

SOUTH PLACER WASTEWATER AUTHORITY

In accordance with the requirements of California Government Code section 54950 *et seq.*, notice is hereby given of the regular meeting of the Board of Directors of the South Placer Wastewater Authority at the following time and location:

Thursday, June 27, 2013
9:30 a.m.
City of Roseville
2005 Hilltop Circle
Roseville
Meeting Room 3

AGENDA

ROLL CALL Directors: Jack Duran - Chair
Bonnie Gore – Vice Chair
Jerry Mitchell
Pauline Roccucci
Robert Weygandt

PLEDGE OF ALLEGIANCE

INTRODUCTIONS

APPROVAL OF MINUTES, March 11, 2013

OLD BUSINESS ITEMS

NEW BUSINESS ITEMS

1. Information: Pleasant Grove Wastewater Treatment Plant Buffer Modification (*Kathy Pease*)
2. Information: Investments Report (*Jacquie*)
3. Information: Overview of Swap Performance & Annual Reporting Requirements (*Vanessa*)
4. Resolution: FY2014 Investment Policy and Swap Policy (*Jacquie*)
5. Information: Rate Stabilization Fund Balances & Connection Fee Revenues (*Sandra*)
6. Information: Capital Improvement Projects Overview (*Ken*)
7. Resolution: Annual Operating Budget for FY2013-14 Budget (*Janet*)

PUBLIC COMMENTS

REPORTS/COMMENTS – BOARD MEMBERS/STAFF

ADJOURNMENT

Note: The Board may take action on any matter, however listed on this Agenda, and whether or not listed on this Agenda, to the extent permitted by applicable law. Staff Reports are subject to change without prior notice.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the Recording Secretary to all or a majority of the SPWA Board less than 72 hours prior to that meeting are available for public inspection during normal business hours at the City of Roseville Corporation Yard, 2005 Hilltop Circle, Roseville California 95747.

The meeting is accessible to the disabled. In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Voice:(916) 774-5770, TDD: (916) 774-5220. Requests must be made as early as possible.

SOUTH PLACER WASTEWATER AUTHORITY

Jack Duran – Placer County, Chair
Bonnie Gore – Roseville, Vice Chair
Jerry Mitchell – SPMUD
Pauline Roccucci – Roseville
Robert Weygandt – Placer County

MINUTES OF BOARD OF DIRECTORS' MEETING March 11, 2013

The regular meeting of the South Placer Wastewater Authority Board of Directors was called to order at 1:00 p.m. at the Roseville Corporation Yard, 2005 Hilltop Circle, Roseville, CA.

Directors Present:

Jack Duran
Bonnie Gore
Jerry Mitchell
Pauline Roccucci
Robert Weygandt

Staff Present:

Paul Chrisman, JPA Counsel
Ken Glotzbach, Interim Executive Director
Russ Branson, Treasurer
Karen Sainsbury, Secretary

Roll Call

All Directors were present.

Introductions

The following were in attendance: Bob Schmitt, Ed Kriz, Carol Margetich, Janet Vargas, Russ Branson, Sandra Ikeda, Monty Hanks, Jacquie Clarizio and Mwah Polson from the City of Roseville; Charles Clark from SPMUD; Bill Zimmerman and Dave Atkinson from Placer County; Brian Thomas of Public Financial Management; and Dave Fama of Jones Hall.

Approval of Minutes, January 31, 2013

MOTION by Director Roccucci seconded by Director Weygandt to approve the January 31, 2013 minutes. The vote was unanimous.

New Business Items

1. Information: Presentation on the Analysis of Variable to Fixed Rate Debt

Brian Thomas of Public Financial Management presented the analysis of variable to fixed rate debt.

2. Resolution: Approval of the following agreements, certificates, and disclosure documents, relating to (i) the refunding of the Authority's Wastewater Revenue Refunding Bonds Series 2011A and 2011B; (ii) the issuance of the Authority's Wastewater Revenue Refunding Bonds, Series 2013, in the maximum

aggregate principal amount of \$60,325,000 (the "2013 Refunding Bonds"); and (iii) the direct sale of the 2013 Refunding Bonds to US Bank National Association:

- a. Wastewater Revenue Bond Indenture between South Placer Wastewater Authority and The Bank of New York Mellon Trust Company, N.A;**
- b. Continuing Covenant Agreement between South Placer Wastewater Authority and US Bank National Association**

Brian Thomas of Public Financial Management provided an overview of the Authority's debt and the direct purchase transaction, and asked the Board for approval of the agreements, certificates and disclosure documents.

Chair Duran requested a motion to approve the agreements, certificates, and disclosure documents relating to (i) the refunding of the Authority's Wastewater Revenue Refunding Bonds Series 2011A and 2011B; (ii) the issuance of the Authority's Wastewater Revenue Refunding Bonds, Series 2013, in the maximum aggregate principal amount of \$60,325,000 (the "2013 Refunding Bonds"); and (iii) the direct sale of the 2013 Refunding Bonds to US Bank National Association.

MOTION by Director Weygandt seconded by Director Mitchell to adopt Resolution 2013-05.

Roll Call Vote:

Ayes:	Duran, Gore, Mitchell, Roccucci, Weygandt
Nos:	None
Abstention:	None

3. Information: Financial Audit

Sandra Ikeda reported on the Audited Financial Statement and Memorandum of Internal Control for the period of July 1, 2011 to June 30, 2012.

Chair Duran reiterated the desire to have someone from the Board participate in the draft review of the Memorandum of Internal Control before it is released.

4. Information: Agreed Upon Procedures & Connection Fee Programs

Janet Vargas reported on the Agreed Upon Procedures and Connection Fee Programs.

Reports/Comments – Board Members/Staff

None

Public Comment

None

Adjournment

The meeting was adjourned at 1:29 p.m.

Jack Duran
Chair

Karen Sainsbury
Secretary to the Board

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 13, 2013

FROM: Executive Director's Office

AUTHORITY COMMUNICATION NO.: 13-12

SUBJECT: WESTPARK PHASE 4 SPECIFIC PLAN AMENDMENT –REQUEST TO ROSEVILLE TO AMEND THE 1,000-FOOT NON-RESIDENTIAL PLEASANT GROVE WASTEWATER TREATMENT PLANT BUFFER – ROSEVILLE FILE #S 2013PL-008, GPA-000069, SPA-000050, RZ-000064, DA-000054 & Sub 000172 & Sub 0000176.

For SPWA Board Meeting 6/27/13

INFORMATION ITEM:

A revision to the 1,000-foot non-residential buffer deed restriction to the Pleasant Grove Wastewater Treatment Plant to reduce the buffer within the area identified in Figure 3 below to allow residential uses no closer than 769-feet.

BACKGROUND

The City of Roseville has received and is processing an application which requests approval to amend the Westpark Phase 4 area of the West Roseville Specific Plan (WRSP) to make several adjustments to the land uses including unit allocation (see Figure 1, Location Map). Low density residential units would be increased and high-density and light industrial uses would be reduced. The project would accommodate 894 low density residential (LDR) units, and 170 high density (HDR) units (original approvals included 780 LDR and 252 HDR units), as shown in Figure 2, proposed Land Use Map.

The revised land use plan will not change the footprint of the WRSP, but would redistribute certain land uses (LDR and HDR, CC, P/R, P/Q-P, and Right-of-way) within the project area.

1,000-foot Non-Residential Buffer

The proposed project would allow 57 homes no closer than 769 feet of the Pleasant Grove Wastewater Treatment Plant (PGWWTP), thereby reducing the 1,000 foot buffer by approximately 231 feet. In 1996 as part of the Roseville Regional Wastewater Treatment Plant Service Area Master Plan, an EIR was prepared to look at the proposed PGWWTP. At the time, a 1,000-foot non-residential buffer was proposed to reduce land use compatibility issues, especially related to exposure to potential chemicals such as chlorine in the treatment process. Since that time, the City of Roseville has instituted the use of Ultra Violet (UV) Disinfection in the treatment process instead of the use of chemicals such as chlorine, therefore, exposure to potential chemicals is no longer an issue at this time given current treatment processes.

