



Long Range Financial Plan

Updated February 2025



Presented February 2025 by:

Matthew Anderson
Chief Financial Officer / Assistant Manager

Silicon Valley Clean Water
1400 Radio Road
Redwood City, CA 94065
manderson@svcw.org
(650) 832-6261

Silicon Valley Clean Water Commissioners

Commissioner

George Otte
Elmer Martinez Saballos
Tom McCune
Neil Layton

Title

Chair
Member
Member
Member

Member Agency

West Bay Sanitary District
City of Redwood City
City of Belmont
City of San Carlos

THIS PAGE INTENTIONALLY LEFT BLANK



Silicon Valley Clean Water Staff

Name

Teresa A. Herrera
Matthew Anderson
Kim Hackett
Danny Buenrostro
Arvind Akela
Cindy Hui
Kiki Newberry

Title

SVCW Manager
Assistant Manager & Chief Financial Officer
Authority Engineer
Chief Operating Officer
Engineering Director
Accounting Supervisor
Financial Analyst

THIS PAGE INTENTIONALLY LEFT BLANK

Table of Contents

SECTION 1 – EXECUTIVE SUMMARY AND INTRODUCTION	1
Purpose of Long-Term Financial Planning	5
Organizational and Business Structure	7
Governance and Management	7
Financial Oversight and Control.....	8
Comparative Residential Sewer Charges	8
Regulations and Permits	9
Financial Modeling.....	11
SECTION 2 – GUIDING DOCUMENTS AND PRINCIPLES.....	13
Audited Financial Reports.....	13
Operating Budgets	13
Expenditure Allocation.....	14
Cash Reserves Policy	18
Debt Policy	18
Investment Policy.....	19
SECTION 3 – MODELING ASSUMPTIONS.....	20
Debt Structure.....	20
Economic Factors	20
SECTION 4 – HISTORICAL FINANCIALS	27
Historical Cash Flow Requirements	27
<i>Total Cash Flow Requirements.....</i>	<i>27</i>
<i>Revenue-Funded Capital Expenditures</i>	<i>30</i>
SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS	31
Projected SVCW Operating Expenditures.....	32
Current Debt Service Structure / Annual Debt Service Payments.....	33
Stage 2 Capacity Reserve Funds	36
Cash-in-lieu of Debt	36
Pay-go Capital Contributions	36
New SRF Loans	37
New WIFIA Loans	37
New Revenue Bonds	37
Total Cash Flow Projections by Member Agency	38
SECTION 6 – SUMMARY	43

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 1 – EXECUTIVE SUMMARY AND INTRODUCTION

This Long-Range Financial Plan (LRFP; or the Plan) describes the anticipated cash flows required by Silicon Valley Clean Water (SVCW; or the Authority) over the next decade to provide wastewater services and fund critical construction for the communities it serves. This includes funding for operations and maintenance of wastewater facilities, revenue-funded capital projects, as well as Capital Improvement Program (CIP) program expenditures and associated debt service payments. It also describes contributions to cash reserves to fund future capital improvements. This Plan is meant to encourage discussion and support decision-making. It provides up-to-date financial information to Member Agencies (“Member Agencies”, as herein defined) as they measure the financial implications of decisions and communicate with internal and external stakeholders.

SVCW’s Wastewater Treatment Plant (WWTP) was placed in operation November 1981 and connected to an influent conveyance system and effluent disposal system built in 1969. Beginning in 2006, engineers determined a significant portion of assets exceeded their useful lives and needed replacement. SVCW thereafter initiated a CIP to assess assets’ condition and schedule upgrades in a structured way. The CIP has more recently incorporated state regulations that require the removal of nutrients from wastewater effluent.

This Plan incorporates the guidelines from the SVCW Joint Powers Agreement, the adopted Operating and Capital Budget from 2024-25, and relevant fiscal policies that influence cash flow requirements. It also recognizes the importance of growing the Authority’s cash reserves dedicated to future projects.

The LRFP is updated each year to determine the financial requirements relative to anticipated cash flows needed over the next decade. After incorporating CIP construction and expenditure schedules, the LRFP-recommended strategy is a roadmap for Members to adjust sewer rates and maintain credit ratings.

Compared to the January 2024 LRFP, this Plan considers three significant factors:

- **CIP Update:** SVCW regularly updates the cost estimates of remaining CIP projects by adjusting for project additions and deletions, changes in project scopes, and new construction cost information. The 2025 CIP Update, presented to the Commission in February 2025 as Agenda Item 8B, predicts that \$386 million will be needed for capital projects over the next decade. Updated information has been incorporated into this LRFP.
- **Construction Timing:** To ensure projects can both be constructed and managed in a reasonable timeframe, the Engineering Division considered regulatory requirements, gathered input from operating divisions, and measured the capacity of the organization to construct projects at a manageable pace. As a result, project expenditures were reallocated to later years of the next ten-year measurement period.

- **Financing Sources and Rates:** The LRF reflects the intent to secure low-cost sources of project funding. In the past this has included governmental loans from the U.S. Environmental Protection Agency (“U.S. EPA”) and the California State Water Resource Control Board (“SWRCB”). It also includes the issuance of wastewater revenue bonds.

As of July 01, 2024 the projected capital expenditures of \$386 million are already partially funded by \$123 million sourced from a combination of cash, grants, and previously executed debt proceeds. An additional \$263 million will be needed for the next ten years of capital projects; currently assumed to come from the following:

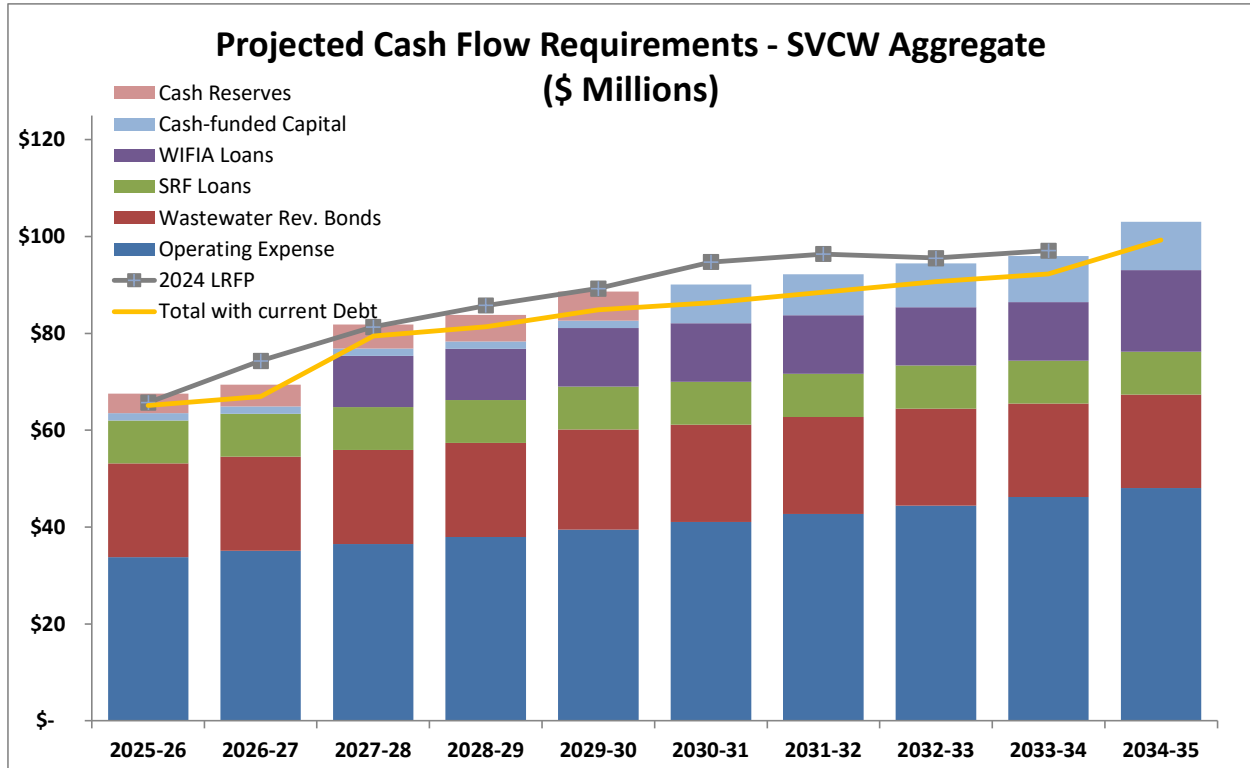
- 2025: One variable rate bond issuance of approximately \$66 million for general wastewater treatment plant projects.
- 2029: One fixed rate bond issuance of approximately \$25 million to complete wastewater treatment plant projects.
- After 2030, when the CIP Reserve is anticipated to reach a target balance of \$60 million, annual cash contributions would be redirected to projects. Between 2031 to 2035, a cumulative of \$75 million in cash would be available for projects.
- 2032: One \$73 million State Revolving Fund (“SRF”) Loan to rehabilitate an aging 33-inch force main. Debt service payments would commence one year after project completion.
- 2032: One \$24 million Water Infrastructure Innovation and Improvement Act (“WIFIA”) Loan to help fund nutrient removal process improvements. Debt service payments would commence four years after project completion.

Like many other wastewater treatment and conveyance facilities, SVCW infrastructure was originally funded by the 1972 Clean Water Act. As assets aged, the absence of a capital replacement fund at SVCW created a reliance on debt to fund the current CIP. The Authority now strives to obtain the lowest-cost financing available through a combination of Wastewater Revenue Bonds, low-cost Governmental Loans at federal and state levels, and cash reserves when available. Additionally, SVCW has taken steps to increase capital reserves to reduce its reliance on debt issuances for future capital projects.

In 2008, when SVCW initiated its infrastructure improvement program, Member Agencies enacted necessary sewer rates increases. Remaining rate adjustments are anticipated to be modest, as regular updates to the SVCW CIP and this LRF keep Member Agencies informed of the next decade’s cash flow requirements.

This LRF projects total cash flows required of SVCW Member Agencies over the next decade. Annual cash flow requirements in FY 2025-26 are estimated at \$65.7 million and are thereafter projected to reach \$103 million in ten years. The largest increase in expenditure over the next decade is for debt service payments, estimated to peak at \$45 million annually by fiscal year 2034-35. Other non-debt related expenditures are less impactful; the average annual increase in Operating Expense is approximately 4.0%, Cash Reserve contributions follow adopted policies,

and a certain amount of capital projects are recommended to be funded by cash contributions rather than issuance of new debt.



Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions)										
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating Expense	\$ 33.77	\$ 35.12	\$ 36.52	\$ 37.98	\$ 39.50	\$ 41.08	\$ 42.73	\$ 44.44	\$ 46.21	\$ 48.06
Wastewater Rev. Bonds	19.40	19.39	19.40	19.38	20.67	20.06	20.05	20.04	19.30	19.27
SRF Loans	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89
WIFIA Loans	-	-	10.57	10.57	12.08	12.08	12.08	12.08	12.08	16.84
Cash-funded Capital	1.50	1.50	1.50	1.50	1.50	8.00	8.50	9.00	9.50	10.00
Cash Reserves	4.00	4.50	5.00	5.50	6.00	-	-	-	-	-
TOTAL	\$ 67.56	\$ 69.40	\$ 81.88	\$ 83.82	\$ 88.64	\$ 90.11	\$ 92.25	\$ 94.44	\$ 95.98	\$ 103.07

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTION

Purpose of Long-Term Financial Planning

Member Agencies' sewer rates provide the underlying repayment security for all SVCW financing. As such, in 2008, SVCW developed a Five-Year Financial Plan (the "Financial Plan") to provide a financial roadmap for funding the CIP and ongoing operating costs. The Financial Plan was frequently updated and presented to the SVCW Commission (as hereinafter defined) to incorporate CIP budget figures. It provides a roadmap that Member Agencies follow when considering sewer rates.

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

SVCW will manage its finances and meet critical funding needs while recognizing Member Agencies' need to maintain reasonable wastewater rates. This LRFP will be enacted as SVCW and its Members adopt annual budgets, monitor financial performance, and incorporate Commission-directed actions. The LRFP is based upon financial planning models that include long-term forecasts of operating and capital expenditures. It includes reasonably conservative assumptions and attempts to account for uncertainties. It aims to generate adequate cash reserves for capital projects while maintaining good standing in the credit markets to provide ready access to cost-effective capital financing when needed. It evaluates the capital financing and debt service coverage policies to optimize cash funding of capital investments. Finally, it continues to evaluate cash reserve policies that must consider intergenerational equity with regards to funding capital projects and raising rates.

The LRFP includes a debt structure model to document recommended debt strategy, identify risks to that strategy, and offer mitigation steps available or alternative funding solutions. As part of the Plan a financial model (the Model) was created to assess financing alternatives for the CIP.

This LRFP is meant to stimulate discussions for decision making by providing up-to-date financial information. Member Agencies can incorporate this material to understand the financial impact of decisions, and to communicate those impacts to internal and external stakeholders. This long-term financial plan includes the following elements:

- **Time Horizon:** The plan looks ten years into the future.
- **Scope:** The plan considers all expenditures associated with the conveyance and treatment of wastewater received from Member Agencies. Expenditures include all SVCW operating costs, capital improvements, debt service, and cash reserve requirements.
- **Frequency:** This long-term plan is updated annually to aid Member Agencies with their own budgets and rate-setting processes.
- **Content:** The plan includes an analysis of the economic and financial environments, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and monitoring mechanisms such as a scorecard of key financial health indicators. Adherence with the financial plan and the ability to comply with the financial requirements of this Plan can be measured primarily through debt service coverage and the number of days cash on hand. SVCW can readily monitor these financial metrics through an annual review of the Member Agencies' respective audited financial statements.
- **Visibility:** The plan will inform Member Agencies about the long-term financial prospects of SVCW. Each year going forward, actual results will be compared to the LRFP by integrating it into future LRFPs.

