



## UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

### **SPECIAL NOTICE REGARDING CORONAVIRUS DISEASE 2019 (COVID-19) AND PARTICIPATION IN PUBLIC MEETINGS**

On March 4, 2020, Governor Newsom declared a State of Emergency resulting from the threat of COVID-19. Governor Newsom issued Executive Order N-25-20 (3-12-20) and Executive Order N-29-20 (3-17-20) which temporarily suspend portions of the Brown Act relative to conducting public meetings. Accordingly, it has been determined that there will be no public access to the meeting venue.

### **MEETING OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY WEDNESDAY, AUGUST 18, 2021 – 8:30 A.M.**

#### **PUBLIC PARTICIPATION**

Public participation is welcome and encouraged. You may participate in the August 18, 2021, meeting of the Upper Santa Ana River Watershed Financing Authority online and by telephone as follows:

**Dial-in Info: (877) 853 5247 US Toll-free  
Meeting ID: 818 8828 6875  
PASSCODE: 3802020**

**<https://sbvmwd.zoom.us/j/81888286875>**

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for consideration by sending them to [comments@sbvmwd.com](mailto:comments@sbvmwd.com) with the subject line "Public Comment Item #" (insert the agenda item number relevant to your comment) or "Public Comment Non-Agenda Item". Submit your written comments by 6:00 p.m. on Tuesday, August 17, 2021. All public comments will be provided to the Executive Director and may be read into the record or compiled as part of the record.

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**IMPORTANT PRIVACY NOTE:** Participation in the meeting via the Zoom app is strongly encouraged. Online participants MUST log in with a Zoom account. The Zoom app is a free download.

Please keep in mind:

1. This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone.
2. Should you participate remotely via telephone, your telephone number will be your "identifier" during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.

Watershed  
*Connect*



*Achieving resilience through  
integrated infrastructure*

**UPPER SANTA ANA RIVER  
WATERSHED INFRASTRUCTURE  
FINANCING AUTHORITY**

380 East Vanderbilt Way, San Bernardino, CA 92408

**AGENDA**

**8:30 AM Wednesday, August 18, 2021**

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**CALL TO ORDER/PLEDGE OF ALLEGIANCE**

**1) PUBLIC COMMENT**

Any person may address the Board on matters within its jurisdiction.

**2) APPROVAL OF MINUTES**

2.1 BOD Minutes 072121(Page 3)  
[BOD Minutes 072121](#)

**3) DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 Approval of a Conflict of Interest Code (Page 9)

[Staff Memo - Approval of a Conflict of Interest Code](#)  
[Conflict of Interest Code](#)

3.2 Approve the Engagement of Varner and Brandt LLP for General Counsel Services (Page 13)

[Staff Memo - Approve the Engagement of Varner Brandt for General Counsel Services](#)  
[Retainer Agreement](#)  
[Conflict Waiver](#)

3.3 Approve the Engagement of Stradling Yocca Carlson and Rauth ("Stradling") for Bond and Disclosure Counsel Services (Page 26)

[Staff Memo - Approve the Engagement of Stradling Yocca Carlson and Rauth \("Stradling"\) for Bond and Disclosure Counsel Services](#)  
[Engagement Letter - Stradling](#)

3.4 Approve the Engagement of Fieldman Rolapp for Financial Advisory Services (Page 37)

[Staff Memo - Approve the Engagement of Fieldman Rolapp for Financial Advisory Services](#)  
[Consulting Services Agreement - Fieldman Rolapp](#)

**4) REPORTS (Discuss and Possible Action)**

4.1 Executive Director's Report (Page 126)  
[Executive Director's Report](#)

**5) ANNOUNCEMENTS**

5.1 List of Announcements 072121(Page 129)  
[Announcements 081821](#)

**6) ADJOURNMENT**

**PLEASE NOTE:**

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District's website at [www.sbvmd.com](http://www.sbvmd.com) subject to staff's ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Melissa Zoba at (909) 387-9228 two working days prior to the meeting with any special requests for reasonable accommodation.

# MINUTES OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

Regular Meeting of the Board of Directors | July 21, 2021

## ROLL CALL

Member Agency	Director	Attendance
San Bernardino Valley Municipal Water District	Paul Kielhold	Present
Yucaipa Valley Water District	Lonni Granlund	Present
San Bernardino Valley Water Conservation District	Daniel Cozad	Present

Staff Present	Agency
Heather Dyer	San Bernardino Valley Municipal Water District
Kristeen Farlow	San Bernardino Valley Municipal Water District
Anthony Flordelis	San Bernardino Valley Municipal Water District
Jose Macedo	San Bernardino Valley Municipal Water District
Cindy Saks	San Bernardino Valley Municipal Water District
Melissa Zoba	San Bernardino Valley Municipal Water District
Athena Lokelani	San Bernardino Valley Water Conservation District
Jennifer Ares	Yucaipa Valley Water District
Allison Edmisten	Yucaipa Valley Water District
Ashley Gibson	Yucaipa Valley Water District
Charles Thomas	Yucaipa Valley Water District
Joseph Zoba	Yucaipa Valley Water District

Others in Attendance:	
Brendan Brandt	Varner Brandt
Doug Brown	Stradling, Yocca, Carlson & Rauth
Jon Guz	Stradling, Yocca, Carlson & Rauth
Ryan Shaw	Western Municipal Water District
Jeff Herrin	AECOM

Jeff Crider  
Laura Carpenter  
Gil Botello  
T. Milford Harrison  
Miguel Guerrero

Crider Public Relations  
Fieldman Rolapp & Associates  
San Bernardino Valley Municipal Water District  
San Bernardino Valley Municipal Water District  
San Bernardino Municipal Water Department

## CALL TO ORDER

The Regular Meeting of the Upper Santa Ana River Watershed Infrastructure Financing Authority (USAR WIFA) was called to order by Chair Paul Kielhold at 8:30 a.m. Chair Kielhold led the Pledge of Allegiance. A quorum was noted present by roll call.

Chair Paul Kielhold stated that pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020, there will be no public access to the meeting venue.

Executive Director Heather Dyer noted that there will be future members of the USAR WIFA who are not currently signed on to the Joint Powers Authority (JPA) but who are expected to take the Agreement to their governing bodies in the next few months.

### 1. PUBLIC COMMENT

President Kielhold stated that any member of the public wishing to make any comments to the Authority may do so. There was none.

### 2. FORMATION ACTION ITEMS

#### 2.1 Joint Exercise of Powers Agreement by and among San Bernardino Valley Municipal Water District, San Bernardino Valley Water Conservation District, Yucaipa Valley Water District, and the Other Parties Set Forth in Exhibit A Creating the Upper Santa Ana River Watershed Infrastructure Financing Authority

Executive Director Heather Dyer advised that the Board of Directors has received the fully executed Joint Exercise of Powers Agreement from the San Bernardino Valley Municipal Water District, San Bernardino Valley Water Conservation District, and Yucaipa Valley Water District. The Agreement was approved, and the directors assigned to serve on this JPA are as follows:

Agency	Member	Alternate
San Bernardino Valley Water Conservation District	Daniel Cozad	Betsy Miller
San Bernardino Valley Municipal Water District	Paul Kielhold	Gil Botello
Yucaipa Valley Water District	Lonni Granlund	Nyles O'Harra

Director Cozad moved to declare that the Upper Santa Ana River Watershed Infrastructure Financing Authority joint powers authority is accepted and formed. Director Granlund seconded. The motion was unanimously adopted by a roll-call vote.

As of now, this JPA is duly formed, Dyer announced.

- 2.2 Authorize the Executive Director to file the notice of a Joint Exercise of Powers Agreement with the California Secretary of State

Executive Director Heather Dyer recommended a motion.

Director Granlund moved to Authorize the Executive Director to file the notice of a Joint Exercise of Powers Agreement with the California Secretary of State. Director Cozad seconded. The motion was unanimously adopted by a roll-call vote.

- 2.3 Report by the Executive Director and Confirmation of Officers

Executive Director Heather Dyer explained that the Joint Exercise of Powers Agreement provides the director assigned from San Bernardino Valley Municipal Water District (Valley District) or their alternate will serve as the first chair of the Authority. The Treasurer is also provided by the San Bernardino Valley Municipal Water District for the first year, which is Director Milford Harrison. The San Bernardino Valley Municipal Water District Clerk of the Board will serve as the first Secretary of the JPA.

- 2.4 Selection of Vice Chair of the Authority

Director Cozad moved to nominate Director Granlund for Vice Chair of the Authority. Director Granlund agreed to serve. The motion was unanimously adopted by a roll-call vote.

Chair Kielhold advised items 2.5 through 2.11 will be addressed together as one motion.

- 2.5 Preparation of Conflict of Interest Code
- 2.6 Preparation of Debt Management Policy
- 2.7 Preparation of Investment Policy
- 2.8 Preparation of Disclosure Policy
- 2.9 Engagement of Financial Advisory Services
- 2.10 Engagement of Bond Counsel

## 2.11 Engagement of General Counsel

Executive Director Heather Dyer explained the preparation of draft policies including assistance of advisors. With the number of technical documents needing to be prepared, she requested authorization to prepare an engagement letter with a financial advisor and recommended the current team of Fieldman Rolapp. The engagement letter would go to the Valley District Board of Directors for signature as the JPA does not currently have an approved budget. Dyer noted that the costs are being compiled and should the JPA be successful in moving forward with the Water Infrastructure Finance and Innovation Act (WIFIA) process, cost share strategy will be determined for the consulting firms and advisors that are needed to continue moving forward.

Ms. Dyer also recommended engaging bond counsel, retaining the team of Doug Brown and Jonathan Gus of Stradling, Yocca, Carlson & Rauth, and engaging general counsel Brendan Brandt of Varner Brandt.

Director Cozad moved to direct the Executive Director to prepare the following documents to bring to a future meeting for consideration:

- Conflict of Interest Code
- Debt Management Policy
- Investment Policy
- Disclosure Policy

and to prepare engagement letters with the following consultants:

- Fieldman Rolapp
- Stradling, Yocca, Carlson & Rauth
- Varner Brandt

These items will be taken to the Valley District Board of Directors and Ms. Dyer will report back to this Board. Director Granlund seconded. The motion was unanimously adopted by a roll-call vote.

## 3. DISCUSSION AND POSSIBLE ACTION ITEMS

### 3.1 Approve the submission of a Letter of Interest to the United States Environmental Protection Agency with Respect to a WIFIA Loan

Executive Director Heather Dyer advised that this is the first step in obtaining WIFIA funding, which is a low interest, very favorable term loan for 49 percent of project costs that would be used for water infrastructure projects throughout the region. WIFIA is administered by the Environmental Protection Agency (EPA). The Letter of Interest (LOI) is due this Friday, July 23, 2021 at 8:59 Pacific Time, Ms. Dyer noted.

Ms. Dyer gave a brief report on the project background and described the content of the LOI and noted that the program was formed to leverage different projects that all the agencies are working on and are anticipated to be built over the next decade or so in order to make this region resilient to long-term drought, and to maximize every water resource for the long-term benefit of the region.

Ms. Dyer reviewed the list of projects and phases included in the Watershed Connect program. She noted broad support for the program and acknowledged the bipartisan letter signed by several legislators.

Once the LOI is submitted, the JPA will hear from the EPA in approximately three months if the JPA will be invited to submit a full application, Dyer continued. The process is substantial, and staff will work closely with financial advisors and the legal team to fulfill all the application requirements, a process expected to take about 12 months, Ms. Dyer stated. There are fees involved in the application and there will be additional consulting contracts to secure for advisory services. A package of those services and application budget will be prepared for Board consideration, she noted.

Additional funding sources will be sought beginning in August, Ms. Dyer advised.

Director Cozad acknowledged the leadership and work of Valley District and YVWD staff. He pointed to all the regional work that led up to this made it possible and will bear fruit for many years.

Director Granlund moved to approve the submission of a Letter of Interest to the United States Environmental Protection Agency with respect to a WIFIA loan. Director Cozad seconded. The motion was unanimously adopted by a roll-call vote.

#### 4. ANNOUNCEMENTS

##### 4.1 List of Announcements

Executive Director Dyer announced that regular meetings will be held at 8:30 a.m. on the first and third Wednesday of each month. The Board agreed to cancel the August 4 meeting. The next meeting will be August 18, 2021.

Ms. Dyer acknowledged the hard work, dedication, and cooperation of the team including consultants and agency staff and said this would not have been possible without investment in regional integrated planning over prior years. The LOI is 50 pages of information, she noted.



Director Granlund thanked Ms. Dyer for her efforts and bringing together the team.

Mr. Gil Botello indicated that successors years from now will identify this group as pioneers who did the heavy lifting to secure water for this valley for many years to come.

5. ADJOURNMENT

The meeting was adjourned at 9:02 a.m.

<p>APPROVAL CERTIFICATION</p> <p>I hereby certify to approval of the foregoing Minutes of the Upper Santa Ana River Watershed Infrastructure Financing Authority.</p> <p>_____</p> <p>Secretary</p> <p>Date _____</p>
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Respectfully submitted,

Lynda J. Kerney  
Contract Assistant

UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY



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DATE: August 18, 2021  
TO: Board of Directors  
FROM: Heather Dyer, Executive Director  
SUBJECT: Approval of a Conflict of Interest Code

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Summary:

The Political Reform Act (Government Code Section 81000 et seq.) requires state and local government agencies to adopt a Conflict of Interest Code. The Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code Regs. § 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. The proposed Code incorporates by reference, 2 Cal. Code Regs. § 18730, ensuring that amendments later adopted by the FPPC are included in the Authority's adopted Code.

Background:

The Political Reform Act (Act) prohibits a public official from using his or her official position to influence a governmental decision in which he or she has a financial interest. Every state and local agency must adopt a conflict of interest code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. The individuals in the designated positions must disclose their financial interests as specified in the agency's conflict of interest code.

To help identify potential conflicts of interest, the law requires public officials and employees in designated positions in a conflict of interest code to report their financial interests on a form called Statement of Economic Interests (Form 700). The conflict of interest codes and the Form 700s are fundamental tools in ensuring that officials are acting in the public's best interest and not their own.

It is likely that most designated positions in the attached Code will be required to file the Form 700 with more than one government agency. If the information required to be reported on Form 700 for multiple agencies is the same (this won't always be the case because reporting requirements can be different, officials may submit a copy

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of the same form to multiple agencies, however, they will need to sign separate signature pages because a wet signature is required to be on file for each agency.

Fiscal Impact:

There is no fiscal impact associated with the requested action

Recommendation:

Staff recommends that the Board approve the Authority's Conflict of Interest Code

Attachment:

Conflict of Interest Code

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INFRASTRUCTURE FINANCING AUTHORITY**

**CONFLICT OF INTEREST CODE**

The Political Reform Act (Gov't Code § 81000 *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code Regs. § 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendix, designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Upper Santa Ana River Watershed Infrastructure Financing Authority ("**Authority**").

Individuals holding designated positions shall file their statements of economic interests with the Authority, which will make the statements available for public inspection and reproduction (Gov't Code § 81008). All statements will be retained by the Authority.

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**CONFLICT OF INTEREST CODE**

**APPENDIX**

<b>Designated Positions</b>	<b>Disclosure Categories</b>
Executive Director	1, 2
General Counsel	1, 2
Consultants*	*
Officials Who Manage Public Investments	It has been determined that the positions listed below manage public investments and will file a statement of economic interests pursuant to Government Code Section 87200: Members of the Board of Directors Treasurer

\* Consultants shall be included in this list of designated positions and shall disclose pursuant to the broadest disclosure category in the Code subject to the following limitation:

The Executive Director, however, may determine in writing that a particular consultant, although a “designated person”, is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in this section. Such determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Executive Director’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code. (Gov’t Code § 81008.)

**DISCLOSURE CATEGORIES**

Individuals holding designated positions must disclose interests pursuant to the following disclosure categories, as assigned:

**CATEGORY 1**

Investments and business positions in business entities and sources of income, including loans, gifts, and travel payments, from any source of the type that has provided services, supplies materials, or equipment to the Authority within the last two years or plans to do business with the Authority within the next two years.

**CATEGORY 2**

Interests in real property, located in whole or in part within the boundaries of the Authority or within two miles of the Authority, including any leasehold, beneficial, or ownership interests or option to acquire such interest in real property.

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INFRASTRUCTURE FINANCING AUTHORITY



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DATE: August 18, 2021

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Approve the Engagement of Varner & Brandt LLP for General Counsel Services

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Summary:

At the July 21, 2021 meeting of the Authority, the Board directed staff to prepare several engagement letters to secure advisors to provide professional services.

Varner & Brandt LLP provides general counsel services to the San Bernardino Valley Municipal Water District, a member agency of the Authority. The Board action is to formally engage the firm to advise the Authority on general legal matters; the firm does not practice securities law and such matters will be handled by Stradling, should the Board approve Stradling's engagement with the Authority. This item will be presented to the Valley District Board of Directors to authorize the payment of engagement costs until a cost sharing strategy is put in place for the Joint Powers Authority expenses.

Fiscal Impact:

There is no fiscal impact associated with the requested action at this time. Legal costs incurred under this engagement will be initially paid by Valley District and allocated to benefitting members or project agreements after the JPA Board has approved a cost sharing strategy. Administration costs for the JPA will most likely be paid from proceeds of bond or other financing mechanisms for each approved project agreement in order to reimburse Valley District. This is a time and material arrangement; there is no ongoing retainer fee.

Recommendation:

Staff recommends that the Board retain the services of Varner & Brandt LLP as the General Counsel and authorize the Executive Director to sign the Retainer Agreement and Conflict Waiver.

Attachments:

UPPER SANTA ANA RIVER WATERSHED  
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Retainer Agreement  
Conflict Waiver

August 18, 2021

brendan.brandt@varnerbrandt.com

**VIA ELECTRONIC MAIL**

Heather P. Dyer, Executive Director  
Upper Santa Ana River Watershed Infrastructure Financing Authority  
380 East Vanderbilt Way  
San Bernardino, California 92408  
E-mail: heatherd@sbumwd.com

RE: Retainer Agreement for Varner & Brandt LLP

Dear Ms. Dyer:

The purpose of this letter is to confirm the retention by Upper Santa Ana River Watershed Infrastructure Financing Authority's ("**Client**") of Varner & Brandt LLP ("**Firm**") to provide advice and counsel regarding general counsel and related legal matters ("**Matter**"). We appreciate your confidence and thank you for selecting us as counsel.

1. Scope of Services. Our services are limited to the Matter described in this Retainer Agreement (although the scope of that representation might be enlarged by a supplemental retention correspondence from you or that we may acknowledge). We will be representing only Client and those persons or entities specifically identified in this Retainer Agreement. Unless the Firm agrees in writing to do so, our retention does not include any representation of any employees, affiliates, or members of those persons or entities.

We do not practice securities law and we do not advise our clients on such matters. Neither do we undertake to determine or advise our clients whether any particular matter or potential matter is material or must be disclosed for financial-audit purposes.

An attorney-client relationship will exist between us for the duration of the Matter, unless that relationship is earlier terminated in writing by either of us. In cases in which we have been engaged to provide counsel on general business matters on an as-needed basis or for labor and employment advice, the relationship will end twelve months after the last substantive work you ask us to perform. The term "substantive work" does not include



routine response to auditors' requests. On these latter cases, our advice will of course be consistent with applicable legal principles and interpretations as of the date we provide it.

However, those principles and interpretations are subject to change, and we cannot undertake to advise you of later changes at our own initiative. We will be pleased to respond to future requests that we reevaluate our advice in the light of any new developments.

Except as we may otherwise agree, the terms of this letter apply to other retentions for Client that we may undertake.

2. Attorneys, Fees and Charges Involved in Provision of Legal Services. I will be the partner primarily responsible for the oversight of the Matter. Other attorneys in our firm may work on the Matter when and if needed and, when employed, those attorneys will work directly under my supervision. Other attorneys may also perform work when we deem it to be in your best interests, or for reasons of speed, economy or assistance where the workload demands assistance. The rates to be charged by attorneys working on the Matter presently vary between \$275 to \$350 per hour for Associates and \$350 to \$400 per hour for Partners, all depending on the experience, expertise, and specialization of the attorney involved. Paralegal time is charged at rate between \$175 and \$195 an hour.

The above rates are subject to change periodically, depending on the market. You will be provided advance notice of any rate change. Depending upon the precise nature of the services requested, the actual charge for services will be the hourly rate of the attorney or attorneys involved multiplied by the number of hours utilized (calculated in 1/10th hour increments), with exception to telephone calls, which are charged at a minimum of 3/10th of an hour due to the administrative tasks associated with all telephone calls.

In addition to fees, our statements include our actual costs (except as set forth in Attachment A) for fees of governmental agencies and distributions and/or charges for third parties, the current schedule for which is set forth on *Attachment A* and which also is adjusted from time to time (collectively "**Charges**"). Our standard practice is to have certain charges for outside retained services invoiced to you directly. This letter constitutes Client's agreement to pay all such invoices prior to delinquency and to hold us harmless from your failure to do so. Of course, to the extent such third-party charges are paid directly by us they will be included in our statements.

Statements are submitted monthly and are due and payable upon presentation. You also agree to notify us promptly in writing if you dispute any entry for legal services or charges on any statement. In the absence of any written objection thereto within thirty (30) days of your receipt of an invoice, you will be deemed to have accepted and acknowledged the invoice as correct through the period covered by the invoice. Please understand that it is our policy to stop work on

all matters we are handling for a client if an amount invoiced to such client is sixty (60) days or more past due. Also, interest is charged at 10% per annum from date of statement for amounts outstanding more than sixty (60) days.

Unless we otherwise expressly agree in writing, any estimates we may provide from time to time and any deposits, retainers, or advances against costs we may require are not a limitation on our fees and other charges. In addition, if as a result of our retention we are required to produce documents or appear as witnesses in connection with any governmental or regulatory examination, audit, investigation or other proceeding or any litigation, arbitration, mediation or dispute involving Client or related persons, Client is responsible for costs and expenses reasonably incurred by us (including professional and staff time at then scheduled hourly rates and reasonable attorneys' fees and costs incurred by us). This provision shall survive any termination of our representation of Client.

3. No Conflicts. We maintain a conflict of interest index which lists all our clients and matters in which they were represented by us. Representation of any party with an interest that may be adverse to an indexed client will not be accepted by us without an examination to determine if a professional conflict of interest would be created. We have indexed the Client as Upper Santa Ana River Watershed Infrastructure Financing Authority and have determined that no actual conflict of interest exists based on this listing. However, there is a potential conflict of interest based on our representation of San Bernardino Valley Municipal Water District. The accompanying Conflict Waiver letter details the nature of that potential conflict and requests a waiver of the potential conflict.

4. Communications and Protection of Client Confidences. It is of course essential that clients and attorneys communicate effectively with one another to exchange information and to discuss developments and possible courses of action. Naturally, we will keep you informed as developments occur and will consult with you as to the appropriate steps to take. By the same token, you agree to keep us informed of your objectives and wishes and that, if we ask for specific information, documents or for instructions necessary to adequately carrying out our representation, you will respond accurately, completely, and as quickly as possible.

As you may know, communications between clients and attorneys are generally privileged and are not discoverable by third parties. However, recent court decisions have emphasized how easily that privilege can be lost, such as where attorney correspondence is routed through a client's routine intra-office mail, or where attorney/client communications are discussed with persons outside the attorney/client relationship. Any practical steps you can take to ensure that our attorney/client communications are not disclosed to third parties will be invaluable in protecting your right to claim that privilege.

While we remain mindful of our central obligation to preserve the secrets and confidences of our clients, it is also important that we agree from the outset what kinds of communications technology we will employ in the course of our retention and representation. Unless Client specifically directs us to the contrary, for purposes of our retention and representation, we agree that it is appropriate for us to use fax machines and email in the course of our relationship without any encryption or other special protections. In that regard, if there is a specific email address which you would like us to use to communicate with you, other than your current email address, please let us know. Please also notify our firm if Client has any other requests or requirements in connection with the methods of telecommunication, or persons to be included or copied in the circulation of documents relating to our services.

In light of the foregoing, our firm cannot and does not guarantee the security and/or confidentiality of email communication and will not be liable for improper disclosure of confidential information that is not caused by our firm's intentional misconduct.

5. Termination of Services. You may terminate our representation at any time, without cause, by notifying us. If you do, papers and property which you have provided to us will be returned to you promptly in accordance with our Rules of Professional Responsibility. Our internal files regarding administrative matters pertaining to the case will be retained. Termination of our services will not affect your responsibility for payment of legal services rendered and additional charges incurred both before termination and in connection with an orderly transition of the matter, including the copying of any files that you request that we provide to you or to substitute counsel.

Our Rules of Professional Responsibility list several types of conduct or circumstances that require or allow us to withdraw from representing a client. These include, for example: nonpayment of fees or costs, use of our services to perform a criminal or fraudulent act, misrepresentation of or failure to disclose material facts, action contrary to our advice, and conflicts-of-interest with another client. In addition, we reserve the right to stop our work for you if you fail to cooperate with us, or if any account is past due and we have been unable to agree on a mutually acceptable plan for payment. You agree that we may withdraw from the representation under these circumstances, subject to court approval where such approval is required for such withdrawals. In the event we seek to withdraw, you agree to engage in new counsel immediately.

6. Our Document Retention. Additionally, you authorize us, at the conclusion of this matter, to return any and all original documentation to your office at the address set forth on this letter, unless you otherwise direct us in writing, and to dispose of copies of documents sent from you or to you after the fifth anniversary of the closing of the file on this matter. Files are generally closed at the conclusion of a lawsuit or completion of a transaction.

7. Arbitration. Any dispute between us concerning our fees or charges shall, if you so elect, be submitted to arbitration under rules of the California State Bar, which shall be binding if (i) each of us so agrees after any such dispute arises, or (ii) such arbitration becomes binding under such rules. Any dispute between us concerning our fees or charges not so submitted to binding arbitration under the rules of the California State Bar, or that remains unresolved after non-binding arbitration under such rules, and any other dispute between or among you and us or any of our attorneys and agents, including but not limited to claims of malpractice, errors or omissions, or any other claim of any kind regardless of the facts or the legal theories, shall be finally settled by mandatory binding arbitration in Riverside County, California, conducted in accordance with California Code of Civil Procedures section 1282 *et seq.*, including, but not limited to, section 1283.05, with each party to bear its own costs and attorneys' fees and disbursements. Such arbitration shall be conducted before a single arbitrator, except in matters involving a dispute greater than Five Hundred Thousand Dollars, which shall be conducted before a three-arbitrator panel with each side selecting one arbitrator and the two arbitrators selected by the parties choosing the third arbitrator. Judgment on a binding arbitration award may be entered in any court of competent jurisdiction. We mutually acknowledge that, by this agreement to arbitrate, each of us irrevocably waives our right to court or jury trial. You have the right to consult separate legal counsel at any time as to any matter, including whether to enter into this retainer agreement and consent to the foregoing agreement to arbitrate.

8. No Guarantees. Finally, it should be noted that you understand no representation or guaranty of any particular outcome has been made regarding the Matter. Instead, the only arrangement between us is that we will extend our best professional efforts on your behalf, under the circumstances the Matter was presented to us.

If the foregoing is acceptable, please sign this retainer agreement and return it to us either electronically or in the envelope provided. A copy is enclosed for your records. If you have any questions or concerns, please feel free to call.