**FIGURE 1
LOCATION MAP**

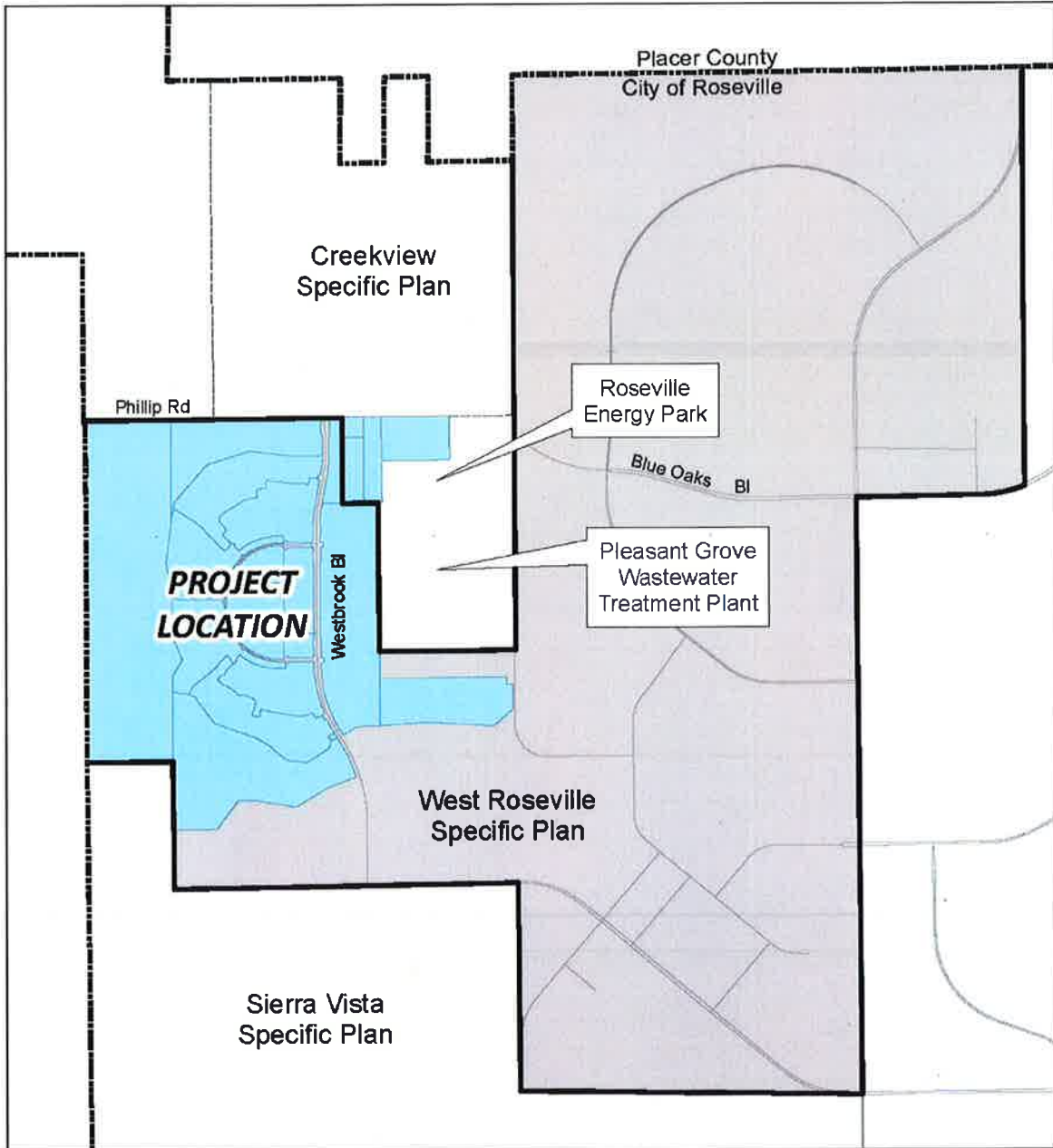
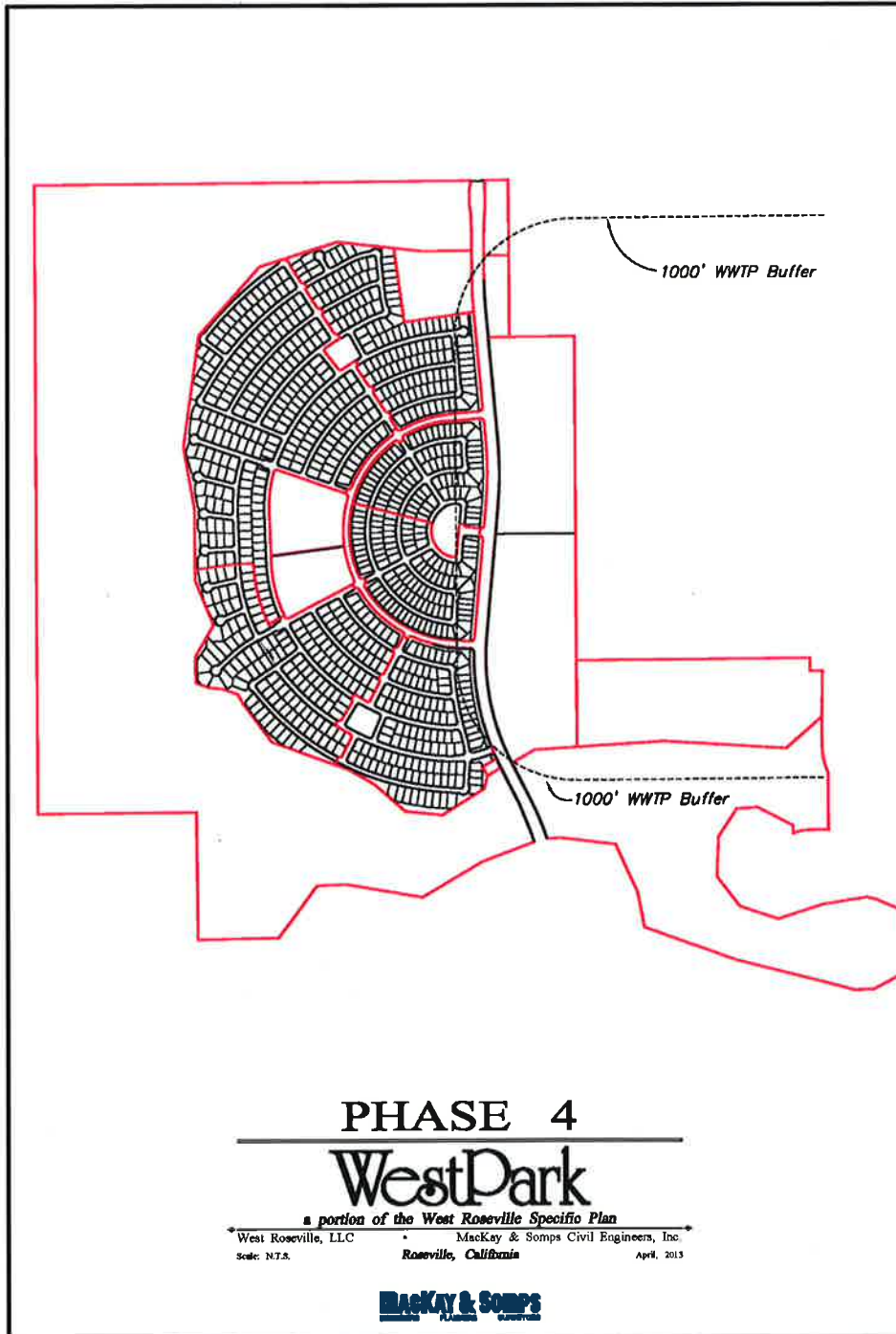


Figure 3

1,000-Foot Non-Residential Buffer



In order to ensure that noise levels would not result in a significant impact if homes were located closer to the treatment plant, j.c. Brennan, acoustical consultants, performed noise measurements at three locations where homes could be up to 769 feet from the PGWWTP. The noise levels associated with operation of the PGWWTP result in average hourly noise levels of between 41 and 47 decibels on the project site, which is below the General Plan's stationary noise performance standards up to 50 db. Therefore, noise would not be an issue to the future residents. The project would be consistent with the City's General Plan.

Brown and Caldwell, an odor consultant, also prepared an odor analysis to determine whether proposed home within the buffer area would be subject to odors. The results of the analysis determined there would be no odor impacts, therefore the proposal to allow residential uses, within 769 feet of the PGWWTP would not result in any significant impacts. The analysis further confirmed that operations at the PGWWTP resulted in less odors on site, than similar facilities.

Quit Claim

As part of the project, in order to develop within a portion of the buffer area, a Development Rights Easement, the Amendment to the Purchase and Sale Agreement, Amendment to the Development Rights Easement Grant Deed and the Quit Claim together with the requested project entitlements will go to the Roseville City Council for their consideration. If approved by the Council, the applicants would provide reimbursement to the JPA for the area to be quit claimed in an amount of \$126,499.61. The timing for the payment will be prior to the recording of the first small lot final map in Phase 4. Both the dollar amount and the timing will be included in the 5th Development Agreement Amendment for Westpark.

Conclusion

Based on the technical studies conducted, no significant impacts would occur as a result of the proposed boundary modification and proximity to the PGWWTP and related chemical use, noise or odor generation from existing operations. In addition, the residential uses would continue to be separated in the future by light industrial uses to east, and the proposed six-lane arterial roadway (Westbrook Boulevard). Consistent with the West Roseville Specific Plan Design Guidelines, sound walls and landscape corridors will also separate the residential uses. Accordingly, City staff is prepared to recommend approval of this limited reduction in the buffer to the Roseville City Council.

Submitted by:



Kathy Pease
Senior Planner

**SOUTH PLACER WASTEWATER
AUTHORITY**

2005 HILLTOP CIRCLE
ROSEVILLE, CA 95747
916-774-5770 fax 916-774-5690

MEMO

TO: South Placer Wastewater Authority
FROM: Russ Branson, Assistant City Manager *RB*
DATE: June 10, 2013
SUBJECT: Overview of Current Investments

AUTHORITY COMMUNICATION NO.: 13-13

The investments for the SPWA's Rate Stabilization Fund (RSF) can be placed in two categories: 1) available for cash-flow requirements, and 2) additional, accumulated funds. The attached table provides an overview of the SPWA investments as of April 30, 2013.

Cash-Flow Requirements

The cash-flow requirements for the RSF include monthly payments for the synthetic fixed-rate refunding (the "swap"), monthly interest payments for the US Bank Direct Purchase Agreement, SIFMA Index notes, biannual payments for the fixed rate bonds, construction funding, and various administrative costs included in the Authority's annual budget. The RSF, as of April 30, 2013 includes \$25 million invested in the Local Agency Investment Fund (LAIF) and \$11.7 million of Pooled cash. The LAIF account provides the Authority with the liquidity required to fund these costs while earning a reasonable rate of return in today's interest rate environment. The latest LAIF return was 0.245% as of May 31, 2013.

Additional Accumulated Funds

Monies above-and-beyond those in LAIF and the Pooled Fund are invested in a combination of investment instruments that provide required liquidity, meet the provisions of the Authority's investment policy, and provide a reasonable return within the current market. Public Financial Management (PFM) provides investment management services for the Authority's investment portfolio under the direction from the Treasurer. Current investments in this category totaled \$55.6 million as of April 30, 2013. The investments are allocated in Federal Agencies (FNMA, FHLB, etc.), US Treasuries, Corporate Notes and Negotiable CD's. The yield-to-market on the invested funds as of April 30, 2013 was 0.4210%.

So Placer Wastewater Authority
Portfolio Management
Interest Earnings Summary
April 30, 2013

	April 30 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	180,627.07	724,205.98
Plus Accrued Interest at End of Period	156,241.72	151,133.59
Less Accrued Interest at Beginning of Period	(238,870.79)	(128,352.34)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	97,998.00	746,987.23
Adjusted by Premiums and Discounts	-72,467.44	-558,424.66
Adjusted by Capital Gains or Losses	19,046.11	64,593.87
Earnings during Periods	44,576.67	253,156.44
Pass Through Securities:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	(0.00)	(0.00)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	0.00	0.00
Cash/Checking Accounts:		
Interest Collected	441.50	1,042.98
Plus Accrued Interest at End of Period	3,669,915.32	3,669,915.41
Less Accrued Interest at Beginning of Period	(3,658,215.58)	(3,505,024.19)
Interest Earned during Period	12,141.24	165,934.20
Total Interest Earned during Period	110,139.24	912,921.43
Total Adjustments from Premiums and Discounts	-72,467.44	-558,424.66
Total Capital Gains or Losses	19,046.11	64,593.87
Total Earnings during Period	56,717.91	419,090.64

SOUTH PLACER WASTEWATER

AUTHORITY

2005 Hilltop Circle
Roseville, CA 95747
916-774-5770
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City of Roseville CA