SVCW Member Agency staff were involved in advance of Plan preparation to identify necessary tables, discuss assumptions, and review results. Member Agencies, via the Silicon Valley Clean Water Commission can now integrate the information provided into their own respective financial plans.

Organizational and Business Structure

SVCW was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan. SVCW took title to all property, capital and equipment of the Strategic Consolidation Sewerage Plan. SVCW maintains and operates sanitary sewerage pumping, transmission and outfall facilities that were originally constructed or otherwise owned by the Strategic Consolidation Sewerage Plan. SVCW provides wastewater transmission, treatment, and effluent disposal services for the surrounding communities including the Cities of Belmont, Redwood City, and San Carlos and for the West Bay Sanitary District (collectively, the Members Agencies). SVCW provides recycled water to the City of Redwood City.

SVCW is a Joint Exercise of Powers Authority (JPA) that provides wastewater transmission, treatment, recycled water, and effluent disposal services to its Member Agencies, all facilities of which (hereinafter referred to as Joint Facilities) are in the northern part of Silicon Valley between the cities of San Francisco and San Jose. SVCW's wastewater treatment plant is in the City of Redwood City. SVCW serves more than 225,000 people and businesses located predominantly in San Mateo County, California. SVCW operates in a strong Bay Area economy, with a customer base that includes large business customers such as Oracle Corporation, EA Sports, and Meta.

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

Governance and Management

The JPA is governed by a four-Member Commission consisting of one appointed person from each of the Member Agencies' governing bodies. There is a total of 100 votes, allocated as follows:

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

A vote of at least 75% is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, contracts, appropriations, or transfers of more than \$75,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a simple majority of the votes. In addition, any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the Member Agencies' governing bodies.

Financial Oversight and Control

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the CIP and the LRFP. The Budget reflects a progressive approach to fund wastewater operations while controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that provide the long-term resources needed for the community.

SVCW has no taxing power. SVCW receives nearly all funding, other than interest earnings and other miscellaneous revenues, from payments made by the Member Agencies for operations, capital improvements, debt service, and cash reserves.

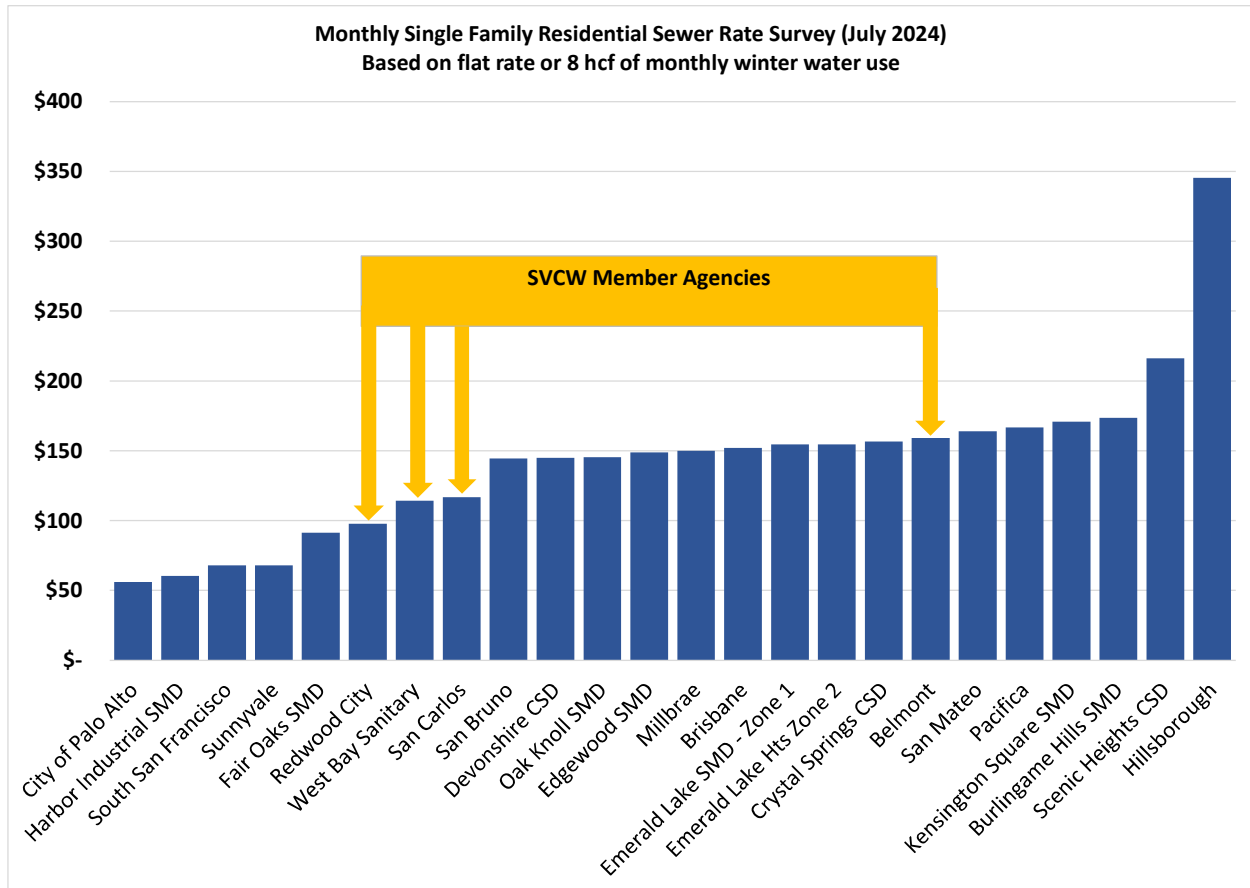
Comparative Residential Sewer Charges

Member Agencies have adopted necessary rate increases to provide revenues necessary to fund their share of the Authority’s operating and capital program expenditures. The below tables show Members’ increases in single family residential monthly sewer rates over the past decade.

Residential Sewer Rates by Member Agency Based on 8 HCF of flow										
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Belmont	\$ 88.13	\$ 99.47	\$ 105.35	\$ 116.14	\$ 121.28	\$ 128.37	\$ 135.83	\$ 143.91	\$ 151.31	\$ 159.14
Redwood City	\$74.95	\$75.11	\$76.68	\$78.24	\$81.76	\$ 81.76	\$ 89.28	\$ 89.28	\$ 89.28	\$ 97.74
San Carlos	\$88.82	\$88.82	\$93.26	\$97.93	\$102.32	\$ 102.33	\$ 111.74	\$ 116.77	\$ 116.77	\$ 116.77
West Bay SD	\$81.08	\$85.92	\$89.33	\$93.83	\$98.08	\$ 102.00	\$ 104.58	\$ 106.67	\$ 108.83	\$ 114.25

Residential Sewer Rate Year-over-Year % Increase, by Member Agency										
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Belmont	0.0%	12.9%	5.9%	10.2%	4.4%	5.8%	5.8%	6.0%	5.1%	5.2%
Redwood City	9.0%	0.2%	2.1%	2.0%	4.5%	0.0%	9.2%	0.0%	0.0%	9.5%
San Carlos	10.0%	0.0%	5.0%	5.0%	4.5%	0.0%	9.2%	4.5%	0.0%	0.0%
West Bay SD	8.9%	6.0%	4.0%	5.0%	4.5%	4.0%	2.5%	2.0%	2.0%	5.0%

Despite these increases, Member Agencies' rates remain in the low to middle range of sewer rates found throughout San Mateo County:



Regulations and Permits

The federal Clean Water Act requires that all municipal, industrial, and commercial facilities that discharge wastewater or stormwater directly from a point source into a water of the United States (such as a lake, river, bay, or ocean) must obtain a National Pollutant Discharge Elimination System (“NPDES”) permit. All permits are written to ensure the receiving waters will achieve certain water quality standards.

The federal government delegates the NPDES Program to the State of California for implementation through the State Water Resources Control Board and its nine Regional Water Quality Control Boards, collectively Water Boards. It is the responsibility of the Water Boards to preserve and enhance the quality of the state's waters through the development of water quality control plans and the issuance of NPDES Permits.

SVCW currently operates under a five-year NPDES permit that is valid through 2028. As an active Member in the Bay Area Clean Water Agencies (“BACWA”), a consortium of publicly owned

treatment works Agencies that operate within the nine-county San Francisco Bay Area, SVCW prepares for future NPDES permit requirements. BACWA is central since some requirements imposed may be efficiently fulfilled as a group. Through BACWA, SVCW meets provisions related to overall receiving water quality monitoring, Total Maximum Daily Load and Site Specific-Objective Support, Mercury Special Studies, Copper Action Plans, and Cyanide Action Plans.

Regulatory requirements of the NPDES program occasionally change in response to scientific and environmental conditions. The Regional Water Quality Control Board (RWQCB) recently recognized that municipal wastewater treatment plants contribute nutrients (Nitrogen and Phosphorus) to San Francisco Bay and is of the opinion that these nutrients, particularly nitrogen, pose a potential threat to San Francisco Bay beneficial uses. The RWQCB has chosen to regulate nitrogen discharge from wastewater treatment plants by issuing a series of watershed permits. The first watershed permit established in 2014 allowed for a regional approach to monitoring nutrients and developing a pathway to limit the nutrients in treatment plant effluents should 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 current 3rd watershed permit came into effect in July 2024.

In the summers of 2022 and 2023, harmful algal blooms in the San Francisco Bay resulted in a large quantity of fish killed. 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. Within the 3rd watershed permit update issued in July 2024, the RWQCB has included significant reductions of effluent discharge nitrogen loading with required implementation by 2034. For SVCW, the effluent discharge permit is limited to 3,000 kilogram/day (kg/d) total inorganic nitrogen (TIN) in the short-term (effective immediately) and 880 kg/d in the long-term (effective 2034). SVCW's current Nitrogen discharge is approximately 2,400 kg/d which will go up with organic waste receiving and population growth.

In preparation for the new limits to nitrogen discharge, staff had identified that the most cost-effective first-step approach to reduce nutrients in its effluent is to implement a sidestream treatment project. The project will 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, comprising approximately 15% of total nitrogen (TN) load to the plant. Reduction of this amount would enable SVCW to reliably meet the 2024 Watershed Permit short-term effluent requirements of 3,000 kg/d.

To fully meet the 2034 watershed long-term permit requirements, SVCW will need to implement a mainstream nutrient removal process. It is the intention that the sidestream and mainstream removal technologies will complement each other. Mainstream nutrient removal processes are being investigated as part of the Strategic Treatment Advancement Roadmap Project.

Financial Modeling

The CIP estimates approximately \$386 million of capital expenditure remains to be funded over the next ten fiscal years. This Financial Plan documents the funding strategy, risks to this strategy, and anticipated mitigation and/or alternative funding solutions available. Prior to issuing debt SVCW updates a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service to its, and the Member Agencies', financial condition. To that end, SVCW maintains a quantitative model that includes, but is not limited to, the following:

- Historic and projected cash flows, including capital expenditures and operating costs;
- Historic and projected cash reserve contributions, including the Operating Fund, the CIP Fund, Revenue-funded Capital Fund, and Debt Service Reserve Fund, if any;
- Historic and projected debt service coverage;
- The most efficient mix of funding sources (debt and cash);
- The most efficient form of debt (government-subsidized loans, capital market offerings, or private loans) and structures;
- Projected revenue requirements; and
- Revenue sources, including miscellaneous revenues and grants.

The Plan incorporates these factors to develop an all-inclusive projection of future cash flow requirements. As part of the Plan, the Financial Model was created to generate and assess multiple debt-based financing alternatives for the CIP. Several scenarios were analyzed to reach the recommended plan, including the extent to which funds would be sourced from Wastewater Revenue Bonds versus Governmental Loans. Further analysis and results are described in Sections 2 and 3 of this Plan.

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 2 – GUIDING DOCUMENTS AND PRINCIPLES

Audited Financial Reports

SVCW financial statements are maintained in accordance with all state and federal laws, Generally Accepted Accounting Principles, and standards of the Government Accounting Standards Board. This means revenues and expenses are recognized on a full accrual basis, where revenues are recognized in the period earned and expenses are recognized in the period incurred.

An annual audit is performed by an independent public accounting firm, with an unqualified opinion that SVCW financial statements are presented fairly in all material respects.

Operating Budgets

Each year, the adopted Budget establishes the funding requirements for Member Agencies. It includes all operating costs, revenue-funded capital needs, debt service payments, and cash reserves requirements. A full overview of all expenditures facilitates discussion of anticipated changes. After the fiscal year-end closes, annual payments made by each SVCW Member Agency are reconciled against the actual expenditures allocated to each SVCW Member Agency and any differences are applied toward funding reserves held by SVCW.

The Budget is constructed consistent with goals established by the Commission to support operational priorities and the CIP. The Budget reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risk, and investing in activities that provide the long-term resources needed for the community.

Used as a baseline for this study, the 2024-25 Budget was \$76.95 million. This includes \$32.5 million in operating expenditures, \$1.5 million for revenue-funded capital projects, additional cash reserve contributions of \$3.5 million, debt service payments estimated at \$25.9 million, and a \$13.6 million cash contributions to fund projects rather than issuing new debt during the year.

2024-25 Budget - Total Contributions by Member Agency					
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL
Net Operating Expenditures	\$ 3,032,567	\$ 18,907,491	\$ 3,929,463	\$ 6,598,857	\$ 32,468,378
Revenue-Funded Capital Expenditures	141,716	728,373	227,045	402,502	1,499,635
Reserve Contributions	330,750	1,699,950	529,900	939,400	3,500,000
Cash in lieu of Debt Contributions	1,287,346	6,616,548	2,062,478	3,656,334	13,622,706
Projected Debt Service	840,053	13,724,978	4,334,817	6,963,243	25,863,091
Total Contributions to SVCW	\$ 5,632,430	\$ 41,677,340	\$ 11,083,702	\$ 18,560,337	\$ 76,953,810

Expenditure Allocation

SVCW annual operating and maintenance costs are allocated according to the Joint Powers Agreement. Specifically, administrative, safety, and conveyance operating costs are allocated based on each Member Agency’s proportionate share of total flow contributed to the Joint Facilities. Treatment plant operation and maintenance costs are allocated according to each Member Agency’s proportionate contribution of hydraulic flow (“Flow”), Biochemical Oxygen Demand (“BOD”) and Suspended Solids (“SS”) to the Joint Facilities. The total annual treatment plant maintenance and operation costs are allocated as 26.5% to Flow, 33.5% to Biochemical Oxygen Demand and 40.0% to Suspended Solids. Specific Pump Station maintenance and operation costs are tracked as actual costs by coding to each pump station and borne by the Member Agency served by that specific pump station. However, maintenance and operation costs of the booster station are split on a percentage basis between West Bay Sanitary District and Redwood City at 92% and 8%, respectively.

Accordingly, the 2024-25 Operating Budget allocated costs as follows:

2024-25 Budget Member Contributions Allocation Model								
Description				Belmont	Redwood City	San Carlos	West Bay San District	TOTAL
Allocation Factors								
Flow				10.52%	53.91%	14.40%	21.17%	100%
Biochemical Oxygen Demand (BOD)				9.15%	58.76%	11.33%	20.76%	100%
Suspended Solids (SS)				8.19%	62.59%	10.20%	19.02%	100%
	Weightings							
	Flow	BOD	SS					
Operating Expenditures								
Operations	26.5%	33.5%	40.0%	\$ 1,248,313	\$ 8,068,628	\$ 1,598,711	\$ 2,758,423	\$ 13,674,076
Maintenance	26.5%	33.5%	40.0%	619,018	4,001,098	792,774	1,367,856	6,780,746
Laboratory	26.5%	33.5%	40.0%	212,712	1,374,889	272,419	470,034	2,330,054
Environmental Services	26.5%	33.5%	40.0%	109,638	708,659	140,413	242,270	1,200,980
Engineering	26.5%	33.5%	40.0%	209,593	1,354,731	268,425	463,142	2,295,891
Safety	100.0%	0.0%	0.0%	51,133	262,030	69,991	102,897	486,051
Information Services	26.5%	33.5%	40.0%	198,420	1,282,510	254,116	438,452	2,173,498
Administrative Services	100.0%	0.0%	0.0%	467,036	2,393,339	639,289	939,844	4,439,508
Total Operating Expend.				\$ 3,115,862	\$ 19,445,884	\$ 4,036,140	\$ 6,782,918	\$ 33,380,803
Subtract Miscellaneous Income	26.5%	33.5%	40.0%	\$ 83,296	\$ 538,393	\$ 106,677	\$ 184,060	\$ 912,425
2024-25 Net Operating Revenue Required				\$ 3,032,567	\$ 18,907,491	\$ 3,929,463	\$ 6,598,857	\$ 32,468,378
2023-24 Net Operating Revenue Required				\$ 3,270,530	\$ 17,987,813	\$ 3,636,433	\$ 6,117,645	\$ 31,012,421
\$ Increase / (Decrease)				\$ (237,963)	\$ 919,678	\$ 293,030	\$ 481,212	\$ 1,455,957
% Increase / (Decrease)				(7.28%)	5.11%	8.06%	7.87%	4.69%

Capital costs are distributed based on each Member Agency’s percentage of its capacity rights as defined in the Joint Powers Agreement:

<u>Belmont</u>	<u>San Carlos</u>	<u>Redwood City</u>	<u>West Bay SD</u>
9.45%	15.14%	48.57%	26.84%

Unrelated to the number of votes originally ascribed to Member Agencies in the Joint Powers Agreement, the above capital cost distributions are derived from each Member Agency’s share of maximum capacity rights of the originally built facilities (“Stage 1” capacity) plus its share of capacity-related projects (“Stage 2”), based on average dry weather flows.

Capital costs associated with the Joint Facilities include improvements resulting from reconstruction, replacement, rehabilitation, remodeling, or relocation. This includes all costs meeting the definition of a capital expense as defined in SVCW’s Capital Expense Policy.

2024-25 Capital and Reserve Allocation Calculations						
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL	
Capital and Reserve Allocation Factors	9.45%	48.57%	15.14%	26.84%	100.00%	
CAPITAL IMPROVEMENT						
Treatment Plant	\$ 39,183	\$ 201,388	\$ 62,776	\$ 111,288	\$ 414,635	
Equipment	102,533	526,985	164,269	291,214	1,085,000	
Subtotal	\$ 141,716	\$ 728,373	\$ 227,045	\$ 402,502	\$ 1,499,635	
RESERVE CONTRIBUTIONS						
Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	
CIP Reserve	330,750	1,699,950	529,900	939,400	3,500,000	
Subtotal	\$ 330,750	\$ 1,699,950	\$ 529,900	\$ 939,400	\$ 3,500,000	
Contributions for Capital & Reserves	\$ 472,466	\$ 2,428,323	\$ 756,945	\$ 1,341,902	\$ 4,999,635	

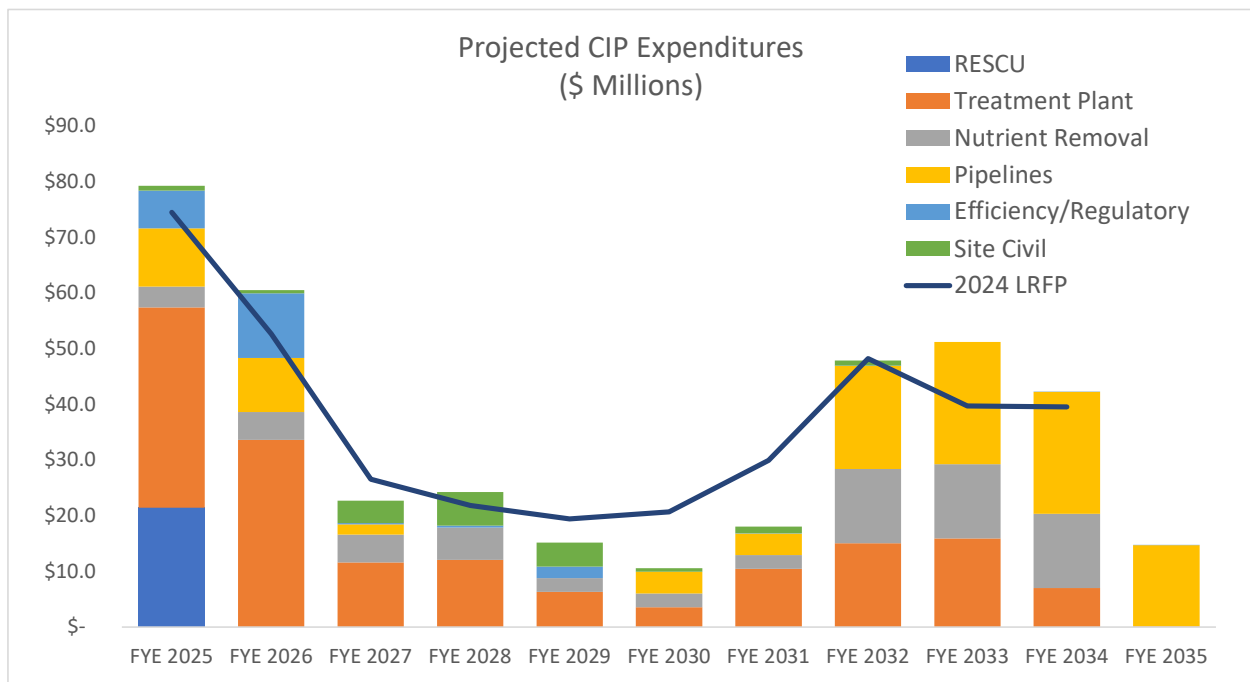
Capital Improvement Program (“CIP”)

Over the past 16 years, SVCW has rebuilt, rehabilitated, and updated much of its wastewater conveyance and treatment facilities. The CIP was originally implemented in 2008 to address near-term and long-term capital replacement needs and, going forward, the Engineering Division periodically updates the CIP to ensure SVCW can address known Joint Facility deficiencies. This includes rehabilitation and replacement of existing infrastructure and equipment; improvements to treatment processes and conveyance systems to enhance reliability; process upgrades to meet regulatory changes; automation designed to improve operational efficiency and reliability (thereby reducing future operating and maintenance expenses); and additional energy management solutions.

Charges made to the CIP include all capitalized components of projects and include planning, design, engineering, construction, and construction management. Project costs also include certain administrative expenditures like insurance, legal, and engineering labor directly associated with projects.

Forecasted CIP Expenditures

Concurrent with this LRF update, the CIP continues to be updated. It currently identifies remaining expenditures of approximately \$386 million to be funded over ten years. Over the next two years RESCU will be complete, Fixed Film Reactors rehabilitated, and Primary Effluent Pumps will be replaced. The latter years on this table contain nutrient removal and large forcemain pipe replacement.



Capital Expenditure Projections through Fiscal Year Ended 2035 (\$ Millions)												
Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	Total
RESCU	\$21.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21.4
Treatment Plant	35.9	33.6	11.6	12.1	6.3	3.5	10.4	15.1	15.9	7.0	0.1	151.5
Nutrient Removal	3.8	5.0	5.0	5.8	2.5	2.5	2.5	13.3	13.3	13.3	-	67.1
Pipelines	10.5	9.7	1.8	-	-	3.9	3.9	18.5	21.9	21.9	14.6	106.6
Efficiency/Regulatory	6.8	11.6	0.3	0.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0	21.2
Site Civil	0.9	0.6	4.0	6.1	4.3	0.6	1.2	0.9	-	-	-	18.7
TOTAL	\$79.2	\$60.5	\$22.7	\$24.3	\$15.1	\$10.6	\$18.0	\$47.8	\$51.2	\$42.2	\$14.7	\$386.4

Capital expenditures are allocated to Members per the Joint Powers Authority Agreement, as displayed in the following projection:

SVCW Remaining Capital Expenditures - By Fiscal Year End and Member Allocation													
Member Entity	JPA %	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	Total
Redwood City	48.57%	\$38.5	\$29.4	\$11.0	\$11.8	\$ 7.4	\$ 5.1	\$ 8.8	\$23.2	\$24.8	\$20.5	\$ 7.2	\$187.7
West Bay SD	26.84%	21.3	16.2	6.1	6.5	4.1	2.8	4.8	12.8	13.7	11.3	4.0	103.7
San Carlos	15.14%	12.0	9.2	3.4	3.7	2.3	1.6	2.7	7.2	7.7	6.4	2.2	58.5
Belmont	9.45%	7.5	5.7	2.1	2.3	1.4	1.0	1.7	4.5	4.8	4.0	1.4	36.5
TOTAL	100.00%	\$79.2	\$60.5	\$22.7	\$24.3	\$15.1	\$10.6	\$18.0	\$47.8	\$51.2	\$42.2	\$14.7	\$386.4

Cash Reserves Policy

Since 2013 the SVCW Commission has maintained a cash reserves policy to protect the Authority's fiscal solvency and prepare for future long-term capital needs. The policy describes the goals and amounts intended to be held in reserves. Each year during the budget process, SVCW reviews reserve balances and adjusts as needed. SVCW cash reserves are also meant to mitigate the negative impact of revenue shortfalls, fund unforeseen expense requirements, and help stabilize rates for Member Agencies.

- The Operating Reserve must be maintained at a minimum balance of 10% of approved Operating Budget expenses, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. As of December 31, 2024, the market value of securities held in this reserve was \$4.47 million.
- The objective of the CIP Reserve Fund is to accrue funds towards replacement of capital assets when their useful life is reached, and other funding sources may not be immediately available. This fund will provide for unanticipated capital expenditures and, when its target value is reached, steer funding to pay-as-you go projects. Per policy, a minimum of \$3.0 million was added to the CIP Reserve Fund in fiscal year 2023-24. This amount increases by \$500 thousand annually each year, until the reserve balance reaches an inflation-adjusted \$50 million in 2019 dollars. As of December 31, 2024, the CIP Reserve was valued at \$27.95 million and is projected to reach its target value by 2030.
- The Stage 2 Capacity Reserve is utilized to pay for capital projects that either increase or maintain SVCW's treatment capacity. Funding is received after Members collect fees associated with new sewer connections. SVCW uses this reserve to fund capacity-related construction approved by the SVCW Commission. As of December 31, 2024, the market value of securities in this reserve was \$8.37 million.

Debt Policy

SVCW adopted a debt management policy in 2017, which was most recently amended in October 2022. The policy considers intergenerational equity between residents, strives to achieve the lowest possible cost of capital, and mitigates market and credit risk. Appropriately structured, the debt policy attempts to assign capital costs between current ratepayers and future generations.

Significant capital acquisitions can be funded through traditional bonds or alternative financing mechanisms such as government loans (e.g. SRF and WIFIA) and/or public/private partnerships.

Long term financings are structured to minimize transaction-specific risk and total debt portfolio risk to SVCW and its Member Agencies.

SVCW debt must comply with all laws, legal agreements, contracts, best practices, and adopted policies related to debt issuance and management, including disseminating, in a timely manner, disclosure information concerning SVCW's and SVCW's Member Agencies' financial condition. It must also follow sound procurement practices to avoid conflicts of interest.