Once again, thank you for selecting us to represent you as counsel.

Sincerely,

Brendan W. Brandt for  
VARNER & BRANDT LLP

attachment

Heather P. Dyer, Executive Director  
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The undersigned has read and understood this retention letter and agrees that it correctly sets forth the terms upon which Varner & Brandt LLP has been retained by the undersigned in connection with the representation described herein.

Dated: \_\_\_\_\_, 2021.

**UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Heather P. Dyer  
Executive Director

## ATTACHMENT A

### ADMINISTRATIVE CHARGE TABLE

(as of January 1, 2021)

For your information, the following is a current list of the various costs that are charged to clients.

<u>Category</u>	<u>Charge</u>
<b>Delivery</b> (DHL, Federal Express, Airborne, messenger etc.)	Invoiced cost; not reduced by any volume discounts
<b>Document imaging</b> (Scanning, OCR, Coding)	Invoiced cost
<b>Duplicating</b>	\$0.25 per page; color copies \$0.75 (copying costs are not charged for ordinary day-to-day copying, such as copying for various correspondences, but would be charged in the event that voluminous documents are required as part of our representation)
<b>Lexis/ Westlaw Legal research</b>	Vendor rates
<b>Postage</b>	Actual cost of mailings over \$5.00 per day
<b>Travel</b>	Actual cost

August 18, 2021

brendan.brandt@varnerbrandt.com

**VIA ELECTRONIC MAIL**

Heather P. Dyer, Executive Director  
Upper Santa Ana River Watershed Infrastructure Financing Authority  
380 East Vanderbilt Way  
San Bernardino, California 92408  
E-mail: heatherd@sbsvmwd.com

Heather P. Dyer, CEO/General Manager  
San Bernardino Valley Municipal Water District  
380 East Vanderbilt Way  
San Bernardino, California 92408  
E-mail: heatherd@sbsvmwd.com

RE: Conflict Waiver for Varner & Brandt LLP

Dear Ms. Dyer:

Pursuant to a Retainer Agreement dated August 18, 2021, Varner & Brandt LLP (“*Firm*”) will be jointly representing San Bernardino Valley Municipal Water District (“*Valley District*”) and Upper Santa Ana River Watershed Infrastructure Financing Authority (“*JPA*”) as general counsel. Valley District is a member agency of the JPA. Based on this interlocking relationship, your interests could conflict, creating a conflict of interest for the Firm. When a potential or actual conflict of interest exists, a law firm must disclose the conflict to the clients and obtain their waiver and written consent to continue with the representation.

**RULES OF PROFESSIONAL CONDUCT**

Rule 3-310 of the California Rules of Professional Conduct provides in pertinent part:

- (C) A member [of the Bar] shall not, without the informed written consent of each client:

- (1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or
- (2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or
- (3) Represent a client in a matter and at the same time in a separate matter accept as a client, a person or entity whose interest in the first matter is adverse to the client in the first matter; or
- (4) (D) A member who represents two or more clients shall not enter into an aggregate settlement of the claims of or against the clients without the informed written consent of each client.
- (5) (E) A member shall not, without the informed written consent of the client or former client, accept employment adverse to the client or former client where, by reason of representation of the client or the former client, the member has obtained confidential information material to the employment

### **OUR REPRESENTATION**

The Firm plans to serve as general counsel for Valley District and for the JPA.

### **ADVERSE CONSEQUENCES**

We are obliged to inform you of any actual or reasonably foreseeable adverse effects of this relationship. It is impossible to foresee every circumstance that might arise in this sort of situation, however, it is possible that any of the following might occur:

- We may be tempted to favor the interests of one client over the other.
- We may not be able to present the appropriate position, claims or defenses for a client in order to avoid taking adverse positions to the other client.
- We may be restricted from forcefully advocating a client's position for fear of alienating the other client.



- We may be forced to withdraw from representing all clients because of disputes or further conflicts of interest, which could increase either or both clients' attorney's fees and costs.
- There may be an appearance of impropriety in our representation of both clients simultaneously.

Although the joint representation of each and all of you in this matter would not give rise to any conflict of interest at this time, there is a possibility that one or more of you could differ on the approach that should be taken in this matter. In such a case, a potential conflict could arise between you. Should such a conflict or potential conflict arise, this firm would be unable to represent any of you further in this matter. For this reason, even though we view this situation as unlikely, we are obligated to notify you of this potential conflict and to obtain your written consent.

This consent will not waive any protection that you may have with regard to attorney-client communications with us in this matter. Those communications will remain confidential and will not be disclosed to any third party without your consent.

### **CONSENT**

We believe that you are familiar with the factual background in this matter, and we have given you a sufficiently-detailed description for obtaining informed written consent. However, if you believe that there is any other information that you or we need to have before such consent can be granted, please let me know immediately.

In the event that circumstances change or we become aware of new information that requires a new consent from the parties, you will be notified of that fact immediately, and continued representation will be subject to the informed written consent of involved parties.

We emphasize that you are entitled to and should consider obtaining an independent legal opinion regarding the advisability of signing this consent form.

Your execution of this consent form will constitute an acknowledgment of full disclosure in compliance with the requirements of Section 3-310 of the California Rules of Professional Conduct previously quoted in this letter.

Heather P. Dyer, Executive Director  
Heather P. Dyer, CEO/General Manager  
August 18, 2021  
Page 4

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If the foregoing is acceptable, please sign this Conflict Waiver and return it to us either electronically or in the envelope provided. A copy is enclosed for your records. If you have any questions or concerns, please feel free to call.

Sincerely,

Brendan W. Brandt for  
VARNER & BRANDT LLP

I hereby consent to Varner & Brandt LLP jointly representing San Bernardino Valley Municipal Water District and Upper Santa Ana River Watershed Infrastructure Financing Authority in the above-described matter and waive any conflict or potential conflict that may arise due to such representation.

Dated: \_\_\_\_\_, 2021.

**UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING  
AUTHORITY**

By: \_\_\_\_\_

Heather P. Dyer  
Executive Director

Dated: \_\_\_\_\_, 2021.

**UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING  
AUTHORITY**

By: \_\_\_\_\_

Heather P. Dyer  
Executive Director

UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY



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DATE: August 18, 2021

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Approve the engagement of Stradling Yocca Carlson & Rauth ("Stradling") for Bond and Disclosure Counsel Services

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Summary:

At the July 21, 2021 meeting of the Authority, the Board directed staff to prepare several engagement letters to secure advisors to provide professional services.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is a leading business law firm providing Bond and Underwriting Counsel for vital infrastructure in the Western United States. It has earned consistent recognition among the top bond, disclosure and underwriter's counsel firms in California.

The firm was engaged by the San Bernardino Valley Municipal Water District ("Valley District") in the formation of the joint powers authority. The Board action is to formally engage the firm to represent the Authority on financial and specialized legal matters, including as bond and disclosure counsel with respect to the WIFIA loan. This item will be presented to the Valley District Board of Directors to authorize the payment of engagement costs until a cost sharing strategy is put in place.

Fiscal Impact:

There is no fiscal impact associated with the requested action at this time. Legal costs incurred under this engagement will be initially paid by Valley District and allocated to benefitting members or project agreements after the JPA Board has approved a cost sharing strategy. Administration costs for the JPA will most likely be paid from proceeds of bond or other financing mechanisms for each approved project agreement in order to reimburse Valley District. This is a time and material arrangement; there is no retainer due to Stradling.

Recommendation:

Staff recommends that the Board retain the services of Stradling as the bond and disclosure counsel and authorize the Executive Director to sign the engagement letter.

UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY

Attachment:  
Engagement Letter



Stradling Yocca Carlson & Rauth  
A Professional Corporation  
660 Newport Center Drive, Suite 1600  
Newport Beach, CA 92660  
949-500-0855  
stradlinglaw.com

**Douglas Brown**  
(949) 500-0855  
[dbrown@stradlinglaw.com](mailto:dbrown@stradlinglaw.com)

August 12, 2021

Heather Dyer  
Executive Director  
Upper Santa Ana River Watershed Infrastructure Financing Authority  
380 E Vanderbilt Way  
San Bernardino, CA 92408

Dear Ms. Dyer:

The Firm thanks you for the opportunity to formalize our representation of the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) on finance and other matters, including as bond and disclosure counsel with respect to a proposed WIFIA loan. Unless otherwise confirmed in writing, the terms of this letter and the enclosed Terms of Retention will govern our representation of the Authority.

We are attaching our normal Terms of Retention, which is an integral part of our retention agreement. If this letter, including the attached Terms of Retention, accurately reflects your understanding of our relationship, please acknowledge your approval and acceptance of these terms by signing and returning this letter to me. Copies of each are enclosed for your files. I would be pleased to answer any questions you might have.

Very truly yours,

STRADLING YOCCA CARLSON & RAUTH

Douglas S. Brown

Enclosure

The undersigned hereby agrees that the terms and conditions in this letter and the accompanying Terms of Retention shall apply to services rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation.

UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director



Stradling Yocca Carlson & Rauth  
A Professional Corporation  
500 Capitol Mall, Suite 1120  
Sacramento, CA 95814  
916 449 2350  
stradlinglaw.com

**TERMS OF RETENTION  
OF  
STRADLING YOCCA CARLSON & RAUTH**

1. **Fees and Costs.** Stradling Yocca Carlson & Rauth (the “Firm”) is compensated for its services based primarily on the value of the services and the time spent performing them. Such compensation may include the time spent on client conferences, travel, research, drafting documents, and other activities. The amount of fees charged on a statement is determined by the hours expended by the different attorneys and other professional personnel involved and the applicable rates. A schedule of the hourly rates applicable to attorneys expected to work on Authority matters is attached as Exhibit A. The hourly rates provided in Exhibit A are the discounted rates the Firm charges for public agencies on financing matters. Such rates may change from time-to-time but no increases in excess of 2% per annum shall be implemented without the written consent of general counsel to the Authority. Work in connection with the application for a WIFIA loan or the negotiation of a WIFIA loan, including work with respect to project or other agreements between the Authority and the members to secure the WIFIA loan, will be charged on an hourly rate basis. **Notwithstanding the foregoing, all fees for bond counsel and disclosure counsel services with respect to specific transactions will be at fixed fees payable contingent upon completion of the specific task or the closing of the transaction as agreed in supplements to this Terms of Retention.** The scope of work for bond counsel and disclosure counsel services on specific transactions is provided in Exhibit B.

The Firm also charges for various costs such as copying, telephone charges, computerized legal research, word processing and/or other computer time, overtime costs, messenger services, travel, filing fees and other costs. Bills for some costs are passed on directly, such as bills for certified shorthand reporters, technical consultants, and other professional fees. **For bond counsel and disclosure counsel matters on specific transactions, expenses will be included in any fixed amount quoted to you as described above.**

2. **Termination by the Firm.** The Firm reserves the right to withdraw from representing you if, among other things, you fail to honor the terms of our agreement, you fail to cooperate fully or follow our advice on a material matter, or any fact or circumstance occurs that would, in our view, render our continuing representation unlawful or unethical. If we elect to withdraw, you will take all steps necessary to free us of any obligation to perform further services, including the execution of any documents necessary to complete our withdrawal, and we will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on your behalf. **Notwithstanding the foregoing, no portion of any contingent bond counsel and disclosure counsel fee shall be payable in the event we terminate our**

**representation of you as discussed above prior to closing of the proposed transaction. If necessary in connection with litigation, we would request leave of court to withdraw.**

3. **Termination by Authority.** We understand that we serve at the pleasure of the Authority and this Terms of Retention may be terminated by the Authority at any time, upon 10 days written notification with or without cause. In the event that our services are terminated prior to completion of the financing, no portion of any contingent bond counsel or disclosure counsel fee shall be payable to us.

4. **Date of Termination.** Our representation of you will be considered terminated at the earlier of (i) your termination of our representation, (ii) our withdrawal from our representation of you, or (iii) the substantial completion of our substantive work for you.

5. **Related Activities.** If any claim or action is brought against us or any personnel or agents of the firm based on your negligence or misconduct, or if we are asked to testify as a result of our representation of you or must defend the confidentiality of your communications in any proceeding, you agree to pay us for any resulting fees, costs, or damages, including our time, even if our representation of you has ended.

6. **No Guarantee of Outcome.** The Firm will provide its services consistent with the level and quality of expertise expected of a nationally recognized firm specializing in securities law and the transactions contemplated by this agreement. We do not and cannot guarantee any outcome in a matter.

7. **Insurance.** We hereby advise you that this Firm maintains professional errors and omissions insurance coverage applicable to the services to be rendered to you. Evidence of such insurance will be provided upon request.

8. **Client.** This Firm's client for the purpose of our representation is only the Authority. Unless expressly agreed, the Firm is not undertaking the representation of any related or affiliated person or entity, nor any parent, brother-sister, subsidiary, or affiliated corporation or entity, nor any of your or their officers, directors, agents, or employees.

9. **Client File and Retention.** For each matter the Firm maintains a file in which the Firm places certain documents and items, including original documents, that are reasonably necessary to the Firm's representation in the matter. The Firm currently keeps each file for seven years after a matter concludes. The file belongs to the client and, subject to any protective order or non-disclosure agreement, the client may request to take possession of it once the matter concludes. Should all or any portion of the file become the subject of a subpoena, discovery request or other disclosure obligation ("Legal Process") while in the Firm's possession, including after the matter concludes, you agree to pay the Firm's then-prevailing hourly rates and costs that the Firm incurs in connection with the Legal Process.

10. **Payment Notwithstanding Dispute.** In the event of any dispute that relates to our entitlement to any payment from you, all undisputed amounts shall be paid by you. Any amounts in

any client trust account held on your behalf, sufficient to pay the disputed amounts, shall continue to be held in such trust account until the final disposition of the dispute.

11. **Arbitration.** We appreciate the opportunity to serve as your attorneys and anticipate a productive and harmonious relationship. If you should feel for any reason that there is a problem with the services we have performed or with our charges, we encourage you to bring that to our attention immediately. If we perceive a problem with your representation, we likewise will endeavor to discuss it with you. Most problems should be rectified by communication and discussion. However, a dispute might arise between us which could not be resolved by negotiation. We believe that such attorney-client disputes are most satisfactorily resolved through final and binding arbitration rather than by litigation. Both the United States Supreme Court and the California Supreme Court have endorsed arbitration as an accepted and favored method of resolving disputes, because it is economical and expeditious.

In arbitration, there is no right to a trial by jury and the arbitrator's legal and factual determinations are generally not subject to appellate review. Arbitration rules of evidence and procedure are often less formal and less rigid than the rules which apply in Court. Arbitration usually results in a decision much more quickly than proceedings in Court, and the attorneys' fees and other costs incurred by both sides may be substantially less. You are free to discuss the advisability of arbitration with us, or with your own independent counsel or any of your other advisors, and to ask any questions which you may have.

By signing this Terms of Retention, we agree that, in the event of any dispute or claim arising out of or relating to our engagement, our relationship, our charges, or our services (including but not limited to disputes or claims regarding our charges, professional malpractice, errors or omissions, breach of contract, breach of fiduciary duty, fraud, or violation of any statute), SUCH DISPUTE OR CLAIM SHALL BE RESOLVED BY SUBMISSION TO FINAL AND BINDING ARBITRATION IN SAN BERNARDINO COUNTY, CALIFORNIA, BEFORE A RETIRED JUDGE OR JUSTICE. BY AGREEING TO ARBITRATE, YOU WAIVE ANY RIGHT YOU HAVE TO A COURT OR JURY TRIAL. Venue with regard to any ancillary proceedings arising out of such dispute or claim shall also be in San Bernardino County. If we are unable to mutually agree on a retired judge or justice, then each side will name one retired judge or justice and the two named persons will select a neutral judge or justice who will act as the sole arbitrator. The fees of the arbitrator will be paid initially equally by both the Firm and you. However, the arbitrator shall have the right to order either party to pay all fees and costs as part of his award.

In arbitration, we shall both be entitled to conduct discovery in accordance with the provisions of the California Code of Civil Procedure, but either of us may request that the arbitrator limit the amount or scope of such discovery and, in determining whether to do so, the arbitrator shall balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively.



Under California law, you have the right, if you desire, to request arbitration of any fee dispute before an arbitrator or panel of arbitrators selected by a local bar association or the State Bar (“Bar Arbitration”) and a trial de novo in court if dissatisfied with the result. If you do request a Bar Arbitration, the law provides that evidence of any claim of malpractice or professional misconduct is admissible only concerning the fees or costs in dispute and that the Bar Arbitrators shall not award any affirmative relief in the form of damages, offset or otherwise on account of such claim. By signing this Terms of Retention, you agree that if a Bar Arbitration is conducted, that Bar Arbitration or any trial de novo in Court thereafter shall determine only the issue of the amount of fees properly chargeable to you, if any, and that such Bar Arbitration or trial de novo in Court thereafter shall have no effect on the provisions set forth above which require arbitration before a retired judge or justice of any claims for affirmative relief based on alleged professional malpractice, errors or omissions, breach of conduct, breach of fiduciary duty, fraud or violation of any statute. Any such claims shall be solely determined in an arbitration proceeding by a retired judge or justice without regard to the result of any Bar Arbitration or trial de novo thereafter.

12. **Primary Attorney.** The primary attorney with responsibility for this representation will be Douglas S. Brown. The parties agree that the Firm is being retained based on the unique skill, experience, and expertise of Mr. Brown and no change will be made in the primary attorney without the prior, written consent of the Authority.

13. **Other Clients.** As a law firm with many diverse clients and practice areas, we seek to retain the ability to accept unrelated matters for all of our clients. We may thus request your informed written consent in the event we seek to represent any other client in any future matter that is not substantially related to this matter and does not involve material confidential information we obtained while representing you in this matter. Such matters could arise during our representation of you in this matter. You may determine to consent or not consent to such request and should feel free to consult general counsel before deciding whether to grant any consent should it be requested.

The Firm has served and may serve as bond and/or disclosure counsel to San Bernardino Valley Municipal Water District (“Valley Water”) and Yucaipa Valley Water District (“YVWD”) on financing matters unrelated to the Authority. The Authority hereby consents to the Firm serving as bond and disclosure counsel for members of the Authority, including Valley Water and YVWD, on financings unrelated to any Authority financing.

The Firm represents various investment banks and underwriters from time-to-time on transactions for public agencies other than the Authority. The Firm will not represent any investment bank or underwriter (or any other party to the transaction) on any Authority transaction.

The Firm represents various public agencies, including water agencies in San Bernardino County and in the Upper Santa Ana River Watershed, as bond and/or disclosure counsel and on other financing matters. The Firm does not representing any such agencies as general counsel or on litigation matters.

14. **Electronic Communication and Storage Technology.** The Firm uses cell phones, email, wireless networks, cloud-based platforms, and other technology to communicate with others and to transmit or store documents and information. Such technology helps the Firm provide efficient and convenient legal services, but may pose confidentiality and security risks. By signing this letter agreement, you consent to the Firm's use of all such technology in connection with this engagement.

15. **Processing Client Personal Information.** In connection with our engagement, you may be required to disclose to the Firm, or the Firm may obtain on your behalf, personal information relating to individuals that the Firm does not otherwise collect for the Firm's own commercial or business purposes ("Client Personal Information"). For example, materials that you provide to the Firm for purposes of due diligence may contain Client Personal Information relating to third parties. You hereby acknowledge, agree and require that the Firm only collect, retain, use, disclose, or otherwise process Client Personal Information as your "service provider" or "data processor," as defined in the California Consumer Privacy Act of 2018 or other data privacy laws, as applicable (collectively, "Data Privacy Laws"), or pursuant to any exception that may apply under Data Privacy Laws regarding the attorney-client relationship. The Firm will not sell Client Personal Information. The Firm will not collect, retain, use, disclose or otherwise process Client Personal Information for any purpose other than for the purpose of performing services to you pursuant to this engagement letter, unless applicable law requires us to do otherwise. The Firm will not collect, retain, use, disclose, or otherwise process Client Personal Information outside of the Firm's direct relationship with you, unless applicable law requires the Firm to do otherwise. The Firm certifies that the Firm understands these restrictions and will comply with them. These restrictions are not intended to reduce or replace our obligations under applicable rules of professional conduct, including but not limited to the Firm's obligation of confidentiality.

16. **Publicity.** You consent to the Firm's use of your name and logo (if applicable) on our web site and in our marketing materials.

17. **Client Communication.** You hereby designate Heather Dyer, Executive Director, to act on your behalf for this matter, and you authorize us to communicate with, and receive directions from, that person and any other person that you may designate in the future.

18. **Authority to Sign.** The person signing this letter on behalf of the Authority represents that he or she has the full right and authority to do so, and to fully commit and bind the Authority to this engagement letter.

19. **Miscellaneous.** This letter sets forth the entire agreement between you and the Firm, and there is no other or additional understanding between you and the Firm on these subjects. This agreement supersedes any prior agreements or representations, written or oral, between you and the Firm on these subjects. Any modification or amendment to this agreement must be in a writing signed by you and the Firm. This agreement shall be governed by California law without reference to its conflict of law principles. If any provision of this agreement is found to be invalid or unenforceable, that provision shall be deemed modified or removed so that it is valid and enforceable to the fullest extent of the law, and the other provisions of this agreement shall be unimpaired.

EXHIBIT A

**2021 "B" GROUP DISCOUNTED RATES**

<b>DEPARTMENT</b>	<b>"B" SHAREHOLDERS</b>	<b>2021 "B" RATE</b>
PUBLIC	DOUGLAS S. BROWN	\$550.00
<b>DEPARTMENT</b>	<b>"B" ASSOCIATES</b>	<b>2021 "B" RATE</b>
PUBLIC	JONATHAN GUZ	\$400.00

**ALL "B" GROUP PARALEGALS ARE AT \$120.00/HOUR**

## EXHIBIT B

### SCOPE OF SERVICES

In the event that any portion of the proposed Upper Santa Ana River Watershed infrastructure project are financed by public or private debt other than the WIFIA loan, a mutually agreeable supplement to this engagement letter may be entered into to set forth a fixed fee for the following services.

1. Stradling Yocca Carlson & Rauth, a Professional Corporation (the “Firm”), will undertake the following Scope of Services with respect to bond counsel services:

Advise the Authority with respect to (1) implications of Authority actions on past financing, and (2) proposed financing, including but not limited to:

(a) advice and consultation with the executive director, general counsel, other staff of the Authority and the Board of Directors regarding the financing process;

(b) prepare all legal proceedings in connection with the proposed financing, including, but not limited to drafting various resolutions, documents and agreements for consideration by the Board of Directors of the Authority;

(c) participation in meetings, hearings or negotiations with the Authority staff, Board of Directors, municipal advisors, underwriters and other financing team members as the circumstances require;

(d) render a validity opinion with respect to the proposed debt obligation and, with respect to transactions expected to be tax exempt, deliver a tax opinion that interest earned with respect to the Authority’s debt obligation is exempt from State and Federal taxes, if applicable;

(e) review and prepare summaries of the major legal documents for inclusion in the Official Statement; and

(f) prepare final closing documents to be executed by the Authority to effect delivery of any financing (including the tax certificate).

2. The Firm will undertake the following Scope of Services with respect to disclosure counsel services:

(a) Prepare disclosure documents for the Authority for the Preliminary and Final Official Statements for use in all offering documents to comply with federal disclosure regulations;

(b) Obtain information to prepare the Preliminary and Final Official Statements from counsel, municipal advisors, underwriters, underwriters' counsel and the Authority as appropriate;

(c) Provide the “10b-5 Negative Assurance Letter” with respect to the Official Statements, as well as prepare the 15c2-12 Certificate to be signed by the Authority with respect to the Preliminary Official Statement and the Continuing Disclosure Certificate;

- (d) Prepare on the Authority's behalf all documents and materials necessary to comply with all applicable continuing disclosure requirements for the transaction(s);
- (e) Assist the Authority to comply with ongoing disclosure requirements including:
  - a. Assist with the determination of whether an action, activity or event constitutes a “material event”, as defined in SEC Rule 15c2-12, and prepare the appropriate disclosure of such material event;
  - b. Assist with the review of the compilation of the “annual financial information” needed to comply with the Authority's continuing disclosure requirements under SEC Rule 15c2-12 and any current continuing disclosure statement;
  - c. Review the audited financial statements for purposes of confirming compliance with current continuing disclosure agreements; and
  - d. Assist Authority in preparing disclosure, if any, of any material failure to comply with SEC Rule 15c2-12.
- (f) Keep the Authority informed of all rulings and findings by Federal and State regulatory agencies, including but not limited to, the Internal Revenue Service, the U.S. Securities and Exchange Commission, the Municipal Securities Rulemaking Board, and the California Legislature, which impact the Authority's issuance compliance and ongoing disclosure obligations;
- (g) Participate in due diligence and other meetings as requested;
- (h) Review rating agency presentations and investor presentations for consistency with Official Statement and compliance reasons;
- (i) Participate in rating agency meetings; and
- (j) As requested, provide training on disclosure practices and law as requested by the Authority.

UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY



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DATE: August 18, 2021

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Approve the engagement of Fieldman Rolapp for Financial Advisory Services

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Summary:

At the July 21, 2021 meeting of the Authority, the Board directed staff to prepare several engagement letters to secure advisors to provide professional services.

Fieldman Rolapp is a leading financial advisory services firm in water/wastewater finance. The firm was engaged by the San Bernardino Valley Municipal Water District ("Valley District") to provide financial planning and analysis for the WIFIA Letter of Interest. The Board action is to formally engage the firm to provide financial advisory services for the next three (3) years on as-needed basis in a not-to-exceed amount of \$327,110. This item will be presented to the Valley District Board of Directors to authorize the payment of engagement costs until a cost sharing strategy is put in place for the Joint Powers Authority expenses.

Fiscal Impact:

There is no fiscal impact associated with the requested action at this time. Financial advisory costs incurred under this engagement will be initially paid by Valley District and allocated to benefitting members or project agreements after the JPA Board has approved a cost sharing strategy. Administration costs for the JPA will most likely be paid from proceeds of bond or other financing mechanisms for each approved project agreement in order to reimburse Valley District.

Recommendation:

Staff recommends that the Board retain the services of Fieldman Rolapp for as-needed financial advisory services and direct the Executive Director to execute a consulting services agreement.

Attachment:

Consulting Services Agreement

## CONSULTING SERVICES AGREEMENT

**THIS CONSULTING SERVICES AGREEMENT (“*Agreement*”)** is entered into as of August 12, 2021 (“*Effective Date*”), by and between Upper Santa Ana River Watershed Infrastructure Financing Authority, organized and operating under the Joint Exercise of Powers Act (“*Authority*”), and Fieldman, Rolapp & Associates, Inc, a Corporation (“*Consultant*”). Authority and Consultant are sometimes referred to herein collectively as “*Parties*” and individually as “*Party*.”

### RECITALS

A. Authority is a public agency of the State of California and is in need of a qualified consultant to provide professional services for the following project:

**JOB NAME:** ADVISORY AND FINANCIAL PLANNING SERVICES

B. Consultant is duly licensed in the State of California and has the necessary qualifications to provide such professional services. Consultant is a registered Municipal Advisor with the Municipal Securities Rulemaking Board and the U.S. Securities and Exchange Commission.

C. The Parties desire to enter into this Agreement for the purpose of setting forth the terms and conditions upon which Consultant will render such professional services to Authority.

