

**COMMISSION OF SILICON VALLEY CLEAN WATER  
JOINT POWERS AUTHORITY  
REGULAR MEETING – Monday, September 9, 2024  
8:00 a.m.**

Place: Silicon Valley Clean Water  
1406 Radio Road  
Redwood City, California

**Consistent with Government Code Section 54953, this meeting will be held both in person and virtually. See page 7 of this agenda for virtual meeting access information and instructions.**

**COMMISSIONERS**

BOARD MEMBER GEORGE OTTE, WEST BAY SANITARY DISTRICT– CHAIR  
COUNCIL MEMBER DAVINA HURT, BELMONT– VICE CHAIR  
COUNCIL MEMBER ALICIA AGUIRRE, REDWOOD CITY – SECRETARY  
COUNCIL MEMBER RON COLLINS, SAN CARLOS– MEMBER

**MANAGER:** TERESA A. HERRERA

**ATTORNEY FOR THE AUTHORITY:** CHRISTINE C. FITZGERALD

**CONTROLLER:** BETH GOLDBERG

**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. 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. Such item may be referred to staff for a decision with regard to placing it on a future agenda for discussion, action, or report.

5. SAFETY MOMENT and REPORTS

- A. Safety Moment.....pg. 9
- B. Manager’s Report
  - 1. Upcoming Commission Actions..... pg. 12
- C. Financial Report
  - 1. Investment Report June.....pg. 14
  - 2. Investment Report July.....pg. 18
- D. Engineering Capital Projects Report.....pg. 22
- E. Commission Requested Staff-Level Action Items..... pg. 26
- F. RESCU Program Design-Build Project Status Update..... pg. 29

6. MATTERS OF COMMISSION MEMBERS’ INTEREST

7. CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR (begins pg. 39)

8. BUSINESS ITEMS

- A. PUBLIC HEARING - CONSIDERATION OF RESOLUTION APPROVING ENERGY SERVICES AGREEMENT WITH ECOGREEN FOR ENERGY SERVICES AT WWTP. THE PROJECT AND ASSOCIATED ON-BILL FINANCING ARE EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15061 “COMMON SENSE EXEMPTION” BECAUSE IT CAN BE SEEN WITH CERTAINTY THAT THEY WILL NOT CAUSE A SIGNIFICANT EFFECT ON THE ENVIRONMENT, AND THE PROJECT CONSISTS OF MINOR ALTERATION TO EXISTING LIGHTING IN SVCW-OWNED FACILITIES PURSUANT TO CEQA GUIDELINES SECTION 15301 “EXISTING FACILITIES”. (pg. 128)

Proposed Actions:

- Chair to Open Public Hearing and Receive Testimony
- Move to Close Public Hearing

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN ADOPTING REQUIRED FINDINGS PURSUANT TO GOVERNMENT CODE SECTION 4217, APPROVING ENERGY SERVICES CONTRACT WITH ECOGREEN, AND AUTHORIZING ASSOCIATED PG&E ON-BILL LOAN FINANCING

- B. CONSIDERATION OF RESOLUTION AND MOTION APPROVING MASTER SERVICES AGREEMENT AND TASK ORDER FOR PLANNING SERVICES FOR THE STRATEGIC TREATMENT ADVANCEMENT ROADMAP PROJECT AND APPROVE TASK ORDER FOR NUTRIENT PROGRAM MANAGEMENT SERVICES (CIP #9402) (pg. 132)

Proposed Actions:

- i. Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR PROFESSIONAL ENGINEERING SERVICES AND TASK ORDER SCOPE AND BUDGET FOR PLANNING SERVICES RELATED TO THE STRATEGIC TREATMENT ADVANCEMENT ROADMAP PROJECT (CIP #9402); IN AN AMOUNT NOT TO EXCEED \$1,159,955 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – HAZEN AND SAWYER
- ii. Move approval of TASK ORDER SCOPE AND BUDGET FOR NUTRIENT PROGRAM ADVISORY SUPPORT SERVICES RELATED TO THE STRATEGIC TREATMENT ADVANCEMENT ROADMAP PROJECT (CIP #9402) IN AN AMOUNT NOT TO EXCEED \$247,407 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY/JENKS CONSULTANTS

9. CLOSED SESSION

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

11. ADJOURN

## CONSENT CALENDAR

### **NOTICE TO PUBLIC**

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

7. A. APPROVAL OF MINUTES – July 15, 2024 - Special Meeting (pg. 39)
- B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED JUNE 25 – AUGUST 5, 2024, AND NECESSARY PAYMENTS THROUGH AUGUST 5, 2024 (pg. 44)
- C. CONSIDERATION OF RESOLUTION ASSIGNING PERFORMANCE MANAGEMENT SERVICES AGREEMENT WITH ENEL X NORTH AMERICA, INC. TO ENEL X STORAGE LLC (pg. 46)

Proposed Action:

Move adoption of RESOLUTION CONSENTING TO ASSIGNMENT OF PERFORMANCE MANAGEMENT SERVICES AGREEMENT WITH ENEL X NORTH AMERICA, INC. TO ENEL X STORAGE LLC.

- D. CONSIDERATION OF RESOLUTIONS REVIEWING AND REVISING SILICON VALLEY CLEAN WATER COMMISSION POLICY 1989-03, TEMPORARY UPGRADE PAY, SVCW COMMISSION POLICY 1992-01, INVESTMENT POLICY AND GUIDELINES, AND SVCW COMMISSION POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY (pg. 48)

Proposed Action:

- i. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION B TO COMMISSION POLICY NO. 1989-03, OUT OF CLASSIFICATION PAY
- ii. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION W TO COMMISSION POLICY 1992-01, SILICON VALLEY CLEAN WATER'S INVESTMENT POLICY AND GUIDELINES
- iii. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION G TO COMMISSION POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY

DISPATCHABLE ENERGY GENERATION” IN COLLABORATION WITH STANFORD UNIVERSITY AND FLOWS ENERGY (pg. 108)

Proposed Action:

Move adoption of RESOLUTION APPROVING AND AUTHORIZING SUBMITTAL OF AN APPLICATION TO CALIFORNIA ENERGY COMMISSION FOR A “CLEAN, DISPATCHABLE ENERGY GENERATION” GRANT

- F. CONSIDERATION OF RESOLUTION AMENDING WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) LOAN AGREEMENTS TO CLARIFY DEFINITION OF DEBT SERVICE RESERVE (pg. 111)

Proposed Action:

Move adoption of RESOLUTION APPROVING AND ADOPTING AMENDMENTS TO WIFIA LOANS AND ALL ASSOCIATED DOCUMENTS

- G. CONSIDERATION OF MOTION DIRECTING SILICON VALLEY CLEAN WATER STAFF TO PROVIDE RESPONSE LETTER TO THE SAN MATEO GRAND JURY FINDINGS AND RECOMMENDATIONS RELATED TO INTERNAL CONTROLS (pg. 114)

Proposed Action:

Move approval of RESPONSE TO SAN MATEO GRAND JURY REPORT TITLED: “ASSESSING AND REPORTING INTERNAL CONTROLS IN SAN MATEO COUNTY AGENCIES AND SCHOOL DISTRICTS” ISSUED ON JUNE 27, 2024, AND AUTHORIZE MANAGER TO EXECUTE RESPONSE LETTER ON BEHALF OF THE SVCW COMMISSION

- H. CONSIDERATION OF MOTION AUTHORIZING HOST SITE AND CHEMICAL PURCHASE AGREEMENTS FOR RUSHNU INC. HYPOCHLORITE PRODUCTION SYSTEM (pg. 120)

Proposed Action:

Move approval for MANAGER TO EXECUTE A HOST SITE AGREEMENT AND CHEMICAL PURCHASE AGREEMENT WITH RUSHNU, INC

- I. CONSIDERATION OF MOTION APPROVING DESIGN SERVICES TASK ORDER WITH KENNEDY/JENKS CONSULTANTS FOR DIGESTER NO. 3 REHABILITATION PROJECT (CIP #9244) (pg. 123)

Proposed Action:

Move approval of a TASK ORDER SCOPE AND BUDGET FOR DESIGN AND BID PERIOD SERVICES FOR THE DIGESTER NO. 3 REHABILITATION PROJECT (CIP #9244) IN AN AMOUNT NOT-TO-EXCEED \$255,257 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS - KENNEDY/JENKS CONSULTANTS

- J. CONSIDERATION OF RESOLUTION ASSIGNING INVESTMENT ADVISORY SERVICES AGREEMENT WITH PFM ASSET MANAGEMENT LLC (PFMAM) TO U.S. BANCORP ASSET MANAGEMENT, INC. (USBAM) (pg. 126)

Proposed Action:

Move adoption of RESOLUTION CONSENTING TO ASSIGNMENT OF INVESTMENT ADVISORY SERVICES AGREEMENT WITH PFM ASSET MANAGEMENT, LLC TO U.S. BANCORP ASSET MANAGEMENT, INC.

Microsoft Teams Access Information  
Silicon Valley Clean Water  
Regular Meeting  
Monday, September 9, 2024

**WEBSITE:** [Link to access meeting](#)

**MEETING ID:** 270 547 566 14

**CALL IN PHONE NUMBER:** +1 747-216-0281 **ID:** 925 412 740#

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](mailto: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](mailto: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:

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](http://www.svcw.org).

# AGENDA ITEM 5A



## Back-to-School Safety for Drivers

School days bring congestion: School buses are picking up their passengers, kids on bikes are hurrying to get to school before the bell rings, harried parents are trying to drop their kids off before work. It's never more important for drivers to slow down and pay attention than when kids are present – especially before and after school.

### Sharing the Road with Young Pedestrians

According to research by the National Safety Council, most of the children who lose their lives in bus-related incidents are 4 to 7 years old, and they're walking. They are hit by the bus, or by a motorist illegally passing a stopped bus. A few precautions go a long way toward keeping children safe:

- Don't block the crosswalk when stopped at a red light or waiting to make a turn, forcing pedestrians to go around you; this could put them in the path of moving traffic
- In a school zone when flashers are blinking, stop and yield to pedestrians crossing the crosswalk or intersection
- Always stop for a school patrol officer or crossing guard holding up a stop sign
- Take extra care to look for children in school zones, near playgrounds and parks, and in all residential areas
- Don't honk or rev your engine to scare a pedestrian, even if you have the right of way
- Never pass a vehicle stopped for pedestrians
- Always use extreme caution to avoid striking pedestrians wherever they may be, no matter who has the right of way

### Sharing the Road with School Buses

If you're driving behind a bus, allow a greater following distance than if you were driving behind a car. It will give you more time to stop once the yellow lights start flashing. It is illegal in all 50 states to pass a school bus that is stopped to load or unload children.

- Never pass a bus from behind – or from either direction if you're on an undivided road – if it is stopped to load or unload children
- If the yellow or red lights are flashing and the stop arm is extended, traffic must stop
- The area 10 feet around a school bus is the most dangerous for children; stop far enough back to allow them space to safely enter and exit the bus
- Be alert; children often are unpredictable, and they tend to ignore hazards and take risks

### Sharing the Road with Bicyclists

On most roads, [bicyclists have the same rights and responsibilities as vehicles](#), but bikes can be hard to see. Children riding bikes create special problems for drivers because usually they are not able to properly determine traffic conditions. The most common cause of collision is a driver turning left in front of a bicyclist.

- When passing a bicyclist, proceed in the same direction slowly, and leave 3 feet between your car and the cyclist
- When turning left and a bicyclist is approaching in the opposite direction, wait for the rider to pass
- If you're turning right and a bicyclist is approaching from behind on the right, let the rider go through the intersection first, and always use your turn signals
- Watch for bike riders turning in front of you without looking or signaling; children especially have a tendency to do this
- Be extra vigilant in school zones and residential neighborhoods
- Watch for bikes coming from driveways or behind parked cars
- Check side mirrors before opening your door

By exercising a little extra care and caution, drivers and pedestrians can co-exist safely in school zones.

# AGENDA ITEM 5B

Recurring and Upcoming 2024 Commission Actions  
Updated for September 2024 Meeting

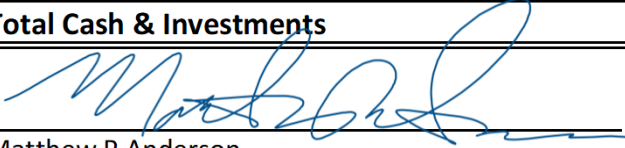
<p><b>January</b></p> <ul style="list-style-type: none"> <li>• Meeting Cancelled</li> </ul>	<p><b>February</b></p> <ul style="list-style-type: none"> <li>• Review Investment Policy</li> <li>• Long Range Financial Plan</li> <li>• Capital Improvement Plan Update</li> </ul>	<p><b>March</b></p> <ul style="list-style-type: none"> <li>• Operating Budget Workshop</li> </ul>	<p><b>April</b></p> <ul style="list-style-type: none"> <li>• Operating Budget Approval</li> <li>• Initiate Manager Performance Evaluation</li> </ul>
<p><b>May</b></p> <ul style="list-style-type: none"> <li>• Manager Performance Evaluation</li> </ul>	<p><b>June</b></p> <ul style="list-style-type: none"> <li>• Approve Resolution 77-6 “Personnel Resolution”</li> <li>• Review Reserve Funds Policy</li> </ul>	<p><b>July</b></p> <ul style="list-style-type: none"> <li>• Elect Chair, Vice Chair; Appoint Secretary</li> <li>• Receive Q1 Investment Summary</li> <li>• Conflict of Interest Update (Biennial; even numbered years)</li> </ul>	<p><b>August</b></p> <ul style="list-style-type: none"> <li>• No Meeting</li> </ul>
<p><b>September</b></p> <ul style="list-style-type: none"> <li>• Review Investment Policy</li> <li>• Review Debt Management Policy</li> </ul>	<p><b>October</b></p> <ul style="list-style-type: none"> <li>• Annual Investment Update</li> </ul>	<p><b>November</b></p> <ul style="list-style-type: none"> <li>• Audited Financial Report</li> </ul>	<p><b>December</b></p> <ul style="list-style-type: none"> <li>• Commission Meeting Schedule for 2025</li> </ul>

-  - Recurring Commission Actions
-  - Upcoming Commission Actions

# AGENDA ITEM 5C1

**Silicon Valley Clean Water Authority  
Cash & Investments Summary Report  
June 30, 2024**

Description	Market Value	% of Total Holdings	Yield to Market
<b>Reserve Accounts</b>			
Operating Reserve* - Securities	\$ 1,868,464	1.76%	1.88%
Operating Reserve - Money Market Fund Balance	2,475,155	2.33%	5.19%
CIP Reserve* - Securities	24,961,685	23.48%	3.18%
CIP Reserve - Money Market Fund Balance	476,318	0.45%	5.19%
Stage 2 Capacity Reserve* - Securities	8,255,136	7.76%	1.66%
Stage 2 Capacity Reserve - Money Market Fund Balance	834,189	0.78%	5.19%
Debt Coverage Reserve - CAMP	4,281,789	4.03%	5.43%
<b>Total Market Value: Operating and Reserve Accounts</b>	<b>\$ 43,152,737</b>	<b>40.6%</b>	<b>3.23%</b>
Total Accrued Interest: Operating and Reserve Accounts	206,632		
<b>GRAND TOTAL, RESERVE ACCOUNTS</b>	<b>\$ 43,359,370</b>		
<b>Trustee Accounts:</b>			
2018 Bond Project Fund Account - CAMP	\$ 5,688,589	5.35%	5.43%
2018 Bond Revenue Account	3,235	0.00%	4.97%
2018 Bond - Money Market Fund	-	0.00%	4.49%
2021 Refunding Bonds Revenue Account	1,785	0.00%	4.97%
2021A Notes Interest Account	113	0.00%	4.97%
2021A Notes Principal Account	9,972	0.01%	4.97%
2021A Notes (RESCU) - Money Market Fund	437	0.00%	4.97%
2021A Notes (RESCU) - LAIF**	1,433,708	1.35%	4.48%
2021B Notes (WWTP) - Money Market Fund	15,924,656	14.98%	4.97%
2021B Notes (WWTP) - CAMP	13,468,214	12.67%	5.43%
2021B Notes (WWTP) - LAIF**	23,972,445	22.55%	4.48%
2021 Notes Capitalized Interest Account - Money Market Fund	837,849	0.79%	4.97%
<b>Total Market Value, Trustee Accounts</b>	<b>\$ 61,341,002</b>	<b>57.69%</b>	<b>4.91%</b>
Accrued Interest:	159,695		
Operating Cash (includes outstanding checks)	1,821,342	1.71%	0.00%
Local Agency Investment Funds (LAIF) Balance	15,373	0.01%	4.48%
<b>Total Cash &amp; Investments</b>	<b>\$ 106,696,782</b>	<b>100.00%</b>	<b>4.15%</b>

