

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.

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SOUTH PLACER WASTEWATER AUTHORITY

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

MINUTES OF BOARD OF DIRECTORS' MEETING January 28, 2016

The regular meeting of the South Placer Wastewater Authority Board of Directors was called to order at 9:30 a.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, Executive Director
Karen Sainsbury, Secretary

Roll Call

All Directors were present.

Introductions

The following were in attendance: Joe Mandell, Carol Margetich, Janet Vargas, George Hanson, Jay Panzica, Monty Hanks, Sandra Ikeda, Vanessa Lieberman and Jacqueline Flickinger from the City of Roseville; Herb Niederberger from SPMUD; Bill Zimmerman and Kevin Bell from Placer County, Terry Maas of First Southwest, Adam Ross and Mike Harrison from Brown & Caldwell and Brian Davis of Kennedy Jenks.

Election of Chair and Vice Chair

A vote was taken as follows:

MOTION by Director Gore, seconded by Director Roccucci, to elect Director Mitchell as Chair.

Vote: Ayes: Duran, Gore, Mitchell, Roccucci, Weygandt
 Nos: None
 Absent: None

MOTION by Director Gore, seconded by Director Weygandt, to elect Director Roccucci as Vice-Chair.

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

5. Information: Financial Audit

Sandra Ikeda reported on the Audited Financial Statement and Memorandum of Internal Control for the period of July 1, 2014 to June 30, 2015.

6. Information: Rate Stabilization Fund Balances

Sandra Ikeda provided an update on the Rate Stabilization Fund Balances as of November 30, 2015.

7. Information: Rate Stabilization Fund Summary / Available Resources

Sandra Ikeda reported on the Rate Stabilization Fund Summary and Available Resources for FY 2014-15 as well as FY 2015-16 estimates.

Public Comment

None.

Reports/Comments – Board Members/Staff

None.

Adjournment

The meeting was adjourned at 11:00 a.m.

Jerry Mitchell
Chair

Karen Sainsbury
Secretary to the Board

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 8, 2016

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 16-09

SUBJECT: Overview of Swap Performance

For SPWA Board Meeting 6/30/16

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

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.

In August 2014, the Authority refunded the 2011 Series D SIFMA Index bonds (\$30,000,000). These were issued as Series 2014 SIFMA Index bonds in the amount of \$29,120,000.

The outstanding debt as of 05/31/2016 is:

2011C: \$50,915,000

Series 2013: 59,330,000

Series 2014: 29,120,000

\$139,365,000

The swap 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.

Table 1

SPWA Swap / 2011D / 2013 SPWA / 2014 SPWA
\$90,675,000 Swap: 100% Morgan Stanley
Pay 3.865% Fixed Rate
Receive 62% 1-month LIBOR + 26 bps

Month	Due	SPWA SWAP (Morgan Stanley)			2013 SPWA	2014 SPWA
		Fixed Amount	62% + 26 bps 1-MONTH LIBOR	Net Swap Payment	59,330,000 Direct Purchase	29,120,000 SIFMA Payment
7/1/2015	8/1/2015	\$ 226,085	\$ (23,628)	\$ 202,457	\$ 29,734	\$ 9,646
8/1/2015	9/1/2015	226,085	(23,971)	202,114	29,785	8,098
9/1/2015	10/1/2015	226,085	(23,480)	202,604	29,171	8,377
10/1/2015	11/1/2015	226,085	(23,951)	202,133	29,939	8,848
11/1/2015	12/1/2015	212,188	(22,030)	190,158	28,973	7,866
12/1/2015	1/1/2016	212,188	(27,408)	184,780	31,778	9,220
1/1/2016	2/1/2016	212,188	(30,904)	181,284	38,368	7,574
2/1/2016	3/1/2016	212,188	(29,060)	183,128	35,845	7,845
3/1/2016	4/1/2016	212,188	(31,237)	180,951	38,777	11,258
4/1/2016	5/1/2016	212,188	(30,339)	181,849	37,378	18,037
5/1/2016	6/1/2016	212,188	(31,426)	180,762	43,886	17,337
6/1/2016	7/1/2016	212,188	(30,000)	182,188	45,000	18,000
Totals		\$ 1,328,715	\$ (327,436)	\$ 1,184,246	\$ 418,634	\$ 132,106

* 6/1/2016 is estimated

Average Rate	
Swap	3.200%
2013 SPWA	0.706%
2014 SPWA	0.454%
Average 7/1/15 - 6/1/16	2.702%

Submitted by:



Vanessa Lieberman
 Financial Analyst

Approved by:



Jay Panzica
 Treasurer



Kenneth J. Glotzbach
 Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 8, 2016

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 16-10

SUBJECT: Reporting Requirements

For SPWA Board Meeting 6/30/16

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

Per the 2015/2016 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/2011C/2013/2014 Refunding Wastewater Revenue Bonds**

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

In August 2014, the Authority refunded the 2011 Series D SIFMA Index bonds (\$30,000,000). These were issued as Series 2014 SIFMA Index bonds in the amount of \$29,120,000.

Project and Bond Series

- Please refer to the Schedule of Investments

Type of Swap

- Variable to Fixed

Rates Paid/Received

Issue	Interest Paid
2013 SPWA ² Direct Placement	\$373,634

² Date range of 7/1/15 – 5/1/16

Total Par Amount

- \$ 59,330,000

Issue	Interest Paid
2014 SPWA ³ SIFMA bonds	\$114,106

³ Date range of 7/1/15 – 6/1/16

Total Par Amount

- \$ 29,120,000

Issue	Floating Swap Payment (Received)
SPWA ¹ Swap	\$297,436

¹ Date range of 7/1/15-5/1/16

Total Notional Amount

- \$ 69,475,000

Average Life

- 11.16 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 May 31, 2016, the Mark-to-Market value was (\$10,719,738).

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, Baa2, down from Baa1, by Moody's as of 11/14/13 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
6/30/2014	4,215,938	2,691,133	1,524,805
6/30/2015	3,978,750	2,520,362	1,458,388
6/30/2016	3,732,625	1,734,986	1,997,639

Total

\$16,222,628

*estimated Actual D/S for 6/30/16

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

Submitted by:



Vanessa Lieberman
Financial Analyst

Approved by:



Jay Panzica
Treasurer



Kenneth J. Glotzbach
Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** June 13, 2016
Board of Directors

FROM: Monty Hanks – Finance Director

AUTHORITY COMMUNICATION NO: 16-11

SUBJECT: Approval of Renewal of Direct Placement with US Bank

For SPWA Board Meeting 6/30/16

ACTION REQUESTED

Staff recommends the Board of Directors approve the attached resolution authorizing the following agreements related to the 2013 South Placer Wastewater Authority Refunding Revenue Bonds:

- Second Supplement to the Indenture
- First Amendment to Continuing Covenant Agreement

BACKGROUND

The South Placer Wastewater Authority currently has \$139.4 million of debt outstanding shown in the table below. Of the outstanding debt, 37% is fixed-rate, 50% is hedged variable rate, and 13% is unhedged variable rate. The debt is currently rated A+ by Standard & Poor's and A+ by Fitch Ratings. The Authority has entered into an interest-rate swap with Morgan Stanley in what is termed a "synthetic" fixed-rate debt. The swap acts as a fixed-rate hedge for the majority of the Series 2013 and 2014 bonds.

Summary of Outstanding Direct Debt									
Series	Issue Size	Date Dated	Outstanding Par	Coupon Range	Call Date	Final Maturity	Expiration Date	% of Total Debt	
2011C	\$67,040,000	4/7/2011	\$50,915,000	5.00% - 5.25%	11/1/2020	11/1/2035	None	36.53%	
2013	\$59,330,000	4/3/2013	\$59,330,000	70.5% of 1m LIBOR + 0.45%	Current	11/1/2035	10/3/2016	42.57%	
2014	\$29,120,000	8/13/2014	\$29,120,000	SIFMA + 0.33%	5/1/2017	11/1/2029	11/1/2017	20.89%	
Total			\$139,365,000						

Summary of Outstanding Swap						
Counterparty	Current Notional	SPWA Pays	SPWA Receives	Maturity Date	MTM Value (As of 12/31/2015)	Counterparty Ratings
Morgan Stanley	\$69,475,000	3.67%	62% of 1m LIBOR + 0.26%	11/1/2027	(\$10,029,035)	Baa2 / A- / A (Moody's / S&P / Fitch)

The 2013 bonds highlighted in the table above relate to the US Bank Direct Purchase Agreement. The agreement is set to expire on 10/3/2016 and requires action. The City of Roseville staff and the Authority's financial advisor (Terry Maas) met with Morgan Stanley on April 27th to review options of terminating the swap and fixing out the debt. The information was also shared with the staff of the other two partners of the Authority on May 4th and was reviewed again on May 11th. Listed below is a summary of that analysis.