**NOW, THEREFORE**, the Parties agree as follows:

### ARTICLE I SCOPE OF SERVICES

1.1 Term. The term (“*Term*”) of this Agreement shall commence on the Effective Date and shall automatically terminate upon earlier of: (a) thirty six months from the Effective Date; or (b) the successful completion of Services (as defined below), unless earlier terminated.

1.2 Scope of Services and Time of Performance. During the Term of this Agreement, Consultant shall perform all services, and provide all materials, equipment, tools, labor, and expertise, necessary to furnish the professional services set forth in which is attached as *Exhibit “A”* hereto and incorporated herein by reference (collectively, “*Services*”). All Services shall be performed in accordance with the timeframes set forth by the Authority.

1.3 Task Orders. From time to time, the Parties may make changes to or authorize certain work set forth in the Scope of Services, including without limitation issuing additional instructions, requiring additional work, or deleting work previously ordered, by executing one or more task orders (each a “*Task Order*”). The provisions of this Agreement shall apply to all such Task Orders. The costs of each Task Order, or any modification of time for completion that might be required thereby, shall be mutually agreed upon in writing by Authority and Consultant before commencement of the work called for by such Task Order. A Task Order is a request for additional Services and/or changes to Services, and shall not be effective unless and until accepted in writing by both Parties. Consultant shall be solely responsible for all costs and expenses associated with

any additional Services, including additional Services already performed, that have not been specifically agreed upon in writing by Consultant and Authority. As used in this Agreement, the term “**Services**” shall include Services added, deleted, or modified by any Task Order

1.4 Qualifications. Consultant represents and warrants to Authority that it has the qualifications, experience, licenses, and facilities necessary to properly perform the Services in a timely, competent, and professional manner.

1.5 Licenses. Consultant shall, in accordance with applicable laws and ordinances, obtain and maintain at its expense all permits and licenses necessary to accomplish the Services. Failure to maintain a required permit or license may result in immediate termination of this Agreement.

1.6 Standard of Care. Consultant shall perform all Services in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and competence ordinarily exercised by members of the profession currently practicing under similar conditions and in compliance with all federal, state, and local laws, rules, regulations, or ordinances applicable to the Services.

1.7 Relations with Construction Contractor. Consultant shall not directly or indirectly communicate with or consult with any construction or other Authority contractor utilized in the project, except in the presence of or with the specific written consent of the Authority.

1.8 Non-Exclusivity. Authority agrees that Consultant may perform services in matters that are not substantially related to the Services for people or entities that are or might be adverse to Authority. Subject to the restrictions of this Section 1.8 and Sections 3.2 and 3.3, Consultant will have no obligation to limit or restrict the assignment of its consultants, employees, and principals to other projects as a result of their performance of the Services.

## ARTICLE II COMPENSATION AND EXPENSES

2.1 Compensation. As full and complete compensation for the Services to be rendered by Consultant, Authority shall pay Consultant for all Services performed pursuant to this Agreement, inclusive of subconsultants and miscellaneous expenses, in the amount and on the schedule attached as **Exhibit “B”** hereto and incorporated herein by reference (“**Compensation**”), which amount [shall not exceed \$327,110 (“**Maximum Fee**”)]. To the extent different payment terms are set forth in a Task Order that conflict with the general payment terms set forth in the Proposal, the terms in the Task Order shall control. Consultant acknowledges and agrees that in no event shall Consultant receive or have a claim of any kind for any payment in excess of the Maximum Fee for any work, including additional Services under any Task Order, performed under this Agreement, unless such amount exceeding the Maximum Fee is specifically approved in writing by Authority.

2.2 Billing Procedure. On or before the tenth (10th) day of each month, Consultant will submit to Authority an accurate and complete statement (“**Invoice**”) for Services actually performed during the previous month and other amounts due under this Agreement. Each Invoice



shall include, at a minimum: (a) Authority's job name; (b) Authority's job number; (c) Consultant's point of contact for billing questions; (d) basis of billing; (e) total contract value; (f) total billing to date; (g) amount remaining in contract; (h) estimated percentage of completion at time of billing; and (i) a summary of Services actually performed during the billing period. Each Invoice shall be supported by such data substantiating Consultant's right to payment as Authority may reasonably require.

2.3 Payment. Authority shall pay to Consultant within thirty (30) calendar days after receipt of an Invoice, or the resolution of any billing dispute, all undisputed amounts. Authority may withhold a portion of an Invoice because of defective Services not remedied or unsatisfactory prosecution of the Services by Consultant. Authority will release any withheld funds upon Consultant satisfactorily remedying the issue that resulted in the withholding. Authority will not pay late fees to Consultant on the compensation due Consultant under the terms of this Agreement. Payment of any Invoice shall not constitute acceptance of any Services completed by Consultant, and the making of final payment shall not constitute a waiver of any claims by Authority for any reason whatsoever.

2.4 Disputed Invoices. In the event Authority disputes an Invoice, Authority shall provide a written explanation of the dispute to Consultant within thirty (30) days after receiving the Invoice. Authority and Consultant shall cooperate to resolve any disputed amount. Authority shall not be penalized for any reasonable dispute and shall not be obligated to pay any amount in dispute until the dispute has been resolved.

2.5 Expenses. Authority must pre-approve in writing each reasonable and necessary expense for which Consultant intends to seek reimbursement, which expenses are directly related to the performance of the Services. If pre-approved, such expenses for reasonable and necessary travel, lodging, or miscellaneous expenses incurred in the performance of this Agreement will be reimbursed to Consultant in accordance with Authority's general reimbursement policy. Consultant shall submit an Invoice of all incurred expenses accompanied by reasonable supporting documentation or transaction receipts. Invoices that fail to include reasonable supporting documentation or receipts will not be honored and Authority will have no obligation of any kind to reimburse Consultant for unsupported expenses listed on such Invoices.

2.6 Taxes. Any Taxes imposed by governing taxing authorities with respect to the Services will be the responsibility of Consultant. "**Taxes**" shall mean all taxes imposed with respect to the provision of the Services and associated amounts payable with respect to the Services, whether denominated as sales taxes, gross receipts taxes, transaction privilege taxes, use taxes, excise taxes, or otherwise.

### **ARTICLE III WORK PRODUCT; CONFIDENTIAL INFORMATION**

3.1 Project Data. Consultant shall be exclusively responsible for obtaining from the appropriate sources, persons or third parties, all data and information necessary for the proper, timely and complete performance and satisfaction of the Services.

3.2 Work Product. Upon completion or other termination of this Agreement, Consultant shall provide to Authority, and such other consultants approved by Authority, all papers, maps, models, designs, calculations, surveys, reports, data, notes, computer files, documents, drawings and other work product (collectively "**Work Product**") developed from or associated with the Services. Upon completion of the Services, Consultant shall provide one reproducible physical copy and one electronic copy of all final Work Product described in the Proposal, in forms acceptable to Authority. Consultant acknowledges that all Services performed or Work Product prepared for Authority by Consultant hereunder, including without limitation all data, calculations, reports, models, working notes, drawings, designs, improvements, trademarks, patents, copyrights (whether or not registered or patentable), and specifications developed or prepared by Consultant in connection with or related to such Services or Work Product shall become the sole and exclusive property of Authority, unless specifically otherwise agreed upon in writing by Authority and Consultant. Consultant hereby unconditionally assigns, transfers and conveys to Authority all rights, interests and claims of any kind related thereto, including copyright. Consultant shall promptly disclose such Work Product to Authority and, at the Authority's expense, perform all actions reasonably requested by Authority (whether during or after the Term) to establish and confirm such ownership (including, without limitation, executing any necessary assignments, consents, powers of attorney, and other instruments). Notwithstanding the preceding, all pre-existing intellectual property owned by Consultant which is incorporated in or utilized to develop the Services performed or Work Product prepared for Authority hereunder shall remain the sole and exclusive property of Consultant; provided, however, that Consultant grants to Authority a non-exclusive, perpetual, fully transferable, worldwide, royalty-free, limited license to use such pre-existing intellectual property in connection with such Services or Work Product. Consultant shall not be held liable for reuse of Work Product or modifications thereof by Authority or its representatives for any purpose other than the original intent of this Agreement, without written authorization of Consultant.

3.3 Confidential Information. Consultant acknowledges that during the Term it may receive or have access to certain information, observations, and data (including without limitation trade secrets, designs, ideas, products, research, software, financial data, and personal information) concerning the business or affairs of Authority which is designated as confidential or proprietary or should reasonably be understood to be confidential given the nature of the information and the circumstances surrounding its disclosure ("**Confidential Information**"). All Confidential Information is, and shall remain, the property of Authority. Consultant shall: (a) use all Confidential Information solely for the purpose of providing the Services described in this Agreement; (b) hold all Confidential Information in strict confidence; (c) protect all Confidential Information from dissemination to, and unauthorized access or use by, any third party, using the same level of care and discretion that it uses with its own similar information, which in no case will be less than commercially reasonable care; (d) restrict access to all Confidential Information to such of its personnel, agents, and/or subconsultants, if any, who have a need to have access in order to provide the Services and who are under obligations of confidentiality substantially similar to those in this Agreement; and (e) return or destroy all Confidential Information of the other Party in its possession upon termination or expiration of this Agreement and promptly confirm such return or destruction. Consultant shall not sell or make any unauthorized use of any Confidential Information.

## ARTICLE IV BOOKS AND RECORDS

4.1 Books and Records. Consultant shall keep and preserve for no less than four (4) years after the date of final billing or termination of this Agreement, whichever shall first occur, accurate and detailed records of all ledgers, books of account, invoices, vouchers, cancelled checks, and other documents or records evidencing or relating to the Services and disbursements charged to Authority under this Agreement (collectively, “**Books and Records**”). All Books and Records shall be maintained in accordance with generally accepted accounting principles and must be sufficiently complete and detailed so as to permit an accurate evaluation of the Services provided by Consultant under this Agreement. Authority and its agents shall be given full access to such Books and Records during normal business hours. Authority and its agents shall have the right to make copies of any of the said Books and Records.

4.2 Work Product Documentation. Consultant further agrees to maintain all design calculations and final Work Product on file in legible and readily accessible form. In addition to the requirements of Section 3.2, Consultant shall make copies of such material available to Authority, at Authority’s sole cost and expense, and Consultant shall not destroy the originals of such materials and items, including any additions, amendments or modification thereto, unless Authority fails to object to such destruction upon Consultant providing Authority with sixty (60) days advance written notice, indicating that such material is scheduled to be destroyed.

## ARTICLE V INDEPENDENT CONTRACTOR

5.1 Status. The Parties hereby acknowledge that in rendering the Services provided hereunder, Consultant shall be deemed to be an independent contractor and shall not be deemed in any way an agent, partner, or joint venturer of Authority. Consultant acknowledges and agrees that, as an independent contractor, it is solely responsible for the payment of any and all taxes and/or assessments imposed on account of payment to Consultant or the performance of Services by Consultant pursuant to this Agreement.

5.2 Agency Restrictions. Consultant understands and agrees that Consultant shall not represent itself to third parties to be the agent, employee, partner, or joint venturer of Authority. Furthermore, Consultant shall not make any statements on behalf of or otherwise purporting to bind the Authority in any contract or otherwise related agreement. Consultant further agrees and acknowledges that Consultant does not have the authority to and shall not sign any contract on behalf of Authority. Consultant shall not obligate Authority to do any other act that would bind Authority in any manner.

5.3 Further Assurances. Consultant shall furnish Authority with any documents or records that Authority reasonably believes necessary to properly and timely carry out the Services. Authority shall first tender written notice to Consultant regarding any documents or records that it reasonably believes necessary to properly carry out the Services. Consultant shall then have ten (10) days from the receipt of such notice to provide Authority with the requested documents or records.

**ARTICLE VI  
TERMINATION**

6.1 Termination. At any time during the Term of this Agreement, Authority may terminate this Agreement, in whole or in part, with or without cause, upon ten (10) working days' written notice to Consultant. Upon receipt of the termination notice, Consultant shall promptly discontinue Services except to the extent the notice otherwise directs. In the event Authority renders such written termination notice to Consultant, Consultant shall be entitled to compensation for all Services properly rendered prior to the effective date of the notice and all further Services set forth in the notice. Authority shall be entitled to reimbursement for any compensation paid in excess of Services properly rendered and shall be entitled to withhold compensation for defective Services or other damages caused by Consultant's work. Consultant acknowledges Authority's right to terminate this Agreement as provided in this Article VI, and hereby waives any and all claims for damages that might arise from Authority's termination of this Agreement. Consultant shall deliver to Authority and transfer title (if necessary) to all completed Work Product. Authority shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed Services, and shall not be entitled to damages or compensation for termination of Services.

**ARTICLE VII  
[INTENTIONALLY OMITTED]**

**ARTICLE VIII  
PROJECT MANAGEMENT**

8.1 Consultant's Representative. Robert A. Porr ("*Consultant's Representative*") is hereby designated as the principal and representative of Consultant authorized to act on its behalf with respect to the Services specified herein and to make all decisions in connection herewith. Consultant shall not substitute Consultant's Representative without first notifying Authority in writing of Consultant's intent. Authority shall have the right to review the qualifications of said substitute. If Authority determines said substitute Consultant's Representative is unacceptable, Consultant shall submit alternate candidates until Authority determines the substitute Consultant Representative is acceptable.

8.2 Authority's Representative. Heather Dyer, Executive Director ("*Authority's Representative*"), is hereby designated to represent Authority and except as otherwise provided herein authorized to act on its behalf with respect to the Services specified herein and to make all decisions in connection therewith. Authority may substitute Authority's Representative at any time upon written notice to Consultant.

**ARTICLE IX  
INDEMNIFICATION; LIMITATION OF LIABILITY**

9.1 Indemnification. Consultant shall indemnify, defend, and hold harmless Authority and Authority's directors, officers, employees, representatives, agents, affiliates, subsidiaries,

predecessors, successors, and assigns from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, judgments, fines, penalties, and deficiencies, including attorneys' fees (collectively, "**Claims**"), arising out of or related to any acts or omissions, or goods, products, or services made, furnished, or otherwise provided, or alleged to be made, furnished, or otherwise provided, by Consultant or Consultant's employees, representatives, agents, subconsultants, contractors, subcontractors, suppliers, successors, permitted assigns, or anyone acting on behalf of Consultant in connection with the performance of the Services. Consultant's indemnification responsibility with respect to the Services shall exist and continue regardless of the extent to which Authority may have reviewed and approved the Services performed by Consultant, except that Consultant shall not be responsible for any Claim attributable to the Services to the extent such Claim is attributable to a decision made by Authority with respect to which Consultant and Authority have specifically agreed in writing that Authority shall be the responsible party. Consultant's indemnification obligations shall not be affected by any insurance provisions or limitations of liability contained in this Agreement. Consultant's indemnification obligations shall continue in full force and effect notwithstanding the completion, expiration, or other termination of this Agreement.

9.2 Limitation of Liability. AUTHORITY'S CUMULATIVE AGGREGATE LIABILITY IN CONNECTION WITH THIS AGREEMENT, WHETHER ARISING UNDER CONTRACT OR BASED UPON A CLAIM OF STRICT LIABILITY, NEGLIGENCE, OR ANY OTHER TORT OR STATUTORY BASIS, SHALL BE LIMITED TO THE TOTAL PAYMENTS MADE BY AUTHORITY TO CONSULTANT HEREUNDER DURING THE 12-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT UPON WHICH LIABILITY IS PREDICATED. IN NO EVENT WILL AUTHORITY OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, OR AFFILIATES BE LIABLE FOR LOST PROFITS, LOST BUSINESS OPPORTUNITIES, LOST REVENUES, OR FOR EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, DELAY, INDIRECT, OR CONSEQUENTIAL DAMAGES OR THE LIKE, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER AUTHORITY HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. THE PARTIES EACH ACKNOWLEDGE THAT THE FORGOING LIMITATION OF LIABILITY IS A MATERIAL CONDITION OF AUTHORITY'S WILLINGNESS TO ENTER INTO THIS AGREEMENT, AND THAT AUTHORITY WOULD NOT ENTER INTO THIS AGREEMENT BUT FOR SUCH LIMITATION.

## **ARTICLE X INSURANCE**

10.1 Insurance. Consultant shall provide, pay for, and maintain in force at all times during the performance of the Services hereunder, the policies of insurance set forth below. Consultant shall provide original certificates of insurance and endorsements evidencing coverage on forms reasonably acceptable to Authority prior to commencing any Services under this Agreement and promptly upon request thereafter. The existence of the required insurance coverage under this Agreement shall not be deemed to satisfy, substitute for, or otherwise limit Consultant's indemnification obligations under this Agreement. Consultant acknowledges that the

insurance coverage and the policy limits set forth in this Agreement constitute the minimum coverage and policy limits required.

(a) Commercial General Liability Insurance covering liabilities for death and personal injury, liabilities for loss of or damage to property, and contractual indemnity obligations with a combined single limit of \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

(b) Automobile Liability Insurance for bodily injury or death and property damage, including coverage for owned, non-owned, leased, and hired auto, with a minimum \$1,000,000 per person and \$2,000,000 per occurrence.

(c) Workers' Compensation Insurance as required by applicable law.

(d) Employers' Liability Insurance with limits of at least \$1,000,000 per occurrence.

(e) Professional Liability Insurance/Errors and Omissions Liability Insurance appropriate to Consultant's profession, with limits of liability of not less than \$2,000,000 each claim/annual aggregate.

10.2 Policy Requirements. All insurance policies required pursuant to this Agreement shall:

(a) For all liability policies, include an additional insured endorsement at least as broad as ISO CG 2010 07 04 and consistent therewith naming as additional insureds "Upper Santa Ana River Watershed Infrastructure Financing Authority Authority and its directors, officers, employees, representatives, agents, affiliates, subsidiaries, predecessors, successors, and assigns".

(b) Be on an "occurrence" basis, not a "claims-made" basis. The foregoing policies must contain an aggregate limit not less than the occurrence limit. The required limits may be satisfied by a combination of a primary policy and an excess or umbrella policy.

(c) Be primary and non-contributory with any insurance programs carried by or available to Authority.

(d) Waive all rights of subrogation and contribution against Authority and its insurers.

(e) Provide that coverage shall not be revised, cancelled or reduced until at least thirty (30) days' written notice of such revision, cancellation or reduction shall have been given to Authority. In the event any policies of insurance are revised, cancelled or reduced, Consultant shall prior to the revision, reduction or cancellation date, submit evidence of new insurance to Authority complying with this Agreement.

(f) Be issued by insurance companies which are qualified to do business in the State of California and which have a current rating of A-VIII or better in Best's Insurance Report.

10.3 Subconsultant Insurance. In the event Consultant subcontracts any portion of its performance, the agreement between Consultant and the subconsultant shall require the subconsultant to carry the same policies of insurance that Consultant is required to maintain pursuant to this Agreement.

## **ARTICLE XI REPRESENTATIONS AND WARRANTIES**

11.1 Representations and Warranties. Each Party represents and warrants the following:

(a) Such Party is duly organized, validly existing, and in good standing under the laws of its state of formation or incorporation and has all requisite power and authority to conduct the business with which it conducts and proposes to conduct.

(b) All action on the part of such Party necessary for the authorization, execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated herein, has been properly taken and obtained in compliance with applicable law.

(c) Such Party has not entered into nor will either enter into any agreement (whether written or oral) in conflict with this Agreement or which would prevent such Party from performing its obligations under this Agreement.

(d) Such Party has the contacts and expertise, and will reasonably allocate its financial and time resources on a best efforts basis to enable it to perform its obligations hereunder.

## **ARTICLE XII MISCELLANEOUS**

12.1 Entire Agreement. This Agreement contains the entire understanding between the Parties, and supersedes any prior understanding and/or written or oral agreements between them, respecting the subject matter of this Agreement. There are no representations, agreements, arrangements, or understandings, oral or written, by and between the Parties relating to the subject matter of this Agreement that are not fully expressed herein.

12.2 Assignment. Consultant may not assign its rights and obligations hereunder, in part or in whole, without the prior written consent of Authority, which consent may be granted or withheld in Authority's sole discretion.

12.3 Succession. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns.

12.4 No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person or entity other than the Parties and their respective successors and permitted assigns.

12.5 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

12.6 Notices. Any notice to be given or to be served upon either Party hereto in connection with this Agreement must be in writing and shall be deemed to have been given and received: (a) when personally delivered; (b) two (2) days after it is sent by Federal Express or similar overnight courier, postage prepaid and addressed to the Party for whom it is intended, at that Party's address specified below; (c) three (3) days after it is sent by certified or registered United States mail, return receipt requested, postage prepaid and addressed to the Party for whom it is intended, at that Party's address specified below; or (d) as of the date of electronic mail transmission addressed to the Party for whom it is intended, at that Party's electronic mail address specified below, and provided that an original of such notice is also sent to the intended addressee by means described in clauses (a), (b), or (c) within two (2) business days after such transmission. Either Party may change the place for the giving of notice to it by thirty (30) days prior written notice to the other Party as provided herein.

If to Authority: Upper Santa Ana River Watershed Infrastructure Financing Authority  
Attn: Heather Dyer, Executive Director  
380 East Vanderbilt Way  
San Bernardino, CA 92408  
Telephone: (909) 387-9253  
E-Mail: heatherd@sbumwd.com

If to Consultant: Fieldman, Rolapp & Associates, Inc.  
Attn: Robert A. Porr, Executive Vice President  
19900 MacArthur Blvd., Suite 1100  
Irvine, CA 92612  
Telephone: (949) 660-7323  
E-Mail: rporr@fieldman.com

12.7 Governing Law; Venue. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California, excluding any choice of law provision that would apply the laws of any other jurisdiction. The Superior Court of the State of California in and for San Bernardino County shall have exclusive jurisdiction to adjudicate any dispute arising out of or relating to this Agreement. Each Party hereby consents to the jurisdiction of such court and waives any right it may otherwise have to challenge the appropriateness of such forum, whether on the basis of the doctrine of forum *non conveniens* or otherwise.

12.8 Waivers. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

12.9 Amendment. Except as expressly provided otherwise herein, this Agreement may not be modified, altered, or changed in any manner whatsoever except by a written instrument duly executed by authorized representatives of both Parties.



12.10 Severability. If any provision of this Agreement shall be deemed or held to be invalid or unenforceable for any reason, such provision shall be adjusted, if possible, rather than voided, so as to achieve the intent of the Parties to the fullest extent possible. In any event, such provision shall be severable from, and shall not be construed to have any effect on, the remaining provisions of this Agreement, which shall continue in full force and effect.

12.11 Time of the Essence. Time is of the essence in the performance of each and every provision or obligation of this Agreement as to which time is an element.

12.12 Release of Information and Advertising. Consultant shall not, without the prior written consent of Authority, make any news release or other public disclosure regarding this Agreement.

12.13 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation.

12.14 Attorneys’ Fees. If any legal action is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys’ fees, reasonable expert witness fees, costs, and necessary disbursements in addition to any other relief to which that Party may be entitled.

12.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Signatures may be delivered electronically or by facsimile and shall be binding upon the Parties as if they were originals.

***[Signature Page Follows]***

**IN WITNESS WHEREOF**, the Parties hereby execute this Agreement as of the Effective Date.

**AUTHORITY:**

**UPPER SANTA ANA RIVER WATERSHED  
INFRASTRUCTURE FINANCING AUTHORITY**

By: \_\_\_\_\_

Name: Heather Dyer

Its: Executive Director

**CONSULTANT:**

**FIELDMAN, ROLAPP & ASSOCIATES, INC.**

By:  \_\_\_\_\_

Name: Robert Porr

Its: Executive Vice President

**EXHIBIT A**  
**PROPOSED SCOPE OF SERVICES AND FEE ESTIMATE**  
**TO**  
**PROFESSIONAL SERVICES AGREEMENT FOR MUNICIPAL ADVISOR**  
**BY AND BETWEEN**  
**THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE**  
**FINANCING AUTHORITY**  
**AND**  
**FIELDMAN, ROLAPP & ASSOCIATES, INC.**

*Scope of Services*

**A. Transaction Services Offered Debt.**

The Consultant shall assume primary responsibility for assisting the Authority in coordinating the planning and execution of each debt issue relating to the issuance of debt to fund the Authority's capital program. Insofar as the Consultant is providing Services which are rendered only to the Authority, the overall coordination of the financing shall be such as to minimize the costs of the transaction coincident with maximizing the Authority's financing flexibility and capital market access. The Consultant's proposed debt issuance Services may include, but shall not be limited to, the following:

- Establish the Financing Objectives –
- Where applicable, review existing debt for refunding opportunities and provide refunding analyses
- Develop the Financing Schedule
- Monitor the Transaction Process
- Review the Disclosure Documents both preliminary and final
- Procure and Coordinate Additional Service Providers
- Provide Financial Advice to the Authority Related to Financing Documents
- Compute Sizing and Design Structure of the Debt Issue
- Plan and Schedule Rating Agency Presentation and Investor Briefings, if necessary
- Conduct Credit Enhancement Procurement and Evaluation, if necessary
- Conduct Market Analysis and Evaluate Timing of Market Entry
- Where applicable, recommend Award of Debt Issuance
- Provide Pre-Closing and Closing Assistance
- Create a credit presentation and assist staff prepare for and make the oral presentation to the credit rating analysts

Specifically, Consultant will:

1. Establish the Financing Objectives.

At the onset of the financing transaction process for the Project, the Consultant shall review the Authority's financing needs and in conjunction with the Authority's management, outline the objectives of the financing transaction to be undertaken and its proposed form.

2. Develop the Financing Timetable.

The Consultant shall take the lead role in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

3. Monitor the Transaction Process.

The Consultant shall have primary responsibility for the successful implementation of the financing strategy and timetable that is adopted for each debt issue relating to the Project. The Consultant shall coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and shall monitor the progress of all activities leading to the sale of debt. The Consultant shall prepare the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the financing transaction.

4. Review the Official Statement.

The Consultant shall review the official statement for each debt issue relating to the Project to insure that the Authority's official statement is compiled in a manner consistent with industry standards.

5. Procure and Coordinate Additional Service Providers.

At the Authority's direction, the Consultant may act as the Authority's representative in procuring the services of financial printers, trustees, paying agents, escrow agents, feasibility consultants, or escrow verification agents or other professionals.

6. Provide Financial Advice to the Authority Relating to Financing Documents.

Simultaneous with the review of official statements for each debt issue relating to the Project, the Consultant shall assist bond counsel and/or other legal advisors in the drafting of the respective financing resolutions, notices and other legal documents. In this regard, the Consultant shall monitor document preparation for a consistent and accurate presentation of the recommended business terms and financing structure of each debt issue relating to the Project, it being specifically understood however that the Consultant's services shall in no manner be construed as the Consultant engaging in the practice of law.

7. Compute Sizing and Design Structure of Debt Issue.

The Consultant shall work with the Authority's staff to design a financing structure for each debt issue relating to the Project that is consistent with the Authority's objectives, that coordinates each transaction with outstanding issues and that reflects current conditions in the capital markets.

8. Plan and Schedule Rating Agency Presentation and Investor Roadshows/Briefings.

The Consultant shall develop a plan for presenting the financing program to three rating agencies and the investor community. The Consultant shall schedule rating agency visits, if appropriate, to assure the appropriate and most knowledgeable rating agency personnel are available for the presentation and will develop presentation materials and assist the Authority officials in preparing for the presentations.