So Placer Wastewater Authority

Fund 001 - SPWA

Investments by Fund

April 30, 2013

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Money Market Funds											
431114503	10434	US BANK	07/01/2012	253,732.81	253,732.81	253,732.81	0.001	0.000	0.001		1
			Subtotal and Average	253,732.81	253,732.81	253,732.81	0.001	0.001	0.001		1
Local Agency Investment Funds											
40-31-001	10032	Local Agency Investment Fund	07/01/2012	25,043,222.34	25,043,222.34	25,043,222.34	0.280	0.276	0.280		1
			Subtotal and Average	25,043,222.34	25,043,222.34	25,043,222.34	0.276	0.280	0.280		1
Negotiable CDs											
06417FPL8	10453	Bank of Nova Scotia	03/06/2013	1,000,000.00	1,000,000.00	999,817.00	0.540	0.532	0.540	03/06/2015	674
63253TPX0	10408	NATIONAL AUSTRALIA BANK	06/19/2012	1,000,000.00	1,000,000.00	1,001,057.70	0.600	0.591	0.600	06/19/2013	49
21684BEP5	10459	RABOBANK	04/29/2013	1,500,000.00	1,500,000.00	1,494,112.50	0.600	0.591	0.600	04/29/2015	728
85325BVS0	10454	STANDARD CHARTERED BANK NY CER	03/18/2013	1,000,000.00	1,000,000.00	999,830.00	0.360	0.355	0.360	03/18/2014	321
86958CVF8	10457	SVENSKA HANDELSBANKEN	04/05/2013	999,847.71	1,000,000.00	999,709.00	0.461	0.464	0.471	10/06/2014	523
			Subtotal and Average	5,499,847.71	5,500,000.00	5,494,526.20	0.515	0.515	0.522		483
Corporate Notes											
084670BG2	10449	BERKSHIRE HATHAWAY FIN CORP NO	02/11/2013	294,973.45	295,000.00	297,204.83	0.800	0.792	0.803	02/11/2016	1,016
06406HCC1	10392	Bank of New York Trust Company	02/21/2012	749,317.50	750,000.00	758,934.75	1.200	1.214	1.231	02/20/2015	660
14912L5H0	10435	CATERPILLAR FINANCIAL SE	11/06/2012	609,438.80	610,000.00	610,894.26	0.700	0.721	0.731	11/06/2015	919
14912L5N7	10452	CATERPILLAR FINANCIAL SE	02/28/2013	329,590.80	330,000.00	330,109.89	0.700	0.730	0.740	02/26/2016	1,031
369604BE2	10431	General Electric Capital Co	10/09/2012	264,928.45	265,000.00	266,527.20	0.850	0.847	0.859	10/09/2015	891
369604BE2	10432	General Electric Capital Co	10/09/2012	737,043.30	735,000.00	739,235.81	0.850	0.745	0.756	10/09/2015	891
36962G6R0	10447	General Electric Capital Co	01/08/2013	159,486.40	160,000.00	160,812.64	1.000	1.093	1.109	01/08/2016	982
459200HB0	10389	IBM CORP GLOBAL NOTES	02/06/2012	1,049,841.05	1,055,000.00	1,057,196.51	0.550	0.705	0.715	02/06/2015	646
713448CE6	10451	PEPSICO INC GLOBAL NOTES	02/28/2013	364,872.25	365,000.00	366,444.67	0.700	0.700	0.710	02/26/2016	1,031
25468PCU8	10445	WALT DISNEY CO GLOBAL NOTES	11/30/2012	193,547.25	195,000.00	194,994.93	0.450	0.691	0.701	12/01/2015	944
94974BET3	10433	WELLS FARGO & COMPANY	10/30/2012	796,432.50	750,000.00	783,893.25	3.750	0.497	0.504	10/01/2014	518
			Subtotal and Average	5,549,471.75	5,510,000.00	5,566,248.74	0.775	0.775	0.786		792
Federal Agency Coupon Securities											
3134G2WG3	10374	Federal Home Loan Mtg Corp	08/31/2011	3,287,134.80	3,270,000.00	3,294,999.15	0.750	0.569	0.576	09/22/2014	509

Portfolio SPWA

AP

FI (PRE FI) 7.1.1
Report Ver. 7.3.5

Fund 001 - SPWA
Investments by Fund
April 30, 2013

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Coupon Securities											
3134G2WG3	10376	Federal Home Loan Mtg Corp	09/30/2011	2,670,330.00	2,665,000.00	2,665,373.93	0.750	0.672	0.681	09/22/2014	509
3134A4VC5	10456	Federal Home Loan Mtg Corp	04/04/2013	3,690,385.40	3,380,000.00	3,682,989.96	4.375	0.334	0.338	07/17/2015	807
3134G42V9	10460	Federal Home Loan Mtg Corp	04/30/2013	1,105,000.00	1,105,000.00	1,105,268.52	0.320	0.315	0.320	04/29/2015	728
3135GOKM4	10403	FANNIE MAE GLOBAL NOTES	04/19/2012	832,586.85	835,000.00	838,592.17	0.500	0.585	0.594	05/27/2015	756
31359MUT8	10353	Federal National Mtg Assn	04/27/2011	2,534,383.80	2,340,000.00	2,428,667.28	4.125	1.245	1.263	04/15/2014	349
3135GONG4	10422	Federal National Mtg Assn	08/07/2012	1,259,874.00	1,260,000.00	1,260,719.46	0.500	0.496	0.503	08/07/2015	828
3135G0BY8	10429	Federal National Mtg Assn	09/21/2012	1,813,757.75	1,795,000.00	1,811,040.12	0.875	0.328	0.333	08/28/2014	484
31359MUT8	10430	Federal National Mtg Assn	05/03/2011	1,976,647.40	1,820,000.00	1,888,963.44	4.125	1.133	1.149	04/15/2014	349
3135G0FY4	10439	Federal National Mtg Assn	11/06/2012	3,026,340.00	3,000,000.00	3,025,098.00	0.750	0.329	0.333	12/19/2014	597
31398A4M1	10442	Federal National Mtg Assn	11/06/2012	3,106,230.00	3,000,000.00	3,093,978.00	1.625	0.419	0.424	10/26/2015	908
3135G0SB0	10444	Federal National Mtg Assn	11/16/2012	1,446,621.50	1,450,000.00	1,450,137.75	0.375	0.444	0.450	12/21/2015	964
3135G0VA8	10450	U.S. Treasury	02/15/2013	998,860.00	1,000,000.00	1,002,509.00	0.500	0.529	0.536	03/30/2016	1,064
Subtotal and Average				27,748,151.50	26,920,000.00	27,568,336.78		0.565	0.573		652
Treasury Coupon Securities											
91282LS7	10395	U.S. Treasury	02/23/2012	494,509.77	470,000.00	485,348.32	2.375	0.415	0.421	10/31/2014	548
912828DC1	10404	U.S. Treasury	04/24/2012	2,308,359.38	2,100,000.00	2,230,758.60	4.250	0.345	0.349	11/15/2014	563
912828DC1	10406	U.S. Treasury	05/22/2012	662,782.22	605,000.00	642,670.93	4.250	0.373	0.378	11/15/2014	563
912828MHO	10418	U.S. Treasury	06/29/2012	1,063,886.52	1,015,000.00	1,051,238.55	2.250	0.372	0.377	01/31/2015	640
912828DV8	10421	U.S. Treasury	07/31/2012	1,713,355.47	1,550,000.00	1,672,546.10	4.125	0.323	0.328	05/15/2015	744
912828NF3	10436	U.S. Treasury	11/06/2012	4,181,562.50	4,000,000.00	4,157,187.50	2.125	0.341	0.346	05/31/2015	760
912828CT5	10443	U.S. Treasury	11/07/2012	4,418,132.03	4,130,000.00	4,347,308.21	4.250	0.294	0.298	08/15/2014	471
912828EN6	10446	U.S. Treasury	11/30/2012	1,318,432.62	1,175,000.00	1,300,486.33	4.500	0.344	0.349	11/15/2015	928
912828QF0	10455	U.S. Treasury	03/28/2013	2,445,771.87	2,330,000.00	2,446,500.00	2.000	0.376	0.381	04/30/2016	1,095
912828QF0	10461	U.S. Treasury	04/11/2013	336,100.00	320,000.00	336,000.00	2.000	0.337	0.341	04/30/2016	1,095
Subtotal and Average				18,942,892.40	17,695,000.00	18,670,044.54		0.339	0.344		710
Total Investments and Average				83,037,318.51	80,921,955.15	82,596,111.41		0.435	0.441		463

**So Placer Wastewater Authority
Fund 003 - City of Roseville Cash Pool*
Investments by Fund
April 30, 2013**

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
City of Roseville Cash Pool*											
SYS10048	10048	City of Roseville Cash Pool	07/01/2012	11,763,372.30	11,763,372.30	11,763,372.30	0.493	0.486	0.493		1
		Subtotal and Average		11,763,372.30	11,763,372.30	11,763,372.30	0.486	0.486	0.493		1
		Total Investments and Average		11,763,372.30	11,763,372.30	11,763,372.30	0.486	0.486	0.493		1

Fund 21 - 2011 SPWA Reserve Fund
Investments by Fund
April 30, 2013

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Money Market Funds											
SYS10358	10358	Dreyfus Inst'l Res Treasury	07/01/2012	0.00	0.00	0.00	0.001	0.000	0.001		1
		Subtotal and Average		0.00	0.00	0.00	0.000	0.000	0.000		0
CAMP											
SYS10366	10366	CAMP	07/01/2012	4,129,665.26	4,129,665.26	4,129,665.26	0.130	0.128	0.130		1
		Subtotal and Average		4,129,665.26	4,129,665.26	4,129,665.26	0.128	0.128	0.130		1
Forward Delivery Agreement**											
313568M85	10411	Federal National Mtg Assn	05/01/2012	4,593,348.65	4,606,000.00	4,602,525.23	0.271	0.275	0.279	05/01/2013	0
		Subtotal and Average		4,593,348.65	4,606,000.00	4,602,525.23	0.275	0.275	0.279		0
		Total Investments and Average		8,723,013.91	8,735,665.26	8,732,190.49	0.206	0.206	0.209		0

Fund 26 - 2011C SPWA Interest Fund
Investments by Fund
April 30, 2013

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Money Market Funds											
SYS10402	10402	Dreyfus Inst'l Res Treasury	07/01/2012	1,535,825.00	1,535,825.00	1,535,825.00	0.001	0.000	0.001		1
		Subtotal and Average		1,535,825.00	1,535,825.00	1,535,825.00		0.001	0.001		1
		Total Investments and Average		1,535,825.00	1,535,825.00	1,535,825.00		0.001	0.001		1

**So Placer Wastewater Authority
Transaction Activity Report
April 1, 2013 - April 30, 2013
Sorted by Transaction Date - Transaction Date
All Funds**

Investment #	Fund	New Principal	Principal Paydowns	Interest	Total Cash
10433	001			14,062.50	14,062.50
10433	001		2,265.63	-2,265.63	0.00
Totals for 04/01/2013			2,265.63	11,796.87	14,062.50
10456	001	3,723,246.51			-3,723,246.51
10427	001		780,615.23		780,615.23
10427	001		-5,097.65		-5,097.65
10438	001		2,947,720.31		2,947,720.31
10438	001		-11,093.75		-11,093.75
10427	001			2,284.19	2,284.19
10438	001			8,649.45	8,649.45
Totals for 04/04/2013		3,723,246.51	3,712,144.14	10,933.64	-168.73
10457	001	999,847.71			-999,847.71
10394	001		1,000,000.00		1,000,000.00
10394	001		8,025.00		8,025.00
10394	001			2,051.33	2,051.33
Totals for 04/05/2013		999,847.71	1,008,025.00	2,051.33	10,228.62
10431	001			1,126.25	1,126.25
10432	001			3,123.75	3,123.75
Totals for 04/09/2013				4,250.00	4,250.00
10461	001	338,964.09			-338,964.09
10455	001		335,900.00		335,900.00
10455	001		75.00		75.00
10455	001			2,864.09	2,864.09
10455	001			-2,616.57	-2,616.57
Totals for 04/11/2013		338,964.09	335,975.00	247.52	-2,741.57
10032	001	17,426.39			-17,426.39
10353	001			48,262.50	48,262.50
10430	001			37,537.50	37,537.50
Totals for 04/15/2013		17,426.39		85,800.00	68,373.61
10403	001			2,087.50	2,087.50
Totals for 04/19/2013				2,087.50	2,087.50