Summary of Refunding Results

2013 Direct Placement and Swap Termination

Summary of Refunding Results

Market Conditions as of April 25, 2016

		Refunding of 2013
Refunded Bonds		
Maturity Range		2029-2035
Par Amount		\$59,330,000
Interest Rate Assumption	1.810% (20-Year SIFMA Average)	
Support Costs Assumption		0.75%
Swap Termination		
Swap Notional Unwind		\$69,475,000
Swap Unwind Payment		(\$10,621,561)
Final Maturity		11/1/2027
SPWA Pays		3.665%
SPWA Receives	62% of 1M LIBOR + 26 bps	
1M LIBOR Assumption	1.353% (10-Year Average)	
Refunding Bonds		
Par Amount		\$59,940,000
Premium		13,850,108
Total Bond Proceeds		\$73,790,108
DSRF Deposit		\$3,017,553
All-In TIC		4.61%
Cashflow Savings/Cost		(\$9,957,173)
Average Annual Cashflow Savings/Cost		(\$497,859)
PV Savings/Cost (\$)		(\$6,097,615)
PV Savings/Cost (% of Refunded Par)		(10.28%)

What the analysis shows is that terminating the swap (Swap Unwind Payment) would cost the Authority approximately \$10.6m (listed in red above). The Direct Placement with US Bank (\$59.3m) would then be converted to fixed rate debt at today's interest rates. The blue shaded area of the above table illustrates that average debt service would increase almost \$500k per year and an overall cost of almost \$10m over the life of the transaction. In present value terms, the overall cost is slightly over \$6m. The staff members of the JPA (City, SPMUD, and County) all agreed it didn't make financial sense to recommend this transaction to the board. The committee thought the best option to recommend to the board would be to renew the agreement with US Bank and continue to monitor the debt portfolio and look for market opportunities to unwind the swap. Although the term is for 3.5 years, the Authority does have the option to terminate the agreement after the first year. This will provide some refunding flexibility and restructuring opportunities next year.

The major characteristics of the US Bank Direct Purchase renewal are listed below:

Term:	3.5-year Funded Loan
Interest Rate:	70.5% of one month LIBOR plus 55 basis points
Principal Amount:	\$59,330,000

Fiscal Impact

The renewal of the Direct Purchase Agreement will be 10 basis points higher than the current agreement due to higher internal bank charges experienced today as compared to 2013 with increased banking regulations. The approximate incremental debt service cost will be an additional \$59,300 to the Authority.

Submitted by:



Monty Hanks
Finance Director



Jay Panzica
Treasurer / CFO



Kenneth J. Glotzbach
Executive Director

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO.: 2016-02

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY AUTHORIZING
THE EXECUTION OF A SUPPLEMENT TO BOND INDENTURE
IN CONNECTION WITH WASTEWATER REVENUE
REFUNDING BONDS AND APPROVING RELATED
DOCUMENTS AND OFFICIAL ACTIONS**

RESOLVED, by the South Placer Wastewater Authority (the "Authority"), as follows:

WHEREAS, the Authority has previously issued its Wastewater Revenue Refunding Bonds, Series 2013 (the "2013 Bonds") in the original principal amount of \$59,330,000 under a Wastewater Revenue Bond Indenture, dated as of April 1, 2013 to refinance improvements made to the Pleasant Grove Wastewater Treatment Plant, Dry Creek Wastewater Treatment Plant and related regional infrastructure (together, the "Project"); and

WHEREAS, all of the 2013 Bonds were initially sold to and continue to be held by U.S. Bank National Association (the "Bank") and in connection therewith entered into a Continuing Covenant Agreement dated as of April 1, 2013; and

WHEREAS, the Indenture was amended by a First Supplement to Indenture dated as of June 1, 2014 (the "First Supplement"), with the consent of the Bank, wherein the Authority supplemented and amended the Original Indenture in order to reduce the Applicable Spread with respect to the 2013 Bonds; and

WHEREAS, the Bank desires to renew its investment in the 2013 Bonds and, in connection therewith, has requested that the Authority execute a Second Supplement to Indenture (the "Second Supplement"), primarily in order to extend the term of the Bank's investment and to modify the interest rate evidenced by the 2013 Bonds, and a First Amendment to Continuing Covenant Agreement (the "Amendment to Continuing Covenant Agreement"), primarily to add an early termination fee, in connection with the Bank's continued investment in the 2013 Bonds and with the consent of the Bank; and

WHEREAS, the Board of Directors of the Authority wishes at this time to take action approving such supplement and all related documents and actions.

NOW, THEREFORE, it is hereby RESOLVED and DETERMINED, as follows:

Section 1. Approval of Second Supplement. The Board of Directors hereby approves the Second Supplement in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Treasurer, Executive Director, or Chair, of the Authority (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions.

An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest the final form of the Second Supplement.

Section 2. Approval of Amendment to Continuing Covenant Agreement. The Board of Directors hereby approves the Amendment to Continuing Covenant Agreement in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer, and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions.

An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest the final form of the Amendment to Continuing Covenant Agreement.

Section 3. Official Actions. The Chair, the Executive Director, the Treasurer, the Secretary and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all assignments, 2013 Bonds, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the Second Supplement and Continuing Covenant Agreement approved under this Resolution. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 3. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED this _____ day of _____, 2016, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Chairperson
South Placer Wastewater Authority

ATTEST:

Secretary
South Placer Wastewater Authority

**SECOND SUPPLEMENT TO
WASTEWATER REVENUE BOND INDENTURE**

Between the

SOUTH PLACER WASTEWATER AUTHORITY

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee,**

**Dated as of
October 1, 2016**

relating to the

**WASTEWATER REVENUE REFUNDING BONDS, SERIES 2013
(Variable Rate Demand Bonds)**

SECOND SUPPLEMENT TO WASTEWATER REVENUE BOND INDENTURE

This SECOND SUPPLEMENTAL WASTEWATER REVENUE BOND INDENTURE, dated as of October 1, 2016 (the "Second Supplement"), is between the SOUTH PLACER WASTEWATER AUTHORITY (the "Authority"), a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Trustee").

RECITALS:

WHEREAS, the Authority was created by the South Placer Municipal Utility District (the "District"), the City of Roseville (the "City") and the County of Placer (the "County") (the District, the Authority and the County being referred to herein as the "Participants") pursuant to that certain Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective as of October 1, 2000, among the Participants (the "Joint Powers Agreement"); and

WHEREAS, the Authority has previously issued its Wastewater Revenue Refunding Bonds, Series 2013 (the "2013 Bonds") in the original principal amount of \$59,330,000 under a Wastewater Revenue Bond Indenture, dated as of April 1, 2013, and First Supplement To Wastewater Revenue Bond Indenture, dated as of June 1, 2014 (together, the "Indenture") to refinance improvements made to the Pleasant Grove Wastewater Treatment Plant, Dry Creek Wastewater Treatment Plant and related regional infrastructure (together, the "Project"); and

WHEREAS, all of the 2013 Bonds were initially sold to and continue to be held by U.S. Bank National Association (the "Bank"); and

WHEREAS, the Bank desires to renew its investment in the 2013 Bonds and in connection therewith has requested that the Authority execute this Second Supplement, primarily in order to extend the term of the Bank's investment and to modify the interest rate on the 2013 Bonds, in connection with the Bank's continued investment in the 2013 Bonds and with the consent of the Bank; and

WHEREAS, pursuant to Section 7.01 of the Indenture, with the consent of the Bank, the Authority now desires to supplement and amend the Indenture in order to extend the Bank's interest in the 2013 Bonds; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

AGREEMENT:

Section 1. Definitions. In accordance with the provisions of Section 7.01 of the Indenture, the Indenture is hereby amended by amending, adding and deleting the following definitions:

(a) Amended Definitions.