9. Conduct Credit Enhancement Evaluation and Procurement.

If necessary, the Consultant will initiate discussions with bond insurers, letter of credit providers and vendors of other forms of credit enhancements to determine the availability of and cost benefit of securing credit enhancement.

10. Conduct Market Analysis and Evaluate Timing of Market Entry.

The Consultant shall provide regular summaries of current municipal market conditions, trends in the market and how these may favorably or unfavorably affect the Authority's proposed financing.

a. Competitive Sales.

For all types of competitive sale of debt, the Consultant shall undertake such activities as are generally required for sale of securities by competitive bid including, but not limited to the following:

- Review and comment on terms of Notice of Sale Inviting Bids
- Provide advice on debt sale scheduling
- Provide advice on the use of electronic bidding systems
- Coordinate bid opening with the Authority officials
- Verify bids received and make recommendations for acceptance
- Provide confirmation of issue sizing, based upon actual bids received, where appropriate
- Coordinate closing arrangements with the successful bidder(s)

11. Recommend Award of Debt Issuance.

Based upon activities outlined in Task 10(a) above, the Consultant will recommend accepting or rejecting offers to purchase the debt issue. If the Authority elects to award the debt issue, the Consultant will instruct all parties and help facilitate the actions required to formally consummate the award.

12. Provide Pre-Closing and Closing Activities.

The Consultant shall assist in arranging for the closing of each financing. The Consultant shall assist counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of bond printing, qualification of issues for book-entry status, signing and final delivery of the securities and settlement of the costs of issuance.

13. Additional Debt Test

Consultant will provide the appropriate documentation and calculation in connection with the Authority's compliance with its additional debt test.

14. Policy Adoption and Advice

Consultant will prepare the Authority's debt management and reserve policies and assist in obtaining the Authority's Board approval. Consultant will assist Authority's legal counsel in connection with the preparation of a Disclosure Policy.

**B. Proposal Scope of Services and Fee Compensation**



# PROPOSAL FOR FINANCIAL ADVISORY SERVICES TO UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY PHASE I PROJECTS

FIELDMAN, ROLAPP & ASSOCIATES, INC.  
1990 MacArthur Boulevard, Suite 1100  
Irvine, CA 92612

Direct Line: 949-660-7323  
Fax: 949-474-8773

Contact: Robert Porr: [rporr@fieldman.com](mailto:rporr@fieldman.com)  
[www.fieldman.com](http://www.fieldman.com)

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August 12, 2021

Heather Dyer  
Executive Director  
Upper Santa Ana River Watershed Financing Authority  
412 E. Vanderbilt Way  
San Bernardino, CA 92408

Re: **Proposal for Financial Advisory Services**

Dear Ms. Dyer:

We are pleased to submit this proposal to the Upper Santa Ana River Watershed Financing Authority (the “Authority”) for financial advisory services. Fieldman, Rolapp & Associates, Inc. (the “Firm”, or “Fieldman”) is highly experienced in traditional water/wastewater finance and WIFIA Loans. The assigned personnel possess the strong technical capabilities to create a sophisticated financial plan (“FP”) to permit the Authority to successfully and efficiently complete its Regional Capital Improvement Plan (“CIP”). Additionally, the assigned personnel have successfully advised two clients in connection with obtaining loans from the US Environmental Protection Agency (“EPA”) under the Water Infrastructure Finance and Innovation Act (“WIFIA”) and are in the process of closing four loans before the end of calendar year 2021. Further we advised two clients in connection with the re-setting of the interest rates on their WIFIA Loans. The firm, headquartered in Orange County, is small enough to give you personalized service, yet large enough to offer that service in a very sophisticated manner.

Fieldman is the right advisor for the Authority:

- Our team advised Members of the Authority on the creation of the Authority and were an integral part of the team that submitted a Letter of Interest (“LOI”) for WIFIA funding on July 23<sup>rd</sup>.
- Our team has recent relevant experience in matters important to the Authority; we have experience with applying for and closing State Revolving Fund (“SRF”) Loans and WIFIA Loans. Further we have experience in advising clients on the issuance of interim funding strategies and instruments to provide funding for the WIFIA projects which are then later retired with proceeds from the WIFIA Loan.
- We create complex, yet functional financial models with multiple funding sources to fund capital programs. Our models analyze and provide quantitative outputs which highlight the financial benefits and drawbacks of alternative capital funding methods and strategies.
- We have a long history of successful service to California municipalities, with an emphasis on water and wastewater enterprises.
- Over the past two years Mr. Robert Porr and Ms. Lora Carpenter have advised clients in connection with transactions totaling more than \$2.5 billion in debt.

Our proposal highlights the Firm's strengths and outlines our approach for meeting the Authority's needs. We have included the long-range financial plan for Silicon Valley Clean Water ("SVCW") as Appendix A.

**Appendix B contains our Standard Proposal Regulatory Disclaimers & Disclosures.**

The Fieldman team is highly experienced and will be able to immediately begin work for the Authority. We are confident that our unparalleled depth of knowledge and experience will provide the Authority with extraordinary service and our commitment to the Authority will ensure its objectives are met.

Respectfully submitted,

**FIELDMAN, ROLAPP & ASSOCIATES, INC.**



Robert A. Porr  
Executive Vice President

## SECTION 1 – PROFILE AND QUALIFICATIONS OF FIELDMAN

Fieldman, Rolapp & Associates, Inc. (“Firm” or “Fieldman”) founded in 1966, is a full service, independent, financial advisory firm that maintains its headquarters in Orange County California. The Firm is a registered Municipal Advisor with the Municipal Securities Rulemaking Board (MSRB Registration #K0276 since 2010) and the U.S. Securities and Exchange Commission (SEC Registration #867-00175 since 2014). As an independent advisor, Fieldman neither underwrites bonds nor has a relationship, direct or otherwise, with any municipal bond underwriter, broker/dealer or financial institution thus the Firm has no investments under management. The Firm represents public entities and non-profit organizations only and does not represent for profit enterprises. Fieldman has 18 employees, (1 intern, 12 registered financial advisors), 15 of which are based in Irvine. Through our Employee Stock Ownership Program (ESOP), our employees, as beneficial owners of the Firm, participate in an ownership culture. Each of us has a strong interest in being efficient and providing responsive service on every assignment.



Fieldman concentrates its consulting activities in the following areas:

- Creating WIFIA financial models, and financial plans, whether short or long term, that allow our clients to successfully and economically fund capital needs.
- Preparing models that use alternative funding sources and clearly present financial outcomes to allow clients to make fully informed decisions.
- Developing debt management and / or reserve policies as necessary to form a strong financial foundation.
- Establishing credit rating objectives and strategies to ensure capital market access at the lowest cost possible.
- Timely execution of financing plans by aggressively managing the capital funding process.
- An acute awareness of fixed income market allowing us to forecast investment opportunities for capital proceeds. Our objectives are to see our clients maximize earnings without risk to principal and without sacrificing liquidity.

Our commitment in identifying low-cost funding for our clients has been especially fruitful and we have earned the opportunity to be involved with the following WIFIA Loans that are all expected to close before the end of calendar year 2021.

- **Fieldman is the advisor to one client in connection with two WIFIA Loans of \$68 million and \$73 million that are expected to close in August 2021.**
- **For this same client we are the advisor for two Series of Notes to fund construction of 2021 WIFIA Projects that are expected to close in September 2021.**

- **Fieldman is the advisor on a \$130.6 million WIFIA Loan that is expected to close on August 18, 2021.**
- **Fieldman is the advisor on the sale of approximately \$100 million of short-term obligations to fund the WIFIA Project that is expected to close in November 2021.**
- **Fieldman is the advisor on a \$188 million WIFIA Loan that is expected to close in October 2021. For this same client we were the advisor for a long term bond issue to fund construction of approximately \$80 million of the WIFIA Projects.**

## **SECTION 2 – WORK PLAN**

The Authority requires a financial advisor to develop a FP to generate funding for the completion of its capital improvement program at the lowest possible interest cost without creating unnecessary financial risk or exposure. Additionally, alongside the development of a FP, it is prudent to create a debt management policy that will permit the execution of the FP expediently and in accordance with the Authority’s expectations.

We view the engagement to be accomplished in multiple phases:

- (i) Developing a plan to arrive at mutually acceptable cost-sharing arrangements that impact the Authority. We will be able to advise the Authority in connection with the overall funding strategy as a result of revised cost-sharing agreements between several entities: Valley District, Riverside Public Utilities, Western Municipal Water District and Western Entities.
- (ii) Representing the Authority in connection with providing critical information to entities that are currently not members of the Authority of the potential benefits and drawbacks of the FP.
- (iii) Developing a strategy to prepare the WIFIA Application so that access is available as soon as possible.
- (iv) If accepted by the EPA to apply to the WIFIA program, assist in the development of financing agreements with the Authority and its members to facilitate the repayment of the WIFIA Loan.
- (v) Create a financial model required by EPA as part of the WIFIA Application (the “WIFIA Financial Model”). The WIFIA Financial Model will be an aggregation of the revenues, operational expenses, and capital expenditures of the Members and “soon-to-be Members” to produce a customary revenue bond cash flow with key credit criteria such as days cash and debt service coverage as outputs. This analysis permits us to advise the Authority on Members’ credit ratings and explore with the Authority and Members methods to possibly raise the credit rating on the Authority’s debt. We recognize that the Authority’s credit rating does not impact the interest rate on the WIFIA Loan; however, should the Authority choose or need to issue public debt, a higher rating than the current A-minus rating will enable the Authority to achieve a lower overall interest rates in most cases.
- (vi) In order to create the WIFIA Financial Model our role will include performing analysis and due diligence on the cash flows, outstanding and future debt, financial and other information of each of

the existing and possible future Members so that information provided to EPA and the rating agencies is accurate and provides the global and granular versions of the credit;

(vii) If selected, EPA will require two credit ratings for the WIFIA Loan. Our preparation of the WIFIA Financial Model will allow us to work with S&P Global Ratings (“S&P”) to convert the preliminary rating to an assigned rating on the WIFIA Loan. Additionally, the Authority will need another credit rating from a second rating agency. Fieldman’s focus will be to identify a second rating agency and then work with that agency to obtain a credit rating on the WIFIA Loan;

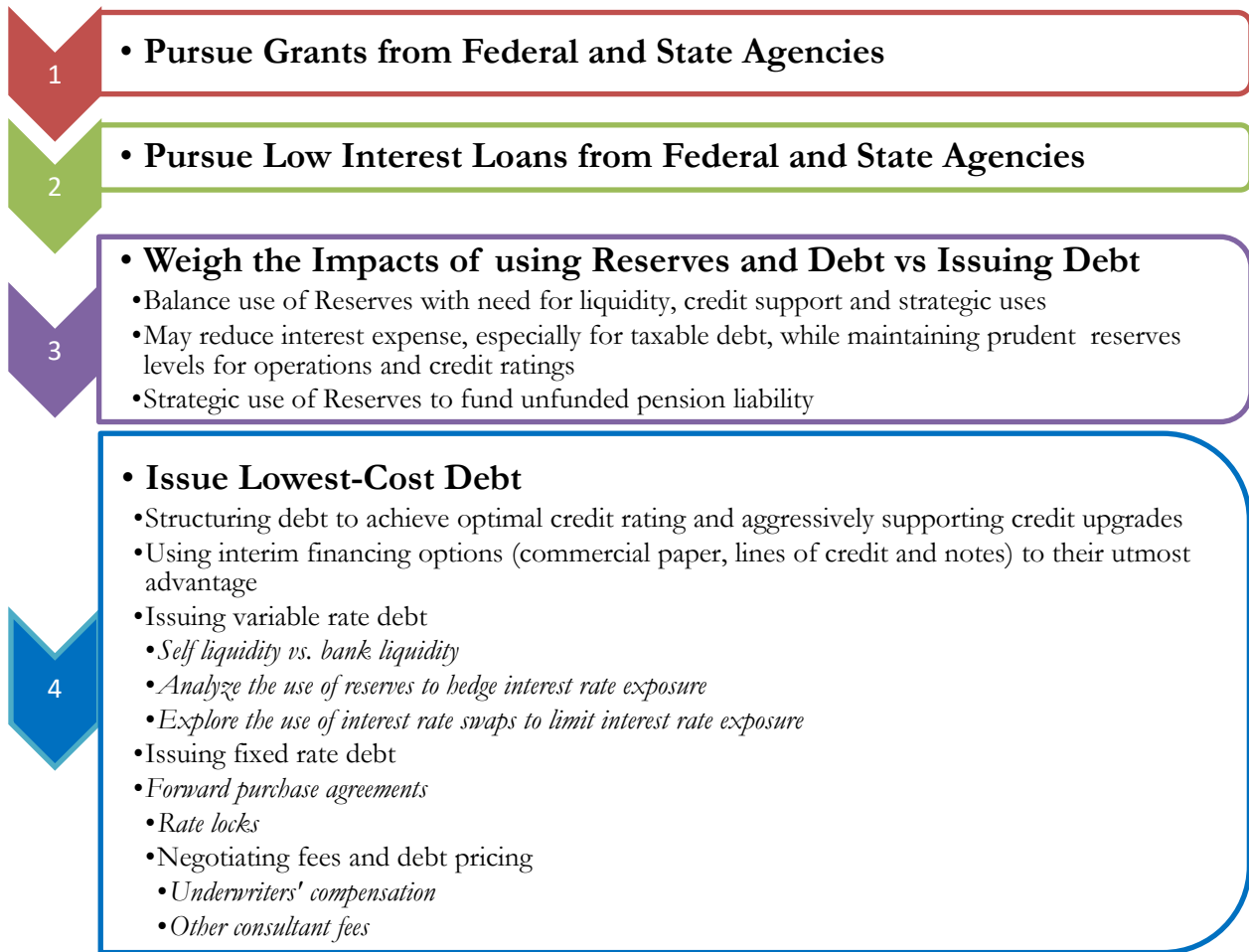
(viii) If directed by the Authority, creating a FP document in addition to the WIFIA Financial Model, that accurately reflects the FP.

(ix) Create policies that provide a practical approach to supporting the implementation of the FP;

(x) If the Authority is unsuccessful in obtaining a WIFIA Loan from the EPA, our role will be to advise the Authority on the benefits and drawbacks of submitting another WIFIA LOI and preparing financial strategies to fund the necessary Phase I capital projects in a timely manner with other low-cost debt financings;

(xi) Prior to the consummation of a WIFIA Loan we would analyze the potential savings to be achieved from using short term tax-exempt notes to fund the WIFIA-portion of the Phase I Projects rather than the draws on the WIFIA Loan. If notes provide sufficient savings, we would work with the Authority and the Members to secure the funding from the public bond market.

To ensure the lowest cost of capital is available to the Authority we would follow the strategy outlined below by analyzing each funding mechanism and comparing and contrasting financial outcomes of each possible alternative.



### SECTION 3 – RECENT RELEVANT ENGAGEMENTS AND REFERENCES

We have highlighted recently completed engagements below that we believe are highly relevant to the type of financial plan the Authority is requesting.

#### **Silicon Valley Clean Water**

Contact Person: Matt Anderson, Assistant Manager / Chief Financial Officer

Contact Number: (650) 832-6261

Contact E-mail: [manderson@svcw.org](mailto:manderson@svcw.org)

Debt Outstanding: Approximately \$748.8 million as of March 31, 2021

Advisor since 2017 to present

Silicon Valley Clean Water has outstanding a short-term line of credit to use for liquidity purposes to fund needed capital projects, up to a maximum capacity of \$115 million.

- Long range financial model and debt service forecast used to develop funding strategies for a 10-year CIP financing plan (ongoing)

- Creation of a Long Range Financial Plan
- Issuance of 2018 Revenue Bonds that provided \$148 million in construction funds.
- **Execution of \$218 million WIFIA Loan (July 2019)**
- **Competitive sale of \$209.3 million in notes to fund the 2019 WIFIA Project (July 2019)**
- **Interest rate re-set of 2019 WIFIA Loan with \$218 million 2020 WIFIA Loan, resulting in an interest rate reduction of 0.99%**
- Series 2021 Taxable and Tax-exempt Revenue Refunding Bonds (March 2021)
- **Advisor on three State Revolving Fund Loans with the State Water Resources Control Board aggregating \$169 million**

### **Orange County Water District**

Contact Person: Randy Fick, Chief Financial Officer

Contact Number: (714) 378-3271

Contact E-mail: [rfick@ocwd.org](mailto:rfick@ocwd.org)

Debt Outstanding: Approximately \$668 million as of June 30, 2020

Advisor since 2009 to present

Orange County Water District (“OCWD”) has outstanding a commercial paper program to use for liquidity purposes on a taxable or tax-exempt basis, up to a maximum capacity of \$70 million with the ability to increase to \$130.5 million, if necessary.

- Created financial model and funding plan for Initial Expansion of Ground Water Replenishment System; \$141 million SRF Loan (2011)
- Municipal Advisor to OCWD on \$53 million of Refunding Revenue bonds (2013)
- Municipal Advisor to OCWD on obtaining a **\$135 million WIFIA Loan (July 2018)**
- Municipal Advisor to OCWD on sale of **\$135 million of short-term obligations to fund the WIFIA Project** and the refunding of a portion of OCWD’s outstanding revenue bonds (June 2019)
- Municipal Advisor to OCWD on sale of \$99 million of Refunding Revenue Bonds (December 2019)
- Municipal Advisor on approximately **\$180 million SRF Loan for the WIFIA Project**
- Interest rate **re-set of 2018 WIFIA Loan with \$135 million 2020 WIFIA Loan, savings of ~\$80 million**
- Municipal Advisor to OCWD on replacement of letter of credit in connection with \$129.8 million of adjustable interest rate bonds

### **South Coast Water Authority**

Contact Person: Pamela Arends-King, Chief Financial Officer

Contact Number: (949) 499-4555 Ext. 3153

Contact E-mail: [parendsking@scwd.org](mailto:parendsking@scwd.org)

- Created a five-year financial forecast model and CIP finance plan (2013)



- **Municipal Advisor to South Coast Water District (“SCWD”) on Letter of Interest submittal for \$107 million WIFIA Loan (July 2019); received an extension to submit an application**
- Municipal Advisor to SCWD in connection with obtaining a line of credit to provide bridge funding while awaiting reimbursements under an SRF Loan (ongoing)

### **Rancho California Water Authority**

Contact Person: Richard Aragon, Assistant General Manager / Chief Financial Officer

Contact Number: (951) 296-6935

Contact E-mail: [aragonr@ranchowater.com](mailto:aragonr@ranchowater.com)

We have served as the financial advisor to Rancho California Water Authority (“RCWD”) since the late 1970’s. Since 1993, we have served as financial advisor on the issuance of twenty-nine (29) transactions that brought to market more than \$1 billion in bonds.

In addition to our transaction management, we advised RCWD on:

- Critical features of its comprehensive debt, swap and reserve policies
- Credit ratings strategies resulting in upgrades to Aa1/AAA/AAA
- Structuring financial models to support the financial decision-making process
- Balance sheet hedging strategy that resulted in significant savings to the Authority while mitigating risk
- Using interest rate swaps to reduce its exposure to variable interest rates
- Assisted in the acquisition of its wastewater treatment plant by a joint powers authority
- **Municipal Advisor on Letter of Interest submittal for \$39.8 million WIFIA Loan; awaiting outcome of grant applications prior to submitting an application**

## **SECTION 4 – PROJECT STAFFING**

Our recent experience with complex models and the use multiple funding sources to fund projects is best served by teammates with strong analytical and quantitative skills but with differing roles which intersect at deliverables to clients. Using a team approach assures the Authority that several individuals will be familiar with its needs and requirements. This approach offers superior service, better turnaround times and more efficient use of staff time. **For the Authority, Fieldman will commit its two most experienced water professionals that constitute the advisory team to Silicon Valley Clean Water, Orange County Water District, Rancho California Water District and South Coast Water District.** While other firms may offer deeper teams, we believe that the recent experience of our team is unparalleled in the municipal advisory industry. Additionally, our team is less hierarchal than many other advisory or banking firms. Our platform allows each professional to be engrained in every task and intimately involved in client needs and assignments. Both Mr. Porr and Ms. Carpenter will be actively engaged in each phase of our service and work product delivery and will be able to ably perform each task as necessary to ensure our work product is exemplary and timely. Of the approximate \$2.7 billion of utility debt that Fieldman has been as advisor for in the past five years, Mr. Porr and Ms. Carpenter have been advisors on more than \$2.5 billion.

### **a. Key Personnel**



**Robert Porr, J.D.**, the Head of the Firm's Utility practice will serve as the Engagement/Project Manager and be personally involved in all phases of our engagement. Mr. Porr will be responsible for understanding the objectives of the Authority and then overseeing and taking part in the delivery of our services and work product. Mr. Porr will be supported by **Ms. Lora Carpenter, Vice President** who will be responsible for technical and quantitative analysis including developing the financial model. Mr. Porr and Ms. Carpenter will be available daily to the Authority.

The resumes of each team member are listed below:

## b. Resumes

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### Engagement Manager



**ROBERT A. PORR**  
949.660.7323 direct  
949.751.8445 cell  
rporr@fieldman.com

**Mr. Robert A. Porr, Executive Vice President**, returned to the firm in May 2005 after spending eight years as a public finance investment banker. Since re-joining the firm, he has focused on serving the firm's utility clients. He has been advisor to Silicon Valley Clean Water, Rancho California Water District, Orange County Water District, Western Municipal Water Authority, Mesa Water District, Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), Azusa Light & Water, Westlands Water District, and Olivenhain Municipal Water District. Mr. Porr is part of the swap advisory practice at the Firm and has served as swap advisor to Riverside County Transportation Commission, Eastern Municipal Water District, Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), the County of Riverside, Hemet Unified School District, and Western Municipal Water District.

**Mr. Porr has completed more than \$7.6 billion in water revenue financings during his career; approximately \$1 billion has been in connection with variable-rate bonds.** He has structured commercial paper programs for Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency) and assisted the finance team for Riverside County Transportation Commission with that CP Program; he also structured a credit facility for Merced Irrigation Authority and is currently working on a structured note program that offers the flexibility of CP, but with greater flexibility at a lower cost. Mr. Porr has structured and completed approximately \$400 million of GO Bonds for water Authority clients in his career.

His experience as an investment banker includes working with numerous local agencies in connection with the issuance of more than \$1.2 billion in debt. Mr. Porr has assisted issuers with the structure and sale of many forms of debt including general obligation, special tax, assessment, revenue and lease backed debt. He structured nearly \$100 million of complex tax-backed refunding debt for the County of Riverside and developed a novel lease revenue bond structure for the Alaska Industrial Development and Export Authority.

Mr. Porr worked as a finance/marketing representative for Lockheed Martin Finance Corporation. During his time with LMFC, Mr. Porr worked on developing financing structures to support turnkey delivery programs for communication satellites, aircraft and proprietary

technology products. Mr. Porr was involved in projects for the People's Republic of China, valued at approximately \$1 billion, and for a consortium of Asian telephony entities valued at nearly \$500 million.

Mr. Porr earned his undergraduate degree in Psychology from Pace University in New York, NY and his Juris Doctorate from New York Law School in New York, NY.

Mr. Porr holds the Series 50 License CIPMA designation as a Certified Independent Professional and is admitted to practice law in the State of New York.

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### Project Manager



**LORA CARPENTER**

949.660.7312 direct

949.892.8617 cell

[lcarpenter@fieldman.com](mailto:lcarpenter@fieldman.com)

**Ms. Lora Carpenter, Vice President**, joined the firm in March 2014. Since joining the firm, Ms. Carpenter has been active with the firm's water and wastewater utility clients. She has worked on a variety of transactions which include both Revenue Bonds and Certificates of Participation. She has worked with many of our large water utility clients, including Silicon Valley Clean Water, Orange County Water District, Rancho California Water District and Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency) conducting credit analysis, preparing credit presentations and analyzing structuring alternatives. She has provided assistance on swap terminations and variable-rate bond structures. Her Mathematics and analytics background provides the essential skill sets when preparing quantitative analyses to support transaction structures and researching relevant market conditions and events.

Ms. Carpenter has previously worked with Cucamonga Valley Water District, Merced Irrigation District, Marina Coast Water District, Olivenhain Municipal Water District, Mojave Water Agency, Dublin San Ramon Services District and Westlands Water District. She manages the technical aspects, transaction flow and implementation of financing strategies and credit analysis.

Ms. Carpenter has familiarity with the organization of Joint Powers Authorities from her work on structuring bond financings for Silicon Valley Clean Water, Santa Rosa Regional Resources Authority, Chino Basin Desalter Authority and Central Coast Water Authority.

Ms. Carpenter also provides non-transactional based financial advisory services to support Firm recommendations, including: financial modeling, long-term financial planning and policy review.

Ms. Carpenter received her Bachelor of Science degree in Mathematics from Bucknell University. She is a registered municipal advisor representative (Series 50 qualified).

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### c. Available Time and Commitment

Our proposal to the Upper Santa Ana River Watershed Financing Authority is based on the specific experience of our designated project team members in long-term strategic financial planning and transaction implantation. We understand the intensity of effort required in designing and

implementing the overall plan. The Authority’s work will be a high priority for our team. We will NOT substitute either team member without the prior written concurrence of the Authority. We commit that we will provide all of the resources necessary to meet the Authority’s needs.

## SECTION 5 – PROPOSAL COSTS SHEET AND RATES

For Phase I Projects, we propose to invoice the Authority at our current hourly rates, plus out-of-pocket expenses. Our proposal includes those items described in Section 3.

- a. We estimate our fee based on time and materials to be approximately \$193,100, including expenses and travel and assuming we are not requested to draft a FP for the Authority. We would welcome the opportunity to discuss our fees and our services and work with Staff to negotiate a mutually agreeable fee structure.
- b. We estimate our fee based on time and materials to be approximately \$216,110, including expenses and travel and assuming we are requested to draft a FP for the Authority. We would welcome the opportunity to discuss our fees and our services and work with Staff to negotiate a mutually agreeable fee structure.
- c. We estimate our fee based on time and materials to be approximately \$327,110, including expenses and travel and assuming we are requested to draft a FP and assist the Authority in issuing notes for the WIFIA Loan, if economic. We would welcome the opportunity to discuss our fees and our services and work with Staff to negotiate a mutually agreeable fee structure.

PROFESSIONAL	PORR	CARPENTER	ASSOCIATE	BENNETT	TOTALS
HOURLY RATES	\$330	\$275	\$180	\$90	
FINANCIAL REVIEW AND ANALYSIS OF CIP	4	3	0	0	7
FINANCIAL MODEL FOR WIFIA LOAN	45	56	28	0	129
STRUCTURE OF FUNDING ALTERNATIVES	4	2	4	0	10
AUDITING OF FINANCIAL MODEL	10	5	5	0	20
ASSISTING WITH SRF APPLICATION	16	14	4	2	36
ASSISTING WITH WIFIA APPLICATION & SECURING LOAN	98	128	15	2	243
DRAFTING OF DEBT & DISCLOSURE POLICY	24	24	2	8	58
RATING AGENCY PRESENTATIONS	34	42	12	8	96
INTERACTION WITH STAFF, MEMBERS & GOVERNING BODIES	30	24	2	16	72
<b>TOTAL HOURS</b>	<b>265</b>	<b>298</b>	<b>72</b>	<b>36</b>	<b>671</b>
ESTIMATED TOTAL FEES	\$87,450	\$81,950	\$12,960	\$3,240	\$185,600
DRAFTING OF FP (OPTIONAL)	24	30	32	12	98
ESTIMATED TOTAL FEES WITH FP	\$95,370	\$90,200	\$18,720	\$4,320	\$208,610
ISSUANCE OF WIFIA NOTES (OPTIONAL)					\$110,000

TRAVEL	EXPENSES	ESTIMATE (No LRFP)	ESTIMATE (Inc. FP)
\$5,000.00	\$2,500.00	\$193,100.00	\$216,110

TRAVEL	EXPENSES	ESTIMATE (No LRFP)	ESTIMATE (Inc. FP AND NOTES)
\$5,000.00	\$3,500.00	\$193,100.00	\$327,110

We propose to be compensated for traditional debt issuance transactions on hourly plus expenses incurred basis, contingent on the closing of the bond issuance.