SVCW debt requires cooperation and coordination with all stakeholders in the financing and delivery of services by maintaining cost-effective access to capital markets through prudent debt management. This includes integrating debt policies with the operating and capital budgets, the multi-year CIP, the Long-Range Financial Plan, and other financial goals. SVCW also maintains good investor relationships through the timely dissemination of material financial information to maintain the highest practical credit rating and ensure efficient access to capital markets.

Long-term debt financing is not used to fund operating costs or operating deficits of SVCW. The principal types of municipal debt instruments employed by SVCW to finance long-term capital projects are government subsidized loans, WIFIA and SRF Loans, and Wastewater Revenue Bonds. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

Short-term debt has terms to maturity of less than five years and may be issued to provide financing for the acquisition and/or construction of long-lived capital projects that could otherwise be funded by long-term debt financing described above. This includes commercial paper notes that are issued to provide interim project financing, Bond Anticipation Notes which may have a final maturity of not more than five years and are issued in anticipation of the issuance of wastewater revenue bonds, and a short-term line of credit not to exceed five years.

Investment Policy

SVCW has an adopted policy to invest monies not required for immediate expenditure. The policy is reviewed annually and establishes a standard of care to ensure investments are made with the appropriate considerations of capital safety, liquidity, and yield. The investment portfolio is diversified such that losses, if any, on specific securities are offset by the revenue generated from other investments. The portfolio is also kept sufficiently liquid to meet the operating and capital needs of SVCW. Within these two constraints, as well as in accordance with California Government Code Section 53601 through 53686, the investment portfolio is designed to attain the market rate of return after consideration is given to safety and liquidity.

SECTION 3 – MODELING ASSUMPTIONS

SVCW has developed a Debt Model (the Model) to project debt service costs associated with the Capital Improvement Plan. As approximately \$438 million of capital projects is to be funded over the next decade, the Model measured alternative funding scenarios that compared debt service costs at aggregate and across Member Agency levels. The Model also optimized variables by considering the impact of using cash, longer repayment terms, caps on debt service levels, deferred repayment, and changes in interest rate assumptions.

The Model displays total aggregate debt service, maximum aggregate annual cost, average annual debt service cost, weighted average cost of capital and weighted average CIP repayment year, among a few other debt summary outputs. Additionally, the Model illustrates the height and length of the debt service “plateau”, a critical consideration for Members’ sewer rates. Finally, the Model also compares efficiency versus affordability of financing the debt by determining the length of each repayment period and financing rates.

Debt Structure

Using the Model, SVCW staff generated and compared multiple funding scenarios that pay for remaining CIP expenditures and weigh interest rates and average annual cash flows. The Model’s flexibility allows for multiple assumptions including interest rates, the timing and structure of government loan or bond repayments, and the mix of financing methods such as government loans, wastewater revenue bonds, or cash contributions.

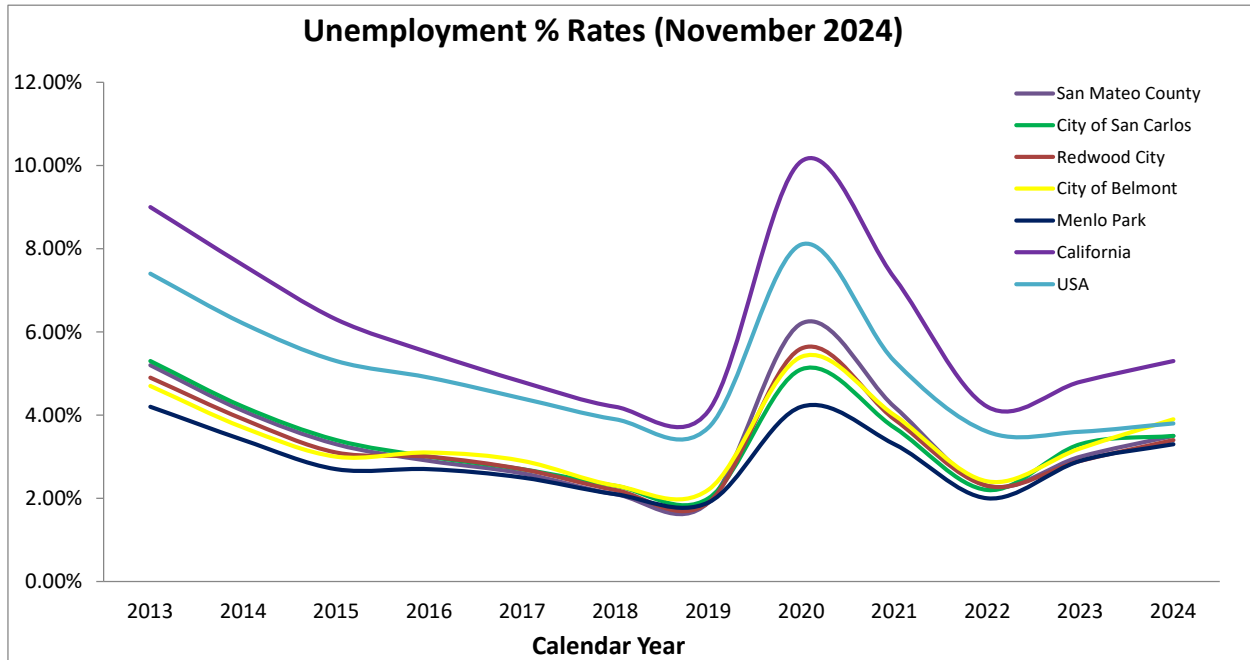
SRF and WIFIA were pursued for their attractive low interest rates and flexible repayment structures. Structurally like revenue bonds, the Authority’s SRF loans are amortized over 30 years at interest rates equal to half the California General Obligation Bonds rate. WIFIA loans amortize over 35 years at a rate equal to Treasury rates plus one basis point, and repayment may be further deferred beyond completion of construction; SVCW chose to begin repayment four years after construction is complete.

Economic Factors

Sewer revenues are somewhat influenced by the strength of the economy and other financial indicators. SVCW-estimated operating costs and the timing of CIP expenditures assume neither a significant downturn nor expansion in the San Francisco Bay Area economy. General economic conditions are comprised of many different factors; but sewer revenues are likely influenced by only a few factors. This report therefore focuses on six different broad factors that are good indicators of a strong economic environment: unemployment, assessed property valuation, taxable sales, income (measured by effective buying income and median household income), and interest rates.

Unemployment

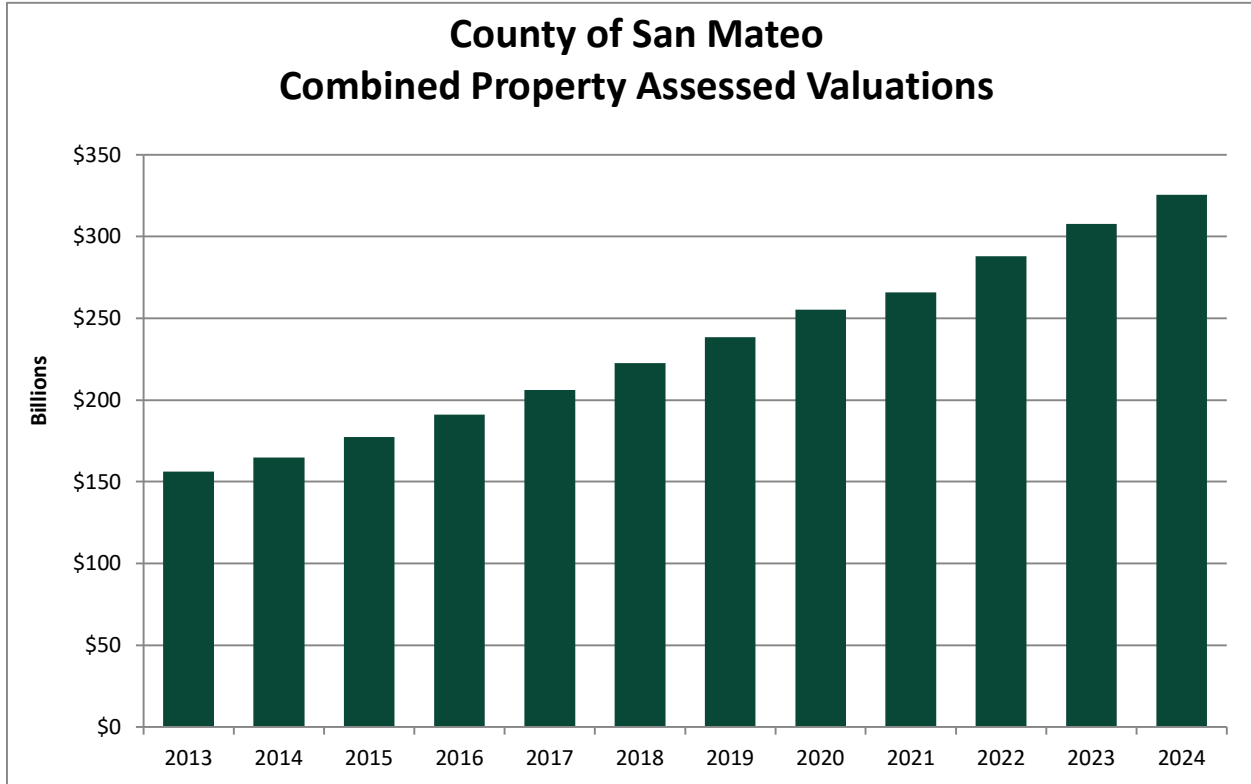
The Bay Area economy was not immune to the negative impacts of the COVID-19 pandemic. Recent data from the United States Bureau of Labor Statistics shows how unemployment rates for San Mateo County and SVCW Member Agencies remain low, though have risen to a combined average of 3.5% over the past year. Local unemployment remains well below statewide California and nationwide U.S. rates.



Source: United States Bureau of Labor Statistics

County Assessed Valuations

San Mateo County had approximately \$307.8 billion in total assessed 2023 real property valuation, an increase of \$17.7 billion (or 5.75%) from the previous year.

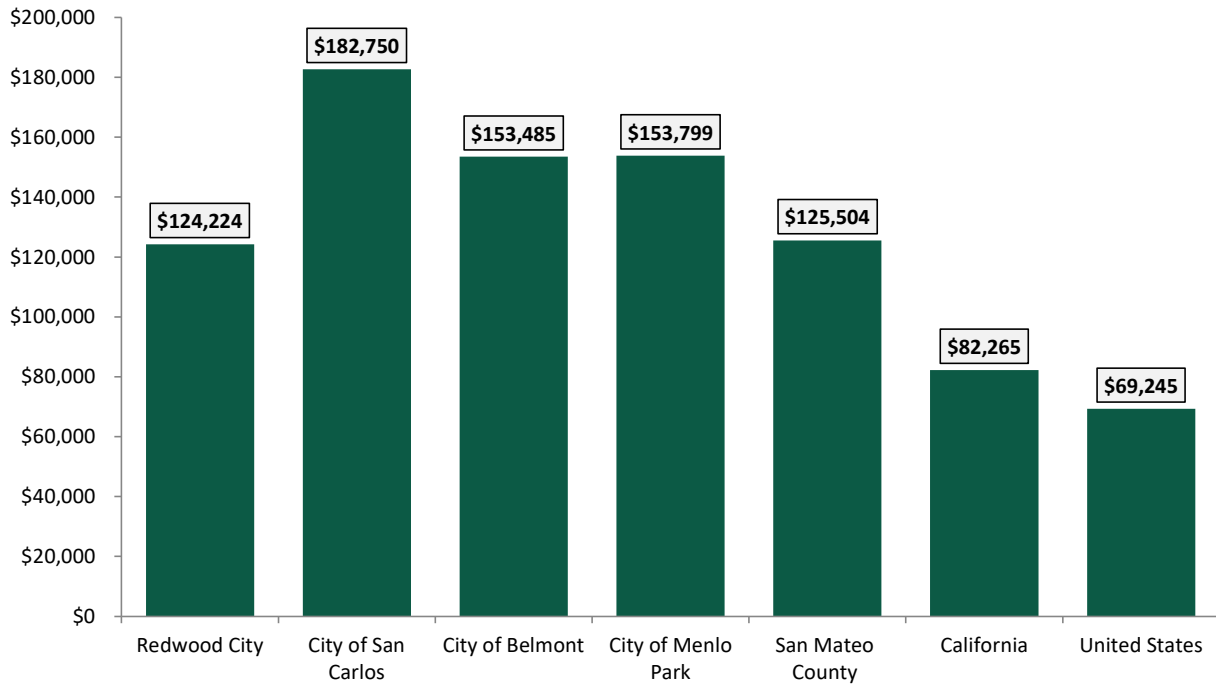


Source: San Mateo County Assessor's Office

Median Effective Buying Income

The Communities served by SVCW show high effective buying income levels in comparison to National and State medians. The Effective Buying Income is the amount of a consumer's disposable income; it reflects the money consumers retain after taxes. The following chart shows that SVCW communities have Effective Buying Incomes of \$125 thousand to \$182 thousand, which is 179% to 264% of the National levels, and 151% to 222% of California levels.