“Applicable Spread” means, with respect to each Index Rate Period, the following:

(a) During the Initial Period, for the period from and including the Closing Date to and including September 30, 2016, 62.5 basis points (0.625%); provided, however, that in the event that the long-term unenhanced credit ratings assigned by Moody’s, S&P or Fitch to Parity Debt falls to the ratings specified below, the Applicable Spread, as determined by the Calculation Agent, will be the number of basis points associated with such new rating as set forth in the following table:

Tier	Credit Ratings (Moody’s/S&P/Fitch)	Applicable Spread
I	A+/A+/A1 or above	0.625%
II	A/A/A2	0.825%
III	A-/A-/A3	1.025%
IV	BBB+/BBB+/Baa1	1.225%
V	BBB/BBB/Baa2	1.425%
VI	BBB-/BBB-/Baa3	1.625%

(b) During the Initial Period, for the period from and including October 1, 2016, to and including the Initial Bank Purchase Date, 55.0 basis points (0.550%); provided, however, that in the event that the credit ratings assigned by Moody’s, S&P or Fitch to Parity Debt falls to the ratings specified below, the Applicable Spread, as determined by the Calculation Agent, will be the number of basis points associated with such new rating as set forth in the following table:

Tier	Credit Ratings (Moody’s/S&P/Fitch)	Applicable Spread
I	A+/A+/A1 or above	0.550%
II	A/A/A2	0.750%
III	A-/A-/A3	0.950%
IV	BBB+/BBB+/Baa1	1.150%
V	BBB/BBB/Baa2	1.350%
VI	BBB-/BBB-/Baa3	1.550%

In the case of a split rating or differing ratings as between and among the Rating Agencies, the rating corresponding to the highest numbered tier set forth above and corresponding to the lowest rating will apply for all purposes of determining the Applicable Spread. References in this definition of Applicable Spread are to Rating Categories as presently determined by the Rating Agencies, and in the event of the adoption of any new or changed rating system or a “global” rating scale by any such Rating Agency, the Rating Categories will be adjusted accordingly to a new rating which most closely approximates the requirements as set forth herein. In the event that a rating is suspended, withdrawn or otherwise unavailable from any Rating Agency, and so long as such rating will remain suspended, withdrawn or unavailable, the Applicable Spread will increase by an additional 100 basis points (1.00%) from the Applicable Spread otherwise in effect, and all increases to the Applicable Spread will be cumulative.

(b) During any Index Rate Period other than the Initial Period, the number of basis points determined by the Market Agent on or before the first day of such Index Rate Period and designated by the Authority in accordance with Section 2.03(c): (which may include a schedule for the Applicable Spread based upon the ratings assigned to the long term debt of the Authority as described in subparagraph (a) in this definition) that, when added to the SIFMA Index or the product of the LIBOR Index multiplied by the Applicable Factor, as applicable, would equal the minimum interest rate per annum that would enable the Certificates to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

“Computation Date” means, (i) during each SIFMA Index Rate Period, Wednesday of each week, or if any Wednesday is not a Business Day, the immediately preceding Business Day and (ii) during each LIBOR Index Rate Period, the second New York Banking Day preceding each LIBOR Index Reset Date.

“Initial Bank Purchase Date” means April 1, 2020.

“LIBOR Index” means the rate of interest per annum for United States Dollar deposits in the London Interbank Market, as quoted by the Calculation Agent from Reuters Screen LIBOR01 Page (provided that, in the event U.S. Bank is no longer the Calculation Agent, Reuters or Bloomberg may be used) or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the LIBOR Index Reset Date or the Conversion Date to a new LIBOR Index Rate Period, as the case may be, such rate to be reset monthly on each LIBOR Index Reset Date. If for any reason such LIBOR Index is unavailable and/or the Calculation Agent is unable to determine the LIBOR Index Rate for any LIBOR Index Rate Period, the Calculation Agent may, at its discretion, either: (a) select a replacement index based on the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (b) deem the LIBOR Index to be a rate per annum equal to the Calculation Agent’s Federal Funds Rate as of the first day of any LIBOR Index Rate Period for which such LIBOR Index is unavailable or cannot be determined; provided that the Calculation Agent shall give prompt written notice to the Authority and the Trustee setting forth such change in interest rate, the nature of the circumstances giving rise to such change, and the method of calculating such change if based on a replacement index. The Calculation Agent’s internal records of applicable interest rates shall be determinative in the absence of manifest error. If the LIBOR Index, as determined pursuant to this definition is ever less than zero percent (0.0%), then for purposes of determining the LIBOR Index hereunder, the LIBOR Index shall be deemed to be zero percent (0.0%).

(b) Added Definition.

"New York Banking Day" means shall mean any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

(c) Deleted Definition.

"London Business Day" is hereby deleted.

Section 2. Effectiveness. Except as otherwise amended hereby and by the First Supplement, the Original Indenture shall remain in full force and effect. This Second Supplement will take effect upon its execution and delivery.

Section 3. Execution in Counterparts. This Second Supplement may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Second Supplement to Indenture by their officers thereunto duly authorized as of the day and year first written above.

**SOUTH PLACER WASTEWATER
AUTHORITY**

By: _____
Treasurer

ATTEST:

By: _____
Authority Secretary

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**
as Trustee

By: _____
Authorized Officer

Consent:

U.S. BANK NATIONAL ASSOCIATION
as owner of 100% of the 2013 Bonds and as Bank

By: _____
Ashley Martin
Vice President

FIRST AMENDMENT TO CONTINUING COVENANT AGREEMENT

This FIRST AMENDMENT TO CONTINUING COVENANT AGREEMENT (this “*Amendment*”) is dated [September 30, 2016] (the “*Amendment Date*”), between the SOUTH PLACER WASTEWATER AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the “*Authority*”), and U.S. BANK NATIONAL ASSOCIATION (the “*Purchaser*”). All capitalized terms herein and not defined herein shall have the meanings set forth in the hereinafter defined Agreement.

WITNESSETH

WHEREAS, the Authority and the Purchaser have previously entered into that certain Continuing Covenant Agreement dated as of April 1, 2013 (as amended, modified or restated from time to time, the “*Agreement*”), relating to the Authority’s Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds);

WHEREAS, pursuant to Section 10.03 of the Agreement, the Agreement may be amended by a written amendment thereto executed by the Authority and the Purchaser; and

WHEREAS, the Authority has requested that certain amendments be made to the Agreement, and the Purchaser has agreed to make such amendments to the Agreement subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENT.

Upon the satisfaction of the conditions precedent set forth in Section 2 hereof, Section 4.05 of the Agreement is hereby amended in its entirety and as so amended shall be restated to read as follows:

Section 4.05. Optional Redemption or Conversion Fee. The Authority shall pay to the Purchaser an optional redemption or conversion fee (a “*Termination Fee*”) in connection with each optional redemption of all or any portion of the Bonds or each conversion of the interest rate on all or any portion of the Bonds from the Index Rate prior to [September 29, 2017], in an amount equal to the product of (a) the Applicable Spread in effect on the date of optional redemption or conversion, as applicable, (b) the principal amount of the Bonds to be optionally redeemed or converted to an interest rate other than the Index Rate, and (c) a fraction, the numerator of which is equal to the number of days from and including the date of such optional redemption or conversion, as applicable, to and including [September 29, 2017], and the denominator of which is 360, payable on the date that all or any portion of the Bonds are optionally redeemed or the date on which the interest rate on all or any portion of the Bonds are converted to bear interest at a rate other than the

Index Rate; *provided* that no such Termination Fee shall become payable if any increased costs have been imposed on the Authority pursuant to Section 4.02(a) hereof.

SECTION 2. CONDITIONS PRECEDENT.

This Amendment shall be effective as of the Amendment Date subject to the satisfaction of or waiver by the Purchaser of all of the following conditions precedent:

2.01. Delivery by the Authority to the Purchaser of an executed counterpart of this Amendment and the Second Supplement to Wastewater Revenue Bond Indenture dated September 30, 2016 (the "*Second Supplement*" and together with this Amendment, the "*Transaction Documents*").