Unless agreed to otherwise, financial advisory services performed unrelated to a specific financing will be billed at the then current hourly rates. The table below reflects the rates currently in effect:

<b><u>Personnel</u></b>	<b><u>Hourly Rate</u></b>
Executive Officers.....	\$375.00
Principal .....	\$345.00
Executive / Senior Vice President.....	\$330.00
Vice President .....	\$275.00
Assistant Vice President .....	\$235.00
Senior Associate.....	\$200.00
Associate .....	\$180.00
Analyst.....	\$115.00
Administrative Assistant .....	\$90.00
Clerical .....	\$55.00

***Expenses***

Expenses will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, computer, and fax transmission charges.

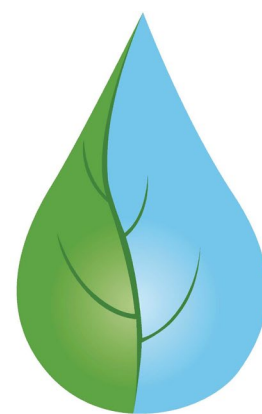
***Abandonment***

If, once commenced, the services of Fieldman are terminated prior to completion of our work for any reason, we are to be reimbursed for professional services and direct expenses incurred up to the time we receive notification of such termination at the standard hourly rates shown above.

**APPENDIX A**

**SAMPLE LONG RANGE FINANCIAL PLAN – SILICON VALLEY CLEAN WATER**





**SVCW**

Silicon Valley Clean Water

One Drop at a Time

Agenda Packet Page 75

**Presented February 2021 by:**

Matthew Anderson  
Chief Financial Officer / Assistant Manager  
Silicon Valley Clean Water  
1400 Radio Road  
Redwood City, CA 94065  
[manderson@svcw.org](mailto:manderson@svcw.org)  
(650) 832-6261

## **Silicon Valley Clean Water Commissioners**

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

## **Member Agency Staff**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Member Agency</u></b>
Michelle Poche Flaherty	ACM, Admin Services Director	City of Redwood City
Terrence Kyaw	Public Works Director	City of Redwood City
Grace Castaneda	Finance Director	City of Belmont
Afshin Oskoui	City Manager	City of Belmont
Rebecca Mendenhall	Administrative Services Director	City of San Carlos
Grace Le	City Engineer	City of San Carlos
Steven Machida	Public Works Director	City of San Carlos
Sergio Ramirez	District Manager	West Bay Sanitary District
Debra Fisher	Finance Manager	West Bay Sanitary District



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## **Silicon Valley Clean Water Staff**

### **Name**

Teresa A. Herrera  
Matthew Anderson  
Kim Hackett  
Arvind Akela  
Monte Hamamoto

### **Title**

SVCW Manager  
Assistant Manager & Chief Finance Officer  
Authority Engineer  
Engineering Director  
Chief Operating Officer

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## 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. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. SVCW therefore initiated a CIP that identifies equipment and facilities that need replacement or rehabilitation; and describes the schedule of construction and expenditures (Capital expenditures or costs) in a structured and prioritized manner. It has also anticipated that more stringent treatment requirements will be necessary. Now in its thirteenth year, the CIP has completed over 120 projects and spent \$571 million through October 2019. The CIP is the Authority’s guiding document and a recent update in December 2020 estimates that, inclusive of spending to date, the program will have constructed \$953 million of new or rehabilitated assets over a 22-year period.

This Plan incorporates the guidelines from the SVCW Joint Powers Agreement, the adopted 2019-20 Operating and Capital Budget, 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 measure SVCW’s financial position relative to anticipated cash flows needed from SVCW’s Member Agencies. After incorporating CIP construction and expenditure schedules, the LRFP-recommended strategy ensures SVCW obligations can be met while Members strengthen their credit ratings.

Compared to the January 2020 LRFP, this Plan incorporates three significant changes:

- **CIP Update:** SVCW continues to update its CIP cost estimates, which includes project additions and deletions, changes in project scope, and new information about prices. These factors added \$21 million in anticipated CIP expenditures over the next ten years.

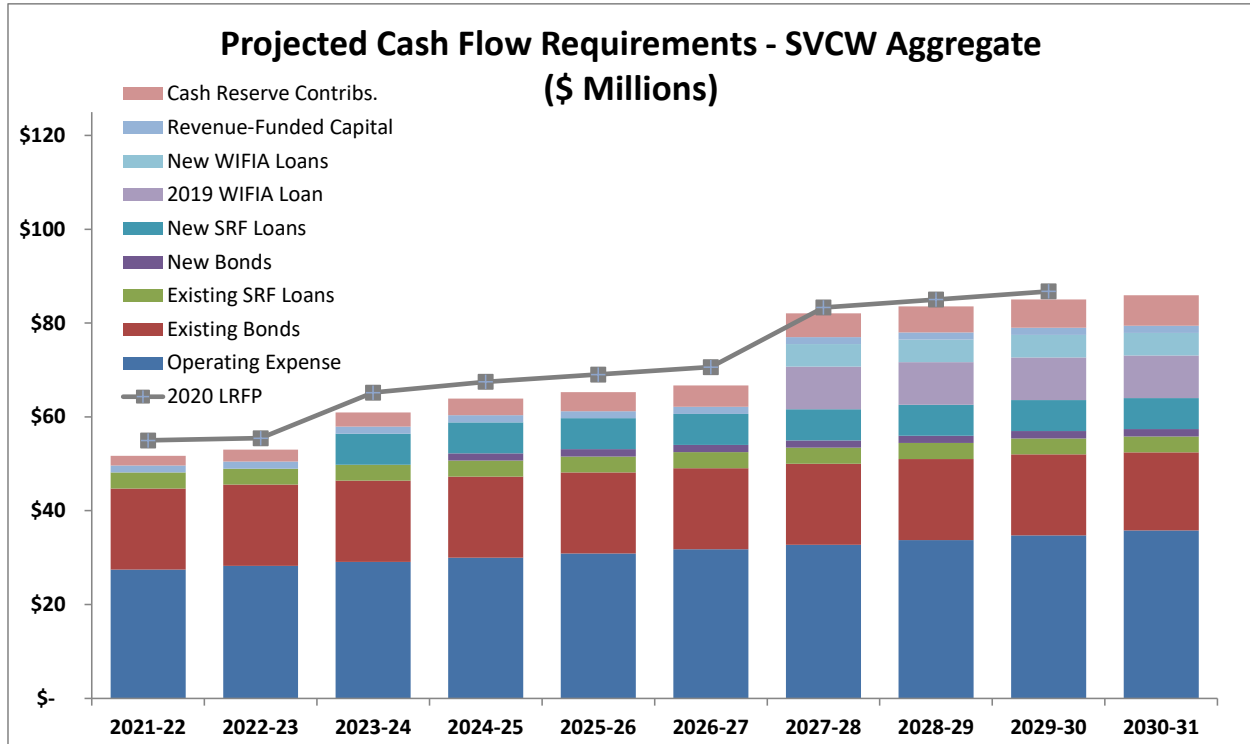
- **Construction Timing:** Significant construction has been completed on two elements of the RESCU program (Regional Environmental Sewer Conveyance Upgrade). The use of a progressive Design-Build (PDB) project delivery method has seen the Gravity Pipeline and the Front of Plant projects remain on schedule. Design of the final element (Pump Station Improvements) is complete and construction has commenced.
- **Financing Sources and Rates:** The LRFP reflects how SVCW continues to obtain near record-low interest rates when funding the CIP. Improvements include:
  - In November 2020 the Authority refinanced its \$218 million WIFIA Loan to reduce its interest rate from 2.40% to 1.41%. This decreases future debt service by approximately \$1.69 million annually, or \$37.8 million in Net Present Value (NPV) terms over the life of the WIFIA Loan.
  - A planned \$169 million State Revolving Fund Loan is now being executed at 0.90% rather than the 1.90% anticipated in last year's Plan, saving approximately \$1.1 million annually or NPV \$22 million over the term of the SRF Loan.
  - An anticipated refunding of \$118 million of outstanding 2014 and 2015 Bonds, as well as refinancing of an outstanding \$8.1 million 2011 SRF Loan. Combined, annual savings are estimated at today's market environment to be \$450 thousand annually, or NPV \$7.9 million over the refunding bonds' repayment term.
  - SVCW received confirmation from the U.S. Environmental Protection Agency that it was selected for two additional WIFIA Loans of \$67 million and \$39 million, for the Wastewater Treatment Plan and RESCU program, respectively. These new loans are estimated to save approximately \$1 million annually compared to issuing revenue bonds.

Like many other wastewater treatment, 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.

When made aware in 2008 of the need to invest a significant amount into SVCW infrastructure, Member Agencies enacted strategies to increase sewer rates. Regular updates to the SVCW CIP and this LRFP keep Member Agencies informed of the next decade's cash flow requirements and, as a result of their steady rate adjustments, forecasted rate increases are likely modest.

SVCW annual cash flow requirements in FY 2021-22 are estimated at \$51.68 million. Cash flow requirements are thereafter projected to reach \$85.96 million by FY 2030-31. The largest increase in expenditures over the next decade is for debt service payments, estimated to peak at \$42.8 million annually once fully in place. Other non-debt related expenditures are less impactful;

the average annual increase in Operating Expense is approximately 3%. This LRFP informs SVCW Member Agencies of SVCW cash flows anticipated over the next decade.



Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 27.43	\$ 28.25	\$ 29.10	\$ 29.97	\$ 30.87	\$ 31.80	\$ 32.75	\$ 33.73	\$ 34.74	\$ 35.79
Existing Bonds	17.31	17.31	17.30	17.31	17.28	17.28	17.28	17.28	17.26	16.64
Existing SRF Loans	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41
New Bonds	-	-	-	1.55	1.55	1.55	1.55	1.55	1.55	1.55
New SRF Loans	-	-	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61
2019 WIFIA Loan	-	-	-	-	-	-	9.11	9.11	9.11	9.11
New WIFIA Loans	-	-	-	-	-	-	4.81	4.81	4.81	4.81
Revenue-Funded Capital	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cash Reserve Contribs.	2.03	2.53	3.03	3.53	4.03	4.53	5.03	5.53	6.03	6.53
<b>TOTAL</b>	<b>\$ 51.68</b>	<b>\$ 53.00</b>	<b>\$ 60.95</b>	<b>\$ 63.88</b>	<b>\$ 65.26</b>	<b>\$ 66.68</b>	<b>\$ 82.06</b>	<b>\$ 83.53</b>	<b>\$ 85.03</b>	<b>\$ 85.96</b>



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## 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 its 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 LRF 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 LRF by integrating it into future LRFs.

SVCW Member Agency staff was 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 located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. SVCW's wastewater treatment plant is located in the City of Redwood City. SVCW serves more than 200,000 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 Facebook.

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 & 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.

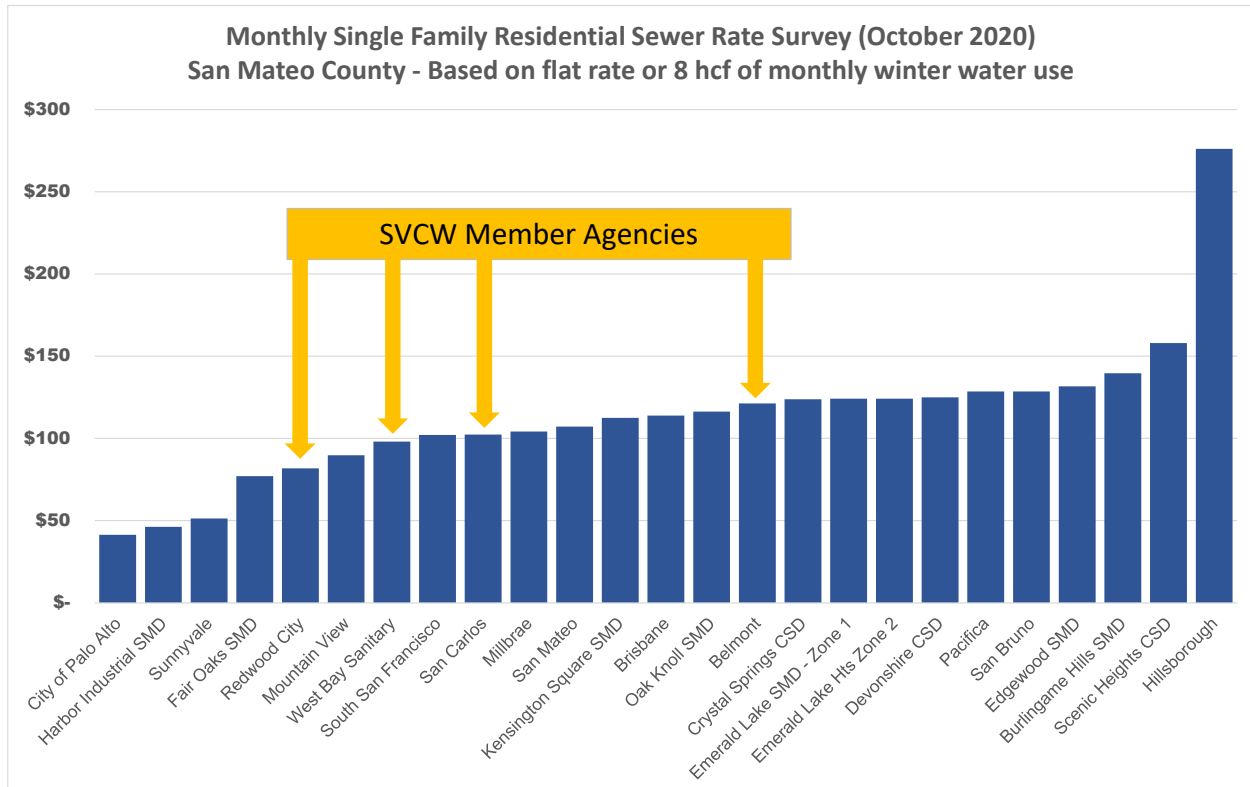
**Comparative Residential Sewer Charges**

Member Agencies have adopted significant rate increases and currently generate adequate revenues to fund their share of the CIP and capital program costs. 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										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Belmont	\$51.34	\$72.13	\$77.33	\$82.77	\$88.13	\$ 88.13	\$ 99.47	\$ 105.35	\$ 116.14	\$ 121.28
Redwood City	\$48.72	\$53.10	\$57.88	\$63.09	\$68.77	\$74.95	\$75.11	\$76.68	\$78.24	\$81.76
San Carlos	\$46.82	\$50.10	\$53.10	\$67.29	\$80.75	\$88.82	\$88.82	\$93.26	\$97.93	\$102.32
West Bay SD	\$54.17	\$57.50	\$62.67	\$68.33	\$74.42	\$81.08	\$85.92	\$89.33	\$93.83	\$98.08

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

Despite these increases, Member Agencies' rates remain among the middle tier of San Mateo County sewer rates:



### Regulations and Permits

The federal Clean Water Act requires that all municipal, industrial and commercial facilities that discharge wastewater or storm-water 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 September 2022. 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 may increase in the future. Many California Agencies have already been required to significantly increase treatment to remove nutrients (ammonia, nitrates and phosphates) and further reduce pathogenic organisms. Studies are also underway regarding Active Pharmaceutical Ingredients to monitor the cumulative effects of pharmaceuticals and personal products, including anti-psychotic and antihypertensive drugs.

Additionally, nutrients like nitrogen and phosphorus are found in municipal waste. When excessive, these nutrients are considered harmful water pollutants leading to such problems as algae blooms. Nutrient management is an important planning consideration for California wastewater treatment operators – both to remove and to recover these resources. This LRFP funds the research to assess future nutrient mitigation in wastewater. It should be noted, however, that SVCW participates in a cooperative that explores joint response strategies regarding future Nutrient Removal requirements.

### **Financial Modeling**

The CIP estimates approximately \$381 million remains to be spent on capital expenditures 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's Chief Financial Officer oversees ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows;
- Historic and projected capital expenditures;
- Historic and projected operating costs;
- Historic and projected cash reserve balances, 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 most efficient 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.



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## 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 Policy, 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. Subsequent to the fiscal year-end closing, 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 2020-21 Budget was \$49.1 million. This includes \$26.6 million in operating expenditures, \$1.29 million for revenue-funded capital projects, additional cash reserve contributions of \$1.5 million, and debt service payments estimated at \$19.6 million (which excludes \$742 thousand of anticipated savings from financing an outstanding SRF Loan.

2020-21 Budget - Total Contributions by Member Agency						
Description	City of Belmont	Redwood City	City of San Carlos	West Bay San District	TOTAL	
Net Operating Expenditures	\$ 3,119,636	\$ 13,023,504	\$ 3,602,305	\$ 6,883,538	\$ 26,628,984	
Revenue-Funded Capital Expenditures	122,425	629,224	196,139	347,712	1,295,500	
Reserve Contributions	144,100	740,628	230,865	409,274	1,524,866	
Projected Debt Service	178,425	10,743,220	3,404,038	5,320,535	19,646,217	
<b>Total Contributions to SVCW</b>	<b>\$ 3,564,586</b>	<b>\$ 25,136,576</b>	<b>\$ 7,433,346</b>	<b>\$ 12,961,059</b>	<b>\$ 49,095,567</b>	

## 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% 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 particular 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.

Using these allocations, the 2020-21 Operating Budget assigns costs using the following three-year flow and loading averages:

2020-21 Budget Revenue Allocation to Member Agencies - Adopted									
Description				Belmont	Redwood City	San Carlos	West Bay San District	TOTAL	
<b>Allocation Factors</b>									
Flow				11.60%	50.47%	14.80%	23.13%	100%	
Biochemical Oxygen Demand (BOD)				11.91%	47.29%	12.84%	27.96%	100%	
Suspended Solids (SS)				11.69%	48.39%	12.58%	27.34%	100%	
<b>Weightings</b>									
<b>Operating Expenditures</b>	<b>Flow</b>	<b>BOD</b>	<b>SS</b>						
Operations	26.5%	33.5%	40.0%	\$ 1,239,059	\$ 5,126,509	\$ 1,399,015	\$ 2,789,718	\$ 10,554,300	
Maintenance	26.5%	33.5%	40.0%	802,421	3,319,954	906,009	1,806,636	6,835,021	
Laboratory	26.5%	33.5%	40.0%	221,890	918,053	250,535	499,582	1,890,060	
Environmental Services	26.5%	33.5%	40.0%	122,642	507,421	138,474	276,126	1,044,663	
Engineering	26.5%	33.5%	40.0%	116,237	480,923	131,243	261,706	990,110	
Safety	100.0%	0.0%	0.0%	61,952	269,546	79,043	123,531	534,072	
Information Services	26.5%	33.5%	40.0%	201,786	834,875	227,836	454,318	1,718,814	
Administrative Services	100.0%	0.0%	0.0%	482,727	2,100,281	615,894	962,542	4,161,444	
Total Operating Expend.				\$ 3,248,716	\$ 13,557,561	\$ 3,748,048	\$ 7,174,158	\$ 27,728,484	
Subtract Miscellaneous Income	26.5%	33.5%	40.0%	\$ 129,080	\$ 534,057	\$ 145,743	\$ 290,620	\$ 1,099,500	
<b>2020-21 Net Operating Revenue Required</b>				<b>\$ 3,119,636</b>	<b>\$ 13,023,504</b>	<b>\$ 3,602,305</b>	<b>\$ 6,883,538</b>	<b>\$ 26,628,984</b>	
2019-20 Net Operating Revenue Required				3,004,200	11,999,297	3,341,409	6,864,371	25,209,277	
\$ Increase / (Decrease)				115,436	1,024,207	260,896	19,167	1,419,707	
% Increase / (Decrease)				3.84%	8.54%	7.81%	0.28%	5.63%	

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 expansion capacity (“Stage 2”), based on average dry weather flows.

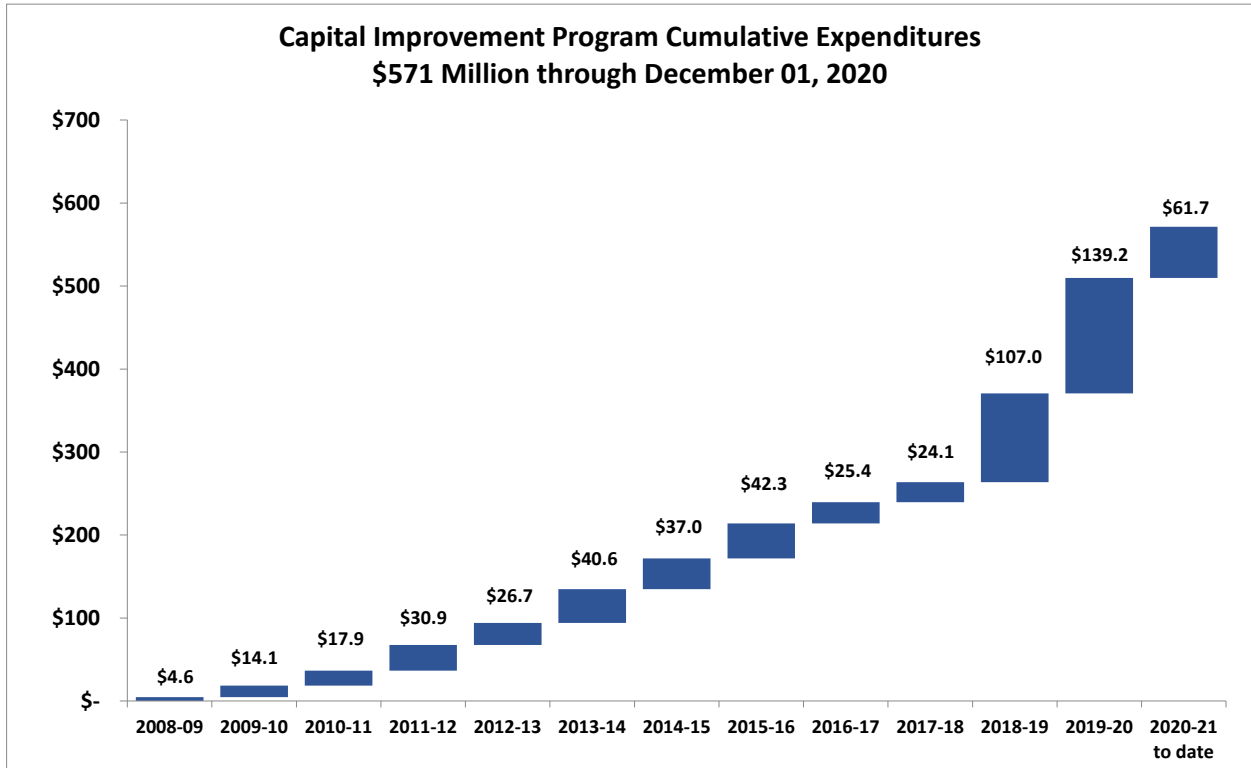
Capital costs associated with the Joint Facilities include improvements resulting from reconstruction, replacement, rehabilitation, remodeling or relocation. This includes all costs meeting the definition of a capital expense as defined in SVCW’s Capital Expense Policy.

2020-21 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%
<b>CAPITAL IMPROVEMENT</b>					
Plant (cash-funded capital)	\$ 10,868	\$ 55,856	\$ 17,411	\$ 30,866	\$ 115,000
Pump Stations	-	-	-	-	-
Force Main	-	-	-	-	-
Equipment	111,557	573,369	178,728	316,846	1,180,500
Subtotal	\$ 122,425	\$ 629,224	\$ 196,139	\$ 347,712	\$ 1,295,500
<b>RESERVE CONTRIBUTIONS</b>					
Operating Reserve	\$ 2,350	\$ 12,078	\$ 3,765	\$ 6,674	\$ 24,866
CIP Reserve	141,750	728,550	227,100	402,600	1,500,000
Subtotal	\$ 144,100	\$ 740,628	\$ 230,865	\$ 409,274	\$ 1,524,866
<b>Contributions for Capital &amp; Reserves</b>	<b>\$ 266,525</b>	<b>\$ 1,369,852</b>	<b>\$ 427,003</b>	<b>\$ 756,986</b>	<b>\$ 2,820,366</b>

### Capital Improvement Program (CIP)

SVCW is in the process of rebuilding, rehabilitating, and updating its wastewater conveyance and treatment facilities which are at or approaching the end of their useful operating lives. The CIP was originally implemented in 2008 to address near-term and long-term capital replacement needs. Engineering staff periodically updates the CIP to include projects that will address known Joint Facility deficiencies. This includes rehabilitation and replacement of aging infrastructure and equipment; improvements and additions to the treatment plant and conveyance system that substantially enhance reliability; technological upgrades, required regulatory treatment improvements and system-wide automation projects designed to improve operational efficiency and reliability (thereby reducing future operating and maintenance expenses); and additional energy management solutions.