2025 Median Effective Buying Income

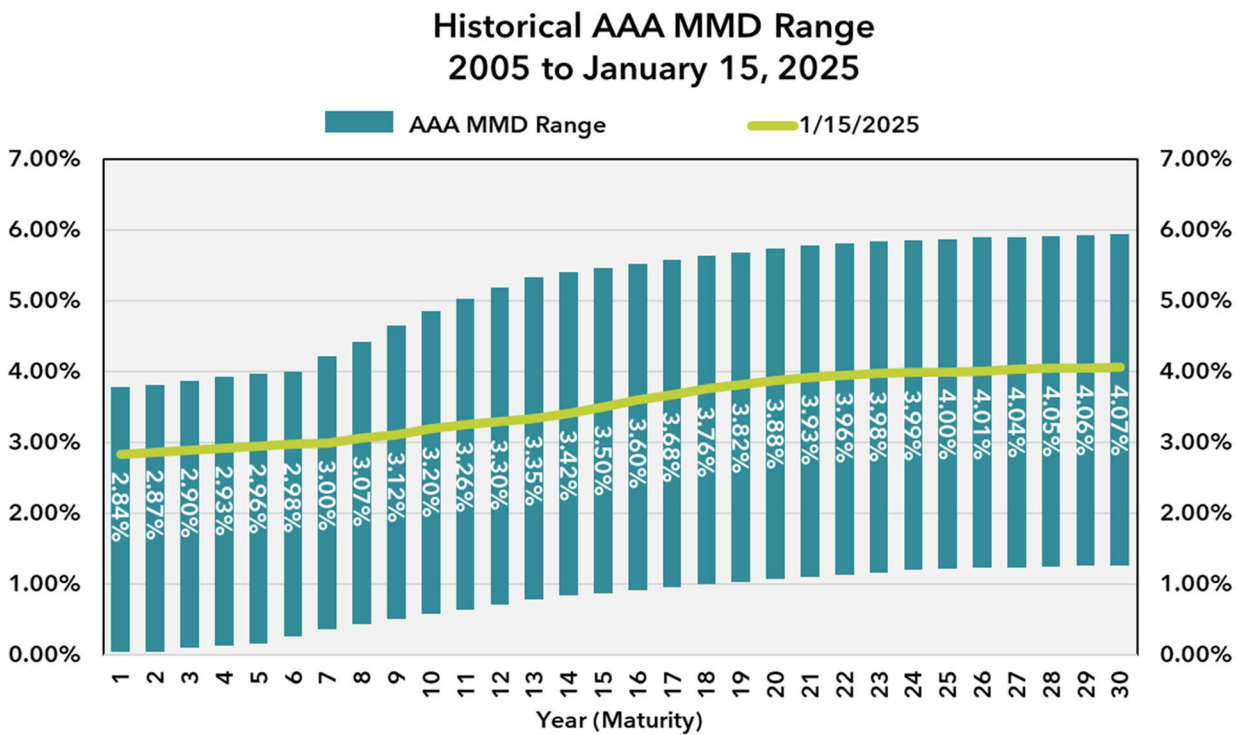


Source: Claritas Spotlight

Interest Rates

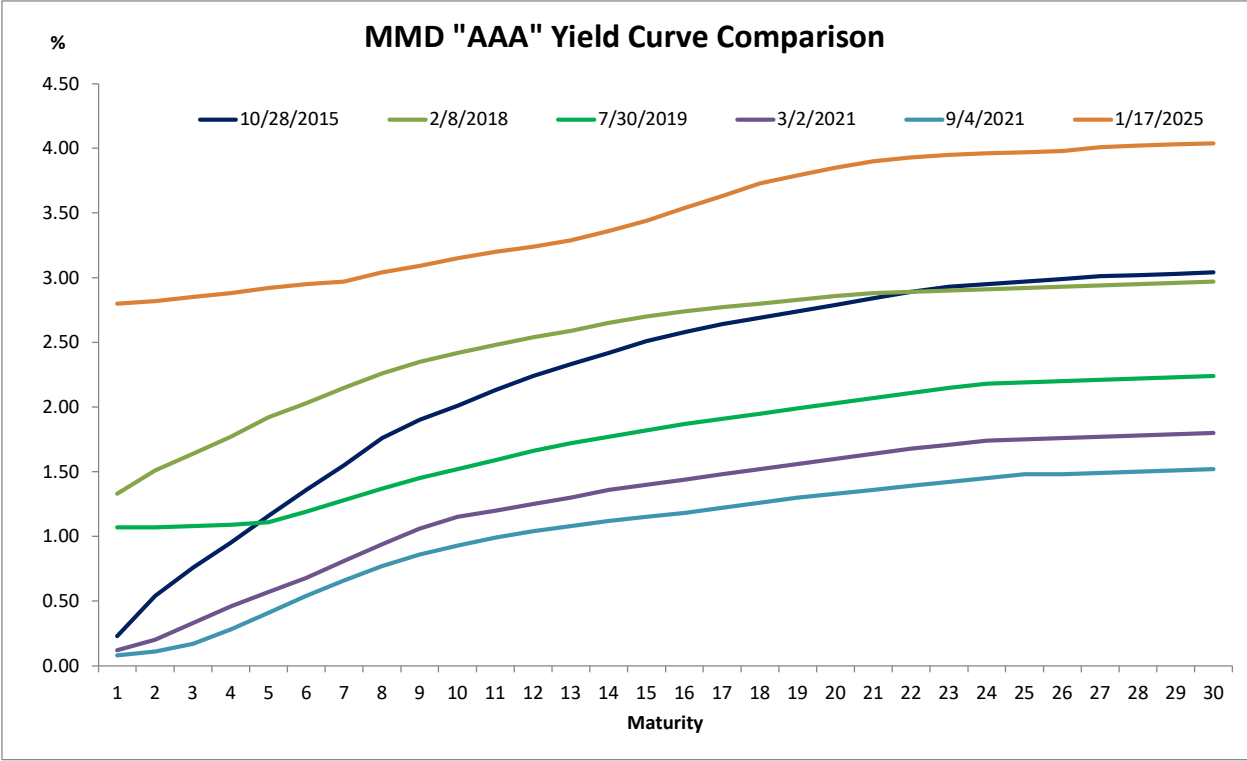
Based upon market conditions, the financing options use projected interest rates that will vary depending on the type of debt or whether it is fixed or variable.

The chart below compares the current “AAA” Municipal Market Data (MMD) yield curve (the benchmark curve for tax-exempt obligations) to the last twenty years of historical data. As of January 15, 2025, the current “AAA” yield curve is within the high and low ranges of yields since 2005 while the short end of the yield curve has risen in comparison to historical performance. On January 29, 2025, the Federal Reserve held the target range for the federal funds rate at 4.25% - 4.50% following recent indicators that unemployment rates have stabilized, and labor market conditions remain solid, while inflation remains somewhat elevated.



Source: Refinitiv TM3

The table below compares the “AAA” MMD curve as of January 17th to the market conditions during the Authority’s previous debt issuances. For example, in 2021 SVCW was positioned to take advantage of historically low interest rates. While today’s yields are comparatively elevated, they has not reached the highs experienced over the past twenty years of historical performance.



Source: Thomson Municipal Market Monitor

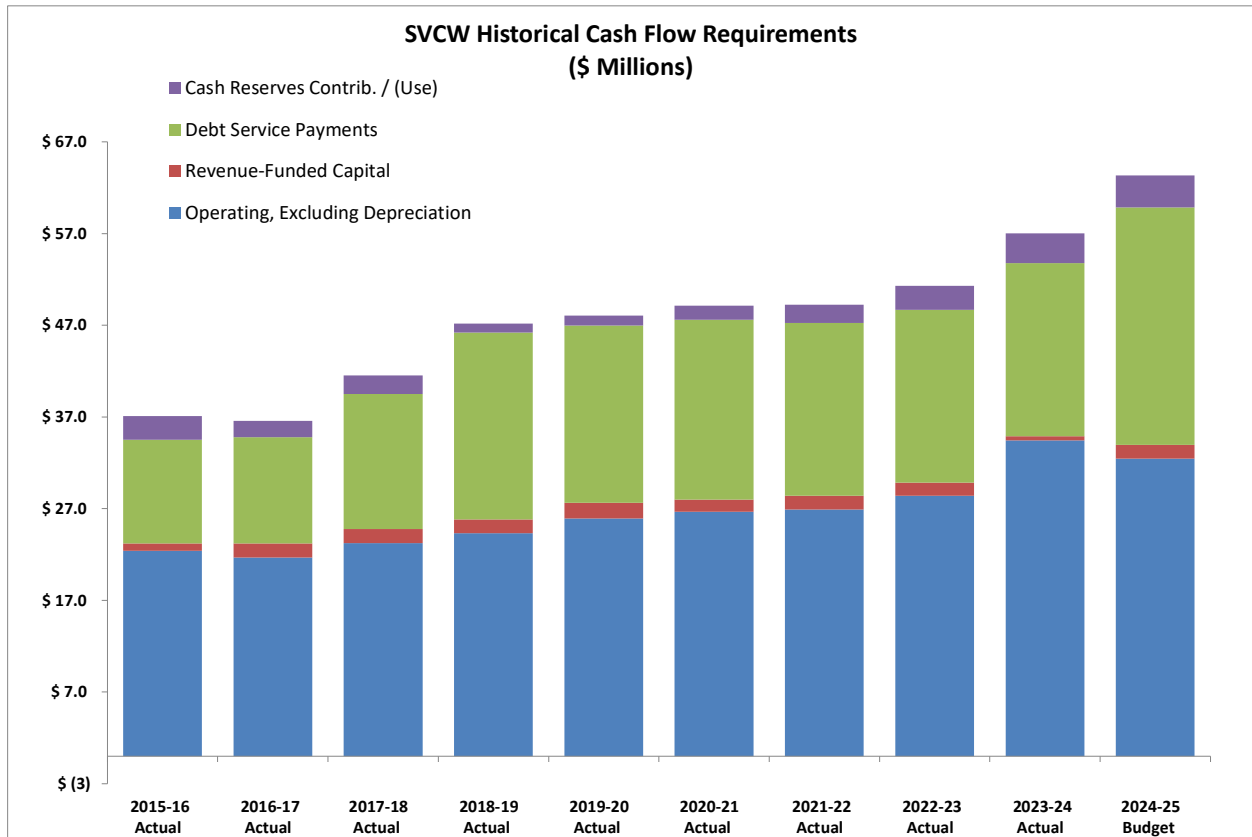
THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 4 – HISTORICAL FINANCIALS

Historical Cash Flow Requirements

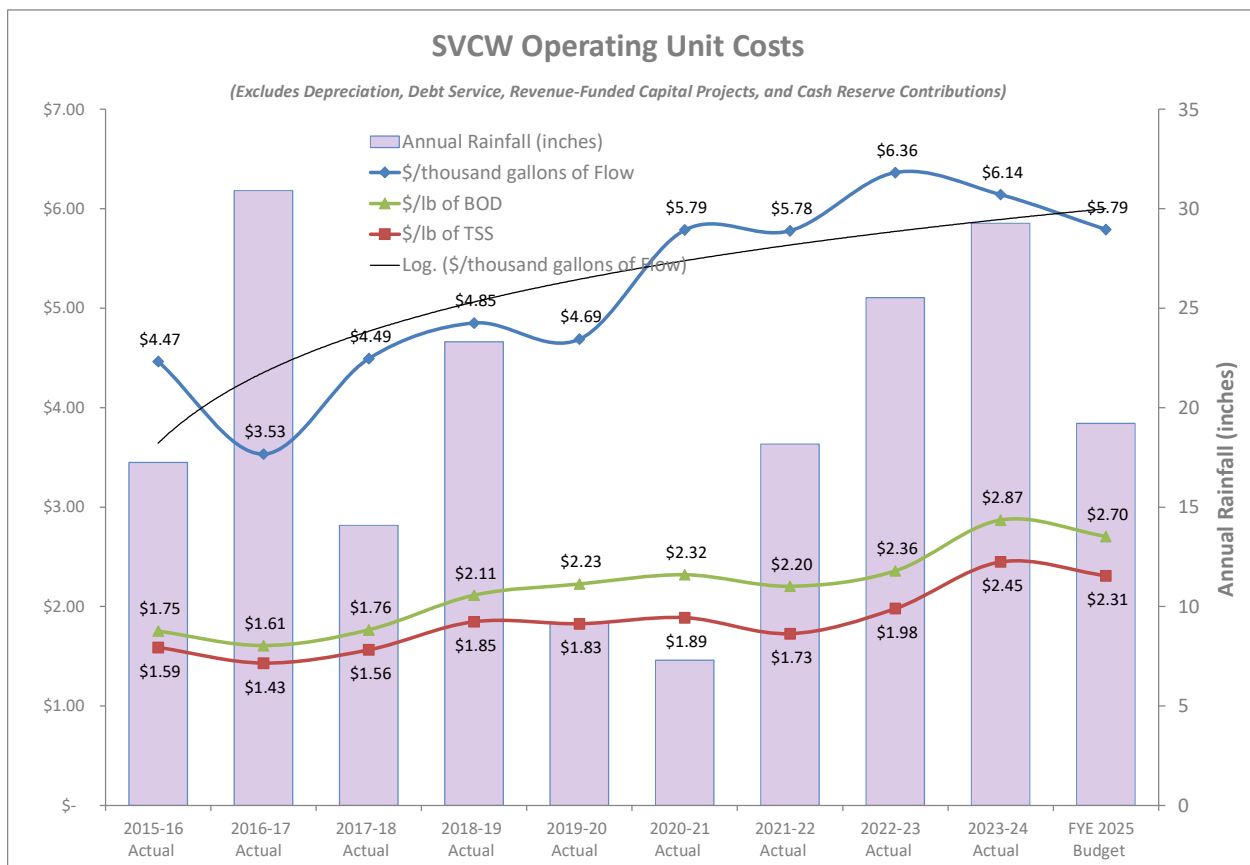
Total Cash Flow Requirements

SVCW annual cash flow requirements from Members have particularly risen over the past two years, mostly the result of increased debt service payments that financed the CIP.