2.02. Receipt by the Purchaser of the authorizing resolution of the governing body of the Authority approving this Amendment and the Transaction Documents being delivered concurrently herewith and the other matters contemplated hereby and thereby.

2.03. Receipt by the Purchaser of a closing certificate executed by an Authorized Official certifying the name and signature of the person authorized to execute and delivery, on behalf of the Authority, the Transaction Documents and the other matters contemplated hereby, in form and substance satisfactory to the Purchaser.

2.04. Receipt by the Purchaser of a Favorable Opinion of Bond Counsel (as defined in the Indenture) in form and substance satisfactory to the Purchaser.

2.05. Payment to the Purchaser on or before the Amendment Date of the reasonable legal fees and expenses of counsel to the Bank.

2.06. All other legal matters pertaining to the execution and delivery of this Amendment shall be reasonably satisfactory to the Purchaser and its counsel.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY.

3.01. The Authority hereby represents and warrants that the following statements are true and correct as of the Amendment Date:

(a) the representations and warranties of the Authority contained in Article V of the Agreement and in each of the other Related Documents are true and correct on and as of the Amendment Date as though made on and as of such date.

(b) no Default or Event of Default has occurred and is continuing or would result from the execution of this Amendment; and

(c) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar law.

3.02. In addition to the representations given in Article V of the Agreement, the Authority hereby represents and warrants as follows:

(a) The execution, delivery and performance by the Authority of the Transaction Documents and the Agreement, as amended hereby, are within its powers, have been duly authorized by all necessary action and do not contravene any law, rule or regulation, any judgment, order or decree or any contractual restriction binding on or affecting the Authority;

(b) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of the Transaction Documents or the Agreement, as amended hereby; and

(c) the Transaction Documents and the Agreement, as amended hereby, constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except that (i) the enforcement thereof may be limited by bankruptcy, reorganization, insolvency, liquidation, moratorium and other laws relating to or affecting the enforcement of creditors' rights and remedies generally, as the same may be applied in the event of the bankruptcy, reorganization, insolvency, liquidation or similar situation of the Authority, and (ii) no representation or warranty is expressed as to the availability of equitable remedies.

SECTION 4. MISCELLANEOUS.

4.01. Except as specifically amended herein, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in any note, document, agreement, letter, certificate, the Agreement or any communication issued or made subsequent to or with respect to the Agreement, it being hereby agreed that any reference to the Agreement shall be sufficient to refer to, and shall mean and be a reference to, the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

4.02. This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the Amendment Date.

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

SOUTH PLACER WASTEWATER AUTHORITY

By: _____

Name: _____

Title: _____

Attest:

By: _____

Title: _____

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 14, 2016

FROM: Jacquie Clarizio – Financial Analyst

AUTHORITY COMMUNICATION NO: 16-12

SUBJECT: Investment Review

For SPWA Board Meeting 6/30/16

ACTION REQUESTED

None required. This is an information item.

BACKGROUND

The following report provides a market overview and details the performance, sector distribution, and duration of the Authority's investments through May 31, 2016.

MARKET COMMENTARY

At the beginning of the year, investors were poised for as many as four increases in the federal funds rate in 2016, following the Fed's ¼ point hike in December 2015. Since then, the outlook has changed significantly. In April 2016, the Federal Open Market Committee (FOMC) announced they were leaving interest rates unchanged but indicated they were open to raising interest rates in June as the global financial markets improve. With about half of the year behind us, the first hike may come in the next several months, but only if economic conditions are supportive. With the Presidential election season in full swing, another move by the Fed may not be likely until late fall. Over the last month, the Treasury Yield curve continues to flatten increasing book value gains.

INVESTMENTS

The primary goal of the investment portfolio is preservation of principal, adequate liquidity to meet current obligations, and a strategy for optimizing income without violating the risk constraints of the investment policy. As of May 31, 2016, the portfolio's market value was \$106.6 million and mainly consisted of Corporates, Federal Agencies (bullets, callables, and step-ups), and money market cash to meet current obligations. Due to a higher concentration in money markets (waiting for recent purchases to settle in early June), the current return on the portfolio is 0.95% but will quickly climb to 1.20%. At that point, the return will be approximately 37 basis points higher than when the fiscal year started and interest income for the fiscal year will exceed the original budget by \$250k. The duration of the portfolio is 1.03 years but will move closer to our plan of 1.50 years when recent purchases settle in June.

RESERVE FUND

The remaining funds, \$8.2m, are the Authority's bond reserve funds held by the fiscal agent. These funds are restricted per the Bond Indenture and can only be used if the Authority is unable to make debt service payments. Funds in excess of the Reserve Requirement are returned to the Authority.

REPORT

The Schedule of Investments and the Reserve Fund statement for May 2016 is attached to this report.


Submitted by:



Jacquie Clarizio
Financial Analyst



Jay Panzica
Treasurer


Kenneth J. Glotzbach
Executive Director

**SOUTH PLACER WASTEWATER
AUTHORITY**
2005 Hilltop Oaks
Roseville, CA 95747
916-374-5770
65-916-714-5990

City of Roseville CA



**So Placer Wastewater Authority
Portfolio Management
Portfolio Summary
May 31, 2016**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C
City of Roseville Cash Pool*	15,912,363.04	15,912,363.04	15,912,363.04	14.93	1	1	1.102
Money Market Funds	23,866,017.39	23,866,017.39	23,866,017.39	22.40	1	1	0.001
Local Agency Investment Funds	5,732,306.89	5,732,306.89	5,732,306.89	5.38	1	1	0.525
Negotiable CDs	11,975,000.00	11,973,303.75	11,973,794.87	11.24	783	280	1.039
Corporate Notes	31,370,000.00	31,861,590.20	31,540,832.77	28.60	1,177	717	1.460
Federal Agency Coupon Securities	17,000,000.00	16,950,320.00	16,997,353.33	15.95	1,514	116	1.290
Supra-National Agency Bond	445,000.00	444,503.95	444,503.52	0.42	1,142	744	1.055
Municipal Bonds	100,000.00	100,803.00	100,000.00	0.09	956	487	1.090
Investments	106,400,707.32	106,641,128.22	106,567,131.81	100.00%	684	266	0.953

Total Earnings	May 31	Month Ending	Fiscal Year To Date
Current Year	98,788.09		917,548.85
Average Daily Balance	98,808,444.66		109,294,303.02
Effective Rate of Return	1.18%		0.95%

*Estimated balance as of 05/31/2016
Market values provided by US BANK, and LAIF

THIS SCHEDULE OF INVESTMENTS IS IN COMPLIANCE WITH THE INVESTMENT POLICY AS ESTABLISHED AND SUFFICIENT FUNDS WILL BE AVAILABLE TO MEET CASH FLOW REQUIREMENTS FOR THE NEXT SIX MONTHS.



 Ken Grubbsch, Executive Director DATE: 6/20/16
 Jay Panzica, Treasurer DATE: 6/20/16

Reporting period 05/01/2016-05/31/2016

Run Date: 05/15/2016 - 07:15

Portfolio SPWA
AP
PM (PRF_PMT) 7.30
Report Ver. 7.3.5

So Placer Wastewater Authority
Portfolio Management
Interest Earnings Summary
May 31, 2016

	May 31 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	178,552.15	908,079.95
Plus Accrued Interest at End of Period	187,699.29	187,699.29
Less Accrued Interest at Beginning of Period	(281,613.91)	(175,593.78)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	84,637.53	920,185.46
Adjusted by Premiums and Discounts	-11,008.42	-151,300.19
Adjusted by Capital Gains or Losses	8,281.75	-1,491.09
Earnings during Periods	81,910.86	767,394.18
Pass Through Securities:		
Interest Collected	0.00	1,946.96
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	(0.00)	(490.83)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	0.00	1,456.13
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	-1,453.32
Earnings during Periods	0.00	2.81
Cash/Checking Accounts:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	4,050,099.12	4,050,099.12
Less Accrued Interest at Beginning of Period	(4,033,221.89)	(3,899,947.26)
Interest Earned during Period	16,877.23	150,151.86
Total Interest Earned during Period	101,514.76	1,071,793.45
Total Adjustments from Premiums and Discounts	-11,008.42	-151,300.19
Total Capital Gains or Losses	8,281.75	-2,944.41
Total Earnings during Period	98,788.09	917,548.85