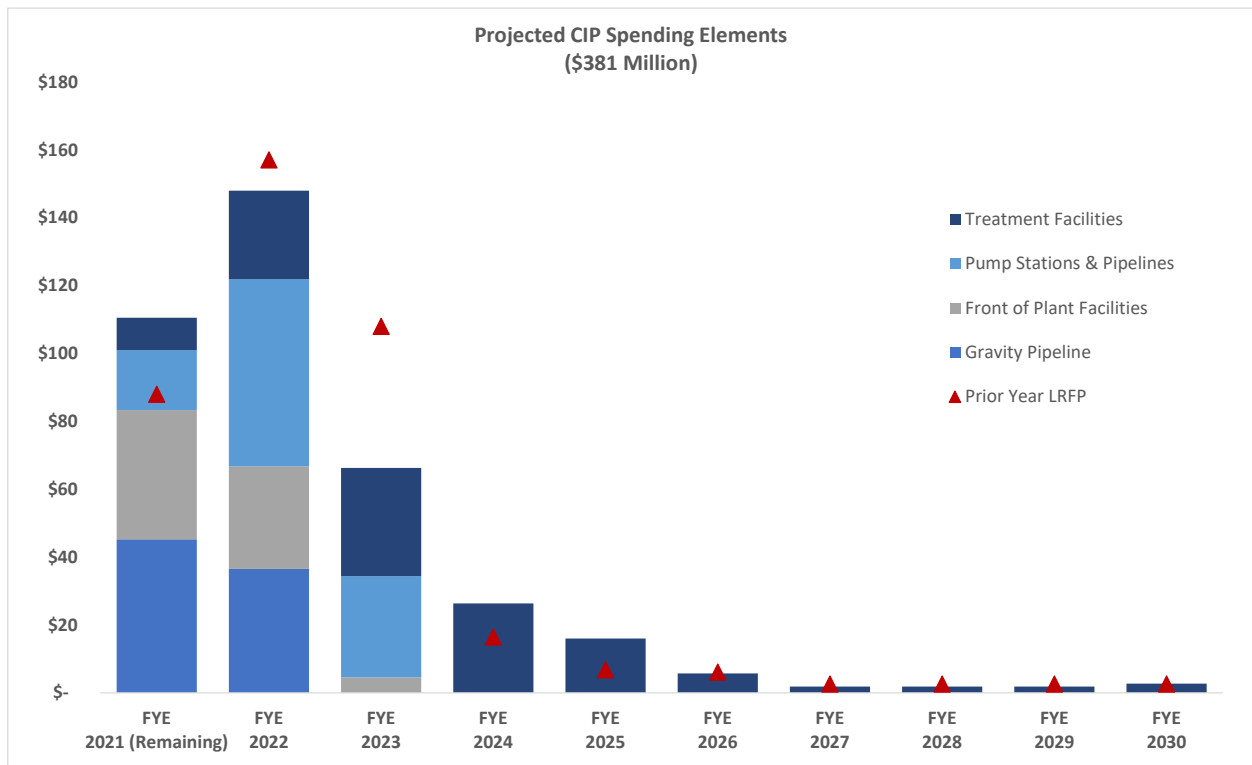
Charges to the CIP include all capitalized components of projects such as planning, design, engineering, construction, and construction management. The costs also include certain administrative costs like insurance and engineering labor directly related to projects. Since the inception of the CIP, SVCW spent approximately \$571 million through December 01, 2020. Expenditures during the 2019-20 fiscal year were the highest on record, reflecting significant construction on two of the RESCU projects.



*Forecasted CIP Expenditures*

Concurrent with this LRF update, the CIP continues to be updated. It currently identifies expenditures at approximately \$953 million over a 23-year period from inception. SVCW has expended approximately \$571 million through December 1, 2020 and the further CIP expenditures estimated as of December 1, 2020 to be \$381 million over the next ten years.

<b>SVCW Capital Improvement Program Expenditures (\$ Millions)</b>			
<b>Description</b>	<b>Spent thru</b>		<b>Total</b>
	<b>Dec. 01,2020</b>	<b>Remaining</b>	
Gravity Pipeline	\$ 177.5	\$ 81.8	\$ 259.2
Front of Plant Facilities	89.1	72.9	162.0
Pump Station Improvements, Program Mgmt	17.0	102.7	119.7
Other Conveyance	50.0	0.3	50.3
Treatment Plant Improvements	237.9	123.5	361.4
<b>TOTAL</b>	<b>\$ 571.5</b>	<b>\$ 381.1</b>	<b>\$ 952.6</b>



SVCW Identified Capital Expenditures through Fiscal Year 2030; By CIP Program												
CIP Program	FYE											Total
	2021 (Remaining)	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Gravity Pipeline	\$ 45.2	\$ 36.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81.8
Front of Plant Facilities	38.1	30.2	4.5	-	-	-	-	-	-	-	-	72.9
Pump Stations & Pipelines	17.7	55.2	29.8	-	-	-	-	-	-	-	-	102.7
Treatment Facilities	9.6	26.1	31.9	26.3	16.0	5.7	1.8	1.8	1.8	1.8	2.7	123.8
<b>TOTAL</b>	<b>\$ 110.5</b>	<b>\$ 148.0</b>	<b>\$ 66.3</b>	<b>\$ 26.3</b>	<b>\$ 16.0</b>	<b>\$ 5.7</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	<b>\$ 2.7</b>	<b>\$ 381.1</b>

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

The majority of upcoming CIP expenditures is attributed to projects within the RESCU program. RESCU is comprised of three significant elements with combined remaining expenditures of approximately \$257 million. These projects include:

1. Gravity Pipeline: Replaces the influent force main with a gravity pipeline;
2. Front of Plant: Constructs a headworks facility comprised of a receiving lift station, screening and grit removal, peak flow and storm water handling facilities, and an influent connector pipeline; and
3. Pump Station Improvements: Replaces, rehabilitates, decommissions SVCW pump stations.

## Cash Reserves Policy

In 2013, the SVCW Commission adopted a cash reserves policy that protects its fiscal solvency and funds 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 debt reserves mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for Member Agencies, and to help fund future long-term capital needs.

- The Operating Reserve must be maintained at a minimum balance of 10% of the approved Operating and Pay-go Capital Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. As of December 31, 2020 the amount held in this reserve was \$3.8 million.
- The objective of the CIP Reserve Fund is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long-term needs of replacing capital assets when their useful life is met. This ultimately addresses how to fund unanticipated capital expenditures, and provides some funding for pay-as-you go projects to limit borrowing. Per policy, a minimum of \$1.5 million was added to the CIP Reserve Fund in fiscal year 2020-21. This amount will increase by \$500 thousand annually until the reserve balance reaches an inflation-adjusted \$50 million in 2019 dollars. As of December 31, 2020 the CIP Reserve was \$17.7 million.
- The Stage 2 Capacity Reserve is utilized to pay for capital projects that will increase SVCW's treatment capacity. Funding is received after Members collect fees associated with new sewer connections. SVCW may use this reserve on construction that increases capacity, as approved by the SVCW Commission. As of December 31, 2020 the amount in this reserve was \$14.7 million.

## Debt Policy

SVCW adopted a debt management policy in 2017, which was most recently amended in September 2020. 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 promotes 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 must also maintain 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 adopted a 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. Currently approximately \$381 million of capital projects requires funding over the next decade. The Model produces multiple funding scenarios that compare debt service costs at aggregate and Member Agency levels. The Model also optimizes 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 debt financing scenarios that could fund the remaining CIP by comparing interest rates and average costs per year. The flexibility of the Model allows for changing 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 or wastewater revenue bonds.

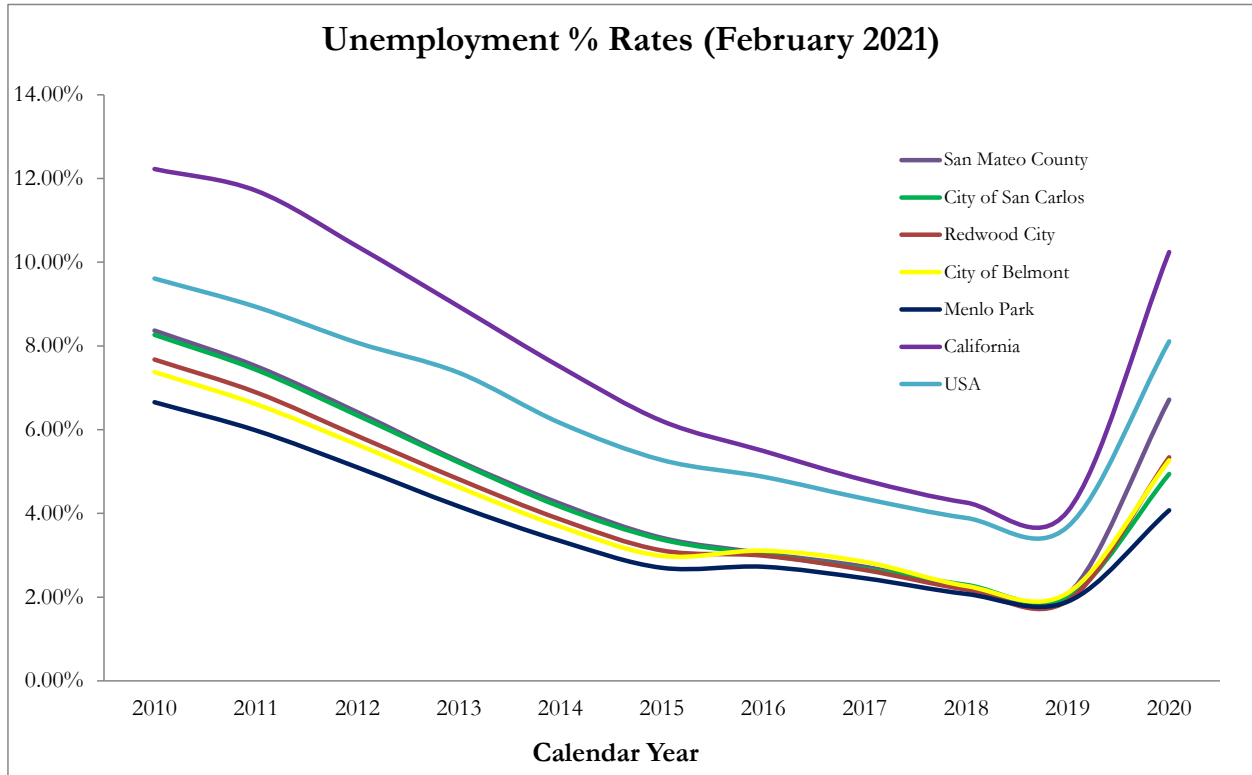
Though government loan programs like SRF and WIFIA present timing challenges, both are pursued for their attractive low interest rates and flexible repayment structures. While both structures are similar to revenue bonds, the SRF loan amortizes over 30 years at an interest rate equal to half the California General Obligation Bonds rate. The WIFIA loan amortizes over 35 years at a rate equal to Treasury rates plus one basis point.

### **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.

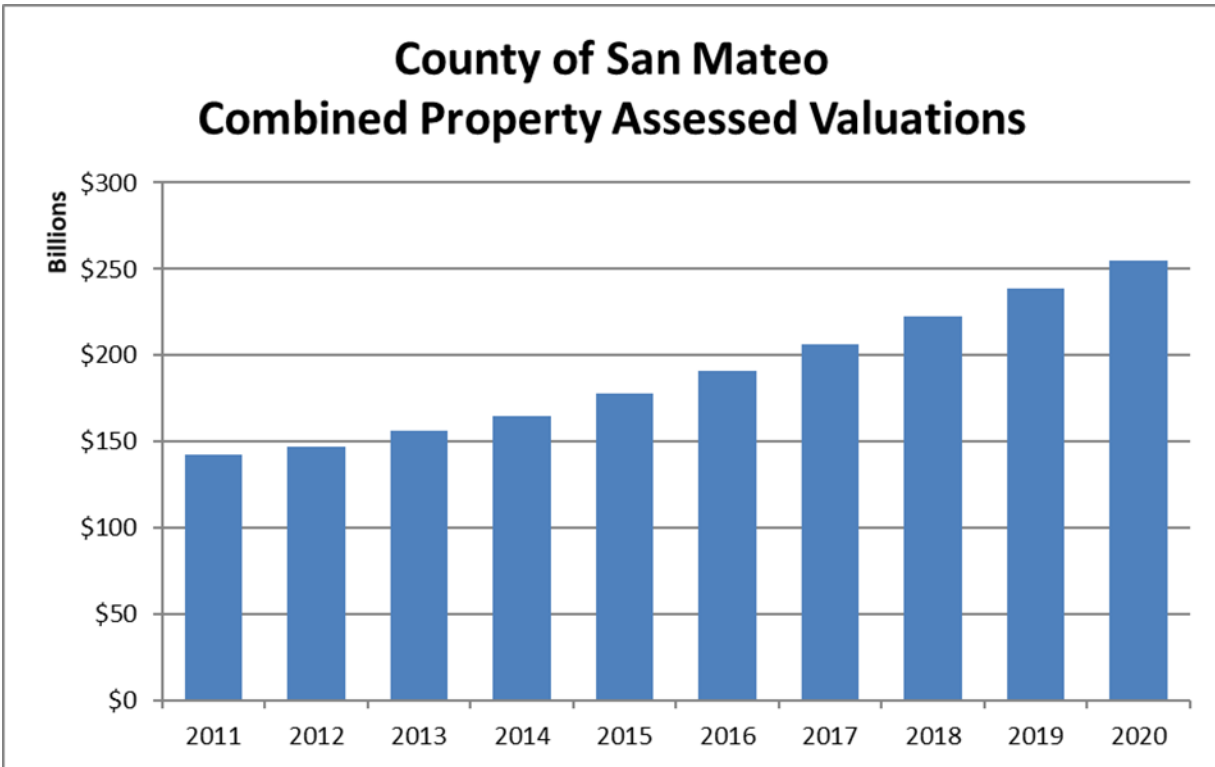
## Unemployment

The Bay Area economy, like others, was recently challenged by the COVID-19 pandemic. Recent 2021 data from the United States Bureau of Labor Statistics shows how unemployment rates for San Mateo County and SVCW Member Agencies rose to 4% to 6%, though fared considerably better than statewide California and nationwide U.S. rates.



*County Assessed Valuations*

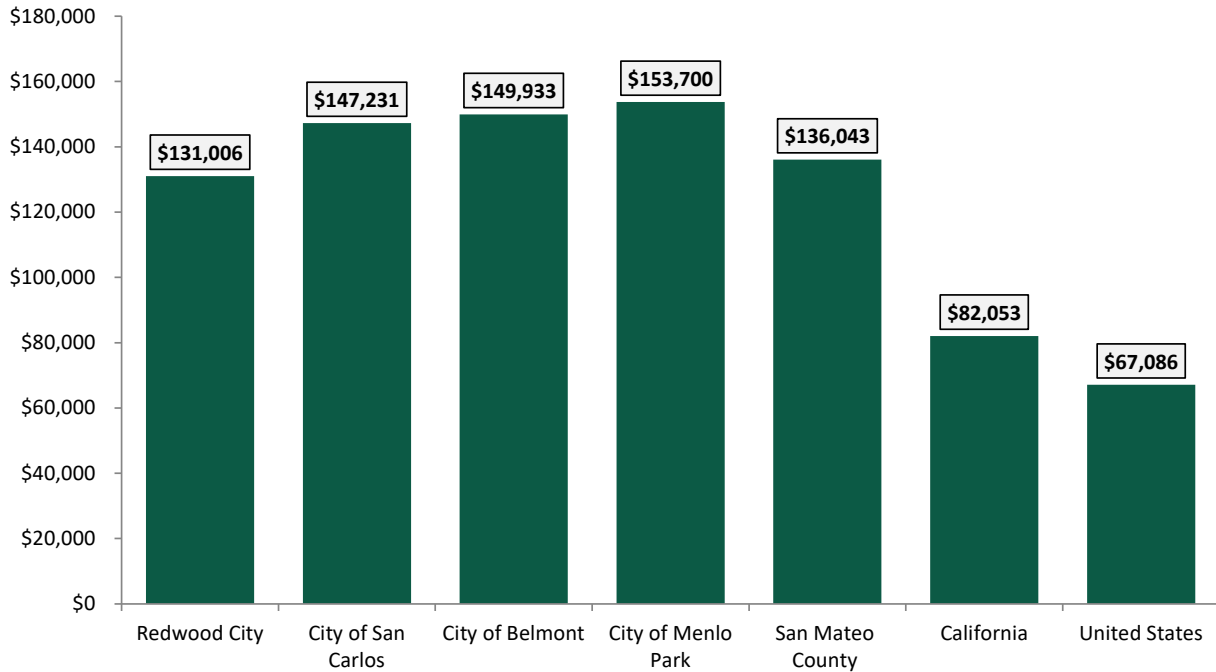
San Mateo County had approximately \$255 billion in total assessed 2020 real property valuation, an increase of \$16.7 billion (or 7.0%) from the previous year. Recent trends indicate that, during the COVID pandemic, assessed property values have continued to further increase.



*Median Household Income*

The median household incomes and effective buying incomes of Member Agencies are consistently above the State and National levels. Public 2021 economic data shows that the median household income of San Mateo County, at \$136 thousand, is 203% and 166% of the Nation's and State's median household income, respectively.

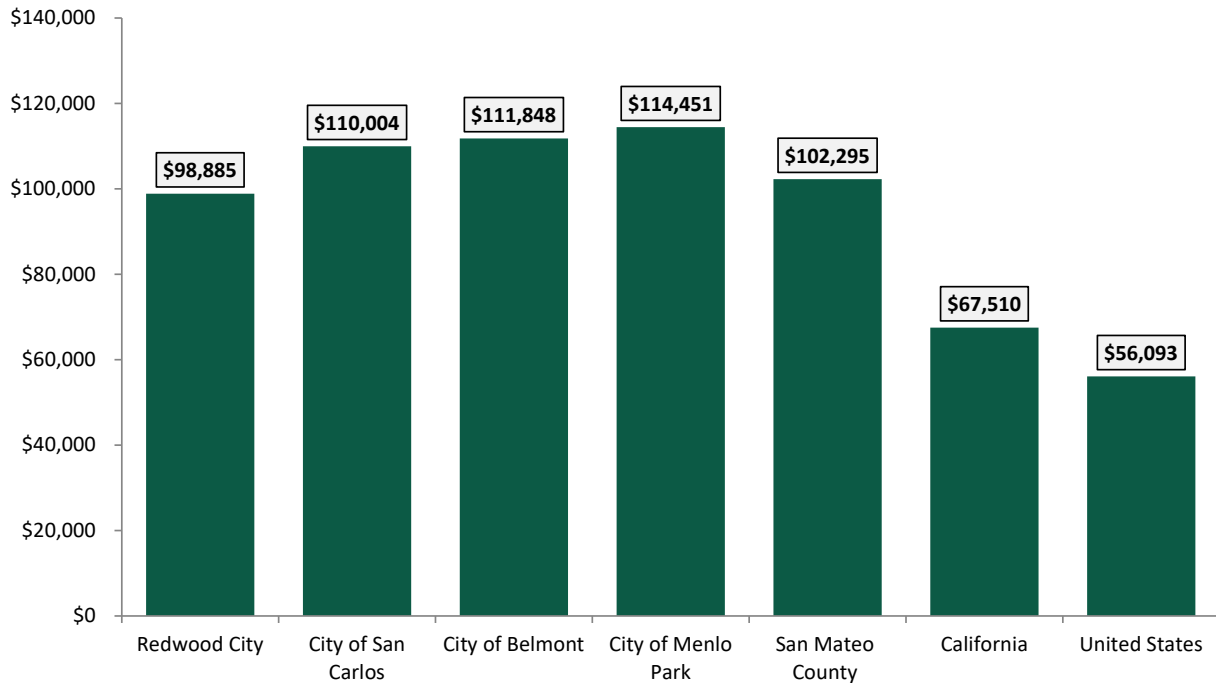
**2021 Median Household Income**



*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 \$98 thousand to \$114 thousand, which is 176% to 204% of the National levels, and 146% to 170% of California levels.

**2021 Effective Buying Income**

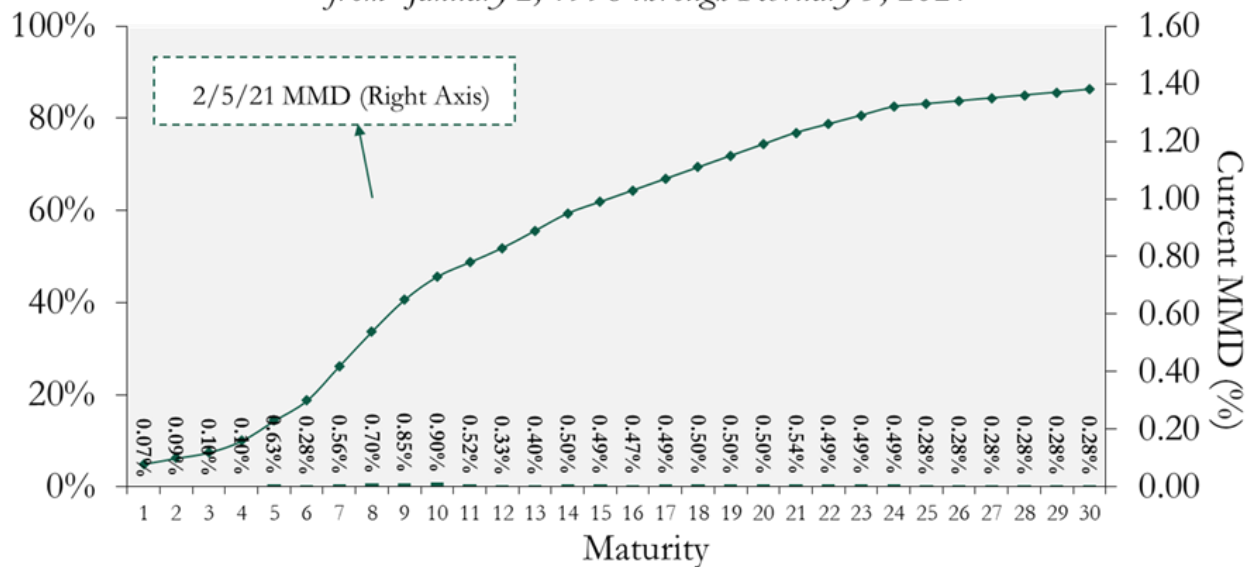


*Interest Rates*

Based upon market conditions, every financing tool has projected interest rates depending on the type of the debt whether it is fixed or variable. For example, the anticipated SRF loan rate for the RESCU program, which is anticipated to be executed in March 2021, to be as low as 0.90%. The WIFIA loan rate was indexed to the treasury rate and, though originally executed in July 2019 at 2.40%, was refinanced in November 2020 at 1.41%. Future WIFIA Loans currently reflect existing market conditions at 1.75%, and the Authority’s Line of Credit reflects the agreement’s LIBOR-indexed rate.

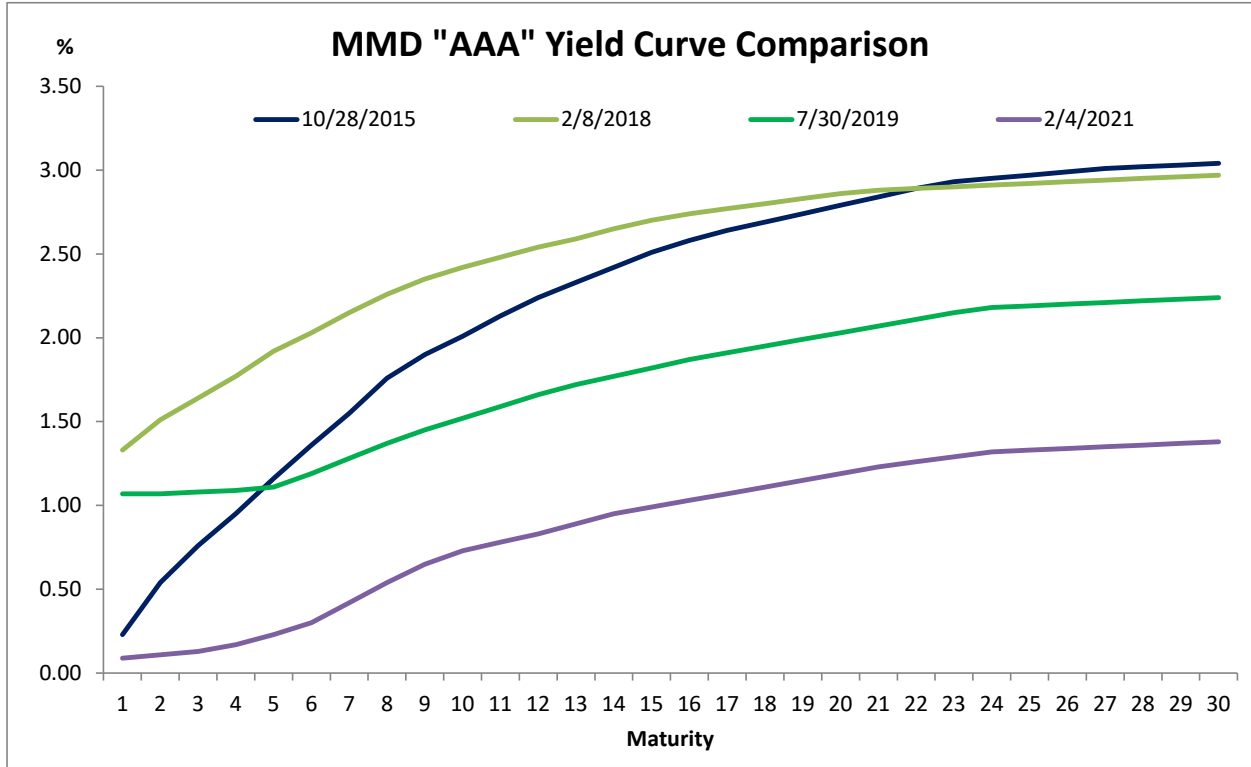
The table below provides context for tax-exempt interest rates in the Municipal Market Index as of February 05, 2021 and compares current rates to historical rates by term. The data demonstrates that interest rates are lower historically across maturities, indicating advantageous market conditions for issuing long-term debt.

**Current "AAA" MMD and Percentage of Time Historical "AAA" MMD has been Lower than Current "AAA" MMD**  
*from January 2, 1998 through February 5, 2021*



Source: Thomson Municipal Market Monitor

The four yield curves shown below are a snapshot of interest rates when SVCW issued three series of Bonds or Notes, with a comparison to February 04, 2021. Notably, current rates are by far the lowest throughout the 30-year maturities. With such low interest rates, it remains advantageous to finance projects.



Source: Thomson Municipal Market Monitor

*Interest earnings on Project Funds and Reserves:*

It is estimated that funds held by SVCW related to the CIP, including reserve funds required by the SRF Loan program, will achieve investment earnings of 1.75% annually over the long term.



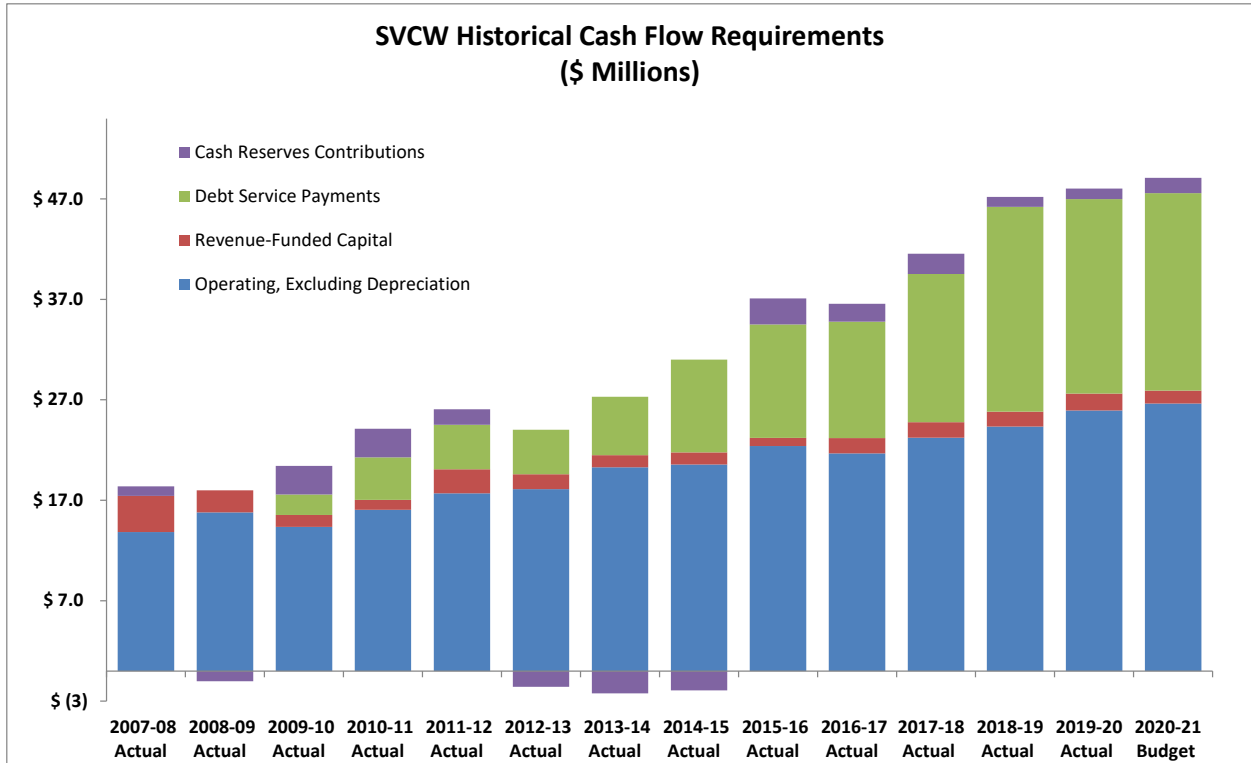
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**SECTION 4 – HISTORICAL FINANCIALS**

**Historical Cash Flow Requirements**

*Total Cash Flow Requirements*

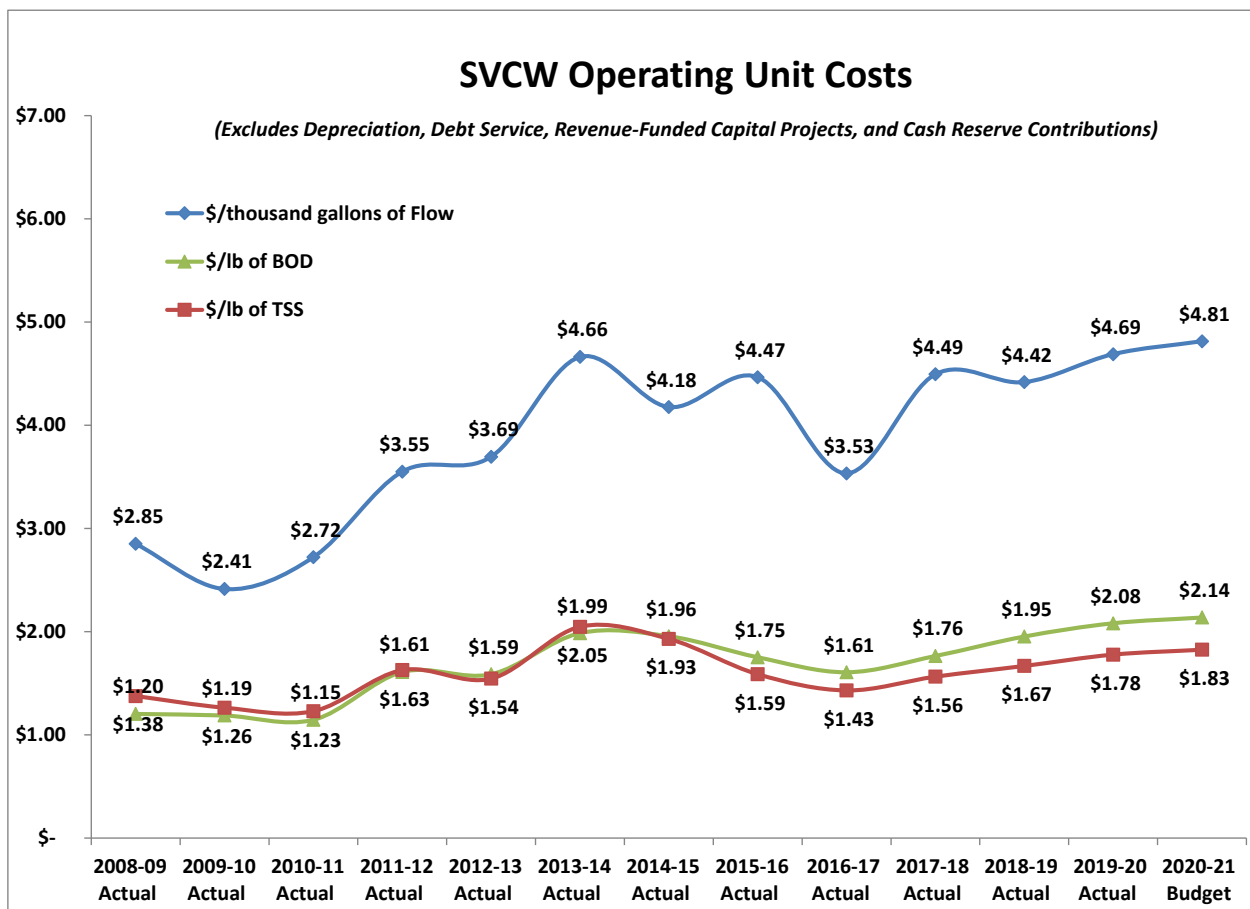
SVCW annual cash flow requirements from Members have more than doubled over the past decade, mostly due to higher debt service payments needed to finance its CIP.



### Historical Unit Costs

When isolated to only Operating Expenditures (excluding Depreciation), SVCW historical operating unit costs have increased 92% since the 2008 CIP was first initiated. These increases were driven by ordinary inflationary pressures, increased staffing to better operate and maintain SVCW assets, and creating an engineering division to develop and manage the CIP.

In addition to the change in wastewater flows caused by droughts, the characteristics of the wastewater stream have also changed as local communities added housing and commercial developments. The following charts provide a side-by-side comparison of operating volumes and unit cost trends.



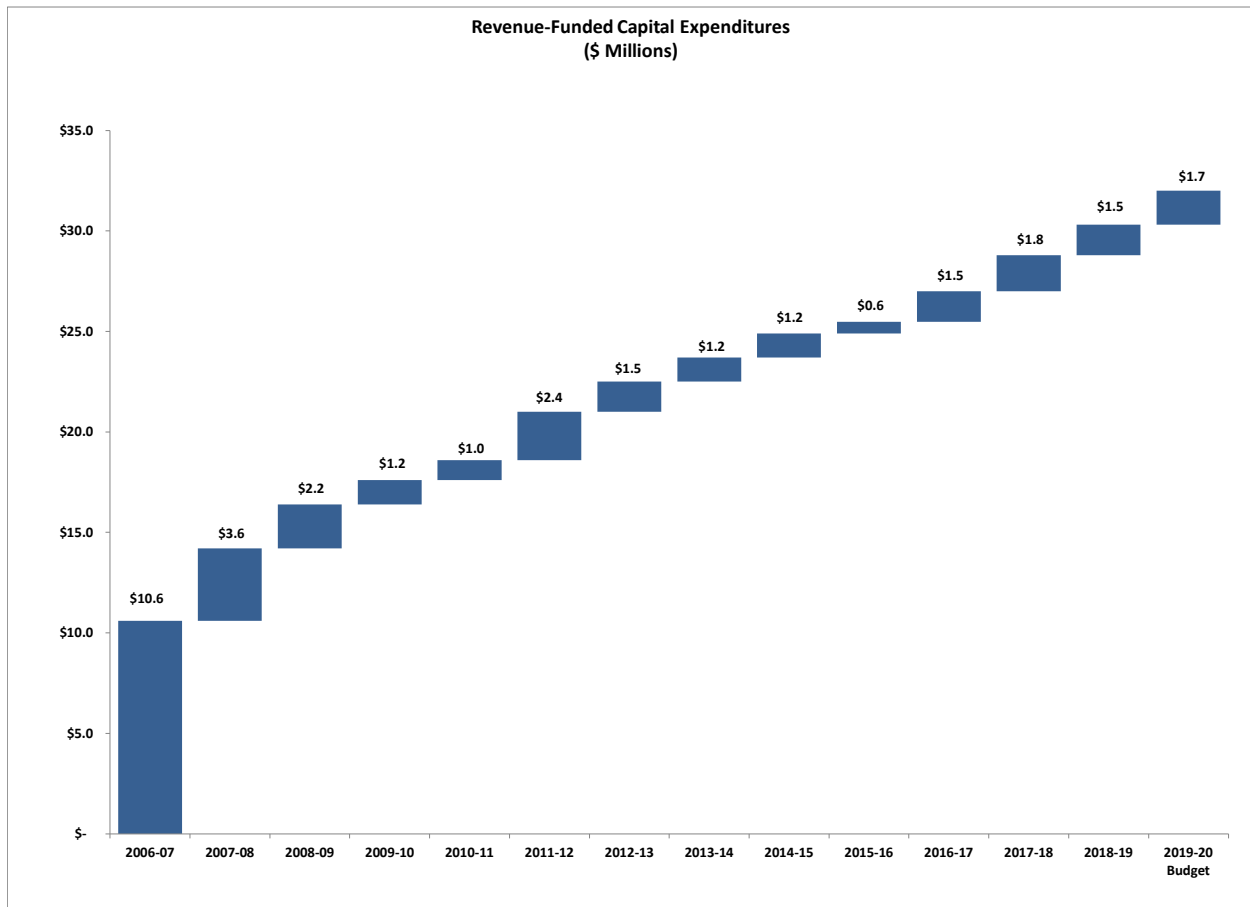
Another influencing factor on unit costs is volatility of operating volumes including Flow, Biological Oxygen Demand (BOD), and Total Suspended Solids (TSS). Drought conditions heavily influence these unit costs, as seen in the rise in Unit Costs between 2011 to 2016, which afterwards declined after a significant rain year in fiscal year 2016-17 and flows returned to “normal” levels. 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 below \$1 million and completed within one year. Revenue-funded capital projects may include minor construction, purchase of vehicles or heavy equipment, maintenance repairs that improve an asset’s useful life, as well as planning studies or preliminary engineering analysis for major capital improvements. Due to their relatively minor cost, it is appropriate to fund these items using cash rather than long-term debt.

Since 2006-07, SVCW has spent approximately \$32 million on Revenue-Funded Capital. Prior to formally adopting the CIP in fiscal year 2007-08, Member Agencies made relatively large cash contributions to address SVCW’s immediate capital project needs. Since 2008-09, however, SVCW has averaged \$1.5 million annually in Revenue-Funded capital expenditures.



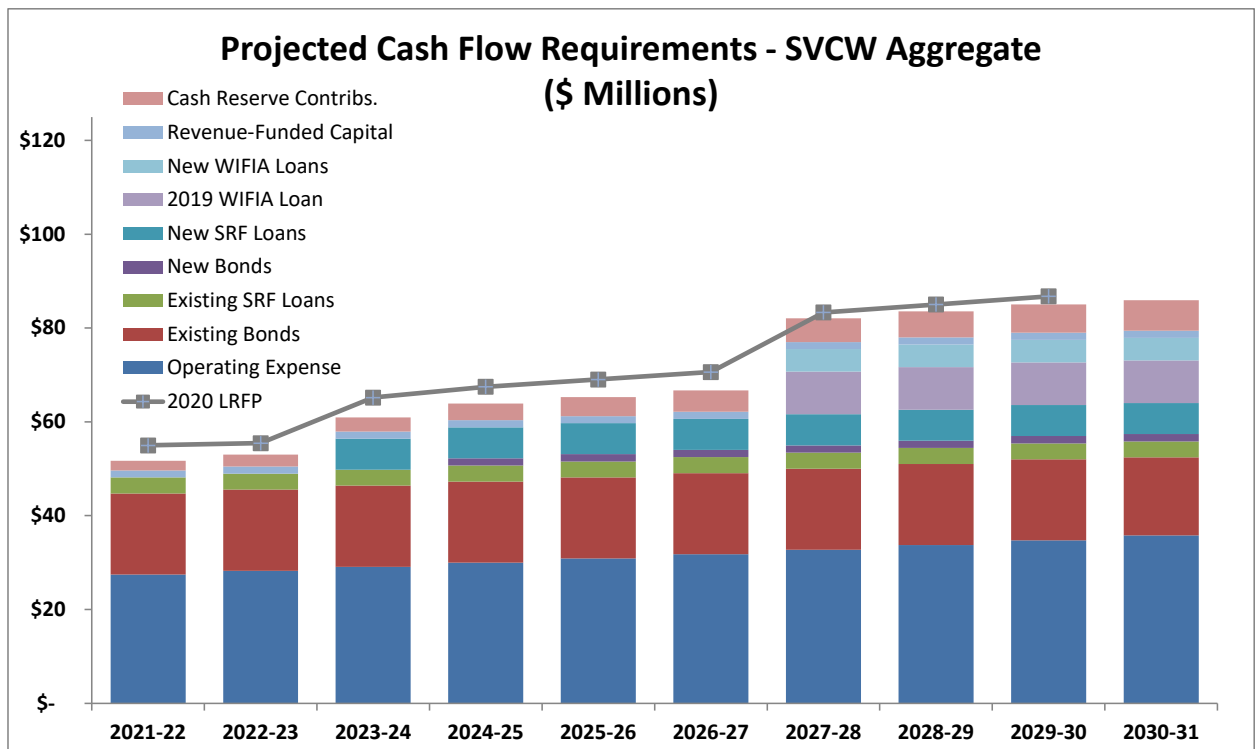
### Cash Reserves

The SVCW Commission has adopted cash reserve policies to document the goals and describe amounts intended to be held in reserves. Each year, the SVCW budget process reviews all reserve balances and adjusts as needed to comply with policy. In 2019-20, \$1 million was contributed to the CIP Reserve and another \$1.5 million is being contributed in 2020-21.

**SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS**

In fiscal year 2021-22 SVCW anticipates total expenditures will be \$51.68 million for all costs of operations, debt service, revenue-funded capital, and reserve contributions. This figure is anticipated to grow to \$85.96 million over the next ten years:

Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 27.43	\$ 28.25	\$ 29.10	\$ 29.97	\$ 30.87	\$ 31.80	\$ 32.75	\$ 33.73	\$ 34.74	\$ 35.79
Existing Bonds	17.31	17.31	17.30	17.31	17.28	17.28	17.28	17.28	17.26	16.64
Existing SRF Loans	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41
New Bonds	-	-	-	1.55	1.55	1.55	1.55	1.55	1.55	1.55
New SRF Loans	-	-	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61
2019 WIFIA Loan	-	-	-	-	-	-	9.11	9.11	9.11	9.11
New WIFIA Loans	-	-	-	-	-	-	4.81	4.81	4.81	4.81
Revenue-Funded Capital	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cash Reserve Contribs.	2.03	2.53	3.03	3.53	4.03	4.53	5.03	5.53	6.03	6.53
<b>TOTAL</b>	<b>\$ 51.68</b>	<b>\$ 53.00</b>	<b>\$ 60.95</b>	<b>\$ 63.88</b>	<b>\$ 65.26</b>	<b>\$ 66.68</b>	<b>\$ 82.06</b>	<b>\$ 83.53</b>	<b>\$ 85.03</b>	<b>\$ 85.96</b>

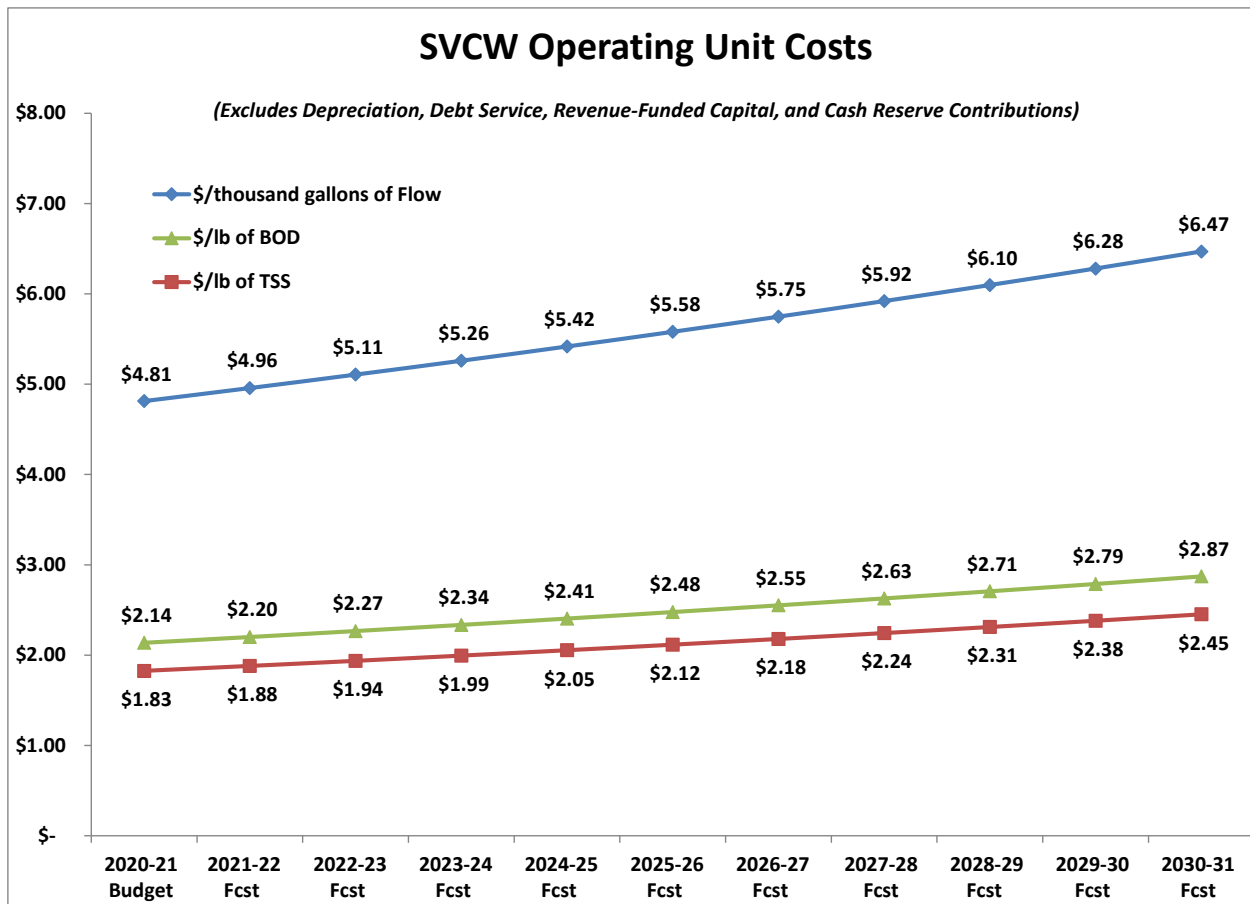


It should be noted that SVCW has benefited from the current low borrowing costs. This is evident in the above chart, showing how anticipated cash flows are less than the estimates in the prior year LRF.

## Projected SVCW Operating Expenditures

Overall operating expenses are expected to increase by approximately 3.0% annually over the next decade. This includes benefits derived from efficient operations and power generation.

SVCW Operating Expenditures (\$ Millions)											
Description	2020-21 Budget	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Personnel	\$ 17.9	\$ 18.4	\$ 18.9	\$ 19.5	\$ 20.1	\$ 20.7	\$ 21.3	\$ 22.0	\$ 22.6	\$ 23.3	\$ 24.0
Utilities	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.3
Administrative Costs	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Equipment & Supplies	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5
Chemicals	1.7	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.3
Professional Services	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1
Contractual Services	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.5	2.5	2.6	2.7
Regulatory and Training	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total Expenditures</b>	<b>\$ 27.7</b>	<b>\$ 28.6</b>	<b>\$ 29.4</b>	<b>\$ 30.3</b>	<b>\$ 31.2</b>	<b>\$ 32.1</b>	<b>\$ 33.1</b>	<b>\$ 34.1</b>	<b>\$ 35.1</b>	<b>\$ 36.2</b>	<b>\$ 37.3</b>
Less Misc. Revenue	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.5)
<b>Net Operating Expend.</b>	<b>\$ 26.6</b>	<b>\$ 27.4</b>	<b>\$ 28.3</b>	<b>\$ 29.1</b>	<b>\$ 30.0</b>	<b>\$ 30.9</b>	<b>\$ 31.8</b>	<b>\$ 32.8</b>	<b>\$ 33.7</b>	<b>\$ 34.7</b>	<b>\$ 35.8</b>



## Debt Service Structure / Annual Debt Service Payments

SVCW and its Members have used debt as needed to fund the CIP. Approximately \$647 million of funding has been raised to date. Sources of funds include Wastewater Revenue Bonds, Member Agency cash contributions, SRF Loans, Notes and Grants.

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



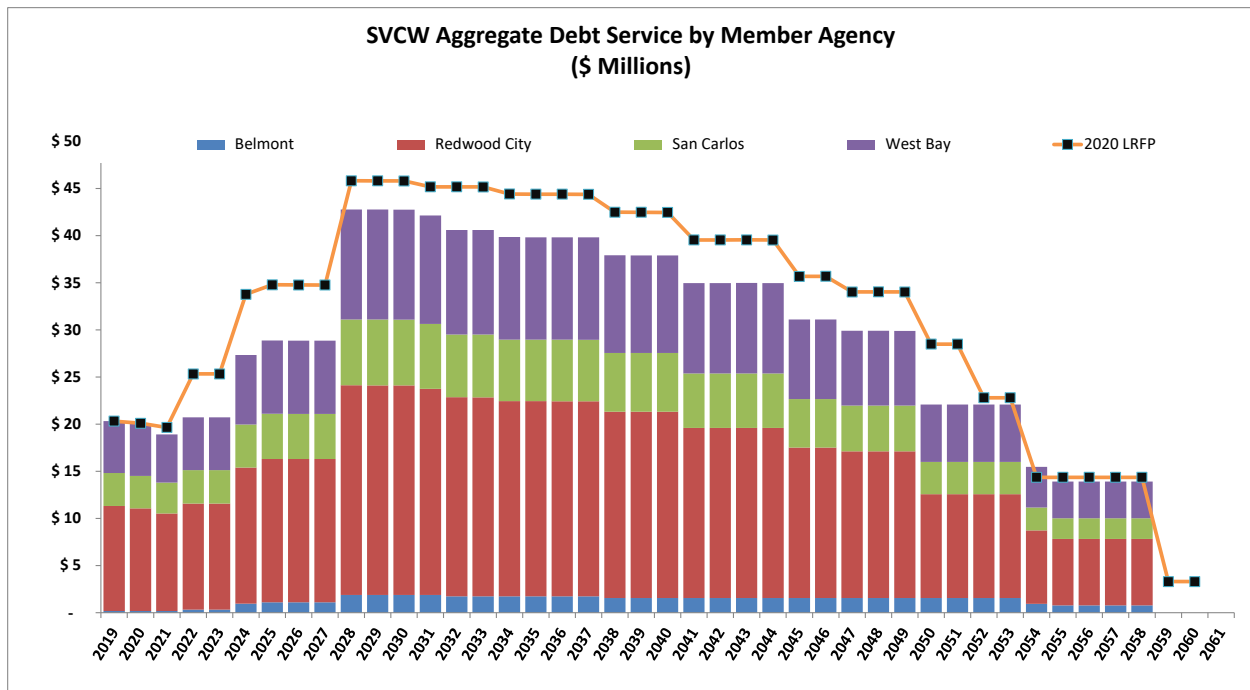
Looking forward, approximately \$381 million of CIP expenditures are identified for the next ten years. This LRFPP recommends the following funding approach, with a comparison to the prior year's LRFPP:

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

The historically low interest rates of the SRF and WIFIA loan programs, coupled with continued attractive market conditions, result in an improved Weighted Average Cost of Capital (WACC), now estimated at 1.41%.

Over the next four decades displayed below, total remaining aggregate debt service is \$1.19 billion, or approximately \$149 million less (in nominal dollars) than the prior year's Plan. If discounted to January 2021 dollars, this difference is a Net Present Value reduction of \$64 million.

This Plan anticipates Maximum Annual Debt Service payments (MADS) will decline by \$3.0 million after fiscal year 2027-28.



### *SVCW Wastewater Revenue Bonds*

Financing Agreements adopted between SVCW and its Member Agencies obligate each of these Agencies to make payments to SVCW for their respective allocable share of debt service. The City of Belmont has, to date, not participated in SVCW Bond financing and is therefore not obligated to make debt service payments on bonds currently outstanding.

Bond debt service payments are \$17 million in fiscal year 2020-21 including four outstanding series from 2019, 2014, 2015, and 2018. This update recognizes a refunding of 2014 and 2015 bond series in March 2021 and predicts no new-money bond issuances will be necessary.

### *State Revolving Fund Loans*

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

Current SRF loan payments will peak at \$3.4 million. These loans financed the Control Building, certain Wastewater Treatment Improvements loans, and conveyance system planning efforts.

SVCW is currently refinancing one SRF loan from 2011 with an outstanding balance of \$8.1 million. The Authority has also nearly completed execution of a new series of SRF loans to secure \$169 million for the RESCU program. The anticipated interest rate is 0.90%.

### *Line of Credit*

SVCW holds a \$30 million Line of Credit (LOC), with an accordion feature for up to \$65 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.

## Revenue-Funded Capital Expenditures

Over the next decade, until the CIP Cash Reserve balance reaches its target, SVCW anticipates investing approximately \$1.5 million annually to revenue-funded capital projects. These projects are typically installed and managed by staff and include fleet, valve replacements, new pumps and motors, gear assemblies, technology upgrades, or maintenance equipment.

## Cash Reserves Contributions

The table below shows the projected annual cash reserve contributions to the Capital Improvement Program Fund, its earnings, and the balances. Cash Reserve contributions follow SVCW policy at \$1.5 million contributed annually in fiscal year 2020-21, after which contributions increase annually by \$500 thousand. Such contributions continue until the CIP Reserve balance reaches an inflation-adjusted target of \$50 million in 2019 dollars, after which the contributions will be redirected to Revenue-Funded Capital projects.

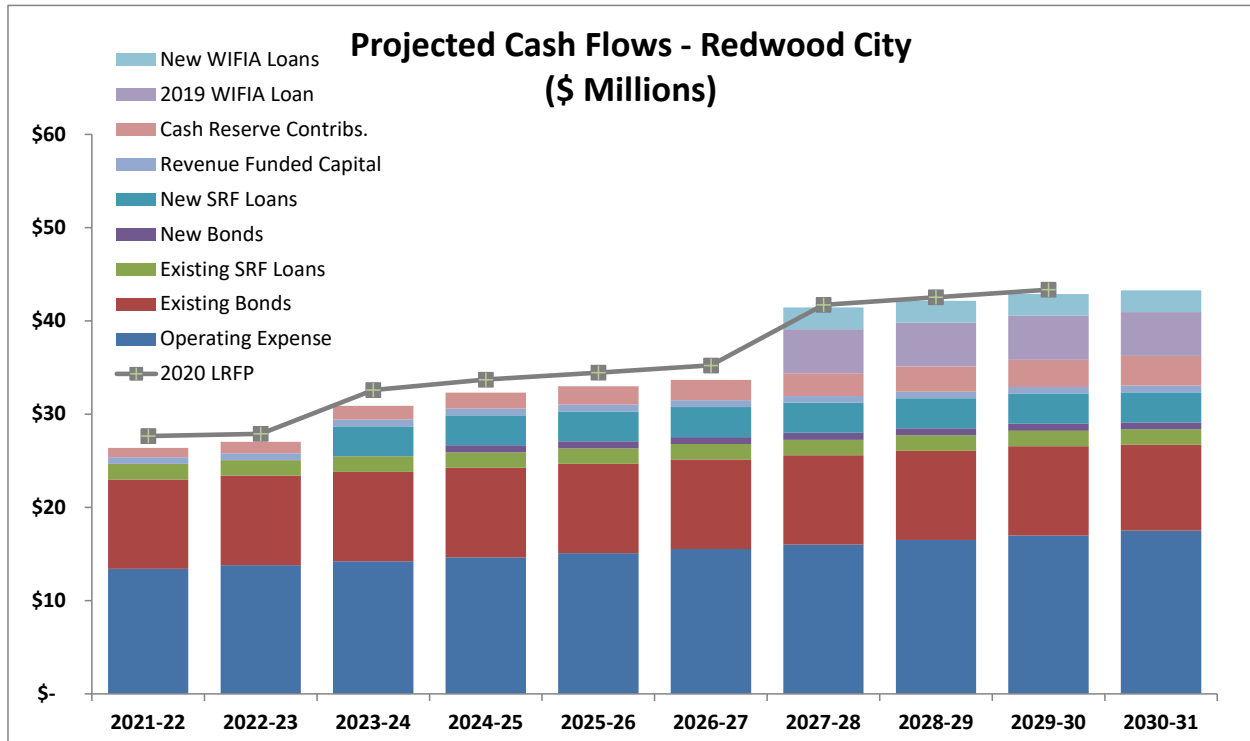
After ten years SVCW is projected to have nearly \$62 million in cash reserves that would be available to fund unanticipated project expenditures or for selected capital improvements.