  
Matthew P Anderson  
Chief Financial Officer / Assistant Manager

7/17/2024  
Date

\* Monthly report of security transactions and interest available upon request  
\*\*Market value of LAIF based on the most available Fair Value factor

**Silicon Valley Clean Water**  
**Operating and Reserve Funds - Sector Allocation & Compliance June 30, 2024**

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Debt Coverage Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,597,641	\$ 12,445,751	\$ 4,123,398	\$ -	\$ 18,166,791	42%	100%	✓	4.6%
Supranationals	-	-	-	-	-	0%	15%	✓	0.0%
Federal Agency/GSE	-	1,066,372	747,826	-	1,814,199	4%	100%	✓	0.3%
Federal Agency/CMBS	-	2,714,796	697,331	-	3,412,126	8%	100%	✓	0.6%
Federal Agency CMO	-	634,879	352,248	-	987,127	2%	100%	✓	0.1%
Federal Agency MBS	-	1,942,365	1,260,487	-	3,202,851	7%	100%	✓	0.5%
Municipal	-	878,806	711,633	-	1,590,439	4%	30%	✓	0.3%
Corporate Notes	259,940	5,091,833	328,727	-	5,680,500	13%	30%	✓	0.4%
Asset-Backed Securities	10,883	186,883	33,486	-	231,253	1%	10%	✓	(0.0%)
<b>Securities Sub-Total</b>	<b>1,868,464</b>	<b>24,961,685</b>	<b>8,255,136</b>	<b>-</b>	<b>35,085,285</b>	<b>81%</b>			
Accrued Interest	4,432	162,850	26,835	-	194,118				
<b>Securities Total</b>	<b>1,872,897</b>	<b>25,124,536</b>	<b>8,281,971</b>	<b>-</b>	<b>35,279,404</b>				
<b>Money Market Fund</b>	<b>2,475,155</b>	<b>476,318</b>	<b>834,189</b>	<b>-</b>	<b>3,785,663</b>	<b>9%</b>	<b>20%</b>	<b>✓</b>	<b>(11.2%)</b>
CAMP	-	-	-	4,281,789	4,281,789	10%	100%	✓	4.3%
Accrued Interest - CAMP	-	-	-	12,514	12,514				
<b>CAMP Sub-Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,294,303</b>	<b>4,294,303</b>	<b>10%</b>	<b>100%</b>	<b>✓</b>	<b>0.0%</b>
<b>Total Investments</b>	<b>\$ 4,348,051</b>	<b>\$ 25,600,854</b>	<b>\$ 9,116,161</b>	<b>\$ 4,294,303</b>	<b>\$ 43,359,370</b>	<b>100%</b>			
<i>As % of 6/30/24 Target:</i>	<i>103.9%</i>	<i>103.5%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>102.5%</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>*

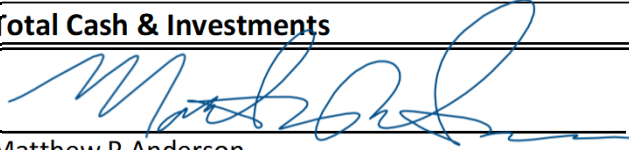
1. All operating fund accounts are in compliance with SVCW's Investment Policy, and all bond proceeds accounts are in compliance with the relevant bond documents.
2. SVCW has adequate funding levels for more than six months of operations and claim payments, as referenced in CA Code Section 53646.
3. 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](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.
9. Amounts will slight differ due to timing of custodian account reports.



# AGENDA ITEM 5C2

**Silicon Valley Clean Water Authority  
Cash & Investments Summary Report  
July 31, 2024**

Description	Market Value	% of Total Holdings	Yield to Market
<b>Reserve Accounts</b>			
Operating Reserve* - Securities	\$ 1,876,127	1.54%	1.88%
Operating Reserve - Money Market Fund Balance	2,489,681	2.04%	5.17%
CIP Reserve* - Securities	25,226,342	20.71%	3.22%
CIP Reserve - Money Market Fund Balance	945,098	0.78%	5.17%
Stage 2 Capacity Reserve* - Securities	8,341,817	6.85%	1.66%
Stage 2 Capacity Reserve - Money Market Fund Balance	1,883,824	1.55%	5.17%
Debt Coverage Reserve - CAMP	5,496,079	4.51%	5.43%
<b>Total Market Value: Operating and Reserve Accounts</b>	<b>\$ 46,258,969</b>	<b>38.0%</b>	<b>3.37%</b>
Total Accrued Interest: Operating and Reserve Accounts	236,276		
<b>GRAND TOTAL, RESERVE ACCOUNTS</b>	<b>\$ 46,495,245</b>		
<b>Trustee Accounts:</b>			
2018 Bond Project Fund Account - CAMP	\$ 3,671,469	3.01%	5.43%
2018 Bond Revenue Account	5,385,059	4.42%	4.97%
2021 Refunding Bonds Revenue Account	7,806,344	6.41%	4.97%
2021A Notes Interest Account	113	0.00%	4.97%
2021A Notes Principal Account	10,013	0.01%	4.97%
2021A Notes (RESCU) - Money Market Fund	438	0.00%	4.97%
2021A Notes (RESCU) - LAIF**	1,449,884	1.19%	4.52%
2021B Notes (WWTP) - Money Market Fund	15,994,681	13.13%	4.97%
2021B Notes (WWTP) - CAMP	13,530,199	11.11%	5.43%
2021B Notes (WWTP) - LAIF**	24,242,925	19.91%	4.52%
2021 Notes Capitalized Interest Account - Money Market Fund	841,258	0.69%	4.97%
<b>Total Market Value, Trustee Accounts</b>	<b>\$ 72,932,383</b>	<b>59.89%</b>	<b>4.92%</b>
Accrued Interest:	452,002		
Operating Cash (includes outstanding checks)	2,527,625	2.08%	0.00%
Local Agency Investment Funds (LAIF) Balance	67,717	0.06%	4.52%
<b>Total Cash &amp; Investments</b>	<b>\$ 122,474,972</b>	<b>100.00%</b>	<b>4.23%</b>

  
Matthew P Anderson  
Chief Financial Officer / Assistant Manager

8/15/2024  
Date

\* Monthly report of security transactions and interest available upon request  
\*\*Market value of LAIF based on the most available Fair Value factor

**Silicon Valley Clean Water**  
**Operating and Reserve Funds - Sector Allocation & Compliance July 31, 2024**

Security Type	Operating Reserve	CIP Reserve	Capacity Reserve	Debt Coverage Reserve	Total Market Value	% of Total Portfolio	% Allowed by Policy	In Compliance	% Change vs. Prior Month
U.S. Treasury	\$ 1,606,405	\$ 13,078,737	\$ 4,184,930	\$ -	\$ 18,870,071	41%	100%	✓	(1.3%)
Supranationals	-	-	-	-	-	0%	15%	✓	0.0%
Federal Agency/GSE	-	1,085,673	761,316	-	1,846,989	4%	100%	✓	(0.2%)
Federal Agency/CMBS	-	2,744,330	702,510	-	3,446,841	7%	100%	✓	(0.5%)
Federal Agency CMO	-	634,907	352,380	-	987,287	2%	100%	✓	(0.2%)
Federal Agency MBS	-	1,949,118	1,266,316	-	3,215,434	7%	100%	✓	(0.5%)
Municipal	-	884,028	715,860	-	1,599,888	3%	30%	✓	(0.2%)
Corporate Notes	261,354	4,672,241	332,738	-	5,266,332	11%	30%	✓	(1.8%)
Asset-Backed Securities	8,368	177,308	25,767	-	211,444	0%	10%	✓	(0.1%)
<b>Securities Sub-Total</b>	<b>1,876,127</b>	<b>25,226,342</b>	<b>8,341,817</b>	<b>-</b>	<b>35,444,286</b>	<b>76%</b>			
Accrued Interest	5,315	183,794	22,877	-	211,986				
<b>Securities Total</b>	<b>1,881,442</b>	<b>25,410,136</b>	<b>8,364,694</b>	<b>-</b>	<b>35,656,272</b>				
<b>Money Market Fund</b>	<b>2,489,681</b>	<b>945,098</b>	<b>1,883,824</b>	<b>-</b>	<b>5,318,604</b>	<b>11%</b>	<b>20%</b>	<b>✓</b>	<b>2.7%</b>
CAMP	-	-	-	5,496,079	5,496,079	12%	100%	✓	1.9%
Accrued Interest - CAMP	-	-	-	24,290	24,290				
<b>CAMP Sub-Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,520,369</b>	<b>5,520,369</b>	<b>12%</b>	<b>100%</b>	<b>✓</b>	<b>0.0%</b>
<b>Total Investments</b>	<b>\$ 4,371,123</b>	<b>\$ 26,355,234</b>	<b>\$ 10,248,518</b>	<b>\$ 5,520,369</b>	<b>\$ 46,495,245</b>	<b>100%</b>			
<i>As % of 6/30/25 Target:</i>	<i>100.8%</i>	<i>90.2%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>94.3%</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](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.
9. Amounts will slight differ due to timing of custodian account reports.

# AGENDA ITEM 5D

ENGINEERING REPORT: AUGUST 2024  
CAPITAL IMPROVEMENT PROGRAM

UPCOMING COMMISSION ACTIONS:

**Facility Planning (CIP #9402):** Facility Planning of Liquid Side Treatment

This planning project also known as Strategic Treatment Advancement Roadmap (STAR) will review existing liquid stream treatment and explore alternatives for complying with upcoming nutrient removal permit requirements.

Planned Commission Actions: Approve Master Services Agreement and Task Order for Facility Planning – September 2024

**On-Bill Financing for LED Light Replacement:** Replace Lights with High Efficiency LED lights

This project will replace all old and inefficient light bulbs and fixtures with high efficiency LED lights. Upon entering into an agreement, PG&E will provide all services and finance it at zero interest.

Planned Commission Actions: Approve Agreement with PG&E – September 2024

**Digester 3 Cleaning and Rehabilitation (9244):** Rehabilitation of Digester No. 3

Sludge from Digester No. 3 was recently transferred out of the digester and the interior was cleaned. This enabled design engineers to enter the tank and identify rehabilitation needs. A task order for rehabilitation design services is needed, after which the rehabilitation project will be publicly advertised for bids. Once rehabilitation is complete on Digester No. 3, design work on Digester No. 2 will begin.

Planned Commission Actions: Approve Design Task Order – September 2024

**Solids Handling Building Switchgear Battery Replacement (CIP #9247):** Replace Switchgear Battery

This project replaces the battery that provides auxiliary power to the switchgear. The battery is at the end of its useful life.

Planned Commission Actions: Award Construction Contract – October 2024

**Chiller Replacement Project (Project #342):** Replace chillers that serve plant HVAC systems.

The three chillers that provide cooling for all plant demands were replaced and are now in the commissioning phase. Work is expected to be completed in August.

Planned Commission Actions: Accept Project – October 2024

**ONGOING PROJECTS IN CONSTRUCTION:**

**RAS Pipe Rehabilitation Project (CIP #9120):** RAS/WAS Pump Suction Pipe Rehab

This project includes rehabilitation of pipes serving the Return Activated Sludge (RAS) pumps and Waste Activated Sludge (WAS) pumps.

**FFR and 3W System Rehabilitation (CIP #9242):** Rehab of three fixed-film reactors and 3W system

This project includes rehabilitation of three remaining fixed-film reactors and upgrades to 3W system. The construction is expected to complete in 2026.

**SAF-MBR (9236):** Pilot Testing New Treatment Systems in Conjunction with Stanford University

SAF-MBR is operational with various types of equipment being tested. Additional equipment continues to be procured to further test different scenarios of treatment.

**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.

GP project construction is complete. Construction continues on the PSI project with expected substantial completion in late 2024. Acceptance testing of the FoP project is complete. Refer to Commission Item 5F for status updates.

**TASK ORDERS APPROVED CALENDAR YEAR 2024:**

A list of task orders approved for engineering division projects is attached.