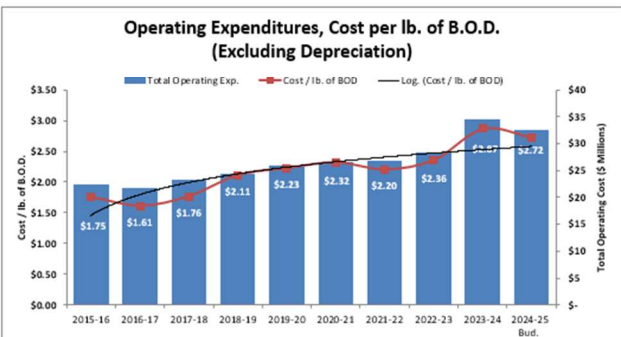
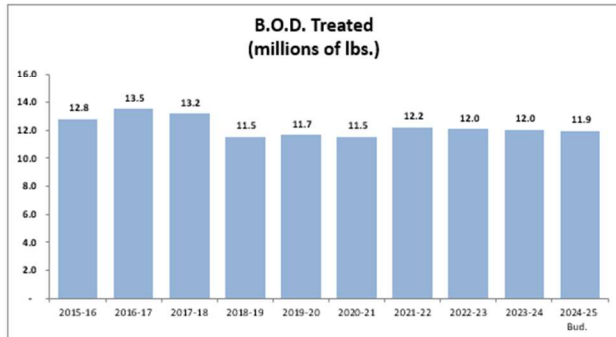
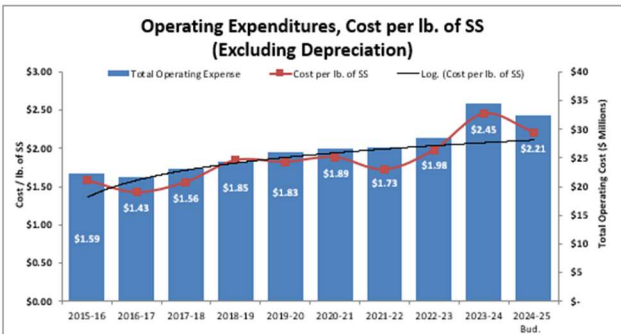
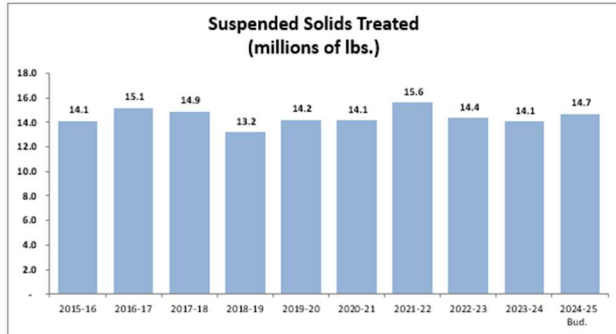
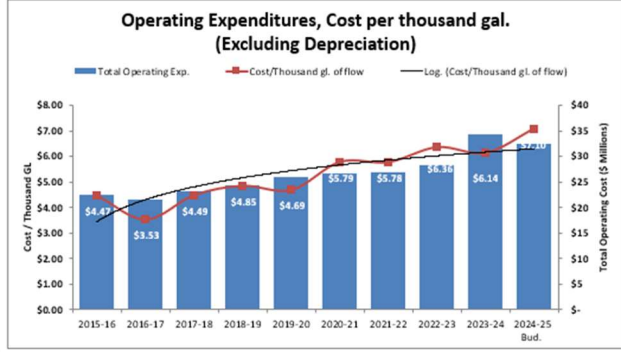
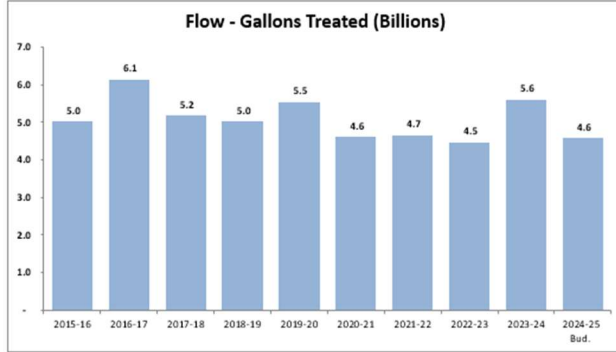


Historical Unit Costs

When isolated to only Operating Expenditures (excluding Depreciation), SVCW historical operating unit costs reflect both inflationary pressure and fluctuating operational volumes. For example, the cost per thousand gallons of flow is particularly volatile in relation to drought conditions. The below chart demonstrates the inverse relationship between the unit cost per thousand gallons of flow and the amount of rainfall received. When rainfall increases, stormwater intrusion leads to much higher flows of wastewater being treated. A more representative measure of SVCW's cost performance is the cost per pound of BOD and TSS. Looking at the pandemic years, water usage behavior during the COVID-19 pandemic negatively exacerbated unit costs.



A significant influencing factor on unit costs is volatility of operating volumes including Flow, Biological Oxygen Demand (BOD), and Total Suspended Solids (TSS). Rainfall has an inverse relationship with unit costs, as reduced flows contribute to higher Unit Costs. Operating Unit Costs are measured per thousands of gallons treated, per pound of TSS, and per pound of BOD.



Revenue-Funded Capital Expenditures

Revenue-Funded Capital Expenditures are for capital projects that are generally each less than \$1 million and can be completed within one year. These projects typically include purchase of vehicles or heavy equipment, repairs that improve an asset's useful life, and small construction efforts. Due to their relatively low cost, it is appropriate these items are funded from cash rather than debt. Since 2008 SVCW has averaged \$1.5 million annually in Revenue-Funded capital expenditures.

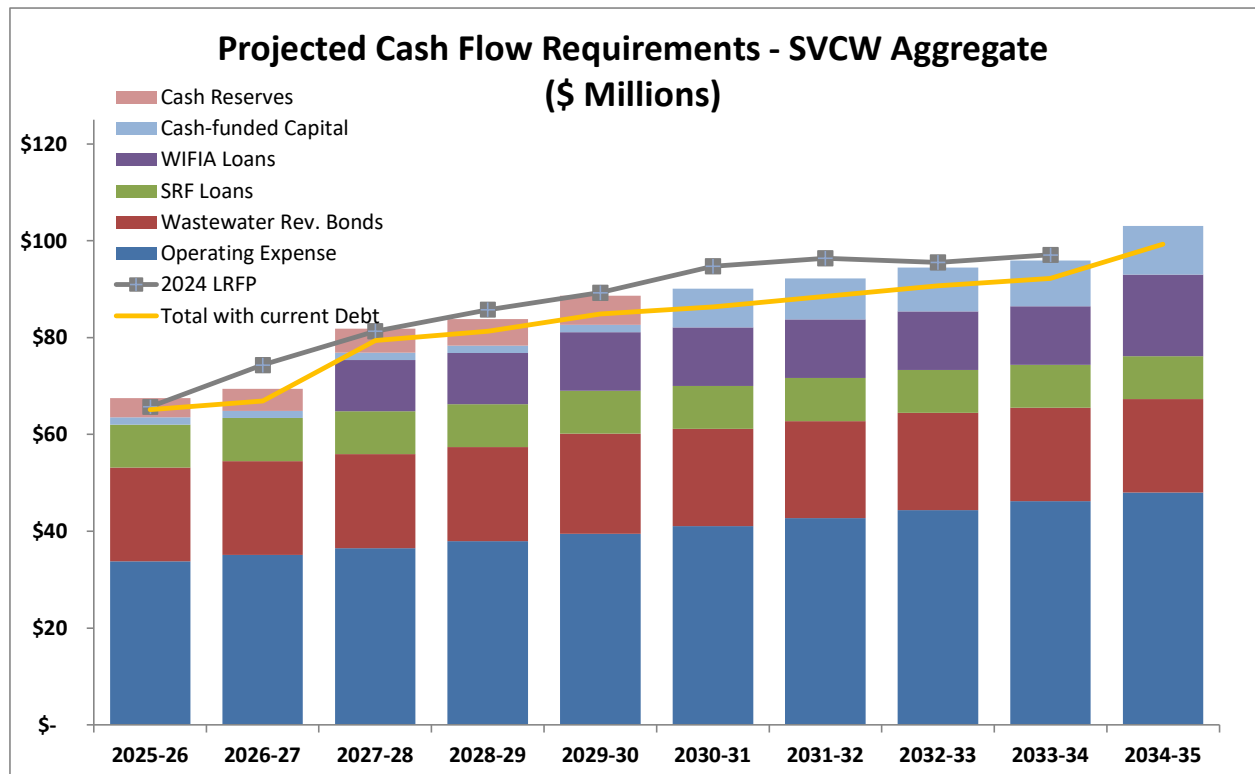
Cash Reserves

The SVCW established a cash reserve policy intended accumulate and manage appropriate reserve balances. Each year, through the budget process, SVCW reviews all reserve balances and adjusts as needed to adhere to the policy. In 2024-25, \$3.5 million is being contributed to the CIP Reserve and another \$4.0 million will be added in 2025-26.

SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS

In fiscal year 2025-26 SVCW anticipates total expenditures will be \$67.6 million for all costs of operations, debt service, revenue-funded capital, and reserve contributions. This figure is anticipated to grow to \$103 million over the next ten years.

Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions)										
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating Expense	\$ 33.77	\$ 35.12	\$ 36.52	\$ 37.98	\$ 39.50	\$ 41.08	\$ 42.73	\$ 44.44	\$ 46.21	\$ 48.06
Wastewater Rev. Bonds	19.40	19.39	19.40	19.38	20.67	20.06	20.05	20.04	19.30	19.27
SRF Loans	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89	8.89
WIFIA Loans	-	-	10.57	10.57	12.08	12.08	12.08	12.08	12.08	16.84
Cash-funded Capital	1.50	1.50	1.50	1.50	1.50	8.00	8.50	9.00	9.50	10.00
Cash Reserves	4.00	4.50	5.00	5.50	6.00	-	-	-	-	-
TOTAL	\$ 67.56	\$ 69.40	\$ 81.88	\$ 83.82	\$ 88.64	\$ 90.11	\$ 92.25	\$ 94.44	\$ 95.98	\$ 103.07



Projected SVCW Operating Expenditures

Overall SVCW operating expenses are expected to increase by approximately 4.0% annually over the next decade.

SVCW Operating Expenditures (\$ Millions)											
Description	2024-25 Budget	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast	2031-32 Forecast	2032-33 Forecast	2033-34 Forecast	2034-35 Forecast
Personnel	\$ 21.8	\$ 22.6	\$ 23.5	\$ 24.5	\$ 25.5	\$ 26.5	\$ 27.5	\$ 28.6	\$ 29.8	\$ 31.0	\$ 32.2
Utilities	2.8	2.9	3.0	3.1	3.2	3.3	3.5	3.6	3.8	3.9	4.1
Administrative Costs	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.2
Equipment & Supplies	2.7	2.8	3.0	3.1	3.2	3.3	3.5	3.6	3.7	3.9	4.0
Chemicals	2.9	3.0	3.1	3.2	3.4	3.5	3.6	3.8	3.9	4.1	4.3
Professional Services	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.3	1.3
Contractual Services	1.1	1.2	1.2	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.7
Regulatory and Training	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7
Total Expenditures	\$ 33.4	\$ 34.7	\$ 36.1	\$ 37.5	\$ 39.1	\$ 40.6	\$ 42.2	\$ 43.9	\$ 45.7	\$ 47.5	\$ 49.4
Less Misc. Revenue	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.3)	(1.4)
Net Operating Expend.	\$ 32.5	\$ 33.8	\$ 35.1	\$ 36.5	\$ 38.0	\$ 39.5	\$ 41.1	\$ 42.7	\$ 44.4	\$ 46.2	\$ 48.1

Current Debt Service Structure / Annual Debt Service Payments

SVCW and its Members historically leveraged the debt markets to fund the CIP. Approximately \$995 million of funding has been obtained to fund projects approved since 2008. Sources of funds have included Wastewater Revenue Bonds, Member Agency cash contributions, SRF Loans, WIFIA Loans / Notes, and Grants.

SVCW CIP Funding Sources to date (\$ millions)			
Description	All-in TIC / Interest Rate	Total Proceeds	Available Proceeds at 7/1/2024
Bonds			
2008 Wastewater Revenue Bonds*	5.03%	\$ 10.01	\$ -
2009 Wastewater Revenue Bonds*	5.12%	55.86	-
2014 Wastewater Revenue Bonds*	4.18%	65.54	-
2015 Wastewater Revenue Bonds*	3.75%	30.00	-
2018 Wastewater Revenue Bonds / Refunding	3.43%	148.98	5.70
2021 Refunding Bonds	2.30%	-	-
Subtotal - Bonds		310.38	5.70
Cash Contributions in lieu of Debt			
Belmont		48.12	1.29
Redwood City		16.61	6.61
San Carlos		2.06	2.06
West Bay Sanitary District		16.67	3.65
SVCW Stage II Reserves		15.60	9.10
Subtotal - Member Cash Contributions		99.05	22.70
Government Loans			
SRF - Control Building	2.60%	11.36	-
SRF - WWTP Improvements	1.80%	31.55	-
SRF - Conveyance Planning	1.60%	14.00	-
SRF - RESCU Construction Loans	0.90%	169.00	17.60
WIFIA / Notes - RESCU Program	1.40%	207.33	-
WIFIA / Notes - RESCU II	1.93%	68.90	-
WIFIA / Notes - WWTP	1.94%	73.80	53.40
Subtotal - Government Loans		575.94	71.00
Grant Funding			
PG&E Cogeneration Grant		3.78	1.38
Investment Tax Credit (Infrastructure Rehab Act)		3.00	3.00
California Energy Commission		3.10	2.60
Subtotal - Grant Funding		9.88	6.98
TOTAL		\$ 995.26	\$ 106.38

Outstanding SVCW Wastewater Revenue Bonds

Financing Agreements adopted between SVCW and its Member Agencies obligate each of Member for their respective allocable share of debt service. Through its own financing mechanisms, the City of Belmont limited its participation in SVCW Wastewater Revenue Bonds financing. Bond debt service payments are \$19.4 million in fiscal year 2025-26 including three outstanding series from 2018 and 2021 which, combined, refunded all earlier bond series and one SRF Loan.