So Placer Wastewater Authority
 Transaction Activity Report
 Sorted by Transaction Date - Transaction Date

Investment #	Fund	New Principal	Principal Paydowns	Interest	Total Cash
10404	001			44,625.00	44,625.00
Totals for 04/23/2013					
10459	001	1,500,000.00			-1,500,000.00
10440	001		1,268,261.72		1,268,261.72
10440	001		-6,738.28		-6,738.28
10443	001		267,441.41		267,441.41
10443	001		-4,248.05		-4,248.05
10440	001			6,163.67	6,163.67
10443	001			2,113.26	2,113.26
Totals for 04/29/2013					
10460	001	1,105,009.82			-1,105,009.82
10402	26	1,535,824.99			-1,535,824.99
10434	001	224,227.83			-224,227.83
10417	001		216,347.07		216,347.07
10417	001		-3,987.89		-3,987.89
10418	001		917,143.56		917,143.56
10418	001		-10,732.43		-10,732.43
10048	003		894,062.59		894,062.59
10356	19		1,231.58		1,231.58
10358	21		363,622.48		363,622.48
10362	23		1,540.22		1,540.22
10366	21		800,639.79		800,639.79
10417	001			1,134.01	1,134.01
10418	001			4,840.30	4,840.30
10455	001			23,300.00	23,300.00
10455	001			-19,051.94	-19,051.94
10461	001			3,200.00	3,200.00
10461	001		2,864.09	-2,864.09	0.00
10366	21			441.50	441.50
10366	21	441.50			-441.50
Totals for 04/30/2013					
		2,865,504.14	3,182,731.06	10,999.78	328,226.70
Grand Total					
		9,444,988.84	9,765,857.63	181,068.57	501,937.36

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 10, 2013

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 13-14

SUBJECT: Overview of Swap Performance

For SPWA Board Meeting 6/27/13

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

In September 2003, the Authority refunded \$84 million of fixed-rate debt at a rate of 3.665% with variable rate debt and entered into an interest-rate swap agreement with Morgan Stanley. The goal of these transactions was to reduce the Authority's debt service cost by taking advantage of historically low swap rates.

In April 2011, the Authority refunded all outstanding par (\$163.2 million) and issued refunding bonds in the following series:

2011A: \$30,165,000 – variable rate demand bonds (State Street LOC)

2011B: \$30,160,000 – variable rate demand bonds (US Bank LOC)

2011C: \$67,040,000 – fixed rate bonds

2011D: \$30,000,000 – SIFMA index notes

In April 2013, the Authority refunded the 2011 A & B variable rate bonds into a \$59.33 million Direct Placement with US Bank, Series 2013, paying 70.5% of one month Libor plus 62.5 bps.

The outstanding debt as of 04/30/2013 is:

2011C: \$61,310,000
2011D: \$30,000,000
<u>Series 2013: \$59,330,000</u>
\$150,640,000

Notwithstanding the various bond issuances, the 2003 interest rate swap agreement remained in place. This memo provides an update of how the swap has performed to date.

OVERVIEW OF SWAP PERFORMANCE

The swap has performed as planned providing the Authority with a low-cost of funds for its long-term debt.

The overall strategy for reducing debt service costs included the refunding of existing fixed-rate debt to floating rate debt and the concurrent execution of a variable-to-fixed interest-rate swap agreement from floating-to-fixed rate payments. This results in what is termed a "synthetic" fixed rate debt. The idea is that the floating rate payment received under the swap agreement will, over-time, cancel out the variable rate debt payments. This leaves the Authority with the lower fixed rate payment under the swap agreement, hence the "synthetic" label for the fixed-rate debt. Table 1 shows all the variable/swap related payments and receipts and shows the all-in-cost.

Table 1

SPWA Swap / 2011ABD / 2013 SPWA
 \$90,675,000 Swap: 100% Morgan Stanley
 Pay 3.665% Fixed Rate
 Receive 62% 1-month LIBOR + 26 bps

Month	Due	SPWA SWAP (Morgan Stanley)		
		Fixed Amount	62% + 26 bps 1-MONTH LIBOR	Net Swap Payment
7/1/2012	8/1/2012	\$ 264,873	\$ (30,315)	\$ 234,558
8/1/2012	9/1/2012	264,873	(30,004)	234,868
9/1/2012	10/1/2012	264,873	(28,342)	236,531
10/1/2012	11/1/2012	264,873	(28,838)	236,035
11/1/2012	12/1/2012	252,427	(26,392)	226,034
12/1/2012	1/1/2013	252,427	(27,333)	225,094
1/1/2013	2/1/2013	252,427	(27,219)	225,208
2/1/2013	3/1/2013	252,427	(24,320)	228,107
3/1/2013	4/1/2013	252,427	(27,106)	225,320
4/1/2013	5/1/2013	252,427	(26,088)	226,339
5/1/2013	6/1/2013	252,427	(26,846)	225,581
6/1/2013	7/1/2013	252,427	(25,594)	226,832
Totals		\$3,078,905	\$ (328,398)	\$ 2,750,508

2011A SPWA	2011B SPWA	2011D SPWA	2013 SPWA
30,165,000	30,160,000	30,000,000	59,000,000
Variable Payment	Variable Payment	SIFMA Payment	Direct Purchase
\$ 2,959	\$ 2,958	\$ 3,820	\$ -
2,942	2,942	3,221	-
2,786	2,785	3,623	-
4,063	4,063	4,746	-
4,121	4,120	5,057	-
2,654	2,654	3,270	-
1,467	1,467	2,311	-
1,636	1,636	2,367	-
2,207	2,206	2,893	-
REFUNDED	REFUNDED	4,258	35,486
		4,603	39,084
		4,332	37,285
\$ 24,835	\$ 24,831	\$ 44,501	\$ 111,854

*June numbers are estimated

Average Rate	
Swap	3.274%
Series A	0.082%
Series B	0.082%
Series D	0.148%
2013 SPWA	0.190%
Blended Average 7/1/12 - 4/1/13	3.149%
Blended Average 4/1/13 - 6/1/13	3.266%

Submitted by:


 Vanessa Lieberman
 Financial Analyst


 Ken Glotzbach
 Interim Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 10, 2013

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 13-15

SUBJECT: Reporting Requirements

For SPWA Board Meeting 6/27/13

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

Per the 2012/2013 South Placer Wastewater Authority Swap Policy, a written report providing the status of all interest rate swap agreements entered into by South Placer Wastewater Authority (SPWA) will be provided to the Authority Board on an annual basis (or other basis, if so directed by the Board). The following reporting requirements are outlined below.

ANNUAL REPORTING REQUIREMENTS

1. A description of all outstanding interest rate swap agreements, including Project and bonds series, type of swap, rates paid and received by the SPWA, total notional amount, average life of each swap agreement, and remaining term of each swap agreement.

Description

- **2008 SPWA/2011ABCD Refunding Wastewater Revenue Bonds**

In April 2008, the Authority issued \$92.85 million of Refunding Wastewater Bonds (2008 SPWA, Series B) to defease the 2003 SPWA bonds. The 2008 bonds were issued as variable rate demand bonds (VRDBs) with interest calculated weekly. The Authority then entered into a 19-year interest rate swap agreement for the entire amount of the \$92.85 million bonds. Based on the swap agreement, the Authority owes interest calculated at a fixed rate of 3.665% to the counterparty (Morgan Stanley) of the swap. In return, the counterparty owes the Authority interest monthly based on 62% of 1m LIBOR plus 26 bps.

In April 2011, the Authority refunded the 2008 Series A&B bonds and issued four new series of bonds: 2011 Series A-D. The 2011 Series A&B bonds (\$30,165,000 & \$30,160,000) were issued as VRDBs, the 2011 Series C bonds (\$67,040,000) were issued as fixed rate and the 2011 Series D bonds (\$30,000,000) were issued as SIFMA Index Notes. While the Swap remained in place, the schedule of principal payments were no longer on parity with the swap.

In May 2013, the Authority refunded the 2011 Series A&B VRDBs (\$30,165,000 & \$30,160,000). The refunding bonds were issued as a Direct Placement, Series 2013 bonds with US Bank in the amount of \$59,330,000.

Project and Bond Series

- Please refer to the Schedule of Investments

Type of Swap

- Variable to Fixed

Rates Paid/Received

Issue	Variable Rate Debt Service (Paid)	Floating Swap Payment (Received)
2011 SPWA ¹ Series A,B,D	\$85,233	\$275,958

¹ Date range of 7/1/12 – 4/30/13

Total Notional Amount

- \$ 82,650,000

Average Life

- 12.16 years

Remaining Term

- Maturity 11/1/2027

2. Highlights of all material changes to swap agreements or new swap agreements entered into by the SPWA since the last report.

No changes to report.

3. Termination Exposure of each of the SPWA's interest rate swap agreements.

As of April 30, 2013, the Mark-to-Market value was (\$14,702,856).

4. The credit rating of each swap counterparty and credit enhancer insuring swap payments, if any.

Morgan Stanley is rated A- by S&P as of 11/29/2011, Baa1, down from A2, by Moody's as of 06/21/2012, and A by Fitch as of 10/13/2008.

5. If applicable, information concerning any default by a swap counterparty to the SPWA, including but not limited to the financial impact to the SPWA, if any.

No information to report.

6. If applicable, information concerning any default by the SPWA to a swap counterparty.

No information to report.

7. A summary of swap agreements that we terminated or that have expired.

No information to report.


8. For a swap transaction entered into a generate debt service savings, the SPWA will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction at the original time of execution. Such a calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the SPWA) versus the projected savings at the time the swap was executed.

Fiscal Year	2000A SPWA \$97,000,000 Fixed Rate [1]	Actual Swap Debt Service*	(Cost) / Savings
6/30/2004	5,176,590	4,438,087	738,504
6/30/2005	5,562,488	3,737,237	1,825,250
6/30/2006	5,562,597	3,757,367	1,805,229
6/30/2007	5,561,056	3,978,849	1,582,207
6/30/2008	5,558,063	4,397,266	1,160,796
6/30/2009	5,553,844	4,705,078	848,766
6/30/2010	5,548,109	4,578,131	969,979
6/30/2011	5,540,375	4,575,639	964,736
6/30/2012	4,664,875	4,037,916	626,959
6/30/2013	4,444,188	3,724,818	719,369
Total			\$11,241,796

*estimated Actual D/S for 6/30/13

[1] Debt Service based on 2000 SPWA Series A fixed rate schedule

Submitted by:


 Vanessa Lieberman
 Financial Analyst


 Ken Glotzbach
 Interim Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 10, 2013

FROM: Russ Branson, Treasurer

AUTHORITY COMMUNICATION NO.: 13-16

SUBJECT: Proposed Investment Policy Revisions

For SPWA Board Meeting 6/27/13

ACTION REQUESTED

It is recommended that the Board adopt the revised investment policy for the South Placer Wastewater Authority.

