

4. Resolution: Approval of the following resolutions in connection with State Water Quality Control Board (SWQCB) Clean Water State Revolving Fund (SRF) funding not to exceed \$118,311,668. (Ken Glotzbach)
 - a. Reimbursement Agreement Resolution: Authorizing the City of Roseville to individually apply for SRF funding on behalf of the Authority.
 - b. Reimbursement Resolution: Required by the SWQCB for SRF funding.
 - c. Authorizing Resolution: Required by the SWQCB for SRF funding.
 - d. Pledge Revenues and Funds(s) Resolution: Required by the SWQCB for SRF funding.
 - e. Contingent Authorizing Resolution: Authorizing the Executive Director to deliver the foregoing resolutions to the SWQCB and to take all additional actions necessary to secure SRF funding on behalf of the SPWA, if the City does not obtain the SRF funding.

5. Information: Review of Pleasant Grove Wastewater Treatment Plant Energy Improvements. (Adam Ross)

PUBLIC COMMENTS

REPORTS/COMMENTS – BOARD MEMBERS/STAFF

ADJOURNMENT

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

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

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

SOUTH PLACER WASTEWATER AUTHORITY

John Allard – Roseville (*Chair*)
Jack Duran – Placer County (*Vice Chair*)
Bonnie Gore – Roseville
Jerry Mitchell – SPMUD
Robert Weygandt – Placer County

MINUTES OF BOARD OF DIRECTORS' MEETING June 29, 2017

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:

Scott Alvord
Jack Duran
Bonnie Gore
Jerry Mitchell
Robert Weygandt

Staff Present:

Sabrina Thomas, JPA Counsel
Ken Glotzbach, Executive Director
Karen Sainsbury, Secretary

Silent Roll Call

All Directors were present. Roseville Alternate Director Scott Alvord attended for Director John Allard.

Introductions

The following were in attendance: Vanessa Lieberman, Jacquelyn Flickinger, Jacquie Clarizio, Nick Rosas, Janet Vargas and George Hanson from the City of Roseville; Herb Niederberger from SPMUD; Kevin Bell from Placer County; Phillip Curls of FirstSouthwest; John Sheldon, Dan Kurz and Steve Splawinski of Morgan Stanley; and Roseville Public Utilities Commissioner Jim Viele.

Approval of Minutes, May 11, 2017

A vote was taken as follows:

MOTION by Director Gore seconded by Director Weygandt to approve the May 11, 2017 minutes. The vote was unanimous.

Old Business

1. Information: Financial Agreement with FirstSouthwest

Ken Glotzbach presented the fully executed agreement approved at the previous meeting.

New Business

1. Direction: 2017 Bond Issuance Alternatives

The Authority's Financial Advisor Phillip Curls reported on the status of the authority's bonds and introduced John Sheldon of Morgan Stanley to present the various options for consideration and direction by the Board.

MOTION by Director Weygandt seconded by Director Mitchell to proceed with new money bonds for the PGWWTP Expansion Project, the advance refunding of the Series 2011C Fixed Rate Bonds, and Scenario II (partial swap termination and fixed rate refinancing of the Series 2014 SIFMA Index Bonds). The vote was unanimous.

2. Information: Overview of Swap Performance & Annual Reporting Requirements

Vanessa Lieberman reported on the Swap Performance and Annual Reporting Requirements.

3. Information: Investments Report

Jacque Clarizio reported on the Authority's investments through May 31, 2017.

4. Resolution: Approval of FY2018 Investment Policy and Swap Guidelines

Jacque Clarizio presented changes to the Investment Policy and Swap Guidelines and requested Board approval.

Motion by Director Gore seconded by Director Weygandt to approve Resolution No. 2017-05 adopting the revised Investment Policy and Swap Guidelines. The vote was unanimous.

5. Information: Rate Stabilization Fund Balances & Connection Fee Revenues

Jacquelyn Flickinger presented the Rate Stabilization Fund Balances and Connection Fee Revenues for information.

6. Resolution: Approval of Capital Improvement Projects Budget and Project Update FY17-18

Ken Glotzbach presented the Capital Improvement Projects Budget and Project Update for FY2017-18 and requested Board approval.

Motion by Director Weygandt seconded by Director Mitchell to approve Resolution No. 2017-06 adopting the adjustments to the Capital Improvement Projects and CIP Budget for FY2107-18. The vote was unanimous.

7. Resolution: Approval of Annual Operating Budget for FY2017-18

Janet Vargas presented the Authority's operating budget for FY2017-18 and requested Board Approval.

Motion by Director Gore seconded by Director Weygandt to approve Resolution No. 2017-07 adopting the FY2017-18 Operating Budget. The vote was unanimous.

Reports/Comments – Board Members/Staff

None.

Public Comment

None.

Adjournment

The meeting was adjourned at 11:18 a.m.

Jack Duran
Vice Chair

Karen Sainsbury
Secretary to the Board

New Business
Agenda item #1

Information:

Overview of Proposed 2017 Financing
Plan

(Phillip Curls)

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: August 8, 2017

FROM: Executive Director's office

AUTHORITY COMMUNICATION NO.: 17-23

SUBJECT: Debt Management Policy

For SPWA Board Meeting 8/17/17

ACTION REQUESTED

Staff recommends that the Board approve a Resolution to adopt the attached Debt Management Policy.

BACKGROUND

Senate Bill 1029 (SB 1029), became effective on January 1, 2017, and amended California Government Code section 8855 to add certain requirements related to the issuance and administration of debt by local agencies, including the adoption of a "debt policy" meeting the requirements of Government Code section 8855. The new legislation impacts SPWA's upcoming bond issuance as the Board is now required to adopt a debt management policy, at least 30 days prior to the pricing of any future bond issue, in compliance with SB 1029.

DISCUSSION

In connection with the issuance of new debt by SPWA, bond counsel submitted to the California Debt and Investment Advisory Commission (CDIAC) a preliminary report of debt issuance describing the proposed debt issuance. Part of the preliminary report of debt issuance is a certification by SPWA that it has adopted a debt policy that meets the requirements of the new legislation. Accordingly, bond counsel has directed submission of a policy to the Board.

In accordance with Government Code section 8855, a local debt policy must include all of the following:

- (A) The purposes for which the debt proceeds may be used;
- (B) The types of debt that may be issued;
- (C) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable;
- (D) Policy goals related to the issuer's planning goals and objectives; and
- (E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The proposed policy represents a conservative general policy that meets all the requirements of SB 1029. While the policy sets forth relevant goals to be utilized by

Authority staff, it is not legally binding and provides the Executive Director or Treasurer with discretion to deviate as he or she determines is appropriate from time to time in the prudent management of the debt and capital financing needs of the Authority and the Participants. The policy may also be amended at any time by the Board as it deems appropriate.

Adoption of a debt policy meeting the statutory requirements prior to the issuance of the proposed 2017 refunding and new money bond issue is required for compliance with the new legislation.

Submitted by:



Kenneth J. Glotzbach
Executive Director

Attachment: Debt Management Policy

RESOLUTION NO. 2017-08

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
ADOPTING A DEBT MANAGEMENT POLICY**

WHEREAS, Senate Bill 1029 (SB 1029), became effective on January 1, 2017, and amended California Government Code section 8855 to add certain requirements related to the issuance and administration of debt by local agencies such as the South Placer Wastewater Authority (the "Authority"), including the adoption of a debt policy meeting the requirements of California Government Code section 8855; and

WHEREAS, the Board of Directors of the Authority wishes to approve a debt policy that is compliant with California Government Code section 8855 to govern future issuances of debt by the Authority.

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

Section 1. Adoption of Policy. The Board of Directors hereby approves and adopts the Debt Management Policy in the form presented to the Board of Directors. The Debt Management Policy shall govern the issuance and administration of debt issued by the Authority, in accordance and subject to the conditions set forth in such policy.

Section 2. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED this 17th day of August 2017, by the following vote:

AYES:

NOES:

ABSENT:

Chair

Attest:

Secretary

SOUTH PLACER WASTEWATER AUTHORITY

DEBT MANAGEMENT POLICY

Effective _____, 2017

This Debt Management Policy (the "Debt Policy") establishes the parameters within which debt may be issued and administered by the South Placer Wastewater Authority (the "Authority"). The Authority was created by the City of Roseville (the "City"), the South Placer Municipal Utility District (the "District"), and the County of Placer (the "County") (the City, the District 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, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, dated as of October 1, 2012, each among the Participants.

Additionally, these policies apply to debt issued by the Authority on behalf of assessment districts, community facilities districts, or other special districts formed by the Authority, and any conduit-type financings involving the Authority.

The Debt Policy may be utilized by staff of the Authority with the discretion to deviate as determined appropriate by the Executive Director or Treasurer, and may be amended by the Board of Directors of the Authority as it deems appropriate from time to time in the prudent management of the debt and capital financing needs of the Authority and the Participants.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the Authority.

The Authority hereby recognize that a fiscally prudent debt policy is required in order to:

- Maintain the Authority's sound financial position.
- Ensure the Authority have the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the Authority's credit-worthiness.
- Ensure that all debt is structured in the best interests of the Participants, the Participants' current and future ratepayers and other constituents.
- Ensure that the Authority's debt is consistent with its planning goals and objectives and capital improvement program (CIP) or budget, as applicable.

2. Policies

A. Purposes For Which Debt May Be Issued

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the Authority.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the Authority, the Participants and their respective ratepayers/constituents, as applicable.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The Authority may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the Board of Directors of the Authority.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- The Authority estimates that sufficient revenues will be available to service the debt through its maturity.
- The Authority determines that the issuance of the debt will comply with all applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the Authority's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the Authority may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The Authority may also find it beneficial to engage in conduit-type financings to further the public purposes of the Authority. In such cases, the Authority shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

B. Types of Debt

The following types of debt are allowable under this Debt Policy:

- Revenue bonds, installment sale/purchase agreements, and certificates of participation (COPs)
- Lease revenue bonds and lease-purchase transactions
- General obligation bonds (GO Bonds)
- Bond or grant anticipation notes
- Tax and revenue anticipation notes (TRANS)
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Tax increment financing to the extent permitted under State law

The Board of Directors may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

C. Relationship of Debt to Capital Improvement Program and Budget

The Authority is committed to long-term capital planning. The Authority intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in its budget and capital improvement plan.

The Authority shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of funds designated therefor. The Authority shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The Authority shall integrate its debt issuances with the goals of the capital improvement program and the Participants by timing the issuance of debt to ensure that projects are available when needed in furtherance of their public purposes.

The Authority shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment.

D. Policy Goals Related to Planning Goals and Objectives

The Authority is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The Authority intend to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the annual operations budget.

It is a policy goal of the Authority to protect the Participants, the Participant's ratepayers and constituents, as applicable, by utilizing financing methods and techniques so as to obtain the highest practical credit ratings and the lowest practical borrowing costs.

The Authority will comply with applicable state and federal law as it pertains to the maximum term of debt and tax-exempt status thereof, as and to the extent applicable.

When refinancing debt, it shall be the policy goal of the Authority to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the Authority shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the Authority will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the Authority in accordance with SEC Rule 15c2-12.
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- Investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the Authority upon the submission of one or more written requisitions by the Executive Director or Treasurer, or his or her written designee, or (b) by the Authority, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the Authority.

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: 8/9/17

FROM: Executive Director's office

AUTHORITY COMMUNICATION NO.: 17-24

SUBJECT: Approval of the Sale of Wastewater Revenue Bonds, Series 2017

For SPWA Board Meeting 8/17/17

ACTION REQUESTED

Approval of the sale of wastewater revenue bonds and related agreements (described below) to (i) finance the Pleasant Grove Wastewater Treatment Plant Expansion Project or other capital projects, (ii) refund all or a portion of the Authority's Wastewater Revenue Refunding Bonds, Series 2011C and Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds), and (iii) finance a termination payment related to an existing swap agreement. The bonds will be titled Wastewater Revenue Bonds, Series 2017 and authorized in an aggregate principal amount not to exceed \$125,000,000.

BACKGROUND

The following report describes the plan of finance that was approved by the Authority on June 29, 2017 in relation to financing Pleasant Grove Wastewater Treatment Plant Expansion projects, refinancing certain outstanding obligations, and partially terminating an existing swap agreement. An analysis prepared by the Authority's financial advisor, Hilltop Securities, Inc. and bond underwriter, Morgan Stanley, detailed the options available to the Authority and the Authority approved the following plan of finance:

1. Financing approximately \$30,000,000 of Pleasant Grove Wastewater Treatment Plant Expansion project;
2. Refinancing \$27,855,000 of the Wastewater Revenue Refunding Bonds, Series 2011C (the "2011C Bonds") for debt service savings;
3. Refinancing \$29,120,000 of the Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "2014 SIFMA Bonds") into fixed rate bonds; and
4. Partial swap termination payment of approximately \$4,900,000 to reduce the outstanding swap notional amount of \$64,775,000 by \$29,120,000.

DEBT

The Authority has \$135,380,000 of outstanding revenue bonds split into four series: 2011C Bonds (\$46,930,000) fixed rate bonds, 2014 SIFMA Bonds (\$29,120,000), and 2016 Bonds (\$59,330,000) Variable Rate Demand Bonds. Both the 2014 Bonds and 2016 Bonds are variable rate bonds that derive their interest rates from certain indices. The 2014 SIFMA Bonds rate is set based on the SIFMA Index plus 0.33% and the 2016 Bonds rate is set based on 70.5% of 1-month LIBOR plus 0.55%. The following table shows the Authority's outstanding debt issues and interest rate swap agreement.

Outstanding Wastewater Revenue Bonds

Series	Type	Issue Size	Outstanding	Total Callable Par Outstanding	Interest Rate	First Call Date	Final Maturity	Expiration Date	% Advance Refundable
2011C	Fixed	\$67,040,000	\$46,930,000	\$27,855,000	5.00% - 5.25%	11/1/2020	11/1/2025	None	100%
2013/2016 ⁽¹⁾	Variable	59,330,000	59,330,000	59,330,000	70.5% of 1mL + 0.55%	10/1/2017	11/1/2035	4/1/2020	0%
2014	SIFMA FRN	29,120,000	29,120,000	29,120,000	SIFMA + 0.33%	Current	11/1/2029	11/1/2017	0%
Total		\$155,490,000	\$135,380,000	\$116,305,000					

⁽¹⁾ Direct Placement with US Bank as amended in 2016 (3.5-year term with termination option after the first year)

 = Refunding candidate

 = Must be refinanced prior to November 1, 2017 maturity date

Summary of Interest Rate Swap Agreement

Effective Date	Counterparty	Notional Outstanding	Fixed Rate Paid	Variable Rate Received	Maturity / Termination
9/17/2003 ⁽¹⁾	Morgan Stanley	\$64,775,000	3.665%	62% of 1M LIBOR + 26 bps	11/1/2027

⁽¹⁾ Amended 4/10/2008

Plan of Finance

The Wastewater Revenue Bonds, Series 2017 (the "2017 Bonds") are anticipated to generate \$30,000,000 in proceeds to finance a portion of the Pleasant Grove Wastewater Treatment Plant Expansion projects. The 2017 Bonds are also expected to advance refund the 2011C Bond's callable maturities for projected net present value savings of \$2.50 million (9.0% of refunded par amount). As a general rule, bond refundings that generate net present value savings in excess of 3.0% of refunded par amount are considered strong refunding candidates. The 2017 Bonds will also refinance the 2014 SIFMA Bonds into fixed rate bonds. As part of the plan of finance, the Authority will make a partial termination payment for the outstanding interest rate swap agreement. The projected partial swap termination payment of \$4,900,000 would result in shortening the final maturity of the swap agreement from November 2027 to November 2024. Authority Staff initially contemplated financing the partial swap termination payment from 2017 Bond proceeds but due to tax-exempt financing restrictions, Staff is currently recommending that the Authority use cash on hand from the rate stabilization fund to make the payment.

Approved by:



Kenneth J. Glotzbach
Executive Director

Attachments:

Resolution 2017-09

Sixth Supplement Wastewater Revenue Bond Indenture

Contract of Purchase

Preliminary Official Statement

RESOLUTION NO. 2017-09

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING BOND FINANCING OF WASTEWATER REVENUE BONDS,
AUTHORIZING EXECUTION OF A SUPPLEMENTAL INDENTURE OF TRUST
THEREFOR AND OTHER DOCUMENTS, AND RELATED MATTERS**

WHEREAS, the City of Roseville (the "City"), together with the County of Placer (the "County") and the South Placer Municipal Utility District (the "District," and collectively the "Participants"), have formed a joint powers agency, known as the South Placer Wastewater Authority (the "Authority") for the purpose of jointly financing the Pleasant Grove Wastewater Treatment Plant, improvements to the Dry Creek Wastewater Treatment Plant, and other Related Regional Infrastructure (as defined in the Funding Agreement), including to issue bonds for such purpose; and

WHEREAS, in accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, and a Fourth Supplemental Indenture, each dated as of April 1, 2011, the Authority issued its Wastewater Revenue Refunding Bonds, Series 2011A (Variable Rate Demand Bonds) (the "Series 2011A Bonds") in the original principal amount of \$30,165,000, its Wastewater Revenue Refunding Bonds, Series 2011B (Variable Rate Demand Bonds) (the "Series 2011B Bonds") in the original principal amount of \$30,160,000, its Wastewater Revenue Refunding Bonds, Series 2011C (the "Series 2011C Bonds") in the original principal amount of \$67,040,000, and its Wastewater Revenue Refunding Bonds, Series 2011D (SIFMA Index Bonds) (the "Series 2011D Bonds") in the original principal amount of \$30,000,000; and

WHEREAS, in accordance with the Bond Law and the Indenture, as supplemented by a Fifth Supplemental Wastewater Revenue Bond Indenture, dated as of August 1, 2014, between the Authority and the Trustee, the Authority issued its South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "Series 2014 Bonds") in the original principal amount of \$29,120,000; and

WHEREAS, the Authority has previously refunded (i) the Series 2011A Bonds and Series 2011B Bonds with proceeds of its Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "Series 2013 Bonds") issued in the original principal amount of \$59,330,000 pursuant to a Wastewater Revenue Bond Indenture, between the Authority and the Trustee, dated as of April 1, 2013 (the "2013 Indenture") and (ii) the Series 2011D Bonds with proceeds of the Series 2014 Bonds; and

WHEREAS, to provide funds to (i) finance the Series 2017 Project (as defined in the Sixth Supplement described herein), (ii) defease and redeem all or a portion of the outstanding Series 2011C Bonds and all of the Series 2014 Bonds, (iii) finance a termination payment related to a

swap agreement previously entered into by the Authority, (iv) pay the costs of issuance of the Series 2017 Bonds, and (v) fund a deposit to the Parity Reserve Fund, if necessary, the Authority, after due investigation and deliberation, has determined that it is desirable and necessary and in the best interests of the Authority and the Participants to issue its Wastewater Revenue Bonds, Series 2017 (the "Series 2017 Bonds"); and

WHEREAS, in order to provide for the issuance of the Series 2017 Bonds, the Authority desires to supplement the Indenture by entering into that certain Sixth Supplemental Wastewater Revenue Bond Indenture (the "Sixth Supplement"); and

WHEREAS, the Authority has prepared a form of Official Statement (the "Official Statement"), to be delivered to prospective purchasers of the Series 2017 Bonds, which Official Statement describes the Participants, the Authority, and the terms of and the security for the Series 2017 Bonds; and

WHEREAS, the Indenture provides that the Series 2017 Bonds will be issued as fixed rate bonds and will be secured by certain revenues of the Authority on parity with certain other bond obligations of the Authority, all as described in the Indenture; and

WHEREAS, in connection with the issuance of the Series 2017 Bonds, the Authority will be required to execute a Contract of Purchase providing for purchase of the Series 2017 Bonds by the Underwriter and certain other documents; and

WHEREAS, the Board of Directors of the Authority (the "Board") wishes at this time to authorize all proceedings relating to the Authority's issuance of the Series 2017 Bonds;

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

Section 1. Recitals True and Correct. The Board hereby determines that the foregoing recitals are true and correct.

Section 2. Definitions. Except as otherwise defined herein, all initially capitalized terms shall have the definitions given to them in that certain Amended and Restated Funding Agreement relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012, among the Authority and the Participants (the "Funding Agreement"), as it may be amended from time to time.

Section 3. Issuance of the Series 2017 Bonds; Approval of Sixth Supplement. The Board hereby authorizes the issuance of the Series 2017 Bonds under and pursuant to the Act and the Indenture in the aggregate principal amount of not to exceed \$125,000,000, for the purposes described in the Sixth Supplement and summarized in the recitals hereto. The Board hereby approves the Indenture and the Sixth Supplement thereto, including the pledge of Revenues described therein for payment of the Series 2017 Bonds, in substantially the form on file with the Secretary (or in the form of a new indenture of trust incorporating substantially the same terms as the Indenture, as amended by the Sixth Supplement), together with such changes, insertions and omissions as may be approved by the Treasurer, Executive Director or Chair of the Authority, or any of their designees (each, an "Authorized Officer"), such approval to be conclusively evidenced by the execution and delivery thereof. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Sixth Supplement, for and in the name and on behalf of the Authority. The

Board hereby authorizes the delivery and performance of the Indenture, as supplemented by the Sixth Supplement.

Section 4. Sale of the Series 2017 Bonds. The Board hereby approves the sale of the Series 2017 Bonds by the Authority, by negotiation, to Morgan Stanley & Co. LLC (the "Underwriter"). The Board hereby approves the Contract of Purchase between the Underwriter and the Authority, pursuant to which the Underwriter agrees to purchase the Series 2017 Bonds (the "Contract of Purchase") in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof, so long as the aggregate principal amount of Series 2017 Bonds does not exceed the amount authorized above in this resolution. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Contract of Purchase, for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Contract of Purchase.

Section 5. Approval of Official Statement. The Board hereby approves the Official Statement, in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Board hereby authorizes the distribution of the Official Statement by the Underwriter to prospective purchasers of the Series 2017 Bonds. Each Authorized Officer is hereby authorized, on behalf of the Authority, to execute and deliver an appropriate certificate stating that the Official Statement has been deemed "final" within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 6. Official Actions. The Chair, the Vice Chair, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including the selection of the Trustee, execution and delivery of an arbitrage certificate and continuing disclosure agreement, any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution, including but not limited to an escrow agreement or refunding instructions pertaining to the of refunding the Series 2011C Bonds and the Series 2014 Bonds, and documents effectuating the payment of the swap termination payment and related amendments.

Section 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED this 17th day of August 2017, by the following vote:

AYES:

NOES:

ABSENT:

Chair

Attest:

Secretary



**SIXTH SUPPLEMENTAL
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
September 1, 2017**

(Supplemental to the Wastewater Revenue
Bond Indenture dated as of April 1, 2011)

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Sixth Supplemental Wastewater Revenue Bond Indenture

(Supplemental to the Wastewater Revenue Bond Indenture
dated as of April 1, 2011)

Authorizing the Issuance of
\$ _____ Principal Amount of
South Placer Wastewater Authority
Wastewater Revenue Bonds, Series 2017

This SIXTH SUPPLEMENTAL WASTEWATER REVENUE BOND INDENTURE, dated as of September 1, 2017 (the "Sixth Supplemental Indenture"), 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"),

BACKGROUND:

1. 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 City 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, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, dated as of October 1, 2012, each among the Participants (the "Joint Powers Agreement").

2. In accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, between the Authority and the Trustee, as supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, and a Fourth Supplemental Indenture, each dated as of April 1, 2011, the Authority issued its Wastewater Revenue Refunding Bonds, Series 2011A (Variable Rate Demand Bonds) (the "Series 2011A Bonds") in the original principal amount of \$30,165,000, its Wastewater Revenue Refunding Bonds, Series 2011B (Variable Rate Demand Bonds) (the "Series 2011B Bonds") in the original principal amount of \$30,160,000, its Wastewater Revenue Refunding Bonds, Series 2011C (the "Series 2011C Bonds") in the original principal amount of \$67,040,000, and its Wastewater Revenue Refunding Bonds, Series 2011D (SIFMA Index Bonds) (the "Series 2011D Bonds") in the original principal amount of \$30,000,000.

3. In accordance with the Bond Law and the Indenture, as supplemented by a Fifth Supplemental Wastewater Revenue Bond Indenture, dated as of August 1, 2014, between the Authority and the Trustee, the Authority issued its South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "Series 2014 Bonds") in the original principal amount of \$29,120,000.

4. The Authority has previously refunded (i) the Series 2011A Bonds and Series 2011B Bonds with proceeds of its Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "Series 2013 Bonds") issued in the original principal amount of \$59,330,000 pursuant to a Wastewater Revenue Bond Indenture, between the

Authority and the Trustee, dated as of April 1, 2013 (the "2013 Indenture") and (ii) the Series 2011D Bonds with proceeds of the Series 2014 Bonds.

5. To provide funds to (i) finance the Series 2017 Project, (ii) defease and redeem all [[or a portion]] of the outstanding Series 2011C Bonds and all of the Series 2014 Bonds, (iii) finance a termination payment related to the Existing Swap Agreement, (iv) pay the Costs of Issuance in connection with the issuance and delivery of the Series 2017 Bonds, [[and (v) fund a deposit to the Parity Reserve Fund,]] the Authority, after due investigation and deliberation, has determined that it is desirable and necessary and in the best interests of the Authority and the Participants to issue its Wastewater Revenue Bonds, Series 2017 (the "Series 2017 Bonds").

6. The Indenture provides that the Authority may issue one or more Series of Bonds from time to time as authorized by a Supplemental Indenture, provided that the conditions set forth in the Indenture are met.

7. The Authority has determined that it is necessary and required that the Authority enter into this Sixth Supplemental Indenture in order to establish and declare, in conjunction with the Indenture, the terms and conditions upon which the Series 2017 Bonds will be issued and secured and to secure the payment of the principal thereof and premium (if any) and interest thereon.

8. This Sixth Supplemental Indenture is a "Supplemental Indenture" and the Series 2017 Bonds are "Bonds" within the meaning of the Indenture, and the Series 2017 Bonds are secured on a parity with all Outstanding Bonds under the Indenture and on a parity with the Series 2013 Bonds issued under the 2013 Indenture.

9. In order to provide for the authentication and delivery of the Series 2017 Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors of the Authority has authorized the execution of this Indenture.

10. The Authority has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Sixth Supplemental Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Sixth Supplemental Indenture;

AGREEMENT:

Section 1. Supplement to Indenture. In accordance with the provisions of Section 9.01(b)(6) of the Indenture, the Indenture is hereby amended by adding a supplement thereto consisting of a new article to be designated as Article XIX. Such Article XIX will read in its entirety as follows:

ARTICLE XIX

THE SERIES 2017 BONDS

SECTION 19.01. Definitions. The terms defined in this Section will, for all purposes of this Sixth Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms used but not defined herein will have the meanings set forth in the recitals hereto or in the Indenture.

"Interest Payment Date" means, with respect to the Series 2017 Bonds, each May 1 and November 1, commencing _____ 1, ____20__.

"Issue Date" means, with respect to the Series 2017 Bonds, _____, 2017, the date of issuance and delivery of the Series 2017 Bonds.

"Record Date" means, with respect to the Series 2017 Bonds, the fifteenth day of the month preceding an Interest Payment Date.

"Series 2017 Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., as escrow bank.

"Series 2017 Escrow Agreement" means the Escrow Agreement, dated as of September 1, 2017, by and between the Authority and the Escrow Bank, relating to the redemption of the 2011C Bonds and the 2014 Bonds.

"Series 2017 Project" means capital improvements to the Regional Wastewater Facilities and/or Related Regional Infrastructure funded with the Series 2017 Bonds, which improvements are expected to include adding treatment capacity to the Pleasant Grove Plant (as such term is defined in the Funding Agreement).

"Series 2017 Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 19.08.

"Series 2017 Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 19.07.

SECTION 19.02. Authorization of the Series 2017 Bonds. Pursuant to Section 3.01 of this Indenture, a Series of Bonds to be known as the "South Placer Wastewater Authority Wastewater Revenue Bonds, Series 2017" (the "Series 2017 Bonds") is hereby created. The Series 2017 Bonds will be issued in the principal amount of \$_____ in accordance with the Bond Law and the Indenture to (i) finance the Series 2017 Project, (ii) defease and redeem all [[or a portion]] of the outstanding Series 2011C Bonds and all of the Series 2014 Bonds, (iii) finance a termination payment related to the Existing Swap Agreement, (iv) pay the Costs of

Issuance in connection with the issuance and delivery of the Series 2017 Bonds, [[and (v) fund a deposit to the Parity Reserve Fund]].

SECTION 19.03. Terms of the Series 2017 Bonds. The Series 2017 Bonds will be issued in fully registered form and will be initially registered in the name of "Cede & Co.", as nominee of DTC in accordance with Section 2.10 of this Indenture. The Series 2017 Bonds will be issued in denominations of \$5,000, or any integral multiple thereof and each Bond of such series will be assigned a distinctive number.

The Series 2017 Bonds will bear interest at the annual rates set forth below, payable semiannually on each Interest Payment Date, and will mature, subject to prior redemption, on November 1 in each of the years set forth below.

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

Interest accruing on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Series 2017 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2017 Bond, interest is then in default on the Outstanding Series 2017 Bonds, such Series 2017 Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2017 Bonds. Payment of interest on the Series 2017 Bonds due on or before the maturity or prior redemption of such Series 2017 Bonds shall be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof, as of the close of business on the applicable Record Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at such Owner's address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2017 Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of and redemption premiums, if any, on the Series 2017 Bonds shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the principal corporate trust office of the Trustee or such other place as designated by the Trustee. Principal of and redemption premiums, if any, and interest on the Series 2017 Bonds shall be paid in lawful money of the United States of America.

SECTION 19.04. Optional Redemption of Series 2017 Bonds. The Series 2017 Bonds maturing on or after November 1, 20__ will be subject to redemption prior to maturity on or after November 1, 20__, at the option of the Authority, from any source of available funds, as a whole or in part on any date, at a Redemption Price equal to 100% of the principal amount of Series

2017 Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

SECTION 19.05. Form and Delivery of Series 2017 Bonds. The Series 2017 Bonds and the certificate of authentication and registration to be executed thereon will be in substantially the form set forth as Exhibit F to this Indenture. At any time after the execution and delivery of this Sixth Supplemental Indenture, the Authority may execute (by the manual or facsimile signature of an Authorized Official) and the Trustee will authenticate and deliver the Series 2017 Bonds in the principal amount of \$_____ upon the Request of the Authority.

SECTION 19.06. Application of Proceeds of Series 2017 Bonds. The proceeds of the sale of the Series 2017 Bonds in the amount of \$_____ (computed as \$_____ principal amount of the Series 2017 Bonds, plus \$_____ original issue premium, less \$_____ underwriter's discount), will be received by the Trustee on behalf of the Authority and held in trust and will be set aside as follows:

(i)The Trustee will deposit in the Series 2017 Costs of Issuance Fund \$_____, to be applied in accordance with Section 19.07;

(ii)The Trustee will transfer \$_____ to the Series 2017 Project Fund, to be applied in accordance with Section 19.08; and

(iii)The Trustee will transfer \$_____ to the Series 2017 Escrow Bank to be held under the Series 2017 Escrow Agreement.

[[iv) The Trustee will transfer \$_____ to the Parity Reserve Fund, which amount, together with other amounts already on deposit thereon, shall be equal to the Reserve Requirement.]]

SECTION 19.07. Establishment and Application of Series 2017 Costs of Issuance Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2017 Costs of Issuance Fund." The Trustee will deposit to the Series 2017 Costs of Issuance Fund the amount specified in Section 19.06. All money in the Series 2017 Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2017 Bonds upon receipt of Request(s) of the Authority filed with the Trustee, each of which will be sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On _____ 1, 2017 or upon the earlier Request of the Authority, any remaining balance in the Series 2017 Costs of Issuance Fund will be transferred, unless otherwise directed by the Authority, to the Interest Account.

SECTION 19.08. Establishment and Application of Series 2017 Project Fund.

(a)Establishment. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2017 Project Fund." The Trustee will deposit to the Series 2017 Project Fund the amount specified in Section 19.06.

(b)Disbursements. All money in the Series 2017 Project Fund will be used and withdrawn by the Trustee to pay the costs of the Series 2017 Project upon receipt of a Request(s) of the Authority filed with the Trustee, substantially in the form of Exhibit B.

(c)Modifications to Series 2017 Project. The Authority has the right to modify the exact scope, nature and identification of the Series 2017 Project and the respective components thereof. Without limiting the generality of the foregoing, the Authority has the right to amend the definition of the Series 2017 Project set forth in this Sixth Supplemental Indenture, including for the purpose of including additional capital improvements not originally contemplated thereby.

(d)Closing of Fund. Upon the determination by the Authority that the Series 2017 Project has been completed and that no further amounts are required to be disbursed from the Series 2017 Project Fund to pay costs of the Series 2017 Project, an Authorized Official shall execute and deliver to the Trustee a Certificate of the Authority which states that the acquisition and construction of the Series 2017 Project has been completed and that no further amounts are required to be disbursed from the Series 2017 Project Fund to pay costs of the Series 2017 Project. Upon receipt of such Certificate of the Authority, the Trustee shall close the Series 2017 Project Fund and transfer any remaining balance therein, unless otherwise directed by the Authority, to the Interest Account.

SECTION 19.09. Terms of Series 2017 Bonds Subject to the Indenture. Except as in this Sixth Supplemental Indenture expressly provides, every term and condition contained in the Indenture will apply to the Series 2017 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Sixth Supplemental Indenture.

The Sixth Supplemental Indenture and all the terms and provisions herein contained will form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and will continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 19.10. Continuing Disclosure. The Authority hereby covenants and agrees to comply with the Series 2017 Continuing Disclosure Agreement as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of the Series 2017 Continuing Disclosure Agreement, as it may from time to time hereafter be amended or supplemented, will not be considered an Event of Default and the Trustee will have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations in this Section with respect to the Series 2017 Continuing Disclosure Agreement.

SECTION 19.11. Parity Reserve Fund. In accordance with Section 5.05(D), the Series 2017 Bonds will ~~not~~ be secured by the Parity Reserve Fund. The Reserve Requirement will ~~not~~ be calculated with regard to the Series 2017 Bonds, and the Series 2017 Bonds will ~~not~~ be entitled to the benefit of the Parity Reserve Fund in the event of a deficiency in the Principal Fund or Interest Fund with respect to the Series 2017 Bonds.

Section 2. Attachment of Exhibit F. The Indenture is hereby further amended by incorporating therein an Exhibit F setting forth the form of the Series 2017 Bonds, which will read in its entirety as set forth in Exhibit A attached hereto and hereby made a part hereof.

Section 3. Effective Date of Sixth Supplemental Indenture. The Sixth Supplemental Indenture will take effect upon its execution and delivery.

Section 4. Execution in Counterparts. The Sixth Supplemental Indenture 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 Sixth Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

**SOUTH PLACER WASTEWATER
AUTHORITY**

By: _____
Treasurer

ATTEST:

By: _____
Secretary

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

By: _____
Authorized Officer

**EXHIBIT A
(FORM OF SERIES 2017 BOND)**

No. R- _____

***\$ _____ ***

**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS, SERIES 2017**

<u>INTEREST RATE</u> %	<u>MATURITY DATE</u> November 1, _____	<u>DATED DATE</u> _____, 2017	<u>CUSIP</u> 839423 _____
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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ _____

The South Placer Wastewater Authority, a joint exercise of powers agency duly created under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the sources provided below), to the registered owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Bond, on the Maturity Date specified above, unless this Bond will have been called for redemption, and payment of the redemption price will have been duly made or provided for, upon presentation and surrender of this Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the original issue date specified above, or from and including the most recent Interest Payment Date (as defined in the Indenture), with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

The Authority was created pursuant to a joint exercise of powers agreement, effective October 1, 2000, and amended and restated as of October 1, 2012, among the City of Roseville (the "City"), the County of Placer (the "County") and the South Placer Municipal Utility District (the "District"). The City, the County and the District are referred to herein collectively as the "Participants."

This Bond is one of a duly authorized issue of bonds of the Authority, issued in the initial aggregate principal amount of \$ _____ known as the South Placer Wastewater Authority Wastewater Revenue Bonds, Series 2017 (the "Bonds"). The Bonds are limited obligations of the Authority, payable solely from Revenues, as defined and provided under the Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as supplemented by the Sixth Supplemental Wastewater Revenue Bond Indenture, dated as of September 1, 2017 (including all supplements thereto, the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Such payment of the Bonds from Revenues is on parity with the Authority's obligation to pay the [[Series 2011C Bonds and]] Series 2013 Bonds (as defined in the Indenture). The Revenues and certain other rights and

interests under the Indenture have been assigned under the Indenture to the Trustee, having a corporate trust office in Los Angeles, California (the "Trust Office").

[[In addition, the Bonds will [[not]] be secured by the Parity Reserve Fund held by the Trustee under the Indenture. The Reserve Requirement will [[not]] be calculated with regard to the Bonds, and the Bonds will [[not]] be entitled to the benefit of the Parity Reserve Fund in the event of a deficiency in the Principal Fund or Interest Fund with respect to the Bonds.]]

Interest on the Bonds will be paid by check mailed on the Interest Payment Date to the persons appearing on the Bond Registration Books as the registered owners of such Bonds as of the close of business of the Trustee on the fifteenth (15th) day of the calendar month immediately preceding each Interest Payment Date (the "Record Date") at the address of such registered owners as they appear on Bond Registration Books or at such other addresses as are furnished to the Trustee in writing by such registered owners not later than the Record Date. Payment of interest on any Bond will be made to registered owners of \$1,000,000 or more in aggregate principal amount of Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such registered owner on such Interest Payment Date upon written notice from such registered owner containing the wire transfer address within the United States to which such registered owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on the Bonds will be paid in arrears on May 1 and November 1 of each year, commencing _____ 1, 20__ (each, an "Interest Payment Date"). Interest on the Series Bonds will be computed upon the basis of a 360-day year consisting of twelve 30-day months.

The Bonds are initially executed and delivered in denominations of \$5,000 and any integral multiple thereof.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender hereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the owner of this Bond at such owner's address as it appears on the Bond register as of the first day of the month preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Bonds to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to this Bond will be paid by check to the registered owner of this Bond as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owner of this Bond not less than ten days prior thereto.

The Trustee has no obligation or liability to the Owners to make payments of principal or interest with respect to the Bonds, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Bond owners the various funds and accounts established under the Indenture.

The Bonds maturing on or after November 1, 20__ are subject to redemption prior to maturity on or after November 1, 20__, at the option of the Authority, from any source of available funds, as a whole or in part on any date, at a Redemption Price equal to 100% of the

principal amount of Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

This Bond has been issued by the Authority pursuant to the terms of the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and the Indenture. The Authority has certified that it is authorized to enter into the Indenture under the Bond Law and laws of the State of California. The Authority and the Participants have entered into an Amended and Restated Funding Agreement, dated as of October 1, 2012 (the "Funding Agreement"), under which the Authority has agreed to issue the bonds to finance or refinance the costs of acquiring and constructing a wastewater treatment facility, in consideration of the agreement of the Participants to make payments to the Trustee, from Participant Net Revenues (as described below) which are sufficient to pay debt service on the Bonds and any Parity Debt for such purpose. Reference is hereby made to the Funding Agreement and the Indenture (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trustee and the rights and obligations of the Participants under the Funding Agreement, and to all of the provisions of the Funding Agreement and the Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Participants are obligated under the Funding Agreement to pay their Proportionate Share of Debt Service (as defined in the Funding Agreement) from the Participant Net Revenues (as such term is defined in the Funding Agreement), derived by the Participants from their respective Participant Systems (as defined in the Funding Agreement). The obligations of the Participants to pay the Participant Net Revenues do not constitute obligations of the Participants for which the Participants are obligated to levy or pledge any form of taxation or for which the Participants have levied or pledged any form of taxation. The obligations of the Participants to pay their Proportionate Share of Debt Service from Participant Net Revenues do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds, and the limitations on such rights and remedies.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended by the parties thereto with the written consents of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended with the written consent or without the consent of the Bond owners under certain circumstances; provided that no such amendment will materially adversely affect the interests of the owners of the Bonds or will impair the right of any owner to receive in any case such owner's principal and interest payments in accordance with such owner's Bond.

Registration of this Bond is transferable by the Owner hereof, in person or by such Owner's attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon such registration of transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Authority and the

Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond will be overdue, and will not be affected by any notice to the contrary. This Bond will not be entitled to any benefit under the Indenture or become valid for any purpose until it has been duly executed and delivered by the Trustee.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IN WITNESS WHEREOF, the South Placer Wastewater Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director and attested by the manual or facsimile signature of its Secretary.

SOUTH PLACER WASTEWATER
AUTHORITY

By: _____
Executive Director

Attest:

By: _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within mentioned Indenture.

Authentication Date: _____

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

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sells, assigns and transfers unto

Name, Address and Tax Identification or Social Security Number of Assignee

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS, SERIES 2017**

**REQUEST OF THE AUTHORITY
FOR DISBURSEMENT FROM SERIES 2017 PROJECT FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am an "Authorized Official," as such term is defined in that certain Wastewater Revenue Bond Indenture, dated as of April 1, 2011, by and between the South Placer Wastewater Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented and amended to date, including pursuant to a Sixth Supplemental Wastewater Revenue Bond Indenture, dated as of September 1, 2017 (as so supplemented and amended, the "Indenture"), and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) under Section 19.08 of the Indenture, the undersigned hereby requests and authorizes the Trustee to disburse from the Series 2017 Project Fund established under the Indenture to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a cost of the Series 2017 Project (as that term is defined in the Indenture) as described on attached Schedule A; and

(iii) no portion of the amount herein requested to be disbursed was set forth in any Request of the Authority previously filed requesting disbursement.

Dated: _____, 20__

SOUTH PLACER WASTEWATER AUTHORITY

By: Authorized Official

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

1875

b

1875

§[Principal Amount]
**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS, SERIES 2017**

CONTRACT OF PURCHASE

[Sale Date], 2017

South Placer Wastewater Authority
Roseville, California

Ladies and Gentlemen:

Morgan Stanley & Co. LLC (the "Underwriter") hereby offers to enter into this Contract of Purchase with the South Placer Wastewater Authority (the "Authority"), which, upon acceptance of this offer by the Authority and delivery to the Underwriter, will be binding upon the Authority and the Underwriter. This offer is made subject to the written acceptance hereof by the Authority on or before 5:00 p.m., Pacific Standard Time, on [Sale Date], 2017 and, if not so accepted, will be subject to withdrawal by the Underwriter upon written or oral notice given to the Authority by the Underwriter at any time prior to the acceptance hereof by the Authority.

1. **Purchase and Sale.** (a) Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of §[Principal Amount] aggregate principal amount of the Authority's Wastewater Revenue Bonds, Series 2017 (the "2017 Bonds"). The 2017 Bonds shall be dated as of the date of Closing (defined below) and will mature on the dates and in the amounts shown in Appendix A hereto. The purchase price of the 2017 Bonds is equal to \$_____, being the sum of the aggregate principal amount of the 2017 Bonds of §[Principal Amount], [plus/less] [net] original issue [premium/discount] of \$_____, less the aggregate Underwriter's discount thereon of \$_____.

(b) Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Indenture or the Funding Agreement described below, as applicable.

(c) The Authority acknowledges and agrees that (i) the purchase and sale of the 2017 Bonds pursuant to this Contract of Purchase is an arm's-length commercial transaction between the Authority and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority with respect to the offering of the 2017 Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Contract of Purchase and (iv) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the 2017 Bonds.

2. **The 2017 Bonds.** (a) The 2017 Bonds are being issued by the Authority pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as supplemented from time to time, including by a Sixth Supplemental Wastewater Revenue Bond Indenture, dated as of September 1, 2017 (collectively, the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, (i) to finance certain capital improvements to the Pleasant Grove Plant (as defined below), as well as certain energy-related improvements (the "Series 2017 Project"), (ii) to defease and redeem a portion of the Authority's Wastewater Revenue Refunding Bonds, Series

2011C and all of the Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds), (iii) finance a termination payment related to the Existing Swap Agreement (as defined herein), [(iv) fund a deposit to the Parity Reserve Fund (as defined herein)], and (v) to pay costs of issuance of the Series 2017 Bonds, as more fully described in the Official Statement relating to the 2017 Bonds, dated [Sale Date], 2017 (the "Official Statement"). The Authority was created pursuant to a Joint Exercise of Powers Agreement, dated October 1, 2000, as amended and restated by an Amended and Restated Joint Exercise of Powers Agreement dated as of October 1, 2012, each among the Participants (the "Joint Powers Agreement"). The City of Roseville (the "City") will operate and maintain the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant"), the Dry Creek Wastewater Treatment Plant (the "Dry Creek Plant") and other Regional Wastewater Facilities for the mutual benefit of, and provide wastewater treatment services to the City, the South Placer Municipal Utility District (the "District") and the County of Placer (the "County") (collectively, the "Participants" and each a "Participant"). The City, the District and the County are obligated to pay to the Authority the amounts required under the Funding Agreement (as defined below) and the Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, as amended and restated by the Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Operations Agreement"), each among the Authority and the Participants.

(b) The 2017 Bonds are payable solely from Revenues, consisting principally of payments from the Participants under the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, as amended and restated by the Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Funding Agreement"), each among the Authority and the Participants. Under the Funding Agreement, each Participant agrees to make payments of its Proportionate Share of Debt Service and its share of Regional Operation and Maintenance Costs in consideration for the provision by the City of wastewater treatment capacity. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of its Participant System. The payment of Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation, and there is no cross-collateralization of the Proportionate Share of Debt Service obligation between the Participants. Upon issuance, the 2017 Bonds will be secured by Revenues on a parity with the Authority's Wastewater Revenue Refunding Bonds, Series 2011C, and the Authority's Wastewater Revenue Refunding Bonds, Series 2013 and the regularly scheduled payments made by the Authority pursuant to the Master Agreement, dated August 28, 2003, between the Authority and Morgan Stanley Capital Services Inc. The Authority may issue or incur additional Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described in the Official Statement. The 2017 Bonds shall be subject to redemption and otherwise shall be as described in the Official Statement and as provided in the Indenture. The Joint Powers Agreement, the Funding Agreement, the Operations Agreement, the Continuing Disclosure Certificate (defined below), the Indenture, the Reallocation and Repayment Agreement, dated as of October 1, 2012 (the "Reallocation Agreement"), by and among the Participants, the Escrow Agreement, dated as of September 1, 2017 (the "Escrow Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), and this Contract of Purchase are collectively referred to herein as the "Transaction Documents."

(c) The Bonds shall be dated their delivery date. The Bonds shall be delivered in fully registered form, without coupons, in denominations of \$5,000 and any integral multiple thereof. The Bonds shall be substantially in the form described in, and shall be executed and delivered under, the provisions of the Indenture.

3. **Offering.** It shall be a condition to the Authority's obligations to sell the 2017 Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the 2017 Bonds, that the entire \$[Principal Amount] aggregate principal amount of the 2017 Bonds shall be so sold by the Authority and purchased, accepted and paid for by the Underwriter at the Closing (as defined herein). The Underwriter agrees to make a public offering of all of the 2017 Bonds at not in excess of the initial public offering prices or less than the yields set forth in the Official Statement, plus interest accrued thereon, if applicable, from the date of the 2017 Bonds.

4. **Liquidated Damages.** In the event of the Authority's failure to deliver the 2017 Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions of the Underwriter's obligation to purchase and

accept delivery of the 2017 Bonds as set forth in this Contract of Purchase, or if the Underwriter's obligations with respect to the 2017 Bonds shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriter nor the Authority shall be under further obligation hereunder, except that the respective obligations of the Authority and the Underwriter for the payment of expenses, as provided in Paragraph 11 hereof, shall continue in full force and effect. In the event that the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the 2017 Bonds at the Closing as herein provided, the amount of 1% of the Par Amount (provided that such amount shall not exceed \$500,000) shall be paid by the Underwriter to, and shall constitute full liquidated damages of, the Authority, as well as any other person or entity (to be used to pay the expenses of the Authority incurred in connection with this proposed transaction), for such failure and for any defaults hereunder on the part of the Underwriter. The Underwriter and the Authority understand that in such event the Authority's actual damages may be greater or may be less than such sum, that the amount of such damages would be impracticable to ascertain, and that the amount set forth above represents a reasonable estimate, made in good faith, of such damages in accordance with California Civil Code Section 1671. Accordingly, the Underwriter hereby waives any right to claim that the Authority's actual damages are less than such sum, and the Authority's acceptance of this offer shall constitute a waiver of any right the Authority may have to additional damages from the Underwriter.

5. **Official Statement, Delivery of Other Documents, Use of Documents.** (a) At or before the time of the Authority's acceptance hereof, the Authority shall furnish the Underwriter with a copy of the final Official Statement, executed by the Chair of the Authority.

The Authority shall thereafter deliver to the Underwriter, as promptly as practicable but in no event later than the earlier of the business day preceding the Closing Date or the 7th business day following [Sale Date], 2017, substantially in the form of the Preliminary Official Statement, dated [POS date], 2017 (the "Preliminary Official Statement"), with only such changes therein as have been accepted by the Underwriter, such number of copies of the Official Statement as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

(b) The Authority will undertake, pursuant to a continuing disclosure certificate, dated as of [Closing Date], 2017 and each of the Participants will undertake with the Trustee, as dissemination agent thereunder, pursuant to separate continuing disclosure agreements, each dated as of [Closing Date], 2017 (collectively, the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of certain material events, as set forth in Appendix I to the Official Statement and as described in the sections entitled "INTRODUCTION - Continuing Disclosure" and "CONTINUING DISCLOSURE" of the Official Statement.

(c) The Authority authorizes the use by the Underwriter of the Official Statement (including any supplements or amendments thereto) and the Transaction Documents and the information therein contained, in connection with the public offering and sale of the 2017 Bonds. The Authority also consents to the use by the Underwriter, prior to the date hereof, of the Official Statement in connection with the public offering of the 2017 Bonds.

(d) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplement or amendment thereto, to the Municipal Securities Rulemaking Board (the "MSRB") as specified by Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

6. **Representations, Warranties and Agreements of the Authority.** The Authority hereby represents, warrants and agrees as follows:

(a) At both the time of the Authority's acceptance hereof and at the time of the Closing, the Authority is, and will be, a duly existing joint powers authority, organized under and by virtue of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, with full legal right, power and authority to issue the 2017 Bonds and to enter into, adopt, execute and deliver the Transaction Documents to which the Authority is a party (the "Authority Documents").

(b) The Authority has full legal right, power and authority (i) to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement, and (ii) to cause the Trustee to authenticate and deliver the 2017 Bonds to the Underwriter as provided in the Indenture and herein.

(c) By all necessary official action of the Authority, the Authority has duly approved the Preliminary Official Statement and the Official Statement; the Authority has duly authorized and approved the issuance of the 2017 Bonds and the execution and delivery of the Authority Documents; the Authority has duly authorized and approved the performance by the Authority of its obligations and the consummation by it of all other transactions contemplated by the Official Statement and the Authority Documents to have been performed or consummated by the Authority at or prior to the date of Closing; and the Authority has complied, and will at the Closing be in compliance in all respects, with the laws of the State of California and of the United States and with its obligations in connection with the issuance of the 2017 Bonds on its part contained in the Authority Documents.

(d) The 2017 Bonds and the Authority Documents conform in all material respects to the descriptions thereof contained in the Official Statement.

(e) At or prior to Closing, the Authority Documents shall have been duly executed by the Authority and each shall be legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and, upon the execution and delivery of the 2017 Bonds to the Underwriter, the Indenture will provide, for the benefit of the respective owners from time to time of the 2017 Bonds, a legally valid and binding pledge of and lien on the funds and accounts established under the Indenture and the Revenues and other moneys pledged under the Indenture, as provided in and contemplated by the Indenture.

(f) Between the date of this Contract of Purchase and the date of the Closing, except as contemplated by the Official Statement, the Authority will not incur any material liabilities, direct or contingent, or enter into any material transaction, in either case other than in the ordinary course of its business, and, except as contemplated by the Official Statement, there shall not have been any material adverse change in the condition, financial or physical, of the Authority other than changes in the ordinary course of business.

(g) The Authority is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Authority Documents, and compliance with the provisions of the Authority Documents will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is subject, or by which it is bound.

(h) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body to the best knowledge of the officer of the Authority executing this Contract of Purchase, pending or threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting or seeking to prohibit, restrain or enjoin the issuance of any of the 2017 Bonds, or the collection of Revenues pledged or to be pledged to pay the principal or interest due with respect to the Indenture or the 2017 Bonds, or application of the proceeds of sale of the 2017 Bonds, or in any way contesting or affecting the validity of the 2017 Bonds, the Authority Documents, or the tax-exempt status of interest on the 2017 Bonds, or the collection of said Revenues, or the pledge thereof, or contesting the powers of the Authority or any authority for the issuance of the 2017 Bonds or the execution and delivery by the Authority of the Authority Documents; or (iii) contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Authority will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriter as the Underwriter may request (i) to qualify the 2017 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the 2017 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2017 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance, sale and delivery of the 2017 Bonds under this Contract of Purchase have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2017 Bonds; and, except as disclosed in the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission, having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of its respective obligations under the Authority Documents, have been duly obtained.

(k) At the time of the Authority's acceptance hereof the information in the Preliminary Official Statement does not and the information in the Official Statement did not on the date thereof, and will not, as of the date of the Closing, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) At the time of the Authority's acceptance hereof and (unless an event occurs of the nature described in subparagraph (n) of this Paragraph 6) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2017 Bonds (as determined in accordance with Paragraph 17 hereof), the information in the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If the information in the Official Statement is supplemented or amended pursuant to subparagraph (n) of this Paragraph 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2017 Bonds (as determined in accordance with Paragraph 17 hereof), such information, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(n) If during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2017 Bonds (as determined in accordance with Paragraph 17 hereof) any event shall occur which might or would cause the information in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(o) Prior to the Authority's acceptance hereof, the Authority delivered to the Underwriter copies of the Official Statement which the Authority deemed final (for purposes of the Rule) as of the date thereof.

(p) The Authority has heretofore prepared and delivered to the Underwriter the Preliminary Official Statement with respect to the 2017 Bonds, which the Authority confirms it has "deemed final" for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Authority ratifies and consents to the distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the 2017 Bonds.

(q) The Authority agrees, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided to the MSRB certain annual financial information and operating data and agree to provide, or cause to be provided, to the MSRB in a timely manner notice of certain material events respecting the 2017 Bonds. These agreements have been made in order to assist the Underwriter in complying with the Rule.

(r) Except as disclosed in the Official Statement, the Authority has not failed to comply with any of its undertakings to provide continuing disclosure pursuant to Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended.

7. **Closing.** At 9:00 a.m., Pacific Standard Time, on [Closing Date], 2017, or at such other time or on such later date, as shall have been mutually agreed upon by the Authority and the Underwriter, the Authority will cause the Trustee to deliver to The Depository Trust Company ("DTC") in New York, New York, on behalf of the Underwriter, the 2017 Bonds, in definitive form duly executed by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery to DTC and will pay the purchase price of the 2017 Bonds, as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. Such payment and delivery is herein called the "Closing." The 2017 Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of "Cede & Co.", as nominee of DTC; there shall be one (1) typewritten bond for each maturity of the 2017 Bonds.

8. **Closing Conditions.** The Underwriter has entered into this Contract of Purchase in reliance upon the respective representations and warranties of the Authority contained herein and the performance by the Authority of its obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Contract of Purchase shall be conditioned upon the performance by the Authority of its obligations to be performed hereunder and under the other Transaction Documents and any other instruments delivered in connection with the issuance and delivery of the 2017 Bonds and shall also be subject to the following further conditions:

(a) The respective representations and warranties of the Authority contained herein shall be true, complete and correct in all material respects on the date hereof and on the date of the Closing.

(b) At the time of the Closing (i) the Joint Powers Agreement shall be in full force and effect and shall not have been amended, modified or supplemented without the prior consent of the Underwriter since the date of its initial adoption and (ii) the Authority shall perform or have performed its obligations under or specified in this Contract of Purchase which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by the Chair of the Authority;

(2) A copy of the Joint Powers Agreement, certified by the City Clerk of City and each of the respective Clerks of the Board of the County and the District as having been duly adopted by such Participant and as being in full force and effect on the date of Closing, with such changes or amendments as may have been agreed to by the Underwriter;

(3) The final opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix H, together with a letter, dated the date of the Closing, from Bond Counsel addressed to the Underwriter stating that the Underwriter may rely on such opinion as though it was addressed to the Underwriter;

(4) The supplemental opinion of Bond Counsel, dated the date of Closing and addressed to the Underwriter, to the effect that (i) the 2017 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (ii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings “INTRODUCTION”, “THE 2017 BONDS,” “SECURITY FOR THE SERIES 2017 BONDS” and “TAX MATTERS” and in Appendices G, and H thereto, insofar as such statements expressly summarize certain provisions of the 2017 Bonds, the Indenture, and such firm’s opinion concerning certain federal tax matters relating to the 2017 Bonds, are accurate in all material respects; (iii) this Contract of Purchase has been executed and delivered by the Authority and is a valid and binding agreement of the Authority; and (iv) no facts came to the attention of Bond Counsel which caused Bond Counsel to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC and the information contained in Appendix A, B-2, C-2, D-2 and F, or referred to therein, which Bond Counsel expressly excludes from the scope of this paragraph and as to which Bond Counsel expresses no opinion or view), contained or contains any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) An opinion of counsel to each of the Participants, dated the date of the Closing and addressed to the Underwriter to the effect that the Funding Agreement, the Reallocation Agreement, the Operations Agreement, the Joint Powers Agreement and the applicable Continuing Disclosure Certificate (collectively, the “Participant Documents”) have each been duly authorized, executed and delivered by such Participant, and the Participant Documents each constitute the valid and binding obligations of such Participant, enforceable against such Participant, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter enacted affecting the enforcement of creditors’ rights and the unavailability of equitable remedies or other application thereto of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law);

(6) The opinion of Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(7) An opinion of Renne Sloan Holtzman Sakai LLP, counsel to the Authority, dated the date of Closing and addressed to the Underwriter, to the effect that (i) the Authority is duly existing as a joint exercise of powers entity, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to issue the 2017 Bonds and to execute and deliver the Authority Documents and the Official Statement; (ii) the resolutions of the Authority approving and authorizing the issuance of the 2017 Bonds, the execution and delivery of the Authority Documents and the distribution of the Official Statement in preliminary and final form was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting through; (iii) the Authority Documents have each been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Authority, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors’ rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iv) the execution and delivery of the Authority Documents and the Official Statement, and compliance with the provisions hereof and thereof, do not and will not conflict with or constitute on the part of the Authority a breach or default under any existing law, regulation, court order or consent decree to

which the Authority is subject, or, to the best of such counsel's knowledge after due inquiry, any agreement or instrument to which the Authority is a party or by which the Authority is bound; (v) all actions on the part of the Authority necessary for the making and performance of the Authority Documents, and the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2017 Bonds, have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Authority for the making and performance of the Authority Documents, or the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2017 Bonds; (vi)(A) other than as set forth in the Official Statement, no litigation is pending or, to such counsel's knowledge, threatened in any court to restrain or enjoin the issuance of any of the 2017 Bonds, or the application of the proceeds of sale of the 2017 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the 2017 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2017 Bonds or the security therefor; and (B) other than as set forth in the Official Statement, there is no litigation pending, or, to such counsel's knowledge, threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Authority Documents or the transactions contemplated thereby or the security for the 2017 Bonds or the federal or State tax-exemption of interest due on the 2017 Bonds; and (vii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings "INTRODUCTION" and "SECURITY FOR THE SERIES 2017 BONDS" and in Appendix G thereto, insofar as such statements expressly summarize certain provisions of the JPA Agreement, the Reallocation Agreement and the Funding Agreement, are accurate in all material respects.

(8) A certificate of the Chair of the Authority (or other appropriate official of the Authority agreed to by the Underwriter), dated the date of Closing, to the effect that (i) each of the representations and warranties set forth in Paragraph 6 hereof is true, accurate and complete in all material respects as of the Closing and each of the agreements of the Authority, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with, (ii) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2017 Bonds, or the application of the proceeds of sale of the 2017 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2017 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2017 Bonds or the security therefor; and (iii) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Indenture or the transactions contemplated thereby or the security for the 2017 Bonds or the exclusion of interest due on the 2017 Bonds from gross income for purposes of federal or State income taxation.

(9) A certificate of each Participant, executed by an authorized officer of such Participant, in form and substance acceptable to the Underwriter, dated the date of Closing, to the effect that (i) the Participant is duly existing as a charter city, political subdivision of the State of California, or municipal utility district, as applicable, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to execute and deliver the Participant Documents; (ii) the Participant Documents have each been duly authorized, executed and delivered by the Participant and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Participant, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iii) the execution and delivery of the Participant Documents, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Participant a breach or default under any existing law, regulation, court order or consent decree to which the Participant is subject, or, to the best of their knowledge after due inquiry, any

agreement or instrument to which the Participant is a party or by which the Participant is bound; (iv) all actions on the part of the Participant necessary for the making and performance of the Participant Documents, and the actions on the part of the Participant contemplated hereby and thereby have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Participant for the making and performance of the Participant Documents, or the actions on the part of the Participant contemplated hereby and thereby; and (v) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2017 Bonds, or the application of the proceeds of sale of the 2017 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2017 Bonds, or in any way contesting or affecting the adoption or validity of the Joint Powers Agreement or the execution, delivery or validity of the other Participant Documents or the security therefor; (vi) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Participant or involving any of the property or assets under the control of the Participant wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Participant to perform its obligations under the Participant Documents, or the transactions contemplated thereby; and (vii) the information contained in Appendix B, C, D and/or E, as applicable, of the Official Statement does not contain any untrue statement of a material fact or omit any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) A certificate signed by an authorized officer of the Trustee and the Escrow Agent, to the effect that: (i) the Trustee/Escrow Agent is a duly organized and validly existing national banking association and has full power and authority to carry out the activities of the Trustee and the Escrow Agent under the Transaction Documents to which it is a party (the "Trustee Documents"); and (ii) the 2017 Bonds have been duly authenticated and delivered by the Trustee in accordance with the Indenture, and the Trustee Documents have been duly authorized, executed and delivered by the Trustee and the Escrow Agent; and (iii) the execution and delivery of the Trustee Documents and authentication and delivery of the 2017 Bonds, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, by-law or agreement to which the Trustee and the Escrow Agent is subject or by which it is bound;

(11) An opinion of counsel to the Trustee and the Escrow Agent, addressed to the Underwriter and the Authority, to the effect that (i) the Trustee Documents have been duly authorized, executed and delivered by the Trustee and the Escrow Agent and constitute the valid and legally binding agreements of the Trustee enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights; (ii) the Trustee has lawful authority for the authentication and delivery of the 2017 Bonds; and (iii) the 2017 Bonds have been duly authenticated by the Trustee and delivered in accordance with the Indenture and are entitled to the benefits of the Indenture;

(12) Executed copies of each Transaction Document;

(13) Evidence satisfactory to the Underwriter that, as of the date of Closing, the 2017 Bonds are rated "___" by Moody's Investors Services, Inc. ("Moody's") and "___" by Standard & Poor's Ratings, a division of McGraw Hill Companies, Inc. ("S&P");

(14) A tax certificate, executed by the Authority, in form satisfactory to the Underwriter and Bond Counsel;

(15) A properly and fully executed IRS Form 8038-G relating to the Bonds;

(16) Two transcripts of all proceedings of the Authority relating to the transactions contemplated hereunder;

[(17) a report by _____ as verification agent]; and

(18) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably deem necessary to evidence the due issuance of the 2017 Bonds, the truth and accuracy as of the time of the Closing of the Authority's representations, warranties and agreements contained in Paragraph 6 hereof and the due performance or satisfaction by the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Participants pursuant to the Transaction Documents.

(d) The opinions and certificates and other material referred to above shall be in form and substance satisfactory to the undersigned and to Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriter.

9. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the 2017 Bonds and shall execute and deliver to the Authority at Closing an "issue price" or similar certificate substantially in the form attached hereto as Appendix B, together with the supporting pricing wires or equivalent communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2017 Bonds.

(b) [Except for the maturities forth in Schedule [I] attached hereto,] the Authority will treat the first price at which 10% of each maturity of the 2017 Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) [The Underwriter has offered the 2017 Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the final official statement. Schedule [I] sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the 2017 Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2017 Bonds, the Underwriter will] neither offer nor sell unsold 2017 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the 2017 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority or the Authority's municipal advisor when the Underwriter has sold 10% of that maturity of the 2017 Bonds to the public at [a price] that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Authority acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the 2017 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the 2017 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold the offering price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a

retail distribution agreement to comply with its agreement regarding the hold-the-offering-price rule as applicable to the 2017 Bonds.]

(d) The Underwriter confirms that any selling group agreement and each retail distribution agreement (to which the Underwriter is a party) relating to the initial sale of the 2017 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold 2017 Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the 2017 Bonds of that maturity or all 2017 Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires.

(e) The Underwriter acknowledges that sales of any 2017 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2017 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2017 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2017 Bonds to the public),

(iii) a purchaser of any of the 2017 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Contract of Purchase by all parties.

10. **Termination.** The Underwriter shall have the right to terminate their obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the 2017 Bonds by notifying the Authority of its election to do so if, after the execution hereof and prior to the Closing: (a) the marketability of the 2017 Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States, (B) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority Participant of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the Federal tax status of the Authority or the Participants, their respective property or income, or the interest on their respective obligations; (b) there shall have occurred the outbreak or escalation of hostilities involving the United States, or the declaration by the United States of a national emergency or war, which in the judgment of the Underwriter have had a materially adverse effect on the marketability of the 2017 Bonds on the

terms and in the manner contemplated by the Official Statement; (c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of California or the State of New York; (d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any rating by Moody's or S&P of any securities issued by or obligations of the Authority, including the 2017 Bonds, or (e) an event described in subparagraph (n) of Paragraph 6 hereof shall have occurred which in the opinion of the Underwriter requires the preparation and publication of a supplement or amendment to the Official Statement, regardless of whether or not such a supplement or amendment to the Official Statement has been prepared and/or circulated, unless the Underwriter shall have otherwise agreed that this Contract of Purchase shall not be terminated as a result of such event.

11. **Expenses.** (a) Unless the Underwriter defaults upon its obligations hereunder, the Authority shall, except as set forth in subsection (b) hereof, pay any expenses incident to the performance of the Authority's obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the 2017 Bonds; (ii) the fees for Bond ratings; (iii) the cost of printing and distribution of the Transaction Documents, the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Jones Hall, A Professional Law Corporation, Bond Counsel; (v) the fees and disbursements of counsel to the Authority; (vi) the fees and disbursements of the Trustee and its counsel; (vii) the fees and expenses of FirstSouthwest, a Division of Hilltop Securities Inc., Municipal Advisor to the Authority; (viii) the fees and disbursements incurred in connection with the preparation of the Official Statement; (ix) the fees and disbursements of any other engineers, accountants, attorneys, and other experts or consultants or advisors retained by the Authority; (x) the meal, travel, lodging, entertainment and deal memento expenses, if any, of its own officials and employees; and (xi) any other costs and disbursements incurred by the Authority in connection with the transaction.

(b) The Underwriter shall pay (i) the fees and disbursements of Orrick, Herrington & Sutcliffe LLP in connection with the purchase and sale of the 2017 Bonds pursuant hereto other than those items set forth in paragraph (a) above; (ii) the fee payable to the California Debt and Investment Advisory Commission with respect to the sale of the 2017 Bonds; (iii) advertising expenses and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the 2017 Bonds; (iv) fees and expenses related to obtaining CUSIP numbers; (v) the cost of word processing, printing and distribution of this Contract of Purchase; (vi) the cost of preparation of any Blue Sky and legal investment memorandum with respect to the 2017 Bonds; and (vii) expenses to qualify the 2017 Bonds for sale under any Blue Sky laws.

12. **Indemnification.** If and to the extent permitted by law, the Authority agrees to indemnify the Underwriter (or any person who controls the Underwriter within the meaning of the 2017 Bonds Act of 1933, as amended) and hold the Underwriter harmless against any loss, damage, claim, liability or expense (including reasonable cost of defense) arising out of or based upon any allegation that any of the information contained in the Preliminary Official Statement or the Official Statement includes any untrue statement of a material fact or omits to state any material fact necessary in order to make statements therein in the light of the circumstances under which they were made not misleading, and will reimburse the Underwriter for any legal or other expenses reasonably incurred by the Underwriter in investigating, defending or preparing to defend any such action or claim. The indemnity agreement in this paragraph shall be in addition to any liability which the Authority may otherwise have to the Underwriter and shall extend upon the same terms and conditions to the officers, directors, agents or employees of the Underwriter and to each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended. Promptly after receipt by the Underwriter of notice of the commencement of any action, the Underwriter shall, if a claim in respect thereof is to be made against the Authority under this paragraph, notify the Authority in writing of the commencement thereof; but the omission so to notify the Authority shall not relieve the Authority from any liability which it may have to the Underwriter otherwise than under this paragraph. In case any such action shall be brought against the Underwriter and the Underwriter shall notify the Authority of the commencement thereof, the Authority shall be entitled to participate therein and, to the extent that it wishes, to assume the defense thereof, with counsel reasonably satisfactory to the Underwriter and after notice from the Authority to the Underwriter of its election so to assume the defense thereof, the Authority shall not be liable to the Underwriter under this paragraph for any legal or other expenses subsequently incurred by the Underwriter in connection with the defense thereof other than reasonable out-of-pocket costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Underwriter (or its officers, directors, agents or employees or any person so controlling any of the Underwriter) and the Authority, and the Underwriter (or such officers, directors, agents or employees or any person so controlling the

Underwriter) shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the Authority, the Underwriter (or such officers, directors, agents or employees or such person so controlling the Underwriter) shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Underwriter (or such officers, directors, agent, or employees or such person so controlling the Underwriter), and in such event the said fees and expenses of the Underwriter in defending such action shall be borne by the Authority.

13. **Notices.** Any notice or other communication to be given to the Authority under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same orally (if permitted hereby) or in writing to 2005 Hill Top Circle, Roseville, California 95747, Attention: Treasurer; and any notice or other communication to be given to the Underwriter under this Contract of Purchase may be given by delivering the same in writing to Morgan Stanley & Co. LLC. The approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to the Authority.

14. **Governing Law.** The validity, interpretation and performance of this Contract of Purchase shall be governed by the laws of the State of California.

15. **Parties in Interest.** This Contract of Purchase when executed by the Authority and the Underwriter shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority, the Participants and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Authority contained in this Contract of Purchase shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriter and (b) delivery of and payment for the 2017 Bonds hereunder.

16. **Effective Date.** This Contract of Purchase shall be effective upon the execution hereof by the Underwriter and the Authority.

17. **Determination of End of the Underwriting Period.** For purposes of this Contract of Purchase, the End of the Underwriting Period for the 2017 Bonds shall mean the earlier of (a) the day of the Closing unless the Authority has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the 2017 Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Authority pursuant to clause (a) above that the "end of the underwriting period" for the 2017 Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority in writing as soon as practicable following the "end of the underwriting period" for the 2017 Bonds for all purposes of the Rule.

18. **Headings.** The headings of the paragraphs of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: _____
Name: John L. Sheldon
Title: Managing Director

Agreed and Accepted:

SOUTH PLACER WASTEWATER AUTHORITY

By: _____
Name: Jay Panzica
Title: Treasurer

APPENDIX A

**\$(Principal Amount)
SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS, SERIES 2017**

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>	<u>YIELD (%)</u>	<u>PRICE (%)</u>
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SCHEDULE I-A

BONDS THAT MET THE 10% TEST

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>	<u>YIELD (%)</u>	<u>PRICE (%)</u>
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SCHEDULE I-B

BONDS THAT DID NOT MEET THE 10% TEST

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>	<u>YIELD (%)</u>	<u>PRICE (%)</u>
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APPENDIX B

CERTIFICATE OF THE UNDERWRITER REGARDING OFFERING PRICES

SOUTH PLACER WASTEWATER AUTHORITY WASTEWATER REVENUE BONDS, SERIES 2017

This certificate is furnished by, Morgan Stanley & Co. LLC (the "Underwriter") in connection with the Contract of Purchase dated [Sale Date], 2017 (the "Contract of Purchase"), between the Underwriter and the South Placer Wastewater Authority (the "Authority") for the sale of \$ _____ aggregate principal amount of Wastewater Revenue Bonds, Series 2017 (the "Bonds").

THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule I.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(b) As set forth in the Contract of Purchase, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and has agreed in writing that (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, none of the Underwriters has offered or sold any unsold Bonds of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule I hereto as the "General Rule Maturities."

(b) *[Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule I hereto as the "Hold-the-Offering-Price Maturities.]"

(c) *[Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([Sale Date], 2017), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Authority* means the South Placer Wastewater Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Sale Date], 2017.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The representations contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. The undersigned understands that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP, as bond counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2017.

MORGAN STANLEY & CO. LLC

By: _____
Name: John L. Sheldon
Title: Managing Director



PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017**NEW ISSUE—BOOK-ENTRY ONLY****RATINGS: Moody's: "____"****S&P: "____"****(See "RATINGS" herein)**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS, SERIES 2017**

Dated: Date of Delivery**Due: November 1, as shown on inside front cover**

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series 2017 (the "Series 2017 Bonds") are being issued by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as previously supplemented and as supplemented by a Sixth Supplemental Wastewater Revenue Bond Indenture, dated as of September 1, 2017 (the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, (i) to finance the Series 2017 Project (as defined herein), (ii) to defease and redeem all or a portion of the Authority's Wastewater Revenue Refunding Bonds, Series 2011C and all of the Authority's Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds), (iii) finance a termination payment related to the Existing Swap Agreement (as defined herein), [(iv) fund a deposit to the Parity Reserve Fund (as defined herein),] and (v) to pay costs of issuance of the Series 2017 Bonds, as more fully described herein.

The Series 2017 Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (as amended from time to time, the "Funding Agreement"), among the Authority and the Participants. In consideration for the provision of wastewater treatment capacity, each Participant has agreed to remit to the Authority all Regional Connection Fees to pay its Proportionate Share of Debt Service under the Funding Agreement, as well as its share of Regional Operation and Maintenance Costs under the Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Operations Agreement"), among the Authority and the Participants. The obligation of each of the Participants to pay its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of each Participant's respective Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation. The Series 2017 Bonds are secured by Authority Revenues on parity with the Authority's Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "Series 2013 Bonds"), currently outstanding in the principal amount of \$59,330,000, [unrefunded Series 2011C Bonds,] and with regularly scheduled payments on the Existing Swap Agreement (as defined herein). The Authority may issue or incur additional parity debt secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein, and each of the Participants may issue or incur additional Participant Parity Obligations secured by such Participant's Net Revenues, subject to the terms and conditions of the Funding Agreement, as more fully described herein.

Interest on the Series 2017 Bonds are payable semiannually on November 1 and May 1 of each year, commencing November 1, 2017. The Series 2017 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Series 2017 Bonds. Individual purchases of the Series 2017 Bonds will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2017 Bonds purchased. See APPENDIX F – Book-Entry System.

The Series 2017 Bonds are subject to redemption prior to maturity as described herein.*

THE SERIES 2017 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE

FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2017 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2017 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2017 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" for a description of certain of the risks associated with an investment in the Series 2017 Bonds.

The Series 2017 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Renne Sloan Holtzman Sakai LLP, Sacramento, California, for the Participants by their respective counsels and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. It is expected that the Series 2017 Bonds in definitive form will be available for delivery to DTC on or about _____, 2017.

MORGAN STANLEY

Date of this Official Statement: _____, 2017

* Preliminary, subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2017 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Participants or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Series 2017 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Series 2017 Bonds.

Preparation of this Official Statement. The information set forth herein has been provided by the Authority and the Participants and other sources that are believed by the Authority and the Participants to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture, the Funding Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Forward-Looking Statements. Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority or the Participants in any way, regardless of the level of optimism communicated in the information. Neither the Authority nor the Participants is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE REGIONAL WASTEWATER SYSTEM" and "FINANCIAL OPERATIONS" and in the projections of future operating results of the Participants in APPENDICES B-1, C-1 and D-1 attached hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE PARTICIPANTS DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE."

SOUTH PLACER WASTEWATER AUTHORITY

GOVERNING BOARD OF THE AUTHORITY

Jack Duran, *Chair*
Bonnie Gore, *Vice-Chair*
Jerry Mitchell
Pauline Rocucci
Robert Weygandt

MANAGEMENT

Kenneth J. Glotzbach, *Executive Director*
Jay Panzica, *Treasurer*

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San Francisco, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

[MAP PLACEHOLDER]

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OFFICIAL STATEMENT

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SOUTH PLACER WASTEWATER AUTHORITY WASTEWATER REVENUE BONDS, SERIES 2017

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), of the above-referenced bonds (the "Series 2017 Bonds"). All capitalized terms not otherwise defined herein have the meanings ascribed thereto in APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

The Series 2017 Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the "Master Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a Sixth Supplemental Wastewater Revenue Bond Indenture, dated as of September 1, 2017 (the "Sixth Supplemental Indenture"), between the Authority and the Trustee. The Master Indenture was previously supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, a Fourth Supplemental Indenture (each dated as of April 1, 2011), and a Fifth Supplemental Indenture, (dated as of August 1, 2014, together, the "Previous Supplements"). The Master Indenture, the Sixth Supplemental Indenture and the Previous Supplements are collectively referred to herein as the "Indenture." See "THE SERIES 2017 BONDS."

The Series 2017 Bonds are being issued for the purpose of providing funds, together with other available moneys, (i) to finance the Series 2017 Project (as defined herein), (ii) defease and redeem all or a portion of the Authority's Wastewater Revenue Refunding Bonds, Series 2011C (the "Series 2011C Bonds") and all of the Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds) (the "Series 2014 Bonds"), (iii) finance a termination payment related to the Existing Swap Agreement (as defined herein), (iv) fund a deposit to the Parity Reserve Fund (as defined herein), and (v) to pay costs of issuance of the Series 2017 Bonds, as more fully described herein. See "FINANCING PLAN – Estimated Sources and Uses

* Preliminary, subject to change.

of Funds.” The Series 2017 Bonds will be issued in full conformity with the Constitution and the laws of the State of California (the “State”), including the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”) and are issued as parity debt under the Funding Agreement (as herein defined).

Prior bonds of the Authority were issued to finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant (the “Pleasant Grove Plant”) and other regional wastewater facilities, including certain trunk sewers, recycled water lines and certain other related projects. The Pleasant Grove Plant, completed in April 2005, was constructed to increase the regional wastewater treatment capacity available for continued growth and development within the service areas of the Participants in the southern part of the County of Placer. Costs of the Pleasant Grove Plant, including debt service on the Series 2017 Bonds, and any other Regional Wastewater Facilities constructed by the Authority, are required to be paid by the Participants pursuant to the Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (as amended from time to time, the “Funding Agreement”), among the Authority and the Participants. See “SOUTH PLACER WASTEWATER AUTHORITY” and “APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.” A Rate Stabilization Fund has been established under the Funding Agreement to provide, among other things, a source of funds for the payment of debt service on the Series 2017 Bonds and Parity Debt in the event of variations in the timing of development and collection of Regional Connection Fees. In the event the amount available to be drawn from a Participant’s account in the Rate Stabilization Fund is not sufficient to pay such Participant’s Proportionate Share of Debt Service (including because development is significantly slower than expected), such Participant may be obligated to pay all or a part of such amount from such Participant’s Participant Net Revenues (derived principally from User Charges collected by such Participant from its wastewater customers).

The Authority

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, effective October 1, 2000, which has been amended and restated pursuant to an Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, dated as of October 1, 2012, among the Participants. The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Pleasant Grove Plant, the Dry Creek Wastewater Treatment Plant (the “Dry Creek Plant”), any other regional treatment plants constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively to all of the Participants, and all Related Regional Infrastructure (as defined in the Funding Agreement) (collectively, the “Regional Wastewater Facilities” or the “Enterprise”). See “THE REGIONAL WASTEWATER SYSTEM” and “SOUTH PLACER WASTEWATER AUTHORITY.”

The Participants

In 2000, the City of Roseville, California (the “City” or “Roseville”), the South Placer Municipal Utility District (the “District” or “SPMUD”) and the County of Placer (“Placer County” or the “County”) determined that their collective present and future needs for wastewater treatment required the construction of the Pleasant Grove Plant and other regional facilities. Accordingly, the Participants created the Authority and entered into the Funding Agreement (as subsequently amended), payments under which will secure the payment of the Parity Bonds (as defined therein) and the Series 2017 Bonds. See “SECURITY FOR THE SERIES 2017 BONDS.”

City of Roseville. Roseville is a charter city located in California's Sacramento Valley. Roseville started developing its own wastewater collection and treatment utility shortly after its incorporation as a city on April 10, 1909. Roseville owns and operates the Dry Creek Plant and the Pleasant Grove Plant. Prior to creation of the Authority, Roseville provided wastewater treatment for SPMUD and Placer County at the Dry Creek Plant pursuant to various contracts. The Dry Creek Plant has a rated capacity of 18 million gallons per day ("mgd") under average dry weather flow. Plant modifications have recently been completed that address increasingly stringent discharge requirements and changing influent loading conditions. See "THE REGIONAL WASTEWATER SYSTEM." Roseville's wastewater utility currently provides sewer service to a population of approximately 132,671. The wastewater service area of Roseville consists of approximately 31.8 square miles (or 20,352 acres), including 69,838 equivalent dwelling units ("EDUs") (as of June 30, 2016), 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. See "THE REGIONAL WASTEWATER SYSTEM – Service Area." For more information concerning Roseville and its wastewater utility, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit.

South Placer Municipal Utility District. SPMUD was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, SPMUD changed its name to the South Placer Municipal Utility District. SPMUD currently provides sewer collection service to a population of approximately 74,750, involving approximately 32,825 EDUs (as of June 30, 2017). SPMUD services an area of approximately 30 square miles, involving the entire City of Rocklin, the Town of Loomis and certain unincorporated areas of Placer County, Penryn, Newcastle, and the Rodgersdale Area of Granite Bay. For more information concerning SPMUD and its wastewater system, see APPENDIX C-1 – Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit.

County of Placer. The County of Placer (the "County") provides wastewater collection services to certain of its residents through two sewer maintenance districts ("SMD No. 2" and "SMD No. 3") and two county service areas ("CSA No. 2A" and "CSA No. 173") (collectively, the "County's Wastewater Entities"). Each of these entities is accounted for as a separate enterprise fund. SMD No. 2 was established in 1961, comprises 11.2 square miles and serves a population of approximately 18,750, involving 7,219 EDUs. CSA No. 2A was established in 1963, comprises 2.3 square miles of industrial property, involving 1,046 EDUs. CSA No. 173 was established in 2003, for the provision of wastewater services to the Dry Creek Community Plan Area, serves approximately 950 acres of land, involving 1,459 EDUs. On December 31, 2014, the County connected SMD No. 3 to the Regional Wastewater System as part of an effort to regionalize sewer treatment throughout the western portion of the County. Although the net revenues of SMD No. 3 are not pledged to the Series 2017 Bonds or Parity Debt, the Regional Connection Fees from SMD No. 3 are deposited into the Rate Stabilization Fund. As such, the EDU, connection fee, and Rate Stabilization Fund numbers in this Official Statement include SMD No. 3 whereas the Net Revenues of the County do not. For more information regarding Placer County and the County's Wastewater Entities, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer's Wastewater Entities.

Sewer collection service is provided to other residents of Placer County through other sewer maintenance districts and county service areas, revenues from which are not deposited to the Rate Stabilization Fund or in any way pledged under the Funding Agreement, the Indenture or involved in the repayment of any obligations of the Authority, including the Series 2017 Bonds.

Security for the Series 2017 Bonds

The Series 2017 Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement. In consideration for providing wastewater treatment capacity, each Participant has agreed to pay its Proportionate Share of Debt Service under the Funding Agreement, as well as its share of Regional Operation and Maintenance Costs under the Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of October 1, 2012 (the "Operations Agreement"), among the Authority and the Participants. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of Proportionate Shares of Debt Service is an unconditional obligation and is not subject to abatement. The obligations of the Participants to pay their respective Proportionate Shares of Debt Service is a several, but not joint, obligation. See "SECURITY FOR THE SERIES 2017 BONDS."

The Authority has obligations currently outstanding and may issue future obligations secured by Authority Revenues on parity with the Series 2017 Bonds as described under "-Parity Debt" below.

THE SERIES 2017 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2017 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2017 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Regional Connection Fees

The Participants are required by the Funding Agreement to remit Regional Connection Fees to Roseville for deposit in the Rate Stabilization Fund described below. The Participants intend that their respective contributions of Regional Connection Fees will be sufficient to pay their Proportionate Share of Debt Service. To the extent required by the Funding Agreement and as described herein, if the Regional Connection Fees collected by any Participant are insufficient to pay its Proportionate Share of Debt Service over the term of the Series 2017 Bonds and Parity Debt (defined below), such Participant may be required to set User Charges for its Participant System as described below under "-Rate Covenant."

Rate Stabilization Fund

A Rate Stabilization Fund has been established pursuant to the Funding Agreement and is maintained by Roseville on behalf of the Authority. The Rate Stabilization Fund is held as one fund, with three separate accounts therein (one for each Participant), all of which, collectively, will constitute the Rate Stabilization Fund. As of June 30, 2017, the Authority had on deposit \$116,064,701 (unaudited) in the Rate Stabilization Fund. See "SOUTH PLACER WASTEWATER AUTHORITY" and "SECURITY FOR THE SERIES 2017 BONDS—Funding Agreement – Rate Stabilization Fund; Regional Connection Fees" for a discussion of these terms.

To the extent that amounts on deposit in any of the Participants' accounts in the Rate Stabilization Fund are insufficient to pay such Participant's Proportionate Share of Debt Service, the other Participants' accounts within the Rate Stabilization Fund are expected to be available to pay the deficiency, subject to the terms and conditions of the Funding Agreement. See "SECURITY FOR THE SERIES 2017 BONDS—Funding Agreement – Rate Stabilization Fund; Regional Connection Fees" for a discussion of these terms.

Parity Debt

The Authority has previously issued its Wastewater Revenue Bonds, Series 2013 (Variable Rate Demand Bonds), currently outstanding in the aggregate principal amount of \$59,330,000 (the "Series 2013 Bonds") pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2013 (the "2013 Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Series 2017 Bonds will be secured by Authority Revenues on a parity with the Series 2013 Bonds, [the unrefunded Series 2011C Bonds] and the regularly scheduled payments on the Existing Swap Agreement (as defined below), which are referred to collectively herein as "Parity Debt."

The Authority may issue or incur in the future additional series of bonds ("Bonds") under the Indenture or Parity Debt under the 2013 Indenture or other parity debt instrument secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY FOR THE SERIES 2017 BONDS—Additional Parity Obligations."

Continuing Disclosure

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series 2017 Bonds to provide certain financial information and operating data by not later than 210 days following the end of the Authority's and each Participant's Fiscal Year (presently June 30) (the "Annual Reports"), commencing with the report for the Fiscal Year ended June 30, 2017, and the Authority will covenant to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and notices of material events will be filed with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX I—Forms of Continuing Disclosure Undertakings for the Series 2017 Bonds. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The Authority and the Participants have failed, on a handful of occasions during the past five years, to comply, in all material respects, with these undertakings, as set forth in "CONTINUING DISCLOSURE" herein.

Other Matters

This introduction contains only a brief summary of certain of the terms of the Series 2017 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

Additional Information

Copies of the Funding Agreement and the Indenture will be available for inspection at the offices of the Authority, and will be available upon request and payment of duplication costs from the Trustee.

THE FINANCING PLAN

The Series 2017 Project

A portion of the proceeds of the Series 2017 Bonds will be deposited to a project fund held by the Trustee under the Indenture, to be used by the Authority for capital improvements to the Enterprise (the "Series 2017 Project"). The Series 2017 Project is expected to consist of improvements to the Pleasant Grove Plant generating 3 mgd of expanded treatment capacity (bringing the total amount of treatment capacity to 15 mgd), and to make certain energy-related improvements. The portion of the service area served by the Pleasant Grove Plant has continuously experienced population growth since the plant began operation in 2004. Growth in the service area is expected to continue and drives the need to expand the plant's ability to treat wastewater. The improvements to the Pleasant Grove Plant are expected to accommodate growth in the Authority's service area through 2035.

The Pleasant Grove Plant improvements are focused in two areas: process treatment capacity and energy recovery. To increase treatment capacity, primary clarifiers and anaerobic digesters will be added to the plant's treatment processes. The addition of anaerobic digesters creates an opportunity to produce green energy. The project will add equipment necessary to convert digester gas that is produced into electricity and vehicle fuel similar to compressed natural gas. The electricity will power the plant's treatment processes and the vehicle fuel will be consumed by the City's fleet of solid waste collection vehicles.

Development of construction documents is on schedule and should be completed by fall of 2017, with full project completion by the end of 2020. The estimated construction of the Pleasant Grove improvements project is \$80 million, and is anticipated to be funded as follows: (i) \$25 million from cash reserves in the Rate Stabilization Fund, (ii) \$25 million from the Clean Water State Revolving Fund administered by the California State Water Resources Control

Board, expected to be received in the first quarter of 2018 and (iii) \$30 million* from proceeds of the Series 2017 Bonds. If the State Revolving Fund loans cannot be secured, the Authority anticipates replacing this funding source by using additional cash from the Rate Stabilization Fund and/or issuing additional Parity Debt.

Refunding of Series 2011C and Series 2014 Bonds

A portion of the proceeds of the Series 2017 Bonds will be used to defease and redeem [all or a portion of] the outstanding Series 2011C Bonds and all of the Series 2014 Bonds. [With respect to the Series 2011C Bonds, the Series 2011C Bonds maturing on and after November 1, 2021 will be redeemed.] Such redemption will occur on the maturity date or the first optional redemption date for the Series 2011C Bonds, being November 1, 2020. [The Series 2011C Bonds maturing on November 1, 2017 through and including November 1, 2020 will remain outstanding on a parity with the Series 2017 Bonds, the Series 2013 Bonds and other Parity Debt (if any) issued in the future.]

All of the Series 2014 Bonds will be redeemed on or prior to November 1, 2017. In connection with the refunding of the Series 2014 Bonds, the Authority will make a termination payment equal to \$29.1 million* under and pursuant to the Existing Swap Agreement (defined herein). This amount corresponds to the amount of the Series 2014 Bonds refunded. For more information on the Existing Swap Agreement, see "SECURITY FOR THE 2017 BONDS – Outstanding Parity Obligations."

On the Closing Date for the Series 2017 Bonds, cash and federal securities sufficient to defease and redeem the Series 2011C Bonds [maturing on and after November 1, 2021] and all of the Series 2014 Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated September 1, 2017. *Amounts on deposit with the Escrow Agent shall be used solely to defease and redeem the aforementioned bonds and are not available for payment of the Series 2017 Bonds.*

* Preliminary; subject to change.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds for the Series 2017 Bonds are as follows:

Sources:	
Par Amount	\$
Plus/Less Net Original Issue Premium/Discount	
[Plus Prior Funds on Hand]	
Total Sources	<u>\$</u>
Uses:	
Deposit to Series 2017 Project Fund	\$
[Additional Deposit to Parity Reserve Fund]	
Refunding of Series 2011C and Series 2014 Bonds ⁽¹⁾	
Payment of Swap Termination Fee	
Costs of Issuance ⁽²⁾	
Total Uses	<u>\$</u>

(1) To be deposited with the Escrow Agent and used to defease and refund all or a portion of the Series 2011C and all of the Series 2014 Bonds. See “–Refunding of Series 2011C and Series 2014 Bonds” above.
 (2) Includes legal, financial advisory, printing, rating, trustee and Authority fees, and underwriting discount.

THE SERIES 2017 BONDS

General

Interest accruing on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be paid on November 1 and May 1 of each year, commencing November 1, 2017 (each, an “Interest Payment Date”). Each Series 2017 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2017 Bond, interest is then in default on the Outstanding Series 2017 Bonds, such Series 2017 Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2017 Bonds. Payment of interest on the Series 2017 Bonds due on or before the maturity or prior redemption of such Series 2017 Bonds shall be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof, as of the close of business on the applicable Record Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at such Owner’s address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2017 Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

When issued, the Series 2017 Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). Beneficial owners of the Series 2017 Bonds will not receive physical certificates representing their interests in the Series 2017 Bonds,

but will receive a credit balance on the books of the nominees for such beneficial owners. The principal and interest on the Series 2017 Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2017 Bonds as described herein. As long as Cede & Co. is the registered owner of the Series 2017 Bonds, principal and interest on the Series 2017 Bonds are payable by wire transfer on the payment date by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such amounts to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee of DTC, references herein to the registered owners mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2017 Bonds. See APPENDIX F – Book-Entry System.

Redemption*

Optional Redemption. The Series 2017 Bonds will be subject to redemption prior to maturity on or after November 1, 20__, at the option of the Authority, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the Authority), on any Business Day, at a Redemption Price equal to 100% of the principal amount of Series 2017 Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

Notice of Redemption. Each notice of redemption will be mailed by the Trustee, not less than 15 nor more than 30 days prior to the redemption date, to each Owner, the Securities Depository and the MSRB. Each such notice will also state that on said date there will become due and payable on each of said Series 2017 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2017 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2017 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. With respect to any notice of optional redemption of Series 2017 Bonds, conditional notice of optional redemption may be given at the direction of the Authority. Any such notice may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture. Failure by the Trustee to give notice to the Securities Depository or the MSRB or failure of any Owner to receive notice or any defect in any such notice will not affect the sufficiency of the proceedings for redemption.

Selection of Series 2017 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of a Series of Series 2017 Bonds, the Authority will select which maturities and in which amounts such Series 2017 Bonds will be redeemed. Whenever provision is made in the Indenture for the redemption of less than all of a maturity of Series 2017 Bonds, the Trustee will select the Series 2017 Bonds to be redeemed, from all Series 2017 Bonds of such Series and maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair.

Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on,

* Preliminary; subject to change.

Series 2017 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2017 Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the date fixed for redemption, interest on the Series 2017 Bonds so called for redemption will cease to accrue, said Series 2017 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2017 Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest. All Series 2017 Bonds redeemed pursuant to the provisions of this Article will be cancelled upon surrender thereof and destroyed.

Purchase of Series 2017 Bonds. In lieu of redemption of Series 2017 Bonds, amounts held by the Trustee for such redemption will, at the Request of the Authority received by the Trustee prior to the selection of Series 2017 Bonds for redemption, be applied by the Trustee to the purchase of Series 2017 Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such Series 2017 Bonds were redeemed. The aggregate principal amount of Series 2017 Bonds of the same Series and maturity purchased in lieu of redemption may not exceed the aggregate principal amount of Series 2017 Bonds of such Series and maturity that would otherwise be subject to such redemption.

DEBT SERVICE SCHEDULE

Annual debt service on the Series 2017 Bonds and Parity Debt is presented below.

Fiscal Year Ending June 30	[2011 C Bonds Debt Service ⁽¹⁾]	2013 Bonds Debt Service ⁽²⁾	Net Swap Payments	2017 Bonds Principal	2017 Bonds Interest	2017 Bonds Debt Service	Total Parity Debt Service
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
2045							
2046							
Total:							

[(1) Represents debt service on unrefunded Series 2011C Bonds.]

(2) Series 2013 Bonds are variable rate. Debt service in table assumes [_____].

Source: Underwriter.

SECURITY FOR THE SERIES 2017 BONDS

Pledge of Authority Revenues

The Series 2017 Bonds are special limited obligations of the Authority payable solely from and secured solely by a pledge of Revenues under the Indenture (referred to herein, as the "Authority Revenues"). Under the Indenture, "Revenues" means, for any period of computation, (a) all amounts received by, or entitled to be received by, the Authority from the Participants under Section 7 of the Funding Agreement (but excluding Regional Connection Fees and amounts held in the Rate Stabilization Fund, unless and until said funds are deposited in the Interest Fund or the Principal Fund or a debt service fund established for payment of any Parity Debt), (b) amounts received under a Credit Facility, and (c) all receipts derived from the investment of funds held by the Trustee under this Indenture or any Parity Debt Instrument. See "–Funding Agreement" below for additional details on the Funding Agreement.

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners of the Series 2017 Bonds, the Series 2013 Bonds, [the unrefunded Series 2011C Bonds,] and any additional Parity Debt issued thereunder, the Authority Revenues which are required to be in an amount sufficient to pay the punctual payment of the principal of and premium, if any, and interest on the Series 2017 Bonds and any Parity Debt. The Authority Revenues are not permitted to be used for any other purpose while any of the Series 2017 Bonds or other Parity Debt remain Outstanding, except that out of the Authority Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture.

Authority Revenues generally include all amounts received by, or entitled to be received by, the Authority from the Participants under certain provisions of the Funding Agreement (but excluding Regional Connection Fees and amounts held in the Rate Stabilization Fund, unless and until said funds are deposited in the Interest Fund or the Principal Fund or a debt service fund established for payment of any Parity Debt).

Funding Agreement

General. The purpose and intent of the Funding Agreement is (1) to provide for the general allocation of Capital Costs among the Participants, (2) to provide for the allocation of the Participants' individual financial responsibility for the payment of Debt Service, (3) to provide for the Participants' use of the wastewater treatment capacity provided by the construction of Regional Wastewater Facilities and (4) to provide assurance to the purchasers of the Series 2017 Bonds and any Parity Bonds regarding the availability of Participant Net Revenues for the payment of Debt Service. Certain of the provisions of the Funding Agreement are described below. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents – Funding Agreement for a summary of other provisions of the Funding Agreement.

Under the Funding Agreement, each Participant has an obligation to pay its respective Proportionate Share of Debt Service. The Participants' Proportionate Shares of Debt Service are currently 61.66% for the City, 22.43% for SPMUD, and 15.91% for Placer County, but are subject to reallocation over time as outlined in the Funding Agreement. The Rate Stabilization Fund is held as one fund, with three separate accounts therein (one for each Participant). Regional Connection Fees collected by each of the Participants are deposited into their respective accounts within the Rate Stabilization Fund. Each Participant's Proportionate Share of Debt Service is payable from the following sources in the following order of priority: (i) such Participant's account within the Rate Stabilization Fund, (ii) so long as a draw from the

aggregate balance of the Rate Stabilization Fund to pay Debt Service would not cause the aggregate balance in the Rate Stabilization Fund to fall below the lesser of: (a) Debt Service due in the two Fiscal Years occurring immediately after the draw is made, and (b) the amount required to redeem or retire all Bonds (the "Minimum Level"), other Participants' accounts in the Rate Stabilization Fund; and (iii) if the aggregate balance in the Rate Stabilization Fund would fall below the Minimum Level due to a draw to pay Debt Service, one or more Participants' Participant Net Revenues. Except for payments from the Rate Stabilization Fund as described in the preceding sentence, no Participant has any obligation respecting the payment of any other Participant's Proportionate Share of Debt Service. Regional Connection Fees collected by the Participants in recent years have not generally corresponded to Participant's Proportionate Share of Debt Service of the Participants, and in Placer County's case, collection of Regional Connection Fees has been significantly less than its Proportionate Share of Debt Service. As of June 30, 2017, Roseville, SPMUD and Placer County had on deposit, respectively, \$68,255,920, \$50,354,027 and \$(2,545,246) (unaudited) in such Participant's respective account within the Rate Stabilization Fund, for a total balance in the Rate Stabilization Fund of \$116,064,701 (unaudited), and the Minimum Level was approximately \$20.5 million.

In order to address Placer County's deficit balance in the Rate Stabilization Fund, the Participants entered into a Reallocation and Repayment Agreement, dated as of October 1, 2012 (the "Reallocation Agreement"). Pursuant to the Funding Agreement and the Reallocation Agreement, each Participant's respective capacity and Proportionate Shares of Debt Service were reallocated to reduce Placer County's obligations to the other Participants. In addition, Placer County's deficit now bears interest and Placer County has agreed to make deposits to the Rate Stabilization Fund. The reallocation was effective retroactively as of April 30, 2012. Placer County made an initial deposit of \$5,000,000 to the Rate Stabilization Fund in October 2012 and is obligated to make additional deposits of \$125,000 on the first day of each calendar quarter and has, in fact, been depositing more than this minimum. Such deposits are in addition to the deposit of any Placer County Regional Connection Fees and will be applied first to accrued but unpaid interest, and thereafter, to reduce the deficit balance in Placer County's subaccount. Placer County will continue to make such deposits until Placer County has a positive balance in its subaccount in the Rate Stabilization Fund, which is anticipated to be [January 1, 2021]. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents – Funding Agreement" for a more complete discussion of these provisions of the Funding Agreement.

The Rate Stabilization Fund is used to pay: (1) Debt Service; (2) Bond Redemptions; (3) Capital Costs; (4) reimbursement to a Participant of funds, other than Regional Connection Fees, deposited by such Participant into the Debt Service Fund, the Reserve Account, and the Rate Stabilization Fund, except to the extent such reimbursement would cause the balance of such Participant's account within the Rate Stabilization Fund to fall below its Sub-Minimum Level; (5) administrative and other expenses incurred by the Authority; and (6) any other legal expenditures. "Sub-Minimum Level" is defined under the Funding Agreement to mean, for each Participant, an amount equal to the product of the Minimum Level multiplied by such Participant's Proportionate Share.

Amendments and supplements to the Funding Agreement can be made in accordance with the terms of the Indenture. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

The Authority anticipates using a portion of the amount on deposit in the Rate Stabilization Fund, together with proceeds of the Series 2017 Bonds and other sources, to pay

for the costs of expanding the Pleasant Grove Plant. See "THE FINANCING PLAN – The Series 2017 Project."

Pledge and Application of Participant Net Revenues. Under the Funding Agreement, each Participant irrevocably pledges, charges and assigns to the Trustee, to assure the punctual payment of its Proportionate Share of Debt Service, all of its Participant Net Revenues and, except as otherwise may be permitted under the applicable Bond Documents (as defined in the Funding Agreement), the Participant Net Revenues will not be used for any other purpose so long as any of its Proportionate Share of Debt Service remains unpaid. Such pledge, charge and assignment will constitute a senior lien on the Participant Net Revenues for the payment of each Participant's Proportionate Share of Debt Service in accordance with the terms of the Funding Agreement. To the extent a Participant's Proportionate Share of Debt Service is not paid in full from the Aggregate Rate Stabilization Fund Draw prior to any Interest Payment Date, such Participant will, on or before such Interest Payment Date, make a payment directly to the Trustee for deposit to the Debt Service Fund from its Participant Net Revenues to make up such deficiency.

The following terms have their respective meanings under the Funding Agreement.

"Participant Net Revenues," with respect to each Participant is such Participant's Participant Gross Revenues less such Participant's Participant Operation and Maintenance Costs, for any period of calculation.

"Participant Gross Revenues" means, for any period of calculation, all amounts received for, arising from and all other income and revenues derived by a Participant from, the ownership or operation of such Participant's System and such Participant's use of the Regional Wastewater Facilities, excluding Regional Connection Fees and Local Connection Fees other than Available Local Connection Fees.

"Participant Operation and Maintenance Costs" means, for any given period, the reasonable and necessary costs (both direct and incidental) of operating and maintaining the facilities which comprise a Participant's System during such period, as well as the Participant's share of Regional Operation and Maintenance Costs, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any), labor, materials, water, electricity, natural gas, chemicals, employee bonds, vehicles, communications equipment, preventive maintenance, sludge disposal, environmental remediation, engineering services, analytical testing services, rents, right-of-way charges, recycled water operations costs, legal judgments and assessments, other support services, and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service and amortization of intangibles or other book-keeping entries of a similar nature.

"Local Connection Fees" means connection fees imposed and collected by a Participant pursuant to applicable provisions of the Roseville Municipal Code, SPMUD ordinances, or Placer County ordinances, as applicable, for the purpose of funding expansion or modifications of, and/or improvements to, the Participant's System.

“Available Local Connection Fees” means Local Connection Fees that may be used to pay Debt Service. For further details, see APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

Rate Covenant. Each Participant must fix, prescribe, revise, and collect User Charges during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Participant Gross Revenues sufficient to pay the following amounts in the following order of priority:

(a) All Participant Operation and Maintenance Costs estimated by such Participant to become due and payable in such Fiscal Year;

(b) The Participant’s Rate Covenant Debt Service and the amount due from the Participant on any Participant Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Rate Covenant Debt Service or such interest on Participant Parity Obligations are payable from proceeds of Bonds or Participant Parity Obligations deposited for such purpose;

(c) All amounts, if any, required to be contributed by such Participant to restore the balance in the Reserve Account to the full amount of the Reserve Requirement; and

(d) All payments required to meet any other obligations of such Participant which are charges, liens, encumbrances upon, or which are otherwise payable from, the Participant Net Revenues during such Fiscal Year.

In addition, each Participant will fix, prescribe, revise, and collect User Charges during each Fiscal Year that are sufficient to yield Participant Net Revenues at least equal to 110% of Rate Covenant Debt Service.

The Funding Agreement defines “Rate Covenant Debt Service” to mean, as to each Participant, such Participant’s Proportionate Share of Debt Service, less the sum of (a) such Participant’s Individual Rate Stabilization Fund Draw, and (b) any amounts paid on behalf of such Participant pursuant to the Funding Agreement.

Covenants of the Participants. Certain of the covenants of the Participants in the Funding Agreement are described below. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents – Funding Agreement – Covenants of the Participants for additional information regarding the covenants of the Participants in the Funding Agreement.

Participant Parity Obligations Secured by Participant Net Revenues. Each Participant may issue or incur Participant Parity Obligations, subject to the conditions specified in the Funding Agreement. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents – Funding Agreement – Covenants of the Participants.

Additional Regional Wastewater Facilities. Pursuant to the provisions of the Funding Agreement, Regional Connection Fees and other amounts in the Rate Stabilization Fund may also be used by the Authority to fund other expansions or modifications of, or improvements to, the Regional Wastewater Facilities, subject to the prior written approval of the Authority; provided, however, that at the time a decision is made to so use Regional Connection Fees, the Authority will reasonably determine the amounts to be withdrawn from each Participant’s

account within the Rate Stabilization Fund so as to give effect to the principle that the Participants' respective contributions to Capital Costs should be proportional to their usage of the wastewater treatment capacity made available by the construction of such Regional Wastewater Facilities.

Notwithstanding the foregoing, and subject to the availability of funds from the Authority, when the average daily inflows to the Dry Creek Plant or Pleasant Grove Plant reach 75% of actual total capacity of either plant, respectively, Roseville will begin the planning and design of the next expansion of the Pleasant Grove Plant or Dry Creek Plant, or the construction of new Regional Wastewater Facilities, as appropriate. While the 75% threshold of either plant has not been reached, the plants are experiencing higher organic loading rates than expected which has prompted the Authority to commence design work for the next expansion of the Pleasant Grove Plant ahead of the 75% requirement, and the Authority anticipates using a portion of the proceeds of the Series 2017 Bonds and amounts on deposit in the Rate Stabilization Fund (along with other sources) to pay for the costs of expanding the Pleasant Grove Plant. See "THE FINANCING PLAN – The Series 2017 Project." See also "FINANCIAL OPERATIONS – Capital Costs" for the Authority's 10-year capital improvement projections.

Flow of Funds Under the Indenture

The Authority will agree in the Indenture to deposit all the Authority Revenues received by it into the following respective funds (each of which the Trustee agrees to establish, maintain and hold in trust for the benefit of the Owners of the Bonds) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Debt as provided in an applicable Parity Debt Instrument (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt):

Series 2017 Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2017 Project Fund." All money in the Series 2017 Project Fund will be used and withdrawn by the Trustee to pay the costs of the Series 2017 Project upon receipt of a Request(s) of the Authority filed with the Trustee.

Interest Fund. The Authority will transfer to the Trustee and the Trustee will set aside in the Interest Fund on or before the second Business Day prior to each interest payment date therefor an amount equal to the interest becoming due and payable on the Outstanding Bonds (excluding interest for which there are moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source to pay such interest).

Principal Fund; Sinking Accounts. The Authority will transfer to the Trustee and the Trustee will set aside in the Principal Fund on or before the second Business Day prior to each principal or Sinking Fund Installment date therefor an amount equal to the amount of Principal Payments coming due and payable on the Outstanding Bonds. Amounts deposited in order to pay Sinking Fund Installments will be deposited into the respective Sinking Accounts for the Term Bonds established within the Principal Fund. Notwithstanding the foregoing, if the Authority certifies to the Trustee that any Principal Payments are expected to be refunded on or prior to their respective due dates or paid from excess amounts on deposit in the Parity Reserve

Fund or other bond reserve fund, no amounts need be set aside towards such principal to be so refunded or paid. All of the deposits with respect to Sinking Fund Installments will be made without priority of any payment into any one Sinking Account over any other Sinking Account.

[Parity Reserve Fund. After making the payments, allocations and transfers provided for in the previous two paragraphs, if the balance in the Parity Reserve Fund is less than the Reserve Requirement, the deficiency will be restored by transfers from the sources specified in the Indenture; provided, however, that payments received from the Authority or a Participant to replenish the Parity Reserve Fund will first be applied to (i) repay the provider of the Reserve Fund Credit Instrument, if any, for a draw thereon and (ii) after all such amounts are paid in full, amounts necessary to fund the Parity Reserve Fund to the Reserve Requirement, after taking into account the amounts available under the Reserve Fund Credit Instrument, will be deposited from such payments made by the Authority or a Participant.]

[Parity Reserve Fund

A Parity Reserve Fund was established under the Indenture and is funded in an amount equal to the Reserve Requirement, which is equal to \$_____. Upon issuance of the Series 2017 Bonds and redemption of a portion of the Series 2011C Bonds and all of the Series 2014 Bonds, the Reserve Requirement will be \$_____. [The Parity Reserve Fund will secure the unrefunded Series 2011C Bonds and the Series 2017 Bonds, but not the Series 2013 Bonds.] *The Series 2013 Bonds are not secured by or payable from the Parity Reserve Fund.* An amount equal to the Reserve Requirement in the form of either (i) cash or Permitted Investments or a (ii) Reserve Fund Credit Instrument under the Indenture, for the account of the Parity Reserve Fund, will be maintained in the Parity Reserve Fund at all times. Any deficiency in the Parity Reserve Fund will be replenished from: (1) amounts paid by the Authority to the Trustee resulting from a late payment by a Participant under the Funding Agreement; and (2) amounts paid by the Authority to the Trustee from payments made by the Participants under the Funding Agreement as a result of a deficiency in the Parity Reserve Fund caused by investment losses on Permitted Investments held in the Parity Reserve Fund.

Under the Funding Agreement, the Participants agree that if amounts in the Parity Reserve Fund fall below the Reserve Requirement by reason of loss of value of Permitted Investments then on hand in the Reserve Account, the Participants will make up such loss, from Participants' Net Revenues. An individual Participant is not obligated to replenish the Parity Reserve Fund if it has been depleted to make a payment on the Parity Debt secured by the Parity Reserve Fund as a result of another Participant's failure to make its payments under the Funding Agreement. In such case, the Parity Reserve Fund will be replenished solely by depositing to the Parity Reserve Fund the late payment made by the Participant that caused said draw on the Parity Reserve Fund.

"Reserve Requirement" is defined in the Indenture to mean, as to the Bonds secured by the Parity Reserve Fund as of the date of calculation, an amount equal to (a) the least of (i) the Maximum Annual Debt Service on the Outstanding Bonds, (ii) 10% of the proceeds of the Bonds, (iii) 125% of the average annual Debt Service on Outstanding Bonds; provided, that (i) and (iii) above will be calculated without taking into account payments expected to be made under the Master Agreement, dated August 28, 2003 (the "Existing Swap Agreement") between the Authority and Morgan Stanley Capital Services Inc. (the "Counterparty"), as amended. In no event will the Authority, in connection with the issuance of any Parity Debt, be obligated to deposit an amount in the Parity Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds

without having to restrict the yield of any investment purchased with any portion of such deposit.]

Outstanding Parity Obligations

Upon delivery of the Series 2017 Bonds, the Series 2017 Bonds will be secured on parity with the outstanding Series 2013 Bonds[, the unrefunded Series 2011C Bonds] and the regularly scheduled payments on the Existing Swap Agreement. The Authority entered into the Existing Swap Agreement with the Counterparty, a wholly owned subsidiary of Morgan Stanley (a Delaware Corporation) and an affiliate of Morgan Stanley & Co. LLC, the Underwriter, that settled contemporaneously with the issuance of previously refunded Parity Debt. Pursuant to the Indenture, the Authority covenants that the Existing Swap Agreement (except the obligations to make payments upon any early termination or event of default) is a parity obligation payable from and secured by a pledge of Authority Revenues as described in the Indenture on parity with all other existing and future Bonds and Parity Debt. The obligations of the Authority under such Existing Swap Agreement to make payments upon early termination or event of default are payable solely from amounts on deposit in the Rate Stabilization Fund under the Funding Agreement. The Authority is not required to advance any moneys derived from any source of income other than the Authority Revenues for the payments due under the Existing Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Existing Swap Agreement.

Additional Bonds and Parity Debt

Additional Bonds. In addition to the Series 2017 Bonds, the Authority may, under a Supplemental Indenture, issue or incur Bonds payable from Authority Revenues. See “- Parity Debt” below for the issuance of Parity Debt under a Parity Debt Instrument other than the Indenture. Issuance of additional Bonds is subject to the following conditions under the Indenture:

(a) The Authority will be materially in compliance with all covenants set forth in the Indenture.

(b) If, and only if, the Authority determines that such Series of Bonds or Parity Debt will be secured by the Parity Reserve Fund, money or a Reserve Fund Credit Instrument (as authorized by the Indenture) will be deposited in the Parity Reserve Fund from the proceeds of the sale of such Bonds or otherwise such that the balance in the Parity Reserve Fund is equal to the Reserve Requirement on the date of issuance of the Series of Bonds or Parity Debt.

(c) Each of the Participant’s Net Revenues, calculated on sound accounting principles, as shown by the books of the Participants for the latest Fiscal Year or any more recent 12 month period selected by each Participant ending not more than 90 days prior to the adoption of the Parity Debt Instrument pursuant to which such Parity Debt are issued, as shown by the books of the Participants, plus, at the option of any Participant, any or all of the items designated in the following paragraph, will at least equal 110% of the sum of: (1) their Proportionate Share of Maximum Annual Debt Service, calculated in accordance with the Funding Agreement, with Maximum Annual Debt Service calculated on all Bonds and Parity Debt to be Outstanding immediately subsequent to the issuance of such Parity Debt which have a lien on the Authority Revenues, plus (2) Maximum Annual Debt Service on all Participant Parity Obligations.

The items which may be added to such Participant's Net Revenues for the purpose of issuing Bonds under the Indenture are: (1) an allowance for earnings arising from each Participant Net Revenues resulting from any increase in the User Charges which has become effective prior to the incurring of such Series of Bonds but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which the Participant Net Revenues would have been increased if such increase in User Charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown in the written report of an Independent Consultant engaged by the applicable Participant; and (2) an allowance for Participant Net Revenues from any additions or improvements to or extensions of a Participant System to be financed from the proceeds of such Participant's Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by a Participant were not in service, all in an amount equal to 75% of the estimated additional average annual Participant Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Participant; (3) Regional Connection Fees collected by the Participants, in an amount equal to the greater of (i) Regional Connection Fees collected by such Participant in the prior 12 months; or (ii) the average annual amount of Regional Connection Fees collected by such Participant during the prior 36 months; and (4) Available Local Connection Fees collected by the Participants, in an amount equal to the greater of: (a) Available Local Connection Fees collected by such Participant in the prior 12 months; or (b) the average annual amount of Available Local Connection Fees collected by such Participant during the prior 36 months.

For purposes of the calculations made under the Indenture, Participants Net Revenues will not include any draws made by the Authority from the Rate Stabilization Fund to pay Debt Service on any Bonds or Parity Debt.

The condition set forth in (c) above will not be applicable to Series of Bonds or Parity Debt solely for the purpose of refunding all or a portion of any outstanding Bonds or other Parity Debt.

(d) The Funding Agreement will be amended or supplemented, if necessary, to provide that one or more of the Participants is obligated to pay Debt Service on such Bonds or Parity Debt or to otherwise amend the Funding Agreement to conform to the terms of the Indenture.

Parity Debt. In addition to Bonds issued under the Indenture, the Authority may, under a Parity Debt Instrument, issue or incur Parity Debt payable from Authority Revenues, to provide financing for the Project and the Enterprise, in such principal amount as will be determined by the Authority. The Series 2013 Bonds were issued as Parity Debt pursuant to the 2013 Indenture. The Authority may issue or incur any such Parity Debt, subject to the conditions set forth in the Indenture as described under "Additional Bonds" above.

In addition, the Parity Debt Instrument providing for the issuance of such Parity Debt under the Indenture will provide that the proceeds of such Parity Debt will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Enterprise, or otherwise for facilities, improvements or property which the Authority determines are of benefit to the Enterprise, or for the purpose of refunding any Parity Debt in whole or in part, including all costs (including costs

of issuing such Parity Debt and including capitalized interest on such Parity Debt during any period which the Authority deems necessary or advisable) relating thereto.

The Authority may, in connection with the issuance of a Series of Bonds or Parity Debt, enter into: (i) a Credit Agreement with a Credit Provider which provides a Credit Facility to provide credit enhancement or liquidity for Bonds or Parity Debt; or (ii) a Swap Agreement (as defined in the Indenture), and pledge Authority Revenues to repay the Credit Provider under the Credit Agreement or the Swap Counterparty (as defined in the Indenture) under the Swap Agreement, without complying with the provisions of the Indenture as described in (b), (c) or (d) of "Additional Bonds" above. Said pledge of Authority Revenues to repay the Credit Provider or Swap Counterparty may be, but is not required to be, on a parity with the Bonds and any other Parity Debt issued or to be issued by the Authority, and such reimbursement agreement or Swap Agreement will be treated as Parity Debt under the Indenture.

Under the Indenture, the Authority agrees and acknowledges that the Existing Swap Agreement (except termination payments and certain other obligations as set forth in the Existing Swap Agreement) is a Parity Debt obligation as described in the Indenture and is secured by the Authority Revenues on a parity with all other existing and future Bonds or Parity Debt.

For a discussion of the ability of each Participant to issue or incur Participant Parity Obligations, see APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

SOUTH PLACER WASTEWATER AUTHORITY

General

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, effective October 1, 2000, which has been amended and restated pursuant to an Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, dated as of October 1, 2012 (the "Joint Powers Agreement" or the "JPA") among the Participants. The JPA was entered into pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Joint Exercise of Powers Act"). The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities. Subsequent amendments and supplements to the JPA can be made in accordance with the terms of the Indenture. In addition, no Participant is permitted to withdraw from the Authority until all bonds or other instruments of indebtedness issued by the Authority have been paid in full.

The Participants

The Authority's Participants consist of the City, SPMUD and Placer County. Pursuant to the Funding Agreement (see "SECURITY FOR THE SERIES 2017 BONDS—Funding Agreement") and the Operations Agreement, each of the Participants agrees to collect and forward to the Authority, its Regional Connection Fees, as well as its share of Regional Operation and Maintenance Costs. For information relating to Roseville, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit. For information relating to SPMUD, see APPENDIX C-1

– Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit. For information relating to Placer County, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer’s Wastewater Entities.

Governance and Management

Pursuant to the JPA, the Authority is administered by a board of directors (the “Board”) consisting of five directors. Two directors are appointed by the City, two directors are appointed by Placer County and one director is appointed by the District. One County-appointed director is required under the JPA to be a member of the County Board of Supervisors and represent a supervisorial district which includes all or a portion of the City. This director is also subject to confirmation by the City Council of the City. All five board members are elected officials. The members of the Board of Directors are listed on the inside cover of this Official Statement.

Pursuant to the Funding Agreement, the City owns and operates the Regional Wastewater Facilities. See APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility, for a description of the senior management of the City’s wastewater system.

THE REGIONAL WASTEWATER SYSTEM

Service Area

The Authority’s service area consists of the wastewater service areas of the City, SPMUD and certain areas of Placer County, which, in aggregate, encompasses approximately 77 square miles, a population of approximately 231,062 and 110,420EDUs. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant and related regional conveyance systems and any other regional treatment facilities constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively for all of the Participants. Refer to the appendices to this Official Statement for more specific information on the service areas for each of the Participants.

Wastewater Generation and Treatment Requirements

Wastewater from the northwestern portion of the Authority’s service area is conveyed to, and treated at, the Pleasant Grove Plant, and wastewater from the southeastern portion of the Authority service area is conveyed to, and treated at, the Dry Creek Plant.

Existing Wastewater Treatment Flow. The Dry Creek Plant has a rated capacity of 18 mgd under average dry weather flow (“ADWF”) conditions. The available capacity is adequate to meet the treatment need for anticipated wastewater generation during the next 15 years. Modifications will be made to the secondary treatment aeration and pumping systems to provide reliable nitrate reduction below a new 10 mg/L National Pollutant Discharge Elimination System (NPDES) permit limit. Process modifications should be completed during the next year. Otherwise, the existing Dry Creek Plant facilities and operations provide the City with the capability of meeting the requirements of the plant’s NPDES permit. There have been no significant compliance issues with respect to permits or regulations.

The Pleasant Grove Plant has a rated capacity of 12 mgd under ADWF conditions. Other than the expansion project that is currently proposed, no significant plant modifications are anticipated to be needed in order to maintain compliance with respect to permits and regulations.

Both treatment plants are designed to completely treat peak flows generated by storm events and have been designed to convey and treat peak wet weather flow that is significantly greater than their respective ADWF flow capacity discussed in the preceding paragraphs.

EDU and Flow Projections. The EDU and wastewater flow projections through build-out of the current Authority service area anticipated by 2050, as set forth below, are based on the most recent projections prepared by the Participants. However, if future developments were at higher densities than current trends, the planned wastewater facilities are expandable to accommodate the higher wastewater flows that would result.

The table below provides a breakdown of projected EDUs from 2013 through 2050 for each Participant.

Participant	Current EDUs	Projected EDUs (through 2050)
Roseville	67,048 ⁽¹⁾	[91,914]
Placer County	10,547 ⁽²⁾	33,979
SPMUD	<u>32,825⁽²⁾</u>	<u>[43,080]</u>
Total	110,420	[168,973]

(1) As of June 30, 2016.

(2) As of June 30, 2017.

Source: Each Participant for its applicable EDUs and Projected EDUs.

The current ADWF is 16.5 mgd and the projected ADWF in 2050 is 27.4 mgd.

Existing Wastewater Facilities and Effluent Requirements. All wastewater from the Authority's service area is currently conveyed to and treated at either the Dry Creek Plant or the Pleasant Grove Plant. Both plants were designed to produce an effluent that allows unrestricted reuse of the effluent. The California Regional Water Quality Control Board, Central Valley Region (Regional Board), adopted separate Waste Discharge Requirements (discharge permit) for each plant on March 28, 2014. The discharge permits are authorized under the National Pollutant Discharge Elimination System ("NPDES"), and are in effect for at least a 5-year period, or until the Regional Board renews the NPDES permit. Effluent from the Dry Creek Plant is discharged into Dry Creek and effluent from the Pleasant Grove Plant is discharged into the Pleasant Grove Creek. The Dry Creek and Pleasant Grove Plants discharge permits allow up to 18 and 12 mgd of effluent, respectively. Prior to buildout, the Authority expects to expand the Pleasant Grove Plant to an ultimate capacity of 24 mgd and, when needed, future discharge permits will reflect the expanded capacity.

In general, the NPDES permits for both plants require all wastewater to be treated to "tertiary effluent limitations" which are analogous to the requirements described in the California Code of Regulations, Title 22. Title 22 contains criteria for the reuse or reclamation of wastewater as an alternative to discharging to a receiving stream. In the case of the Pleasant Grove Plant, since Pleasant Grove Creek is an ephemeral stream at times providing little or no dilution to wastewater effluent discharged from the Pleasant Grove Plant, all effluent must meet

the Title 22 limitations in order to protect the beneficial uses of contact recreation and irrigation in the creek. Title 22 requires that wastewater treated for unrestricted reclamation use must be oxidized, coagulated, filtered, and disinfected, or receive equivalent treatment. The NPDES permits for both plants contain limitations on ammonia, nitrate, metals, and organic constituents. To date, the Dry Creek Plant and the Pleasant Grove Plant have demonstrated exceptional patterns of compliance with treatment requirements.

Additional Wastewater Facilities and Available Capacity

Depending on future demand, the Authority may expand capacity at either the Pleasant Grove Plant or the Dry Creek Plant, or both, to meet the needs of its service area.

The Authority may finance such expansion with one or more Authority Parity Debt issues. Presently, the total rated wastewater treatment capacity in the Authority's system is 30 mgd – 18 mgd at the Dry Creek Plant and 12 mgd at the Pleasant Grove Plant. Presently, the approximate combined daily treatment demands of the system were 16.5 million gallons and the remaining available capacity of the system is 13.5 mgd. Both treatment plants in the Authority's system can be expanded to accommodate additional demands resulting from growth throughout the service area. Growth estimates in the service area indicate that future treatment demands are approximately 27.4 mgd. Although this is below the total rated wastewater treatment capacity of the system, growth in the Pleasant Grove Plant collection area is expected to exceed that plant's rated capacity by 2023. As a result, the Pleasant Grove Plant expansion effort is now timely. Growth in the Dry Creek Plant collection area is not expected to exceed its rated capacity in the next ten years. See "–Service Area" above.

Operations

The City operates and maintains the Regional Wastewater Facilities for the mutual benefit of, and provides wastewater treatment services to, the Participants, so long as the Participants pay their proportionate share of the amounts required under the Funding Agreement and the Operations Agreement. Pursuant to the Operations Agreement, each Participant has the right to maintain connections between such Participant's System and the Regional Wastewater Facilities at all locations existing as of the date of the Operations Agreement and to establish new connections as needed, subject to the City's prior written approval of the location of such connection. The Operations Agreement also provides that each Participant's responsibility for Regional Operation and Maintenance Costs for the Regional Wastewater Facilities is based upon its Proportional Volumetric Share (defined as the proportion of total yearly wastewater volume entering the Regional Wastewater Facilities that is attributable to such Participant).

Insurance

The insurance needs of the City's Wastewater Utility are handled by the Risk Management Division of the City's Human Resources Department. The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the applicable limits described below. General liability claims are covered up to \$40,000,000 with a self-insured retention or deductible of \$500,000. For the City's Fiscal Year ended June 30, 2016, the City's premium was \$624,805. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$5,000,000 with a self-insured retention or deductible of \$25,000. For the City's Fiscal Year ended June 30, 2016, the City's premium was \$182,928 (coverage limit of \$300,000,000). Boiler and machinery damage is covered up to \$21,250,000 with a self-insured retention or deductible of \$5,000. For the City's Fiscal Year ended June 30, 2016, the annual premium paid was \$31,983. Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property, which coverage has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the City's Fiscal Year ended June 30, 2016, the City's premium for coverage was \$363,194. The City's insurance covers the Regional Wastewater Facilities.

FINANCIAL OPERATIONS

Capital Costs

As of June 30, 2013, the Authority has funded the construction or acquisition of more than \$260 million of capital projects since October 2000, when the Authority was formed. For Fiscal Year 2017-18, the Authority anticipates the expenditure of approximately \$6,000,000, primarily for design costs related to the Pleasant Grove Plant expansion.

The following table presents the Authority's current ten-year capital improvement program projection.

**South Placer Wastewater Authority
10-Year Capital Improvement Program
(\$000)**

Project Description	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Total	\$101,500,000	\$10,000,000	\$35,000,000	\$30,000,000	\$20,000,000	-	-	-	-	-	-
Expansion Projects (Connection Fee Funding)											
Pleasant Grove WWTP Expansion	\$6,500,000	\$10,000,000	\$35,000,000	\$30,000,000	\$20,000,000	-	-	-	-	-	-
Rehabilitation Projects (Use Charge (Rate) Funding)											
Dry Creek WWTP - Digester 1 Roof Rehabilitation	-	103,997	-	6,623,997	3,571,999	-	-	-	-	-	-
Dry Creek WWTP - Tertiary Filter Rehabilitation	-	-	-	-	765,000	-	-	-	-	-	-
Dry Creek WWTP - Nitrate Removal Project (TSO)	521,392	3,766,451	5,264,324	-	-	-	-	-	-	-	-
Dry Creek WWTP - Cogeneration Project	\$152,698	407,919	6,801,081	2,280,360	-	-	-	-	-	-	-
Dry Creek WWTP - Square D PLC Replacement	-	15,000	500,000	885,000	-	-	-	-	-	-	-
Pleasant Grove WWTP - Chemical Tank Replacements	-	-	-	-	210,000	-	-	-	-	-	-
Pleasant Grove & Dry Creek WWTPs- Secondary Clarifier Coating Project	-	-	-	340,000	340,000	-	-	-	-	-	-
Pleasant Grove & Dry Creek WWTPs - SCADA Project	\$2,500,000	3,885,212	-	-	-	-	-	-	-	-	-
Pleasant Grove & Dry Creek Wastewater Treatment Plants - ARC Flash Mitigation Project	\$444,409	-	-	-	-	-	-	-	-	-	-
Pleasant Grove & Dry Creek WWTP Condition Assessment	\$628,000	942,000	-	-	-	-	-	-	-	-	-
WWC - Regional Interceptors Condition Assessment and Cleaning	\$100,000	78,750	236,250	-	-	-	-	-	-	-	-
WWC - Regional Wastewater Lift Station #2 Technology - 800Mhz Radio System Replacement	\$3,950	81,281	81,281	-	-	-	-	-	-	-	-
Technology - Historical Data Repository (HDR) Technology - Square D PLC Replacement @ DC	-	605,735	1,413,381	-	-	-	-	-	-	-	-
Total	\$10,850,449	\$19,901,346	\$50,171,317	41,014,357	\$24,886,999	-	-	-	-	-	-
Shared Costs											
Roseville 63%	\$6,886,780	\$12,631,384	\$31,843,735	\$26,031,813	\$15,795,778	-	-	-	-	-	-
SPMUD 25%	2,696,337	4,945,484	12,467,572	10,192,068	6,184,419	-	-	-	-	-	-
Placer County 12%	1,267,332	2,324,477	5,860,010	4,790,477	2,906,801	-	-	-	-	-	-
Total	6,886,780	12,631,384	31,843,735	26,031,813	15,795,778	-	-	-	-	-	-

Source: The Authority

Operations and Maintenance Costs

The Operations Agreement among the Participants provides that each Participant's responsibility for Regional Operation and Maintenance Costs for the Regional Wastewater Facilities is based upon its Proportional Volumetric Share (defined as the proportion of total yearly wastewater volume entering the Regional Wastewater Facilities that is attributable to such Participant). For Fiscal Year 2015-16, the Participants contributed the following amounts under the Operations Agreement to fund Regional Operation and Maintenance Costs: [[Update]]

South Placer Wastewater Authority Participant Contributions to fund Regional Operation and Maintenance Costs Fiscal Year 2012-13

<u>Participant</u>	<u>Contribution</u>
Roseville	\$9,904,381
SPMUD	3,877,799
Placer County	<u>1,822,643</u>
Total	\$15,604,823

Source: City of Roseville

For the Fiscal Year ended June 30, 2016, the audited amount of Regional Operation and Maintenance Costs is \$15,604,823; for Fiscal Year 2016-17, the Regional Operation and Maintenance Costs are budgeted to be \$18,720,519, but the City expects that actual Regional Operation and Maintenance Costs will be below the budgeted amount.

Certain administrative costs incurred by the City on behalf of the Authority are payable directly from the Rate Stabilization Fund. In Fiscal Year 2015-16 these administrative costs totaled approximately \$100,000; for Fiscal Year 2016-17, the administrative costs are estimated to be approximately \$115,000.

Certain Financial Data Relating to the Authority

The following summarizes information with regard to the Authority's Rate Stabilization Fund:

South Placer Wastewater Authority Rate Stabilization Fund Allocations At Fiscal Years Ended June 30, 2013 through June 30, 2016 (Audited) and June 30, 2017 (Unaudited)

<u>Participant</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Unaudited)
Roseville	\$64,253,094	\$64,793,687	\$66,300,850	\$67,117,334	\$68,255,920
SPMUD	39,250,039	40,350,405	41,541,091	44,931,137	50,354,027
Placer County ⁽¹⁾	<u>(5,742,737)</u>	<u>(6,090,213)</u>	<u>(2,034,706)</u>	<u>(1,750,714)</u>	<u>(2,545,246)</u>
Total	\$97,760,396	\$99,053,879	\$105,807,235	\$110,297,757	\$116,064,701

Source: The Authority

(1) The reduction in Placer County's Rate Stabilization Fund allocation deficit is due to a reassignment of proportionate shares among the entities as of April 30, 2012 and subsequent payments made by Placer County to reduce its deficit pursuant to the Reallocation and Repayment Agreement.

See "SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement" herein for a discussion of debt service and other capital costs paid under the Funding Agreement and for a discussion of Placer County's Rate Stabilization Fund deficit reduction under the Reallocation and Repayment Agreement.

The following summarizes information with regard to the Regional Connection Fees received by the Authority:

**South Placer Wastewater Authority
Regional Connection Fees Received
Fiscal Years 2013-14 through 2015-16**

<u>Participant</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Roseville	\$6,318,020	\$6,989,651	\$6,618,117
SPMUD	3,103,003	3,054,338	5,320,391
Placer County	702,608	769,831	1,138,182
Total	10,123,631	10,813,820	13,076,690
Percentage of Debt Service ⁽¹⁾	103%	55%	78%

(1) Regional Connection Fees as a percentage of debt service paid on all outstanding Bonds and Parity Debt of the Authority, including net payments on the Existing Swap Agreement.

Source: The Authority

After several years of slow development, the Authority has, in recent years, experienced increasing amounts of Regional Connection Fee revenue from the Participants due primarily to an increase in development within the Authority's service area. For Fiscal Year 2013-14 the Participants budgeted approximately \$9.7 million in Regional Connection Fee revenue, and the Participants currently estimate that \$6.75 million had been collected as of April 30, 2014. The City anticipates that while growth within the Authority's service area continues, annual collections of Regional Connection Fees will be sufficient to maintain a stable or growing balance in the Rate Stabilization Fund after deducting amounts for debt service payments and allocated administrative expenses. Under certain circumstances, it is possible the balance in the Rate Stabilization Fund could fall below the Minimum Level set in the Funding Agreement, and all or a portion of debt service would have to be funded from Participant Net Revenues. See "SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement."

Investment Policy

The Authority's investment policy and the California Government Code allow the Authority to invest in the following:

- U.S. Treasury obligations
- Federal Agency or United States government-sponsored enterprise
- Mortgage Pass-Through Securities
- Obligations of the State of California or any Local Agency within the state
- Registered treasury notes or bonds of an of the other 49 states
- Repurchase Agreements
- Banker's Acceptances
- Commercial Paper
- Medium-Term Corporate Notes
- Collateralized Time Deposits
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Insured Savings Accounts
- Money Market/Mutual Funds
- Shares in a California Common Law Trust

Interest Rate Swaps
City of Roseville's Pooled Investment Fund
Supranationals

The Authority does not enter into reverse repurchase agreements. Trustees under bond indentures may also invest in guaranteed investment contracts and money market and mutual funds. Roseville also holds certain funds within the City's investment pool to be used to pay current operating expenses of the Authority. The Authority's investments are carried at fair value instead of cost, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Historical Financial Data

Financial Statements. The table below presents summaries of financial data relating to the Authority's Rate Stabilization Fund for the Fiscal Years ended June 30, 2013 through 2017 (unaudited). This data is extracted from the Authority's Annual Financial Reports for such years. The Authority's Annual Financial Report is currently audited by Vavrinek, Trine, Day & Co., LLP, Sacramento, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the Authority. The reports include certain notes to the financial statements that may not be fully described below. Such notes constitute an integral part of the audited financial statements. See APPENDIX A – Excerpted Portions of the South Placer Wastewater Authority Audit.

**South Placer Wastewater Authority
Summary of Rate Stabilization Fund Results
Fiscal Years Ended June 30, 2013 through 2016 (Audited)
And Fiscal Year Ended June 30, 2017 (Unaudited)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance:	\$92,596,392	\$97,760,396	\$99,053,879	\$105,807,235	\$110,297,757
Contributions:					
Payments under Repay. Agr. (Placer County)	7,011,569	577,030	500,000	843,338	500,000
Reimbursement Costs	137,429	--	142,995	105,113	--
Regional Connection Fees	7,787,796	10,123,631	15,156,521	13,076,690	17,130,730
Interest Allocation	<u>526,014</u>	<u>592,763</u>	<u>792,462</u>	<u>1,022,077</u>	<u>1,492,895</u>
Total Contributions	15,462,808	11,293,424	16,591,978	15,047,218	19,123,625
Withdrawals:					
Capital Construction Costs	148,634	260,046	430,094	1,197,482	3,659,382
Debt Service	9,976,393	9,555,825	9,253,778	9,190,813	9,519,379
Administrative Costs	<u>173,777</u>	<u>184,070</u>	<u>154,750</u>	<u>168,401</u>	<u>177,920</u>
Total Withdrawals	10,298,804	9,999,941	9,838,622	10,556,696	13,356,681
Increase (Decrease) in Balance	5,164,004	1,293,483	6,753,356	4,490,522	5,766,944
Ending Balance	\$97,760,396	\$99,053,879	\$105,807,235	\$110,297,757	\$116,064,701

Source: The Authority

As noted above, the Proportionate Shares were reallocated as of April 30, 2012, defined in the revised Funding Agreement as follows: Roseville – 61.66%, South Placer Municipal Utility District – 22.43% and Placer County – 15.91%. See “SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement.”

Significant Accounting Principles. The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The capital infrastructure is dedicated to and capitalized by the City, which maintains the Authority’s infrastructure, per the Funding Agreement.

THE PARTICIPANTS

The Participants consist of Roseville, SPMUD and Placer County. Pursuant to the Funding Agreement (see “SECURITY FOR THE SERIES 2017 BONDS—Funding Agreement”) and the Operations Agreement, each of the Participants agrees to collect and forward to the Authority, its Regional Connection Fees, as well as its share of Regional Operation and Maintenance Costs. For information relating to Roseville, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit. For information relating to SPMUD, see APPENDIX C-1 – Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit. For information relating to Placer County, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer’s Wastewater Entities.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2017 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Series 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Series 2017 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Series 2017 Bonds and Parity Debt. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

General

The payment of principal of and interest on the Series 2017 Bonds is secured solely by a pledge of the Authority Revenues and certain funds under the Indenture. The realization of the Authority Revenues is subject to, among other things, the capabilities of management of the Participants, the ability of the Participants to provide wastewater services to their users, and the ability of the Participants to establish and maintain wastewater fees and charges sufficient to provide the required debt service coverage as well as pay for Participant Operation and Maintenance Costs and Regional Operation and Maintenance Costs.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Participant Net Revenues realized by the Participants and ultimately the ability of the Participants to pay their Proportionate Share of Debt Service to the Authority.

Earthquakes, Floods and Other Natural Disasters

Earthquakes, floods or other natural disasters could interrupt operation of the Participant's Systems and cause increased costs and thereby interrupt the ability of the Participants to realize Participant Net Revenues sufficient to pay their Proportionate Share of Debt Service to the Authority. The Participants are not obligated under the Funding Agreement to have earthquake or flood insurance.

Permits and Regulation

The wastewater operations of the Authority and the Participants are subject to discharge permits from the State Water Resources Control Board. A number of these permits will have to be modified to show increased capacity in connection with the Project. In general, these discharge permits are not modified to reflect increased capacity until capacity improvements are completed and have been tested. In addition, such permits expire and are subject to renewal every five years. Although the Authority and each of the Participants expects these permits to be modified to reflect increased capacity and to be renewed in the future, there can be no assurance that such modifications and renewals will occur. Non-compliance with discharge permits may result in significant penalties from the State Water Resources Control Board or other enforcement actions that could have a material adverse effect on the finances and operations of the Authority and the Participants.

Environmental Regulation

The kind and degree of water treatment which is effected through the Regional Wastewater System is regulated, to a large extent, by the federal government and the State. Treatment standards set forth in federal and state law control the operations of the Regional Wastewater System and mandate its use of technology. In the event that the federal government, acting through the Environmental Protection Agency, or the State, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter discharge and collection standards upon the Regional Wastewater System, the expenses of the Authority and the Participants could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which federal or state regulation will take with respect to discharge and collection

standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Dependence of Connection Fee Revenue on Development

The projections relating to the payment of each Participant's Proportionate Share of Debt Service, assume that connection fees will be a significant source of future revenue. See APPENDICES B-1, C-1 and D-1 attached hereto. In general, receipt of connection fee revenue is dependent upon development of land, and the actual course of land development within the Participant's regional service area may vary significantly from the projections. For example, a decline in development in the regional service area resulted in a 50% decline in Regional Connection Fees received between Fiscal Years 2007-08 and 2008-09. After several years of slower development, the Authority has, in recent years, experienced increasing amounts of Regional Connection Fee revenue from the Participants due primarily to an increase in development within the Authority's service area. [[Update]]

While each of the Participants projects that connection fee revenues will allow the Rate Stabilization Fund to be maintained at a level sufficient to fund annual Debt Service on the Series 2017 Bonds and any Parity Debt, wastewater service charges are the ultimate financial support for the payment of each Participant's Proportionate Share of Debt Service. See "SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement." In general, the Participants agree annually to set rates for wastewater service charges at a level which will generate revenues sufficient to cover Debt Service on the Series 2017 Bonds and Parity Debt that is not covered by amounts transferred from the Rate Stabilization Fund. See "SECURITY FOR THE SERIES 2017 BONDS—Funding Agreement – Rate Covenant."

Land development is subject to comprehensive federal, state and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development.

The installation of the necessary infrastructure improvements and the construction of the proposed development are subject to the receipt of ministerial and discretionary approvals from a number of public agencies concerning the layout and design of the proposed development, the nature and extent of the improvements, land use, health and safety requirements and other matters. Moreover, land development operations may be adversely affected by future governmental policies, including, but not limited to, governmental policies to restrict or control development.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits.

In the past, a number of communities in California, including Roseville, have had initiative measures placed on the ballot intended to control the rate of future development. Any such initiatives relating to the Participants, including one for Roseville in 1996, have failed to pass. It is possible that future initiatives could be enacted, could become applicable to certain

proposed development and could negatively impact the ability of developers to complete land development within Placer County. The application of future land use regulations to land development could cause significant delays and cost increases in the completion of development.

There can be no assurance that land development operations will not be adversely affected by a future deterioration of the real estate market, the lack of an adequate water supply, economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy.

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX G for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Participants, including but not limited to the Rate Stabilization Fund, could have a material adverse effect on the security of the Series 2017 Bonds.

Articles XIIC and XIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIC broadly define "tax," but specifically exclude, among other things:

- "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not

exceed the reasonable costs to the local government of providing the service or product.

...

- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIID."

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article

XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Articles XIIIC and XIIID and the Participants' Rates and Charges. Each of the Participants has complied with the procedures required by Article XIIID in connection with the increase in the fees and charges approved by their respective governing bodies.

The Participants believe that the wastewater rates and charges do not constitute "taxes" under Article XIIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIIC, they are "property-related fees imposed in accordance with the provisions of Article XIIID" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIIID) and because, as described in subsection 1(e)(2) of Article XIIIC, they are charged for wastewater service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The Participants believe that the connection fees and any similar fees relating to their individual wastewater systems do not constitute "taxes" as defined by Proposition 26 because they are charges to a landowner that are imposed (typically as a condition of property development) for a specific privilege and does not exceed the reasonable costs of conferring the privilege.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, voters of a Participant jurisdiction could adopt an initiative measure that reduces or repeals such Participant's wastewater rates and charges, though it is

not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds.

For information concerning the specific procedures employed by each Participant with respect to its charges and fees, see Appendices B-1, C-1 and D-1 attached hereto.

No assurance may be given that Article XIIC and Article XIID would not have a material adverse impact on the Authority's Revenues. See "SECURITY FOR THE SERIES 2017 BONDS."

Limitations on Remedies and Bankruptcy

The ability of the Authority to comply with its covenants under the Indenture may be adversely affected by actions and events outside of the control of the Authority, and may be adversely affected by actions taken (or not taken) by the Participants, voters, property owners, taxpayers or payers of assessments, fees and charges. See "– Articles XIIC and XIID of the California Constitution" above. Furthermore, any remedies available to the Owners of the Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bond owner remedies contained in the Indenture, the rights and obligations under the Series 2017 Bonds, the Indenture and the Funding Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. If a Participant were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Funding Agreement.

The opinion of Bond Counsel (attached as APPENDIX H) notes that the rights of the owners of the Series 2017 Bonds and the enforceability of the Series 2017 Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

CONTINUING DISCLOSURE

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series 2017 Bonds to provide certain financial information and operating data by not later than 210 days following the end of the Authority's and each Participant's Fiscal Year (presently June 30) (the "Annual Reports"), commencing with the report for Fiscal Year ended June 30, 2017, and the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed with the MSRB. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX I – Forms of Continuing Disclosure Undertakings for the Series 2017 Bonds. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

[The Authority and the Participants have failed, on a handful of occasions during the past five years, to comply, in all material respects, with these undertakings. More specifically, with respect to continuing disclosure requirements relating to Authority obligations, during the last five years:

- The Authority, the City, the District and the County made late filings of annual reports for the fiscal year ending June 30, 2012.
- The County filed an incomplete annual report for the fiscal year ending June 30, 2012.
- The Authority, the City and the District made late filings of annual reports for the fiscal year ending June 30, 2013.
- The County inadvertently failed to file its annual report for the fiscal year ending June 30, 2013.

Supplemental annual reports and filings to correct all of the known failures by the Authority and the Participants to comply with their continuing disclosure undertakings have been made. In order to ensure compliance with future continuing disclosure obligations, the City has engaged contract support for the preparation and filing of future disclosure reports for the Authority and the Participants.] [To be updated.]

LITIGATION

To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority (i) affecting the existence of the Authority or the titles of its officers to their respective offices, or (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2017 Bonds, or (iii) contesting or affecting, as to the Authority, the validity or enforceability of the Series 2017 Bonds, the Funding Agreement, the Operations Agreement or the Indenture, or (iv) contesting the powers of the Authority to enter into, adopt or perform its obligations under any of the foregoing, or (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the operations or finances of the Authority.

To the best knowledge of each Participant, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Participant (i) affecting the existence of the Participant or the titles of its officers to their respective offices, or (ii) contesting or affecting, as to the Participant, the validity or enforceability of the Joint Powers Agreement, or the Operations Agreement or (iii) contesting the powers of the Participant to enter into, adopt or perform its obligations under any of the foregoing, or (iv) wherein an unfavorable decision, ruling or finding would materially adversely affect the finances and operations of the Participant.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (as amended, the "Code") that must be satisfied subsequent to the issuance of the Series 2017 Bonds. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2017 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2017 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series 2017 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2017 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2017 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2017 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2017 Bonds who purchase the Series 2017 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a

deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2017 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series 2017 Bond (said term being the shorter of the Series 2017 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2017 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2017 Bond is amortized each year over the term to maturity of the Series 2017 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series 2017 Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2017 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2017 Bonds is exempt from California personal income taxes.

Owners of the Series 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series 2017 Bonds other than as expressly described above.

The form of the proposed opinion of Bond Counsel is attached as APPENDIX H.

APPROVAL OF LEGALITY

The issuance of the Series 2017 Bonds is subject to the approving opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, with respect to validity and tax exemption. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel the Authority. Certain legal matters will be passed upon for the Authority by Renne Sloan Holtzman Sakai LLP, Sacramento, California, for the Participants by their respective counsels and for the Underwriter by Orrick, Herrington & Sutcliffe LLP.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned ratings of "____" and "____," respectively, to the Series 2017 Bonds. Certain information was supplied by the Authority and the Participants to such rating agencies to be considered in evaluating the Series 2017 Bonds. The ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participant's outstanding obligations may be obtained only from the rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; and S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or either of them, if in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2017 Bonds.

MUNICIPAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc., serves as municipal advisor with respect to the issuance of the Series 2017 Bonds. FirstSouthwest, a Division of Hilltop Securities Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. FirstSouthwest, a Division of Hilltop Securities Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

PROFESSIONAL SERVICES

In connection with the issuance of the Series 2017 Bonds, all or a portion of the fees payable to Bond Counsel and Disclosure Counsel, the Underwriter, Underwriter's Counsel, the Municipal Advisor and the Trustee are contingent upon the issuance and delivery of the Series 2017 Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2017 Bonds at a price of \$_____ (representing \$_____ aggregate principal amount of the Series 2017 Bonds, plus/less net original issue premium/discount, less \$_____ of Underwriter's discount). The Purchase Contract provides that the Underwriter will purchase all the Series 2017 Bonds if any are purchased.

Morgan Stanley & Co. LLC, the Underwriter of the Series 2017 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2017 Bonds.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement has been duly authorized by the Authority and approved by each of the Participants.

SOUTH PLACER WASTEWATER AUTHORITY

By: _____
Jay Panzica
Treasurer

APPENDIX A

EXCERPTED PORTIONS OF THE SOUTH PLACER WASTEWATER AUTHORITY AUDIT

APPENDIX B-1

INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY

General

The City of Roseville ("Roseville" or the "City") is located in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 135,868 as of January 1, 2017, is the largest city in Placer County as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, TSI Semiconductors America and Consolidated Communications, are concentrated in the Northwest and North Central Roseville area.

Wastewater Utility

The City started developing its own wastewater collection and treatment system (the "City's Wastewater Utility") shortly after its incorporation as a city on April 10, 1909. Currently, the City's Wastewater Utility provides sewer service to 67,048 EDUs as of June 30, 2016. The Wastewater Fund, a separate enterprise fund of the City, accounts for the operations of the City's Wastewater Utility. See "Financial Information" below.

Governance and Management

The City is a charter city and operates under the council-manager form of government with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

The City's Environmental Utilities Department is responsible for the operation and maintenance of the City's Wastewater Utility, as well as the City's water and solid waste utilities. The senior management of the City's Wastewater Utility consists of the following personnel:

RICHARD PLECKER, Director of Environmental Utilities. Mr. Plecker, as Director of Environmental Utilities, is responsible for the City's Wastewater, water and solid waste utilities and reports to the Assistant City Manager of the City. He has served the City in this capacity since January 2015. Prior to his current position, Mr. Plecker held senior management positions with a global engineering firm. Prior to his consulting work, Mr. Plecker served as a general manager, public works director and city engineer for several public agencies in northern California. Mr. Plecker is a registered civil engineer in the State of California and has a B.S. in Civil Engineering from the University of Alaska.

KENNETH GLOTZBACH, Wastewater Utility Manager. Mr. Glotzbach is responsible for managing the day-to-day operation of the City's Wastewater Utility and has served in this capacity since December 2010. Prior to assuming his current position, Mr. Glotzbach served the City's Wastewater Utility as a Senior Engineer managing various capital projects during the previous nine years. Mr. Glotzbach is also the Executive Director of the South Placer Wastewater Authority (the "Authority") and has served in this role since January 2013. Mr. Glotzbach is a registered civil engineer in the State of California and has an M.S. degree in Environmental Engineering from Purdue University.

JAY PANZICA, Chief Financial Officer. Mr. Panzica is responsible for the City's administrative service departments which include Finance, Human Resources, Information Technology, City Clerk, and Central Services and reports to the City Manager. He has served in this capacity since June 2014. Prior to his current position, Mr. Panzica served City of Ventura for almost nine years as their Chief Financial Officer. Prior to his service with Ventura, Mr. Panzica worked with the City of Pasadena as the Director of Finance for Pasadena Water and Power. During his time with Pasadena, he served as Acting General Manager during the energy crisis in the early 2000's and was a long standing member of the finance committee for the Southern California Public Power Authority, which was responsible for many hundreds of millions of dollars of debt for power plant construction. Before beginning his career in municipal government, Mr. Panzica had a diverse career in private industry with senior financial positions in divisions of American Airlines, General Foods and Burroughs Corporation. He has an M.B.A. from Wayne State University and a B.A. from Michigan State University.

Employees

As of June 30, 2017, the City had approximately 203 permanent full-time equivalent employees employed in the City's Environmental Utilities Department, including 14 full-time equivalent employees in wastewater treatment, 33 full-time equivalent employees in wastewater collection, 28 full-time equivalent employees in water/wastewater mechanical maintenance and electronics, 10 full-time equivalent employees in water/wastewater analysis, 1 full-time equivalent employee in recycled water and 3 full-time equivalent employees in wastewater administration. Substantially all of the non-management City personnel assigned to the City's Wastewater Utility are represented by Local 39 or the International Brotherhood of Electrical Workers ("IBEW"). Both contracts will expire on December 31, 2018. There have been no strikes or other work stoppages at the City, including at the City's Wastewater Utility.

Wastewater Facilities

The City's Wastewater Utility currently consists of the Dry Creek Plant, the Pleasant Grove Plant and a wastewater collection system. The Pleasant Grove Plant has a rated treatment capacity of 12 million gallons per day ("mgd") average dry weather flow and the Dry Creek Plant has a rated treatment capacity of 18 mgd average dry weather flow. Within the City, the two plants receive wastewater from over 700 miles of sewer lines. The City's Wastewater Utility treats all of the wastewater in the City at either the Dry Creek Plant or the Pleasant Grove Plant, both of which it owns and operates on behalf of the South Placer Wastewater ("SPWA") partners. Currently, the City collects and treats approximately 16 mgd from the SPWA service area including Roseville and surrounding areas served by the South Placer Municipal Utility District ("SPMUD") and certain areas within the County of Placer.

See "THE REGIONAL WASTEWATER SYSTEM" in the forepart of this Official Statement.

Wastewater Permits, Licenses and Other Regulations

The Dry Creek Plant operates under a National Pollutant Discharge Elimination System ("NPDES") permit issued by the California Regional Water Quality Control Board (the "Regional Board"). The Regional Board adopted a renewal of the original discharge permit for the Dry Creek Plant on March 28, 2014 that will remain in effect for at least a five-year period, or until the Regional Board renews the NPDES permit. Some process modifications are planned to meet the requirements in the new permit for one component (nitrate). Modifications will be made to the secondary treatment aeration and pumping systems to provide reliable nitrate reduction below the 10 mg/L permit limit. Process modifications should be completed during the next year. Otherwise, the existing Dry Creek Plant facilities and operations provide the City with the capability of meeting the requirements of the permit. There have been no significant compliance issues with respect to these permits and regulations.

The current NPDES discharge permit for the Pleasant Grove Plant was adopted by the Regional Board on March 28, 2014 and will remain in effect for at least a five-year period or until the Regional Board renews the NPDES permit. The existing Pleasant Grove Plant facilities and operations provide the City with the capability of meeting the requirements of the permit. There have been no significant compliance issues with respect to these permits and regulations. Growth in the SPWA service area is concentrated in the Pleasant Grove Plant's shed area. The plant is currently operating at approximately 75% of its treatment capacity. As growth in this area is expected to continue, facilities to increase the Pleasant Grove Plant's treatment capacity must be constructed within the next five years to maintain adequate capacity. As a result, the Pleasant Grove expansion effort is now timely.

Both the Dry Creek and Pleasant Grove Plants were designed to produce an effluent that allows for unrestricted reuse.

Wastewater Service Area and Customers

The area served by the City's Wastewater Utility consists of approximately 31.8 square miles (or 20,352 acres), including 67,048 EDUs (as of June 30, 2016), 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. The population of the City's Wastewater Utility service area as of January 1, 2017 was estimated to be 135,868 with total connections as of June 30, 2016 of 42,644 (note that these population and connection figures do not include service connections for SPMUD and Placer County).

The following tables show the current number of EDUs and connections served by the City's Wastewater Utility by class of user and the sewer service charge revenues by class of user.

**Roseville Wastewater Utility
Number of Equivalent Dwelling Units and Connections
by Class of User
As of June 30, 2016**

Class of User	Equivalent Dwelling Units	Connections	Percentage of Connections
Residential	50,936	40,685	95.41%
Commercial/Industrial	16,112	1,959	4.59%
Total Users	67,048	42,644	100.00%

Source: City of Roseville; 2016 Regional Partner EDU Schedule.

**Roseville Wastewater Utility
User Charge Revenues by Class of User
Fiscal Year Ended June 30, 2016**

Class of User	User Charge Revenues ⁽¹⁾	Percentage of Revenues
Residential	\$19,684,422	78.64%
Commercial/Industrial	5,348,063	21.36%
Total	\$25,032,485	100.00%

(1) User Charge Revenues constitute estimated Sewer Service Charges less payments from SPMUD and Placer County for a portion of the Operations & Maintenance costs related to SPWA regional facilities and less miscellaneous service charges.

Source: City of Roseville

The following table shows the type of business of the five largest users of the City's Wastewater Utility by audited sewer service charge revenue during the Fiscal Year ended June 30, 2016.

**Roseville Wastewater Utility
Five Largest Users
Fiscal Year Ended June 30, 2016**

User	User Charge Revenues ⁽¹⁾	Percentage of Total Revenues
Manufacturing	\$1,193,955	4.77%
Medical Care	140,842	0.56
Apartment Complex	135,401	0.54
Medical Care	121,699	0.49
Government	90,644	0.36
Total	\$1,682,541	6.72%

(1) User Charge Revenues constitute estimated Sewer Service Charges less payments from SPMUD and Placer County for a portion of the Operations & Maintenance costs related to SPWA regional facilities and less miscellaneous service charges.

Source: City of Roseville

Rates and Charges

The City funds the cost of the City's Wastewater Utility operation, maintenance and replacement, and local infrastructure expansion through a user fee system involving service fees and local connection charges. Sewer service fees and local connection charges are determined by staff of the City's Environmental Utilities Department and approved by the City Council. Such rates are examined each year and are adjusted as needed to meet budgetary requirements. The components of the user fees currently imposed by the City are: (1) user charges for residential, commercial and industrial users and (2) miscellaneous service charges. The charges established by the City are not subject to review or approval by any other agency.

See "RISK FACTORS -- Articles XIIC and XIID of the California Constitution" in the forepart of this Official Statement.

Current Service Charges and Billing. Effective July 1, 2017, the monthly rate increased to \$36.78 per sewer unit from \$34.70 per sewer unit, a 5.99% increase. For residential connections, a sewer unit is one per living unit. For nonresidential connections, the calculation of sewer units varies depending on the biological and chemical composition of the discharge. In general, nonresidential sewer units are one sewer unit per 1,000 cubic feet of estimated discharge per month. In addition, special treatment and handling costs may be added. Residential, commercial and industrial customers are billed monthly. The City bills customers for all utility services including electric, water, wastewater and solid waste. Bills are due and payable on presentation, and become delinquent after 21 days.

After a bill becomes delinquent the City discontinues services by following certain procedures. The first step is to disconnect electric services. If the customer does not respond then water services may be discontinued. Once water has been disconnected, wastewater services are automatically discontinued. Before services are reinstated, the customer must bring the entire bill current, plus pay a deposit equal to the estimated total of two months of service. Additionally, the customer must pay the City for reinstating services (a connection fee).

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the City's Wastewater Utility. Because connection fees are primarily collected on new construction within the City, revenues obtained from such fees vary based on the level of construction activity. The current connection fee (as of July 1, 2017) is \$7,987, of which \$7,634 is the Regional Connection Fee and \$353 is the Local Connection Fee. See "SECURITY FOR THE SERIES 2014 BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Historical Rates and Charges

The City's historical wastewater utility charges per sewer unit* for the last five years is shown in the table below.

**Roseville Historical Wastewater Utility Charges
Per Sewer Unit***

2014	2015	2016	2017	2018
\$30.75	\$32.60	\$34.70	\$36.78	\$38.99

* A sewer unit represents 1,000 cubic feet of associated water usage. Residential customers are charged one sewer unit per month regardless of consumption. Commercial users are charged one unit of sewer for every 1,000 cubic feet of water. Represents charge for units within the City limits; charges outside City limit are 10% higher.

Delinquencies. The City has not experienced annual uncollected delinquencies for wastewater users exceeding \$17,000 (less than 1%) of total billings over each of the last five years.

Financial Information

Budgetary Process. The operating budget takes the form of an annual financial plan which is adopted in its entirety by the City Council. The operating budget is presented on a program basis, with an emphasis on matching services with the cost of providing those services.

The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions.

Financial Statements. The City's Annual Financial Report is currently audited by Vavrinek, Trine, Day & Company LLP, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements that may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the City Clerk. See APPENDIX B-2 - "EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT."

Significant Accounting Policies. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's Wastewater Utility is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All Proprietary Funds, including the enterprise fund used to account for the operations of the City's Wastewater Utility, are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Selected Financial Information. The table below presents summaries of certain financial data relating to the City for the Fiscal Years ended June 30, 2012 through 2016 (audited), as well as June 30, 2017 (unaudited) and June 30, 2018 (budgeted).

**City of Roseville Wastewater Utility Fund
Summary of Historical Operating Results⁽¹⁾
Fiscal Years Ending June 30, 2012 through 2016 (Audited)
And Ending June 30, 2017 (Unaudited) and 2018 (Budget)**

	<u>2012</u> (Audited)	<u>2013</u> (Audited)	<u>2014</u> (Audited)	<u>2015</u> (Audited)	<u>2016</u> (Audited)	<u>2017</u> (Unaudited)	<u>2018</u> (Budgeted)
Participant Gross Revenues ⁽¹⁾ :							
Wastewater Service Charge	\$27,844,085	\$26,657,250	\$30,369,242	\$31,786,319	\$34,411,404	\$35,270,830	\$35,837,700
Local Connection Fees ⁽²⁾	144,513	254,020	291,769	309,989	309,485	389,155	350,000
Interest Income	260,642	248,021	285,865	276,001	477,274	634,683	605,928
Total Gross Revenues	28,249,240	27,159,291	30,946,876	32,372,309	35,198,163	36,294,668	36,793,628
Participant Local Operation and Maintenance Costs ⁽¹⁾	3,562,111	4,380,612	4,967,737	5,077,590	5,499,100	5,312,575	6,719,832
Regional Operation & Maintenance Costs ⁽¹⁾	13,411,940	13,913,744	14,472,550	14,699,223	16,422,721	16,860,145	21,190,369
Total Operation & Maintenance Costs	16,974,051	18,294,356	19,440,287	19,776,813	21,921,821	22,17,720	27,910,201
Participant Net Revenues	11,275,189	8,864,935	11,506,589	12,595,496	13,276,342	14,121,948	8,883,427
Debt Service							
Proportionate Share of Debt Service ⁽¹⁾	5,381,288	6,151,308	4,106,781	4,344,625	4,829,982	5,657,698	6,088,558
RSF Withdrawal for Debt Service	(5,381,288)	(6,151,308)	(4,106,781)	(4,344,625)	(4,829,982)	(5,657,698)	(6,088,558)
Proportionate Share of Debt Service Net of RSF Draw ⁽¹⁾	0	0	0	0	0	0	0
Net Revenues Available after Debt Service	\$11,275,189	\$8,864,935	\$11,506,589	\$12,595,496	\$13,276,342	\$14,121,948	\$8,883,427

(1) Per definitions in the Funding Agreement, Participant Gross Revenues include payments from Placer County and SPMUD for their estimated share of Operation and Maintenance Costs; Operation & Maintenance Costs exclude depreciation.

(2) As described in the Funding Agreement, only "Available Local Connection Fees" that are determined by a participant on a case-by-case basis to be available to pay Debt Service can be included as part of "Participant Gross Revenues." Regional Connection Fees flow to a Rate Stabilization Fund. See "SECURITY FOR THE SERIES 2017 BONDS" in the forepart of the Official Statement.

Source: City of Roseville

Unrestricted Reserves. As of June 30, 2017, the City's Wastewater Utility had \$59,175,250 in unaudited unrestricted reserves.

Management's Discussion and Analysis. The following discussion relates to certain items shown in the table above.

Gross Revenues. Gross Revenues, not including Regional Connection Fees, fluctuated over a five year period from a low of \$27.16 million in Fiscal Year 2012-13 to a high of \$35.20 million in Fiscal Year 2015-16, averaging \$30.79 million per year. This fluctuation between years was primarily due to growth and rate increases to cover increased costs of providing services and to work towards meeting financial policy reserve goals.

Operations and Maintenance Costs. Over the past five years (Fiscal Years 2011-12 to 2015-16), Operations & Maintenance Costs have ranged from \$16.97 million to \$21.92 million. The fluctuations are due to the varying operating and rehabilitation costs over that same period.

Outstanding Long-Term Obligations

The City's obligations under the Funding Agreement are the City's only long-term debt obligations payable from revenues of the City's Wastewater Utility.

Insurance

The insurance needs of the City's Wastewater Utility are handled by the Risk Management Division of the City's Human Resources Department. The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the applicable limits. General liability claims are covered up to \$40,000,000 with a self-insured retention or deductible of \$500,000. For the City's Fiscal Year ended June 30, 2016, the City's premium was \$624,805. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$300,000,000 limit with a self-insured retention or deductible of \$25,000. For the City's Fiscal Year ended June 30, 2016, the City's premium was \$182,928. Boiler and machinery damage is covered up to \$21,250,000 with a self-insured retention or deductible of \$5,000. For the City's Fiscal Year ended June 30, 2016, the annual premium paid was \$31,983.

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$350,000 per claim. During the Fiscal Year ended June 30, 2016, the City contributed \$841,887.

Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property, which coverage has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the City's Fiscal Year ended June 30, 2016, the City's premium for coverage was \$363,194.

Investment Policy

The cash attributable to the City's Wastewater Utility must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain

a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and permitted investments include the following:

- U.S. Treasury obligations
- U.S. Agency Securities
- Mortgage Pass-Through Securities
- Obligations of the State of California or any Local Agency within the state
- Repurchase Agreements
- Banker's Acceptances
- Commercial Paper
- Medium-Term Notes
- Collateralized Time Deposits
- Negotiable Certificates of Deposit
- Local Agency Investment Fund
- Insured Savings Accounts
- Money Market Mutual Funds
- Shares in a California Common Law Trust
- City of Roseville Pooled Investment Fund

Criteria for selecting investments and the order of priority are:

- Safety – Preservation of principal and interest
- Liquidity – Ability to convert investment to cash at any moment in time
- Yield – Potential dollar earnings on an investment

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield when selecting an investment, provided the criteria for safety and liquidity are met.

The following table shows the investments in the pooled funds of the City as of May 31, 2017.

City of Roseville Pooled Investment Fund

City Pooled Investment Fund	Par	Book	Market Value
Certificates of Deposit	\$ 750,000	\$ 750,000	\$ 750,000
Local Agency Investment Funds	54,318,860	54,318,860	54,318,860
Money Market	44,363,640	44,363,640	44,363,640
Negotiable CDs	8,815,000	8,813,686	8,819,407
Corporate Notes	145,980,000	146,761,762	148,153,753
Federal Agency Coupon Securities	<u>343,730,000</u>	<u>343,714,362</u>	<u>340,385,703</u>
Total:	\$597,957,500	\$598,722,310	\$596,791,363

Source: City of Roseville

As of May 31, 2017, the portion of the City's Pooled Investment Fund allocable to the City's Wastewater Utility was \$56,468,498, or approximately 9% of the City's Pooled Investment Fund.

Retirement Benefits

The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street, Sacramento, CA 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Substantially all City employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans (Plans), agent multiple employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Employees of the Wastewater Utility participate in the PERS Miscellaneous Plan described above, and the Wastewater Utility pays a percentage of the City's Plan expenses based on the number of employees. The Wastewater Utility's portion of the City's net pension liability is \$16.3 million (9%) as of June 30, 2016. The following discussion pertains to the City's PERS liability as a whole for the Miscellaneous plan only.

The Plans' provisions and benefits are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date		
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	23.506%	23.506%

Funding Policy. Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to

finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. The City made contributions of \$17,564,085 to the miscellaneous plan.

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Valuations Actuarial Assumptions. The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65%
Mortality	Derived using CalPERS membership data

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Changes in Assumptions. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-

term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Discount Rate. The discount rate used to measure the total pension liability was 7.65% for the plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the district's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Recently, CalPERS has released plans that will reduce the discount rate for local agencies from 7.5 percent to 7.375 percent in fiscal year 2018-19, 7.25 percent in 2019-20, and down to 7.0 percent in 2020-21. The long term plan calls for CalPERS to continually lower the discount rate to 6.5% over the next 20 years.

The changes in the Net Pension Liability for each Plan as of the measurement date of June 30, 2015 follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 513,101,070	\$ 346,951,083	\$ 166,149,987
Changes in the year:			
Service Cost	\$ 12,377,311		\$ 12,377,311
Interest on the total pension liability	38,106,634		38,106,634
Plan to plan resource movement		\$ 3,810	(3,810)
Contribution - employer		15,901,790	(15,901,790)
Contribution - employee		5,785,312	(5,785,312)
Projected earnings on investments		26,526,104	(26,526,104)
Differences between projected and actual earnings on plan investments	(1,796,891)	(18,640,336)	16,843,445
Change in assumptions	(9,697,397)		(9,697,397)
Benefit payments, including refunds of employee contributions	(19,339,004)	(19,339,004)	
Administrative expenses		(401,772)	401,772
Net changes	<u>19,650,653</u>	<u>9,835,904</u>	<u>9,814,749</u>
Balance at June 30, 2016	<u>\$ 532,751,723</u>	<u>\$ 356,786,987</u>	<u>\$ 175,964,736</u>

See also Note 12 in APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit for additional information relating to the City’s retirement plans.

Other Post Employment Benefits

The City also provides other post-retirement health care benefits (“OPEB Benefits”) to its employees through PERS, including those assigned to the City’s Wastewater Utility, as described below.

Employees of the Wastewater Utility participate in the OPEB Benefits described below, and the Wastewater Utility pays a percentage of the City’s OPEB Benefit expenses based on the number of employees. The City does not separately calculate the portion of the City’s OPEB liability that is attributable to the City’s Wastewater Utility. The following discussion pertains to the City’s OPEB Benefits and liability as a whole.

City Plan Description. The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. The Plan does not issue separate financial statements. As of June 30, 2016, there were 596 participants receiving these health care benefits.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by the City Council. The City manages the Plan by investing assets in a