Outstanding State Revolving Fund Loans

SVCW has financed certain projects by entering into six separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). This program is funded by the California State Revolving Fund (SRF) program. The project funds, including any accrued interest, are repaid in annual installments commencing one year after construction.

SRF loan payments equal \$8.89 million in fiscal year 2025-26 to repay one 2012 Treatment Plant project and a portion of the recently completed RESCU program. These recent SRF loans secured \$169 million for the RESCU program at an interest rate of 0.90%.

Outstanding WIFIA Loans

The Authority financed \$287 million of RESCU expenditures through two WIFIA loan agreements with the U.S. Environmental Protection Agency. The loans were executed in 2019 and 2021, respectively, in conjunction with interim construction Notes. The Notes funded construction and have been / will be repaid with proceeds from the WIFIA loans. Repayment of these two WIFIA loans commences in 2027-28, when annual debt service payments will be \$10.57 million.

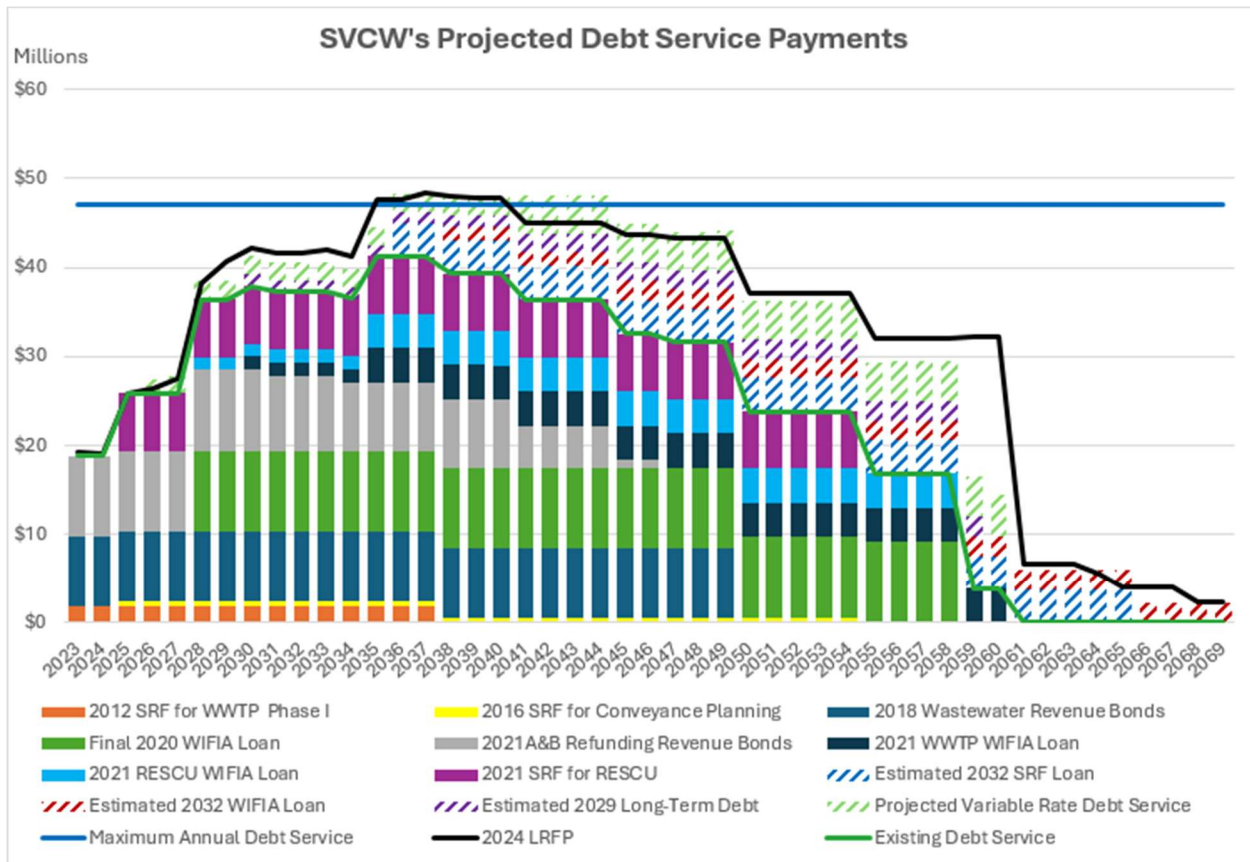
Another \$73.8 million WIFIA loan was executed in 2021 to help fund rehabilitation of certain wastewater treatment plant processes. With interim Notes similarly to the RESCU WIFIA Loans, this WIFIA Loan will begin repayment in fiscal year 2029-30, with annual debt service payments of \$1.51 million.

Line of Credit

SVCW holds a \$23 million Line of Credit (LOC), with an accordion feature for up to \$60 million, providing bridge financing for CIP projects. The LOC remains a valuable tool to manage cash flow and reduce borrowing costs. Specifically, the LOC furnishes interim cash flows between bond issuances or when SVCW awaits reimbursement of construction costs funded by the SRF program. When borrowing through SRF, SVCW pays for services and afterwards submits paid invoices to the state for reimbursement. Reimbursement generally takes 30 to 90 days and the LOC acts as a bridge loan during this period. Currently no funds are drawn from the Line of Credit.

Remaining Funding to be Secured:

Over the next four decades displayed below, total aggregate debt service will increase to meet the required cash flows of proposed CIP projects.



This update recommends projects be funded through a combination of SVCW cash reserves, cash in lieu of debt, and issuance of new debt at appropriate intervals. Approximately \$106 million is expected to be available from outstanding debt proceeds, grants, and certain cash resources. New Debt issuances would be necessary to fund the balance of project expenditures, or \$221 million.

Sources of Funds for Remaining CIP Expenditures - As of July 01, 2024 (\$ Millions)												
Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	TOTAL
Current Bond Proceeds	\$ 5.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.7
Current RESCU SRF	17.6	-	-	-	-	-	-	-	-	-	-	17.6
Current WIFIA	48.2	5.2	-	-	-	-	-	-	-	-	-	53.4
Current Cash in lieu of Debt	-	13.6	-	-	-	-	-	-	-	-	-	13.6
Current Stage 2	7.7	1.5	-	-	-	-	-	-	-	-	-	9.1
SRF Reimb / Cash in lieu	-	14.7	-	-	-	-	17.9	26.7	22.7	9.0	0.1	91.1
Grant funding	-	0.7	5.7	0.1	0.1	0.1	0.1	-	-	-	-	7.0
New Fixed-rate Bonds	-	-	-	-	15.0	10.4	-	-	-	-	-	25.4
New Variable-rate Bonds	-	24.9	16.9	24.1	-	-	-	-	-	-	-	65.9
New SRF	-	-	-	-	-	-	-	14.6	21.9	21.9	14.6	73.0
New WIFIA	-	-	-	-	-	-	-	6.5	6.5	11.4	-	24.5
TOTAL	\$ 79.2	\$ 60.5	\$ 22.7	\$ 24.3	\$ 15.1	\$ 10.6	\$ 18.0	\$ 47.8	\$ 51.2	\$ 42.2	\$ 14.7	\$386.4

Stage 2 Capacity Reserve Funds

From receiving a portion of the sewer connection fees collected by Members, the Authority had accumulated \$16 million in its Stage 2 Capacity Reserve. These funds are currently being used towards RESCU capacity-related projects.

Cash-in-lieu of Debt

To lessen the amount of debt issued, several Members have at times opted to instead contribute cash to the CIP program. In 2024, Members agreed to use \$13.6 million in cash liquidity rather than issue new debt.

Pay-go Capital Contributions

SVCW typically invests \$1.5 million annually in revenue-funded capital projects. These projects are typically installed and managed by staff and include such things as fleet, valve replacements, new pumps and motors, gear assemblies, technology upgrades, or maintenance equipment.

Concurrently, the Authority has a CIP Reserve Policy that, through ongoing Member contributions, is scheduled to reach its target balance by fiscal year 2029-30. Subsequently, the policy calls for these Member contributions to be redirected to revenue-funded capital projects. This would provide over \$76 million for capital projects in years 6-10 of the next decade.

Future Debt Proceeds:

New Variable-rate Revenue Bonds

One variable-rate bond issuance is assumed, for \$67 million of project funding, in fiscal year 2025-26. The issuance is assumed at an average interest rate of 3.65%, inclusive of fees.

New Fixed-rate Revenue Bonds

One fixed-rate Bond issuance of \$25 million would be issued in fiscal year 2028-29 at an estimated interest rate of 5.0%.

New SRF Loans

Specific to the upgrade of an aging 33-inch force main, SVCW proposes to pursue a State Revolving Fund (“SRF”) Loan valued at \$73 million. Drawdowns would begin in FY 2031-32 and would incur interest of 2.70%. Debt service payments would commence in 2036, one year after project completion.

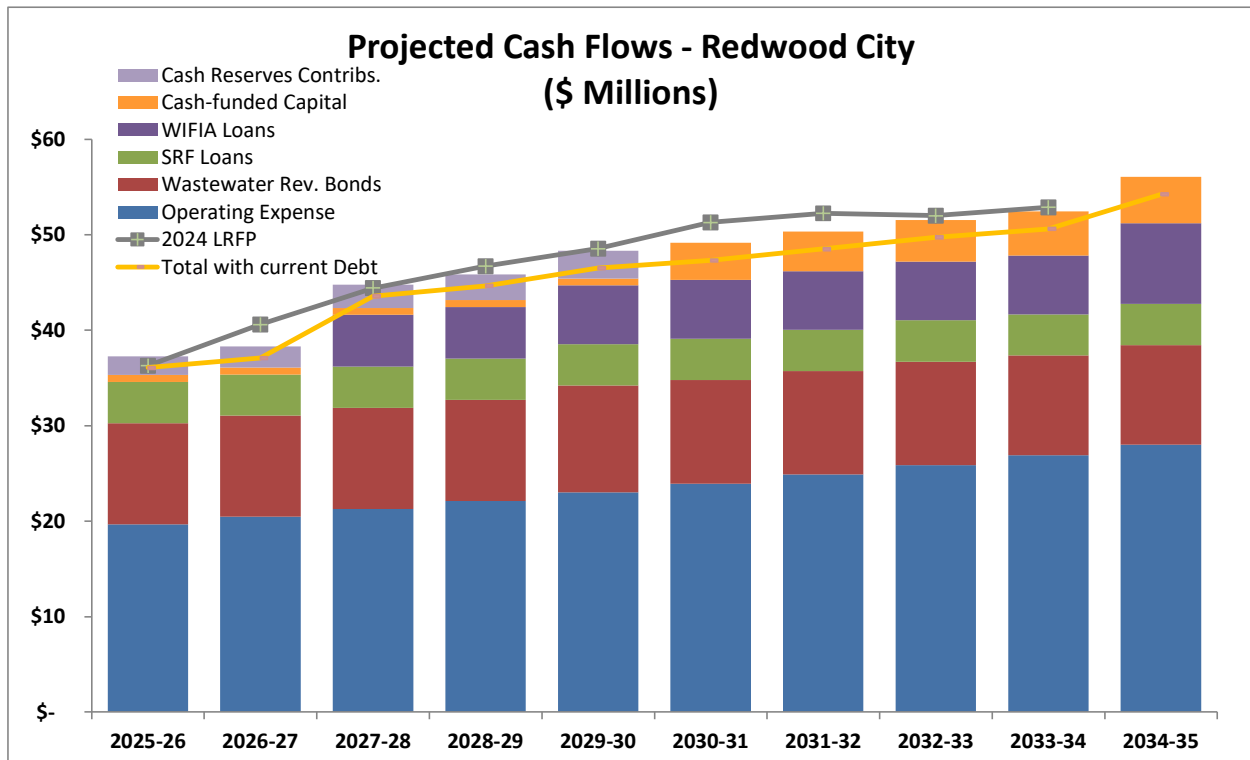
New WIFIA Loans

An additional U.S. EPA Water Infrastructure Finance Innovation Act (“WIFIA”) Loan, valued at \$31 million, would be used to partially fund nutrient removal efforts. Drawdowns from this WIFIA loan would begin in 2032, at an assumed interest rate of 5.0%. WIFIA amortization schedules can be wrapped around existing debt service payments to mitigate cash flow demands.