BACKGROUND

Attached is the Authority's investment policy for the Board's review and adoption. The policy sets out the permitted investments of the Authority's liquid cash. State law requires the annual review and adoption of the investment policy by the Board.

The following are clean up and clarification changes to the FY 2013/2014 Investment Policy:

Delegation of Authority

We added a statement explicitly giving the Treasurer the authority to hire an outside investment advisor. Any advisor is required to operate under the guidance of the Investment Policy and any other directions of the Authority.

Authorized Investments

We added the word "federally" in the Permitted Investments Instruments section of the Policy for negotiable CDs. Senate Bill 194, which took effect January 1, 2012, amended California Government Code §53601(i) to permit public agencies to purchase negotiable CDs issued by "a federally licensed branch of a foreign bank." This revision was viewed as a correction of an oversight (omission of authorization to invest in negotiable certificates of deposit issued by federally licensed banks) when South Placer Wastewater Authority May 3, 2013 Page 2 the California legislature authorized certificates of deposit issued by state-licensed banks. California Government Code §53601(i) has allowed local governments to invest in negotiable CDs issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a state-licensed branch of a foreign bank.

Internal Control

We added a section recommended by the Association of Public Treasurers of the United States and Canada ("APT"). The Internal Control section requires an annual independent review of the investment program. Having a set of internal controls can help protect the Authority's funds from foreseeable and preventable losses.

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2013-06

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOUTH PLACER WASTEWATER AUTHORITY
ADOPTING THE SOUTH PLACER WASTEWATER AUTHORITY
INVESTMENT POLICY FOR FY 2013-2014**

WHEREAS, the South Placer Wastewater Authority Investment Policy was adopted by the Board of Directors of the South Placer Wastewater Authority ("Authority") at the Board's meeting on February 13, 2001, and amended periodically thereafter (as amended, the "Investment Policy"); and

WHEREAS, the Authority desires to update the Investment Policy to incorporate certain changes; and

WHEREAS, the Investment Policy, as amended hereby, conforms to all applicable state and federal laws.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority as follows:

The South Placer Wastewater Authority Investment Policy for Fiscal Year 2013-2014 is hereby adopted in the form presented at this meeting.

PASSED AND ADOPTED this 27th day of June, 2013, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary

South Placer Wastewater Authority

Investment Policy

Fiscal Year 20123-20134

I. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the South Placer Wastewater Authority (SPWA) are based on state law and prudent money management. All funds will be invested in accordance with this investment policy, the Joint Exercise of Powers Act (Government Code Section 6500 *et seq.*), and Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code.

II. Scope

It is intended that this policy cover all funds and the proceeds of debt issues and investment activities under the direction of SPWA.

III. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. The "prudent investor" standard states that:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. Objectives

The primary objectives, in priority order, of the investment activities of SPWA shall be:

- 1) Safety. Safety of principal is the foremost objective of the investment program. Investments of SPWA shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- 2) Liquidity. The investment portfolio of SPWA will remain sufficiently liquid to enable SPWA to meet its cash flow requirements.
- 3) Return on Investment. The investment portfolio of SPWA shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

V. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Treasurer. No person may engage in an investment transaction except as provided under the limits of this policy. Except as otherwise specifically set forth below, Treasurer is hereby authorized and directed in the name and on behalf of SPWA to invest the Authority's monies, and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which he or she might deem necessary or appropriate in order to accomplish the purposes of this policy. The Treasurer may delegate investment decision making and execution authority to an investment advisor. The advisor will follow the Investment Policy and such other written instructions as are provided.

VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

VII. Permitted Investment Instruments

The Authority shall limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

1. **U.S. Treasury obligations** for which the full faith and credit of the United States are pledged for the payment of principal and interest. Up to 100 percent of SPWA's investment portfolio may be invested in government obligations.
2. **Federal agency or United States government-sponsored enterprise** obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Up to 100 percent of SPWA's investment portfolio may be invested in federal agency or United States government-sponsored enterprise obligations.
3. **Mortgage pass through security** issued and guaranteed by a Federal Agency with a maximum final maturity of five years. Purchase of securities authorized by this subdivision may not exceed 20 percent of SPWA's surplus money.
4. **Obligations of the State of California** or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency, provided that the obligations are rated in one of the two highest categories by a NRSRO. Up to 100 percent of SPWA's investment portfolio may be invested in California municipal obligations.
5. **Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of these states.
6. **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. Up to 100 percent of SPWA's investment portfolio may be invested in repurchase agreements.

The following collateral restrictions will be observed:

- Only U.S. Treasury securities or Federal Agency securities, as described in VII. 1 and 2 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SPWA's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis and the value of the underlying securities brought back up to 102 percent no later than the next business day.
- Market value must be calculated each time there is a substitution of collateral.

- SPWA or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.
 - SPWA may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.
 - SPWA will have specific written agreements with each firm with which it enters into Repurchase Agreements.
 - Reverse repurchase agreements will not be allowed.
7. **Bankers' Acceptances**, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of SPWA's investment portfolio.

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

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

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 25 percent of the City's investment portfolio.

9. **Medium-term corporate notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated

in a rating category "A" or its equivalent or better by a nationally recognized rating service.

Purchase of medium-term corporate notes may not exceed 30 percent of SPWA's investment portfolio.

10. **FDIC insured or fully collateralized time certificates of deposit.** Purchases of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA's investment portfolio.

11. **Negotiable certificates of deposit or deposit notes** issued by a nationally or state-chartered bank ~~or~~ a state or federal savings and loan association, state or federal credit union, or ~~by a~~ federally-licensed or state-licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated "A" or better as provided for by an NRSRO.

Purchase of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA's investment portfolio.

12. **State of California's Local Agency Investment Fund.** The LAIF portfolio should be reviewed periodically. Investment in LAIF may not exceed the legally authorized limits.

13. **Insured savings accounts.**

14. **Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission** under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares of beneficial interest purchased shall not include any commission that the companies may charge and shall not exceed 20 percent of SPWA's investment portfolio. Further, no more than 10 percent of SPWA's investment portfolio may be invested in shares of beneficial interest of any one money market fund.

15. **Shares in a California common law trust** established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5,

Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

16. City of Roseville's Pooled Investment Fund.

Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. If an investment falls below the minimum purchase rating, the Treasurer will perform a timely review and, following notification of the Board Chairman, decide whether to sell or hold the investment.

VIII. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit SPWA to meet all projected obligations.

The maximum maturity will be no more than five years from purchase date to maturity date.

IX. Prohibited Investments

For purposes of this policy, a derivative is defined as any security where the value is linked to or derived from an underlying asset or benchmark. Any security type or structure not specifically approved by this policy is hereby specifically prohibited. SPWA will not use such derivatives as range notes, dual index notes, inverse floating rate notes, deleveraged notes, or notes linked to lagging indices or to long term indices, nor will SPWA invest in reverse repurchase agreements, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity. This policy does not preclude the use of repurchase agreements and callable securities, as they do not fall within the definition of a derivative as described herein.

X. Reporting Requirements

The Treasurer shall submit monthly investment reports to SPWA's Board. The reports shall include, at a minimum, the following information for each individual investment:

- Description of investment instrument
- Issuer name
- Yield on cost
- Purchase date
- Maturity date
- Purchase price

- Par Value
- Current market value and the source of the valuation
- Investment transactions

The monthly report shall also (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of SPWA's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of SPWA to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

The Treasurer shall annually submit to the Board a statement of investment policy, which the Board shall consider at a public meeting. Any change in the policy shall also be reviewed by the Board at a public meeting.

XII. Internal Control

The Treasurer will establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

~~XI.~~ XII-Performance Benchmark

SPWA will establish an appropriate performance benchmark and compare the performance of its portfolio to the benchmark at the end of each quarter.

XIII.Safekeeping and Custody

The assets of SPWA shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure.

APPENDIX A
THE CITY OF ROSEVILLE
Swap Guidelines

I. INTRODUCTION

The swap guidelines outlined herein are only intended to provide general procedural direction regarding the future use, procurement and execution of interest rate swaps and options. These guidelines are intended to relate to various interest rate hedging techniques, including the contractual exchange of different fixed and variable rate payment streams through interest rate swap agreements. The swap policies are not intended in any way to require the City of Roseville to modify or terminate existing interest rate swaps. The City of Roseville maintains the right to modify these guidelines and may make exceptions to any of them at any time in its sole discretion. Failure to comply in any manner with these swap guidelines shall not result in liability on the part of the City of Roseville to any party.

II. APPROACH AND OBJECTIVES

Interest rate swaps and options are appropriate interest rate management tools that can help the City of Roseville meet important financial objectives. Properly used, these instruments can increase the City of Roseville's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help the City of Roseville manage its balance sheet through better matching of assets and liabilities. Swaps should be integrated into the City of Roseville's overall debt and investment management guidelines and should not be used for speculation.

Swaps are appropriate to use when they achieve a specific objective consistent with the City of Roseville's overall financial strategies. Swaps may be used, for example, to lock-in a current market fixed rate or create additional variable rate exposure. Swaps may be used to produce interest rate savings, to alter the pattern of debt service payments, or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments. Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is consistent with these guidelines or the City of Roseville determines there are other advantages to be derived in granting the option; however, the City of Roseville must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and objectives of the City. The City of Roseville's staff, together with its Bond Counsel and its Financial Advisor, periodically shall review the City of Roseville's swap guidelines and recommend appropriate changes.

In connection with the use of any swaps, the City Council shall make a finding that, per Government Code Section 5922, the applicable swap is designed to reduce the amount or duration of the interest rate risk or result in a lower cost of borrowing when used in combination with the issuance or carrying of the Bonds or enhance the relationship between the risk and return with respect to the City of Roseville's investments or program of investment, as applicable.

Rationales for Utilizing Interest Rate Swaps and Options

1. Optimize capital structure; including schedule of debt service payments and/or fixed vs. variable rate allocations.

2. Achieve appropriate asset/liability match.
3. Reduce risk, including:
 - Interest rate risk;
 - Tax risk; or
 - Liquidity renewal risk.
4. Provide greater financial flexibility.
5. Generate interest rate savings.
6. Enhance investment yields.
7. Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

III. PERMITTED INSTRUMENTS

The City of Roseville may utilize the following financial products on a current or forward basis, after identifying the objective(s) to be realized and assessing the attendant risks.

1. Interest rate swaps, including fixed, floating and/or basis swaps.
2. Options, including swaptions, caps, floors, collars and/or cancellation or index-based features.

IV. PROCEDURE FOR SUBMISSION AND EXECUTION

Unsolicited proposals are to be mailed to the City Treasurer and the Financial Advisor for evaluation. Such unsolicited proposals need to be received four weeks prior to the next City Council meeting for consideration at such meeting. For proposals received within four weeks of the next City Council meeting, the City of Roseville reserves the right to consider the proposal at the following month's Council meeting.