CIP Cash Reserves Forecast (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Beginning Balance	\$ 17.7	\$ 19.5	\$ 21.9	\$ 24.8	\$ 28.3	\$ 32.4	\$ 37.0	\$ 42.2	\$ 48.1	\$ 54.5
Contributions	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Earnings (at 1.75%)	0.3	0.4	0.4	0.5	0.6	0.6	0.7	0.8	0.9	1.1
<b>Ending Balance</b>	<b>\$ 19.5</b>	<b>\$ 21.9</b>	<b>\$ 24.8</b>	<b>\$ 28.3</b>	<b>\$ 32.4</b>	<b>\$ 37.0</b>	<b>\$ 42.2</b>	<b>\$ 48.1</b>	<b>\$ 54.5</b>	<b>\$ 61.6</b>

## Total Cash Flow Projections by Member Agency

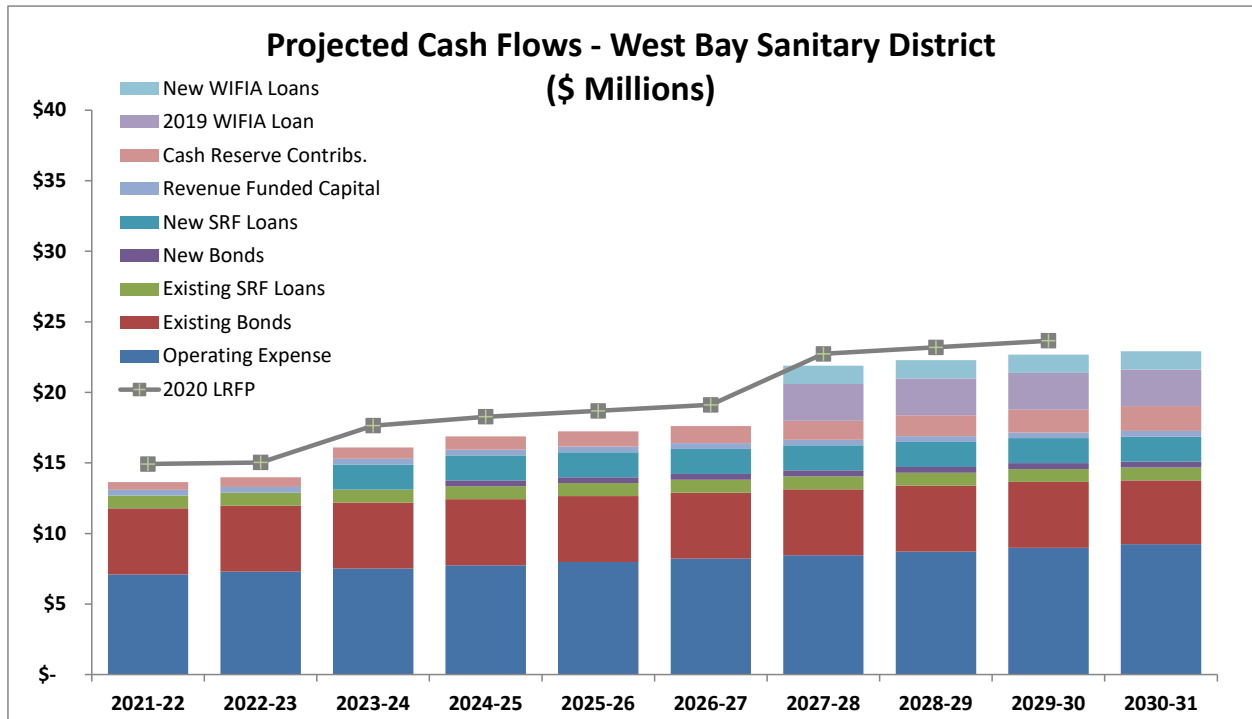
The following charts and tables describe the cash flow projections required for all SVCW expenditures. Each Member Agency is also provided with a detailed description for their own planning purposes.

### Redwood City

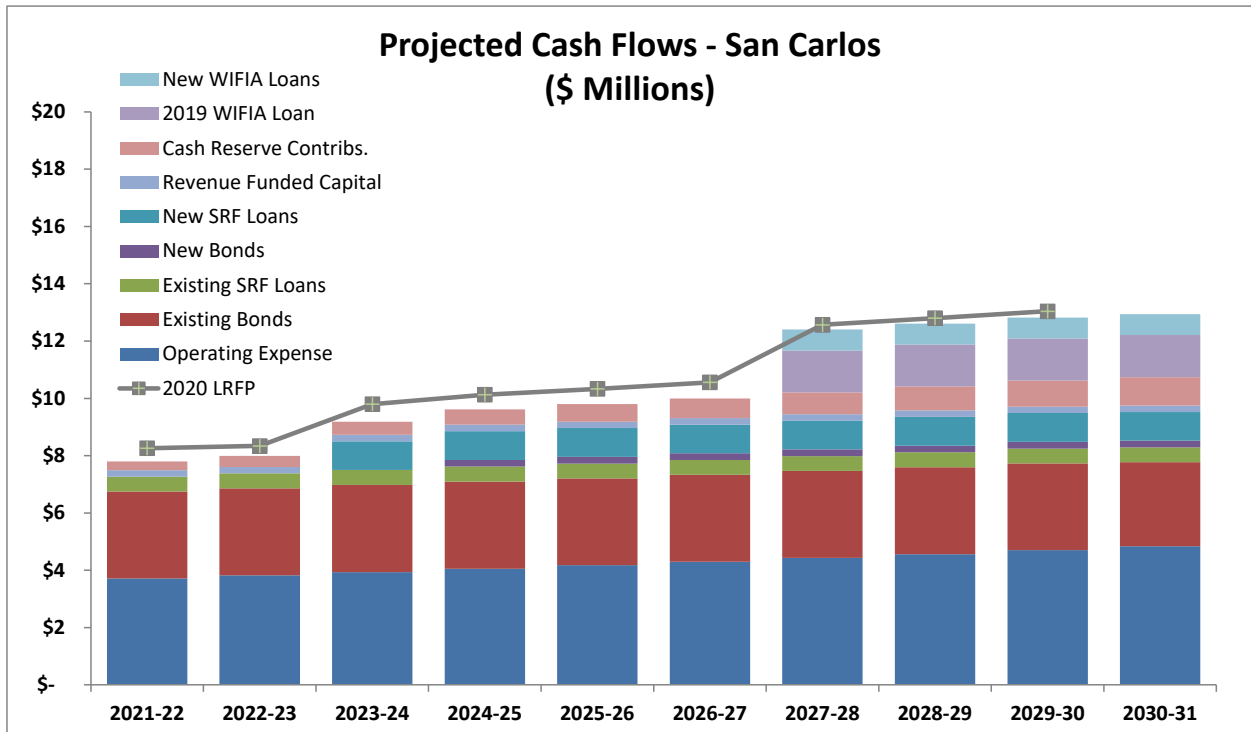


Projected SVCW Cash Flow Requirements - Redwood City (\$ Millions)										
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Expense	\$ 13.41	\$ 13.82	\$ 14.23	\$ 14.66	\$ 15.10	\$ 15.55	\$ 16.02	\$ 16.50	\$ 16.99	\$ 17.50
Existing Bonds	9.59	9.59	9.58	9.58	9.58	9.58	9.58	9.57	9.56	9.20
Existing SRF Loans	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
New Bonds	-	-	-	0.75	0.75	0.75	0.75	0.75	0.75	0.75
New SRF Loans	-	-	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21
2019 WIFIA Loan	-	-	-	-	-	-	4.71	4.71	4.71	4.71
New WIFIA Loans	-	-	-	-	-	-	2.34	2.34	2.34	2.34
Revenue Funded Capital	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Cash Reserve Contribs.	0.98	1.23	1.47	1.71	1.96	2.20	2.44	2.69	2.93	3.17
<b>TOTAL</b>	<b>\$ 26.37</b>	<b>\$ 27.02</b>	<b>\$ 30.88</b>	<b>\$ 32.31</b>	<b>\$ 32.98</b>	<b>\$ 33.68</b>	<b>\$ 41.43</b>	<b>\$ 42.15</b>	<b>\$ 42.88</b>	<b>\$ 43.27</b>

West Bay Sanitary District



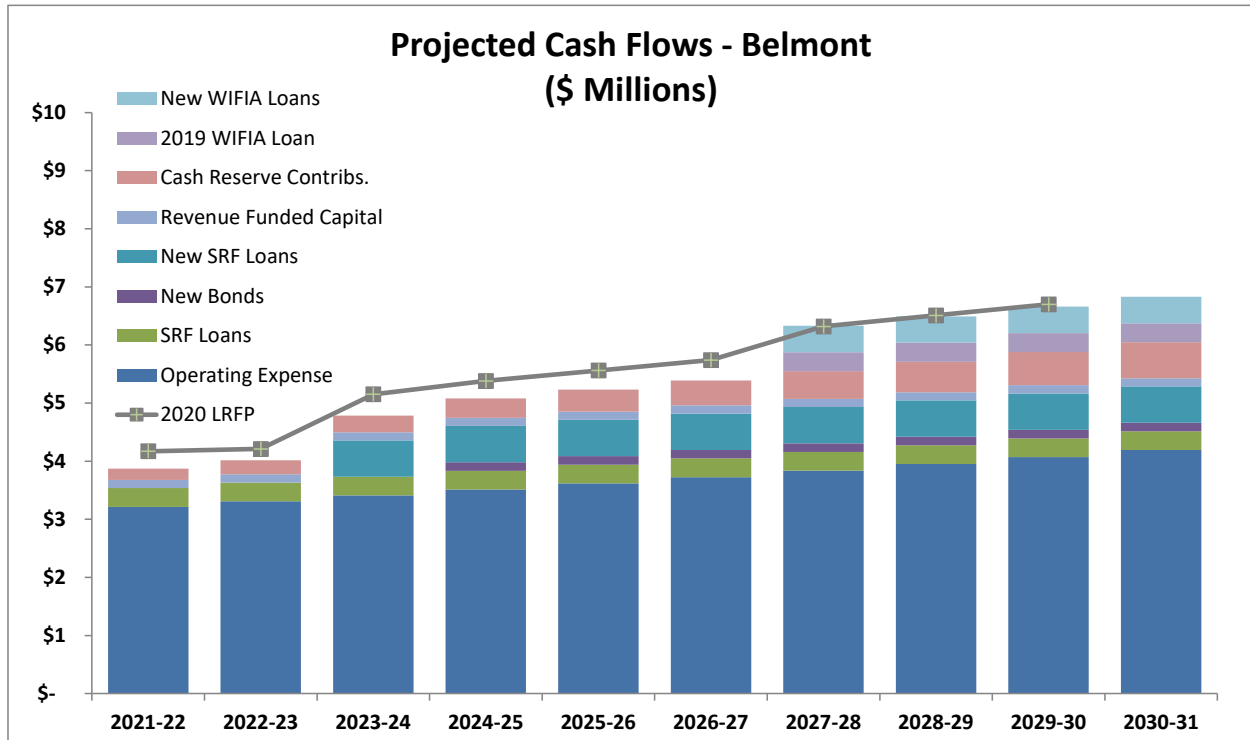
Projected SVCW Cash Flow Requirements - West Bay Sanitary District (\$ Millions)											
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Operating Expense	\$ 7.09	\$ 7.30	\$ 7.52	\$ 7.75	\$ 7.98	\$ 8.22	\$ 8.47	\$ 8.72	\$ 8.98	\$ 9.25	
Existing Bonds	4.68	4.68	4.67	4.68	4.67	4.67	4.67	4.67	4.67	4.51	
Existing SRF Loans	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	
New Bonds	-	-	-	0.42	0.42	0.42	0.42	0.42	0.42	0.42	
New SRF Loans	-	-	1.77	1.77	1.77	1.77	1.77	1.77	1.77	1.77	
2019 WIFIA Loan	-	-	-	-	-	-	2.60	2.60	2.60	2.60	
New WIFIA Loans	-	-	-	-	-	-	1.29	1.29	1.29	1.29	
Revenue Funded Capital	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	
Cash Reserve Contribs.	0.54	0.68	0.81	0.95	1.08	1.22	1.35	1.48	1.62	1.75	
<b>TOTAL</b>	<b>\$ 13.64</b>	<b>\$ 13.97</b>	<b>\$ 16.10</b>	<b>\$ 16.88</b>	<b>\$ 17.24</b>	<b>\$ 17.61</b>	<b>\$ 21.89</b>	<b>\$ 22.28</b>	<b>\$ 22.68</b>	<b>\$ 22.92</b>	



Projected SVCW Cash Flow Requirements - San Carlos (\$ Millions)											
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Operating Expense	\$ 3.71	\$ 3.82	\$ 3.94	\$ 4.05	\$ 4.18	\$ 4.30	\$ 4.43	\$ 4.56	\$ 4.70	\$ 4.84	
Existing Bonds	3.04	3.04	3.04	3.05	3.03	3.03	3.04	3.04	3.03	2.93	
Existing SRF Loans	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	
New Bonds	-	-	-	0.23	0.23	0.23	0.23	0.23	0.23	0.23	
New SRF Loans	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
2019 WIFIA Loan	-	-	-	-	-	-	1.47	1.47	1.47	1.47	
New WIFIA Loans	-	-	-	-	-	-	0.73	0.73	0.73	0.73	
Revenue Funded Capital	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	
Cash Reserve Contribs.	0.31	0.38	0.46	0.53	0.61	0.69	0.76	0.84	0.91	0.99	
<b>TOTAL</b>	<b>\$ 7.80</b>	<b>\$ 7.99</b>	<b>\$ 9.18</b>	<b>\$ 9.61</b>	<b>\$ 9.80</b>	<b>\$ 10.00</b>	<b>\$ 12.40</b>	<b>\$ 12.61</b>	<b>\$ 12.82</b>	<b>\$ 12.94</b>	

*Belmont*

Belmont has not joined SVCW Bond issuances, instead contributing cash in lieu of debt participation. It has, however, fully participated in certain SRF loans and partially participated in the WIFIA government loan program. This decision reduces Belmont’s SVCW-associated debt service as compared to 2019 Long Range Finance Plan.



Projected SVCW Cash Flow Requirements - Belmont (\$ Millions)											
Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	
Operating Expense	\$ 3.21	\$ 3.31	\$ 3.41	\$ 3.51	\$ 3.62	\$ 3.73	\$ 3.84	\$ 3.95	\$ 4.07	\$ 4.19	
SRF Loans	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	
New Bonds	-	-	-	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
New SRF Loans	-	-	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	
2019 WIFIA Loan	-	-	-	-	-	-	0.33	0.33	0.33	0.33	
New WIFIA Loans	-	-	-	-	-	-	0.45	0.45	0.45	0.45	
Revenue Funded Capital	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	
Cash Reserve Contribs.	0.19	0.24	0.29	0.33	0.38	0.43	0.48	0.52	0.57	0.62	
<b>TOTAL</b>	<b>\$ 3.87</b>	<b>\$ 4.01</b>	<b>\$ 4.78</b>	<b>\$ 5.08</b>	<b>\$ 5.23</b>	<b>\$ 5.39</b>	<b>\$ 6.33</b>	<b>\$ 6.49</b>	<b>\$ 6.66</b>	<b>\$ 6.83</b>	

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## SECTION 6 – SENSITIVITIES

Traditional risks to the efficient completion of large capital plans include unanticipated increases such as inflation and interest rate volatility. The risks of inflation and rising interest rates are outside the control of SVCW; however, strategies can mitigate these risks. The Plan, for instance, assumes an across-the-board 3% inflation factor in operating costs. Further, interest rates utilized by the Model are conservative and generally based on best available information and, as a result, are presumed to be higher than market rates. As another example of cost preparedness, SVCW increased the CIP estimates by implementing cost inflators through the midpoint of construction.

To assess the impact of borrowing at interest rates higher than the conservative rates assumed in the recommendation, a sensitivity-analysis was conducted by increasing the weighted cost of capital by 50 basis points (0.50%). Such an increase would result in a greater debt service cost of (Net Present Value) \$20.6 million over the life of the debt issued.

### **Capital Improvement Program Adherence**

The timing of the projects is considered achievable under present economic and operational assessments. Based upon the size of the CIP, project costs and interest expense are both significant. Adhering to the budget and timing of the CIP is singularly the most cost-effective strategy to manage costs. As the regional economy continues to expand, inflationary pressures rise. It is estimated that a one-year delay to the RESCU program, for example, would increase costs by approximately \$10.3 million based upon a construction cost inflation factor of 4%. SVCW has shown that its Progressive Design-Build project delivery method is so far avoiding these schedule risks.

### **Government Loan Availability**

The Authority has thus far secured \$57 million in SRF loans and a \$218 million WIFIA loan. The low cost of these government loans, with their flexible repayment terms, significantly reduces interest expense. As an example, the recently refinanced WIFIA loan closed at a 1.41% interest rate and, when compared to traditional Wastewater Revenue Bonds, is estimated to save SVCW ratepayers \$65 million on a present value basis over the repayment period. SVCW is pursuing another \$106 million in WIFIA Loans to complete the RESCU program and fund future treatment plant projects.

The SWRCB has also agreed to loan \$169 million to SVCW for the RESCU program. A combined three loans are currently being processed by the SWRCB staff. The interest rate is estimated to be 0.90%.

## **Inflation**

Operating Expenditures - The LRFP includes inflationary assumptions of approximately 3% on operating costs. The Consumer Price Index (CPI) is a measure of the “average change in prices over time in a fixed market basket of goods and services” which translates to a guide for determining the prices on food, energy, fuel and other goods and services. CPI is a good indicator of how the economy holds up against inflation and surrounding economic changes.

Capital Expenditures – Construction costs of labor and materials continue to increase. While SVCW negotiates for best pricing on projects, the rise in material and labor costs places upward pressure on the CIP. Such inflationary estimates are based on Engineering News Record’s construction cost index. Additionally, the list of capital projects will evolve as SVCW’s wastewater infrastructure continues to age, new regulations are introduced, or project scopes change.

## **Interest Rates**

It is impossible to predict interest rate levels or the timing of changes. What is known, however, is today’s interest rates are attractive. With tax-exempt interest rates at historical low levels, a decrease in rates is unlikely. A more plausible outcome would be for the market to experience higher interest rates in the future.

Changes in interest rates have been somewhat mitigated with Governmental Loan funding. Publicly issued debt, however, would likely bear the entire market increase with estimated rates.

If SVCW’s remaining Weighted-Average Cost of Capital was to increase by 50 basis points (or 0.5%), SVCW annual debt service payments (at its maximum aggregate point) would increase by \$1.9 million. Over the entire amortization term, the cost of this change in interest rates would be a Net Present Value of \$20.6 million.

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## SECTION 7 – SUMMARY

SVCW provides this LRFP as a recommendation and implementation strategy to fund the next decade of capital improvements. The Plan documents the analysis of possible alternatives. Due to the extensive nature and cost of the CIP, leveraging long term debt is the most practical funding method. Individual Members may of course determine that, for their own specific purposes, cash contributions may be appropriate.

Due to the historical lack of a sinking fund and cash reserves, the recommended debt strategy is in lieu of a pay-go cash strategy. Debt allows SVCW to distribute costs over the expected useful lives of constructed assets, and also provides fairness to Members' ratepayers by spreading costs across generations and facilitating moderate and consistent rate increases. In general, CIP funding sources include 1) Capital markets by issuing publicly traded revenue bonds; 2) Government loans through SRF and WIFIA programs when available; and 3) cash that has been contributed by the Members Agencies.

This LRFP's recommendations and its outcomes are for planning purposes. SVCW believes it is a reasonable forecast of expenditures over the next year, including a well-informed position that SVCW will be able to access government loan programs from the SWRCB. This LRFP therefore is useful for Member Agencies as they consider budgets and analyze their sewer rates.

**APPENDIX B**  
STANDARD PROPOSAL REGULATORY DISCLAIMERS & DISCLOSURES

### **Standard Proposal Regulatory Disclaimers & Disclosures**

Fieldman is a SEC-registered Municipal Advisor. When formally engaged by public Authority clients, we undertake a fiduciary duty with respect to advice provided on financial matters.

#### **PROPOSAL DOES NOT CONSTITUTE “ADVICE” OR MUNICIPAL ADVISORY RELATIONSHIP**

These materials are delivered to you for the purpose of obtaining an engagement as your municipal advisor, and we wish to clarify the nature of our relationship. We are providing the information contained in these materials for informational purposes only. The information provided in these materials does not create or imply any fiduciary relationship, and is being provided solely for the purpose of marketing our services to you as a prospective client of Fieldman. The information provided to you is not be construed as “advice” within the meaning of Section 15B of the Securities and Exchange Act of 1934, or relied upon by you as advice in determining a course of action in connection with any current or prospective undertakings relative to any municipal securities issuance or municipal financial product. Any information contained in these materials has been prepared without taking into account your circumstances, financial or otherwise, and is not intended to replace or supplement any advice you may have already received internally or externally from any other professional.

#### **Potential for Limitation of Advisory Scope Disclosure**

At the explicit direction of the Authority, our scope of services may be limited to the implementation of a pre-determined financial transaction or strategy. In such instances, a complete review of all feasible and suitable financial alternatives will not be undertaken as part of our engagement. We would otherwise operate under a fiduciary duty to consider all feasible and suitable alternatives to accomplish a given objective.

#### **Potential Conflict of Interest Disclosure**

Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for the proposed engagement is contingent on successful completion of any transactions, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the Authority. However, as noted earlier, Fieldman undertakes a fiduciary duty in advising public agencies regardless of compensation structure.

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DATE: August 18, 2021

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Executive Director's Report

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The following is an update from the Executive Director:

I. Water Infrastructure Finance and Innovation Act (WIFIA) Letter of Interest Submission

The WIFIA Letter of Interest for the Watershed Connect Program was submitted to the United States Environmental Protection Agency (EPA) on July 22, 2021, a day before the deadline. The submission was acknowledged by the EPA and the review typically takes 90 days. The announcement of the successful letters of interest is expected in late October or early November. As a reminder, the WIFIA loan is potentially up to \$177.2 million and covers 49% of estimated Phase 1 costs of the regional infrastructure program.

In the next three (3) months, staff will focus on completing funding applications to secure the remaining 51% of project costs that are not covered by the potential WIFIA loan. Staff will also be meeting with the program consulting team to leverage State-level water infrastructure funding (low-interest loans and grants) and additional federal infrastructure funding (largely grants). All applications will be brought back to the Board for approval prior to submission.

II. Senate Infrastructure Package

On August 10, 2021, the U.S. Senate passed a bipartisan \$1.2 trillion physical infrastructure package that includes \$8.3 billion for western water infrastructure. Among some of the funding highlights in the package that are relevant to the Authority and its Members are:

- More than \$1.5 billion for water storage, groundwater storage, and conveyance projects

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- \$3.2 billion for the Aging Infrastructure Account
- \$1 billion for water recycling and reuse projects
- \$400 million for WaterSMART grants

The Senate package also include the recently passed Drinking Water and Wastewater Infrastructure Act, S. 914. This portion of the package provides approximately \$55 billion over a five-year period for water and wastewater infrastructure including:

- \$23.4 billion for the Drinking Water State Revolving Fund and Clean Water Revolving Fund
- \$15 billion for service line replacement
- \$250 million in additional funding for the WIFIA program at the EPA

If passed by the House of Representatives, this package can provide additional source of funding for the Authority and its Members to deliver the regional infrastructure program. House Progressives are insisting the Senate pass a separate \$3.5 trillion human infrastructure bill focusing on poverty, health care, and climate change. The House is not expected to make significant changes to the infrastructure bill.

### III. State-Level Water Infrastructure Funding

California State Budget 2021-22 includes a total of \$5.1 billion over four years to support immediate drought response and long-term water resilience, which includes \$2.1 billion that will be allocated before the end of summer. At least \$200 million of grant funding will be available for watershed management projects that provide multiple benefits including but not limited to, improved integration of groundwater and surface water management, other water supply benefits, ecosystem improvements, and regional drought resilience. Staff will continue to engage in the process to secure state-level funding for individual projects in Watershed Connect or the entire program.

### IV. Program Dashboard and Website

Staff is working to identify additional opportunities for the JPA and Watershed Connect Program to amplify our presence within the current funding landscape. Additionally, we are developing a scope of work for a website and “dashboard” tool that would set up the program for long-term tracking of the program costs, commitments, reporting, etc.



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### V. Cost Allocation

Staff is currently working on development of a cost allocation strategy. There are several cost allocation approaches that could make infrastructure funding through the JPA the most attractive option for water utilities in the region. We will bring a proposal to the Board in the future for consideration.

### VI. Project Agreement

With the engagement of Stradling and Fieldman Rolapp, staff will begin the process of creating a project agreement template. A project agreement with one or more Members lays out the terms and conditions of the finance or refinance of a project, including rights and obligations, payments, transaction costs, etc. and is an essential contractual document for the JPA.

### VII. Formation of a Technical Advisory Committee (TAC)

Section 17 of the Joint Exercise of Powers Agreement requires the formation of a TAC, comprised of a representative (employee or consultant) from each Member agency. The function of the TAC is to review project agreements and consider materials related to projects financed or refinanced by the JPA, and report periodically to the Board on its review of such materials. The Chair and Vice Chair of the TAC are appointed by the Board for a term of one year. At this time, each Member is encouraged to appoint its representative to the TAC by September in order for the Board to appoint a Chair and a Vice Chair in October. Meetings of the TAC would be conducted in accordance with Brown Act.

### VIII. Additional Members and Stakeholder Engagement

Staff is currently working with the other potential members on scheduling consideration of joining the JPA on their governing bodies' agendas.

Recommendation:  
Receive and File

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INFRASTRUCTURE FINANCING AUTHORITY



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Announcements

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- A. September 1, 2021, 8:30 a.m. – PROPOSE CANCELLATION OF THIS MEETING
- B. September 15, 2021, 8:30 a.m. – Upper SAR WIFA JPA Board meeting via Zoom