**So Placer Wastewater Authority
Fund 001 - SPWA
Investments by Fund
May 31, 2016**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
City of Roseville Cash Pool*											
SY510048	10048	City of Roseville Cash Pool	07/01/2015	15,912,383.04	15,912,383.04	15,912,383.04	1.102	1.086	1.102		1
			Subtotal and Average	15,912,383.04	15,912,383.04	15,912,383.04		1.087	1.102		1
Money Market Funds											
431114503	10434	US BANK	07/01/2015	23,866,017.39	23,866,017.39	23,866,017.39	0.001	0.000	0.001		1
			Subtotal and Average	23,866,017.39	23,866,017.39	23,866,017.39		0.001	0.001		1
Local Agency Investment Funds											
40-31-001	10032	Local Agency Investment Fund	07/01/2015	5,732,306.89	5,732,306.89	5,732,306.89	0.525	0.517	0.525		1
			Subtotal and Average	5,732,306.89	5,732,306.89	5,732,306.89		0.518	0.525		1
Negotiable CDs											
06417HMLU7	10548	Bank of Nova Scotia	08/13/2014	1,799,986.35	1,800,000.00	1,800,216.00	0.410	0.434	0.440	08/10/2016	9
13606JYY9	10594	CANADIAN IMPERIAL BANK NY	04/10/2015	1,850,000.00	1,850,000.00	1,844,838.50	1.010	0.996	1.010	04/06/2017	309
38147J2L5	10558	GOLDMAN SACHS BANK USA CD	08/19/2014	1,400,000.00	1,400,000.00	1,400,140.00	0.900	0.887	0.900	08/12/2016	72
655581FA5	10604	NORDEA BANK FINLAND NY	05/29/2015	1,800,000.00	1,800,000.00	1,797,264.00	1.150	1.134	1.150	05/26/2017	359
21684BXH2	10595	RABOBANK	04/27/2015	1,500,000.00	1,500,000.00	1,498,365.00	1.070	1.055	1.070	04/21/2017	324
8911SESNT	10607	TORONTO DOMINION BANK NY	08/19/2015	1,800,000.00	1,800,000.00	1,801,476.00	1.240	1.223	1.240	06/16/2017	380
90333VPF1	10582	US BANK TRUST	09/11/2014	1,823,748.52	1,825,000.00	1,831,004.25	1.375	1.410	1.430	09/11/2017	467
			Subtotal and Average	11,973,734.87	11,975,000.00	11,973,303.75		1.024	1.039		280
Corporate Notes											
0258MDDP1	10622	AMERICAN EXPRESS MTN	01/11/2016	1,005,216.63	1,000,000.00	1,014,140.00	2.250	2.051	2.080	08/15/2019	1,170
02665WAB7	10488	AMERICAN HONDA FINANCE GLOBAL	10/10/2013	779,682.44	780,000.00	780,608.40	1.125	1.226	1.243	10/07/2016	128
02665WAF8	10550	AMERICAN HONDA FINANCE GLOBAL	07/15/2014	329,826.21	330,000.00	330,577.50	1.200	1.230	1.248	07/14/2017	408
02665WAT8	10587	AMERICAN HONDA FINANCE GLOBAL	03/13/2015	569,545.96	570,000.00	572,958.30	1.500	1.524	1.545	03/13/2018	650
03783SAM2	10539	APPLE INC GLOBAL NOTES	05/06/2014	1,499,763.91	1,500,000.00	1,503,600.00	1.050	1.053	1.068	05/05/2017	338
03783BB5	10600	APPLE INC GLOBAL NOTES	05/13/2015	384,874.01	385,000.00	385,462.00	0.900	0.922	0.934	05/12/2017	345
084664BX8	10479	BERKSHIRE HATHAWAY FIN CORP NO	08/15/2013	929,966.23	930,000.00	930,567.30	0.950	0.954	0.967	08/15/2016	75
084664BX8	10469	BERKSHIRE HATHAWAY FIN CORP NO	10/15/2013	319,955.89	320,000.00	320,195.20	0.950	1.004	1.018	08/15/2016	75
084664CA7	10512	BERKSHIRE HATHAWAY FIN CORP NO	01/10/2014	600,000.00	600,000.00	600,342.00	0.390	0.384	0.390	01/10/2017	223

**Fund 001 - SPWA
Investments by Fund
May 31, 2016**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
Corporate Notes											
06406HDB2	10603	Bank of New York Trust Company	05/29/2015	1,584,905.48	1,585,000.00	1,597,331.30	1.600	1.581	1.603	05/22/2018	720
14912L6F3	10623	CATERPILLAR FINANCIAL SE	01/11/2016	1,007,022.74	1,000,000.00	1,020,030.00	2.250	2.012	2.040	12/01/2019	1,278
166764AL4	10568	CHEVRON CORP NOTE	11/18/2014	795,000.00	795,000.00	795,939.80	1.345	1.326	1.345	11/15/2017	532
17275RAU6	10606	CISCO SYSTEMS	06/17/2015	1,704,802.47	1,705,000.00	1,722,919.55	1.650	1.633	1.655	06/17/2018	746
191216BF6	10624	COCA-COLA CO	01/11/2016	1,010,180.20	1,000,000.00	1,013,090.00	1.650	1.203	1.220	11/01/2018	863
20826FAL0	10601	CONOCOPHILLIPS COMPANY	05/18/2015	344,972.94	345,000.00	342,567.75	1.500	1.483	1.504	05/15/2018	713
22160KAG0	10617	COSTCO WHOLESAL	10/13/2015	1,005,342.65	1,000,000.00	1,008,070.00	1.750	1.578	1.600	02/15/2020	1,354
30231GAL6	10586	EXXON MOBIL CORP NOTES	03/08/2015	1,460,000.00	1,460,000.00	1,464,569.80	1.305	1.287	1.305	03/06/2018	643
40428HPV8	10618	HSBC USA Global Notes	10/09/2015	2,017,938.70	2,000,000.00	2,016,000.00	2.750	2.465	2.520	08/07/2020	1,528
459200HZ7	10579	IBM CORP GLOBAL NOTES	02/06/2015	1,747,010.01	1,750,000.00	1,752,415.00	1.125	1.212	1.228	02/06/2018	615
24422ERR2	10625	JOHN DEERE CAP MTN	01/11/2016	1,010,269.09	1,000,000.00	1,021,730.00	2.250	1.854	1.880	04/17/2019	1,050
46623EKD0	10584	JP MORGAN CHASE CORP NOTES	03/02/2015	1,644,750.28	1,645,000.00	1,648,405.15	1.700	1.685	1.708	03/01/2018	638
713448CL0	10526	PEPSICO INC GLOBAL NOTES	02/28/2014	1,084,699.41	1,085,000.00	1,086,117.55	0.950	0.975	0.988	02/22/2017	266
713448CR7	10597	PEPSICO INC GLOBAL NOTES	04/30/2015	184,965.84	185,000.00	185,793.65	1.250	1.236	1.254	04/30/2018	698
713448CK2	10630	PEPSICO INC GLOBAL NOTES	05/31/2016	2,046,860.00	2,000,000.00	2,045,620.00	2.250	1.311	1.329	01/07/2019	950
717081DD2	10469	PFIZER INC GLOBAL NOTES	08/03/2013	1,399,614.62	1,400,000.00	1,401,050.00	0.900	0.932	0.945	01/15/2017	228
747525AD5	10619	QUALCOMM INC	10/09/2015	1,505,625.92	1,500,000.00	1,530,875.00	2.250	2.120	2.150	05/20/2020	1,448
89236TBH7	10542	TOYOTA MOTOR CREDIT CORP COMM	05/16/2014	729,876.41	730,000.00	731,328.80	1.125	1.127	1.143	05/16/2017	349
89236TCA1	10573	TOYOTA MOTOR CREDIT CORP COMM	01/12/2015	164,856.87	165,000.00	165,589.05	1.450	1.484	1.505	01/12/2018	590
931142DNO	10533	WALMART	04/22/2014	349,984.43	350,000.00	350,808.50	1.000	0.991	1.005	04/21/2017	324
25468PCZ7	10543	WALT DISNEY CO GLOBAL NOTES	06/02/2014	779,532.43	780,000.00	780,241.80	0.875	0.923	0.936	05/30/2017	363
929903DT6	10605	WELLS FARGO & COMPANY	06/11/2015	1,543,781.00	1,475,000.00	1,541,847.00	5.750	1.177	1.194	06/15/2017	379
		Subtotal and Average		31,540,832.77	31,370,000.00	31,661,590.20		1.440	1.460		718
Federal Agency Coupon Securities											
3150AGUH8	10621	Federal Home Loan Bank	01/07/2016	2,000,000.00	2,000,000.00	1,994,620.00	1.550	1.528	1.549	06/28/2019	1,122
3134G7S77	10616	Federal Home Loan Mtg Corp	10/29/2015	1,997,353.33	2,000,000.00	1,999,720.00	1.125	1.258	1.276	10/29/2020	1,611
3134G8VZ9	10626	Federal Home Loan Mtg Corp	04/28/2016	4,000,000.00	4,000,000.00	3,976,080.00	1.250	1.237	1.254	04/28/2021	1,792
3134G9AD8	10627	Federal Home Loan Mtg Corp	04/28/2016	2,000,000.00	2,000,000.00	1,996,940.00	1.500	1.479	1.500	04/28/2021	1,792
3134G9DB0	10628	Federal Home Loan Mtg Corp	04/28/2016	2,000,000.00	2,000,000.00	1,997,860.00	0.750	0.739	0.750	04/29/2019	1,062
3134G9KW6	10629	Federal Home Loan Mtg Corp	05/26/2016	5,000,000.00	5,000,000.00	4,985,100.00	1.350	1.331	1.350	11/28/2019	1,273
		Subtotal and Average		16,997,353.33	17,000,000.00	16,950,320.00		1.272	1.290		1,453