Legal costs incurred in connection with an unsolicited proposal shall be paid by the firm submitting the proposal if for whatever reason the proposal does not close or should the City of Roseville elect for any reason not to proceed. If the City of Roseville elects to proceed with the proposed transaction and the proposed transaction closes, the City of Roseville will absorb such legal costs through costs of issuance.

The City of Roseville staff and the Financial Advisor shall review all unsolicited proposals prior to presentation to the City Council. The City of Roseville shall only present proposals to the Council that the City of Roseville, in its sole discretion, believes should be considered further given, for example, the projected savings or other benefits and the ability to meet one or more of the objectives outlined herein. Only proposals that meet the savings guidelines (as described in the "Guidelines for Financing and Selection of the Financing Team") or that the City of Roseville staff find compelling for other reasons, shall be presented.

Procurement and Execution

The City of Roseville will not have a fixed guideline with respect to swap procurement. The City of Roseville will assess the benefits of competitively bidding financial products that are non-proprietary or generally available in the marketplace. On a product-by-product basis, the City of Roseville will have the authority to negotiate the procurement of

financial instruments that have customized or specific attributes designed on the City of Roseville's behalf.

The use of financial derivative products will be recommended if they meet one of the benefits outlined herein or if they:

1. Provide a specific benefit not otherwise available;
2. Produce greater expected interest rate savings or incremental yield than cash market alternatives;
3. Are not speculative or do not create unreasonable leverage or risk;
4. Result in an improved capital structure or better asset/liability match; or
5. Reasonably pass the risk evaluation required by these guidelines.

Conformance with Dodd-Frank

It is the intent of the City to conform this policy to the requirements relating to legislation and regulations for over-the-counter derivatives transactions under Title VII of the Wall Street Transparency and Accountability Act of 2010, as supplemented and amended from time to time (herein collectively referred to as "Dodd-Frank"). Pursuant to such intent, it is the policy of the City that: (i) each swap advisor engaged or to be engaged by the City will function as the designated qualified investment representative of the City, sometimes referred to as the "Designated QIR"; (ii) each swap advisor agrees to meet and meets the requirements specified in Commodity Futures Trading Commission Regulation 23.450(b)(1) or any successor regulation thereto (herein referred to as the "Representative Regulation"); (iii) each swap advisor provide a written certification to the City to the effect that such swap advisor agrees to meet and meets the requirements specified in the Representative Regulation; (iv) the City monitor the performance of each swap advisor consistent with the requirements specified in the Representative Regulation; (v) the City exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Debt Policy; and (vi) the City rely on the advice of its swap advisor with respect to transactions authorized pursuant to this Debt Policy and not rely on recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Debt Policy.

Counter-Party Risk Assessment

The City of Roseville will only do business with highly rated counter parties or counter parties whose obligations are supported by highly rated parties. The City of Roseville will structure swap agreements to protect itself from credit deterioration of counter parties, including the use of credit support annexes or other forms of credit enhancement to secure counter party performance. Such protection shall include any terms and conditions which in the City of Roseville's sole discretion are necessary or appropriate or in the City of Roseville's best interest.

The City of Roseville shall enter into interest rate swap transactions only with qualified swap counter parties. Qualified swap counter parties are investment banks as will be identified by the Financial Advisor. Qualified swap counter parties should be rated at least "Aa3" or "AA-", or equivalent by any two of the nationally recognized rating agencies (i.e. Moody's, Standard and Poor's, and Fitch) or have, as support for their obligations, a

“AAA” subsidiary or other entity (e.g. bond insurer) as rated by at least one nationally recognized rating agency. In addition, the counter party must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counter party shall have minimum capitalization of at least \$150 million.

The City of Roseville should not have an immutable credit standard. However, the City of Roseville will attempt to do business with highly rated counter parties of “Aa3” or “AA-” or better. For lower rated (below “Aa3” or “AA-”) counter parties, the City should seek credit enhancement in the form of:

1. Contingent credit support or enhancement; or
2. Collateral consistent with the policies contained herein.

V. SWAP ANALYSIS AND PARTICIPANT REQUIREMENTS

In connection with any swap, the City of Roseville and its Financial Advisor shall review the proposed transaction and outline any considerations associated with the transaction to the City Council. Such a review should include the following:

1. The identification of the proposed benefit and potential risks, which shall include, but not necessarily be limited to, those risks outlined herein.
2. Independent analysis of potential savings from a proposed transaction.
3. Fixed versus variable rate and swap exposure before and after the proposed transaction.
4. Market Net Termination Exposure¹ (as outlined herein) for all existing and proposed transactions at the City of Roseville.

Swap Risks

1. Counter party Risk – The risk of a payment default on a swap by an issuer’s Counter party.
2. Termination Risk - The risk that a swap has a negative value and the issuer owes a “breakage” fee if the contract has to be liquidated.
3. Tax Risk – A mismatch between changes in the rate or price on an issuer’s underlying bonds and the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut, that results in an increase in the ratio of tax-exempt to taxable yields.
4. Basis Risk – A mismatch between the rate on an issuer’s underlying bonds and the rate paid under the swap, e.g. a tax-exempt variable rate issue which trades at 62% of LIBOR while the issuer only receives 60% of LIBOR under the swap.
5. Tax Exemption Risk – The risk that the transaction may make the issuer’s related bonds taxable.
6. Liquidity/Remarketing Risk – The risk that an issuer cannot secure a cost-effective renewal of a Letter or Line of Credit or suffers a failed auction or remarketing with respect to its variable-rate bonds.

¹ Calculation of termination values for existing THE CITY OF ROSEVILLE swaps will be as of the last quarterly valuation date.

Benefit Expectation

Financial transactions, using fixed rate swaps or other derivative products, should generate 2% greater projected savings than the savings guidelines (as described in the "Guidelines for Financing and Selection of the Financing Team") then in effect for traditional bonds. This threshold will serve as a guideline and will not apply should the transaction, in the City of Roseville's sole judgment, help to meet any of the objectives outlined herein. The higher savings target reflects the greater complexity and higher risk of derivative financial instruments. At a minimum, such financial transactions should provide a savings of no less than 5% over refunded par regardless of the spread between the financial transaction and a traditional bond refunding.

For example, assuming a refunding of \$100 million of existing bonds, a traditional fixed rate advance refunding that does not use derivative products would have a present value savings threshold of \$5.0 million, which is 5.0% of the refunded par. If the refunding structure utilizes a derivative product, the threshold would be \$7.0 million in present value savings, 7.0% of the refunded par. Therefore, the transaction utilizing a swap or other derivative product would have to generate an additional \$2.0 million to meet the target.

For variable rate or other swap transactions that do not result in a fixed interest rate, the City of Roseville will evaluate any additional value generated through the transaction in assessing the benefits of proceeding, including the ability to meet the objectives outlined herein. These benefits include, for example, reducing interest rate or tax risk, optimizing the capital structure or further reducing interest expense.

In determining any benefit in implementing a fixed-to-variable swap, the cost of remarketing, in addition to the cost of credit enhancement or liquidity fees must be added to the projected variable rate. Such a calculation should consider the trading performance of comparable bonds and any trading premium resulting from a specific form of credit enhancement or liquidity and/or any impact related to broader industry trends.

VI. LEGAL AND CONTRACTUAL REQUIREMENTS

Unless otherwise approved by Council, the City of Roseville will use standard ISDA swap documentation including the Schedule to the Master Agreement and a Credit Support Annex. The City of Roseville may use additional documentation if the product is proprietary or the City of Roseville deems in its sole discretion that such documentation is otherwise in its interest.

Terms and Notional Amount of Swap Agreement

The City of Roseville shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds, the term of the swap agreement between the City of Roseville and a qualified swap counter party shall not extend beyond the final maturity date of existing debt of the City of Roseville on the related Project, or in the case of a refunding transaction, beyond the final maturity of the refunding bonds. For purposes of calculating net exposure, credit shall be given to any fixed versus variable rate swaps that offset termination exposure for a specific Project or bond transaction. For variable rate transactions, credit may also be

given for any assets that are used to hedge a transaction as long as in the City of Roseville's judgment such assets are reasonably expected to remain in place on a coterminous basis with the swap.

Terms and conditions of any swap shall be negotiated by the City of Roseville in the best interests of the City of Roseville subject to the provisions of the Government Code and, unless otherwise waived or altered by the City of Roseville, these guidelines. The swaps between the City of Roseville and each counter party shall include, as appropriate, payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the City of Roseville, in consultation with its Bond Counsel and Financial Advisor, deems necessary or desirable.

Subject to the provisions contained herein, the City of Roseville swap documentation and terms should include the following:

1. Downgrade provisions triggering termination shall in no event be worse than those affecting the counter party.
2. Governing law for swaps will be New York law, but should reflect California authorization provisions.
3. The specified indebtedness related to credit events in any swap agreement should be narrowly drafted and refer only to specific Project debt.
4. Collateral thresholds should be set on a sliding scale reflective of credit ratings (see Collateral below).
5. Eligible collateral as set forth in the Collateral section below.
6. Termination value should be set by "market quotation" methodology, when the City of Roseville deems appropriate.
7. The City of Roseville should only agree to an Additional Termination Event for the City of Roseville to the extent that the ratings on the applicable the City of Roseville bonds fall below a ratings trigger acceptable to the City of Roseville and the counter party and no form of credit support or enhancement is in place.

Termination Provision

All swap transactions shall contain provisions granting the City of Roseville the right to optionally terminate a swap agreement at any time over the term of the agreement. Such a provision shall be required even if any termination is at market. In general, exercising the right to terminate an agreement should produce a benefit to the City of Roseville, either through the receipt of a payment from a termination or, if the termination payment is made by the City of Roseville, in conjunction with a conversion to a more beneficial (desirable) debt obligation of the City of Roseville.

Collateral

As part of any swap agreement, the City of Roseville shall require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, the City of Roseville, in consultation with its Bond Counsel and Financial Advisor, may require collateral or other credit enhancement to be posted by each swap counter party under the following circumstances:

1. Each counter party to the City of Roseville may be required to post collateral if the credit rating of the counter party or parent falls below the "AAA" category.

Additional collateral for further decreases in credit ratings of each counter party shall be posted by each counter party in accordance with the provisions contained in the collateral support agreement to each counter party with the City of Roseville the City of Roseville. Maximum un-collateralized exposure for: i) "AAA" rated counter parties is \$40 million; ii) "AA" rated counter parties is \$10 million; and iii) below "AA" category, uncollateralized exposure is zero.

2. Threshold amounts shall be determined by the City of Roseville on a case-by-case basis. The City of Roseville will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.
3. Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the City of Roseville and the counter party.
4. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counter party. A complete list of acceptable securities and valuation percentages are included as Attachment A.
5. The market value of the collateral shall be determined on at least a monthly basis, or more frequently if the City of Roseville determines it is in the City's best interest given the specific collateral security.
6. It shall be determined on a case-by-case basis whether other forms of credit enhancement are more beneficial to the City.