**SVCW Engineering Division - Task Order Summary 01/01/2024-08/30/2024**

Commission-Approved Task Orders:		\$2,722,580			
Task Order Date*	Consultant	TO Amt.	Project #	Project Name	Scope of Work
1/23/2024	David J. Powers & Assoc	\$90,000	9501	Pump Station Improvements - TO Amendment	Environmental Services for RESCU Program
2/12/2024	JHS Consulting	\$50,120	9501	Pump Station Improvements - TO Amendment	Environmental and Permitting Advisory for RESCU Program
In Progress	Beecher Engineering	\$350,000	9269	Biogas Utilization	Electrical Eng. Support Services for Mainspring Linear Generator System Installation
6/10/2024	Brown & Caldwell	\$472,460	9269	Biogas Utilization	Design Engineering Consulting Services
6/10/2024	Tanner Pacific	\$240,000	9502	Front of the Plant -	Construction Management & Quality Assurance
6/11/2024	Tanner Pacific	\$240,000	9502	Front of the Plant - Amendment 5	Construction Management & Quality Assurance
6/10/2024	Tanner Pacific	\$1,050,000	9501	Pump Station Improvements - Amendment	Construction Management & Quality Assurance
6/10/2024	Collaborative Strategies	\$230,000	9502	Pump Station Improvements - Amendment	Project Management Assistance
*Commission approval date					
Manager-Approved Task Orders*:		\$968,283			
Task Order Date*	Consultant	TO Amt.	Project #	Project Name	Scope of Work
2/6/2024	Freyer & Laureta	\$7,300	810	As-Needed Services FY 23-24	As needed surveying and civil engineering services
2/21/2024	Trinity Consultants	\$30,000	9502	Front of the Plant - TO Amendment	Air Permit Application Support
2/23/2024	Brown & Caldwell	\$40,000	810	As-Needed Services FY 23-24	General Engineering Services
3/4/2024	Freyer & Laureta	\$42,980	9131	Plant Service Road Resurfacing, Phase 2	Design, Bid, Construction Svcs.
3/8/2024	Sierra Research/Trinity Consultants	\$5,000	810	As-Needed Services FY 23-24 - TO Amendment	Air Quality Permitting Services
3/26/2024	Cascade Integration & Development, Inc.	\$46,640	9247	SHB Electrical Rehabilitation	Komier Switchgear Programming, Troubleshooting & Program Commissioning
4/11/2024	Hanson Bridgett, Inc.	\$50,000	9130	Capital Improvement Engineering	As-needed Legal Services
4/19/2024	WRA	\$10,600	9265	Levee Repair	Levee Repair Environmental Evaluation
5/24/2024	Cascade Integration & Development, Inc.	\$18,721	9257	Food Waste Improvements	Stanford Historical Data Integration Support
5/27/2024	Stradling Yocca Carlson & Rauth LLP	\$50,000	9269	Biogas Utilization	Federal Tax Legal Advisory Services
5/31/2024	Dr. Mike Stenstrom	\$10,000	810	Academic Advisory Committee, FY 23-24; Amend. 1	Advisory Consulting Services
5/31/2024	Dr. Krishna Pagilla	\$20,000	810	Academic Advisory Committee, FY 23-24; Amend. 1	Advisory Consulting Services
5/31/2024	Dr. George Tchobanoglous	\$5,000	810	Academic Advisory Committee, FY 23-24; Amend. 1	Advisory Consulting Services
6/17/2024	Sierra Research/Trinity Consultants	\$29,800	9269	Biogas Utilization	Air Permit Application Support
6/17/2024	Sierra Research/Trinity Consultants	\$2,000	810	Engineering Operating Budget, FY 23-24	As-Needed Air Quality Permitting & Consulting Services
6/17/2024	Cascade Integration & Development, Inc.	\$9,650	9242	Fixed Film Reactor Rehabilitation	Control Narrative Review & Control Strategies Dev. Svcs.
6/17/2024	Engineering Operating Budget	\$2,000	810	Engineering Operating Budget, FY 23-24, Amend. 2	As-Needed Air Quality Permitting & Consulting Services
6/18/2024	Cascade Integration & Development, Inc.	\$49,985	9269	Engineering Utilization Gas Conditioning System	Engineer Design Support Services for Stage 1
6/19/2024	Kennedy Jenks	\$8,500	810	Engineering Operating Budget, FY 23-24, Amend. 1	As-Needed Engineering Services
7/18/2024	Cascade Integration & Development, Inc.	\$100,360	810	Engineering Operating Budget FY 24-25	As-Needed IAP, SCADA, PLC, & Network Support Svcs.
7/18/2024	Cascade Integration & Development, Inc.	\$36,617	9501/9502	Pump Station Improvements/Front of the Plant	Wonderware Clean-up
8/6/2024	Kennedy Jenks	\$40,000	810	Engineering Operating Budget FY 24-25	As-Needed Engineering Services
8/7/2024	Water Environmental Technical Consulting	\$50,000	9130	Capital Improvement Engineering Project, Contingency 1	Consulting Services
8/7/2024	DHI Water & Environmental, Inc.	\$66,900	9258	Capital Support for Process Engineering	Eval. For Alternative Configurations & Treatment Tech.
8/7/2024	Kennedy Jenks	\$40,000	810	Engineering Operating Budget FY 24-25	As-Needed Engineering Services
8/8/2024	Tanner Pacific, Inc.	\$40,000	810	Contract Advisory Services, FY 24-25	Construction Management General Support
8/8/2024	Tanner Pacific, Inc.	\$5,000	810	Contract Advisory Services, FY 24-25	Record Drawings Support
8/8/2024	Beecher Engineering	\$40,000	810	Contract Advisory Services, FY 24-25	As-needed Electrical Engineering Services
8/12/2024	Pagilla, Krishna Dr.	\$5,000	810	Academic Advisory Committee, FY 24-25	Academic Advisory Consulting Services
8/12/2024	Stenstrom, Mike Dr.	\$5,000	810	Academic Advisory Committee, FY 24-25	Academic Advisory Consulting Services
8/12/2024	Tchobanoglous, George Dr.	\$5,000	810	Academic Advisory Committee, FY 24-25	Academic Advisory Consulting Services
8/16/2024	JHS Consulting	\$10,600	9269	Biogas Utilization Gas Conditioning System Project	NEPA Documentation & Processing Support
8/22/2024	Sierra Research/Trinity Consultants	\$10,000	810	Contract Advisory Services, FY 24-25	As-Needed Air Quality Permitting & Consulting Services
8/26/2024	Brown & Caldwell	\$30,000	810	Contract Advisory Services, FY 24-25	Record Drawings & Cogen As-Needed Support Services
8/26/2024	Brown & Caldwell	\$52,930	9242	Fixed Film Reactor & 3W Rehabilitation -Contingency 1	Engineering Services During Construction

\*JPA level of Manager approval is \$75,000

\*\*Use last approval signature (TAH) date



# AGENDA ITEM 5E

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

**SEPTEMBER 9, 2024  
AGENDA ITEM 5E**

Updated: 08/28/2024

Commission Meeting Date	Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
			Ongoing	In Progress	Complete		
7/15/2024	Internal Controls	9/9/2024			✓	8/28/2024	Bring item re: San Mateo Grand Jury Report on Internal Controls
6/10/2024	No Action Items						
5/13/2024	No Action Items						
4/8/2024	1	Investments	N/A		✓	5/13/2024	Research CA CLASS as an alternative to LAIF for short-term investing.
	2	May Commission Meeting	5/6/2024		✓	4/17/2024	Review what topics will be on the May Commission meeting agenda and determine if a Regular meeting is needed. Reviewed and email sent to Commissioners that a regular meeting is needed.
	3	Air Toxics Study	N/A		✓	4/9/2024	How long does the CARB Air Toxics study last? Email sent to Commissioners with answer.
	4	Bylaws	N/A	✓			Review bylaws with respect to annual Commission meeting calendar.
3/11/2024	1	Agenda Packet Distribution	4/8/2024		✓	4/3/2024	Provide agenda packets to Commissioners' alternates with the exception of WBSD
2/12/2024	1	Strategic Plan	3/11/2024		✓	3/11/2024	Integrate "Innovation" into the strategic plan; completed via adding to the Vision Statement.
	2	NPDES Annual Report	N/A		✓		Question: how are SVCW's treatment issues/problems/maintenance requirements codified and captured for future action? Mainly in our Annual Report to the Regional Water Board. Place this onto the SVCW website.
12/11/2023		Strategic Plan	1/1/2024		✓		Add a section for long-term strategies (10-15 year timeframe).
11/13/2023		Recycled Water and Energy Management	N/A	✓			Bring regular updates to meetings. Presentation on SPRP December 2023 meeting and on Energy Mgmt May 2024
10/9/2023	1	Investment Portfolio	N/A		✓	11/13/2023	Bring information on expected returns and administrative fees re: investing in ESG companies.
	2	Public Comments during Meetings	N/A		✓		Changes discussed at November meeting. Possible policy will be brought to the Commission at January 2024 meeting. No decisions made; topic tabled.

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

**SEPTEMBER 9, 2024  
AGENDA ITEM 5E**

Updated: 08/28/2024

Commission Meeting Date	Action Item	Requested or Estimated Date for Completion	Status			Date of Completion	Notes
			Ongoing	In Progress	Complete		
9/11/2023	Strategic Planning	1/1/2024			✓		Appoint subcommittee (Commissioners Aguirre and Otte) to develop new strategic plan. Subcmte appointed; draft provided to full Commission in Dec 2023. See action item from 12/11/23.
7/17/2023	Bylaws - Election/Appointment of Officers						Suggested to change bylaws such that new officers elected in February of each year. Decided against and will keep to July.
> One Year	8E - JPA Amendment; re-initiate "clean up" to JPA	N/A		✓			Manager presented a pathway to address critical changes to the JPA at the April 2023 meeting. Commission concurred; Manager following up with Members.
	Project Changes/Commission Notification	N/A	✓			Ongoing	Ensure Commission is kept apprised of possible/potential project cost and/or schedule increases.
	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.

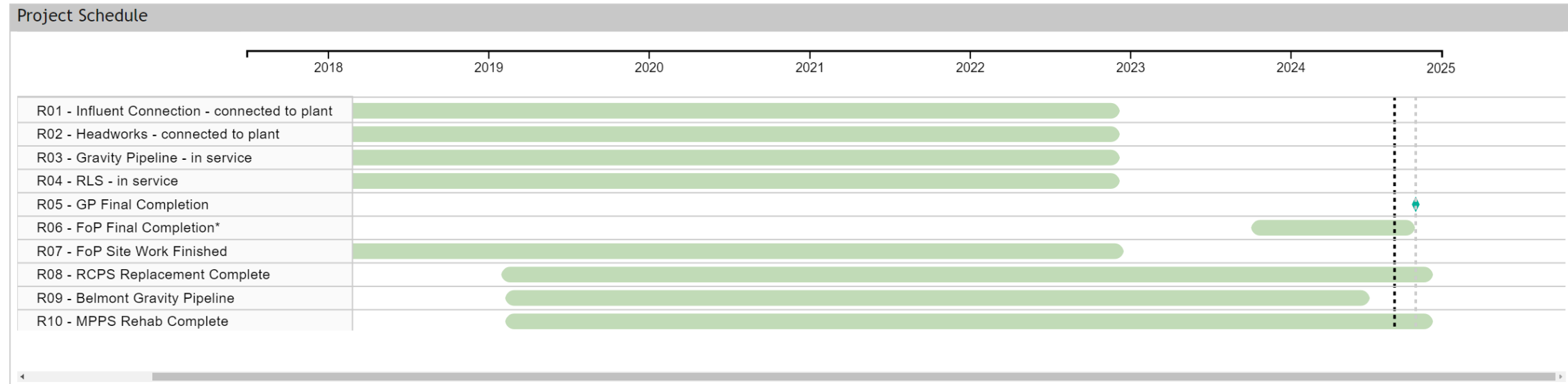
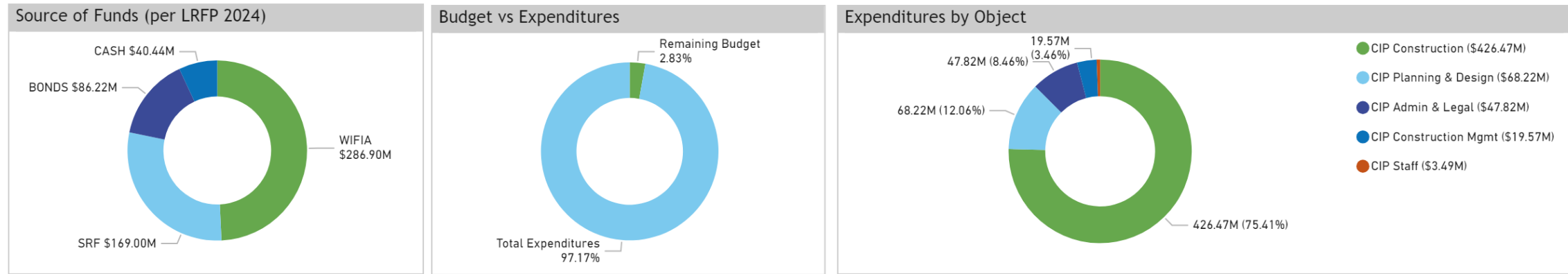
# AGENDA ITEM 5F

# 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	Total Expenditure	Remaining Budget
<b>\$582.56M</b>	<b>\$566.07M</b>	<b>\$16.49M</b>



AGENDA ITEM 5F

\*Time extension is pending

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

# Startup Overview



## Startup Progress

Project	PreCommissioning	Functional Testing (Design verification)	Functional Testing (Dry verification)	Functional Testing (Wet verification)	Acceptance Testing
FoP	100%	100%	100%	100%	100%
GP	100%	100%	100%	100%	0%
MPPS A side	100%	100%	100%	100%	100%
MPPS B side	100%	100%	100%	100%	100%
BGP	100%	100%	100%	100%	100%
RCPS	0%	0%	0%	0%	0%

## Major Accomplishments To Date

Front of Plant	<ul style="list-style-type: none"> <li>- FoP Control Strategies completed.</li> <li>- FoP Design Intent presentation completed.</li> <li>- Acceptance Testing plan completed.</li> <li>- All vendor trainings completed.</li> <li>- Headworks and SFS/RLS Functional Testing completed.</li> </ul>
Gravity Pipeline	<ul style="list-style-type: none"> <li>- GP Design Intent presentation completed.</li> <li>- Acceptance Testing plan completed.</li> <li>- FM to GP switchover completed.</li> </ul>
Pump Stations Improvements	<ul style="list-style-type: none"> <li>- MPPS A-Side 30-Day Acceptance Testing completed.</li> <li>- MPPS B-Side 30-Day Acceptance Testing completed.</li> <li>- BGP 30-Day Acceptance Testing completed.</li> </ul>
Program	<ul style="list-style-type: none"> <li>- RESCU Commissioning Risk Register workshop completed.</li> </ul>

## 3 - Month Look Ahead

	Start	End	October	November
RCPS Startup (Acceptance Testing)	October 15, 2024	November 14, 2024	X	X



# 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.

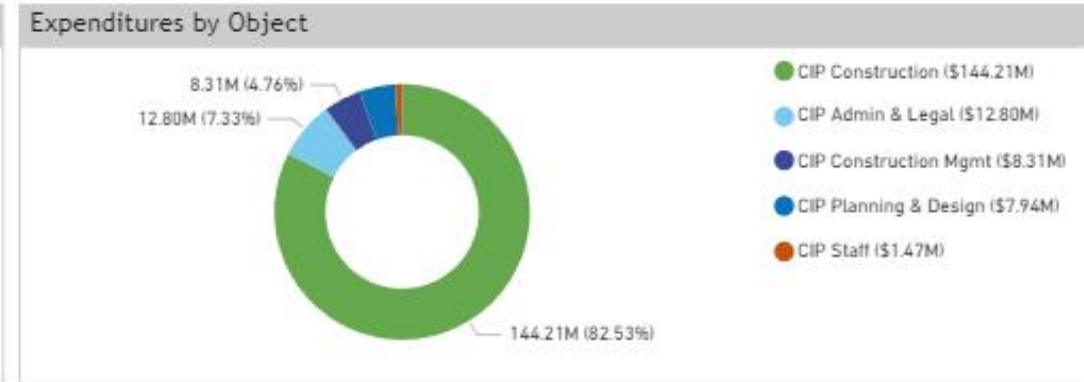
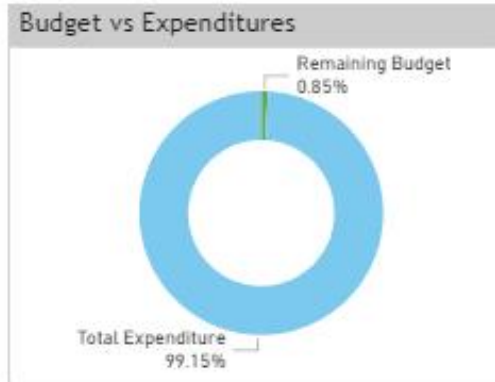
Available Budget  
**\$174.19M**

Total Expenditure  
**\$172.70M**

Remaining Budget  
**\$1.49M**

Milestone Schedule		
	Start	Finish
Interconnection Pipe Completed	7/24/2020	8/1/2023
Headworks Facility Completed	12/6/2018	11/30/2022
SFS/RLS Completed	12/6/2018	2/22/2023
Bair Island Connecting Piping Startup	10/3/2022	6/9/2024
San Carlos Connecting Piping Startup	8/5/2022	7/3/2024
Substantial Completion		5/13/2024
Final Completion*		10/30/2024

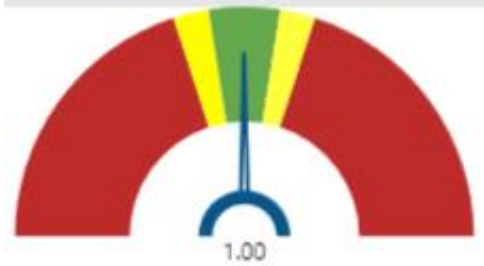
\*No-cost time extension pending



## Cost Performance Index (CPI)



## Schedule Performance Index (SPI)



# Front of Plant Progressive DB Project (CIP 9502)



## Major Accomplishments this Period

Construction	<ul style="list-style-type: none"> <li>- SPJV continued to address punch list items throughout the RLS and Headworks.</li> <li>- SPJV installed fencing and performed grading on the IPL/SAFMBR lot. They also paved the West Access Road.</li> <li>- Vendor training is complete.</li> <li>- The 30-day acceptance testing of the Headworks, SFS, and RLS was completed.</li> <li>- SPJV completed the permanent connection of the force main to the drop structure at Bair Island and San Carlos.</li> </ul>
Design	- FoP design is complete.
Procurement of Trade Packages	- Front of Plant Trade Procurement is complete.

## Potential Issues

Odor control fan	
No Cost Time Extension	

## Approved Project Changes

3 Water and Utilidor Improvements
Bair Island and San Carlos Pump Station Pipe Connection Work - mechanical
Change order for odor control system
COVID Costs
Credit for deletion of 48" bypass from 54" force main
Credit for the deletion of the chemical storage system
Electrical and Mechanical Miscellaneous Improvement
Electrical System
Extended Overhead Costs Associated with 54-inch Valve Delays
Extended Overhead Costs Associated with CFRP Delays
ILS Pipe Repair
Miscellaneous FoP Credit
Miscellaneous FoP Improvements
Miscellaneous Site Improvements
New County/Local Sales Tax
Power Loss and Recovery and Other Electrical Improvements
Project Management past December 2021
San Carlos and Bair Island Connecting Piping
SCPS & BI Miscellaneous and ILS Bypass
SCPS Miscellaneous Improvement

## 3 - Month Look Ahead

	Start	End	September	October
Project Closeout	July 5, 2024	October 30, 2024	X	X

## Safety Spot Light

Lost Time	0
Near Misses	5
Recorded Losses	2



# Gravity Pipeline Progressive DB Project (CIP 6008)



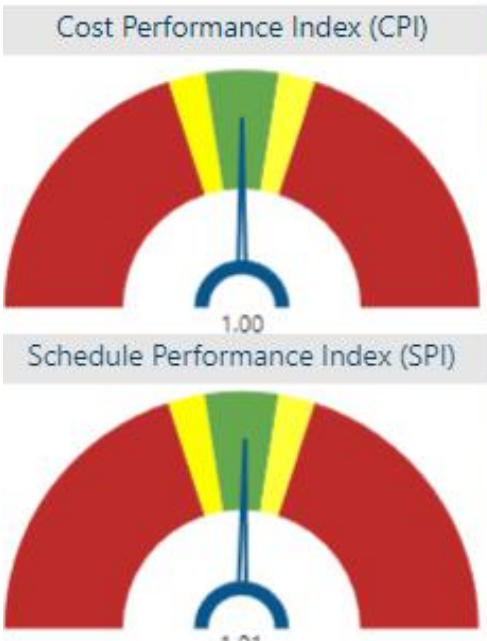
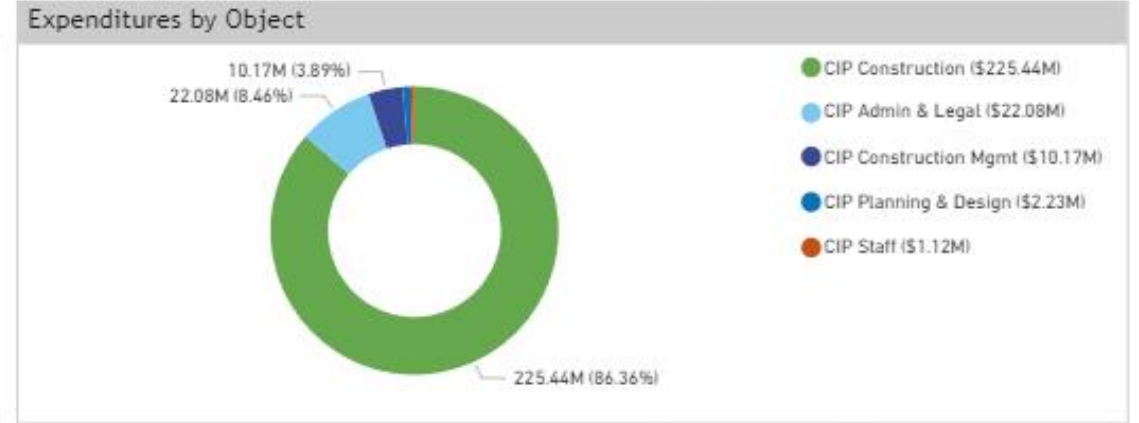
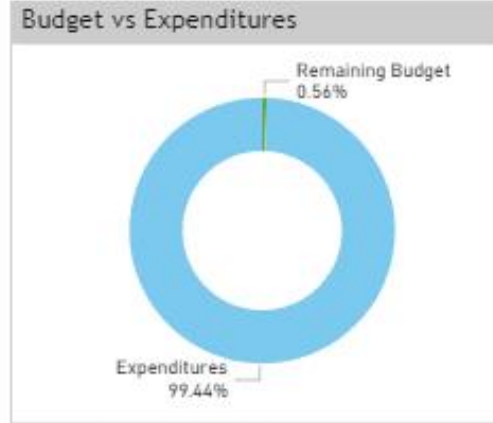
The Gravity Pipeline (GP) Project consists of the design, construction, permitting, start-up, commissioning, and closeout of approximately 17,600 feet of wastewater gravity FRP pipe inside a concrete-segment tunnel. The work includes three shafts and will interface directly with the Front of Plant (FoP)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

Available Budget  
**\$258.06M**

Total Expenditure  
**\$256.62M**

Remaining Budget  
**\$1.44M**

Milestone Schedule	
	Start      Finish
Conditional Substantial Completion	7/1/2022
Final Completion	10/11/2024



# Gravity Pipeline Progressive DB Project (CIP 6008)



## Major Accomplishments this Period

Construction	- BBJV completed backfill of the Airport Access Shaft. - BBJV completed site restoration at the AAS. - BBJV completed Acceptance Testing.
Design	- Gravity Pipeline design is complete.
Muck Disposal	- 79% of Muck Disposal Amendment spent. - 21% of Muck Disposal Amendment remaining. Credit was issued for remaining funds.
Procurement of Trade Packages	- Gravity Pipeline Trade Procurement is complete.

## Potential Issues

Remaining budget to be transferred to other RESCU project
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## 3 - Month Look Ahead

	Start	End

## Approved Project Changes

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

## Safety Spot Light

Lost Time	1
Near Misses	4
Recorded Losses	5

# Pump Stations Improvement Progressive DB Project (CIP 9501)



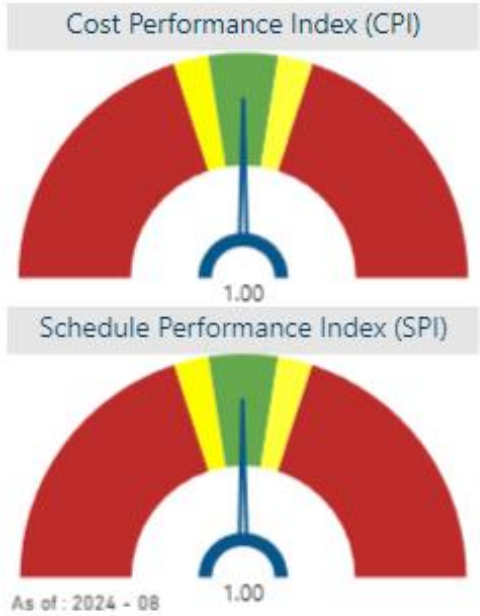
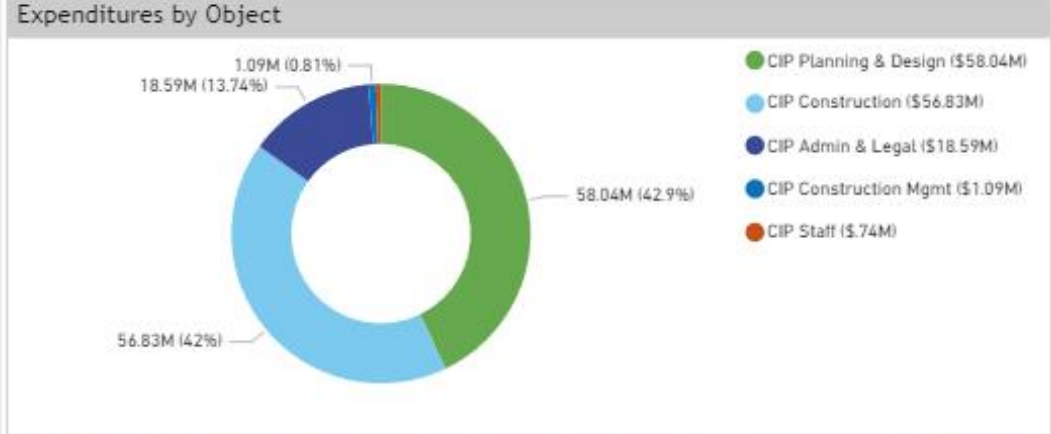
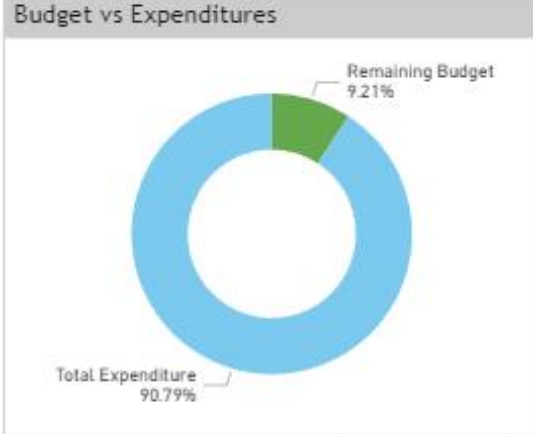
All SVCW pump stations require replacement or rehabilitation. Menlo Park PS will be rehabilitated. Redwood City PS will be replaced. Belmont PS will be replaced with a gravity pipeline. San Carlos PS is no longer needed due to the new gravity tunnel; flows from San Carlos and Belmont will enter into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

Available Budget  
**\$133.00M**

Total Expenditure  
**\$120.75M**

Remaining Budget  
**\$12.25M**

Milestone Schedule	Start	Finish
MPPS - B-side Pumps Completed	3/15/2022	10/13/2022
MPPS - A-side Pumps Completed	10/4/2022	2/16/2024
BGP - Gravity Pipe Installed	11/22/2023	3/6/2024
BGP - Shaft/Tunneling Work on Shoreway Road	4/12/2021	4/18/2023
RCPS - PG&E Service Work	5/4/2021	4/12/2024
RCPS - Wet Well & Screening Building Completed	4/17/2022	10/11/2024
RCPS - Electrical Building Completed	2/8/2021	8/19/2024
Substantial Completion - MPPS		12/10/2024
Substantial Completion - RCPS		12/10/2024
Substantial Completion - BGP		8/27/2024



# Pump Stations Improvement Progressive DB Project (CIP 9501)



## Major Accomplishments this Period

- Construction
  - BGP: SCPS Driveway and Hiller Aviation Parking Lot restoration was completed. Belmont Pump Station demolition was completed. BGP/SCPS 30-Day Acceptance Testing was completed.
  - RCPS: HDPE discharge piping fully installed, hydrotested, and tied-in to the existing forcemain, with isolation valves in place keeping the New Junction Box and New Wet Well and Screening Structure isolated until cutover.
  - MPPS: A-Side 30-Day Acceptance has been completed. SPJV continues to complete remaining Punch List Work.
- Design
  - BGP: Coordination to finalize P&IDs is in progress.
  - RCPS: SPJV provided the hydraulic report associated with the new RCPS Yard Piping Design.

## Potential Issues

Challenges from permitting and land acquisition conditions at RCPS

## 3 - Month Look Ahead

	Start	End	September	October
RCPS - Structural Concrete	September 8, 2021	September 24, 2024	X	
RCPS - Mechanical - Wet Well	November 28, 2022	October 1, 2024	X	X
RCPS - Mechanical - Screening Structure	October 31, 2022	October 7, 2024	X	X
RCPS - Electrical / I&C	April 1, 2024	October 11, 2024	X	X
RCPS - Junction Box	June 24, 2022	October 18, 2024	X	X
RCPS - 36" MPPS Force Main and Valve Vaults	May 16, 2024	September 17, 2024	X	
RCPS - Site Utilities	September 28, 2023	October 1, 2024	X	X
RCPS - Effluent Piping and Meter Vault	December 19, 2023	September 17, 2024	X	
RCPS - Standby Generator	June 2, 2021	September 15, 2024	X	

## Safety Spot Light

Lost Time	0
Near Misses	1
Recorded Losses	0

## Approved Project Changes

Updated MPPS Schedule to address Electrical Equipment Delays
Stage 2F Traffic Control Allowance Release
Stage 2 Baseline Schedule Revision
Segment 1 Force Main Junction Box Repairs
SCPS Declassification Construction Costs
SCPS Additional Site Restoration
Revised Piping and Flowmeter for BGP Piping in SCPS, Autostart for MPPS and RCPS Portable Generator, RCPS Pump Protection Panel "Reset" Button, MPPS Chemical Feed Pump Receptacles, MPPS and RCPS Phase Loss Relay, MPPS Bathroom Items, Additional Paving Thickness in San Carlos
Redwood City 48" Pipe Rehabilitation Costs and Impacts, Updated Stage 2A and 2C Substantial Completion
PSI Allowance Release - All Stages
Pre-design for 33-inch FM Stabilization and Maple Street Improvements
MPPS Roof Receptacle, MPPS E/I&C Adjustment from 60% to 100%, SCPS E/I&C Adjustment from 60% to 100% (Credit), BGP Manhole Lids, Differing Site Conditions at JS-1 and RS-1, San Carlos Pump Station Declassification Design, RCPS Chopper Pump Replacement (Credit), Raising Screenings Deck, Design of 60-inch Connection and Isolation Gate to RCPS Junction Box, PG&E Impacts at RCPS, RCPS E/I&C Adjustment from 60% to 100% (Credit)
MPPS PG&E Allowance Release, MPPS PG&E Electrical Impact Costs, MPPS PG&E Transformer Swap - Temporary Generator Additional Costs, RCPS Secondary Conductors
MPPS CARVs, MPPS 404 Valve Wiring, MPPS Irrigation Scope Removal, MPPS PVC Coating Scope Removal, MPPS FIT Re-Location, SCPS Leachate Flowmeter, Reuse Existing RCPS Sampler, RCPS Encased PG&E Conduit, Install MPPS UPS Power Display, Install SCPS UPS Power Display, Install RCPS UPS Power Display
Izzy's Lot Restoration
Hiller Aviation Museum Parking Lot Restoration, Electrical outlet at MPPS meter vault, Spare conduit to MPPS meter vault, Additional MPPS Curb Coating, MPPS Rotork actuator cards (Credit), SCPS RIO equipment impacts from leachate leak, Relocate SCPS Air Flow Switch, BPS Demo - Reconciliation Credit for Removed Scope, SCPS Line Flushing, RCPS PG&E Changes in Electrical Building, MPPS Comms cabinet changes
Future Connection for the Redwood City 60" Pipe
BPS Demo Allowance Release, Retaining Wall Slab Concrete Removal, Existing RCPS Crack Repair, Bigge Crane Costs, RCPS Hauling (Credit), Moving Conex and Equipment to the Cargill Lot, Updated Stage 2F Substantial Completion
BGP RS-2 Lane Realignment
BGP Design Development
Bair Island Road Restoration
Bair Island and San Carlos Pump Station Connecting Piping Electrical Scope (transfer from GP Project)
Allowance Release, Monitoring Off Position for PSI Valves, Communications Cable and Power Updates Related to Smartlinx Addition at MPPS, Remote ARV Monitoring Modification, RCPS Standby Generator Cost Increase, MPPS Sampler Piping, RCPS CARVs, Monitoring MPPS PRV, 12" Water Relocation and Calwater Costs (RS3) (Credit), MTBM Stoppage at STA 46+43, Irrigation Piping at ARV Vault, Raise KGVs and Piping, Credit for Segment 2 ARV (Sta. 155+80) (Credit)
Allowance Release, JS-4 Unforseen Fiber Optic Utility Impacts, MPPS Baffle Wall, BPS Demo Design

# AGENDA ITEM 7A

**MINUTES OF SILICON VALLEY CLEAN WATER  
REGULAR MEETING – July 15, 2024  
8:00 a.m.**

Place: Silicon Valley Clean Water  
1406 Radio Road  
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 8:00 a.m.

**ITEM 2**

**ROLL CALL - Commissioners Duly Appointed by Each Agency**

Council Member Alicia Aguirre, Redwood City – Chair  
Board Member George Otte, West Bay Sanitary District – Vice-Chair  
Council Member Ron Collins, San Carlos – Secretary  
Council Member Davina Hurt, Belmont – 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  
Kim Hackett, SVCW Authority Engineer  
Jennifer Flick, SVCW Human Resources Director  
Jessica Mangual, SVCW Secretary Pro Tem  
Daniel Buenrostro, Operations Director  
Jane Kao, SVCW Senior Engineer  
Chathu Abeyrathna, SVCW Senior Engineer  
Kiki Newberry, SVCW Financial Analyst  
Mark Minkowski, Kennedy Jenks  
Bill Tanner, Tanner Pacific  
Fion Lui, Redwood City  
Beth Goldberg, Redwood City  
Debra Fisher, West Bay Sanitary District  
Sergio Ramirez, West Bay Sanitary District  
Aren Hansen, Brown and Caldwell

**ITEM 3**

**PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was recited by those in attendance

**ITEM 4**

**PUBLIC COMMENT**

There were no Public Comments

**ITEM 5**

**SAFETY MOMENT AND REPORTS**

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

Item 5A Safety Moment included the benefits of the outdoors.

Item 5B, the Manager provided a memorandum and recommendation related to SVCW Internal Controls as relates to a San Mateo Grand Jury Report. An item will be presented to the Commission in September for action.

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

**ITEM 6**

**MATTERS OF COMMISSION MEMBER'S INTEREST**

Election of New Chairperson, Vice Chairperson, and Appoint New Secretary

Commissioner Otte – Chair

Commissioner Hurt – Vice Chair

Commissioner Aguirre – Secretary

**Motion/Second: Mr. Collins / Mr. Otte**

The Motion carried by Unanimous Vote

**ITEM 7**

**CONSIDERATION OF MOTION APPROVING CONSENT CALENDAR ITEMS 7A THROUGH 7E**

A. APPROVAL OF MINUTES – June 10, 2024 - Regular Meeting

B. CONSIDERATION OF MOTION APPROVING CLAIMS AND CHECKS DATED APRIL 17 - JUNE 24, 2024, AND NECESSARY PAYMENTS THROUGH JUNE 24, 2024

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

Proposed Action:

Move adoption of RESOLUTION REVIEWING AND APPROVING 2024 CONFLICT OF INTEREST CODE FOR SILICON VALLEY CLEAN WATER



D. CONSIDERATION OF RESOLUTION AWARDING CONSTRUCTION CONTRACT FOR FIVE CORNERS INTERSECTION PROJECT (CIP #9131)

Proposed Action:

Move adoption of RESOLUTION APPROVING CONSTRUCTION CONTRACT DOCUMENTS FOR THE FIVE CORNERS INTERSECTION (CIP# 9131); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER; AUTHORIZING EXECUTION OF AGREEMENT AND DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CONTRACT CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT PRICE FOR SAID PROJECT (\$736,150) – J.F. SHEA

E. CONSIDERATION OF RESOLUTION AWARDING BIOGAS UTILIZATION – GAS CONDITIONING SYSTEM PROCUREMENT CONTRACT TO UNISON SOLUTIONS

Proposed Action:

Move adoption of RESOLUTION APPROVING PROCUREMENT DOCUMENTS FOR BIOGAS UTILIZATION PROJECT (CIP #9269); ACCEPTING BID OF LOWEST RESPONSIBLE BIDDER; REJECTING ALL OTHER BIDS; AUTHORIZING EXECUTION OF PURCHASE AGREEMENT AND DIRECTING RETURN OF SECURITY DEPOSITS AND AUTHORIZING MANAGER TO APPROVE CHANGE ORDERS UP TO TEN PERCENT OF THE CONTRACT VALUE FOR SAID PROJECT (\$2,441,366) – UNISON SOLUTIONS

**Motion/Second: Mr. Collins / Ms. Hurt**

The Motion carried by Unanimous Vote

**ITEM 8A**

CONSIDERATION OF MOTION AUTHORIZING LETTER OF SUPPORT FOR RUSHNU INC. HYPOCHLORITE PRODUCTION SYSTEM

Proposed Action:

Move approval for MANAGER TO EXECUTE A LETTER OF SUPPORT FOR RUSHNU, INC TECHNOLOGY DEVELOPMENT

**Motion/Second: Ms. Hurt / Mr. Collins**

The Motion carried by Unanimous Vote

**ITEM 9**

Closed Session was called to order at 8:46 a.m.

**ITEM 10**

RECONVENE IN OPEN SESSION

Open Session reconvened at 9:20 am

Ms. Fitzgerald reported that, as to closed session items 9A, no reportable action was taken.

**ITEM 11**  
ADJOURN

There being no further business, the meeting adjourned at 9:21 am

Minutes prepared by Teresa A. Herrera  
Reviewed by General Counsel

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Ron Collins, Secretary

# AGENDA ITEM 7B

**SVCW WARRANT REGISTER**

SVCW Warrant Registers dated June 25 – August 5, 2024, were scanned and a copy was emailed to Commissioners and Legal Counsel on September 4, 2024.

# AGENDA ITEM 7C

**PERFORMANCE MANAGEMENT SERVICES AGREEMENT  
ASSIGNMENT TO ENEL X STORAGE LLC**

ISSUE

Assign Performance Management Services Agreement with Enel X North America, Inc. to Enel X Storage LLC

BACKGROUND

On June 15, 2020, Silicon Valley Clean Water (SVCW) entered into an agreement with Enel X North America, Inc. for operation and maintenance of SVCW's Energy Storage System. The Energy Storage System consists of a bank of Tesla batteries that manage the electric demand and reduce SVCW's electricity cost by strategically charging and discharging the batteries during periods of low and high electricity rates, respectively.

Enel X North America, Inc. recently announced the spin-off of its North American Distributed Energy Solutions (DES) business into an independent entity.

DISCUSSION

SVCW's Manager received notification from Enel X North America, Inc that it was partitioning off its storage business. The new company, Enel X Storage, retains its original strategy: to meet the evolving needs of high-energy users by offering scalable solutions to combat rising energy costs while supporting sustainability and resiliency needs. They are confident that this transition will enable them to serve their storage customers better, fostering a closer alignment with the customers' requirements and objectives.

The implications of this change for SVCW's energy storage system will be minimal. The current Enel technology and people that interact with our system will remain the same, as Enel is fully carving out the DES business line. There will be some administrative changes, such as a new brand and company name and new bank information for transactions, but no disruptions are expected to the day-to-day operation of the batteries for bill savings, demand response, and SGIP payments.

The Agreement between SVCW and Enel X North America, Inc. requires SVCW to approve, in writing, assignment of the agreement.

CLIMATE EFFECTS

There are no climate effects associated with this agenda item.

FINANCIAL IMPACT

There is no financial impact to this agenda item.

RECOMMENDATION

Move adoption of RESOLUTION CONSENTING TO ASSIGNMENT OF PERFORMANCE MANAGEMENT SERVICES AGREEMENT WITH ENEL X NORTH AMERICA, INC. TO ENEL X STORAGE LLC.

Report By: KRH

7C-1

# AGENDA ITEM 7D

**REVIEW COMMISSION POLICIES  
COMMISSION POLICY 1989-03 OUT OF CLASSIFICATION PAY  
COMMISSION POLICY 1992-01 INVESTMENT POLICY AND GUIDELINES  
COMMISSION POLICY 2017-01 STATEMENT OF DEBT MANAGEMENT**

ISSUE

Review and Revise Silicon Valley Clean Water Commission Policy 1989-03, Out-of-Classification Pay, Commission Policy 1992-01, Investment Policy and Guidelines, and Commission Policy 2017-01, Statement of Debt Management Policy

BACKGROUND

**Commission Policy 1989-03, Out of Classification Pay**

At times, staff are requested to work outside their specific job classification. This can occur due to temporary needs such as covering another person's temporary leave of absence, for training purposes, or to cover a vacancy. If such an out-of-classification reassignment lasts more than five (5) days, then the pay for such reassignment is adjusted.

The Out-of-Classification Pay Policy establishes the criteria for determining the higher salary of an employee who is temporarily working out of their classification and is critical for conforming to CalPERS rules on special compensation.

**Commission Policy 1992-01, Investment Policy and Guidelines**

In July 1992, SVCW adopted an Investment Policy and Guidelines (Commission Policy No. 1992-01, or "the Investment Policy") to formally guide the investment of surplus funds not required for immediate use by SVCW. The Investment Policy requires annual Commission review and approval of changes proposed by staff, if any. Policy No. 1992-01 was last updated as Revision V at the September 11, 2023 Commission meeting.

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

**Commission Policy 2017-01, Debt Management Policy**

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 management continually reviews policies and procedures and recommends updates when employment practices, laws, policies, or regulations change. Staff have reviewed the three policies noted above and have minor updates to each as described below.



### **Commission Policy 1989-03, Out of Classification Pay**

Commission Policy 1989-03, Out-of-Classification Pay, has been reviewed and several revisions are recommended to more clearly describe the intent of the policy, including CalPERS rules. CalPERS makes a distinction between the reason for the temporary assignment. If to cover a leave of absence or training purposes, the pay is not PERS taxable; if to temporarily fill a vacancy, the pay is PERS taxable. Additionally, the Manager recommends changing the title of the policy to add clarity to its intention. SVCW references an employee's position as their "classification" and a person put into a temporary assignment will be working out of their normal classification. The recommended changes do not affect the substance of the policy, rather, the recommended revisions seek to clarify the intent of CalPERS rules. The attached, red-lined version of the Policy indicates the recommended revisions.

The SVCW Manager recommends approval of Revision B to Commission Policy No. 1989-03.

### **Commission Policy 1992-01, Investment Policy and Guidelines**

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

<b>Reserve Fund</b>	<b>As of 06/30/24 (\$ Millions)</b>
Operating Reserve	4.35
Capital Improvement Plan Reserve	25.60
Stage 2 Capacity Reserve	<u>9.12</u>
TOTAL	39.07

The SVCW Investment Policy is reviewed annually. There are two recommended changes to the Policy:

1. In June 2024, the Commission authorized SVCW to establish an account and invest funds in the California Cooperative Liquid Assets Securities System (Cal CLASS). The Investment Policy has been updated to recognize this authorization.
2. Senate Bill 882 was adopted in September 2023, which clarified that mortgage-backed securities issued by federal agencies are exempt from the Code's requirements associated with privately issued asset-backed and mortgage-backed securities. The Code update defined the common understanding of how agency mortgage-backed securities are treated. Although the Code update does not change what type of securities the Authority may purchase nor how the portfolio is managed, incorporating the change into Commission Policy 1992-01 will better align the Policy with current Code language. The Investment Policy language for Asset-backed securities has been updated for rating requirements and to establish that no more than 20% of the Authority's portfolio may be invested in such securities.

The SVCW Manager recommends approval of Revision W to Commission Policy No. 1992-01.

**Commission Policy 2017-01, Debt Management Policy**

SVCW's finance staff reviews SVCW's Debt Management Policy annually and recommends revisions as needed. Generally, amendments are made to the Debt Management Policy to ensure consistency with changes in federal and state securities laws and pronouncements of the Securities and Exchange Commission. Amendments are also made to modify SVCW's internal strategies as recommended by management staff and approved by the Commission.

Proposed changes to the policy are attached and include:

- Grammatical and definition changes offered for clarity
- Clarification of allowed use of line of credit for temporary cash flow needs
- Clarification for when a negotiated bond issue may be appropriate
- Language to clarify the required Commission authorizations required when issuing long-term debt
- Elaboration of disclosure reporting requirements

The SVCW Manager recommends approval of SVCW Commission Policy 2017-01, Revision G, dated September 09, 2024.

CLIMATE EFFECTS

There are no climate effects as a result of this action.

FINANCES

There are no financial impacts to this action.

RECOMMENDATION

- i. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION B TO COMMISSION POLICY 1989-03, OUT-OF-CLASSIFICATION PAY
- ii. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION W TO COMMISSION POLICY 1992-01, SILICON VALLEY CLEAN WATER INVESTMENT POLICY AND GUIDELINES
- iii. Move adoption of RESOLUTION APPROVING AND ADOPTING REVISION G TO COMMISSION POLICY 2017-01, STATEMENT OF DEBT MANAGEMENT POLICY

Revision: ~~A~~ B

Revision Date:  
05/11/201709092024

Issue Date: 06/27/1989

SUBJECT: ~~Temporary Upgrade Pay~~ Out-of-Classification Pay

### PURPOSE

The purpose of this policy is to establish the criteria for determining the higher salary of an employee who is temporarily working out of their classification.

### POLICY

An employee temporarily assigned to perform work in a higher classification for 5 or more working days shall be paid from the salary range of the higher classification for the time worked in the higher classification. The employee will be compensated at the first step or bottom of the salary range of the higher classification or any subsequent step or range that results in a rate of pay no less than 5% higher than the rate of pay at the employee's regular classification.

If the temporary assignment is for the purpose of covering a leave of absence or for training purposes the regular pay rate of the employee will remain unchanged during the temporary assignment and the difference between the employee's regular pay rate and the pay rate of the temporary assignment will be added to their ~~pay check~~ paycheck as "other" pay. This additional pay will **not** be CalPERS taxable (taxes assessed for retirement purposes).

If the assignment is for the purpose of filling a vacancy, the difference between the employee's regular pay rate and the pay rate of the temporary assignment will be classified as "Special Compensation" and given the appropriate timecode and will be reported as CalPERS taxable.

This "Special Compensation" is only available to Classic CalPERS employees and not to employees subject to PEPR (Public Employees' Pension Reform Act) for whom the additional pay will **not** be reported as CalPERS taxable.

### PROCEDURE

When an employee is temporarily assigned to work in a higher classification to cover a leave of absence or for training purposes, and the department manager determines that the assignment will be longer than 5 days, the department manager will cause to be completed a Personnel Action Form (PAF) to initiate the temporary assignment and corresponding special compensation. The PAF should indicate that the employee's regular pay rate remains unchanged, and that the additional pay will be added to the employee's check as "other" pay and will not be CalPERS taxable.

If the assignment is for the purposes of filling a vacancy the PAF and the employee is a Classic CalPERS employee, the PAF will ~~needs to~~ indicate that the employee's regular pay rate remains unchanged and the additional pay will be PERS taxable. If the employee is a PEPR employee, note it shall be noted on the PAF that the additional pay will not be CalPERS taxable.

## Silicon Valley Clean Water

At the conclusion of the temporary assignment the department manager will initiate a PAF to terminate the temporary assignment ~~in both of the instances above~~.

**SUBJECT: Out-of-Classification Pay**

**PURPOSE**

The purpose of this policy is to establish the criteria for determining the higher salary of an employee who is temporarily working out of their classification.

**POLICY**

An employee temporarily assigned to perform work in a higher classification for 5 or more working days shall be paid from the salary range of the higher classification for the time worked in the higher classification. The employee will be compensated at the first step or bottom of the salary range of the higher classification or any subsequent step or range that results in a rate of pay no less than 5% higher than the rate of pay at the employee's regular classification.

If the temporary assignment is for the purpose of covering a leave of absence or for training purposes the regular pay rate of the employee will remain unchanged during the temporary assignment and the difference between the employee's regular pay rate and the pay rate of the temporary assignment will be added to their paycheck as "other" pay. This additional pay will **not** be CalPERS taxable (taxes assessed for retirement purposes).

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This "Special Compensation" is only available to Classic CalPERS employees and not to employees subject to PEPR (Public Employees' Pension Reform Act) for whom the additional pay will **not** be reported as CalPERS taxable.

**PROCEDURE**

When an employee is temporarily assigned to work in a higher classification to cover a leave of absence or for training purposes, and the department manager determines that the assignment will be longer than 5 days, the department manager will cause to be completed a Personnel Action Form (PAF) to initiate the temporary assignment and corresponding special compensation. The PAF should indicate that the employee's regular pay rate remains unchanged, and that the additional pay will be added to the employee's check as "other" pay and will not be CalPERS taxable.

If the assignment is for the purposes of filling a vacancy the PAF and the employee is a Classic CalPERS employee, the PAF will indicate that the employee's regular pay rate remains unchanged and the additional pay will be PERS taxable. If the employee is a PEPR employee, it shall be noted on the PAF that the additional pay will not be CalPERS taxable.

## **Silicon Valley Clean Water**

At the conclusion of the temporary assignment the department manager will initiate a PAF to terminate the temporary assignment.

**Silicon Valley Clean Water**

**COMMISSION POLICY 1992-01**

**APPROVED BY: \_\_\_\_\_**

**Revision: ~~V-W~~**

**Revision Date:**  
**~~09/11/2023~~09/09/2024**

**Issue Date: 07/20/1992**

Approved by the SVCW Commission at the Meeting held on September ~~11~~09, 20232024, by Resolution No. SVCW ~~23-2924-~~

**SUBJECT: Silicon Valley Clean Water Investment Policy and Guidelines**

**PURPOSE:**

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

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

**SCOPE:**

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

**RESPONSIBILITIES:**

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

The SVCW Commission shall have the responsibility for regular review of the Investment Policy and Guidelines and approving proposed changes.

**POLICY:**

**I. INTRODUCTION**

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

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

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

## II. STANDARD OF CARE

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

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

## III. OBJECTIVES

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

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

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

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



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

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

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

#### **IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY**

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

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

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

#### **V. CASH FLOW AND AVAILABILITY**

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

#### **VI. ACCEPTABLE INVESTMENT INSTRUMENTS**

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

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

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

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

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

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

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

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

institutions licensed by the U.S. or any state, and operating within the U.S. medium-term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.

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

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

9. **Shares of a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Government Code Section 53601. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:
  - 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*

- 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*
  - 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
10. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
- 1) The entity meets the following criteria:
    - a. Is organized and operating in the United States as a general corporation;
    - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
    - c. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.
  - 2) The entity meets the following criteria:
    - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company;
    - b. Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond;
    - c. Has commercial paper that is rated “A-1” or higher by an NRSRO.

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

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

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

12. **Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AAAAA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than ~~10%~~20% of the Authority’s portfolio may be invested in these asset-backed securities.

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

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

## **VII. PROHIBITED INVESTMENTS**

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

## **VIII. MAXIMUM MATURITY OF INVESTMENTS**

Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3, and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less.. For purposes of compliance with this section, an investment’s term or remaining maturity shall be measured from the settlement date to final maturity.

## **IX. BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

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

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated

securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

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

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

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

#### **X. REPORTS TO COMMISSION**

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

#### **XI. PERFORMANCE EVALUATION**

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

#### **XII. INTEREST ALLOCATION**

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

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

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

### **XIII. SAFEKEEPING OF SECURITIES**

All marketable securities owned by the Authority shall be held in safekeeping by a third-party administrator (custody bank or trust department) acting as agent for the Authority under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

### **XIV. INTERNAL CONTROL**

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

**Silicon Valley Clean Water**

**COMMISSION POLICY 1992-01**

**APPROVED BY: \_\_\_\_\_**

**Revision: W**

**Revision Date: 09/09/2024**

**Issue Date: 07/20/1992**

Approved by the SVCW Commission at the Meeting held on September 09, 2024, by Resolution No. SVCW 24-\_\_

**SUBJECT: Silicon Valley Clean Water Investment Policy and Guidelines**

**PURPOSE:**

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

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

**SCOPE:**

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

**RESPONSIBILITIES:**

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

The SVCW Commission shall have the responsibility for regular review of the Investment Policy and Guidelines and approving proposed changes.

**POLICY:**

**I. INTRODUCTION**

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

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



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

## II. STANDARD OF CARE

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

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

## III. OBJECTIVES

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

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

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

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

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

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

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

#### **IV. AUTHORIZATION TO INVEST AND DELEGATION OF AUTHORITY**

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

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

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

#### **V. CASH FLOW AND AVAILABILITY**

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

#### **VI. ACCEPTABLE INVESTMENT INSTRUMENTS**

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

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

Where this section specifies a percentage limitation for a particular issuer or security type, that percentage is applicable only at the date of purchase. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment. Credit criteria listed in this section refers to the credit rating category (inclusive of modifiers) at the time the security is purchased.

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

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

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

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

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

institutions licensed by the U.S. or any state, and operating within the U.S. medium-term notes must be rated "A," its equivalent, or better by an NRSRO. No more than 30% of the Authority's portfolio may be invested in medium-term notes.

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

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

9. **Shares of a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Government Code Section 53601. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:
  - 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission, *and*

- 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Government Code Section 53601, *and*
- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

10. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

- 1) The entity meets the following criteria:
  - a. Is organized and operating in the United States as a general corporation;
  - b. Has total assets in excess of five hundred million dollars (\$500,000,000); and
  - c. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- 2) The entity meets the following criteria:
  - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company;
  - b. Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond;
  - c. Has commercial paper that is rated “A-1” or higher by an NRSRO.

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

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

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

12. **Asset-Backed Securities (ABS).** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

No more than 20% of the Authority’s portfolio may be invested in these asset-backed securities.

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

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

## **VII. PROHIBITED INVESTMENTS**

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

## **VIII. MAXIMUM MATURITY OF INVESTMENTS**

Maturities will be based on a review of cash flow forecasts. Maturities will be scheduled to permit the Authority to meet all projected obligations. The purchase of U.S. Treasury obligations, U.S. federal agency and government-sponsored enterprise (GSE) obligations, and California state and local agency obligations and other state obligations (subsections VI. 1, 2, 3, and 4 above) with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury, federal agency/GSE, and California state and local agency obligations and other state obligations shall have a maximum remaining maturity at time of purchase of eleven years or less, and federal agency/GSE mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less.. For purposes of compliance with this section, an investment’s term or remaining maturity shall be measured from the settlement date to final maturity.

## **IX. BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

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

The purchase by the Authority of any investment, other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of Financial Industry Regulatory Authority (FINRA), or a member of a federally-regulated

securities exchange, a National- or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

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

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

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

#### **X. REPORTS TO COMMISSION**

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

#### **XI. PERFORMANCE EVALUATION**

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

#### **XII. INTEREST ALLOCATION**

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

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

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

### **XIII. SAFEKEEPING OF SECURITIES**

All marketable securities owned by the Authority shall be held in safekeeping by a third-party administrator (custody bank or trust department) acting as agent for the Authority under the terms of a custody or trustee agreement executed by the bank and the Authority. All securities will be received and delivered using the standard delivery versus payment (DVP) procedure.

### **XIV. INTERNAL CONTROL**

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



# Silicon Valley Clean Water

Commission Policy 2017-01

Approved by: \_\_\_\_\_

Rev: FG  
3/23/2017

Rev Date: 09/11/202309/09/2024

Issue Date:

Approved by Commission at Meeting of September 11, 202309, 2024 by Resolution No. SVCW 23-30 \_\_\_\_\_

## **SUBJECT: Statement of Debt Management Policy**

### **APPLICABLE CODES AND REGULATIONS:**

Government Code Section 8855, Government Code 5852.1

### **PURPOSE:**

This Debt Management Policy (the “Policy”) establishes the comprehensive policies and procedures for the issuance and management of bonds, capital leases, loans 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 and capital 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 and capital 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 regular reviews and evaluations 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 SVCW Manager or Assistant Manager / 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 projects 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 [Revenue](#) 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 [Assistant Manager](#)/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](#) [identify](#) any [revenue bonds](#), certificates of participation or other long-term obligation [issued to](#) [refund](#)ing 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 [Assistant Manager/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 [Assistant Manager/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 [Assistant Manager/CFO](#) determines any proposed Debt transaction exceeds the limits imposed by this Policy, the [Manager may recommend and 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~~7,000,000; 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 [long term Debt](#) to fund operations [but may access its Line of Credit to meet temporary cash flow needs](#). [The Authority will endeavor to repay such temporary borrowing as soon as possible](#). 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 [Assistant Manager/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 [Assistant Manager/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~~ issues and provide appropriate advice and take appropriate actions to ensure legal validity of bond issues under state and federal laws as applicable. The [Assistant Manager/CFO](#) and General Counsel shall jointly select bond, ~~tax~~ and /or ~~bond tax~~ 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 [Assistant Manager/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 or unique financial structure; 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 ~~\$150400~~ 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 [Assistant Manager](#)/CFO a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The [Assistant Manager](#)/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 [Assistant Manager](#)/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, but is not required, 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 Authority](#) 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 [Assistant Manager/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 [Assistant Manager/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 [Agencies Entities](#) through publicly available documents, as requested by the rating agencies;
- 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 [Assistant Manager/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 [Assistant Manager/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 and will rely on its Member Agencies to provide their 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 [Assistant Manager/CFO](#) and be on file with the

Treasurer. The Annual Report or the Audited Financial Statements 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 Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), as herein defined, such as the Electronic Municipal Market Access (EMMA).

#### 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 Assistant Manager/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 meet legal requirements, or 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 Assistant Manager/CFO with the advice of the Municipal Advisor may take the following into consideration:

- **Coupon on Refunded Bond** – The Assistant Manager/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 Authority 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 Authority shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District Authority 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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 is 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 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 [Assistant Manager/CFO](#). The [Assistant Manager/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 [Assistant Manager](#)/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 [Assistant Manager](#)/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 [Assistant Manager](#)/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~~ the SVCW Manager after consulting with its Municipal Advisor. Long-term and short-term financing transactions shall be approved by resolution of the Commission as follows:

- 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~~ the Authority exceeding \$100,000 shall be authorized by resolution or ordinance of the Commission by majority vote.
- Refunding Obligations: The Commission shall authorize by resolution the issuance of Debt for the purpose of refunding any limited obligation bond.

**Silicon Valley Clean Water**

**Commission Policy 2017-01**

**Approved by:** \_\_\_\_\_

**Rev: G**

**Rev Date: 09/09/2024**

**Issue Date: 3/23/2017**

Approved by Commission at Meeting of September 09, 2024 by Resolution No. SVCW \_\_\_\_\_

**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, loans 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 and capital 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 and capital 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 regular reviews and evaluations 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 SVCW Manager or Assistant Manager / 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 projects.. 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 Revenue 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 Assistant Manager/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 identify any revenue bonds, certificates of participation or other long-term obligation issued to refund 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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/CFO determines any proposed Debt transaction exceeds the limits imposed by this Policy, the Manager may recommend and 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 \$7,000,000; 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 long term Debt to fund operations but may access its Line of Credit to meet temporary cash flow needs. The Authority will endeavor to repay such temporary borrowing as soon as possible. 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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/CFO and General Counsel shall jointly select bond and /or tax 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 Assistant Manager/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 or unique financial structure; 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 \$150 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, 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 Assistant Manager/CFO a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The Assistant Manager/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 Assistant Manager/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, but is not required, 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 Authority 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 Assistant Manager/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 Assistant Manager/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 Agencies through publicly available documents, as requested by the rating agencies;
- 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 Assistant Manager/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 Assistant Manager/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 and will rely on its Member Agencies to provide their 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 Assistant Manager/CFO and be on file with the Treasurer. The Annual Report or the Audited Financial Statements 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 Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), as herein defined, such as the Electronic Municipal Market Access (EMMA).

## 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 Assistant Manager/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 meet legal requirements, or 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 Assistant Manager/CFO with the advice of the Municipal Advisor may take the following into consideration:

- **Coupon on Refunded Bond** – The Assistant Manager/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 Authority 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 Authority shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Authority 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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 Assistant Manager/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 is 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 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 Assistant Manager/CFO. The Assistant Manager/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 Assistant Manager/CFO, SVCW Manager, and the Authority 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 Assistant Manager/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 Assistant Manager/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 the SVCW Manager after consulting with its Municipal Advisor. Long-term and short-term financing transactions shall be approved by resolution of the Commission as follows:

- 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 the Authority exceeding \$100,000 shall be

authorized by resolution or ordinance of the Commission by majority vote.

- Refunding Obligations: The Commission shall authorize by resolution the issuance of Debt for the purpose of refunding any limited obligation bond.

# AGENDA ITEM 7E

**APPLICATION FOR GRANT FUNDING THROUGH THE CALIFORNIA ENERGY  
COMMISSION FOR CLEAN DISPATCHABLE ENERGY GENERATION**

ISSUE

Approval of Application for Grant Funding through the California Energy Commission, “Clean, Dispatchable Generation” in collaboration with Stanford University and FLOWS Energy.

BACKGROUND

SVCW spends significant money for energy purchase and has been striving to become energy independent through many initiatives, including the Biogas Utilization Project and the Food Waste Improvements Project. To that end, the Commission approved procurement of Mainspring Linear Generators (Lgens) at the May 2024 meeting to install five Lgens for onsite electricity generation.

Energy infrastructure at SVCW is complex, with many sources of electricity (PG&E, Cogeneration Engines, Standby Generators, and Tesla Batteries). SVCW’s electrical demand varies throughout the day, and each of these sources of electricity are used to optimize efficiency and reduce electrical costs, especially during times of peak power charges. Addition of the Lgens provides further flexibility to reduce PG&E usage, but also further complicates the power distribution system.

SVCW has developed a relationship with Stanford University over the past several years, starting with the Staged Anaerobic Fluidized Bed Membrane Bioreactor (SAF-MBR) research project. SVCW is currently working on machine learning research with the Water and Energy Efficiency for the Environment Lab (WE3Lab) at Stanford and a development company, FLOWS Energy, to make SVCW’s existing power distribution system more efficient.

SVCW is interested in a new grant opportunity whereby, together with WE3Lab and FLOWS Energy, funding can be secured to develop an energy management system to coordinate the different power generation technologies within SVCW. The intent of the energy management system is to maximize efficient use of SVCW’s generation technologies while maintaining reliability. The system will employ machine learning to dispatch clean energy efficiently and effectively to meet the varying energy demands of the treatment plant.

DISCUSSION

California Energy Commission (CEC) is soliciting proposals for a grant funding opportunity for projects that can create a nimbler power grid. Specifically, CEC is seeking development and implementation of advanced, renewably fueled technology projects. The grant opportunity extends to projects that develop energy management systems for power generation that use renewable fuels. Deployment of the Lgens to synchronize with the complex power distribution infrastructure at SVCW is a relevant application for this grant opportunity.

Staff recommends that SVCW apply for \$4 million funding under the CEC Clean Dispatchable energy Generation grant. The grant requires a minimum 20% funding match (\$800k). SVCW will be spending more than this amount on the Lgens project even after receiving investment tax credits and the refund from the CEC self-generation incentive program. Therefore, SVCW qualifies for the funding match without having to spend any additional money. If SVCW is awarded the grant, the cost of building and deploying the Energy Management System will be covered by the grant award with additional money potentially available to further offset the capital costs of the project.

This is a unique opportunity for SVCW to partner with a leading research university and build a state-of-the-art energy management system at no additional cost.

Staff recommends the Commission to support this application process.

#### CLIMATE EFFECTS

This grant provides an opportunity to develop an energy management system that will make renewable energy generation more efficient, a positive impact on the environment.

#### FINANCES

There are no additional financial impacts from this pursuit. SVCW is already meeting the matching fund requirement for this grant.

#### RECOMMENDATION

Move adoption of RESOLUTION APPROVING AND AUTHORIZING SUBMITTAL OF AN APPLICATION TO CALIFORNIA ENERGY COMMISSION FOR A "CLEAN, DISPATCHABLE GENERATION" GRANT

# AGENDA ITEM 7F

**AMEND WATER INFRASTRUCTURE AND FINANCING INNOVATION ACT LOANS  
TO CLARIFY DEFINITION OF DEBT SERVICE RESERVES**

ISSUE

Amend Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreements to Clarify Definition of Debt Service Reserve

BACKGROUND

In 2019, 2020, and 2021, respectively, Silicon Valley Clean Water (SVCW) executed three WIFIA Loan agreements with the Environmental Protection Agency (EPA). These agreements funded approximately \$287 million of the Regional Environmental Sewer Conveyance Upgrade (RESCU) project and another \$72 million for Wastewater Treatment Plant improvements.