Portfolio SPWA

AP
FI (PRE FI) 7.1.1
Report Ver: 7.3.5

**Fund 001 - SPWA
Investments by Fund
May 31, 2016**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTMIC 360	YTMIC 365	Maturity Date	Days To Maturity
Supra-National Agency Bond											
459058EJ8	10596	INTL BANK OF RECON AND DEV	04/30/2015	444,503.52	445,000.00	444,603.95	1.000	1.041	1.055	06/15/2018	744
		Subtotal and Average		444,603.52	445,000.00	444,603.95		1.041	1.056		744
Municipal Bonds											
605561FX0	10580	MS ST TXBL GO BONDS	02/18/2015	100,000.00	100,000.00	100,603.00	1.090	1.075	1.090	10/01/2017	487
		Subtotal and Average		100,000.00	100,000.00	100,603.00		1.075	1.090		487
		Total Investments and Average		106,567,131.81	106,400,707.32	106,641,128.22		0.940	0.953		480

**So Placer Wastewater Authority
Transaction Activity Report
May 1, 2016 - May 31, 2016
Sorted by Transaction Date - Transaction Date
All Funds**

Investment #	Fund	New Principal	Principal Paydowns	Interest	Total Cash
10624	001			8,250.00	8,250.00
10624	001		3,208.33	-3,208.33	0.00
			3,208.33	5,041.67	8,250.00
		Totals for 05/01/2016			
10574	001		875,000.00	3,412.50	875,000.00
10574	001			3,412.50	3,412.50
			875,000.00	3,412.50	878,412.50
		Totals for 05/02/2016			
10539	001			7,875.00	7,875.00
				7,875.00	7,875.00
		Totals for 05/06/2016			
10600	001			1,732.50	1,732.50
				1,732.50	1,732.50
		Totals for 05/13/2016			
10602	001			3,796.88	3,796.88
				3,796.88	3,796.88
		Totals for 05/15/2016			
10642	001			4,106.25	4,106.25
				4,106.25	4,106.25
		Totals for 05/16/2016			
10568	001			5,346.38	5,346.38
10601	001			2,587.50	2,587.50
				7,933.88	7,933.88
		Totals for 05/18/2016			
10619	001			16,875.00	16,875.00
				16,875.00	16,875.00
		Totals for 05/20/2016			
10545	001		313,203.52		313,203.52
10545	001		1,488.86		1,488.86
10553	001		150,287.11		150,287.11
10553	001		29.30		29.30
10557	001		1,124,924.63		1,124,924.63
10557	001		2,325.37		2,325.37
10560	001		311,407.03		311,407.03
10560	001		2,903.91		2,903.91
10560	001		759,499.80		759,499.80
10561	001		-2,008.30		-2,008.30
10561	001		1,743,471.68		1,743,471.68
10563	001				
10563	001		-3,320.90		-3,320.90

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

Investment #	Fund	New Principal	Principal Paydowns	Interest	Total Cash
10566	001	1,848,121.09			1,848,121.09
10566	001		1,878.91		1,878.91
10571	001	2,238,439.84			2,238,439.84
10571	001		8,632.44		8,632.44
10572	001	1,581,644.53			1,581,644.53
10572	001		-1,968.75		-1,968.75
10575	001	948,337.50			948,337.50
10575	001		617.50		617.50
10578	001	897,222.66			897,222.66
10578	001		-175.78		-175.78
10583	001	502,558.59			502,558.59
10583	001		-1,503.90		-1,503.90
10590	001	2,992,222.66			2,992,222.66
10590	001		-5,936.71		-5,936.71
10591	001	3,572,070.57			3,572,070.57
10591	001		-4,950.57		-4,950.57
10592	001	4,871,843.75			4,871,843.75
10592	001		-73,253.92		-73,253.92
10598	001	1,507,815.00			1,507,815.00
10598	001		-5,565.00		-5,565.00
10599	001	478,275.00			478,275.00
10599	001		450.00		450.00
10602	001	1,213,991.55			1,213,991.55
10602	001		-1,057.05		-1,057.05
10608	001	458,969.60			458,969.60
10608	001		340.40		340.40
10545	001			941.34	941.34
10553	001			407.45	407.45
10557	001			3,593.75	3,593.75
10560	001			459.74	459.74
10561	001			613.44	613.44
10563	001			2,512.43	2,512.43
10566	001			5,489.01	5,489.01
10571	001			6,738.81	6,738.81
10572	001			2,280.74	2,280.74
10575	001			1,675.69	1,675.69
10578	001			1,396.98	1,396.98
10583	001			1,358.17	1,358.17
10590	001			8,084.71	8,084.71
10591	001			11,372.22	11,372.22
10592	001			50,563.52	50,563.52

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

Investment #	Fund	New Principal	Principal Paydowns	Interest	Total Cash
10598	001			2,333.33	2,333.33
10599	001			521.31	521.31
10602	001			168.75	168.75
10608	001			814.58	814.58
Totals for 05/23/2016		27,433,231.92		101,335.97	27,534,567.89
10629	001	5,000,000.00			-5,000,000.00
Totals for 05/26/2016		5,000,000.00			-5,000,000.00
10603	001			12,680.00	12,680.00
10604	001			10,350.00	10,350.00
Totals for 05/29/2016				23,030.00	23,030.00
10543	001			3,412.50	3,412.60
Totals for 05/30/2016				3,412.50	3,412.50
10630	001	2,064,860.00			-2,064,860.00
10048	001	525,073.01			-525,073.01
10434	001	21,424,209.86			-21,424,209.88
Totals for 05/31/2016		24,014,142.87			-24,014,142.87
Grand Total		29,014,142.87	28,311,440.26	178,552.15	-524,150.47



BNY MELLON

The Bank of New York Mellon Trust Company, N.A.

Account Statement

Statement Period 05/01/2016 Through 05/31/2016

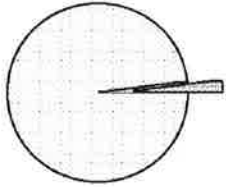
Account 322068
SOUTH PLACER WASTEWATER AUTHORITY
(322068)

Go Paperless. Securely access your account online to view your statements. Ask your BNY Mellon contact how we can help you access your accounts, enter your own transactions or submit an audit confirmation online. Also be sure to ask how Connect(SM), our new web-based, single sign-on platform can help you go paperless.

