations are aligned with Agency policy and include \$3.0 million in contributions to the CIP Reserve and \$246.2 thousand to Operating Reserves. Debt Service Payments are budgeted to be \$19.05 million, a \$187 thousand increase associated with accrued interest on State Revolving Fund loans as well as use of the Authority’s Line of Credit.

| Budgeted Member Entity Contributions | | | | |
|--|------------------------------|------------------------------|-------------------------------|------------------------------|
| Description | 2022-23 Adopted Budget | 2023-24 Adopted Budget | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
| Gross Operating Expenses | \$ 30,215,751 | \$ 31,861,220 | \$ 1,645,469 | 5.4% |
| Less: Miscellaneous Revenue | (956,600) | (848,799) | (107,801) | (11.3%) |
| Contributions, Net Operating Expenses | \$ 29,259,151 | \$ 31,012,421 | \$ 1,753,270 | 6.0% |
| Add: Revenue-Funded Capital Projects | 1,404,000 | 480,000 | (924,000) | (65.8%) |
| Contributions, Before Reserves & Debt Service | \$ 30,663,151 | \$ 31,492,421 | \$ 829,270 | 2.7% |
| Add: Reserve Designations | 2,611,176 | 3,246,236 | 635,061 | 24.3% |
| Add: Debt Service, Participating members | 18,860,826 | 19,047,831 | 187,006 | 1.0% |
| TOTAL MEMBER CONTRIBUTIONS | \$ 52,135,152 | \$ 53,786,489 | \$ 1,651,337 | 3.2% |

- Gross Operating Expenditures will increase by \$1.65 million (5.4%), which reflects extraordinary inflationary pressures, particularly for chemicals, as well as additional electricity needed for the full year of new headworks facilities. When possible, the budget pursued savings from improved cogeneration performance, staffing reorganization, and process improvements.
- Miscellaneous Revenue will be \$107.8 thousand less than the 2022-23 Budgeted amount, due to the uncertainty of receiving organic waste from the local solid waste management agency.
- Revenue-funded capital spending will be \$480 thousand, or \$924 thousand less than the 2022-23 Budget. This reduction is partially due to deferral of certain purchases, as well as recognition that new RESCU facilities will unlikely need replacement.
- Reserve Designations will increase by \$635 thousand next year. The 2023-24 Budget follows Reserve Policy, which calls for an annual CIP Reserve contribution of \$3.0 million next fiscal year; an increase of \$500 thousand. Another \$246.2 thousand in contributions to Operating Reserves is needed to maintain compliance with the Reserve Policy of having a balance of 10% of the Operating Budget plus \$1 million.

- SVCW’s Debt structure for next fiscal year increases by \$187 thousand, or 1.0%. This recognizes the use of the Authority’s Line of Credit facility. Further analysis of SVCW’s Long Term Debt is in Section 5 and draws from SVCW’s January 2023 Long-Range Financial Plan.

Expenditure Allocations

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

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

| Three-year Average Flow and Loading Averages - by Member | | | | |
|--|------------------------|-------------------|-------------------|----------------------------------|
| Agency | Factor | 2022-23 Budget | 2023-24 Budget | Point Increase/ (Decrease) |
| Belmont | Flow | 11.38% | 11.24% | (0.14) |
| | Biochem. Oxygen Demand | 11.38% | 10.87% | (0.51) |
| | Suspended Solids | 10.66% | 9.52% | (1.14) |
| Redwood City | Flow | 54.84% | 55.50% | 0.66 |
| | Biochem. Oxygen Demand | 54.80% | 58.29% | 3.49 |
| | Suspended Solids | 57.56% | 60.48% | 2.92 |
| San Carlos | Flow | 13.84% | 13.06% | (0.78) |
| | Biochem. Oxygen Demand | 12.22% | 11.41% | (0.81) |
| | Suspended Solids | 11.28% | 10.54% | (0.74) |
| WBSD | Flow | 19.94% | 20.20% | 0.26 |
| | Biochem. Oxygen Demand | 21.60% | 19.43% | (2.17) |
| | Suspended Solids | 20.50% | 19.46% | (1.04) |

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

Member Agency Operating Contributions Calculation

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

| 2023-24 Budget Member Contributions Allocation Model | | | | | | | | |
|--|-------------|------------|-----------|---------------------|----------------------|---------------------|-----------------------|----------------------|
| Description | | | | Belmont | Redwood City | San Carlos | West Bay San District | TOTAL |
| Allocation Factors | | | | | | | | |
| Flow | | | | 11.24% | 55.50% | 13.06% | 20.20% | 100% |
| Biochemical Oxygen Demand (BOD) | | | | 10.87% | 58.29% | 11.41% | 19.43% | 100% |
| Suspended Solids (SS) | | | | 9.52% | 60.48% | 10.54% | 19.46% | 100% |
| Weightings | | | | | | | | |
| Operating Expenditures | Flow | BOD | SS | | | | | |
| Operations | 26.5% | 33.5% | 40.0% | \$ 1,386,286 | \$ 7,767,133 | \$ 1,528,689 | \$ 2,611,710 | \$ 13,293,819 |
| Maintenance | 26.5% | 33.5% | 40.0% | 704,461 | 3,946,980 | 776,826 | 1,327,178 | 6,755,445 |
| Laboratory | 26.5% | 33.5% | 40.0% | 222,900 | 1,248,870 | 245,796 | 419,934 | 2,137,500 |
| Environmental Services | 26.5% | 33.5% | 40.0% | 113,045 | 633,371 | 124,657 | 212,972 | 1,084,045 |
| Engineering | 26.5% | 33.5% | 40.0% | 209,283 | 1,172,576 | 230,781 | 394,281 | 2,006,920 |
| Safety | 100.0% | 0.0% | 0.0% | 59,224 | 292,433 | 68,814 | 106,435 | 526,906 |
| Information Services | 26.5% | 33.5% | 40.0% | 217,244 | 1,217,182 | 239,560 | 409,279 | 2,083,265 |
| Administrative Services | 100.0% | 0.0% | 0.0% | 446,601 | 2,205,193 | 518,916 | 802,611 | 3,973,320 |
| Total Operating Expend. | | | | \$ 3,359,044 | \$ 18,483,738 | \$ 3,734,039 | \$ 6,284,400 | \$ 31,861,220 |
| Subtract Miscellaneous Income | 26.5% | 33.5% | 40.0% | \$ 88,513 | \$ 495,925 | \$ 97,606 | \$ 166,755 | \$ 848,799 |
| 2023-24 Net Operating Revenue Required | | | | \$ 3,270,530 | \$ 17,987,813 | \$ 3,636,433 | \$ 6,117,645 | \$ 31,012,421 |
| 2022-23 Net Operating Revenue Required | | | | \$ 3,258,192 | \$ 16,312,500 | \$ 3,660,515 | \$ 6,027,944 | \$ 29,259,151 |
| \$ Increase / (Decrease) | | | | \$ 12,338 | \$ 1,675,313 | \$ (24,082) | \$ 89,701 | \$ 1,753,270 |
| % Increase / (Decrease) | | | | 0.38% | 10.27% | (0.66%) | 1.49% | 5.99% |

Miscellaneous Revenue

Miscellaneous Revenue is derived from grease and septic receipts, property leases, and services performed by the Environmental Services Divisions. SVCW continues to secure Self-Generation Incentive Program (SGIP) revenues from a battery storage program.

| 2023-24 Budget Miscellaneous Revenue | | | | | | |
|--------------------------------------|------------------|------------------------|-------------------|------------------------|-------------------------|-------------------------|
| Description | 2021-22 Actual | 2022-23 Adopted Budget | 2022-23 Forecast | 2023-24 Adopted Budget | \$ | % |
| | | | | | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast |
| Grease & Septic Receiving | \$279,902 | \$ 300,000 | \$ 263,985 | \$ 263,985 | \$ - | 0.0% |
| Food Waste Revenue | 63,865 | 150,000 | 80,693 | 22,400 | (58,293) | (72.2%) |
| Other Miscellaneous Revenue | 120,269 | 134,600 | 179,218 | 196,817 | 17,599 | 9.8% |
| Source Control | 63,934 | 86,500 | 137,676 | 83,802 | (53,874) | (39.1%) |
| Laboratory Services | 3,225 | 5,000 | 4,375 | 4,375 | - | 0.0% |
| Interest Earnings | 810 | 12,500 | 12,500 | 12,500 | - | 0.0% |
| Self-Generation Incentive Program | 156,601 | 150,000 | 150,000 | 150,000 | - | 0.0% |
| Stormwater Monitoring | 60,645 | 118,000 | 85,325 | 114,920 | 29,595 | 34.7% |
| TOTAL | \$749,251 | \$ 956,600 | \$ 913,772 | \$ 848,799 | \$ (64,973) | (7.1%) |

Capital and Reserve Contributions

As described in Section 4 of this budget, Revenue-financed Capital projects are estimated at \$480 thousand in 2023-24. Contributions to the CIP Reserve follow policy and is scheduled to be \$3.0 million next fiscal year. These costs are allocated to Members according to JPA-defined percentages, which are based on each Member Agency’s dry weather capacity owned and its allocated share of future dry weather capacity.

| 2023-24 Capital and Reserve Allocation Calculations | | | | | |
|---|-------------------|---------------------|--------------------|-----------------------|---------------------|
| Description | City of Belmont | Redwood City | City of San Carlos | West Bay San District | TOTAL |
| Capital and Reserve Allocation Factors | 9.45% | 48.57% | 15.14% | 26.84% | 100.00% |
| CAPITAL IMPROVEMENT | | | | | |
| Treatment Plant | \$ - | \$ - | \$ - | \$ - | \$ - |
| Pump Stations | - | - | - | - | - |
| Force Main | - | - | - | - | - |
| Equipment | 45,360 | 233,136 | 72,672 | 128,832 | 480,000 |
| Subtotal | \$ 45,360 | \$ 233,136 | \$ 72,672 | \$ 128,832 | \$ 480,000 |
| RESERVE CONTRIBUTIONS | | | | | |
| Operating Reserve | \$ 25,968 | \$ 142,822 | \$ 28,873 | \$ 48,574 | \$ 246,236 |
| CIP Reserve | 283,500 | 1,457,100 | 454,200 | 805,200 | 3,000,000 |
| Subtotal | \$ 309,468 | \$ 1,599,922 | \$ 483,073 | \$ 853,774 | \$ 3,246,236 |
| Contributions for Capital & Reserves | \$ 354,828 | \$ 1,833,058 | \$ 555,745 | \$ 982,606 | \$ 3,726,236 |

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

Total Member Agency Contributions

Total 2023-24 contributions (including debt service) will be \$53.8 million, allocated as follows:

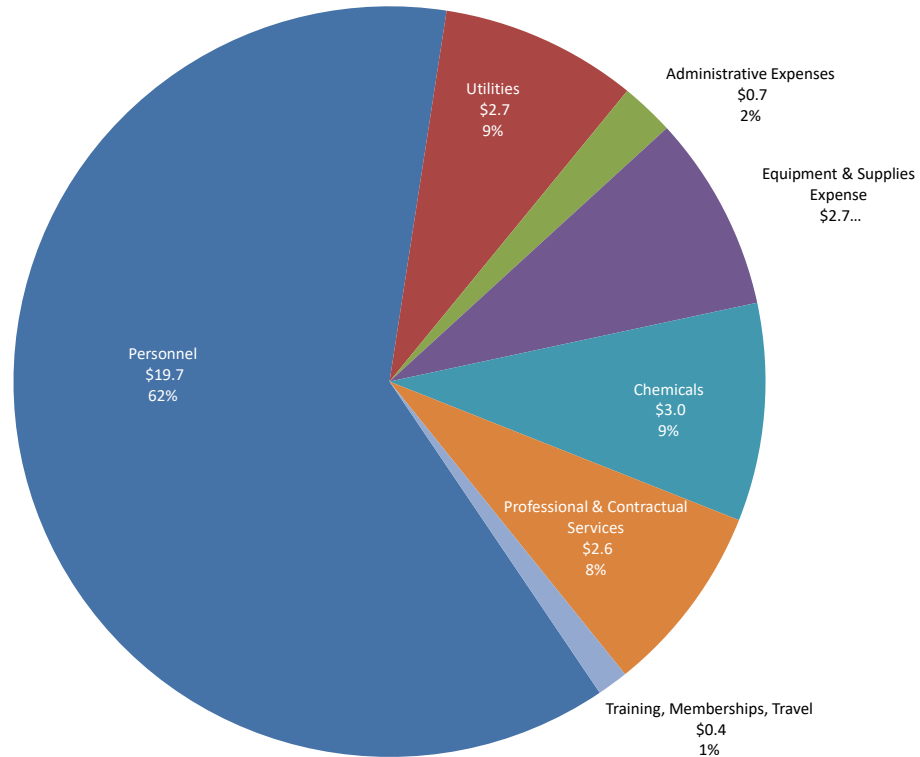
| 2023-24 Budget - Total Contributions by Member Agency | | | | | |
|---|---------------------|----------------------|---------------------|-----------------------|----------------------|
| Description | City of Belmont | Redwood City | City of San Carlos | West Bay San District | TOTAL |
| Net Operating Expenditures | \$ 3,270,530 | \$ 17,987,813 | \$ 3,636,433 | \$ 6,117,645 | \$ 31,012,421 |
| Revenue-Funded Capital Expenditures | 45,360 | 233,136 | 72,672 | 128,832 | 480,000 |
| Reserve Contributions | 309,468 | 1,599,922 | 483,073 | 853,774 | 3,246,236 |
| Projected Debt Service | 196,711 | 10,420,502 | 3,302,648 | 5,127,970 | 19,047,831 |
| Total Contributions to SVCW | \$ 3,822,069 | \$ 30,241,373 | \$ 7,494,827 | \$ 12,228,220 | \$ 53,786,489 |

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SECTION 3 – GROSS OPERATING EXPENDITURES

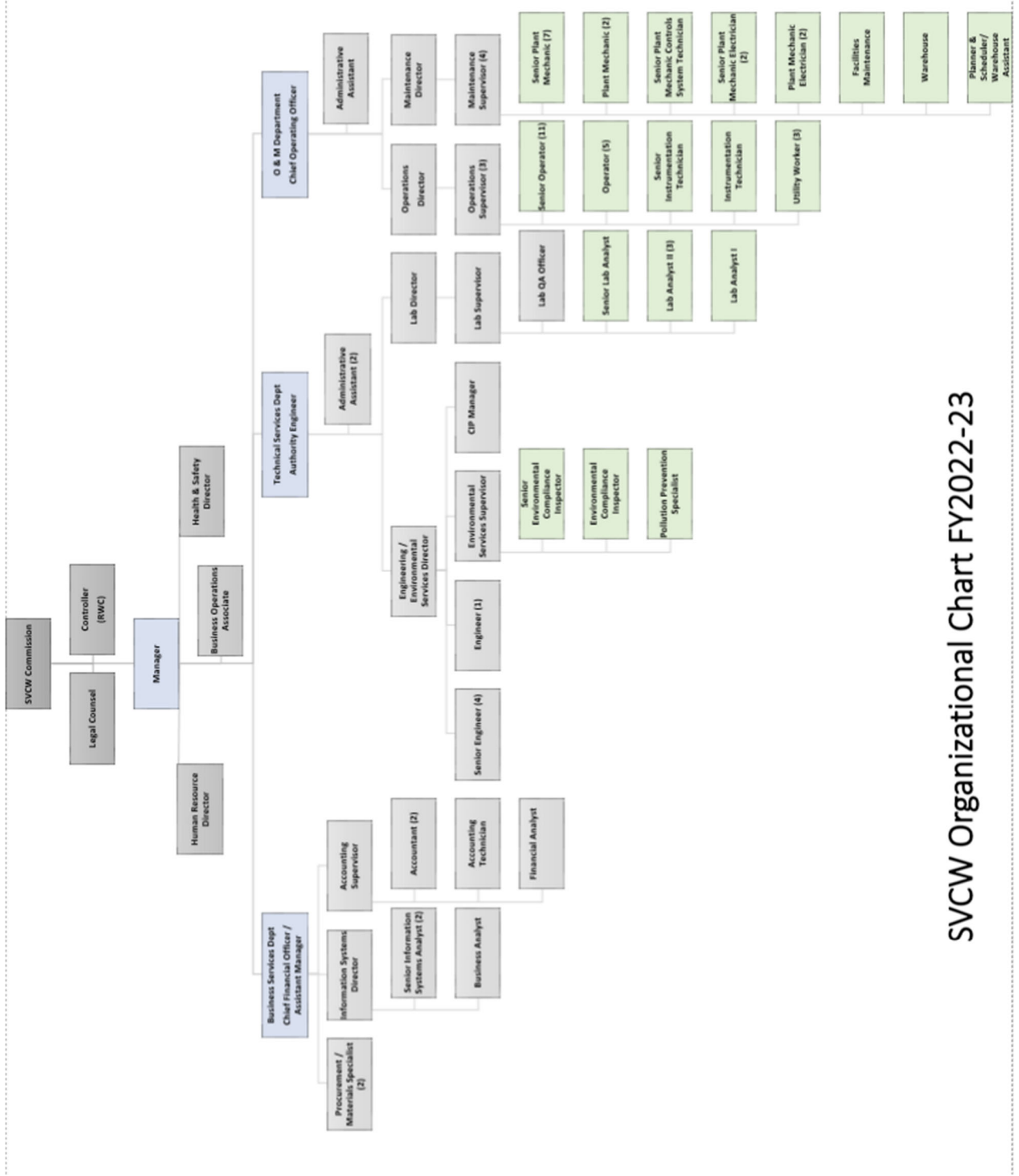
The FY 2021-22 Gross Operating Budget will be \$31.86 million. The below chart illustrates the significant expenditure categories, showing 62% of expenditures are for personnel-related costs associated with approximately 82 full-time equivalent employees in the Operating Budget.

SVCW 2023-24 Gross Operating Budget (\$31.86 million)



Personnel

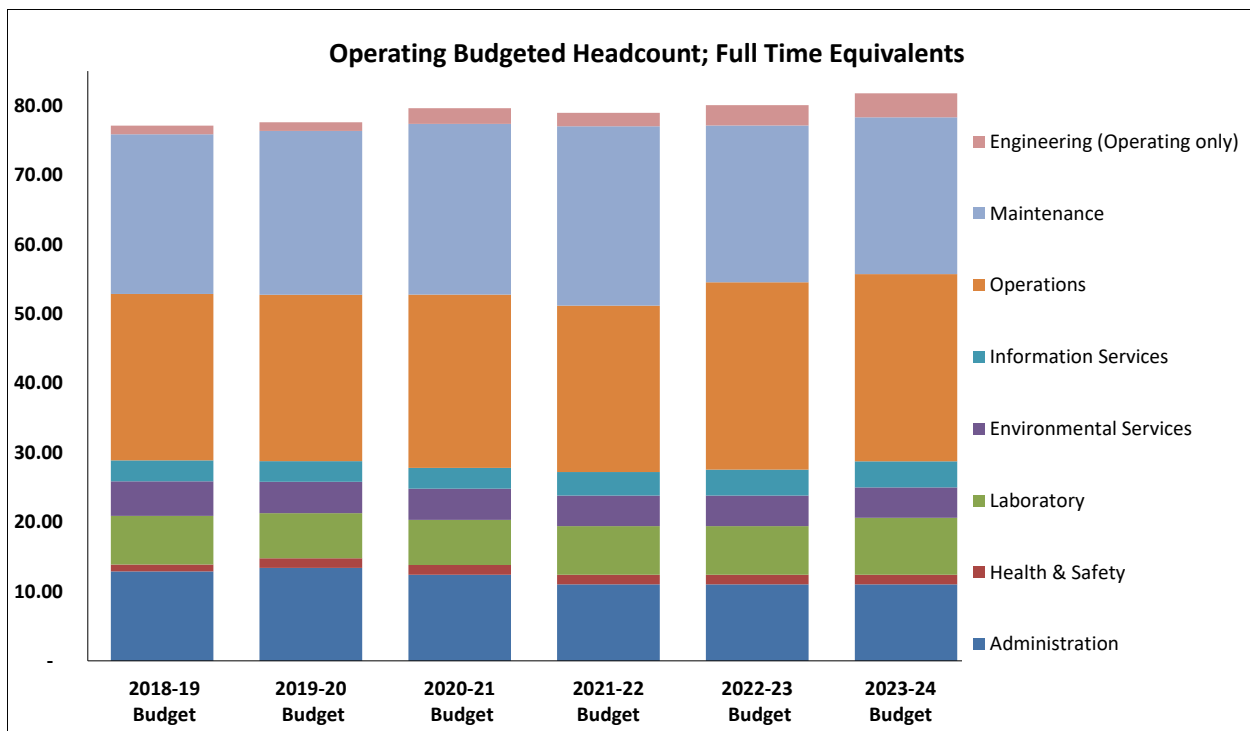
Over the past five years, Operating Budget staffing levels remained relatively flat at 77 to 81.8 full time equivalent positions, across eight divisions. Divisional headcount levels, as well the number of staff dedicated to the Capital Improvement Program, are illustrated in the following organization chart.