During negotiations with the EPA, it was agreed that the City of Belmont, due to sewer rates that are structured differently than SVCW's other member agencies, is required to place funds in a Debt Service Reserve account for each loan. The original WIFIA loan agreements described required debt service reserves in specific dollar values. Such dollar values were originally derived by multiplying 50% of Maximum Annual Debt Service (MADS) calculated at the time the loan was executed.

DISCUSSION

The 2019 WIFIA Loan was refinanced in November 2020 to take advantage of lower interest rates available at that time. This refinancing lowered SVCW's Annual Debt Service payments by \$1.69 million and, over the life of the loan, will save approximately \$37.7 million (net present value). Traditionally, such a refinancing would also entitle the City of Belmont to reduce the amount held in the Debt Service Reserve account. In recognition that the original definition of Debt Service Reserve precludes such a reduction, the EPA agreed to amend the November WIFIA Loan and to make conforming amendments to the other two WIFIA Loans, and the associated documents to redefine the Debt Service Reserve. Once amended, Belmont can recover approximately \$30 thousand from the refinanced 2019 WIFIA Loan.

SVCW staff have coordinated this item with the City of Belmont's Finance Director, who will separately bring this item to Belmont City Council for consideration. Once approved by both agencies, documents can be submitted to EPA representatives, who will create formal loan amendments.

CLIMATE EFFECTS

There are no anticipated climate effects from this action.

FINANCES

Adopting this resolution allows the City of Belmont, as sole Member required to contribute to a Debt Service Reserve, to recover \$30 thousand in funds held in a Trustee account.

RECOMMENDATION

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN WATER AUTHORIZING THE EXECUTION AND DELIVERY OF AMENDMENTS TO EXISTING WIFIA LOAN AGREEMENTS, AMENDMENTS TO EXISTING FINANCING AGREEMENTS WITH THE CITY OF BELMONT AND AMENDMENTS TO EXISTING PAYING AGENT AGREEMENTS



# AGENDA ITEM 7G

**ASSESSING AND REPORTING  
SILICON VALLEY CLEAN WATER INTERNAL CONTROLS**

ISSUE

Direct Silicon Valley Clean Water Staff to Provide Response Letter to the San Mateo Grand Jury Findings and Recommendations Related to Internal Controls

BACKGROUND

On June 27, 2024, the San Mateo County Civil Grand Jury released a report "Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts".

The Civil Grand Jury surveyed 75 entities in the County, of which it interviewed 28 agencies. Silicon Valley Clean Water responded to the survey and was interviewed by members of the Civil Grand Jury. Across all responses, the Civil Grand Jury focused on three questions from the survey:

- Do you have an established process in place to identify organizational risks (also known as Enterprise Risk Management, or ERM)?
- Other than outside audits of your organization's financial statements, have you or your organization performed an assessment of your organization's "internal controls" within the last 18 months?
- Was a written report of the assessment produced?

During the Civil Grand Jury interview, SVCW responded that it does have an established process in place to identify risks (Question #1) and it has not recently performed a formal assessment of its internal controls that could be reported to the Commission (Questions #2 and #3).

Further during the interview, SVCW described methods used to monitor, measure, and improve on internal controls. For example, SVCW expenditures are transparently reported to a third party, as the Redwood City Finance Director fulfills its role as SVCW Controller. Additionally, SVCW requires all disbursements are approved via a secure online system to ensure authorization limits are met. This approval system is secure and structured to ensure separation of duties and reduce the risk of fraud. Finance supervisory staff regularly audit vendor records to validate changes. Finally, key staff receive internal controls training that identifies ways to identify and prevent fraud.

Based on the results of its surveys and interviews, the Civil Grand Jury report identified two findings (F2 and F3) and made two recommendations (R2 and R3) for SVCW:

Findings:

- F1. When an entity does not have a process to identify organizational risks, and the entity does not demonstrate how its internal controls address identified risks, the likelihood of a failure in internal controls that results in fraud or waste increases.
  - SVCW is not subject to this finding.

- F2. When an entity does not periodically assess its internal controls and the entity cannot demonstrate that it is monitoring its internal controls, the likelihood of a failure in internal controls that results in fraud or waste increases.
  - SVCW agrees with this finding
- F3. When management does not report the results of its assessments of internal controls to its governing board and the entity has not communicated externally, the likelihood that others see this as an opportunity to commit fraud or waste increases.
  - SVCW agrees with this finding

Recommendations:

- R1. Beginning by no later than December 31, 2024 and at least annually thereafter, each entity will document its organizational risks and address those risks in its annual Assessments of Internal Controls.
  - This recommendation does not apply to SVCW
- R2. Beginning by no later than March 31, 2025 and at least annually thereafter, each governing board will require its management to complete its annual assessments of internal controls.
  - SVCW will comply with this recommendation with one deviation:
    - Assessment of internal controls will be completed by March 31, 2025 and will be repeated every three years thereafter.
- R3. Beginning by no later than June 30, 2025 and annually thereafter, each governing board will require management to report the results of its annual assessment of the entity's internal controls. that requires SVCW to respond to its findings and recommendations.
  - SVCW will comply with this recommendation with one deviation:
    - Assessment of internal controls will be completed by March 31, 2025 and will be repeated every three years thereafter.

DISCUSSION

At its July 15, 2024 meeting, discussion with the SVCW Commission was held regarding the recommended actions (R2 and R3 above). Staff recommended that annual assessment and reporting is not warranted given the myriad of internal controls and protections SVCW already has in place and the annual reviews management and the Commission perform on policies and procedures. Rather, the Manager recommended a cadence of every three to five years.

The resulting direction provided to staff is to begin at a three-year cadence of assessment and reporting and, after two three-year cycles, re-evaluate and move to a five-year cadence, if warranted.

SVCW is required to provide comment on the findings and recommendations within 90 days after the Grand Jury submits a report. SVCW did not receive a formal transmission of the report so will use the publication date of June 27, 2024 as the receipt date. Therefore, by September 27, 2024, SVCW needs to provide comment. A response letter is attached and, upon direction from the Commission, the Manager will issue the letter as required.

CLIMATE EFFECTS

There are no climate effects as a result of this direction.

FINANCES

There is minimal financial implication to this direction; every three years a line item will be included in the operating budget to hire an internal audit firm.

RECOMMENDATION

Move approval of RESPONSE TO SAN MATEO GRAND JURY REPORT TITLED: "ASSESSING AND REPORTING INTERNAL CONTROLS IN SAN MATEO COUNTY AGENCIES AND SCHOOL DISTRICTS" ISSUED ON JUNE 27, 2024, AND AUTHORIZE MANAGER TO EXECUTE RESPONSE LETTER ON BEHALF OF THE SVCW COMMISSION



September 10, 2024

Hon. Amarra A. Lee  
Judge of the Superior Court  
c/o Bianca Fasuescu  
Hall of Justice  
400 County Center, 2<sup>nd</sup> Floor  
Redwood City, CA 94063-1655

Re: San Mateo County Civil Grand Jury Report titled: "Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts" issued on June 27, 2024.

Dear Judge Lee:

Silicon Valley Clean Water (SVCW) received the San Mateo County Civil Grand Jury Report titled, "Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts" on June 27, 2024. The report instructed Silicon Valley Clean Water to respond to Findings 2 and 3 and Recommendations 2 and 3.

Pursuant to Penal Code § 933, the following response to the Grand Jury was reviewed and approved by the SVCW Commission at its regular public meeting held on September 09, 2024:

Based on the results of its surveys and interviews, the Civil Grand Jury report identified two findings (F2 and F3) and made two recommendations (R2 and R3) for SVCW:

Findings:

- F2. When an entity does not periodically assess its internal controls and the entity cannot demonstrate that it is monitoring its internal controls, the likelihood of a failure in internal controls that results in fraud or waste increases.
  - SVCW agrees with this finding
  
- F3. When management does not report the results of its assessments of internal controls to its governing board and the entity has not communicated externally, the likelihood that others see this as an opportunity to commit fraud or waste increases.
  - SVCW agrees with this finding

Recommendations:

- R2. Beginning by no later than March 31, 2025, and at least annually thereafter, each governing board will require its management to complete its annual assessments of internal controls.
  - SVCW will implement this recommendation with one deviation: Assessment of internal controls will be completed by March 31, 2025, and if independent findings establish strong internal controls are present, may be repeated not less than every three years thereafter. The reason for the deviation is that SVCW believes it has all internal controls in place via numerous policies and procedures and management reviews all policies and procedures at least annually. To do an annual assessment separate from current practice is redundant and may not efficiently nor effectively use ratepayers' monies.
- R3. Beginning by no later than June 30, 2025, and annually thereafter, each governing board will require management to report the results of its annual assessment of the entity's internal controls. that requires SVCW to respond to its findings and recommendations.
  - SVCW will implement this recommendation with one deviation: Assessment of internal controls will be completed by June 30, 2025, and will be repeated every three years thereafter. The reason for the deviation is that SVCW has all internal controls in place via numerous policies and procedures and management staff and the Commission reviews and updates, when warranted, all policies and procedures at least annually. To do an annual assessment separate from current practice is redundant and does not efficiently nor effectively use ratepayers monies.

Respectfully,  
SILICON VALLEY CLEAN WATER

Teresa Herrera  
Manager

Copy: Commission of Silicon Valley Clean Water

# AGENDA ITEM 7H

**HYPOCHLORITE SYSTEM DEVELOPMENT SUPPORT**

ISSUE

Authorize Host Site and Chemical Purchase Agreements for Rushnu Inc. Hypochlorite Production System

BACKGROUND

Disinfecting final effluent from SVCW's wastewater treatment processes prior to either bay discharge or recycled water use is a regulatory requirement. SVCW uses hypochlorite (bleach) for effluent disinfection. Over the past five years, the cost of hypochlorite has risen significantly; in 2019, the cost was \$0.76 per gallon while today it is \$2.91 per gallon representing a nearly 400% increase in five years. The budget line item for hypochlorite is nearly \$1 million. Due to rising costs, staff consistently seeks ways to either 1) reduce the amount of hypochlorite use when possible and/or 2) seek alternative sources by competitively bidding chemicals every year.

Recently, a company called Rushnu reached out to the SVCW Manager describing a developing system that would produce hypochlorite. Rushnu's focus is carbon capture of emissions from various industries. They are developing a method to produce hypochlorite from carbon dioxide (CO<sub>2</sub>) and salt. SVCW is interested in working with Rushnu in support of their product development. Two primary drivers to SVCW's interest are: 1) offset the ever-increasing cost of hypochlorite and 2) hypochlorite production in the manner proposed by Rushnu is a carbon-negative process thus supporting SVCW's sustainability strategic plan goals. Another additional benefit is that not only would such a product assist SVCW, but it would be of great benefit to the greater wastewater and water industry.

DISCUSSION

At their July 15, 2024 meeting, the Commission approved a Non-Disclosure Agreement (NDA) and supported the Manager providing a letter of support for Rushnu. At that time, staff informed the Commission that a host site agreement and chemical purchase agreement would be forthcoming. These agreements would facilitate Rushnu obtaining grant funding to help further develop their green chlorine system as well as to provide SVCW with necessary protections moving forward.

SVCW's Manager and Legal Counsel have worked with Rushnu in developing the referenced agreements and recommend the Commission approve each. The agreements provide sufficient insurance terms, indemnification clauses, caveats and off-ramps to protect SVCW.

CLIMATE EFFECTS

Rushnu's primary focus is carbon capture in support of combatting climate change. Should the technology be feasibly scaled up, the positive climate effects will be significant.

FINANCES

There is no financial implication to the agenda item.



RECOMMENDATION

Move approval for MANAGER TO EXECUTE A HOST SITE AGREEMENT AND CHEMICAL PURCHASE AGREEMENT WITH RUSHNU, INC

# AGENDA ITEM 7I

**DIGESTER 3 REHABILITATION PROJECT (CIP #9244)  
ENGINEERING DESIGN SERVICES**ISSUE

Approve Design Services Task Order with Kennedy/Jenks Consultants for Digester No. 3 Rehabilitation Project (CIP #9244)

BACKGROUND

SVCW's Capital Improvement Program (CIP) includes projects that rehabilitate existing tanks and equipment to ensure the reliability and efficiency of its treatment facilities. Within the treatment process, all solids removed from the wastewater undergo treatment via anaerobic digestion using three digesters, two of which are always operational. The internal environment of a digester is harsh, and a robust preventative maintenance program puts rehabilitation efforts occurring approximately every ten years. The CIP rehabilitation program includes assessment and rehabilitation of SVCW's three digesters. Digester No. 1 Rehabilitation Project (CIP #9215) was completed in 2023. Digester Nos 2 and 3 were last rehabilitated in 2012 and 2011, respectively.

On April 10, 2023, SVCW approved a task order with Kennedy/Jenks Consultants (KJ) under its existing Master Services Agreement to provide condition assessments and engineering evaluation for Digester No. 2 and Digester No. 3 Cleaning and Rehabilitation Projects (CIP #s 9244 and 9245, respectively). KJ's scope of work included evaluating the current conditions of Digester No. 2 and Digester No. 3, identifying required improvements, and estimating rehabilitation costs. KJ has completed the assessment and provided a list of recommended improvements for each digester.

The assessment determined that both digesters require repairs. Digester No. 2 will require more significant repairs, including replacing the cover. Since Digester No. 2 will require a longer construction duration, SVCW staff has determined that Digester No. 3 should be rehabilitated first, so that two newly rehabilitated digesters are in service during the future rehabilitation of Digester No. 2. Design of the Digester No. 2 Rehabilitation Project will begin in 2025.

DISCUSSION

Based on interior and exterior inspections completed by KJ, Digester No. 3 requires the following work:

- Repair existing steel digester cover and perimeter seal, test the cover for leaks.
- Remove existing protective coating on all piping and at identified locations on the interior dome cover. Apply new protective coatings.
- Remove existing coated foam roofing. Apply new coated foam roofing.
- Replace all non-stainless steel gas valves and piping with stainless steel for corrosion resistance.
- Rehabilitate existing water seal structure. The water seal prevents air from entering the digester and gas from escaping.
- Replace all instruments which have reached the end of their useful life.
- Line interior of sludge piping.

SVCW Engineering Division staff developed a scope of work for designing the identified improvements and negotiated a budget with KJ to prepare design documents. The scope of work includes design development enabling the project to be publicly bid and bid period services. Work will be performed on a time-and expense basis at a not-to-exceed budget of \$255,257.

Staff recommends approval of Design Services Task Order with Kennedy/Jenks Consultants under CIP #9244: Digester No. 3 Rehabilitation Project.

#### CLIMATE EFFECTS

There are no anticipated direct effects to climate from this action.

#### FINANCIAL IMPACT

The Project is funded under CIP #9244, which has an allocated budget of \$4.68 million. As of August 2024, \$216,493 has been expended and a budget of \$4.46 million remains.

#### RECOMMENDATION

Move approval of a TASK ORDER SCOPE AND BUDGET FOR DESIGN AND BID PERIOD SERVICES FOR THE DIGESTER NO. 3 REHABILITATION PROJECT (CIP #9244) IN AN AMOUNT NOT-TO-EXCEED \$255,257 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS - KENNEDY/JENKS CONSULTANTS

# AGENDA ITEM 7J

**INVESTMENT ADVISORY SERVICES AGREEMENT  
ASSIGNMENT TO U.S. BANCORP ASSET MANAGEMENT, INC.**

**ISSUE**

Assign Investment Advisory Services Agreement with PFM Asset Management LLC (PFMAM) to U.S. Bancorp Asset Management, Inc. (USBAM).