CLIENT SERVICE MANAGER: MARINA MEZA
400 SOUTH HOPE STREET, SU
LOS ANGELES, CA 90071
213-630-6228
MARINA.MEZA@BNYMELLON.COM

Visit us at www.bnymellon.com

Account Overview



Percent of all Investments	Asset Classification	Market Value
100%	FIXED INCOME	8,167,592.30
<1%	CASH AND SHORT TERM	31,834.25
100%	TOTAL OF ALL INVESTMENTS	8,199,426.55

Summary of Assets Held

Asset Classification	Market Value	Cost	Accrued Income	Est Annual Income	Market Yield
FIXED INCOME	8,167,592.30	8,177,841.00	3,207.21	95,731.25	1.17%
CASH AND SHORT TERM	31,834.25	31,834.25	0.00	0.00	0.00%
ACCOUNT TOTALS	8,199,426.55	8,209,675.25	3,207.21	95,731.25	1.17%

Summary of Cash Transactions

Transaction Category	Current Period			Year-to-Date	
	Income	Principal	Realized Gains/Losses	Income	Principal
OPENING BALANCE	2,753.82 -	2,753.82		2,753.82 -	2,753.82
DIVIDENDS	0.01	0.00	0.00	0.03	0.00
INTEREST	0.00	0.00	0.00	11,265.63	0.00
SALES AND REDEMPTIONS	27,379.48	9,167,548.85	8,056.91	27,379.48	9,167,548.85
OTHER CASH ADDITIONS	2,753.82	19,119.24	0.00	2,753.82	19,119.24
OTHER CASH DISBURSEMENTS	19,119.24 -	2,753.82 -	0.00	19,119.24 -	2,753.82 -
PURCHASES	8,260.25 -	9,186,668.09 -	0.00	19,525.90 -	9,186,668.09 -
CLOSING BALANCE	0.00	0.00	8,056.91	0.00	0.00

The above cash transactions summary is provided for information purposes only and may not reflect actual taxable income or deductible expenses as reportable under the Internal Revenue Code.

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BNY MELLON

The Bank of New York Mellon Trust Company, N.A.

Statement Period 05/01/2016 Through 05/31/2016
Account 322068
SO PLACER 2011 PARITY RESERVE FD

Statement of Assets Held

Shares / Par Value	Asset Description	Market Price Average Cost	Market Value Cost	Accrued Income Est Annual Income	Market Yield
FIXED INCOME					
3,605,000.000	FEDERAL HOME LOAN BANKS CUSIP: 3130A6LZ8 MATURITY DATE: 10/26/2017 RATE: 0.625% MOODY'S Aaa S&P AA+	99.75100 99.55939	3,596,023.55 3,589,116.00	2,190.54 22,531.25	0.63%
4,575,000.000	FEDERAL HOME LOAN MORTGAGE CORP CUSIP: 3134G9PU5 MATURITY DATE: 05/26/2020 RATE: 1.600%	99.92500 100.30000	4,571,568.75 4,588,725.00	1,016.67 73,200.00	1.60%
Total FIXED INCOME			8,167,592.30 8,177,841.00	3,207.21 95,731.25	1.17%
CASH AND SHORT TERM					
31,834.250	INSTL RES TRE AND AGNY CASH ADV6541 CUSIP: X9USDEFRU	1.00000 1.00000	31,834.25 31,834.25	0.00 0.00	0.00%
Total CASH AND SHORT TERM			31,834.25 31,834.25	0.00 0.00	0.00%
ACCOUNT TOTALS			8,199,426.55 8,209,675.25	3,207.21 95,731.25	1.17%

Total Market Value Plus Total Accrued Income 8,202,633.76

Statement of Transactions

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
05/01/16	OPENING BALANCE	2,753.82 -	2,753.82	8,201,821.66	
05/02/16	Purchase INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/02/16 SET/DATE 05/02/16 CUSIP X9USDEFRU 4,597,943.09 SHARES	0.00	4,597,943.09 -	4,597,943.09	0.00
05/02/16	Purchase INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/02/16 SET/DATE 05/02/16 CUSIP X9USDEFRU 8,056.91 SHARES	8,056.91 -	0.00	8,056.91	0.00
05/02/16	Redemptn FANNIE MAE DISCOUNT NOTES RATE: 0.000% MATURITY: 05/02/16 TRADE DATE 05/02/16 SET/DATE 05/02/16 CUSIP 313588WH4 4,606,000.00 SHARES	8,056.91	4,597,943.09	4,597,943.09 -	8,056.91
05/02/16	DAILY ENDING BALANCE	2,753.82 -	2,753.82	8,209,878.57	8,056.91
05/03/16	Purchase INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/03/16 SET/DATE 05/03/16 CUSIP X9USDEFRU 0.01 SHARES	0.01 -	0.00	0.01	0.00
05/03/16	Dividend INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/03/16 SET/DATE 05/03/16 CUSIP X9USDEFRU 0.01 SHARES	0.01	0.00	0.00	0.00
05/03/16	DAILY ENDING BALANCE	2,753.82 -	2,753.82	8,209,878.58	8,056.91
05/17/16	Cash Credit TO CLEAR OUT PRINCIPAL AND INCOME BUCKETS.	2,753.82	0.00	0.00	0.00
05/17/16	Cash Debit TO CLEAR OUT PRINCIPAL AND INCOME BUCKETS.	0.00	2,753.82 -	0.00	0.00
05/17/16	DAILY ENDING BALANCE	0.00	0.00	8,209,878.58	8,056.91

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BNY MELLON

The Bank of New York Mellon Trust Company, N.A.

Statement Period 05/01/2016 Through 05/31/2016
Account 322068
SO PLACER 2011 PARITY RESERVE FD

Statement of Transactions - Continued

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
05/27/16	Purchase FEDERAL HOME LOAN MORTGAGE CORP RATE: 1,600% MATURITY: 05/26/20 TRADE DATE 05/26/16 SET/DATE 05/27/16 CUSIP 3134G9PU5 4,575,000.00 SHARES	203.33 -	4,588,725.00 -	4,588,725.00	0.00
05/27/16	Sale INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/27/16 SET/DATE 05/27/16 CUSIP X9USDEFRU 4,569,605.76 SHARES	0.00	4,569,605.76	4,569,605.76 -	0.00
05/27/16	Sale INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 05/27/16 SET/DATE 05/27/16 CUSIP X9USDEFRU 19,322.57 SHARES	19,322.57	0.00	19,322.57 -	0.00
05/27/16	Cash Credit TRF FR INCOME TO PRINCIPAL	0.00	19,119.24	0.00	0.00
05/27/16	Cash Debit TRF FR INCOME TO PRINCIPAL	19,119.24 -	0.00	0.00	0.00
05/27/16	DAILY ENDING BALANCE	0.00	0.00	8,209,675.25	8,056.91
05/31/16	CLOSING BALANCE	0.00	0.00	8,209,675.25	8,056.91

Cumulative realized capital gain and loss position from 12/31/2015 for securities held in principal of account:

Short Term: 8,056.91 * Long Term: 0.00 *

* The above gain and loss position does not include transactions where tax cost information is incomplete or unavailable.

Cash and securities set forth on this Account Statement are held by The Bank of New York Mellon, an affiliate of The Bank of New York Mellon Trust Company, N.A. In addition, The Bank of New York Mellon Trust Company, N.A. may utilize subsidiaries and affiliates to provide services and certain products to the Account. Subsidiaries and affiliates may be compensated for their services and products.

The value of securities set forth on this Account Statement are obtained by The Bank of New York Mellon Trust Company, N.A., from its affiliate, The Bank of New York Mellon which determines such values for Corporate Trust on the basis of market prices and information obtained by The Bank of New York Mellon from unaffiliated third parties (including independent pricing vendors) ("third party pricing services"). The Bank of New York Mellon has not verified such market values or information and makes no assurances as to the accuracy or correctness of such market values or information or that the market values set forth on this Account Statement reflect the value of the securities that can be realized upon the sale of such securities. In addition, the market values for the securities set forth in this Account Statement may differ from the market prices and information for the same securities used by other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates based upon market prices and information received from other third party pricing services utilized by such other business units. Corporate Trust does not compare its market values with those used by, or reconcile different market values used by, other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates. Neither The Bank of New York Mellon Trust Company, N.A. nor The Bank of New York Mellon shall be liable for any loss, damage or expense incurred as a result of or arising from or related to the market values or information provided by third party pricing services or the differences in market prices or information provided by other third party pricing services.