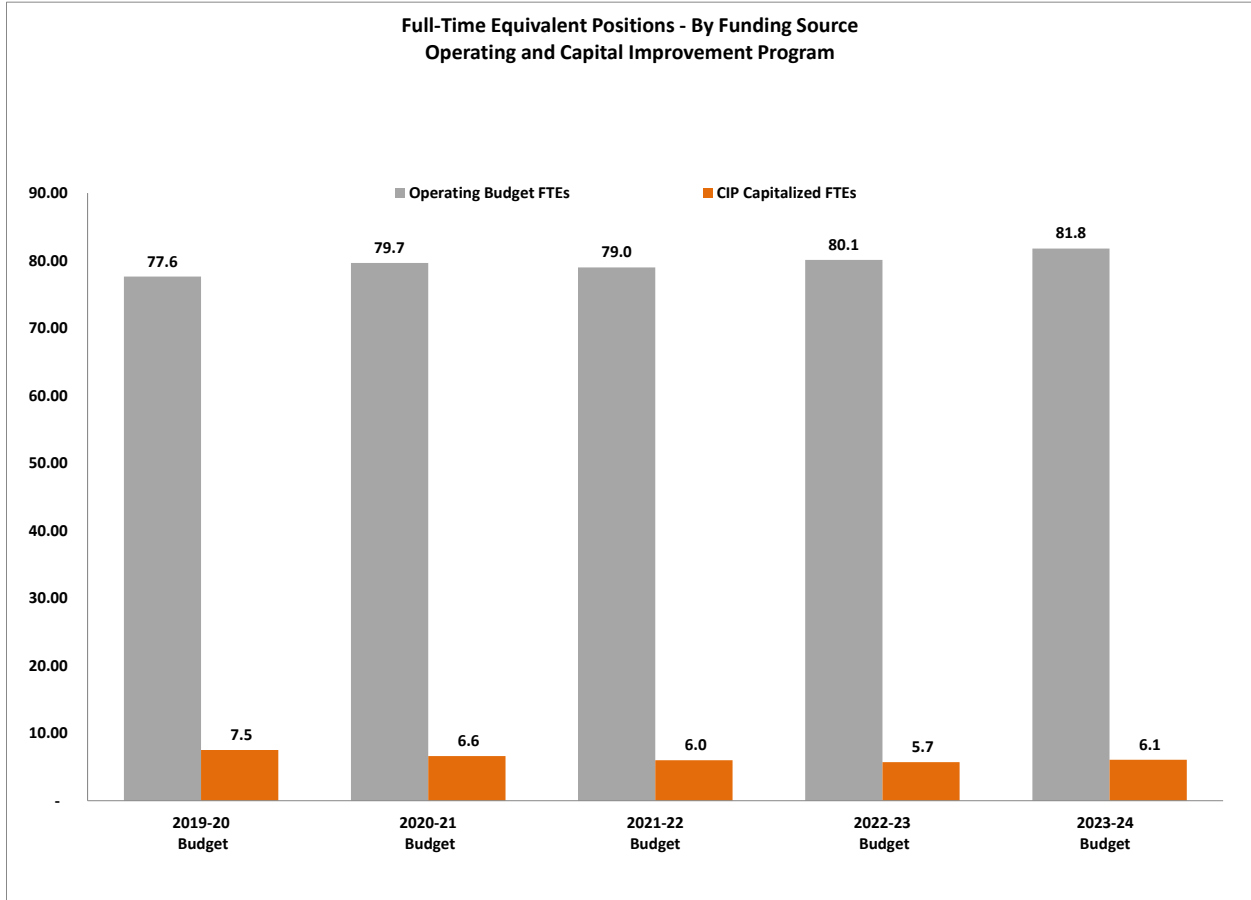
SVCW Organizational Chart FY2022-23

Positions included in the Operating Budget will increase by 1.70 Full Time Equivalent positions next year, reflecting one additional position to manage new Laboratory regulatory compliance matters, 0.20 of a position for Administrative Lab support, as well as an additional 0.50 of an Engineering position dedicated to operational process improvements.

| Full-time Equivalent Headcount - Operating Budget | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| Division | 2018-19 Budget | 2019-20 Budget | 2020-21 Budget | 2021-22 Budget | 2022-23 Budget | 2023-24 Budget | Increase/ (Decrease) |
| Operations | 24.00 | 24.00 | 25.00 | 24.00 | 27.00 | 27.00 | - |
| Maintenance | 23.00 | 23.60 | 24.60 | 25.85 | 22.60 | 22.60 | - |
| Laboratory | 7.00 | 6.50 | 6.50 | 7.00 | 7.00 | 8.20 | 1.20 |
| Environmental Services | 5.00 | 4.50 | 4.50 | 4.40 | 4.40 | 4.40 | - |
| Engineering (Operating only) | 1.25 | 1.25 | 2.25 | 1.95 | 2.95 | 3.45 | 0.50 |
| Health & Safety | 1.00 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | - |
| Information Services | 3.00 | 3.00 | 3.00 | 3.40 | 3.75 | 3.75 | - |
| Administration | 12.88 | 13.38 | 12.40 | 11.00 | 11.00 | 11.00 | - |
| TOTAL Full Time Equivalents | 77.13 | 77.63 | 79.65 | 79.00 | 80.10 | 81.80 | 1.70 |



It should be noted that the Operating Budget excludes costs associated with work performed on CIP projects. The chart below defines the number of positions that have been traditionally charged to capital projects versus operating costs, and further illustrates how the 2023-24 Budget continues to dedicate six staff members to management of large and complex projects.



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Operating Costs Summary by Objective

Gross Operating Expenses (compared to 2022-23 Forecast) increases by \$2.01 million, or 6.9%. Comparative comments between the two periods include significant inflationary pressures as well as operational changes when new RESCU-constructed facilities are in full service.

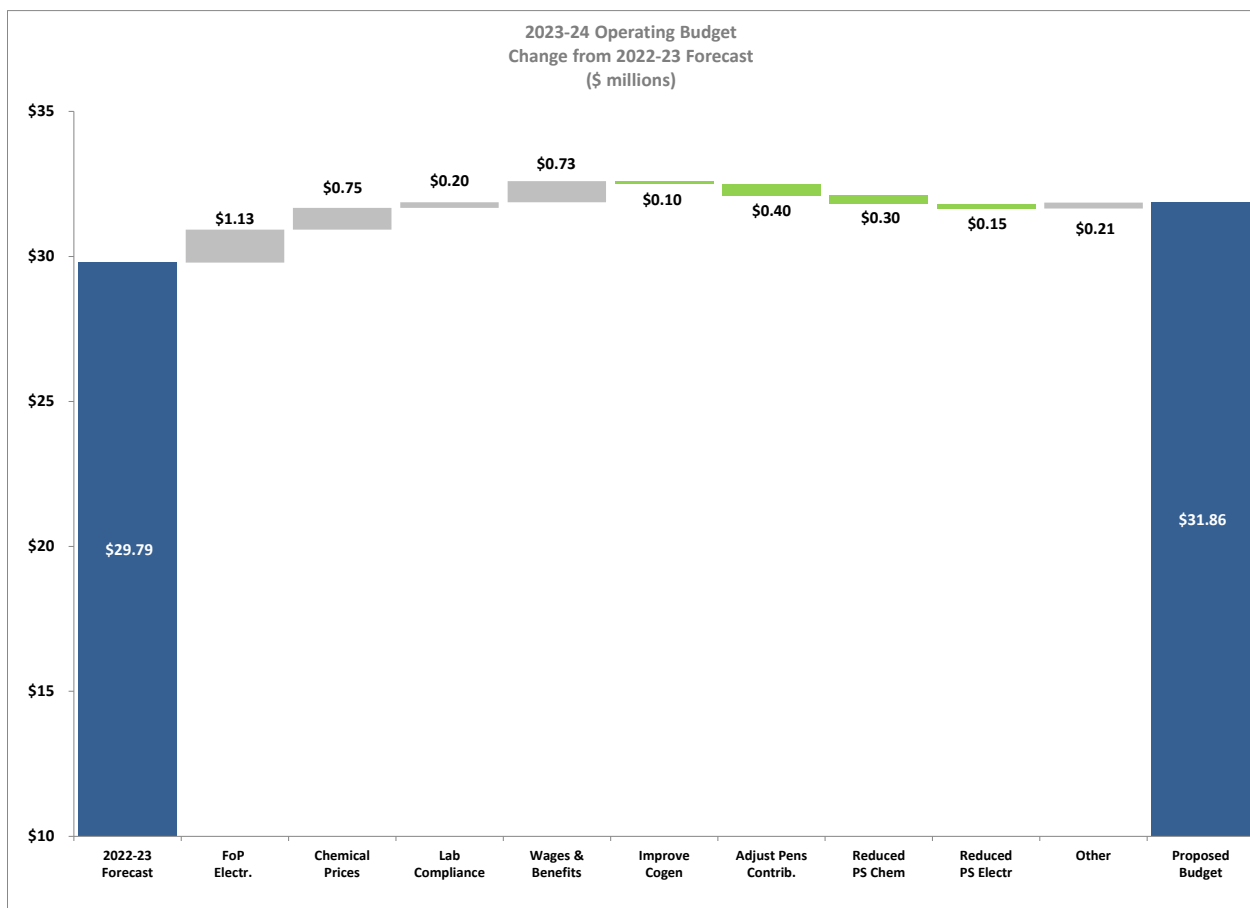
| Silicon Valley Clean Water Expenditure Summary - By Expense Category | | | | | |
|--|----------------------|----------------------|----------------------|----------------------------|----------------------------|
| Description | | | | \$ | % |
| | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast |
| Personnel | \$ 18,867,311 | \$ 18,789,487 | \$ 19,713,950 | \$ 924,463 | 4.9% |
| Utilities | 2,047,966 | 1,887,758 | 2,697,093 | 809,335 | 42.9% |
| Administrative Expenses | 744,875 | 697,225 | 733,697 | 36,472 | 5.2% |
| Equipment & Supplies Expense | 2,842,483 | 2,611,296 | 2,686,826 | 75,530 | 2.9% |
| Chemicals | 2,338,080 | 2,461,793 | 2,991,112 | 529,320 | 21.5% |
| Professional & Contractual Services | 2,938,434 | 3,015,938 | 2,614,952 | (400,985) | (13.3%) |
| Training, Memberships, Travel | 436,602 | 328,652 | 423,589 | 94,937 | 28.9% |
| TOTAL | \$ 30,215,751 | \$ 29,792,149 | \$ 31,861,220 | \$ 2,069,071 | 6.9% |

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

- Personnel costs will increase by \$924 thousand, or 4.9% compared to the Forecast. Approximately \$730 thousand of this increase is to recognize cost-of-living and step wage adjustments. To offset the extraordinary inflation-driven increases anticipated the upcoming year, this budget includes a \$400 thousand reduction in the amount contributed to SVCW's pension liability trust fund.
- Electricity use will increase at the treatment plant when the new headworks facilities lift pumps and odor control fans are fully operational next fiscal year. It is estimated that this additional power demand will increase costs by approximately \$1.1 million compared to the Forecast, which no longer anticipates headworks will operate in the current fiscal year. Approximately \$260 thousand in offsets to this increase are budgeted, which includes reduced pumping from pump stations once the gravity pipeline is operational, as well as improved cogeneration performance. PG&E rates are assumed to remain unchanged next year.
- Administrative Expense will increase from the Forecast by \$36 thousand (5.2%) primarily due to higher regulatory permit fees.
- Chemical prices are increasing at unprecedented rates, a net increase of \$529 thousand compared to the Forecast. Known price increases are thus far estimated at \$850 thousand, with a range of 17% to 80% on some chemicals. Suppliers claim prices are driven by instability in the petroleum and other materials markets, high transportation costs, and increased demand. While SVCW blunts the impact of such price increases by reducing chemical use as RESCU (Regional Environmental Sewer Conveyance Upgrade) construction projects are completed, it also intends to seek better pricing by issuing a

Request for Proposals (RFP) for Sodium Hypochlorite, Sodium Bisulfite, and Polymer by late spring.

- Professional and Contractual Services will decline by \$401 thousand (13.3%), reflecting timing of one-time activities that are occurring in the current fiscal year. Additionally, the completion of RESCU construction will eliminate certain activities such as pump station tank cleaning and grit removal in the Treatment Plant.
- Training, Memberships, and Travel will increase by \$95 thousand (26%). Most training and travel continued to be suspended since the beginning of the pandemic. SVCW anticipates a return to ordinary training and education practices and plans on additional training as new RESCU facilities go into service.



| Silicon Valley Clean Water Operating Expenditures | | | | | |
|---|----------------------|----------------------|----------------------|----------------------------|----------------------------|
| Description | 2022-23 | 2022-23 | 2023-24 | \$ | % |
| | Budget | Forecast | Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast |
| Personnel: | | | | | |
| Salaries | \$ 13,330,532 | \$ 13,377,057 | \$ 14,253,128 | \$ 876,071 | 6.5% |
| Overtime | 275,738 | 279,915 | 273,294 | (6,621) | (2.4%) |
| Retirement Benefit Contributions | 3,100,782 | 3,020,447 | 2,782,348 | (238,099) | (7.9%) |
| Health Insurance | 1,662,636 | 1,642,502 | 1,770,286 | 127,784 | 7.8% |
| Payroll Tax | 842 | 795 | 1,774 | 979 | - |
| Workers' Compensation | 272,524 | 256,615 | 393,150 | 136,536 | 53.2% |
| Health Insurance - Retiree | 26,580 | 20,689 | 28,916 | 8,227 | 39.8% |
| Medicare | 197,676 | 191,467 | 211,052 | 19,585 | 10.2% |
| Subtotal: Personnel Costs | 18,867,311 | 18,789,487 | 19,713,950 | 924,463 | 4.9% |
| Utilities | 2,047,966 | 1,887,758 | 2,697,093 | 809,335 | 42.9% |
| Administrative Expenses | 744,875 | 697,225 | 733,697 | 36,472 | 5.2% |
| Equipment & Supplies Expense: | | | | | |
| Office Supplies | 17,339 | 19,932 | 18,642 | (1,289) | (6.5%) |
| Rentals & Leases | 55,296 | 50,877 | 67,054 | 16,177 | 31.8% |
| Supplies & Expenses | 572,227 | 486,917 | 407,261 | (79,656) | (16.4%) |
| Equipment Maint - Materials | 966,152 | 877,660 | 769,502 | (108,158) | (12.3%) |
| Equipment Maint - Services | 1,190,085 | 1,162,395 | 1,395,319 | 232,924 | 20.0% |
| Non-Capital Equipment | 41,384 | 13,516 | 29,048 | 15,532 | 114.9% |
| Subtotal: Equipment & Supplies | 2,842,483 | 2,611,296 | 2,686,826 | 75,530 | 2.9% |
| Chemicals | 2,338,080 | 2,461,793 | 2,991,112 | 529,320 | 21.5% |
| Professional Services | 1,005,157 | 979,939 | 1,024,416 | 44,477 | 4.5% |
| Contractual Services | 1,933,277 | 2,035,999 | 1,590,537 | (445,462) | (21.9%) |
| Memberships & Meetings | 82,325 | 73,457 | 80,506 | 7,049 | 9.6% |
| Conferences & Travel | 113,432 | 89,380 | 119,455 | 30,076 | 33.6% |
| Training | 240,845 | 165,815 | 223,628 | 57,813 | 34.9% |
| TOTAL EXPENDITURES | \$ 30,215,751 | \$ 29,792,149 | \$ 31,861,220 | \$ 2,069,071 | 6.9% |

Total Operating Expenditures by Division

Compared to the 2022-23 Forecast, Divisional changes in budget ranged according to individual strategies. Analysis of each Division is described on the following pages.

| Silicon Valley Clean Water Expenditure Summary - By Division | | | | | |
|--|----------------------|----------------------|----------------------|----------------------------------|---------------------------------|
| Description | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | \$ Incr/(Decr) v. Forecast | % Incr/(Decr) v. Forecast |
| Operations | \$ 12,055,226 | \$ 12,212,476 | \$ 13,293,819 | \$ 1,081,344 | 8.9% |
| Maintenance | 6,741,464 | 6,465,378 | 6,755,445 | 290,067 | 4.5% |
| Laboratory Services | 1,845,213 | 1,884,207 | 2,137,500 | 253,293 | 13.4% |
| Environmental Services | 1,055,945 | 1,027,643 | 1,084,045 | 56,402 | 5.5% |
| Engineering | 1,739,303 | 1,879,071 | 2,006,920 | 127,849 | 6.8% |
| Safety | 517,406 | 474,615 | 526,906 | 52,291 | 11.0% |
| Information Services | 2,345,620 | 2,040,016 | 2,083,265 | 43,249 | 2.1% |
| Administration | 3,915,573 | 3,808,745 | 3,973,320 | 164,576 | 4.3% |
| TOTAL | \$ 30,215,751 | \$ 29,792,149 | \$ 31,861,220 | \$ 2,069,071 | 6.9% |

Operations

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

This Division has a total of 27 full-time equivalent positions in 2023-24 including the Chief Operating Officer, Operations Director, and three Operations Supervisors. There are sixteen Operators, two Instrumentation Technicians, and three Utility Workers, and one Administrative Assistant.

| Operations Department Expenditures | | | | | |
|---|----------------------|----------------------|----------------------|----------------------------|----------------------------|
| Description | 2022-23 | 2022-23 | 2023-24 | \$ | % |
| | Budget | Forecast | Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast |
| Personnel: | | | | | |
| Salaries | \$ 4,214,671 | \$ 4,220,648 | \$ 4,280,152 | \$ 59,505 | 1.4% |
| Overtime | 157,588 | 156,880 | 148,130 | (8,750) | (5.6%) |
| Retirement Benefit Contributions | 1,050,886 | 1,040,724 | 910,258 | (130,466) | (12.5%) |
| Health Insurance | 623,122 | 601,919 | 581,402 | (20,518) | (3.4%) |
| Payroll Tax | | 275 | - | (275) | 0.0% |
| Workers' Compensation | 107,040 | 100,823 | 147,545 | 46,723 | 46.3% |
| Health Insurance - Retiree | 8,400 | 6,600 | 8,270 | 1,670 | 25.3% |
| Medicare | 63,520 | 61,799 | 64,330 | 2,531 | 4.1% |
| Subtotal: Personnel Costs | 6,225,226 | 6,189,668 | 6,140,088 | (49,580) | (0.8%) |
| Utilities | 1,872,606 | 1,702,395 | 2,558,971 | 856,576 | 50.3% |
| Equipment & Supplies Expense: | | | | | |
| Rentals & Leases | - | 2,222 | 3,544 | 1,323 | 59.5% |
| Supplies & Expenses | 3,304 | 10,575 | 8,766 | (1,808) | (17.1%) |
| Equipment Maint - Materials | - | 33,281 | 49,338 | 16,056 | 48.2% |
| Non-Capital Equipment | - | 302 | - | (302) | - |
| Subtotal: Equipment & Supplies | 3,304 | 46,380 | 61,649 | 15,269 | 32.9% |
| Chemicals | 2,338,080 | 2,461,793 | 2,991,112 | 529,320 | 21.5% |
| Professional Services | - | 16,136 | 98,451 | 82,315 | 510.1% |
| Contractual Services | 1,507,848 | 1,708,427 | 1,327,913 | (380,514) | (22.3%) |
| Memberships & Meetings | 5,868 | 4,478 | 5,777 | 1,299 | 29.0% |
| Conferences & Travel | 15,996 | 9,293 | 24,905 | 15,612 | 168.0% |
| Training | 86,298 | 73,907 | 84,628 | 10,721 | 14.5% |
| TOTAL EXPENDITURES | \$ 12,055,226 | \$ 12,212,476 | \$ 13,293,819 | \$ 1,081,344 | 8.9% |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Operations include:

- Personnel costs will decrease \$49.5 thousand, or 0.8%, which reflects a reduced amount of contributions to fund pension liabilities, as well as approximately \$90 thousand in cost reductions associated as five recent retirements/vacancies were backfilled with entry-level staff. Ordinary contractual step increases in compensation and cost-of-living adjustments were also budgeted.
- Utilities Expense will increase by \$856 thousand next year as compared to the Forecast. Electricity use will increase at the treatment plant when the new headworks facility's lift pumps and odor control fans are fully operational. It is estimated that this additional power demand will increase costs by approximately \$1.1 million compared to the Forecast, which no longer anticipates headworks will operate this fiscal year. Approximately \$260 thousand in offsets to this increase are budgeted, which includes reduced pumping from pump stations once the gravity pipeline is operational, as well as improved cogeneration performance. PG&E rates are assumed to remain unchanged.
- Chemical costs are estimated to increase by \$529 thousand (34.9%) next year. Prices are increasing at unprecedented rates, thus far at an estimated impact of \$850 thousand, representing a 17% to 80% increase on certain chemicals. Suppliers claim high prices are due to instability in the petroleum and other materials' markets, high transportation costs, and increased demand. While SVCW blunts the impact of such price increases by reducing chemical use as RESCU (Regional Environmental Sewer Conveyance Upgrade) construction projects are completed, it also intends to seek better pricing by issuing a Request for Bids for Sodium Hypochlorite, Sodium Bisulfite, and Polymer by late spring.
- Professional Services will increase by \$82 thousand, and Contractual Services declines by \$380.5 thousand, mostly due to a \$100 thousand transfer of consulting costs. It also recognizes savings from improved use of biosolids dryers and fewer tank cleaning events once remote pump stations are decommissioned and RESCU is operational.

Maintenance

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

There are 22.6 full-time equivalent positions in the Maintenance Division. It works under the direction of the Maintenance Director, three Maintenance Supervisors, and a Planner / Facilities Supervisor. Staff includes eleven Plant Mechanics, two Controls Systems Mechanics, three Electricians, and two Warehouse staff. One of the Plant Mechanics splits time 60/40 between Maintenance and Safety, respectively.

| Maintenance Services Department Expenditures | | | | | |
|--|---------------------|---------------------|---------------------|----------------------------------|---------------------------------|
| Description | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | \$ Incr/(Decr) v. Forecast | % Incr/(Decr) v. Forecast |
| Personnel: | | | | | |
| Salaries | \$ 3,140,189 | \$ 3,131,578 | \$ 3,418,963 | \$ 287,386 | 9.2% |
| Overtime | 51,443 | 37,826 | 49,732 | 11,906 | 31.5% |
| Retirement Benefit Contributions | 754,810 | 726,089 | 648,811 | (77,277) | (10.6%) |
| Health Insurance | 477,813 | 469,461 | 535,469 | 66,008 | 14.1% |
| Workers' Compensation | 87,497 | 81,736 | 129,648 | 47,912 | 58.6% |
| Health Insurance - Retiree | 7,200 | 5,677 | 8,625 | 2,947 | 51.9% |
| Medicare | 46,383 | 44,351 | 50,421 | 6,070 | 13.7% |
| Subtotal: Personnel Costs | 4,565,336 | 4,496,717 | 4,841,670 | 344,953 | 7.7% |
| Equipment & Supplies Expense: | | | | | |
| Rentals & Leases | 35,496 | 17,692 | 25,201 | 7,509 | 42.4% |
| Supplies & Expenses | 85,572 | 89,766 | 86,542 | (3,224) | (3.6%) |
| Equipment Maint - Materials | 843,456 | 740,175 | 637,492 | (102,684) | (13.9%) |
| Equipment Maint - Services | 949,176 | 946,963 | 1,051,912 | 104,949 | 11.1% |
| Non-Capital Equipment | 31,332 | 4,877 | 19,151 | 14,274 | 292.7% |
| Subtotal: Equipment & Supplies | 1,945,032 | 1,799,473 | 1,820,298 | 20,825 | 1.2% |
| Professional Services | - | 2,000 | - | (2,000) | (100.0%) |
| Contractual Services | 152,004 | 119,839 | 35,444 | (84,395) | (70.4%) |
| Memberships & Meetings | 6,060 | 6,104 | 6,025 | (79) | (1.3%) |
| Conferences & Travel | 7,896 | 3,948 | 11,129 | 7,181 | 181.9% |
| Training | 65,136 | 37,297 | 40,878 | 3,582 | 9.6% |
| TOTAL EXPENDITURES | \$ 6,741,464 | \$ 6,465,378 | \$ 6,755,445 | \$ 290,067 | 4.5% |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Maintenance include:

- Personnel costs will increase \$345 thousand, or 7.7%, which recognizes a vacancy for much of the 2022-23 fiscal year is now filled. Additional increases from contractual step increases and cost-of-living adjustments were budgeted as normal. These increases were offset by reduced contributions to the pension unfunded liability fund.
- Overall Equipment and Supplies expenses will increase by \$20.7 thousand (1.2%). Expenditures on materials will decline by \$102.7 thousand as Maintenance anticipates new and reduced number of pump stations require less equipment replacements. Conversely, expenditures on maintenance services will increase to attend to the increased amount of automation and equipment counts.
- Contractual Services decrease by \$84.4 thousand to provide as SCADA (Supervisory Control and Data Acquisition) network support moved to the Engineering Division.

Laboratory Services

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

The Laboratory Director oversees a Laboratory Supervisor, five Laboratory Analysts, and one Regulatory Compliance Officer.

| Laboratory Services Department Expenditures | | | | | | |
|---|---------------------|---------------------|---------------------|----------------------------|----------------------------|--|
| Description | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | \$ | % | |
| | | | | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast | |
| Personnel: | | | | | | |
| Salaries | \$ 1,171,951 | \$ 1,180,396 | \$ 1,401,761 | \$ 221,366 | 18.8% | |
| Overtime | 19,764 | 22,566 | 19,012 | (3,554) | (15.8%) | |
| Retirement Benefit Contributions | 255,592 | 252,113 | 246,907 | (5,206) | (2.1%) | |
| Health Insurance | 91,934 | 91,478 | 130,361 | 38,882 | 42.5% | |
| Workers' Compensation | 32,679 | 30,960 | 52,161 | 21,201 | 68.5% | |
| Health Insurance - Retiree | 3,000 | 2,340 | 3,663 | 1,323 | 56.5% | |
| Medicare | 17,323 | 16,964 | 20,654 | 3,690 | 21.8% | |
| Subtotal: Personnel Costs | 1,592,242 | 1,596,817 | 1,874,519 | 277,702 | 17.4% | |
| Administrative Expenses | 5,445 | 4,440 | 6,838 | 2,398 | 54.0% | |
| Equipment & Supplies Expense: | | | | | | |
| Office Supplies | 1,596 | 2,389 | 3,143 | 753 | - | |
| Supplies & Expenses | 89,160 | 81,771 | 87,499 | 5,728 | 7.0% | |
| Equipment Maint - Materials | 28,100 | 43,303 | 18,214 | (25,089) | (57.9%) | |
| Equipment Maint - Services | 42,235 | 53,804 | 43,256 | (10,548) | (19.6%) | |
| Non-Capital Equipment | 5,800 | 5,022 | 5,710 | 689 | 13.7% | |
| Subtotal: Equipment & Supplies | 166,891 | 186,289 | 157,822 | (28,467) | (15.3%) | |
| Professional Services | 10,000 | 8,203 | 1,181 | (7,021) | - | |
| Contractual Services | 50,681 | 70,742 | 79,848 | 9,106 | 12.9% | |
| Memberships & Meetings | 10,456 | 9,448 | 2,509 | (6,939) | (73.4%) | |
| Conferences & Travel | 4,200 | 3,200 | 6,104 | 2,904 | 90.8% | |
| Training | 5,298 | 5,068 | 8,679 | 3,611 | 71.2% | |
| TOTAL EXPENDITURES | \$ 1,845,213 | \$ 1,884,207 | \$ 2,137,500 | \$ 253,293 | 13.4% | |

As compared to the 2022-23 Forecast, material increases / decreases in the Laboratory operating budget include:

- A new Quality Assurance Officer position was created to support new state requirements for laboratory accreditation. In addition, staffing costs increase by normal contractual step and cost-of-living adjustments.
- Other budget changes were modest or decreases, reflecting efforts to manage Laboratory operating costs.

Environmental Services

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

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

| Environmental Services Department Expenditures | | | | | | |
|--|---------------------|---------------------|---------------------|----------------------------|----------------------------|--|
| Description | | | | \$ | % | |
| | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast | |
| Personnel: | | | | | | |
| Salaries | \$ 734,823 | \$ 731,099 | \$ 757,406 | \$ 26,307 | 3.6% | |
| Overtime | 3,438 | 4,145 | 3,114 | (1,031) | (24.9%) | |
| Retirement Benefit Contributions | 168,943 | 164,813 | 151,282 | (13,531) | (8.2%) | |
| Health Insurance | 58,357 | 54,429 | 65,971 | 11,542 | 21.2% | |
| Workers' Compensation | 17,400 | 16,544 | 24,376 | 7,832 | 47.3% | |
| Health Insurance - Retiree | 1,440 | 1,101 | 1,418 | 317 | 28.8% | |
| Medicare | 10,726 | 10,382 | 11,048 | 666 | 6.4% | |
| Subtotal: Personnel Costs | 995,126 | 982,513 | 1,014,615 | 32,102 | 3.3% | |
| Administrative Expenses | 1,544 | - | 142 | 142 | 0.0% | |
| Equipment & Supplies Expense: | | | | | | |
| Supplies & Expenses | 9,504 | 5,625 | 9,357 | 3,732 | 66.3% | |
| Equipment Maint - Services | 1,500 | 750 | 1,477 | 727 | 96.9% | |
| Non-Capital Equipment | 1,152 | 2,015 | 1,134 | (881) | (43.7%) | |
| Subtotal: Equipment & Supplies | 12,156 | 8,529 | 11,968 | 3,439 | 40.3% | |
| Contractual Services | 31,144 | 22,192 | 35,586 | 13,394 | 60.4% | |
| Memberships & Meetings | 1,080 | 711 | 1,063 | 352 | 49.6% | |
| Conferences & Travel | 12,400 | 12,956 | 10,830 | (2,126) | (16.4%) | |
| Training | 2,495 | 741 | 9,841 | 9,100 | 1228.0% | |
| TOTAL EXPENDITURES | \$ 1,055,945 | \$ 1,027,643 | \$ 1,084,045 | \$ 56,402 | 5.5% | |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Environmental Services include:

- Personnel costs changed to reflect the decreased contributions to the Authority's pension liability fund, offset by ordinary step and cost-of-living adjustments.
- Contractual Services is increasing by \$13.4 thousand (60%) as, in the current year, certain lab analyses were not necessary to perform.

Engineering

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

The Division is currently focused on the RESCU program and improvements to the wastewater treatment plant. It works under the direction of the Authority Engineer and an Engineering Director (shared with Environmental Services), plus five civil engineers, and two Administrative Assistants. Most engineering personnel costs are charged to capital projects.

| Engineering Department Expenditures | | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|----------------------------|----------------------------|--|
| Description | | | | \$ | % | |
| | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast | |
| Personnel: | | | | | | |
| Salaries | \$ 730,862 | \$ 814,147 | \$ 915,411 | \$ 101,264 | 12.4% | |
| Contributions | 137,379 | 132,742 | 148,863 | 16,121 | 12.1% | |
| Health Insurance | 84,940 | 101,935 | 109,053 | 7,118 | 7.0% | |
| Payroll Tax | 842 | 421 | 1,774 | 1,353 | 321.4% | |
| Workers' Compensation | 2,587 | 2,232 | 3,618 | 1,387 | 62.1% | |
| Health Insurance - Retiree | 1,290 | 956 | 1,536 | 580 | 60.6% | |
| Medicare | 10,616 | 10,195 | 13,296 | 3,101 | 30.4% | |
| Subtotal: Personnel Costs | 968,515 | 1,062,627 | 1,193,550 | 130,923 | 12.3% | |
| Administrative Expenses | 435,078 | 427,795 | 428,356 | 561 | 0.1% | |
| Equipment & Supplies Expense: | | | | | | |
| Office Supplies | - | 3,103 | - | (3,103) | (100.0%) | |
| Supplies & Expenses | 5,160 | 5,508 | 5,120 | (388) | (7.0%) | |
| Subtotal: Equipment & Supplies | 5,160 | 8,611 | 5,120 | (3,492) | (40.5%) | |
| Professional Services | 255,000 | 317,649 | 308,255 | (9,394) | (3.0%) | |
| Memberships & Meetings | 20,900 | 16,740 | 21,329 | 4,589 | 27.4% | |
| Conferences & Travel | 47,250 | 41,240 | 44,699 | 3,459 | 8.4% | |
| Training | 7,400 | 4,409 | 5,612 | 1,203 | 27.3% | |
| TOTAL EXPENDITURES | \$ 1,739,303 | \$ 1,879,071 | \$ 2,006,920 | \$ 127,849 | 6.8% | |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Engineering include:

- Operating Fund personnel costs will increase \$131 thousand (12.3%), a combination of more engineering time being allocated to process improvements as well as ordinary increases to wages and benefits occur. It also includes reduced contributions to the Authority's pension liability fund.

Safety

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

| Safety Department Expenditures | | | | | | |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------|----------------------------|---|
| Description | 2022-23 | | 2023-24 Budget | 2022-23 | | % |
| | Budget | Forecast | | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast | |
| Personnel: | | | | | | |
| Salaries | \$ 286,568 | \$ 275,211 | \$ 297,284 | \$ 22,073 | 8.0% | |
| Overtime | 1,716 | 854 | \$ 2,313 | 1,459 | - | |
| Retirement Benefit | 49,347 | 47,008 | 38,228 | (8,779) | 0.0% | |
| Health Insurance | 34,323 | 32,542 | 42,640 | 10,098 | 31.0% | |
| Workers' Compensation | 7,902 | 7,162 | 11,201 | 4,039 | 56.4% | |
| Health Insurance - Retiree | 600 | 462 | 827 | 365 | 79.2% | |
| Medicare | 4,189 | 3,887 | 4,356 | 469 | 12.1% | |
| Subtotal: Personnel Costs | 384,645 | 367,125 | 396,849 | 29,724 | 8.1% | |
| Administrative Expenses | 14,300 | 16,400 | 18,313 | 1,913 | 11.7% | |
| Equipment & Supplies Expense: | | | | | | |
| Supplies & Expenses | 66,228 | 64,401 | 66,185 | 1,784 | 2.8% | |
| Equipment Maint - Materials | 2,000 | (5,365) | 2,461 | 7,826 | (145.9%) | |
| Equipment Maint - Services | 6,400 | 2,500 | 5,415 | 2,915 | 116.6% | |
| Non-Capital Equipment | 3,100 | 1,300 | 3,052 | 1,752 | 134.8% | |
| Subtotal: Equipment & Supplies | 77,728 | 62,836 | 77,114 | 14,278 | 22.7% | |
| Contractual Services | 20,000 | 12,000 | 13,291 | 1,291 | 10.8% | |
| Memberships & Meetings | 4,283 | 4,473 | 4,244 | (229) | (5.1%) | |
| Conferences & Travel | 2,450 | 2,300 | 2,609 | 309 | 13.4% | |
| Training | 14,000 | 9,481 | 14,486 | 5,005 | 52.8% | |
| TOTAL EXPENDITURES | \$ 517,406 | \$ 474,615 | \$ 526,906 | \$ 52,291 | 11.0% | |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Safety include:

- Personnel costs will change \$29.7 thousand (8.1%). Approximately \$10 thousand of this increase is associated with periods of time being coded to the Maintenance Division during 2022-23, which suppressed the forecast. The balance of the increase is inflationary impacts to pay and associated benefits. It also includes reduced contributions to the Authority's pension liability fund.
- Total Equipment and Supplies costs are increasing by \$14 thousand (22.7%) as the Safety Division prepares for materials needed for new RESCU facilities and operations once construction is complete.

Information Services

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

| Information Services Department Expenditures | | | | | | |
|--|---------------------|---------------------|---------------------|----------------------------|----------------------------|--|
| Description | | | | \$ | % | |
| | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast | |
| Personnel: | | | | | | |
| Salaries | \$ 783,080 | \$ 770,266 | \$ 806,944 | \$ 36,678 | 4.8% | |
| Retirement Benefit Contributions | 229,106 | 223,542 | 219,455 | (4,087) | (1.8%) | |
| Health Insurance | 61,085 | 62,215 | 63,478 | 1,263 | 2.0% | |
| Workers' Compensation | 11,310 | 11,355 | 15,849 | 4,494 | 39.6% | |
| Health Insurance - Retiree | 450 | 323 | 443 | 120 | 37.4% | |
| Medicare | 11,361 | 11,104 | 11,707 | 604 | 5.4% | |
| Subtotal: Personnel Costs | 1,096,392 | 1,078,804 | 1,117,877 | 39,073 | 3.6% | |
| Utilities | 175,360 | 185,363 | 138,122 | (47,241) | (25.5%) | |
| Equipment & Supplies Expense: | | | | | | |
| Rentals & Leases | 6,300 | 18,069 | 26,583 | 8,514 | 47.1% | |
| Supplies & Expenses | 262,089 | 172,345 | 84,571 | (87,774) | (50.9%) | |
| Equipment Maint - Services | 175,729 | 125,429 | 256,012 | 130,583 | 104.1% | |
| Equipment Maint - Materials | 83,800 | 61,241 | 60,717 | (524) | (0.9%) | |
| Subtotal: Equipment & Supplies | 527,918 | 377,083 | 427,883 | 50,800 | 13.5% | |
| Professional Services | 385,200 | 345,660 | 322,932 | (22,728) | (6.6%) | |
| Contractual Services | 123,600 | 37,300 | 39,382 | 2,082 | 5.6% | |
| Memberships & Meetings | 3,650 | 3,305 | 4,086 | 781 | 23.6% | |
| Training | 33,500 | 12,500 | 32,982 | 20,482 | 163.9% | |
| TOTAL EXPENDITURES | \$ 2,345,620 | \$ 2,040,016 | \$ 2,083,265 | \$ 43,249 | 2.1% | |

As compared to the 2022-23 Forecast, total expenditures in the Information Services Division will increase by \$43.2 thousand (2.1%). Notable variances include:

- Personnel costs will increase \$39.1 thousand, or 3.6%, which includes ordinary merit and cost-of-living adjustments as well as reduced contributions to the Authority's pension liability fund.
- Utilities expense declines by \$47 thousand (25%) as once RESCU is completed, less data connections are required for pump stations. It also reflects reduced phone costs, which will be exchanged for equipment services once SVCW migrates to a new Webex communications platform.
- Total Equipment and Supplies increase by \$50.7 thousand (13.5%) as Webex communications services are introduced.
- Professional Services will decline by \$22.7 thousand, as the amount of Microsoft SharePoint support is anticipated to decline.
- Training expenses increase by \$20.5 thousand as in the current year the Division deferred certain technical training.

Administrative Services

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

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

| Administrative Services Department Expenditures | | | | | |
|---|---------------------|---------------------|---------------------|----------------------------|----------------------------|
| Description | | | | \$ | % |
| | 2022-23 Budget | 2022-23 Forecast | 2023-24 Budget | Incr/(Decr) v. Forecast | Incr/(Decr) v. Forecast |
| Personnel: | | | | | |
| Salaries | \$ 2,268,388 | \$ 2,253,713 | \$ 2,375,206 | \$ 121,493 | 5.4% |
| Overtime | 41,789 | 57,644 | 50,993 | (6,651) | (11.5%) |
| Retirement Benefit Contributions | 454,720 | 433,417 | 418,544 | (14,873) | (3.4%) |
| Health Insurance | 231,062 | 228,523 | 241,912 | 13,390 | 5.9% |
| Payroll Tax | - | 99 | - | (99) | 0.0% |
| Workers' Compensation | 6,110 | 5,803 | 8,752 | 2,949 | 50.8% |
| Health Insurance - Retiree | 4,200 | 3,231 | 4,135 | 904 | 28.0% |
| Medicare | 33,558 | 32,786 | 35,240 | 2,454 | 7.5% |
| Subtotal: Personnel Costs | 3,039,828 | 3,015,215 | 3,134,781 | 119,566 | 4.0% |
| Administrative Expenses | 288,508 | 248,378 | 279,724 | 31,347 | 12.6% |
| Equipment & Supplies Expense: | | | | | |
| Office Supplies | 15,743 | 14,424 | 15,500 | 1,076 | 7.5% |
| Rentals & Leases | 13,500 | 12,895 | 11,726 | (1,169) | (9.1%) |
| Supplies & Expenses | 51,210 | 57,155 | 59,221 | 2,066 | 3.6% |
| Equipment Maint - Materials | 8,796 | 4,886 | 1,280 | (3,606) | (73.8%) |
| Equipment Maint - Services | 15,045 | 32,948 | 37,246 | 4,298 | 13.0% |
| Subtotal: Equipment & Supplies | 104,294 | 122,307 | 124,973 | 2,665 | 2.2% |
| Professional Services | 354,957 | 290,291 | 293,597 | 3,305 | 1.1% |
| Contractual Services | 48,000 | 65,499 | 59,073 | (6,426) | (9.8%) |
| Memberships & Meetings | 30,028 | 28,198 | 35,471 | 7,273 | 25.8% |
| Conferences & Travel | 23,240 | 16,443 | 19,179 | 2,736 | 16.6% |
| Training | 26,718 | 22,413 | 26,522 | 4,109 | 18.3% |
| TOTAL EXPENDITURES | \$ 3,915,573 | \$ 3,808,745 | \$ 3,973,320 | \$ 164,576 | 4.3% |

As compared to the 2022-23 Forecast, significant increases / decreases in the operating budget for Administrative Services include:

- Personnel costs will increase \$119.6 thousand which includes ordinary merit and cost-of-living adjustments as well as reduced contributions to the Authority's pension liability fund.
- Administrative costs includes insurance premiums, which are anticipated to increase by \$31.3 thousand next year as property and liability insurance rates rise.

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SECTION 4 – REVENUE-FUNDED CAPITAL EXPENDITURES

Summary

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

Over the past decade, SVCW has averaged \$1.5 million annually in Revenue-Funded capital expenditures. The proposed amount for 2023-24 Budget, at \$480 thousand, is considerably lower as the Authority defers certain projects in response to extraordinary inflation. It also recognizes that new RESCU facilities are unlikely to need equipment replacements.

| 2023-24 Revenue-Funded Capital Expenditures | |
|--|-----------------------|
| Project Name | Estimated Cost |
| Elevator #1 repairs | \$ 29,000 |
| Operations Utility Truck | 75,000 |
| Personal Gas Meter / Docking Station Replacement | 26,000 |
| Fast Chemical Oxygen Demand Analyzer | 65,000 |
| Laboratory Office Reconfiguration | 35,000 |
| Equipment Data for Asset Management | 150,000 |
| EV Fleet migration, Phase I | 100,000 |
| TOTAL | \$ 480,000 |

A description of the proposed projects includes:

- The treatment plant’s two freight elevators and two passenger elevators are aging and have had specific maintenance needs identified. Elevator #1 will receive repairs to its cabling system in FY23-24. Staff anticipates additional elevator costs over the next several years and has initiated a review of all four elevators by its service provider.
- A replacement utility truck is planned and will be specifically equipped for servicing air relief valves along the 33-inch and 48-inch force mains and drop structures along the new gravity pipeline.
- As gas meters and docking stations exceed their useful life, they will be replaced to ensure continued safe operations.

- SVCW's Laboratory will replace a 15-year-old Total Organic Carbon (TOC) analyzer with a fast Chemical Oxygen Demand analyzer. The new analyzer provides same-day results which will support operational decisions and optimize regulatory compliance.
- SVCW's Laboratory organization has added a position to meet new regulatory compliance requirements. The budget includes funds to reconfigure laboratory office space to support the new position.
- A capitalizable software project will improve access to data for asset management purposes. With this investment, SVCW staff will be able to associate equipment with spare parts, whether in inventory or with a supplier.
- To meet air quality policies set by the State of California, SVCW will begin to migrate its fleet vehicles to be zero emission vehicles (ZEV) by 2035. Next year's budget assumes one replacement electric vehicle will be purchased.

SECTION 5 – CAPITAL IMPROVEMENT PROGRAM & DEBT SERVICE

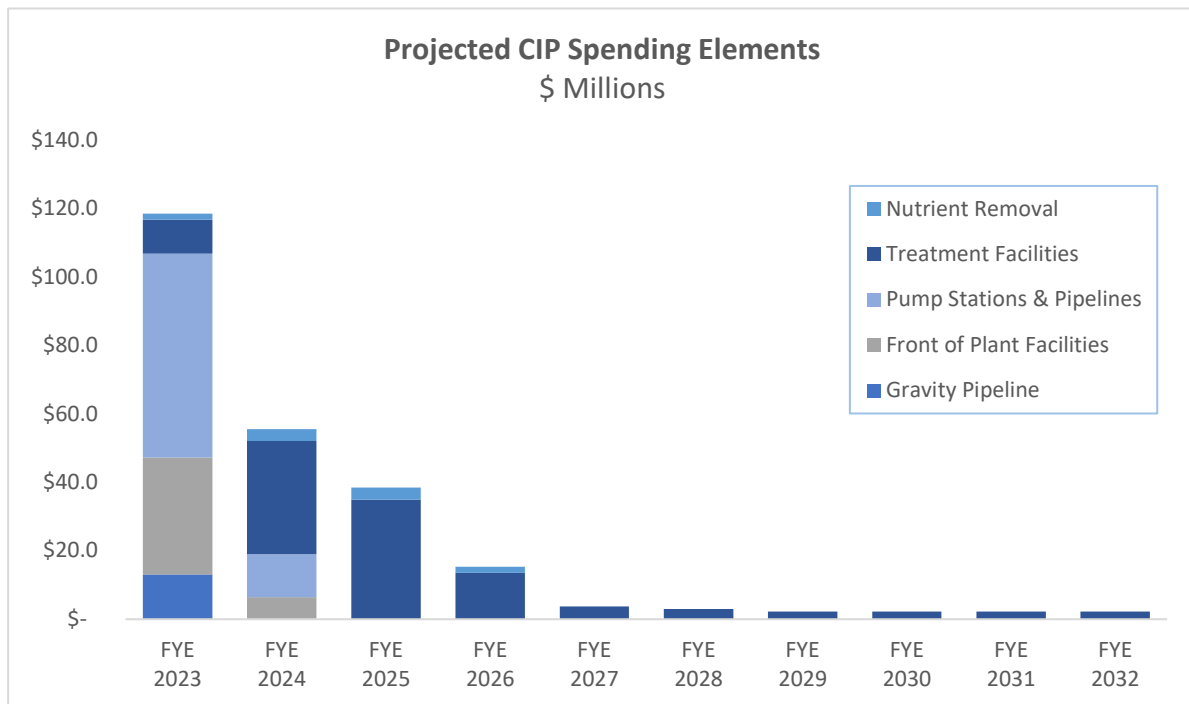
Background

SVCW’s wastewater treatment plant was constructed in 1980 and connected to an influent conveyance system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. In 2008 SVCW initiated its CIP to replace and rehabilitate wastewater conveyance and treatment systems in a structured and prioritized manner. Now in its fifteenth year, the CIP has completed over 135 projects through December 2022.

CIP Projected Expenditures

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

The CIP is a guiding document of the LRF and estimates remaining CIP expenditures are approximately \$243.2 million over the next decade, the majority of which will be spent in the next three fiscal years:



The largest projects comprised in the RESCU program together produce capital expenditures greater than \$195 million over the next three fiscal years. As construction is completed, assets of each Member Agency increase per its allocable percentages as follows:

| Identified Capital Expenditures through Fiscal Year 2032; by Member Allocation (\$ Millions) | | | | | | | | | | | | |
|---|----------------|-----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Description | JPA % | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027 | FYE 2028 | FYE 2029 | FYE 2030 | FYE 2031 | FYE 2032 | TOTAL |
| Redwood City | 48.57% | \$ 57.5 | \$ 27.0 | \$ 18.6 | \$ 7.4 | \$ 1.8 | \$ 1.4 | \$ 1.1 | \$ 1.1 | \$ 1.1 | \$ 1.1 | \$ 118.1 |
| WBSD | 26.84% | 31.8 | 14.9 | 10.3 | 4.1 | 1.0 | 0.8 | 0.6 | 0.6 | 0.6 | 0.6 | \$ 65.3 |
| San Carlos | 15.14% | 17.9 | 8.4 | 5.8 | 2.3 | 0.6 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | \$ 36.8 |
| Belmont | 9.45% | 11.2 | 5.2 | 3.6 | 1.4 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | \$ 23.0 |
| TOTAL | 100.00% | \$ 118.4 | \$ 55.5 | \$ 38.4 | \$ 15.3 | \$ 3.7 | \$ 3.0 | \$ 2.2 | \$ 2.2 | \$ 2.2 | \$ 2.2 | \$ 243.2 |

Debt Service and Cash Contributions to CIP Projects

Due to the compressed timing and large cost to complete the CIP, as well as the lack of significant cash reserves, the most practical funding method was to utilize long-term debt. SVCW updates its LRFP each year to reassess its financial position relative to anticipated cash flows needed from SVCW's Member Agencies. It also incorporates CIP construction and expenditure schedules, as well as the current borrowing environment. After considering these factors, the January 2023 LRFP reflects the substantial governmental loans SVCW secured to fund RESCU and other projects.

Compared to the prior year's LRFP, the 2023 Plan considered three factors:

- **CIP Update:** SVCW regularly updates cost estimates of remaining CIP projects by adjusting for project additions and deletions, changes in project scope, and new pricing information. In December 2022, the Commission authorized an additional \$8.4 million to project budgets, which was incorporated into the LRFP.
- **Construction Timing:** Adjustments to RESCU program constructions has largely remained on schedule using the Progressive Design-Build project delivery method. Modest delays to the Pump Station Improvement project schedule were considered in this funding plan.
- **Financing Sources and Rates:** The 2023 LRFP made no changes to existing debt structures, as SVCW has already funding for most remaining CIP expenditures.

Currently the Authority does not recommend the issuance of additional new debt. Available proceeds from bonds and loans, combined with Stage 2 Capacity cash reserves, is \$213.4 million or 87.7% of remaining CIP expenditures. Additional cash needed from Members in future years is estimated at \$25.3 million.

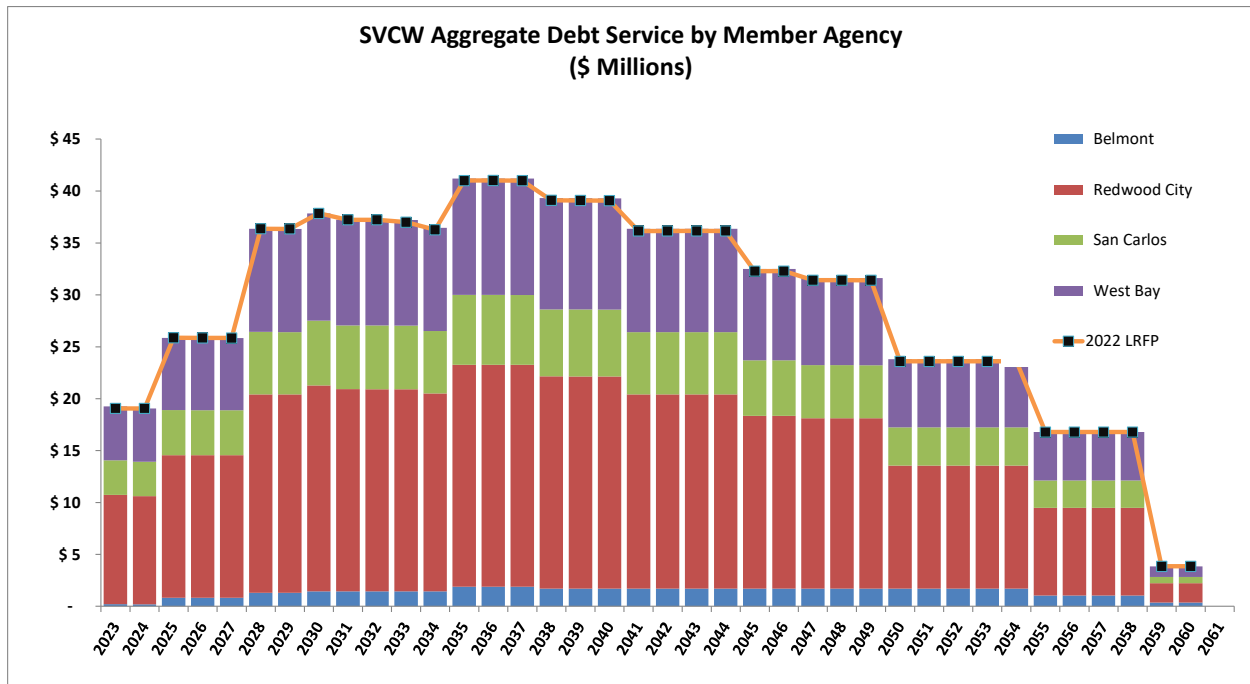
Uses and Sources of CIP Funds (as of July 01, 2022)

| Description | \$ Millions | % Remaining CIP |
|--|-----------------|-----------------|
| Uses: | | |
| Gravity Pipeline | \$ 13.1 | 5.4% |
| Front of Plant Facilities | 40.6 | 16.7% |
| Pump Stations & Pipelines & Program Mgmt | 72.1 | 29.6% |
| Treatment Facilities | 107.0 | 44.0% |
| Nutrient Removal | 10.5 | 4.3% |
| Total Remaining CIP Expenditures | \$ 243.2 | 100.0% |
| Source of Funds: | | |
| Available Debt Proceeds | \$ 199.5 | 82.0% |
| Stage 2 Capacity Reserve Funds | 13.9 | 5.7% |
| Use of pay-go capital Contributions | 4.5 | 1.9% |
| Cash-in-lieu of Debt Contributions | 25.3 | 10.4% |
| Total Sources of Funds | \$ 243.2 | 100.0% |

SVCW estimates cash contributions will not be needed until fiscal year 2025-26, as follows:

| Proposed Sources to fund CIP Expenditures not yet secured by existing debt (\$ Millions) | | | | | | | | | | | |
|---|-------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Description | FYE 2023 | FYE 2024 | FYE 2025 | FYE 2026 | FYE 2027 | FYE 2028 | FYE 2029 | FYE 2030 | FYE 2031 | FYE 2032 | TOTAL |
| Stage 2 Capacity Funds | \$ - | \$ 3.5 | \$ 9.3 | \$ 1.1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13.9 |
| Cash in lieu of Debt | - | - | - | 14.2 | 3.7 | 3.0 | 2.2 | 2.2 | - | - | 25.3 |
| CIP Reserve, Redirected | - | - | - | - | - | - | - | - | 2.2 | 2.2 | 4.5 |
| TOTAL | \$ - | \$ 3.5 | \$ 9.3 | \$ 15.3 | \$ 3.7 | \$ 3.0 | \$ 2.2 | \$ 2.2 | \$ 2.2 | \$ 2.2 | \$ 43.7 |

Payments for debt already secured ranges from \$19 million to \$41 million annually which, as illustrated below, closely matches the prior year’s LRFP.



Debt Service in 2022-23 will be \$19.05 million and is allocated to Member Agencies according to JPA-defined percentage of ownership and participation in debt issuances.

| SVCW Aggregate Debt Service Cost | | | | | | | | | |
|----------------------------------|---------------|--------------|----------------|------------------------|---------------------------------|-------------------------|----------------------------------|------------------------------|---------------|
| Fiscal year end | Current Bonds | Current SRF | 2021 Refunding | | New Line of Credit Int. Expense | 2019 WIFIA Debt Service | New Non-RESCU WIFIA Debt Service | New RESCU WIFIA Debt Service | TOTAL |
| | | | Revenue Bonds | RESCU SRF Debt Service | | | | | |
| 2024 | \$ 7,823,744 | \$ 1,888,097 | \$ 9,142,491 | \$ - | \$ 193,500 | \$ - | \$ - | \$ - | \$ 19,047,831 |
| 2025 | 7,818,119 | 2,422,679 | 9,155,528 | 6,466,765 | - | - | - | - | 25,863,091 |
| 2026 | 7,815,494 | 2,422,679 | 9,139,131 | 6,466,765 | - | - | - | - | 25,844,069 |
| 2027 | 7,820,244 | 2,422,679 | 9,125,532 | 6,466,765 | - | - | - | - | 25,835,220 |
| 2028 | 7,816,994 | 2,422,679 | 9,134,809 | 6,466,765 | - | 9,107,841 | - | 1,416,450 | 36,365,539 |
| 2029 | 7,815,494 | 2,422,679 | 9,119,744 | 6,466,765 | - | 9,107,841 | - | 1,416,450 | 36,348,974 |
| 2030 | 7,815,244 | 2,422,679 | 9,108,575 | 6,466,765 | - | 9,107,841 | 1,509,651 | 1,416,450 | 37,847,206 |
| 2031 | 7,820,619 | 2,422,679 | 8,488,862 | 6,466,765 | - | 9,107,841 | 1,509,651 | 1,416,450 | 37,232,869 |
| 2032 | 7,821,119 | 2,422,679 | 8,485,229 | 6,466,765 | - | 9,107,841 | 1,509,651 | 1,416,450 | 37,229,735 |
| 2033 | 7,820,044 | 2,422,679 | 8,467,347 | 6,466,765 | - | 9,107,841 | 1,509,651 | 1,416,450 | 37,210,778 |
| 2034 | 7,818,119 | 2,422,679 | 7,729,409 | 6,466,765 | - | 9,107,841 | 1,509,651 | 1,416,450 | 36,470,915 |

Belmont

| City of Belmont Debt Service | | | | | | |
|------------------------------|-------------|------------------------|---------------------------------|-------------------------|-------------------------|------------|
| Fiscal year end | Current SRF | RESCU SRF Debt Service | New Line of Credit Int. Expense | 2019 WIFIA Debt Service | 2021 WIFIA Debt Service | TOTAL |
| 2024 | \$ 178,425 | \$ - | \$ 18,286 | \$ - | \$ - | \$ 196,711 |
| 2025 | 228,943 | 611,109 | - | - | - | 840,053 |
| 2026 | 228,943 | 611,109 | - | - | - | 840,053 |
| 2027 | 228,943 | 611,109 | - | - | - | 840,053 |
| 2028 | 228,943 | 611,109 | - | 327,757 | 133,855 | 1,301,664 |
| 2029 | 228,943 | 611,109 | - | 327,757 | 133,855 | 1,301,664 |
| 2030 | 228,943 | 611,109 | - | 327,757 | 276,517 | 1,444,326 |
| 2031 | 228,943 | 611,109 | - | 327,757 | 276,517 | 1,444,326 |
| 2032 | 228,943 | 611,109 | - | 327,757 | 276,517 | 1,444,326 |
| 2033 | 228,943 | 611,109 | - | 327,757 | 276,517 | 1,444,326 |
| 2034 | 228,943 | 611,109 | - | 327,757 | 276,517 | 1,444,326 |

Redwood City

| Redwood City Debt Service | | | | | | | |
|---------------------------|---------------|-------------|------------------------|------------------------|-------------------------|-------------------------|---------------|
| Fiscal year end | Current Bonds | Current SRF | RESCU SRF Debt Service | Line of Credit Expense | 2019 WIFIA Debt Service | 2021 WIFIA Debt Service | TOTAL |
| 2024 | \$ 9,409,471 | \$ 917,049 | \$ - | \$ 93,983 | \$ - | \$ - | \$ 10,420,502 |
| 2025 | 9,407,375 | 1,176,695 | 3,140,908 | - | - | - | 13,724,978 |
| 2026 | 9,405,793 | 1,176,695 | 3,140,908 | - | - | - | 13,723,396 |
| 2027 | 9,405,494 | 1,176,695 | 3,140,908 | - | - | - | 13,723,097 |
| 2028 | 9,406,315 | 1,176,695 | 3,140,908 | - | 4,708,712 | 687,970 | 19,120,600 |
| 2029 | 9,396,961 | 1,176,695 | 3,140,908 | - | 4,708,712 | 687,970 | 19,111,246 |
| 2030 | 9,388,876 | 1,176,695 | 3,140,908 | - | 4,708,712 | 1,421,208 | 19,836,398 |
| 2031 | 9,030,985 | 1,176,695 | 3,140,908 | - | 4,708,712 | 1,421,208 | 19,478,508 |
| 2032 | 9,023,284 | 1,176,695 | 3,140,908 | - | 4,708,712 | 1,421,208 | 19,470,807 |
| 2033 | 9,012,953 | 1,176,695 | 3,140,908 | - | 4,708,712 | 1,421,208 | 19,460,475 |
| 2034 | 8,618,572 | 1,176,695 | 3,140,908 | - | 4,708,712 | 1,421,208 | 19,066,095 |

San Carlos

| City of San Carlos Debt Service | | | | | | | |
|---------------------------------|---------------|-------------|------------------------|------------------------|-------------------------|-------------------------|--------------|
| Fiscal year end | Current Bonds | Current SRF | RESCU SRF Debt Service | Line of Credit Expense | 2019 WIFIA Debt Service | 2021 WIFIA Debt Service | TOTAL |
| 2024 | \$ 2,987,495 | \$ 285,858 | \$ - | \$ 29,296 | \$ - | \$ - | \$ 3,302,648 |
| 2025 | 2,988,955 | 366,794 | 979,068 | - | - | - | 4,334,817 |
| 2026 | 2,975,798 | 366,794 | 979,068 | - | - | - | 4,321,660 |
| 2027 | 2,973,476 | 366,794 | 979,068 | - | - | - | 4,319,338 |
| 2028 | 2,976,842 | 366,794 | 979,068 | - | 1,466,446 | 214,451 | 6,003,601 |
| 2029 | 2,975,429 | 366,794 | 979,068 | - | 1,466,446 | 214,451 | 6,002,187 |
| 2030 | 2,969,780 | 366,794 | 979,068 | - | 1,466,446 | 443,012 | 6,225,099 |
| 2031 | 2,875,928 | 366,794 | 979,068 | - | 1,466,446 | 443,012 | 6,131,247 |
| 2032 | 2,885,225 | 366,794 | 979,068 | - | 1,466,446 | 443,012 | 6,140,545 |
| 2033 | 2,879,798 | 366,794 | 979,068 | - | 1,466,446 | 443,012 | 6,135,118 |
| 2034 | 2,752,808 | 366,794 | 979,068 | - | 1,466,446 | 443,012 | 6,008,128 |

West Bay Sanitary District

| West Bay Sanitary District - Debt Service | | | | | | | |
|---|--------------|-------------|------------------------|------------------------|-------------------------|-------------------------|--------------|
| Fiscal year end | Bonds | Current SRF | RESCU SRF Debt Service | Line of Credit Expense | 2019 WIFIA Debt Service | 2021 WIFIA Debt Service | TOTAL |
| 2024 | \$ 4,569,269 | \$ 506,765 | \$ - | \$ 51,935 | \$ - | \$ - | \$ 5,127,970 |
| 2025 | 4,577,316 | 650,247 | 1,735,680 | - | - | - | 6,963,243 |
| 2026 | 4,573,034 | 650,247 | 1,735,680 | - | - | - | 6,958,961 |
| 2027 | 4,566,805 | 650,247 | 1,735,680 | - | - | - | 6,952,732 |
| 2028 | 4,568,646 | 650,247 | 1,735,680 | - | 2,604,926 | 380,175 | 9,939,674 |
| 2029 | 4,562,848 | 650,247 | 1,735,680 | - | 2,604,926 | 380,175 | 9,933,876 |
| 2030 | 4,565,163 | 650,247 | 1,735,680 | - | 2,604,926 | 785,366 | 10,341,382 |
| 2031 | 4,402,568 | 650,247 | 1,735,680 | - | 2,604,926 | 785,366 | 10,178,787 |
| 2032 | 4,397,838 | 650,247 | 1,735,680 | - | 2,604,926 | 785,366 | 10,174,057 |
| 2033 | 4,394,640 | 650,247 | 1,735,680 | - | 2,604,926 | 785,366 | 10,170,859 |
| 2034 | 4,176,147 | 650,247 | 1,735,680 | - | 2,604,926 | 785,366 | 9,952,366 |

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SECTION 6 – CASH RESERVES DESIGNATION

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

- The **Operating Reserve** must be maintained at a minimum balance of 10% of the approved Operating Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. The projected balance in Operating Reserves is \$3.94 million at June 30, 2023, including investment earnings. This amount is short of the policy’s required balance by approximately \$246 thousand which, per policy, will require Member contributions.
- The **Capital Improvement Program Reserve (CIP Reserve)** goal is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life has been met. This would allow major expenses in the future to be paid for on a “pay-go” basis and limit the need for borrowing. Each year, if funds held in these reserves fall below targeted levels, SVCW makes budget adjustments to return to the target level. The CIP Reserve Policy calls for a \$3.0 million contribution in fiscal year 2023-24.

Based upon the above, total 2023-24 Reserve Designations are as follows:

| Reserve Designations - 2023-24 Budget | | | |
|---------------------------------------|----------------------|----------------------|---------------------|
| Description | Estimated | Target | 2023-24 |
| | June 30, 2023 | June 30, 2024 | |
| | Balance | Balance | |
| Operating Reserve | \$ 3,939,885 | \$ 4,186,122 | \$ 246,237 |
| CIP Reserve | 21,724,476 | 24,724,476 | 3,000,000 |
| TOTAL | \$ 25,664,360 | \$ 28,910,598 | \$ 3,246,237 |

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