**BACKGROUND**

On May 30, 2019, Silicon Valley Clean Water (SVCW) entered into an agreement with PFMAM for investment advisory services. PFM currently manages approximately \$39 million for SVCW comprised of three distinct cash reserve funds.

USBAM acquired PFMAM in December of 2021, though the entities continue to operate as two separate U.S. Securities and Exchange Commission registered investment advisers (RIAs).

**DISCUSSION**

SVCW was notified by USBAM that it will consolidate PFMAM's investment advisory and arbitrage rebate consulting accounts under its parent company. This entails the creation of a single RIA to realize synergies from its combined workforces, services, and technology.

USBAM had indicated to SVCW's management team that the consolidation will not involve a change of control or investment management and advisory services. USBAM has provided a notice of the consolidation and seeks SVCW's written consent to the transfer of its Agreement to USBAM.

Once effective in the fourth quarter of 2024, PFMAM will withdraw its regulatory registration from the SEC and the legal entity itself will be dissolved. However, USBAM will serve public sector clients like SVCW using the PFMAM brand name, as a division of USBAM.

The Agreement between SVCW and PFMAM requires SVCW to approve, in writing, assignment of the agreement.

**CLIMATE EFFECTS**

There are no climate effects associated with this agenda item.

**FINANCIAL IMPACT**

There is no financial impact associated with this agenda item.

**RECOMMENDATION**

Move adoption of RESOLUTION CONSENTING TO ASSIGNMENT OF INVESTMENT ADVISORY SERVICES AGREEMENT WITH PFM ASSET MANAGEMENT, LLC TO U.S. BANCORP ASSET MANAGEMENT, INC.

# AGENDA ITEM 8A

**CONSIDERATION OF RESOLUTION AUTHORIZING  
EXECUTION OF ON-BILL FINANCING LOAN APPLICATION FOR  
ENERGY EFFICIENCY UPGRADES, APPROVING ENERGY SERVICES  
CONTRACT AND DETERMINING SAID ACTIONS ARE EXEMPT FROM CEQA**

ISSUE

Approve Resolution Authorizing Manager and Their Designee to Execute Documents Securing PG&E Loan Program for On-Bill Financing of Energy Efficiency Upgrades and Approve Energy Services Contract with Ecogreen Solutions LLC

BACKGROUND

SVCW's Fiscal Year 2024-25 Operating Budget includes \$1.85 million for electricity use at its treatment plant. Due to the high cost of electricity, staff strives to improve energy efficiencies across all facilities. This focus, particularly given future stricter treatment standards, means staff is constantly seeking better technologies and operational parameters to reduce SVCW energy bills.

SVCW has undertaken many recent initiatives towards energy efficiency including:

1. Increasing biogas production through anaerobic co-digestion of organic wastes (aka "food waste");
2. Storing generated energy in batteries to offset power demands during peak pricing periods;
3. Co-generating power from biogas using cogeneration engines and, most recently, linear generators;
4. Working with Pacific Gas & Electric Company (PG&E) to identify potential energy savings associated with existing treatment plant operation, utilizing grants and loans to implement identified modifications.

Further information on each initiative is provided below.

1. Increasing Biogas Production

Since 2018, SVCW has successfully operated a pilot food waste receiving facility in partnership with SBWMA. In 2022, SVCW received a \$4 million grant from the California Department of Resources Recycling and Recovery (CalRecycle) to further expand SVCW's food waste co-digestion facility. SVCW is positioned to beneficially utilize food waste slurry that generates additional biogas through anaerobic digestion.

2. Energy Storage

In 2020, SVCW installed 1 MW Tesla Li-ion batteries to help manage power demand around the treatment plant, using a \$1 million SGIP grant from the State of California. SVCW was one of the first agencies to implement such demand management strategies and technologies. The energy storage system recharges during low-cost, low demand periods and discharges to minimize the peak demand and reduce SVCW power cost in terms of demand charges.



### 3. Biogas Power Generation

In 2024, SVCW's Commission approved a project to design and install 5 linear motion generators that will increase SVCW's energy self-generation capacity by 1,150 kW. This project will supplement SVCW's existing 1.2 MW cogeneration engines to generate additional electricity and offset purchase of external power.

### 4. PG& E Energy Savings Programs

Since 2021, SVCW has been working with PG&E on the RAPIDS (Risk Assessment Process Improvement Decision Support) program. This program identifies improvements across existing treatment plant assets that can be modified to reduce energy consumption while still meeting all wastewater treatment objectives and regulatory requirements. This program evaluation, for example, identified improvements to the pumping required for Fixed Film Reactors and 3W process areas.

Another RAPIDS program upgrade involves replacing existing incandescent and Compact Fluorescent Light (CFL) fixtures within the treatment plant with modern Light Emitting Diode (LED) fixtures via an Energy Efficiency Retrofit Loan Program. Replacement of fixtures will not only save energy, it will also ensure compliance with a recently passed assembly bill (Assembly Bill No. 2208) requiring phase-out of CFLs in 2024 and linear fluorescent lamps in 2025.

### DISCUSSION

The Energy Efficiency Retrofit Loan Program is funded by California utility customers and administered by PG&E under the auspices of the California Public Utilities Commission (CPUC). The program provides qualified PG&E customers with a means to finance energy-efficient retrofit projects. The loans issued under the program are interest-free loans to reimburse qualified PG&E customers for the energy efficiency upgrade costs and is referred to as On-Bill Financing or "OBF".

As part of the RAPIDS effort, EcoGreen Solutions LLC, an authorized agent for PG&E's Energy Efficiency Retrofit Loan Program, conducted a detailed assessment of existing lighting in SVCW's treatment plant at no cost to SVCW. Ecogreen identified 781 light fixtures that could be replaced with modern energy-efficient LED fixtures. Based on run-time, the monthly energy savings by replacing all these fixtures is estimated to be \$4,600.

SVCW's application for this program was reviewed and approved by PG&E. The OBF terms are estimated to provide a simple payback from energy savings over the loan term, calculated by dividing the loan amount by the estimated monthly energy savings. The overall capital cost of fixture replacement is \$406,817, initially borne by PG&E and afterwards repaid by SVCW at a 0% interest through 89-monthly payments of \$4,602.45. These payments will be offset by SVCW's realized energy savings, presuming the model's efficiency calculations are accurate.

SVCW staff is of the opinion that using an energy services contract to undertake lighting improvements per Government Code §4217 in lieu of a traditional design-bid-build process would allow leveraging the 0% financing through PG&E's Energy Efficiency

Retrofit Loan Program. Government Code §4217 *et seq.* authorizes SVCW to forgo the standard procurement process for qualifying energy services contracts and associated financing if the SVCW Commission makes findings that it is in the best interest of the SVCW, and that the anticipated cost to the SVCW will be less than the anticipated marginal costs that are directly related to the project that would have been consumed by SVCW in absence of implementation of the improvements. Additionally, public notice of the action must be given at least two weeks in advance of the action. Public notice was placed in the San Mateo Journal on August 24, 2024.

This Project and Financing was analyzed for compliance with the California Environmental Quality Act (CEQA) and was filed as Categorically Exempt from CEQA. The reason for the exemption is that it can be seen with certainty that they will not cause a significant impact to the environment pursuant to CEQA Guidelines Sections 15061 “common sense exemption”; and the Project consists of minor alteration to existing lighting in SVCW-owned facilities pursuant to CEQA Guidelines Section 15301 “Existing Facilities”.

#### CLIMATE EFFECTS

This work reduces energy usage through installation of modern efficient LED lighting that replaces existing incandescent and CFL lighting fixtures.

#### FINANCES

Once completed, PG&E monthly bills would assess \$4,602.45 for 89 months (7.4 years). Concurrently, the realized energy savings are anticipated to offset this amount. Beyond this 89-month breakeven point, SVCW will continue to benefit from lower energy costs.

#### RECOMMENDATION

- Chair to Open Public Hearing and Receive Testimony
- Move to Close Public Hearing

Move adoption of RESOLUTION OF THE COMMISSION OF SILICON VALLEY CLEAN ADOPTING REQUIRED FINDINGS PURSUANT TO GOVERNMENT CODE SECTION 4217, APPROVING ENERGY SERVICES CONTRACT WITH ECOGREEN SOLUTIONS LLC AND AUTHORIZING ASSOCIATED PG&E ON-BILL LOAN FINANCING

# AGENDA ITEM 8B

**STRATEGIC TREATMENT ADVANCEMENT ROADMAP (CIP #9402)  
MASTER SERVICES AGREEMENT AND PLANNING SERVICES TASK ORDER  
AND PROGRAM MANAGEMENT SERVICES TASK ORDER**

**ISSUE**

Approval of Master Services Agreement and Task Order for Planning Services for the Strategic Treatment Advancement Roadmap Project and Approve Task Order for Nutrient Program Management Services (CIP #9402)

**BACKGROUND**

SVCW operates a wastewater treatment plant serving over 225,000 people and businesses located within its service area. SVCW is regulated by the Environmental Protection Agency (EPA) for water it discharges to the San Francisco Bay (Bay). The EPA, through the Regional Water Quality Control Board (RWQCB), has issued a permit for SVCW to discharge treated effluent to the Bay under the National Pollutant Discharge Elimination System (NPDES), with limits for effluent Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD). The NPDES permit is renewed every five years.

In addition to the NPDES permit limits, the RWQCB has had focus on nutrients (specifically Nitrogen and Phosphorous) that wastewater treatment plants contribute to the Bay. The RWQCB is of the opinion that these nutrients, particularly nitrogen, pose a potential threat to San Francisco Bay beneficial uses. In 2014, the RWQCB issued the first watershed permit requiring a regional approach to monitoring nutrients and developing a pathway to limit the nutrients in treatment plant effluents should the science support the theory that nutrients from wastewater treatment facilities have negative impact on the Bay. The watershed permit is renewed every five years, and the second watershed permit went into effect in July 2019.

In the summer of 2022, there was a harmful algal bloom in the San Francisco Bay that resulted in a large quantity of fish killed. Another algal bloom occurred in 2023. While the triggers for these algal blooms are not fully understood by scientists, it is known that nutrients contribute to the magnitude of algal blooms once initiated. As a result, the RWQCB informed wastewater treatment agencies which discharge into the Bay that it intended to require significant reductions of effluent discharge nutrient loading in the 2024 Watershed Permit.

SVCW has been monitoring the nutrients loading developments since before 2014 and participates in Bay Area-wide meetings and conversations with RWQCB staff. SVCW also contributes funding for scientists with the San Francisco Estuary Institute (SFEI) who take water samples and model the impacts of nutrients on the Bay. SFEI has determined that the wastewater treatment plants that discharge into the Bay contribute more than 60% of nitrogen and phosphorus inputs.

In preparation for new limits to nitrogen discharge, staff has identified that the most cost-effective first-step approach to substantially reduce nutrients in its effluent is to implement a sidestream treatment project. The project would remove the nitrogen in the solids dewatering process filtrate from SVCW's rotary fan presses. The rotary fan press filtrate is a concentrated source of nitrogen. By treating this concentrated source, SVCW can cost effectively remove approximately 15% of total nitrogen (TN) load. This

amount would enable SVCW to meet the 2024 Watershed Permit short term requirements of 3,000 kilogram/day (kg/d) total inorganic nitrogen (TIN). The Sidestream Treatment Project (CIP# 9401) is currently in design.

On July 10, 2024, the RWQCB issued the third Nutrient Watershed Permit, effective October 1, 2024. The permit requires dischargers to reduce dry season TIN loads to the Bay by 40% regionwide. While the third watershed permit requires a regionwide 40% reduction, individual treatment plant limits differ and, in SVCW's case, the reduction required is 65%.

The 2024 permit contains a 10-year compliance schedule for dischargers to comply with final effluent limitations for nitrogen. Additionally, the permit requires annual reporting efforts that each treatment plant is taking to meet the required limits and timeframe.

### DISCUSSION

SVCW's treatment system was not designed to remove nor convert nitrogen compounds. Traditional nitrogen treatment technologies are effective but require expansion of the treatment plant, adding significant energy demands and physical space for new tankage, all leading to high costs. New technologies and optimization of existing systems need to be investigated as they may offer alternatives for reducing nutrients and may minimize the need for new tanks.

A comprehensive planning effort is required to determine the most efficient and reliable way to meet the new regulations. In anticipation of the third watershed permit, staff included a new project, the Strategic Treatment Advancement Roadmap (STAR) Project (CIP #9402) in the 2024 CIP to begin the planning process. The STAR Project aims to create a practical, yet flexible, roadmap for SVCW to navigate future effluent limits. To achieve this, SVCW must assess its liquid stream processes, build a computer model of the treatment plant that can predict the impacts of process improvements, and perform an alternatives analysis to identify suitable solutions.

Based on the important and significant impact of this project, SVCW staff conducted a competitive procurement using a request for proposal (RFP) process with two engineering firms, Hazen and Sawyer (Hazen) and Woodard & Curran. A successful project will require detailed treatment process understanding, deep nutrient removal experience, and expertise in treatment optimization and emerging technologies. Hazen was selected as the top-ranked firm based on the submitted proposal and interview.

Hazen has not performed work for SVCW in the past and, therefore, a new Master Services Agreement (MSA) is required. Their planning services will be captured in a new task order to be issued under the new MSA.

Under the proposed task order, Hazen will develop a treatment roadmap to address future effluent limits. The scope of services includes the following tasks:

1. Review existing data and previous SVCW nutrient treatment evaluation efforts
2. Prepare a baseline treatment process computer model

3. Develop criteria for evaluating process alternatives
4. Evaluate screening-level alternative processes and technologies
5. Gather additional data to inform identified alternatives, including pilot testing and site visits
6. Perform detailed evaluation of liquid processes
7. Identify projects to meet project goals for inclusion into SVCW's Capital Improvement Program, under an overall Nutrient Program
8. Develop project sequencing and phasing plan for projects within the Nutrient Program.

Work will be performed on a time-and-expense basis with a negotiated not-to-exceed budget for these services of \$1,159,955.

Additionally, the Manager recommends that Kennedy/Jenks Consultants (KJ) perform as Program Manager for the Nutrient Program, which is anticipated to consist of several individual projects that will be identified from the STAR effort. These projects will need a large amount of coordination and support and having KJ's program manager onboard early at the start of STAR will enhance their effectiveness. KJ is the Program Manager for the RESCU program and has proven highly capable of providing excellent services. Staff have negotiated a scope of work and budget for KJ to provide programmatic support services and assist SVCW with the newly implemented Nutrient Watershed Permit reporting requirements. The not-to-exceed budget for these services is \$247,407.

#### CLIMATE EFFECTS

There are no anticipated direct effects to climate from this planning effort.

#### FINANCIAL IMPACT

The Project is funded under CIP#9402, which has an allocated budget of \$2.5 million. As of August 2024, \$6,036 has been expended and a budget of \$2.5 million remains.

#### RECOMMENDATION

- i. Move adoption of RESOLUTION APPROVING MASTER SERVICES AGREEMENT FOR PROFESSIONAL ENGINEERING SERVICES AND TASK ORDER SCOPE AND BUDGET FOR PLANNING SERVICES RELATED TO THE STRATEGIC TREATMENT ADVANCEMENT ROADMAP PROJECT (CIP #9402); IN AN AMOUNT NOT TO EXCEED \$1,159,955 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – HAZEN AND SAWYER
- ii. Move approval of TASK ORDER SCOPE AND BUDGET FOR NUTRIENT PROGRAM ADVISORY SUPPORT SERVICES RELATED TO THE STRATEGIC TREATMENT ADVANCEMENT ROADMAP PROJECT (CIP #9402) IN AN AMOUNT NOT TO EXCEED \$247,407 AND AUTHORIZE MANAGER TO APPROVE UP TO TEN PERCENT CONTINGENCY FOR ADDITIONAL WORK ON AN AS-NEEDED BASIS – KENNEDY/JENKS CONSULTANTS