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 9, 2016

FROM: Jacquie Clarizio – Financial Analyst

AUTHORITY COMMUNICATION NO: 16-13

SUBJECT: Investment Policy and Swap Policies

For SPWA Board Meeting 6/30/16

ACTION REQUESTED

It is recommended that the Board adopt the Investment Policy and Swap Policy for the South Placer Wastewater Authority.

BACKGROUND

Every year the Investment and Swap Policies are reviewed by staff to ensure the policy complies with the California Government Code.

INVESTMENTS

The purpose of the Investment Policy is to establish cash management and investment guidelines for the Treasurer, who is responsible for the stewardship of the SPWA investment program. Each transaction and the entire portfolio must comply with the California Government Code Sections 53600 and 53635 et seq. and the Investment Policy. The Investment Policy conforms to the customary standards of prudent investment management and any changes to the policy must be adopted by the Board of Directors. Starting in September 2015, the Treasurer now manages the investment portfolio instead of contracting these services to an outside investment advisory firm.

Staff has made some recommended changes to the Investment Policy with the goal of having the Policy certified by the California Municipal Treasurers Association (CMTA) through their Investment Policy Certification Program.

The following are the proposed changes to the Investment Policy:

A cover page and table of contents were added to make the policy easier to follow. Some minor language clarifying the objectives and delegation of authority were changed. A section on authorized financial dealers and institutions was added to the policy. The section on reporting requirements was changed to better reflect what is included on the investment report. Some items were added to the glossary. These are all minor clean up changes.

With these changes the SPWA Investment Policy will be consistent with the City's Investment Policy.

SWAP

There are no changes to the Swap Policy.

Submitted by:



Jacquie Clarizio
Financial Analyst

Approved by:



Jay Panzica
Treasurer



Kenneth J. Glotzbach
Executive Director

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2016-03

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOUTH PLACER WASTEWATER AUTHORITY
ADOPTING THE SOUTH PLACER WASTEWATER AUTHORITY
INVESTMENT POLICY AND SWAP GUIDELINES FOR FY 2016-2017**

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, including the Swap Guidelines set forth therein, to incorporate certain changes that the Board deems necessary or advisable.

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 2016-2017 is hereby adopted in the form presented at this meeting.

PASSED AND ADOPTED this 30th day of June, 2016, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary

South Placer Wastewater Authority Investment Policy



Effective July 1, 2016

Table of Contents

I. Introduction.....	43
II. Scope.....	43
III. Prudence.....	43
IV. Objectives	54
V. Delegation of Authority	54
VI. Ethics and Conflict of Interest	64
VII. Authorized Financial Dealers and Institutions.....	64
VIII. Permitted Investment Instruments	65
IX. Maximum Maturity.....	109
X. Prohibited Investments.....	109
XI. Reporting Requirements	109
XII. Internal Control	110
XIII. Performance Benchmark.....	110
XIV. Safekeeping and Custody.....	120
XV. Glossary.....	131
I. Introduction.....	3
II. Scope.....	3
III. Prudence.....	3
IV. Objectives	4
V. Delegation of Authority	4
VI. Ethics and Conflict of Interest	4

VII. Authorized Financial Dealers and Institutions.....	4
VIII. Permitted Investment Instruments	5
IX. Maximum Maturity.....	9
X. Prohibited Investments.....	9
XI. Reporting Requirements	9
XII. Internal Control	10
XIII. Performance Benchmark.....	10
XIV. Safekeeping and Custody.....	10
Investment Policy.....	3
Fiscal Year 2015-2016.....	3
VII. Permitted Investment Instruments	4
X. Reporting Requirements	9

South Placer Wastewater Authority

Investment Policy

~~Fiscal Year 2015-2016~~ Effective July 1, 2016

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 (~~City of Roseville~~SPWA) are based on state law and prudent money management. All funds will be invested in accordance with this investment policy and Article 2 of Chapter 4 of the California Government Code. This policy is in compliance with the provisions of the California Government Code, Sections 53600 through 53659, ~~the~~ and the authority governing investments for municipal governments.

~~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. To further achieve the objective of safety the amount invested in all investment categories is limited to a percentage of the portfolio as defined in section VIII "Permitted Investment Instruments".
- 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 Treasurer is management responsibility responsible for the management of 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. No person may engage in an investment transaction except as provided under the limits of this policy unless specifically exempted by statute or ordinance.

~~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. Authorized Financial Dealers and Institutions

The CFO/Treasurer and/or his/her designee will maintain a list of approved financial institutions authorized to provide investment services to the City of Roseville SPWA. in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. A determination should be made to insure that all approved Broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Public Agency. The firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with the public agency must supply the CFO/Treasurer with the following: completed broker/dealer questionnaire, and certification of having read the City's SPWA investment policy.

VIII. 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, a state or federal savings and loan association, state or federal credit union, or 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.~~

~~15.13.~~ **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.

~~16.14.~~ **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.

~~17.15.~~ **City of Roseville's Pooled Investment Fund.**

~~18.16.~~ **Supranationals** which are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA-", its equivalent, or better by an NRSRO.

Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the Authority. Supranationals will be permitted by California Government Code §53601 (q) and this Policy effective January 1, 2015.

19.17. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized rating service, as "AA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as provided by a nationally recognized rating service. No more than 20 percent of the Authority's surplus funds may be invested in this type of security.

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.

IXVIII. 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.

XI. Reporting Requirements

The Treasurer shall make available 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
- Book Value
- Par Value
- Current market value
- Transaction Activity
- Interest Earnings Summary
- 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.

XIII. Performance Benchmark

The investment portfolio will be designed to obtain a market rate of return during budgetary and economic cycles, taking into account the City’s investment risk constraints and cash flow needs. The Investment Review Committee has elected to use for its performance standard the Constant Maturity Treasury (CMT) Index. The SPWA Portfolio the 12 month moving average yield on 2Yr CMT will be used.
~~The investment portfolio will be designed to obtain a market rate of return during~~

~~budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The Investment Review Committee has elected to use the 2-Yr US Treasury's 12-Month Moving Average as its performance standard.~~

XIV~~I~~. 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.

XV. Glossary

Broker-Dealer – a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificate of Deposit (CD) – A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CDs are typically negotiable.

Collateral – Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Custody – Safekeeping services offered by a bank, financial institution or trust company, referred to as the “custodian.” Service normally includes the holding and reporting of the customer’s securities, the collection and disbursement of income, securities settlement and market values.

Delivery Versus Payment – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or custodian. It ensures that securities are deposited in an eligible financial institution prior to the release of funds. Securities should be held by a third-party custodian as evidenced by safekeeping receipts.

Diversification – Dividing investment funds among a variety of securities offering independent returns.

Federal Agency Obligation – A debt instrument issued by one of the federal agencies. Federal agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Liquidity – An investment that can be converted easily and rapidly into cash without a substantial loss of value.

Local Agency Investment Fund (LAIF) – The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Value – The price at which a security is trading and could presumably be purchased or sold on a specific date.

Maturity – The date upon which the principal or stated value of an investment becomes due and payable.

Money Market Fund – a type of safe investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must maintain a stable net asset value (NAV) of \$1 per share.

Portfolio – Collection of securities held by an investor,

Principal – the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Prudent Investor Standard – An investment standard that all investments should be made 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.

U.S. Treasury – Government debt issued by the United States Department of the Treasury through the Bureau of the Public Debt. Treasury securities are the debt financing instruments of the United States federal government, and they are often referred to simply as Treasuries. There are four types of marketable treasury securities: Treasury bills, Treasury notes, Treasury bonds, and Treasury Inflation Protected Securities (TIPS). All of the marketable Treasury securities are very liquid and are heavily traded on the secondary market.

APPENDIX A
SOUTH PLACER WASTEWATER AUTHORITY
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-" by one of the nationally recognized rating agencies (i.e. Moody's, Standard and Poor's, and Fitch) and not rated lower than "A2" or "A" by any 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.