VII. LIMITATIONS ON TERMINATION EXPOSURE

In order to diversify the City's counter party credit risk, and to limit the City of Roseville's credit exposure to any one counter party, limits will be established for each counter party based upon both the credit rating of the counter party as well as the relative level of risk associated with each existing and projected swap transaction. The guidelines below provide general termination exposure guidelines with respect to whether the City of Roseville should enter into an additional transaction with an existing counter party. The City of Roseville Council may make exceptions to the guidelines at any time to the extent that the execution of a swap achieves one or many of the goals outlined in these guidelines or provides other benefits to the City.

Such guidelines will also not mandate or otherwise force automatic termination by the City of Roseville or the counter party. Maximum Net Termination Exposure is not intended to impose retroactively any terms and conditions on existing transactions. Such provisions will only act as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counter party. Additionally, the guidelines below are not intended to require retroactively additional collateral posting for existing transactions. Collateral posting guidelines are described in the "Collateral" section above. The calculation of net termination exposure per counter party will take into consideration multiple transactions, some of which may offset the overall exposure to the City of Roseville.

Maximum Net Termination Exposure will be based on the sum of (i) the market value of existing transactions as of the first day of the month prior to the execution of any new transaction plus (ii) the expected worse case termination value of the new transaction. The maximum termination exposure will also be tied to the credit rating of a counter party and whether or not the counter party has posted collateral against this exposure.

Under this approach, the City will set limits on individual counter party exposure based on existing as well as new or proposed transactions. For existing transactions, exposure will be based on the market value as of the last quarterly swap valuation report provided by the Financial Advisor. For a new or proposed transaction, the City of Roseville will calculate the projected maximum exposure based on the estimated maximum exposure assuming two standard deviations. Standard deviation is a statistic obtained by squaring the average difference from the mean of a distribution of numbers. Two standard deviations capture 95% of the population of a distribution of numbers. For purposes of the calculation, two standard deviations shall be calculated as the annualized standard deviation of weekly swap rates over the preceding 52 weeks. The time period may vary according to market conditions which could range from flat to volatile.

The sum of the existing market value and the projected maximum exposure shall constitute the Maximum Net Termination Exposure. For purposes of this calculation, the City of Roseville shall include all existing and projected transactions of an individual counter party and all transactions will be analyzed in aggregate such that the maximum exposure will be additive and netted on a per Project basis. The rationale behind aggregating and netting on a Project basis is that the exposure will vary for individual members depending on their participation in different Projects.

For example, if the City of Roseville has \$13.0 million (i.e. the City of Roseville would owe termination payment) of exposure to a counter party, the Maximum Net Termination Exposure under the definition above, is the projected maximum termination exposure less the outstanding exposure. If projected maximum termination exposure on the proposed transaction, assuming two standard deviations, is \$20 million, net termination exposure would be \$7.0 million.

The exposure thresholds, which will be reviewed periodically to ensure that they remain appropriate, will also be tied to credit ratings of the counter parties and whether or not collateral has been posted. If collateral has been posted, the City of Roseville can not exceed \$30.0 million of collateralized exposure. In addition, there would be a further limit on the amount of uncollateralized exposure, including any threshold amounts under the Credit Support Annex. For AAA-rated counter parties, the City of Roseville could have up to \$40.0 million of uncollateralized exposure; for counter parties in the AA category, the City of Roseville could have up to \$10.0 million of uncollateralized exposure and for counter parties below the AA category, the City of Roseville could have no uncollateralized exposure. If a counter party has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure. A summary table is provided below.

Credit Ratings	Maximum Collateralized Exposure	Maximum Uncollateralized Exposure	Maximum Total Termination Exposure
AAA	NA	\$40.0 million	\$40.0 million
AA Category	\$30.0 million	\$10.0 million	\$40.0 million
Below AA	\$30.0 million	None	\$30.0 million

Assuming the same example as above, if the counter party is currently rated "Aa2" and "AA+," the exposure thresholds would only take effect if Net Termination Exposure increased an additional \$3.0 million (from the original \$7.0 million above).

If the exposure limit is exceeded by a counter party, the City of Roseville shall conduct a review of the exposure limit per counter party. The City, in consultation with its Bond Counsel and Financial Advisor, shall explore remedial strategies to mitigate this exposure.

VIII. ONGOING MANAGEMENT

The City of Roseville will seek to maximize the benefits and minimize the risks it carries by actively managing its swap program. This will entail frequent monitoring of market conditions, by both the Financial Advisor and swap counter party, for emergent opportunities and risks. Active management may require modifications of existing positions including, for example:

1. Early termination;
2. Shortening or lengthening the term;
3. Sale or purchase of options; or
4. Use of basis swaps.

On an overall basis, the City's swap program is not expected to be very large relative to all of its investment and debt activities. Swaps will be used in response to particular market conditions and needs of the City for which swaps are the best investment or debt-management option.

IX. ONGOING REPORTING REQUIREMENTS

A written report providing the status of all interest rate swap agreements entered into by the City of Roseville will be provided to the City Council on an annual basis (or other basis, if so directed by Council) and shall include the following:

1. A description of all outstanding interest rate swap agreements, including Project and bonds series, type of swap, rates paid and received by the City of Roseville, total notional amount, average life of each swap agreement, remaining term of each swap agreement.
2. Highlights of all material changes to swap agreements or new swap agreements entered into by the City of Roseville since the last report.
3. Termination Exposure of each of the City of Roseville's interest rate swap agreements.
4. The credit rating of each swap counter party and credit enhancer insuring swap payments, if any.
5. If applicable, information concerning any default by a swap counter party to the City of Roseville, including but not limited to the financial impact to the City of Roseville, if any.
6. If applicable, information concerning any default by the City of Roseville to a swap counter party.
7. A summary of swap agreements that were terminated or that have expired.

8. For a swap transaction entered into to generate debt service savings, the City of Roseville will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction at the original time of execution. Such a calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the City of Roseville) versus the projected savings at the time the swap was executed.

THE CITY OF ROSEVILLE

Attachment A – Acceptable Collateral

<u>Security</u>	<u>Valuation Percentage</u>
(A) Cash	100%
(B) (x) Negotiable debt obligations issued by the U.S. Treasury Department or the Government National Mortgage Association (“Ginnie Mae”), or (y) mortgage backed securities issued by Ginnie Mae (but with respect to either (x) or (y) excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service) and in each case having a remaining maturity of:	
(i) less than one year	100%
(ii) one year or greater but less than 10 years	98%
(iii) 10 years or greater	95%
(C) (x) Negotiable debt obligations issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or the Federal Home Loan Mortgage Association (“Fannie Mae”) or (y) mortgage backed securities issued by Freddie Mac or Fannie Mae but excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service.	95%
(D) Any other collateral acceptable to the City of Roseville in its sole discretion.	

The valuation percentage shall be determined by the Valuation Agent from time to time and in its reasonable discretion.

For example, if a counter party is required to post \$1.0 million of collateral and wished to use Ginnie Mae’s with five years remaining to maturity, it would be required to post \$1,020,409 (\$1.0 million/0.98) to satisfy the collateral requirement.

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: May 29, 2013

FROM: Sandra Ikeda, Accounting Manager

AUTHORITY COMMUNICATION NO.: 13-17

SUBJECT: Rate Stabilization Fund Balances as of April 30, 2013

For SPWA Board Meeting of 6/27/13

ACTION REQUESTED

This communication is informational only. No action is required of the board.

BACKGROUND

With the formation of the JPA and subsequent bond issue, a rate stabilization fund (RSF) was established to collect the participants' connection fees and pay debt service, capital costs, bond redemptions, and administrative costs. Each participant has a sub-account established within the RSF that accounts for its connection fee deposits less proportionate cost shares. The available resources of the RSF are: \$92,596,392 as of June 30, 2012 and \$95,753,018 as of April 30, 2013. (Available resources include receivables and liabilities that are recognized as funds available for use. This results in a slightly larger balance than appears in the SPWA investment total.)

In 2012, the partners entered into several agreements that:

- (i) Eliminated the first-come/first-served rule for treatment capacity in favor of fixed capacity allocations;
- (ii) Reallocated the balances of their respective subaccounts within the RSF effective April 30, 2012; and
- (iii) Changed their respective proportionate shares for cost allocations effective April 30, 2012, as follows: Roseville from 54.17% to 61.66%, South Placer Municipal Utility District from 25.00% to 22.43%, and Placer County from 20.83% to 15.91%. In addition, the County has agreed to pay off their negative RSF balance with an upfront payment of \$5 million and on-going payments of \$500,000 annually.

The individual accounts of the participants are as follows:

<u>7/01/11 - 6/30/12</u>	<u>Beginning Balance</u>	<u>RSF Deposits</u> *	<u>Cost Shares</u>	<u>Ending Balance</u>
City of Roseville	\$64,980,522	\$6,251,265	\$(6,578,375)	\$64,653,412
SPMUD	39,741,681	2,138,235	(2,393,011)	39,486,905
Placer County	<u>(10,684,275)</u>	<u>837,757</u>	<u>(1,697,407)</u>	<u>(11,543,925)</u>
Total as of 6/30/12	\$94,037,928	\$9,227,257	\$(10,668,793)	\$92,596,392

<u>7/01/12 - 4/30/13</u>	<u>Beginning Balance</u>	<u>RSF Deposits</u> *	<u>Cost Shares</u>	<u>Ending Balance</u>
City of Roseville	\$64,653,412	\$4,372,765	\$(5,458,916)	\$63,567,261
SPMUD	39,486,905	818,863	(1,985,786)	38,319,982
Placer County	<u>(11,543,925)</u>	<u>6,818,249</u> **	<u>(1,408,549)</u>	<u>(6,134,225)</u>
Total as of 4/30/13	\$92,596,392	\$12,009,877	\$(8,853,251)	\$95,753,018

* RSF Deposits include connection fees, reimbursements, and interest revenue.

** Includes County repayment of \$5 million, 3 quarterly payments totaling \$375,000, and additional reimbursements of \$1,294,668 (which is a return of the true-up of operating cost reimbursement from the City) for a total of \$6,669,667.

Capital costs are allocated based on the participants' respective reallocated Proportionate Shares, defined in the revised Funding Agreement as follows: Roseville—61.66%, South Placer Municipal Utility District—22.43% and Placer County—15.91%.

A detailed breakdown will be provided to the participants for their review.