Total Cash Flow Projections by Member Agency

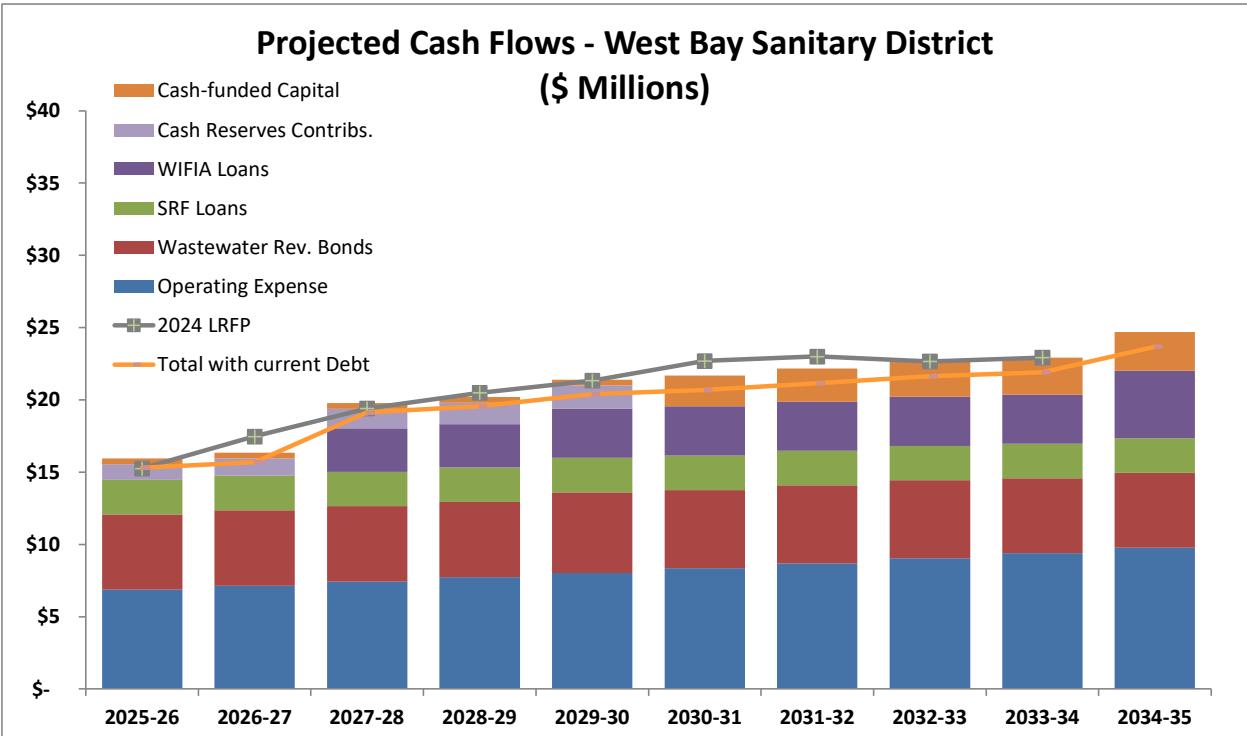
The following charts and tables describe the cash flow projections required for all SVCW expenditures. Each Member Agency is also provided with a detailed description for their own planning purposes.

Redwood City

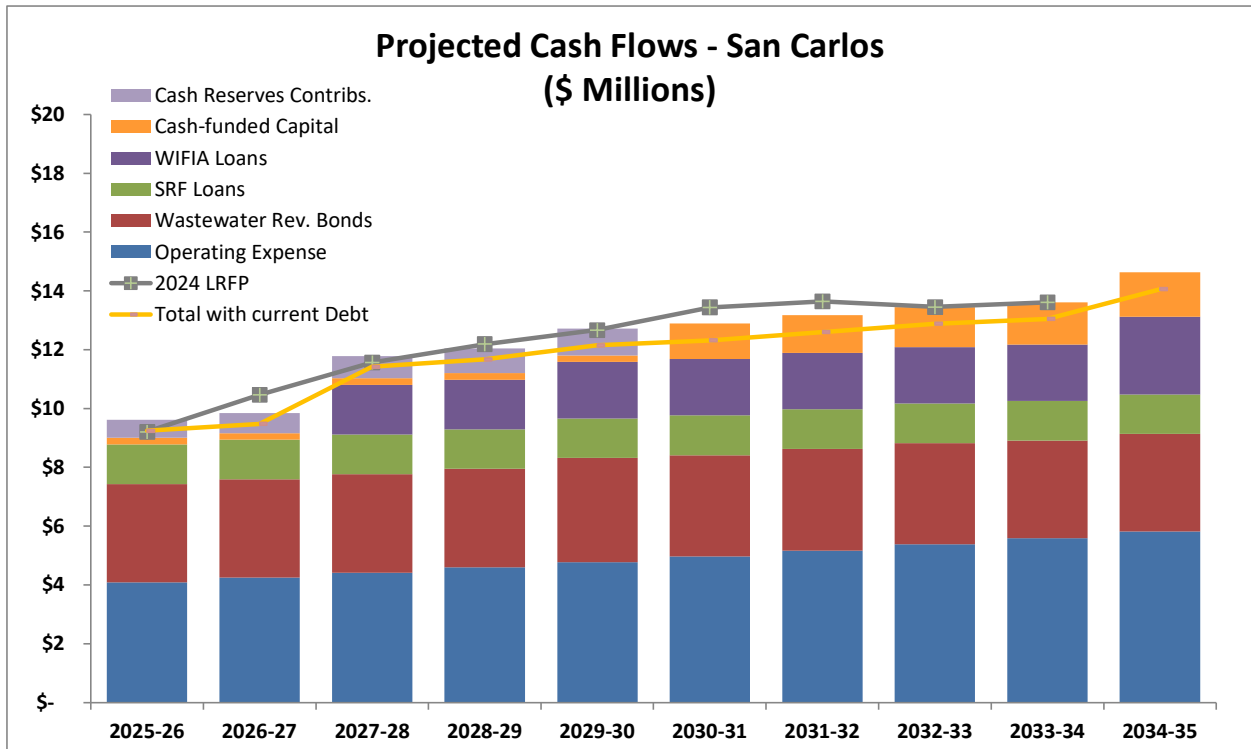


Projected SVCW Cash Flow Requirements - Redwood City (\$ Millions)										
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating Expense	\$ 19.66	\$ 20.45	\$ 21.27	\$ 22.12	\$ 23.00	\$ 23.92	\$ 24.88	\$ 25.88	\$ 26.91	\$ 27.99
Wastewater Rev. Bonds	10.59	10.59	10.59	10.58	11.21	10.85	10.84	10.83	10.44	10.43
SRF Loans	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32
WIFIA Loans	-	-	5.42	5.42	6.15	6.15	6.15	6.15	6.15	8.47
Cash-funded Capital	0.73	0.73	0.73	0.73	0.73	3.89	4.13	4.37	4.61	4.86
Cash Reserves Contribs.	1.94	2.19	2.43	2.67	2.91	-	-	-	-	-
TOTAL	\$ 37.25	\$ 38.28	\$ 44.76	\$ 45.84	\$ 48.33	\$ 49.13	\$ 50.32	\$ 51.55	\$ 52.44	\$ 56.06

West Bay Sanitary District



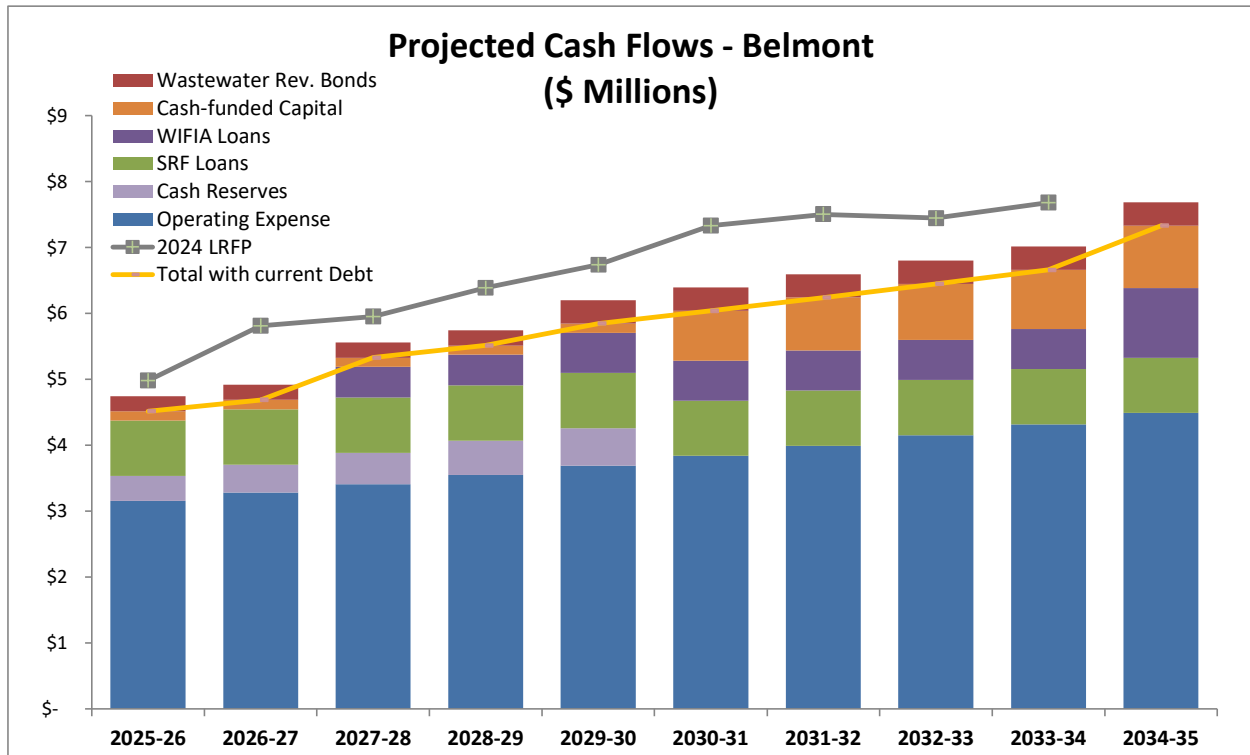
Projected SVCW Cash Flow Requirements - West Bay Sanitary District (\$ Millions)											
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	
Operating Expense	\$ 6.86	\$ 7.14	\$ 7.42	\$ 7.72	\$ 8.03	\$ 8.35	\$ 8.68	\$ 9.03	\$ 9.39	\$ 9.77	
Wastewater Rev. Bonds	5.23	5.22	5.23	5.22	5.57	5.41	5.40	5.40	5.18	5.17	
SRF Loans	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	
WIFIA Loans	-	-	3.00	3.00	3.40	3.40	3.40	3.40	3.40	4.68	
Cash-funded Capital	0.40	0.40	0.40	0.40	0.40	2.15	2.28	2.42	2.55	2.68	
Cash Reserves Contribs.	1.07	1.21	1.34	1.48	1.61	-	-	-	-	-	
TOTAL	\$ 15.95	\$ 16.36	\$ 19.78	\$ 20.20	\$ 21.40	\$ 21.69	\$ 22.16	\$ 22.64	\$ 22.91	\$ 24.69	



Projected SVCW Cash Flow Requirements - San Carlos (\$ Millions)											
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	
Operating Expense	\$ 4.09	\$ 4.25	\$ 4.42	\$ 4.60	\$ 4.78	\$ 4.97	\$ 5.17	\$ 5.38	\$ 5.59	\$ 5.82	
Wastewater Rev. Bonds	3.35	3.34	3.35	3.35	3.54	3.44	3.45	3.45	3.32	3.32	
SRF Loans	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
WIFIA Loans	-	-	1.69	1.69	1.92	1.92	1.92	1.92	1.92	2.64	
Cash-funded Capital	0.23	0.23	0.23	0.23	0.23	1.21	1.29	1.36	1.44	1.51	
Cash Reserves Contribs.	0.61	0.68	0.76	0.83	0.91	-	-	-	-	-	
TOTAL	\$ 9.61	\$ 9.85	\$ 11.79	\$ 12.04	\$ 12.72	\$ 12.89	\$ 13.17	\$ 13.45	\$ 13.61	\$ 14.63	

Belmont

While Belmont has not historically participated in SVCW Bond issuances, instead contributing cash in lieu of debt participation. It has chosen to fully participated in SRF loans and the majority of WIFIA government loans.



Projected SVCW Cash Flow Requirements - Belmont (\$ Millions)											
Description	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	
Operating Expense	\$ 3.15	\$ 3.28	\$ 3.41	\$ 3.55	\$ 3.69	\$ 3.84	\$ 3.99	\$ 4.15	\$ 4.32	\$ 4.49	
Wastewater Rev. Bonds	0.23	0.23	0.23	0.23	0.35	0.35	0.35	0.35	0.35	0.35	
SRF Loans	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	
WIFIA Loans	-	-	0.46	0.46	0.61	0.61	0.61	0.61	0.61	1.06	
Cash-funded Capital	0.14	0.14	0.14	0.14	0.14	0.76	0.80	0.85	0.90	0.95	
Cash Reserves	0.38	0.43	0.47	0.52	0.57	-	-	-	-	-	
TOTAL	\$ 4.74	\$ 4.92	\$ 5.56	\$ 5.74	\$ 6.20	\$ 6.39	\$ 6.59	\$ 6.80	\$ 7.01	\$ 7.68	

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 6 – SUMMARY

SVCW provides this LRF as a recommendation and implementation strategy to fund the \$386 million in projected capital expenditure over the next decade. With \$123 million of CIP funding already secured, the balance would draw from future cash contributions as well as issuance of new debt. SVCW Members are on track to provide approximately \$75 million in cash between 2031 and 2035, after which \$188 million in new debt would be necessary.

- 2025: One variable rate bond issuance of approximately \$66 million for general wastewater treatment plant projects.
- 2029: One fixed rate bond issuance of approximately \$25 million to complete wastewater treatment plant projects.
- 2032: One \$73 million State Revolving Fund (“SRF”) Loan to rehabilitate an aging 33-inch force main. Debt service payments would commence one year after project completion.
- 2032: One \$24 million Water Infrastructure Innovation and Improvement Act (“WIFIA”) Loan to help fund nutrient removal process improvements. Debt service payments would commence four years after project completion.

This LRF’s recommendations and its outcomes are for planning purposes. SVCW believes it is a reasonable forecast of expenditures over the next year, including an informed position that SVCW and its Members will have the resources to meet this recommendation. This LRF may be used by each Member Agency as it considers budgets and analyzes sewer rates.

THIS PAGE INTENTIONALLY LEFT BLANK