In addition, the table below breaks down the connection fees received by participant:

<u>Participant</u>	<u>7/11-6/12</u>	<u>7/12-4/13</u>	
City of Roseville	\$4,123,195	\$4,011,576	***
SPMUD	1,083,339	620,791	***
Placer County	<u>294,032</u>	<u>163,383</u>	***
TOTAL	\$5,500,566	\$4,795,750	

***Connection fees received through March 2013

Submitted by:



Sandra Ikeda
Accounting Manager

Approved:



Russ Branson
Treasurer

SPWA WASTEWATER PROJECT SPENDING

PROJECT TITLE	ACCOUNT NUMBER	Total Approved Project Budget	Estimated PTD Expenditures Through FY 12-13	Estimated FY 13-14 Operating Budget	Anticipated Spending in FY 13-14
1 WWTP LANDSCAPE PROJECT	30950 / 943507	\$1,219,812	\$1,219,812	\$0	\$0
2 POTABLE WATER LINE TO THE DCWWTP	30950 / 963502	\$183,838	\$183,838	\$0	\$0
3 KASEBERG NORTHTREACH TRUNK SEWER LINE	30950 / 983501	\$1,570,936	\$1,570,936	\$0	\$0
4 PLEASANT GROVE WASTEWATER TREATMENT PLANT	30950 / 983503	\$123,896,978	\$123,896,978	\$0	\$0
5 TRANSMISSION MAIN	30950 / 983504	\$3,525,013	\$3,525,013	\$0	\$0
6 PLEASANT GROVE TRUNK SEWER	30950 / 983505	\$11,569,649	\$11,569,649	\$0	\$0
7 LIME FEED SYSTEM FOR RECYCLED WATER DIST	30950 / 983506	\$75,309	\$75,309	\$0	\$0
8 EMERGENCY STORAGE POND FLOOD CONTROL 1)	30950 / 983507	\$9,195,151	\$8,850,196	\$344,955	\$100,000
9 BOIFILTER ODOR CONTROL SCRUBBING UNIT	30950 / 983508	\$622,995	\$622,995	\$0	\$0
10 NRSP 30" RECYCLE LINE	30950 / 983510	\$1,898,988	\$1,898,988	\$0	\$0
11 VIBRATION MONITORING AT WWTP	30950 / 993502	\$5,371	\$5,371	\$0	\$0
12 RECYCLED WATER PUMPS UPGRADE	30950 / 993503	\$33,312	\$33,312	\$0	\$0
13 MODIFY BACKWASH PUMP STATION	30950 / 993504	\$2,703	\$2,703	\$0	\$0
14 KASEBERG SOUTHTREACH TRUNK SEWER	30950 / 993505	\$613,601	\$613,601	\$0	\$0
15 DIAMOND OAKS RECYCLE LINE	30950 / 993506	\$7,106,661	\$7,106,661	\$0	\$0
16 WOODCREEK OAKS PRESSURE VALVE	30950 / 003502	\$5,745	\$5,745	\$0	\$0
17 UPGRADE AERATION CONTROLS	30950 / 003506	\$124,048	\$124,048	\$0	\$0
18 MECHANICAL MAINTENANCE BUILDING UPGRADE	30950 / 013501	\$161,511	\$161,511	\$0	\$0
19 UPGRADE RECYCLED WATER SYSTEM	30950 / 013502	\$1,850,037	\$1,850,037	\$0	\$0
20 DIAMOND CREEK CASCADE/OUTFALL	30950 / 013503	\$210,531	\$210,531	\$0	\$0
21 DCWWTP/WEST DRY CREEK OUTFALL	30950 / 013504	\$153,370	\$153,370	\$0	\$0
22 RWQCB BASIN PLAN AMENDMENT	30950 / 013505	\$384,282	\$384,282	\$0	\$0
23 DCWWTP COOLING UNITS	30950 / 023501	\$3,139,986	\$3,139,986	\$0	\$0
24 DCWWTP CONVERSION TO UV	30950 / 023503	\$37,523,160	\$37,399,961	\$123,199	\$0
25 WEST DRY CREEK CFD RW CONNECTION	30950 / 023504	\$0	\$0	\$0	\$0
26 DCWWTP DIGESTER HANDRAIL	30950 / 033502	\$5,760	\$5,760	\$0	\$0
27 DCWWTP GATE SECURITY	30950 / 033503	\$47,530	\$47,530	\$0	\$0
28 DCWWTP FILTER PLC UPGRADE	30950 / 033504	\$169,217	\$169,217	\$0	\$0
29 REGIONAL PARTNER TELEMTRY	30950 / 033505	\$6,909	\$6,909	\$0	\$0
30 CIP RESERVE	30950 / 033506	\$0	\$0	\$0	\$0
31 DCWWTP FLOW METERS	30950 / 043501	\$522,629	\$522,629	\$0	\$0
32 PGWWTP RECYCLED WATER SYSTEM	30950 / 043502	\$0	\$0	\$0	\$0
33 PS DECOMMISSIONING	30950 / 043503	\$130,897	\$130,897	\$0	\$0
34 WW/RW SYSTEMS EVALUATION	30950 / 043504	\$1,300,000	\$1,095,577	\$204,423	\$0
35 DCWWTP AERATION PLC UPGRADE	30950 / 053501	\$325,000	\$13,058	\$311,942	\$75,000
36 DCWWTP FILTER BACKWASH RETURN PIPELINE UPGRADE	30950 / 053502	\$0	\$0	\$0	\$0
37 DCWWTP OPERATIONS ADMIN BUILDING	30950 / 053503	\$564,636	\$564,636	\$0	\$0
38 WATER PURIFICATION PILOT PROJECT	30950 / 053504	\$420,567	\$420,567	\$0	\$0
39 RW MODEL DEVELOPMENT	30950 / 053505	\$200,000	\$187,498	\$12,502	\$0
40 NPDES PERMIT RENEWAL	30950 / 053506	\$869,006	\$585,656	\$283,350	\$0
41 PGWWTP CONVERSION TO UV	30950 / 063502	\$0	\$0	\$0	\$0
42 DCWWTP MAINTENANCE SHOP	30950 / 063503	\$4,220,075	\$4,220,075	\$0	\$0
43 PGWWTP PROCESS IMPROVEMENTS	30950 / 063504	\$3,630,770	\$3,630,770	\$0	\$0
44 SIA RW PIPELINE	30950 / 063505	\$0	\$0	\$0	\$0
45 WW FORCE MAIN CONVERSION TO RW	30950 / 063506	\$1,200,000	\$953,005	\$246,995	\$0
46 RELIABILITY CENTERED MAINTENANCE	30950 / 063507	\$453,548	\$453,548	\$0	\$0
47 EXPANSION OF PGWWTP	30950 / 073505	\$41,219,384	\$41,049,092	\$170,292	\$0
48 EXPANSION OF DCWWTP	30950 / 073506	\$874,326	\$874,326	\$0	\$0
49 RADIO TELEMTRY	30950 / 073507	\$150,000	\$32,426	\$117,574	\$50,000
50 PROCESS CONTROL STANDARDS	30950 / 073508	\$90,000	\$87,451	\$2,549	\$0
51 GREASE RECEIVING STATION	30950 / 073509	\$150,000	\$111,497	\$38,503	\$0
52 SERVICE AREA CEQA ANALYSIS	30950 / 123507	\$5,000	\$2,408	\$2,592	\$0
53 DRY CREEK BANK STABILIZATION	30950 / 133504	\$95,000	\$3,683	\$91,317	\$85,000
TOTAL (Includes completed projects)		\$261,723,241	\$259,773,048	\$1,950,193	\$310,000

1) Includes \$3 million budget increase to be billed and paid from operations/rehab

Completed Projects: closed to further spending

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 13, 2013

FROM: Executive Director's office

AUTHORITY COMMUNICATION NO.: 13-18

SUBJECT: Annual Operating Budget for Fiscal Year 2013-2014

For SPWA Board Meeting 6/27/13

ACTION REQUESTED

Adopt the annual operating budget for fiscal year 2013-2014.

BACKGROUND

Subsection d. (4) of Section 7 of the Joint Exercise of Powers Agreement provides that the Board shall adopt a budget for the following fiscal year no later than June 30th of each year.

The attached budget for the Authority represents the estimates of revenues and expenditures for the Authority for the fiscal year 2013-14. The Board will have an opportunity to review, and adjust as necessary, the annual budget at mid-year.

2012-13 Estimated Revenues and Operating Expenditures (Current Year)

Included in the budget is an estimate of revenues and operating expenditures for the current fiscal year.

- Interest earnings are lower than FY12 due to lower interest rates and lower cash balances.
- Connection fees are higher due to development picking up a bit.
- No significant changes are expected in operating expenditures.

2013-2014 Estimated Revenues

Connection fees have been projected at \$9,750,000 (\$4,635,000 for the County, \$2,715,000 for the District, and \$2,400,000 for Roseville). This is a positive turn and reflects a higher level of development from the prior year. Interest income is estimated to be comparable with FY13.

2013-2014 Estimated Operating Expenditures

Total operating expenditures for FY14 are comparable to the FY13 budget. Authority staff line items include both direct and indirect costs related to administration of the Authority. Indirect costs include the city attorney, city manager, and certain finance personnel, etc., who do not charge directly to the Authority. Legal and financial advisory services include projected costs for possible agreement and financial reviews.


The Capital Improvement Projects Budget for 2013-2014 is included in a separate agenda item.

Debt service payments for 2013-2014 are expected to be lower than those in 2012-2013 due to a successful refunding.

Submitted by:



Janet L. Vargas
Administrative Analyst II



Kenneth Glotzbach
Interim Executive Director

South Placer Wastewater Authority: FY 2013-14 Budget

Rate Stabilization Fund

	<u>Actual 2011-12</u>	<u>Estimated 2012-13</u>	<u>Budget 2013-14</u>
AVAILABLE RESOURCES CARRY-OVER	\$ 94,037,938	\$ 92,596,395	\$ 84,173,526
ESTIMATED REVENUES			
Interest	700,976	436,080	402,672
Connection Fees	5,500,566	3,905,802	9,750,000
Proceeds from Borrowing	25,712	-	-
Miscellaneous Revenue	3,000,000	-	500,000
Total Estimated Revenues	9,227,254	4,341,882	10,652,672
Total Estimated Available for Appropriation	103,265,192	96,938,277	94,826,198
LESS OPERATING EXPENSES			
JPA Staff	119,558	138,138	138,280
Legal Services	21,887	60,000	60,000
Financial Advisory Services	17,124	30,000	30,000
Audit Services	19,500	25,000	25,000
Trustee/Investment Fees	-	-	-
Insurance	16,479	16,829	17,100
Copying/Mailing/Supplies	1,045	2,500	2,500
Travel/Meetings	-	500	500
Miscellaneous	6	1,000	587
Total Operating Expenses	195,599	273,967	273,967
LESS ESTIMATED CAPITAL EXPENDITURES	539,120	2,064,534	310,000
LESS DEBT SERVICE PAYMENTS	9,934,078	10,426,250	9,902,250
Total Estimated Expenditures	10,668,797	12,764,751	10,486,217
LESS RESERVE FOR UNEXPENDED CAPITAL BUDGET			
ESTIMATED AVAILABLE RESOURCES	\$ 92,596,395	\$ 84,173,526	\$ 84,339,981

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2013-07

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY APPROVING
OPERATING BUDGET FOR FY 2013-14**

BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority that the Operating Budget for FY 2013-14 is hereby approved as presented to the Board at this meeting; and

BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized to reallocate budgeted amounts among the line-items in the approved Operating Budget, as he may deem necessary or desirable; provided, however, that the total amount budgeted for FY 2013-14 shall not be increased without the Board's prior approval.

PASSED AND ADOPTED this 27th day of June, 2013, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary