

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 May 11, 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:

John Allard
Jack Duran
Bonnie Gore
Jerry Mitchell
Robert Weygandt

Staff Present:

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

Roll Call

All Directors were present.

Introductions

The following were in attendance: Vanessa Lieberman, Jacquelyn Flickinger, Jacquie Clarizio, Nick Rosas, and Joe Mandell from the City of Roseville; Herb Niederberger from SPMUD; Bill Zimmerman and Kevin Bell from Placer County; Kevin Kennedy of Kennedy Jenks, and Adam Ross of Brown and Caldwell,

Approval of Minutes, January 26, 2017

A vote was taken as follows:

MOTION by Director Gore seconded by Director Weygandt to approve the January 26, 2016 minutes.

Vote: Ayes: Allard, Duran, Gore, Mitchell, Weygandt
 Nos:
 Abstention:

Old Business

None

New Business

1. Direction: Approval to move forward with recommended financing of the Pleasant Grove WWTP Expansion & Energy Recovery Project and refunding of SIFMA 2014 Bonds.

Jay Panzica presented the financing plan and requested a motion to proceed with refunding of the SIFMA 2014 bonds and to issue a \$30,000,000 new money component for the expansion of the Pleasant Grove WWTP with a total indebtedness amount of approximately \$60,000,000.

Director Duran recommended staff include a dispute resolution provision in the agreement with FirstSouthwest.

MOTION by Director Mitchell seconded by Director Weygandt to proceed with the proposed financing plan. The vote was unanimous.

2. Resolution: Authorize Executive Director to approve contracts with financial team in connection with the issuance of refunding bonds.

Jay presented a contract with FirstSouthwest to serve as the Financial Advisor for the Authority. The contract will be on an as needed basis for a period of 5 years with a one year optional extension at a flat fee of \$25,000 for each new bond issuance or refunding.

Director Duran restated the recommendation to include a dispute resolution provision in the contract.

MOTION by Director Duran seconded by Director Gore to adopt resolution 2017-04 with the addition of dispute resolution language. The vote was unanimous.

3. Information: Pleasant Grove WWTP Expansion Project Update

Ken provided an update on the status of the State Revolving Fund and overall status of the expansion and energy recovery projects.

Adam Ross of Brown and Caldwell presented the project update.

The board is interested in hearing statistics on the added benefits such as the reduction in emissions, waste reduction, etc.

Reports/Comments – Board Members/Staff

The next board meeting is scheduled for June 29th at 9:30 a.m.

Public Comment

None.

Adjournment

The meeting was adjourned at 10:04 a.m.

John Allard
Chair

Karen Sainsbury
Secretary to the Board

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 9, 2017

FROM: Kenneth Glotzbach, Executive Director

AUTHORITY COMMUNICATION NO.: 17-14

SUBJECT: Agreement with First Southwest

For SPWA Board Meeting of June 29, 2017

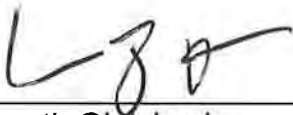
ACTION REQUESTED

No action is necessary. This item is for information only.

BACKGROUND

At the May 2017 SPWA meeting, the Board authorized Staff to enter into a consultant agreement with FirstSouthwest to serve as the Authority's Financial Advisor for upcoming bond transactions. The Board also recommended that Staff add dispute resolution language to the agreement prior to executing. Staff added this language to the agreement which is attached to this report.

Submitted by:



Kenneth Glotzbach
Executive Director

MUNICIPAL ADVISORY AGREEMENT

This Municipal Advisory Agreement (the “Agreement”) is made and entered into by and between South Placer Wastewater Authority, (“SPWA”), (the “Issuer”) and FirstSouthwest, a Division of Hilltop Securities Inc. (“FirstSouthwest”), and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the “Effective Date”). FirstSouthwest and SPWA, are individually referred to herein as a “party” and collectively as the “parties.”

WITNESSETH:

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of municipal securities, including but not limited to the issuance and sale of evidences of indebtedness or debt obligations that may currently or in the future be authorized and issued or otherwise created or assumed by the Issuer, in amounts and forms which cannot presently be determined; and

WHEREAS, in connection with the authorization, sale, issuance and delivery of such municipal securities, as well as in connection with any matters relating to municipal financial products of the Issuer, the Issuer desires to retain a municipal advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FirstSouthwest as a municipal advisor to advise the Issuer regarding the issuance of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective; and

WHEREAS, FirstSouthwest is willing to provide its professional services and its facilities as a municipal advisor in connection with the Issuer’s issuances of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I SCOPE OF SERVICES

A. **Scope of Services and Discharge of Responsibilities.**

1. *Scope of Services.*

(a) FirstSouthwest is engaged by the Issuer as its municipal advisor to provide the services set forth in **Appendix A** hereto (the “Municipal Advisory Services”). The Municipal Advisory Services, together with any services to be provided by FirstSouthwest as the Issuer’s independent registered municipal advisor (“IRMA”) pursuant to subparagraph B.1 of this Section I, are hereinafter collectively referred to as the “Scope of Services” hereunder. The Scope of Services to be provided by FirstSouthwest may be changed only as provided in paragraph D of this Section I.

(b) If the Issuer engages FirstSouthwest or any of its affiliates, in a capacity other than as municipal advisor, to provide additional services that are not municipal advisory activities (“Non-Municipal Advisor Services”), such engagement for Non-Municipal Advisor Services shall be evidenced by a separate agreement between the Issuer and such party. The parties hereto acknowledge that such Non-Municipal Advisor Services shall not be governed by this Agreement and are intended to consist of activities not requiring registration as a municipal advisor under the Securities Exchange Act.

(c) The Issuer shall provide written notice to FirstSouthwest of any other municipal advisor engaged by the Issuer, whether in regard to all or any portion of the Municipal Advisory Services or for any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, as described in clause (c) of subparagraph B.1 of this Section I.

2. ***Inquiries and Information in Connection with FirstSouthwest's Duties.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make recommendations to the Issuer or to review recommendations made by others to the Issuer, and in connection therewith to determine whether such recommendations are suitable for the Issuer, in order to fulfill its duties with respect to such recommendations and any associated suitability determinations, FirstSouthwest is required under applicable regulations to make reasonable inquiries of the Issuer as to the relevant facts. Such facts include, at a minimum, information regarding the Issuer's financial situation and needs, objectives, tax status, risk tolerance, liquidity needs, experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended, financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction are reasonably expected to be outstanding, and any other material information known by FirstSouthwest about the Issuer and the municipal securities transaction or municipal financial product. In addition, FirstSouthwest is required under applicable regulations to use reasonable diligence to know the essential facts about the Issuer and the authority of each person acting on behalf of the Issuer so as to effectively service FirstSouthwest's municipal advisory relationship with the Issuer, to act in accordance with any special directions from the Issuer, to understand the authority of each person acting on behalf of the Issuer, and to comply with applicable laws, regulations and rules.

Accordingly, the Issuer hereby agrees to provide accurate and complete information reasonably designed to permit FirstSouthwest to fulfill its responsibilities in connection with any such recommendations and suitability determinations and to provide to FirstSouthwest reasonable access to relevant documents and personnel in connection with its required investigation to determine that any recommendations are not based on materially inaccurate or incomplete information. The Issuer acknowledges that FirstSouthwest may not be able to make requested recommendations or suitability determinations if it is not provided access to such information and that the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer in connection with a recommendation or suitability determination made by FirstSouthwest based on materially inaccurate or incomplete information provided by the Issuer.

3. ***Actions Independent of or Contrary to Advice.*** The parties hereto acknowledge that the Issuer shall not be required to act in accordance with any advice or recommendation provided by FirstSouthwest to the Issuer. Upon providing such advice or recommendation to the Issuer, together with the basis for such advice or recommendation, FirstSouthwest shall have discharged its duties with regard to such advice or recommendation and shall not be liable for any financial or other damages resulting from the Issuer's election not to act in accordance with such advice or recommendation. Furthermore, the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer as a result of its election not to act in accordance with any advice or recommendation by FirstSouthwest, including but not limited to any claim that FirstSouthwest should have taken steps, in addition to providing its advice or recommendation together with the basis therefor, to cause the Issuer to follow its advice or recommendation.

4. ***Preparation of Official Statement in Connection with Issuance of Municipal Securities.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to assist the Issuer in the preparation of its official statement in connection with the issuance of municipal securities, the Issuer

hereby agrees to provide accurate and complete information to FirstSouthwest reasonably designed to permit FirstSouthwest to fulfill its responsibility to have a reasonable basis for any information FirstSouthwest provides about the Issuer, its financial condition, its operational status and its municipal securities in connection with the preparation of the official statement. While FirstSouthwest may participate in the due diligence process in connection with the preparation of the official statement, if such participation is within the Scope of Services, FirstSouthwest shall not be obligated to undertake any inquiry or investigation in connection with such due diligence beyond any inquiries or investigations otherwise required by this Agreement. Furthermore, FirstSouthwest shall not be responsible for certifying the accuracy or completeness of the official statement, other than with respect to information about FirstSouthwest provided for inclusion in the official statement, if applicable. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

5. ***Representations and Certifications.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make representations and certifications with regard to certain aspects of matters pertaining to the Issuer, its municipal securities or municipal financial products arising as part of the Municipal Advisory Services to be provided pursuant to this Agreement, the Issuer hereby agrees to provide accurate and complete information to FirstSouthwest as may be reasonably necessary or otherwise helpful to FirstSouthwest in fulfilling its responsibility to have a reasonable basis for any representations, other than representations by FirstSouthwest regarding itself, made in a certificate signed by FirstSouthwest that may be relied upon by the Issuer, any other party involved in any matter arising as part of the Municipal Advisory Services, or investors in the Issuer's municipal securities. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

B. Services as Independent Registered Municipal Advisor.

1. ***Designation as IRMA and Scope of Designation.***

(a) Subject to clause (b) of this subparagraph B.1, if the Issuer elects to designate FirstSouthwest, and FirstSouthwest agrees to represent the Issuer, as the Issuer's IRMA for purposes of Securities Exchange Commission ("SEC") Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption") with respect to the Municipal Advisory Services, FirstSouthwest will treat such role as IRMA as within the scope of Municipal Advisory Services. Any reference to FirstSouthwest, its personnel and its role as IRMA in the written representation of the Issuer contemplated under SEC Rule 15Ba1-1(d)(3)(vi)(B) shall be subject to prior approval by FirstSouthwest.

If there are any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services with respect to which the Issuer seeks to have FirstSouthwest serve as its IRMA, such aspects, which are separate and distinct from Municipal Advisory Services for purposes of this Agreement, shall be included in Appendix A hereto and may be changed only as provided in paragraph D of this Section I. FirstSouthwest's duties as IRMA shall be strictly limited to the provision of advice to the Issuer with regard to third-party recommendations on any aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, subject to subparagraph B.3 of this Section I, and the provision of advice by FirstSouthwest to the Issuer with respect to such matters shall not result in a change in scope of the Municipal Advisory Services. By way of example, if FirstSouthwest serves as municipal advisor for an issuance of municipal securities within the scope of Municipal Advisory Services, but is asked to review a recommendation made by a third party with respect to a different issuance of municipal securities not within the scope of Municipal Advisory Services, any advice with respect to such review would not, by itself, cause such other issuance to come within the scope of Municipal Advisory Services, and FirstSouthwest

would not be obligated to undertake any of the services set forth in Appendix A with regard to such issuance unless the scope of Municipal Advisory Services hereunder is amended to include such issuance.

(b) If the Issuer elects not to designate FirstSouthwest to serve as an IRMA for purposes of the IRMA exemption with respect to the Municipal Advisory Services, or if the Issuer elects to designate FirstSouthwest to serve as IRMA for less than the full range of Municipal Advisory Services, such election shall be set forth in Appendix A.

(c) The Issuer shall provide written notice to FirstSouthwest of any other municipal advisor engaged by the Issuer, whether such other municipal advisor has been designated as an IRMA, and such notice shall include the scope of services of such municipal advisor. If the Issuer has engaged, or has caused FirstSouthwest to engage through subcontract, any other party to serve as municipal advisor to the Issuer with regard to all or any portion of the Municipal Advisory Services (“Joint Municipal Advisory Services”), whether engaged jointly with or separately from FirstSouthwest (a “Co-Municipal Advisor”), the Issuer agrees that such Co-Municipal Advisor shall not be entitled to treat FirstSouthwest as an IRMA with respect to the Joint Municipal Advisory Services. Notwithstanding the preceding sentence, the Issuer may seek to have FirstSouthwest provide advice on any recommendation made by a Co-Municipal Advisor with regard to matters within the scope of Joint Municipal Advisory Services on the same terms as set forth in subparagraph B.3 of this Section I, provided that any such advice provided by FirstSouthwest shall not serve to eliminate or reduce such Co-Municipal Advisor’s fiduciary or other duties as municipal advisor to the Issuer.

2. ***FirstSouthwest Not Responsible for Independence from Third Parties.*** Notwithstanding FirstSouthwest’s status as an IRMA, FirstSouthwest shall not be responsible for ensuring that it is independent, within the meaning of the IRMA exemption as interpreted by the SEC, from another party wishing to rely on the exemption from the definition of municipal advisor afforded under the IRMA exemption or for otherwise ensuring that any such party not be treated as a municipal advisor for purposes of Section 15B of the Securities Exchange Act or any SEC or Municipal Securities Rulemaking Board (“MSRB”) rule thereunder. The Issuer expressly acknowledges that it is the responsibility of such other party to make its own determination of independence and that such other party shall not be entitled to cause FirstSouthwest to make any personnel changes to allow such party to qualify for the IRMA exemption.

3. ***Recommendations Provided by Third Parties Relying on IRMA Exemption.*** The Issuer agrees that, to the extent the Issuer seeks to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on the IRMA exemption, the Issuer shall provide to FirstSouthwest written direction to provide advice with regard to such third party recommendation as well as any information it has received from such third party. In connection therewith, FirstSouthwest shall be authorized to communicate with such third party as necessary or appropriate in order for FirstSouthwest to have the information it needs to provide informed advice to the Issuer with regard to such recommendation. FirstSouthwest shall provide to the Issuer recommendations it receives directly from any third party but shall not be required to provide advice to the Issuer with regard to any such recommendation unless the Issuer has provided to FirstSouthwest the written direction as described above in this subparagraph B.3.

Except as may be otherwise expressly provided in writing by FirstSouthwest, no recommendation by a third-party (including but not limited to a Co-Municipal Advisor) shall be deemed to be a recommendation by FirstSouthwest, and the failure by FirstSouthwest to specifically address any aspect of a third-party recommendation shall not be viewed as FirstSouthwest having implicitly accepted or approved such aspect of the recommendation or otherwise having adopted the recommendation or any aspect thereof as its own recommendation. Furthermore, the Issuer agrees that, to the extent the Issuer does not seek to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on

the IRMA exemption, FirstSouthwest shall not be required to provide any advice with regard to such recommendation notwithstanding any information it may have received from such third party. FirstSouthwest may rely on the absence of the Issuer's written direction to provide advice with regard to a third party recommendation as indicative that the Issuer does not seek to have FirstSouthwest provide such advice.

C. Limitations on Scope of Engagement.

1. ***Express Limitations.*** The Scope of Services with respect to FirstSouthwest's engagement as municipal advisor shall be solely as provided in paragraphs A and B of this Section I and Appendix A of this Agreement, subject to the express limitations set forth in this paragraph C. The failure of the parties hereto to set out any particular service or responsibility, or any particular type or aspect of the issuance of municipal securities or municipal financial products, within the express limitations in this paragraph C shall not, by its omission, cause such service, responsibility or product to be within the scope of this engagement if not contemplated by the mutual agreement of the parties hereto or if not reasonably viewed as encompassed by the description of the Municipal Advisory Services set forth in this Agreement.

2. ***Limitation as to Matters Within Then-Current Scope of Engagement.*** It is expressly understood that FirstSouthwest serves as municipal advisor to the Issuer only with respect to the matters, and with respect to specific aspects of matters, within the then-current Scope of Services. The Issuer acknowledges that FirstSouthwest is not a municipal advisor to the Issuer with respect to matters expressly excluded from such Scope of Services as set forth in this paragraph C or matters otherwise not within the Scope of Services as set forth in paragraphs A and B of this Section I and Appendix A hereto. Without limiting the generality of the preceding sentence, the parties hereto agree that FirstSouthwest's service as municipal advisor for one issuance of municipal securities would not result in FirstSouthwest being a municipal advisor to the Issuer for any other issuances of municipal securities if such other issuances are not within the Scope of Services. It is expressly understood that FirstSouthwest shall be municipal advisor with respect to a particular issuance of municipal securities or a particular municipal financial product beginning on the earlier of (a) the date on which FirstSouthwest is assigned to serve or is otherwise put on notice by the Issuer that it will serve as municipal advisor for such particular matter or (b) the date on which FirstSouthwest first provides advice to the Issuer with respect to such particular matter, and it is further understood that FirstSouthwest shall not be deemed to be a municipal advisor to the Issuer with respect to any such particular matter prior to such date merely due to the fact that the matter falls within the general description of the Scope of Services.

3. ***Transactions and Services Outside Scope of Engagement.*** To the extent that the Issuer engages in any transaction with FirstSouthwest, or any affiliate of FirstSouthwest, as principal relating to municipal securities (including but not limited to as underwriter for the issuance of municipal securities) or municipal financial products that are not within the Scope of Services and with respect to which FirstSouthwest does not in fact provide advice other than as permitted within the exceptions and exclusions of SEC Rule 15Ba1-1, the Issuer agrees that it would not view FirstSouthwest as serving as its municipal advisor with respect to such transaction or any related issuance of municipal securities or municipal financial product. In addition, as noted in clause (b) of subparagraph A.1 of this Section I, the Issuer understands that Non-Municipal Advisor Services are outside the scope of this engagement.

4. ***Issuer Consent to Limitation in Scope.*** The Issuer expressly consents to the limitations in scope of the engagement as described in this paragraph C.

D. Change in Scope of Services. The scope of services to be provided by FirstSouthwest, whether within or outside of the scope of the Municipal Advisory Services, may be changed only by written amendment to Appendix A, and the parties hereto agree to amend such appendix promptly to reflect any material changes or additions to the scope of such services, as applicable. Furthermore, the parties hereto agree to amend paragraph C of this Section I to reflect any material changes or additions to the limitations on the overall Scope of Services.

The parties hereto agree that if, on an infrequent or inadvertent basis, FirstSouthwest takes any actions for or on behalf of the Issuer that constitute municipal advisory activities within the meaning of MSRB Rule G-42(f)(iv) but which are not within the Scope of Services under this Agreement, such actions shall not, by themselves, serve to change the Scope of Services under this Agreement without a written amendment as provided in this paragraph. Furthermore, to the extent that any such activities not within the Scope of Services under this Agreement consists of inadvertent advice provided with respect to the issuance of municipal securities or municipal financial products that are not within the Scope of Services under this Agreement, FirstSouthwest may take such action, if any, as it deems appropriate pursuant to Supplementary Material .07 of MSRB Rule G-42 with respect to such inadvertent advice, to maintain the Scope of Services under this Agreement consistent with the intent of the parties hereto.

Amendments to Appendix A may be effected by replacement of the prior version of the appendix with a new version or by the addition of an addendum to such appendix, provided that any such amended appendix shall be dated as of its effective date and shall cause Appendix A, taken together with the provisions of this Section I, to clearly set forth the then-current scope of FirstSouthwest's engagement hereunder and any limitations to such scope.

E. Non-Municipal Advisory Activities Related to Scope of Services. The Scope of Services under this Agreement is intended to encompass activities subject to the provisions of Securities Exchange Act Section 15B and the rules of the SEC and MSRB thereunder relating to municipal advisory activities. However, the Issuer and FirstSouthwest acknowledge that in some cases the range of activities necessary or appropriate to provide the intended services hereunder in a fair, effective and efficient manner for the benefit of the Issuer may involve a combination of actions that consist of municipal advisory activities and actions that may not qualify as municipal advisory activities. Unless otherwise prohibited by Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder, the fact that FirstSouthwest serves as municipal advisor to the Issuer in connection with a particular matter shall not prohibit FirstSouthwest from undertaking such necessary or appropriate non-municipal advisory activities in connection therewith, and the fact that FirstSouthwest undertakes such non-municipal advisory activities within the Scope of Services under this Agreement would not, by itself, cause such activities to become municipal advisory activities for purposes Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder.

SECTION II TERM AND TERMINATION

A. Term of this Engagement. The term of this Agreement begins on the Effective Date and ends, unless terminated pursuant to paragraph B of this Section II, on the last day of the month in which the fifth anniversary date of the Effective Date shall occur (the "Original Termination Date"). Unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of the Original Termination Date that this Agreement will not be renewed, this Agreement will be automatically renewed on the Original Termination Date for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date of the Original Termination Date for successive one (1)

year periods unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of such successive anniversary date.

B. Termination of this Engagement. This Agreement may be terminated with or without cause by the Issuer or FirstSouthwest upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

SECTION III COMPENSATION, EXPENSES, LIABILITY AND OTHER FINANCIAL MATTERS

A. Compensation. The fees due to FirstSouthwest for the Municipal Advisory Services and any other services set forth in Appendix A hereto shall be as provided in **Appendix B** hereto. The Issuer has agreed to the compensation arrangements set forth in Appendix B and believes that they are reasonable and not excessive. If at any time the Issuer becomes concerned that, notwithstanding its initial belief that the compensation arrangements set forth in this Agreement are reasonable, the actual amount of compensation to be paid in accordance with such arrangements for any particular matter during the course of this engagement may potentially become excessive, the Issuer shall immediately notify FirstSouthwest in writing of its concern in that regard.

B. Expenses. FirstSouthwest shall be entitled to reimbursement of expenses incurred in connection with any services provided hereunder as set forth in Appendix B.

C. Third-Party Payments. The Issuer agrees that any request it makes to FirstSouthwest to make payments to any third party on its behalf (other than with any underwriter), whether pursuant to a fee-splitting arrangement or otherwise, shall be in writing and shall set forth the name of the recipient, the amount of payment, and a brief statement of the purpose of such payment. The Issuer agrees that the counter signature by FirstSouthwest of any such written request shall be satisfactory disclosure of such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(e)(i)(D) and shall, in the case of any such arrangements made after the Effective Date, serve as satisfactory written disclosure of any conflict of interest arising from such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(b)(i)(D) and (c)(ii).

D. No Custody of Issuer Funds. This engagement does not contemplate that FirstSouthwest receive deposit of or maintain custody of the Issuer's funds unless otherwise provided in Appendix A hereto.

E. Limitation on Liability. In the absence of willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of FirstSouthwest or any of its associated persons, FirstSouthwest and its associated persons shall have no liability to the Issuer for any act or omission in the course of, or connected with, rendering services hereunder or for any error of judgment, mistake of law, or any loss arising out of any issuance of municipal securities, any municipal financial product or any other investment.

F. Dispute Resolution Procedures. In the event a dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined

by non-binding arbitration in County of Placer, Placer, California. The arbitration shall be administered by Judicial Arbitration and Mediation Service ("JAMS"). The following process shall also be followed:

(a) In the event that a dispute should arise, the parties will meet, with their attorneys, if they so agree, within twenty (20) calendar days after written request by any party to any other party in an effort to resolve the dispute.

(b) If the parties are unable to resolve the dispute within twenty (20) calendar days following their meeting, the dispute will be submitted to non-binding arbitration in California before an arbitrator made available to the parties through JAMS. The parties will share the costs of the mediation on a 50-50 equal basis and shall each be responsible for payment of their own attorney's fees and costs.

(c) In the event that the arbitration process fails to result in a resolution of the dispute within ninety (90) calendar days following the arbitration, the parties may take any action they may deem necessary to protect their interests.

G. Negotiation in Advance of Arbitration.

1. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between representatives who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within 15 days after delivery of the notice, the receiving party shall submit to the other a written response. The notice and response shall include with reasonable particularity (a) a statement of each party's position and a summary of arguments supporting that position, and (b) the name and title of the person(s) who will represent that party. Within 60 days after delivery of the notice, the representative of both parties shall meet at a mutually acceptable time and place in the County of Placer, or any other mutually agreed upon location within California.

2. Unless otherwise agreed in writing by the negotiating parties, the above-described negotiation shall end at the close of the meeting of representatives as described in G.1. Such closure shall not preclude continuing or later negotiations, if desired.

3. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the negotiation.

4. At no time prior to the meeting as described in G.1. shall either side initiate an arbitration or litigation related to this Agreement except to pursue a provisional remedy that is authorized by law or by JAMS Rules or by agreement of the parties. However, this limitation is inapplicable to a party if the other party refuses to comply with the requirements of paragraph G.1. above.

5. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled while the procedures specified in paragraphs G.1. and G.2. above are pending and for 15 calendar days thereafter. The parties will take such action, if any, required to effectuate such tolling.

H. Confidentiality of Dispute Resolution Proceedings

The parties shall maintain the confidential nature of the arbitration proceeding and the Award, including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an Award or its enforcement, or unless otherwise required by law or judicial decision. This confidentiality provision is subject to the restrictions of paragraph D in Section IV.

**SECTION IV
REQUIRED DISCLOSURES**

A. Disclosure of Conflicts of Interest and Information Regarding Legal or Disciplinary Events. The Issuer hereby acknowledges receipt of, and has read and understands the content of, the Municipal Advisor Disclosure Statement, attached hereto as **Appendix C**, current as of the date of this Agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest (the "Conflict Disclosures"), if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42(b) and (c)(ii). The Conflict Disclosures also describe how FirstSouthwest addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by FirstSouthwest with the SEC.

B. Waiver of Disclosed Conflicts of Interest. By executing this Agreement, the Issuer hereby waives any conflicts of interest disclosed by FirstSouthwest in the Conflict Disclosures as of the date of this Agreement.

C. Consent to Electronic Delivery of Disclosures. By executing this Agreement, the Issuer consents, for the full term of this Agreement, to the electronic delivery of the Conflict Disclosures at no cost to the Issuer, in lieu of delivery of hard copy. The Conflict Disclosures may be delivered by email to the Issuer, Executive Director, Ken Glotzbach at glotzbach@roseville.ca.us or Karen Sainsbury, Administrative Assistant for Environmental Utilities – Administration at ksainsbury@roseville.ca.us or, at such other email address as the Issuer may hereafter provide in writing to FirstSouthwest.

D. Confidentiality Provision. The parties acknowledge that the Issuer is subject to the California Public Records Act ("CPRA") and that this Agreement constitutes a public record of a type that is generally required to be disclosed upon request. The parties and their attorneys agree that they will not voluntarily release this Agreement to third parties or to otherwise disclose its contents publicly except under the following circumstances: (a) The Issuer receives a request and determines it is required by law to release the document to the person or entity submitting the request; (b) either party is required to disclose the Agreement pursuant to a subpoena issued by a competent authority or an order issued by a court or tribunal of competent jurisdiction; or (c) The Issuer determines that disclosure is necessary for the Issuer to defend itself in a judicial action or administrative proceeding (either internal or external). Nothing in this provision shall preclude the parties from sharing a copy of this Agreement or disclosing its contents to their accountants or attorneys, board, officers, agents or employees with a need to know in order to perform their duties.

**SECTION V
MISCELLANEOUS**

A. Choice of Law. This Agreement is made and entered into in the State of California and shall in all respects be interpreted and enforced in accordance with California law. The parties agree that any action to enforce any term of this Agreement shall be filed in the Superior Court of California, County of Placer. Accordingly, the parties also agree to submit to the jurisdiction of the State of California for any action to enforce any term of this Agreement.

B. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FirstSouthwest, their respective successors and assigns; provided however, neither party

hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

C. **Entire Agreement.** This instrument, including all appendices hereto, contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto, subject to the provisions of paragraph D of Section I hereof.

D. **Severability.** Should it be determined by a court that any term of this Agreement is unenforceable, that term shall be deemed to be deleted. However, the validity and enforceability of the remaining terms shall not be affected by the deletion of the unenforceable terms.

E. **Counterparts.** This Agreement may be executed in counterparts. The execution of a signature page of this Agreement shall constitute the execution of the Agreement, and the Agreement shall be binding on each party upon that party's signing of such a counterpart. The signing of a facsimile or .pdf copy shall have the same force and effect as the signing of an original, and a facsimile or .pdf signature shall be deemed an original and valid signature.

WHEREFORE, THE PARTIES HAVE VOLUNTARILY EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

**FIRSTSOUTHWEST,
a Division of Hilltop Securities Inc.**

**SOUTH PLACER WASTEWATER
AUTHORITY**

By: 
Hill A. Feinberg
Chairman and Chief Executive Officer

By: _____
Jay Panzica
Treasurer

Date: 6/16/2017

Date: _____

By: 
Terry L. Maas
Regional Managing Director

Date: _____

**APPENDIX A
MUNICIPAL ADVISORY SERVICES**

This Appendix A sets out the scope of the Municipal Advisory Services to be performed by FirstSouthwest pursuant to the Agreement, subject to the limitations in scope set out in paragraph C of Section I of the Agreement, and with the understanding that:

(a) Individual actions taken within this scope shall be consistent with any request or direction provided by an authorized representative of the Issuer or as FirstSouthwest determines to be necessary or appropriate in furtherance of any matter for which it serves as municipal advisor. However, not all listed activities will be appropriate, necessary or applicable to any particular matter subject to this Agreement.

(b) For purposes of this Agreement, an issuance of municipal securities (an "issuance") shall encompass any and all stages in the life of an issuance, from the pre-issuance planning stage to the repayment stage.

I. New Issuances of Municipal Securities. At the direction of or upon the request of the Issuer, FirstSouthwest shall provide advice to the Issuer on any new issuances, including reofferings of outstanding issuances that are treated for purposes of the federal securities laws and/or federal tax laws as new issuances, throughout the term of this Agreement. The activities to be performed by FirstSouthwest may include, depending on the specific circumstances of an issuance and any request or direction of the Issuer, one or more of the following:

Planning for New Issuance

1. ***Survey and Analysis.*** Surveying the financial resources of the Issuer in connection with its capacity to authorize, issue and service the contemplated issuance. This survey would be expected to include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, would include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the contemplated issuance, the survey would be expected to take into account any outstanding indebtedness payable from such revenues, additional revenues to be available from any proposed rate increases, and additional revenues resulting from improvements to be financed by the contemplated issuance, as projected by consulting engineers engaged by the Issuer.

2. ***Future Financings.*** In connection with the contemplated issuance, considering and analyzing future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, engaged by the Issuer.

3. ***Recommendations.*** Making recommendations to the Issuer on the contemplated issuance, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options for prepayment, security provisions, and such other provisions as may be appropriate.

4. ***Market Information.*** Advising the Issuer of FirstSouthwest's view of current bond market conditions, other related forthcoming bond issues and general information (including

applicable economic data) which might normally be expected to influence interest rates or bidding conditions relevant to setting an appropriate date and time for the sale of the issuance.

5. **Elections.** In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

Debt Management and Financial Implementation for New Issuance

6. **Method of Sale.** Evaluating the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:

- a. If the issuance is to be sold by a competitive sale:
 - (1) Supervising the sale of the municipal securities;
 - (2) Disseminating information to prospective bidders, organizing such informational meetings as may be necessary, and facilitating prospective bidders' efforts in making timely submission of proper bids;
 - (3) Assisting the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids;
 - (4) Advising the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids; and
 - (5) Obtaining CUSIP numbers on behalf of the Issuer.
- b. If the issuance is to be sold by negotiated sale:
 - (1) Recommending for the Issuer's final approval and acceptance one or more investment banking firms, as sole underwriter or as managers of an underwriting syndicate, for the purpose of negotiating the purchase of the municipal securities;
 - (2) Cooperating with and assisting any selected sole or managing underwriter and its counsel, as well as any disclosure counsel retained by the Issuer, in connection with the preparation of any preliminary or final official statement or offering memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters' agreement and other related documents;
 - (3) Assisting the staff of the Issuer in the safekeeping of any good faith checks and providing a cost comparison to the then-current market of expenses, interest rates and prices which are proposed by the underwriters;
 - (4) Advising the Issuer on the fairness of the price offered by the underwriters;

(5) Advising the Issuer in connection with any terms and conditions it may wish to establish with respect to order priorities and other similar matters relating to the underwriting of the new issuance;

(6) If the new issuance will have a retail order period, advising the Issuer on retail eligibility criteria and other features of the retail order period and reviewing information provided by the underwriters to the Issuer in connection with retail orders received; and

(7) At the request of the Issuer, reviewing required disclosures by underwriters to the Issuer relating to their role as underwriter, conflicts of interests, material terms and risks of the issuance, and any other matters, and providing any appropriate advice to the Issuer in connection with such disclosures.

7. ***Offering Documents for Competitive Offerings.*** Coordinating the preparation of the notice of sale and bidding instructions, preliminary official statement (including cooperating with and assisting any disclosure counsel retained by the Issuer), official bid form and such other documents as may be required and submitting all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute sets of the same to prospective bidders for the municipal securities. FirstSouthwest also shall provide copies of the final official statement to the winning bidder purchasing the municipal securities in the MSRB-designated electronic format and in accordance with the notice of sale and bidding instructions promptly after the Issuer approves the final official statement for distribution.

8. ***Credit Ratings.*** Making recommendations to the Issuer on the advisability of obtaining one or more credit ratings for the issuance and, when directed by the Issuer, coordinating the preparation of such information as may be appropriate for submission to any rating agency. In those cases where the advisability of personal presentation of information to a rating agency may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be approved or directed by the Issuer.

9. ***Trustee, Paying Agent, Registrar, Professionals and Other Transaction Participants.*** Upon request, providing advice to the Issuer in the selection of a trustee and/or paying agent/registrar, legal, accounting or other professionals, and other transaction participants relating to any issuance, and assisting in the negotiation of agreements pertinent to these services and the fees incident thereto.

10. ***Financial Publications.*** When appropriate, advising financial publications of the forthcoming sale of the municipal securities and providing them with all pertinent information.

11. ***Consultants.*** After consulting with and receiving directions from the Issuer, arranging for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the issuance.

12. ***Auditors.*** In the event formal verification by an independent auditor of any calculations incident to the issuance is required, making arrangements for such services.

13. **Issuer Meetings.** Attending meetings of the governing body of the Issuer, its staff, representatives or committees as requested when FirstSouthwest may be of assistance or service and matters within the scope of this engagement are to be discussed.
14. **Printing.** To the extent authorized by the Issuer, coordinating all work incident to printing or final production, physical or electronic, of the offering documents.
15. **Bond Counsel.** Maintaining liaison with bond counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the municipal securities.
16. **Changes in Laws.** Providing to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.
17. **Delivery of the Municipal Securities.** As soon as a bid for the purchase of a competitive issuance is accepted by the Issuer or the bond purchase contract for a negotiated issuance is signed by the Issuer, coordinating the efforts of all concerned to the end that the municipal securities may be delivered and paid for as expeditiously as possible and assisting the Issuer in the preparation or verification of final closing figures incident to the delivery of the municipal securities.
18. **Debt Service Schedule; Authorizing Resolution.** After the closing of the sale and delivery of the issuance, delivering to the Issuer a schedule of annual debt service requirements for the issuance and, in coordination with bond counsel, assuring that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.
19. **Continuing Disclosure.** Providing advice to the Issuer with regard to its continuing disclosure undertakings for its new issuances and its selection of a dissemination agent under its continuing disclosure undertakings; provided that, upon the mutual agreement of the Issuer and FirstSouthwest, FirstSouthwest may serve as dissemination agent under one or more of the Issuer's continuing disclosure undertakings upon such terms as the parties shall agree, with such service as dissemination agent being expressly excluded from the scope of this Agreement.

II. Baseline Advice on Outstanding Issuances of Municipal Securities. FirstSouthwest shall provide baseline on-going advice to the Issuer on any outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:

1. **Exercising Calls.** Providing advice and assistance to the Issuer with regard to exercising any calls of outstanding municipal securities unrelated to a refunding of such securities.
2. **Refundings and Tender Offers.** Providing advice to the Issuer with regard to opportunities for refundings of outstanding issuances or to make tender offers for outstanding issuances, whether by means of a new issuance, bank loans, or other funds of the Issuer, but not including serving as advisor in connection with the specific transaction through which such refunding or tender offer is effected. Transaction-based advice in connection with a specific new issuance of bonds to effectuate any such refunding or tender offer would be provided within the scope of Municipal Advisory Services for new issuances described in Section I above. Transaction-based advice in

connection with a specific bank loan or other transaction to effectuate any such refunding or tender offer, other than by means of a new issuance of bonds would be provided pursuant to a separate agreement as described in Section IV below.

3. **Continuing Disclosure** Providing advice to the Issuer with regard to continuing disclosure undertakings for outstanding issuances; processes, policies and procedures to comply with continuing disclosure undertakings; and coordination of continuing disclosure obligations arising from different continuing disclosure undertakings for its various issuances. However, the preparation of continuing disclosure documents, other than in the capacity of dissemination agent under a continuing disclosure undertaking, would be provided within the scope of other services described in Section V. below.

III. Particularized Services on Outstanding Issuances of Municipal Securities. FirstSouthwest may provide to the Issuer certain additional advisory or related services in connection with particular outstanding issuances or matters affecting multiple outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:

1. **Other Post-Sale Services.** Reviewing the transaction features and documentation of outstanding issuances with legal counsel for the Issuer, bond counsel, auditors and other experts and consultants retained by the Issuer and assisting in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters, or other services related to one or more outstanding issuances as may be agreed to by the Issuer and FirstSouthwest.

2. **Brokerage of Municipal Escrow Investments.** At the request of the Issuer, brokering the purchase of municipal escrow investments in connection with a refunding of an outstanding issuance, together with any recommendations by FirstSouthwest (but not by First Southwest Asset Management, LLC as an investment adviser) with respect to such brokerage.

IV. Services as Independent Registered Municipal Advisor ("IRMA"). At the written request of the Issuer, FirstSouthwest shall, as the Issuer's IRMA, review and provide advice to the Issuer in connection with any recommendations, proposals, ideas or matters suggested or otherwise communicated by a third party to the Issuer with respect to the same aspects of the issuance of municipal securities or municipal financial products that are within the scope of Municipal Advisory Services. There are no aspects of the issuance of municipal securities or municipal financial products that are outside the scope of Municipal Advisory Services set forth in this Appendix.

V. Other Services Relating to Municipal Securities. FirstSouthwest agrees to make available to the Issuer other services relating to municipal securities, when so requested by the Issuer and subject to the agreement by Issuer and FirstSouthwest regarding the specific requirements with respect to such services, which requirements shall be made part of the scope of Municipal Advisory Services and included in this Appendix as an amendment or addendum, which services may include, without limitation:

1. **Capital Improvement Programs.** Providing advice and assistance in the development of any capital improvement programs of the Issuer.

2. **Long-Range Planning.** Providing advice and assistance in the development of other long-range financing plans of the Issuer.

3. *Refundings and Tender Offers.* Providing advice and assistance in executing a refunding or tender offer of an outstanding issuance other than by means of refunding bonds, such as by means of a bank loan or other funds of the Issuer.

4. *Continuing Disclosure Documents.* Preparing and providing advice with regard to the content of continuing disclosure documents in compliance with the Issuer's continuing disclosure undertakings for its outstanding issuances, other than in the capacity of dissemination agent under a continuing disclosure undertaking.

* * * * *

As provided in paragraph D of Section I of the Agreement, amendments to this Appendix A may be effected by replacement of this Appendix A with a new version hereof or by the addition of an addendum to this Appendix A, and this Appendix A, as it may have been amended, shall be dated and effective as of the most recent of the date set forth in any such amendment or the date set forth in any addendum to this Appendix A.

**APPENDIX B
FORM AND BASIS OF COMPENSATION**

This Appendix B sets out the form and basis of compensation to FirstSouthwest for the Municipal Advisory Services provided under this Agreement as set forth in Appendix A; provided that the compensation arrangements set forth in this Appendix B shall also apply to any additional services hereafter added to the scope of the Municipal Advisory Services, unless otherwise provided in the amendment to the Agreement relating to such change in scope of Municipal Advisory Services as provided in paragraph D of Section I of the Agreement.

I. New Issuances of Municipal Securities. The fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section I of Appendix A hereto for each new issuance of municipal securities will not exceed those contained in our fee schedule as listed below:

\$25,000.00 Flat Fee per issuance

The payment of charges as set forth in this Section I for new issuances shall be contingent upon the delivery of the new issuance and shall be due at the time that the municipal securities are delivered.

II. Baseline Advice on Outstanding Issuances of Municipal Securities. There shall be no additional fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section II of Appendix A hereto, with the understanding that such services are integral to FirstSouthwest's engagement as municipal advisor to the Issuer and FirstSouthwest shall be compensated for such services through and as part of the fees paid for the other services provided by FirstSouthwest hereunder.

III. Particularized Services on Outstanding Issuances of Municipal Securities. In connection with Other Post-Sale Services described in Section III of Appendix A hereto, FirstSouthwest shall charge a fee based on an hourly rate for services rendered in accordance with the following schedule:

In connection with the brokerage of municipal escrow investments described in Section III of Appendix A hereto, FirstSouthwest shall charge a commission that is normal and customary for investments of that type under then-current market conditions and shall disclose such commission to the Issuer so that the Issuer may consider the information in making its investment decision.

IV. Third-Party Recommendations, Proposals, Ideas or Other Matters as IRMA. In connection with its review of and advice on third-party recommendations to Issuers as an IRMA as described in Section IV of Appendix A hereto, FirstSouthwest shall charge a fee based on an hourly rate for services rendered in accordance with the schedule included above in Section III of this Appendix.

V. Other Services Relating to Municipal Securities. In connection with any services described in Section V of Appendix A hereto requested by the Issuer and agreed to by FirstSouthwest, the fees due with respect to any such services shall be as agreed to by the parties hereto, which terms shall be made part of the compensation provided under this Agreement and shall be included in this Appendix as an amendment or addendum hereto.

VI. Expenses. The Issuer shall be responsible for the following expenses in connection with the Municipal Advisory Services (including any additional services hereafter added to the scope of the Municipal Advisory Services), if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FirstSouthwest as reimbursable expenses: bond counsel fees and

expenses, bond printing costs, bond ratings fees and expenses, computer structuring costs, credit enhancement fees and expenses, accountant fees for verifications and related activities in connection with refundings, official statement preparation and printing, paying agent/registrar/trustee fees and expenses, travel expenses, underwriter and underwriter's counsel fees and expenses, and other miscellaneous expenses incurred by FirstSouthwest in the furtherance of any matter for which it serves as municipal advisor, including copy, delivery, phone and other charges normally incurred in connection with engagements of this type.

The Issuer agrees that any expense that it requests that FirstSouthwest pay to any third party on the Issuer's behalf shall be made in writing and shall be in accordance with paragraph C of Section III of the Agreement.

The payment of reimbursable expenses that FirstSouthwest has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of a new issuance of municipal securities or the completion of any other transactions for which such expenses have been assumed and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FirstSouthwest, unless otherwise provided for in any amendment or addendum hereto in connection with the compensation arrangements for any services provided under the Agreement for which such amendment or addendum is required.

APPENDIX C
MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (the "Conflict Disclosures") is provided by **FirstSouthwest, a Division of Hilltop Securities Inc.** ("the Firm") to you (the "Client") in connection with our current municipal advisory agreement, ("the Agreement"). These Conflict Disclosures provide information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to the Client pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm's conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client's best interests without regard to the Firm's financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm's municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm's advisory activities within the Scope of Services outlined in the Agreement. First Southwest Asset Management (FSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm's arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate First Southwest Advisory, provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer's annual filings and public notification of material events. The Firm and the

aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. Furthermore, this potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regime as a member of multiple self-regulatory organizations in which compliance is verified by not only internal tests but annual external examinations.

II. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.

III. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.

IV. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's

municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

V. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's BrokerCheck webpage.
- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c) (1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form

BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org/>, and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

South Placer Wastewater Authority

2017 Bond Issue Alternatives

Board Presentation: June 2017

Executive Summary

Upcoming Bond Issuance Alternatives

I. New Money Bonds for Pleasant Grove WWTP Expansion Project

- The expansion of the Pleasant Grove Wastewater Treatment Plant is estimated to cost \$80 million, with \$30 million financed with revenue bonds
- Estimated all-in financing cost of 3.65% assuming a 20-year term, based on current market conditions

II. Advance Refunding of Series 2011C Fixed Rate Bonds

- The Authority has \$27.9 million of fixed rate Series 2011C Bonds that are callable at par as of November 1, 2020
- Can be advance refunded for over \$2.5 million of savings in the current market

III. Refinancing of Series 2014 SIFMA Index Bonds

- The Authority's 2014 SIFMA Index Bonds totaling \$29.1 million must be retired or refinanced prior to their November 1, 2017 maturity date; Refinancing options include:

Option A: Issue a new series of short-term floating rate or fixed rate bonds

Option B: Issue long-term fixed rate bonds and terminate (i) none, (ii) a portion, or (iii) all of the Authority's swap

- Estimated current market results, *inclusive* of the swap termination payment, range from a PV cost of \$1.1 million to PV savings of \$890,000 depending on the amount of swap terminated and an assumption of average future unhedged variable rate debt costs

Other Options: Issue fixed rate bonds to (1) refinance all variable rate debt (SIFMA Index Bonds and Direct Placement) and (2) terminate entire swap → estimated PV cost of \$6.7 million in the current market

Discussion and Recommendation: To be discussed with the Board during the meeting; Decision depends on a mix of economic considerations (existing structure is cost effective in current market) and desire for simplicity (opportunity to reduce/eliminate swap; fixed rate debt would eliminate need for periodic refinancings)

- SPWA has \$135.4 million of outstanding wastewater revenue bonds
 - **Fixed Rate:**
\$46.9 million (35%)
 - **Synthetic Fixed Rate:**
\$64.8 Million (48%)
 - **Unhedged Variable Rate:**
\$23.7 Million (17%)
- The Series 2014 SIFMA Index Bonds (also known as floating rate notes or “FRNs”) need to be retired or refinanced prior to their maturity on November 1, 2017
- The Authority has a swap with Morgan Stanley that partially hedges its variable rate bonds through 2027
- Annual debt service is projected to total about \$9 to \$10 million per year, depending on future variable rates (SIFMA and LIBOR)

Summary of Outstanding Debt

As of June 2017

Outstanding Wastewater Revenue Bonds

Ratings: Aa3 (No Outlook) / A+ Stable (Moody's / S&P)

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)

Yellow = Refunding candidate

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

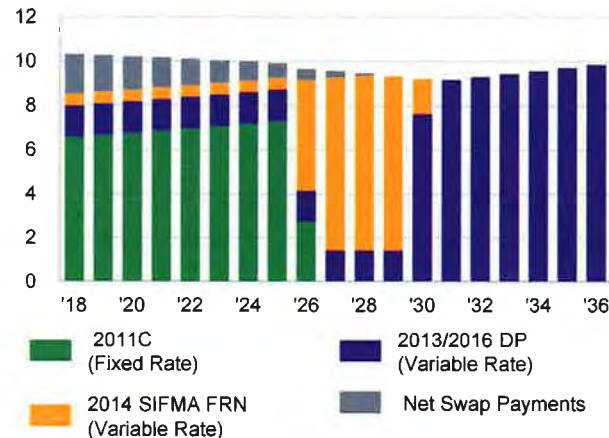
Summary of Interest Rate Swap Agreement

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

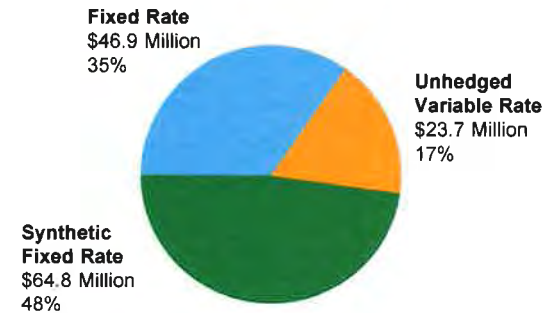
Projected Annual Debt Service

Fiscal Year
\$ in Millions



Composition of Debt Portfolio

As of June 2017
Total Debt = \$135.4 Million



- The expansion of the Pleasant Grove Wastewater Treatment Plant ("PGWWTP") is estimated to cost \$80 million
- Estimated funding sources:
 - Cash reserves: \$25 million
 - SRF loans: \$25 million
 - Revenue bonds: \$30 million
- In the current market, the Authority can finance \$30 million of project funds at an estimated all-in true interest cost ("all-in TIC") of 3.65%
 - Assumes the new money bonds are "wrapped" around existing debt in order to minimize the increase in aggregate annual debt service
 - Final maturity on November 1, 2037 (FY 2038)
 - This structure can be tailored to fit the Authority's financing objectives
- Annual savings of about \$280,000 from refinancing the 2011C Bonds will offset a portion of the increased debt service from issuing the new money bonds through 2025

I. New Money Bonds for PGWWTP Expansion Project

Summary of Indicative Financing Results

Summary of New Money Results

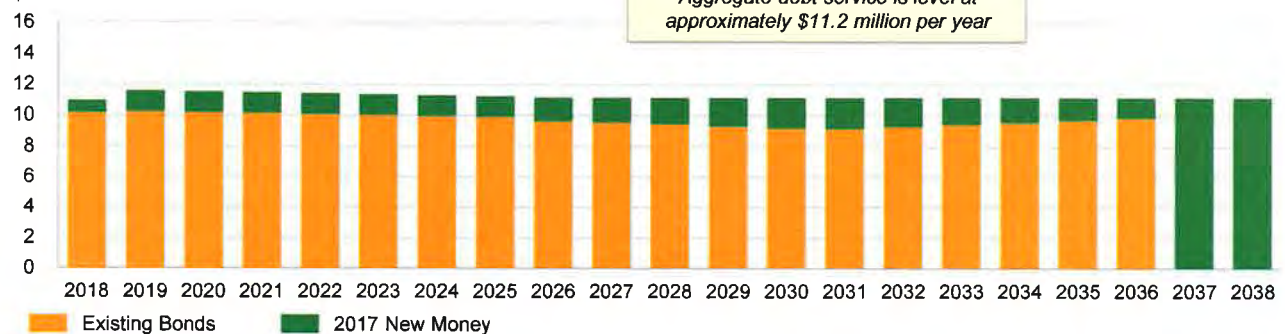
Market Conditions as of June 1, 2017

Sources	
Par Amount	\$26,610,000
Premium	4,995,210
Total Sources	31,605,210
Uses	
Project Fund Deposit	\$30,000,000
DSRF Deposit	1,330,500
Costs of Issuance	274,710
Total Uses	31,605,210
All-In TIC	3.65%
Maturity Range	2025-2037
Average Life	18.3 Years
Average Annual Debt Service: FY2018-FY2036	\$1,508,998
Average Annual Debt Service: FY2037-FY2038	\$11,162,875
Aggregate Average Annual Debt Service	\$11,244,599

Pro-Forma Aggregate Annual Debt Service

Fiscal Year

\$MM



Note: Pro-forma debt service does not include the proposed refundings

- The Authority has \$27.9 million of fixed rate Series 2011C Bonds that are callable at par as of November 1, 2020
- We estimate these bonds can be advance refunded for over \$2.5 million of total cash flow savings in the current market
 - Savings total \$2.4 million on a present value basis (8.55% of refunded par)
 - Assumes a “uniform” savings structure

II. Advance Refunding of Series 2011C Bonds

Summary of Indicative Refunding Results

Summary of Refunding Results

Market Conditions as of June 1, 2017

Refunded Bonds (Series 2011C)

Par Amount	\$27,855,000
Average Coupon	5.21%
Final Maturity	Nov. 1, 2025
Average Life	5.9 Years

Refunding Bonds

Par Amount	\$26,650,000
Final Maturity	Nov. 1, 2025
Average Life	5.9 Years

Refunding Results

All-In TIC	1.68%
Negative Arbitrage	\$20,502
Total Cashflow Savings	\$2,529,804
Average Annual Cashflow Savings	\$281,089
PV Savings (\$)	\$2,382,953
PV Savings (% of Refunded Par)	8.55%

- SPWA's 2014 SIFMA Index Bonds are outstanding in an amount of \$29.1 million

- These bonds need to be retired or refinanced prior to maturity on November 1, 2017
 - **Option A:** Refund with new short-term FRNs or fixed rate bonds
 - **Option B:** Refund with long-term fixed rate bonds and
 - (i) No swap termination
 - (ii) Partial swap termination
 - (iii) Full swap termination

III. Refinancing of Series 2014 SIFMA FRNs

Outstanding SIFMA Index Bonds

Ratings: Aa3 (No Outlook) / A+ Stable (Moody's / S&P)

Series	Type	Final Maturity	Issued Par	Total Par Outstanding	Total Callable Par Outstanding	Interest Rate	First Call Date	% Advance Refundable
2014	SIFMA FRN	11/1/2017	\$29,120,000	\$29,120,000	\$29,120,000	SIFMA + 0.33%	5/1/2017	0%
Total			\$29,120,000	\$29,120,000	\$29,120,000			

SIFMA and 1-Month LIBOR

Last 20 Years

	SIFMA	Current Rate Paid by SPWA (SIFMA + 0.33%)	1-Month LIBOR
June 1, 2017	0.76%	1.09%	1.05%
Min	0.01%	0.34%	0.15%
Max	7.96%	8.29%	6.77%
5 Year Average	0.19%	0.52%	0.30%
10 Year Average	0.65%	0.98%	0.85%
15 Year Average	1.12%	1.45%	1.51%
20 Year Average	1.65%	1.98%	2.41%

- SPWA could refinance its 2014 FRNs with a new series of short-term FRNs or fixed rate bonds
 - We provide indicative pricing in the adjacent table
 - Assumes a three year term, however other terms could be considered (typically 1-5 years)
- With SIFMA FRNs, the interest rate would reset weekly with changes in SIFMA, but would continue to be hedged by the Authority's interest rate swap
- Alternatively, a fixed rate bond would lock-in a fixed interest rate until the maturity date
- With either structure, the bonds would have to be retired or refinanced prior to maturity

III. Option A: Variable Rate Refinancing of 2014 FRNs

Indicative Costs and Risks

Comparison of Funding Costs⁽¹⁾

Market Conditions as of June 1, 2017

	3-Year SIFMA ⁽²⁾ FRN	3-Year Fixed Rate Bond
Interest Rate	SIFMA + 50 bps	MMD ⁽³⁾ + 10 bps
Remarketing Fees	--	--
Liquidity Fees	--	--
Annual Cost	SIFMA + 50 bps	1.12%
Annualized Upfront Cost	21 bps	24 bps
All-in Cost	SIFMA + 71 bps	1.36%
Current Market	1.47%	1.36%

(1) Based on par amount of \$29.12 million; includes standard costs of issuance and takedowns with hard maturities

(2) SIFMA Index is currently 0.76%

(3) 3Y interpolated November MMD is currently 1.02%

- Another option would be to refinance the 2014 FRNs with long-term fixed rate bonds and terminate (i) none, (ii) some, or (iii) all of the Authority's swap (shown on the next page)

- **(i) No Swap Termination:**
 - Estimated PV cost of \$1.1 million
 - Swap remains in place and continues to hedge variable rate debt
 - Unhedged variable rate debt is eliminated temporarily, but will increase over time as swap amortizes faster than variable rate bonds

- **(ii) Partial Swap Termination:**
 - \$29.1 million of swap notional is terminated (matching the amount of debt refinanced)
 - Estimated PV cost of \$804,392, *inclusive* of swap termination fee
 - \$35.7 million of swap notional remains outstanding; amortizes from 2022-2027
 - Unhedged variable rate debt remains around 16% of total debt portfolio

III. Option B: Fixed Rate Refinancing of 2014 FRNs

Summary of Indicative Refinancing Results (Page 1 of 2)

Summary of Indicative Refinancing Results

Market Conditions as of June 1, 2017

	Swap: 2014 FRNs: Direct Placement:	Scenario i	Scenario ii
		No Change Refinance to Fixed No Change	Partial Termination Refinance to Fixed No Change
Transaction Results⁽¹⁾			
Par Amount Issued		\$23,850,000	\$25,445,000
Par Amount Refunded		\$29,120,000	\$29,120,000
Swap Notional Terminated		\$0	\$29,120,000
Termination Payment		\$0	(\$1,900,000)
All-in TIC		2.31%	3.08%
Total Cashflow Savings/Cost		(\$715,270)	(\$704,277)
Average Annual Cashflow Savings/Cost		(\$55,021)	(\$54,175)
PV Savings/Cost (\$)		(\$1,098,857)	(\$804,392)
PV Savings/Cost (% of Refunded Par)		(3.77%)	(2.76%)
Composition of Debt Portfolio Post-Transaction⁽²⁾			
Fixed Rate ⁽³⁾		\$91,910,000 (61%)	\$93,505,000 (61%)
Synthetic Fixed Rate		\$59,330,000 (39%)	\$35,655,000 (23%)
Unhedged Variable Rate		\$0 (0%)	\$23,675,000 (16%)
Total		\$151,240,000 (100%)	\$152,835,000 (100%)
Swap Outstanding		\$59,875,000 ⁽⁴⁾	\$35,655,000
Amortization		2018-2027	2022-2027
Average Annual Debt Service ⁽²⁾		\$18,044,463	\$18,048,656
Total Debt Service ⁽²⁾		\$378,933,725	\$379,021,768
Final Maturity of Debt ⁽²⁾		FY 2038	FY 2038

(1) Savings results are based on the following assumptions related to future variable interest rates:

- SIFMA Index Bonds: 15-year historical average of SIFMA (1.12%) plus 75 basis points
- Direct Placement: 20-year historical average of SIFMA (1.65%) plus 75 basis points
- Swap Receipts: 62% of 10-year historical average of 1-month LIBOR (0.85%) plus 26 basis points

(2) Includes 2017 New Money Bonds and Refunding of Series 2011C Bonds

(3) Excludes \$4.275 million principal payment on the 2011C bonds due November 1, 2017

(4) Excludes \$4.900 million of swap notional that amortizes November 1, 2017

- **(iii.a) Full Swap Termination:**
 - All \$64.8 million of swap notional is terminated
 - Refinancing has estimated PV savings of \$892,717, *inclusive* of swap termination fee
 - Unhedged variable rate debt increases to 38% of total debt portfolio
- **(iii.b): Full Swap Termination and Full “Fix-Out” of All Debt**
 - Full swap termination and fixed rate refinancing of all variable rate debt (including Direct Placement)
 - Estimated PV cost of \$6.7 million, *inclusive* of swap termination fee
 - Entire debt portfolio would be fixed rate

Estimated Cost of Full “Fix-Out” of All Debt and Swap Termination

2014 to Present (in present value)

June 2017	\$6.7 Million
January 2017	\$9.8 Million
January 2015	\$14.2 Million
January 2014	\$15.4 Million

Source: Morgan Stanley estimate

III. Option B: Fixed Rate Refinancing of 2014 FRNs

Summary of Indicative Refinancing Results (Page 2 of 2)

Summary of Indicative Refinancing Results

Market Conditions as of June 1, 2017

	Swap: 2014 FRNs: Direct Placement:	Scenario iii.a	Scenario iii.b
		Full Termination Refinance to Fixed No Change	Full Termination Refinance to Fixed Refinance to Fixed
Transaction Results⁽¹⁾			
Par Amount Issued		\$30,390,000	\$82,735,000
Par Amount Refunded		\$29,120,000	\$88,450,000
Swap Notional Terminated		\$64,775,000	\$64,775,000
Termination Payment		(\$7,700,000)	(\$7,700,000)
All-in TIC		5.24%	3.89%
Total Cashflow Savings/Cost		\$606,894	(\$8,063,783)
Average Annual Cashflow Savings/Cost		\$35,700	(\$474,340)
PV Savings/Cost (\$)		\$892,717	(\$6,693,002)
PV Savings/Cost (% of Refunded Par)		3.07%	(7.57%)
Composition of Debt Portfolio Post-Transaction⁽²⁾			
Fixed Rate ⁽³⁾		\$98,450,000 (62%)	\$150,795,000 (100%)
Synthetic Fixed Rate		\$0 (0%)	\$0 (0%)
Unhedged Variable Rate		\$59,330,000 (38%)	\$0 (0%)
Total		\$157,780,000 (100%)	\$150,795,000 (100%)
Swap Outstanding		\$0	\$0
Amortization		--	--
Average Annual Debt Service ⁽²⁾		\$18,002,306	\$18,587,355
Total Debt Service ⁽²⁾		\$378,048,427	\$390,334,446
Final Maturity of Debt ⁽²⁾		FY 2038	FY 2038

(1) Savings results are based on the following assumptions related to future variable interest rates:

- SIFMA Index Bonds: 15-year historical average of SIFMA (1.12%) plus 75 basis points
- Direct Placement: 20-year historical average of SIFMA (1.65%) plus 75 basis points
- Swap Receipts: 62% of 10-year historical average of 1-month LIBOR (0.85%) plus 26 basis points

(2) Includes 2017 New Money Bonds and Refunding of Series 2011C Bonds

(3) Excludes \$4.275 million principal payment on the 2011C bonds due November 1, 2017

Summary

The Authority has three potential financing components to consider for this year:

I. New Money Bonds for Pleasant Grove WWTP Expansion Project

- Finance \$30 million of project costs at an estimated all-in cost of 3.65%

II. Advance Refunding of Series 2011C Fixed Rate Bonds

- Estimated cash flow savings of over \$2.5 million

III. Refinancing of Series 2014 SIFMA Index Bonds

- Option A: Maintain current structure by issuing a new series of short-term floating rate or fixed rate bonds
- Option B: Issue long-term fixed rate bonds and:

(i) No Swap Termination: PV cost of \$1.1 million; \$65 million of swap notional outstanding; Unhedged variable rate debt temporarily eliminated

(ii) Partial Swap Termination: PV cost of \$800,000; \$36 million of swap notional outstanding; Unhedged variable rate debt remains around 16% of debt portfolio

(iii.a) Full Swap Termination: PV savings of \$890,000; No swap outstanding; Unhedged variable rate debt increases to 38% of debt portfolio

(iii.b) Full Swap Termination and “Fix-Out” of All Debt: PV cost of \$6.7 million; No swap outstanding; all debt is fixed rate

Discussion and Recommendation: To be discussed; Decision depends on a mix of economic considerations (existing structure is cost effective in current market) and desire for simplicity (opportunity to reduce/eliminate swap; fixed rate debt would eliminate need for periodic refinancings)

Finance Team and Proposed Financing Schedule

Finance Team

Authority Counsel	Renne Sloan Hotlzman Sakai Sabrina Thomas, Senior Counsel
Bond Counsel	Jones Hall David Fama, Shareholder James Wawrzyniak, Shareholder
Municipal Advisor	Hilltop Securities Terry Maas, Managing Director Phillip Curls, Director
Underwriter	Morgan Stanley John Sheldon, Managing Director Dan Kurz, Vice President
Underwriter's Counsel	Orrick, Herrington & Sutcliffe Steve Spitz, Partner John Wang, Partner
Trustee	The Bank of New York Mellon

Preliminary Schedule*

DATE	EVENT
June 29, 2017	Board meeting – Discuss financing alternatives
July 27, 2017	Submit Board memo and bond documents for agenda package
Week of July 31, 2017	Rating agency meetings
Aug 17, 2017	Board meeting – Approve financing and bond documents
Week of Aug 28, 2017	Post Preliminary Official Statement
Sept 7, 2017	Price bonds; sign Bond Purchase Agreement
Sept 14, 2017	Post Final Official Statement
Sept 28, 2017	Closing; receipt of funds; redeem 2014 Bonds

* *Preliminary, subject to change*

Appendix A

Market Update

Interest Rate Trends

- Interest rates have decreased since the start of 2017, with 10Y MMD down 41 basis points and 10Y UST down 22 basis points through the end of May
- As of June 1, 2017, 10Y MMD was within 61 basis points of its all-time low

Municipal Market Themes

- *Supply is down:* 2017 issuance totaled \$156 billion through May, down 12% year-over-year
- *Demand is up:* 2017 municipal bond funds saw positive net inflows of \$4.8 billion through May, after significant outflows at the end of last year

MARKET UPDATE

Market Update

Interest Rates: Last 10 Years

10Y "AAA" MMD and 10Y UST (June 2007 to June 2017)



Summary Statistics

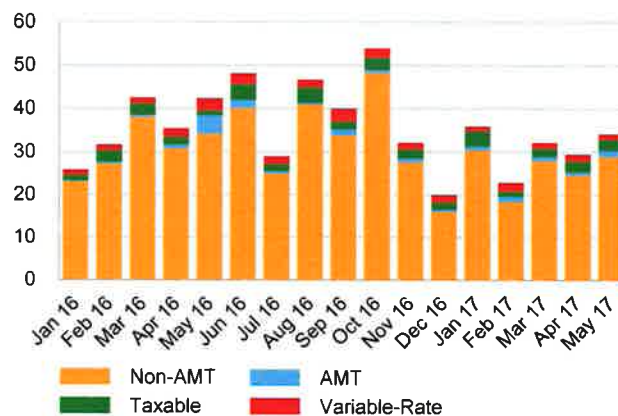
Last 10 Years

	10Y MMD	10Y UST
June 1, 2017	1.90%	2.21%
Average	2.55%	2.71%
Minimum	1.29%	1.36%
Maximum	4.86%	5.25%

Long-Term Municipal Issuance

Monthly (\$BN)

Calendar Year 2016 = \$447 BN 2017YTD = \$156 BN

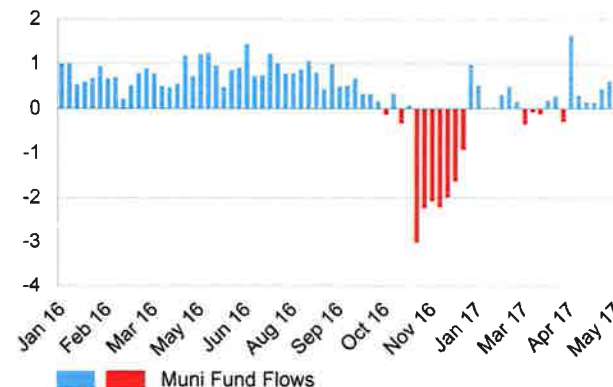


Source Thomson Reuters SDC

Municipal Bond Fund Flows

Weekly (\$BN)

2017YTD: +\$4.8 BN Net



Source Lipper

**South Placer Wastewater
Authority**

Appendix B

Disclaimers

DISCLAIMERS

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AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 8, 2017

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 17-16

SUBJECT: Overview of Swap Performance

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

The South Placer Wastewater Authority currently has \$135.4 million of debt outstanding shown in the table below. Of the outstanding debt, 35% is fixed-rate and 65% is unhedged variable rate. The Authority has entered into an interest-rate swap with Morgan Stanley which is also referred to as a "synthetic" fixed-rate debt. The swap acts as a fixed-rate hedge for the majority of the Series 2013 and 2014 bonds. With the interest-rate swap factored in as a hedge, the outstanding debt can be reclassified as 35% fixed-rate, 48% synthetically hedged (with the swap), and the remaining 17% as unhedged variable rate. The debt is currently rated A+ by Standard & Poor's and Fitch Ratings.

Summary of Outstanding Direct								
Series	Type	Issue Size	Outstanding Par	Coupon Range	Call Date	Final Maturity	Expiration Date	% of Total Debt
2011C	Fixed	\$67,040,000	\$46,930,000	5.00%-5.25%	11/1/2020	11/1/2025	None	34.67%
2013 amended in 2016	Variable	\$59,330,000	\$59,330,000	70.5% of 1m LIBOR + 0.55%	10/1/2017	11/1/2035	4/1/2020	43.82%
2014	Variable	\$29,120,000	\$29,120,000	SIFMA + 0.33%	5/1/2017	11/1/2029	11/1/2017	21.51%
Total			\$135,380,000					

Summary of Outstanding Swap						
Counterparty	Current Notional	SPWA Pays	SPWA Receives	Final Maturity	MTM Value (as of 05/31/2017)	Counterparty Ratings
Morgan Stanley	\$64,775,000	3.665%	62% of 1m LIBOR +0.26%	11/1/2027	(\$7,958,682.13)	BBB+ / A3 / A (S&P / Moody's / Fitch)

The swap remained in place. This memo provides an update of how the swap has performed to date.

OVERVIEW OF SWAP PERFORMANCE

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

Table 1

SPWA Swap / 2013 SPWA / 2014 SPWA
\$90,675,000 Swap: 100% Morgan Stanley
Pay 3.665% Fixed Rate
Receive 62% 1-month LIBOR + 26 bps

SPWA SWAP (Morgan Stanley)					2013 SPWA	2014 SPWA
Month	Due	Fixed Amount	62% + 26 bps	Net Swap Payment	59,330,000	29,120,000
			1-MONTH LIBOR		Direct Purchase	SIFMA Payment
7/1/2016	8/1/2016	\$ 212,188.23	\$ (32,801.35)	\$ 179,386.88	\$ 39,798.89	\$ 18,235.80
8/1/2016	9/1/2016	\$ 212,188.23	\$ (33,926.64)	\$ 178,261.59	\$ 40,769.60	\$ 20,049.84
9/1/2016	10/1/2016	\$ 212,188.23	\$ (33,456.18)	\$ 178,732.05	\$ 40,492.73	\$ 26,390.99
10/1/2016	11/1/2016	\$ 212,188.23	\$ (34,588.27)	\$ 177,599.96	\$ 47,104.72	\$ 25,714.71
11/1/2016	12/1/2016	\$ 197,833.65	\$ (32,072.58)	\$ 165,761.07	\$ 45,782.98	\$ 21,187.58
12/1/2016	1/1/2017	\$ 197,833.65	\$ (37,846.16)	\$ 159,987.49	\$ 50,323.39	\$ 25,568.12
1/1/2017	2/1/2017	\$ 197,833.65	\$ (40,603.69)	\$ 157,229.95	\$ 55,892.16	\$ 23,168.35
2/1/2017	3/1/2017	\$ 197,833.65	\$ (36,817.75)	\$ 161,015.90	\$ 50,760.11	\$ 21,851.97
3/1/2017	4/1/2017	\$ 197,833.65	\$ (45,011.62)	\$ 152,822.02	\$ 56,351.96	\$ 27,404.71
4/1/2017	5/1/2017	\$ 197,833.65	\$ (46,494.63)	\$ 151,339.02	\$ 61,455.99	\$ 27,444.60
5/1/2017	6/1/2017	\$ 197,833.65	\$ (48,515.99)	\$ 149,317.65	\$ 63,913.24	\$ 28,186.56
6/1/2017	7/1/2017	\$ 197,833.65	\$ (45,860.70)	\$ 151,972.95	\$ 61,851.53	\$ 27,947.22
Totals		\$ 2,431,422	\$ (467,996)	\$ 1,963,427	\$ 614,497	\$ 293,150

* 6/1/2017 is estimated

Average Rate	
Swap	2.807%
2013 SPWA	1.023%
2014 SPWA	1.015%
Average 7/1/16 - 6/31/17	2.915%

Submitted by:



Vanessa Lieberman
 Financial Analyst

Approved by:



Jay Panzica
 Treasurer



Kenneth Glotzbach
 Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 8, 2017

FROM: Vanessa Lieberman, Financial Analyst

AUTHORITY COMMUNICATION NO: 17-17

SUBJECT: Reporting Requirements

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

Per the 2016/2017 South Placer Wastewater Authority Swap Policy, a written report providing the status of all interest rate swap agreements entered into by South Placer Wastewater Authority (SPWA) will be provided to the Authority Board on an annual basis (or other basis, if so directed by the Board). The following reporting requirements are outlined below.

ANNUAL REPORTING REQUIREMENTS

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

Description

- **2008 SPWA/2011C/2013/2014 Refunding Wastewater Revenue Bonds**

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

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

Project and Bond Series

- Please refer to the Schedule of Investments

Type of Swap

- Variable to Fixed

Rates Paid/Received

Issue	Interest Paid
2013 SPWA ² Direct Placement	\$614,497

² Date range of 7/1/16 – 6/30/17

Total Par Amount

- \$ 59,330,000

Issue	Interest Paid
2014 SPWA ³ SIFMA bonds	\$293,150

³ Date range of 7/1/16 – 6/30/17

Total Par Amount

- \$ 29,120,000

Issue	Floating Swap Payment (Received)
SPWA ¹ Swap	\$467,996

¹ Date range of 7/1/16-6/30/17

Total Notional Amount

- \$ 64,775,000

Average Life

- 11.16 years

Remaining Term

- Maturity 11/1/2027

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

No changes to report.

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

As of May 31, 2017, the Mark-to-Market value was (\$7,958,682.13).

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

Morgan Stanley is rated A- by S&P as of 11/29/2011, Baa2, down from Baa1, by Moody's as of 11/14/13 and A by Fitch as of 10/13/2008.

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

No information to report.

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

No information to report.

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

No information to report.

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

Fiscal Year	2000A SPWA \$97,000,000 Fixed Rate ^[1]	Actual Swap Debt Service*	(Cost) / Savings
6/30/2004	5,176,590	4,438,087	738,504
6/30/2005	5,562,488	3,737,237	1,825,250
6/30/2006	5,562,597	3,757,367	1,805,229
6/30/2007	5,561,056	3,978,849	1,582,207
6/30/2008	5,558,063	4,397,266	1,160,796
6/30/2009	5,553,844	4,705,078	848,766
6/30/2010	5,548,109	4,578,131	969,979
6/30/2011	5,540,375	4,575,639	964,736
6/30/2012	4,664,875	4,037,916	626,959
6/30/2013	4,444,188	3,724,818	719,369
6/30/2014	4,215,938	2,691,133	1,524,805
6/30/2015	3,978,750	2,520,362	1,458,388
6/30/2016	3,732,625	2,274,408	1,458,217
6/30/2017	3,478,250	1,963,427	1,514,823

Total **\$17,198,028**
 *estimated Actual D/S for 6/30/17

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

Submitted by:



Vanessa Lieberman
Financial Analyst

Approved by:



for
Jay Panzica
Treasurer



Kenneth Glotzbach
Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 7, 2017

FROM: Jacquie Clarizio – Financial Analyst

AUTHORITY COMMUNICATION NO: 17-18

SUBJECT: Investment Review

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

None required. This is an information item.

BACKGROUND

At the January 28, 2016 South Placer Wastewater Authority board meeting, staff was directed to provide the members of the Authority Board with monthly status updates. The following report details the performance of the Authority's investments through May 31, 2017.

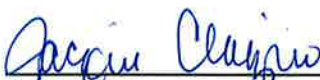
INVESTMENTS

The Schedule of Investments for May 2017 is attached to this report. The yield-to-market on the invested funds as of May 2017 was 1.368%.

Additional Accumulated Funds

The remaining funds, \$8.2m, are the Authority's bond reserve funds held by the fiscal agent

Submitted by:



Jacquie Clarizio
Financial Analyst

Approved by:



Jay Panzica
Treasurer



Kenneth Glotzbach
Executive Director


**So Placer Wastewater Authority
Portfolio Management
Portfolio Summary
May 31, 2017**

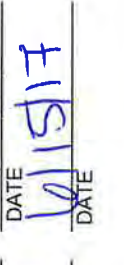
Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C
City of Roseville Cash Pool*	20,524,703.73	20,524,703.73	20,524,703.73	18.37	1	1	1.398
Money Market Funds	3,426,634.63	3,426,634.63	3,426,634.63	3.07	1	1	0.001
Local Agency Investment Funds	3,760,440.52	3,760,440.52	3,760,440.52	3.37	1	1	0.821
Corporate Notes	28,360,000.00	28,394,154.50	28,446,503.77	25.47	1,330	735	1.674
Federal Agency Coupon Securities	55,000,000.00	54,476,000.00	54,997,953.33	49.24	1,593	228	1.364
Supra-National Agency Bond	445,000.00	443,544.85	444,747.03	0.40	1,142	379	1.056
Municipal Bonds	100,000.00	99,991.00	100,000.00	0.09	956	122	1.090
Investments	111,616,778.88	111,125,469.23	111,700,983.01	100.00%	1,129	301	1.387

Total Earnings	May 31	Month Ending	Fiscal Year To Date
Current Year	129,908.90		1,337,378.40
Average Daily Balance	109,053,302.74		108,747,040.38
Effective Rate of Return	1.40%		1.34%

*Estimated balance as of 05/31/2017
Market values provided by US BANK, and LAIF

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



 Ken Glotzbach, Executive Director
 DATE: 6/19/17


 Jay Panzica, Treasurer
 DATE: 6/15/17

So Placer Wastewater Authority
Portfolio Management
Interest Earnings Summary
May 31, 2017

	May 31 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	102,426.38	1,032,359.38
Plus Accrued Interest at End of Period	377,098.67	377,098.67
Less Accrued Interest at Beginning of Period	(367,793.19)	(183,049.78)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	111,731.86	1,226,408.27
Adjusted by Premiums and Discounts	-8,548.75	-92,763.06
Adjusted by Capital Gains or Losses	0.00	-22,744.51
Earnings during Periods	103,183.11	1,110,900.70
Pass Through Securities:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	(0.00)	(0.00)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	0.00	0.00
Cash/Checking Accounts:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	4,293,440.94	4,293,440.94
Less Accrued Interest at Beginning of Period	(4,266,715.15)	(4,066,963.24)
Interest Earned during Period	26,725.79	226,477.70
Total Interest Earned during Period	138,457.65	1,452,885.97
Total Adjustments from Premiums and Discounts	-8,548.75	-92,763.06
Total Capital Gains or Losses	0.00	-22,744.51
Total Earnings during Period	129,908.90	1,337,378.40

**So Placer Wastewater Authority
Fund 001 - SPWA
Investments by Fund
May 31, 2017**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
City of Roseville Cash Pool											
SYS10048	10048	City of Roseville Cash Pool	07/01/2016	20,524,703.73	20,524,703.73	20,524,703.73	1.398	1.378	1.398		1
			Subtotal and Average	20,524,703.73	20,524,703.73	20,524,703.73		1.379	1.398		1
Money Market Funds											
431114503	10434	US BANK	07/01/2016	3,426,634.63	3,426,634.63	3,426,634.63	0.001	0.000	0.001		1
			Subtotal and Average	3,426,634.63	3,426,634.63	3,426,634.63		0.001	0.001		1
Local Agency Investment Funds											
40-001	10032	Local Agency Investment Fund	07/01/2016	3,760,440.52	3,760,440.52	3,760,440.52	0.821	0.809	0.821		1
			Subtotal and Average	3,760,440.52	3,760,440.52	3,760,440.52		0.810	0.821		1
Corporate Notes											
0258M0DP1	10622	AMERICAN EXPRESS MTN	01/11/2016	1,003,589.26	1,000,000.00	1,006,850.00	2.250	2.051	2.080	08/15/2019	805
02665WAF8	10650	AMERICAN HONDA FINANCE GLOBAL	07/15/2014	329,981.46	330,000.00	329,976.90	1.200	1.230	1.248	07/14/2017	43
02665WAT8	10587	AMERICAN HONDA FINANCE GLOBAL	03/13/2015	569,800.56	570,000.00	570,666.90	1.500	1.524	1.545	03/13/2018	285
037833CC2	10637	APPLE INC GLOBAL NOTES	08/17/2016	2,852,847.71	2,850,000.00	2,799,583.50	1.550	1.504	1.525	08/04/2021	1,525
06406HDB2	10603	Bank of New York Trust Company	05/29/2015	1,584,953.34	1,585,000.00	1,586,048.10	1.800	1.591	1.603	05/22/2018	355
14912L6F3	10623	CATERPILLAR FINANCIAL SE	01/11/2016	1,005,016.24	1,000,000.00	1,010,780.00	2.250	2.012	2.040	12/01/2019	913
166764AL4	10568	CHEVRON CORP NOTE	11/18/2014	795,000.00	795,000.00	795,190.80	1.345	1.326	1.345	11/15/2017	167
17275RAU6	10606	CHEVRON CORP NOTE	06/17/2015	1,704,889.09	1,705,000.00	1,709,415.95	1.650	1.633	1.655	06/17/2018	381
191216BF6	10624	CISCO SYSTEMS	01/11/2016	1,005,957.70	1,000,000.00	1,002,950.00	1.650	1.203	1.220	11/01/2018	518
20826FAL0	10601	COCA-COLA CO	05/18/2015	344,986.78	345,000.00	344,765.40	1.500	1.483	1.504	05/15/2018	348
22160KAG0	10617	CONOCOPHILLIPS COMPANY	10/13/2015	1,003,900.86	1,000,000.00	1,001,600.00	1.750	1.578	1.600	02/15/2020	989
30231GAL6	10586	COSTCO WHOLESAL	03/06/2015	1,460,000.00	1,460,000.00	1,459,956.20	1.305	1.287	1.305	03/06/2018	278
40428HPV6	10518	EXXON MOBIL CORP NOTES	10/09/2015	2,013,650.56	2,000,000.00	2,035,120.00	2.750	2.485	2.520	08/07/2020	1,163
459200HZ7	10579	HSBC USA Global Notes	10/09/2015	1,748,789.18	1,750,000.00	1,747,515.00	1.125	1.212	1.228	02/06/2018	250
24422ERR2	10625	IBM CORP GLOBAL NOTES	02/06/2015	1,006,700.68	1,000,000.00	1,011,560.00	2.250	1.854	1.880	04/17/2019	665
46623EKD0	10584	JOHN DEERE CAP MTN	01/11/2016	1,644,892.96	1,645,000.00	1,645,289.55	1.700	1.685	1.708	03/01/2018	273
713444CR7	10597	JP MORGAN CHASE CORP NOTES	03/02/2015	184,993.24	185,000.00	184,974.10	1.250	1.236	1.254	04/30/2018	333
713444CK2	10630	PEPSICO INC GLOBAL NOTES	04/30/2015	2,028,836.92	2,000,000.00	2,022,480.00	2.250	1.311	1.329	01/07/2019	585
747525AD5	10619	PEPSICO INC GLOBAL NOTES	05/31/2016	1,504,208.62	1,500,000.00	1,513,890.00	2.250	2.120	2.150	05/20/2020	1,084
		QUALCOMM INC	10/09/2015								

**Fund 001 - SPWA
Investments by Fund
May 31, 2017**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTMIC 369	YTMIC 365	Maturity Date	Days To Maturity
Corporate Notes											
89236TCA1	10573	TOYOTA MOTOR CREDIT CORP COMM	01/12/2015	164,945.56	165,000.00	165,155.10	1.450	1.484	1.505	01/12/2018	225
929903DT6	10605	WELLS FARGO & COMPANY	06/11/2015	1,477,574.69	1,475,000.00	1,476,829.00	5.750	1.177	1.194	06/15/2017	14
949746SA0	10639	WELLS FARGO & COMPANY	08/05/2016	3,010,968.34	3,000,000.00	2,972,550.00	2.100	1.979	2.006	07/26/2021	1,516
		Subtotal and Average		28,446,503.77	28,360,000.00	28,394,154.50		1.651	1.674		740
Federal Agency Coupon Securities											
3133EGCL7	10631	Federal Farm Credit Bank	06/01/2016	5,000,000.00	5,000,000.00	4,973,300.00	1.250	1.233	1.250	03/01/2019	638
3130A93A7	10640	Federal Home Loan Bank	08/24/2016	2,000,000.00	2,000,000.00	1,994,760.00	1.000	0.986	1.000	08/24/2021	1,545
3130A92D2	10641	Federal Home Loan Bank	08/25/2016	10,000,000.00	10,000,000.00	9,790,000.00	1.520	1.499	1.520	08/25/2021	1,546
3134G7S77	10616	Federal Home Loan Mtg Corp	10/29/2015	1,997,953.33	2,000,000.00	1,986,000.00	1.125	1.184	1.201	10/29/2020	1,246
3134G8VZ9	10626	Federal Home Loan Mtg Corp	04/28/2016	4,000,000.00	4,000,000.00	3,959,000.00	1.250	1.232	1.250	04/28/2021	1,427
3134G9AD9	10627	Federal Home Loan Mtg Corp	04/28/2016	2,000,000.00	2,000,000.00	1,983,740.00	1.500	1.479	1.500	04/28/2021	1,427
3134G9KW6	10629	Federal Home Loan Mtg Corp	05/26/2016	5,000,000.00	5,000,000.00	4,976,150.00	1.350	1.331	1.350	11/26/2019	908
3134G9KB2	10632	Federal Home Loan Mtg Corp	06/13/2016	5,000,000.00	5,000,000.00	4,984,000.00	1.250	1.232	1.249	06/09/2021	1,469
3134G9QV2	10633	Federal Home Loan Mtg Corp	06/15/2016	5,000,000.00	5,000,000.00	4,971,850.00	1.450	1.430	1.450	06/15/2020	1,110
3134G94K0	10638	Federal Home Loan Mtg Corp	08/10/2016	2,500,000.00	2,500,000.00	2,467,525.00	1.310	1.282	1.310	02/10/2020	984
3134GAFF7	10643	Federal Home Loan Mtg Corp	09/29/2016	3,500,000.00	3,500,000.00	3,481,975.00	1.650	1.627	1.650	09/29/2021	1,581
3134GAVP6	10645	Federal Home Loan Mtg Corp	11/04/2016	2,000,000.00	2,000,000.00	1,987,560.00	1.100	1.084	1.100	11/04/2021	1,617
3136G3SD8	10635	Federal National Mtg Assn	06/13/2016	5,000,000.00	5,000,000.00	4,951,600.00	1.330	1.311	1.330	12/13/2019	925
3136G3VK8	10636	Federal National Mtg Assn	07/21/2016	2,000,000.00	2,000,000.00	1,968,540.00	1.500	1.479	1.500	07/21/2021	1,511
		Subtotal and Average		54,997,953.33	55,000,000.00	54,476,000.00		1.345	1.364		1,266
Supra-National Agency Bond											
469058EJ8	10596	INTL BANK OF RECON AND DEV	04/30/2015	444,747.03	445,000.00	443,544.85	1.000	1.041	1.055	06/15/2018	379
		Subtotal and Average		444,747.03	445,000.00	443,544.85		1.041	1.056		379
Municipal Bonds											
605681FX0	10580	MS ST TXBL GO BONDS	02/18/2015	100,000.00	100,000.00	99,991.00	1.090	1.075	1.090	10/01/2017	122
		Subtotal and Average		100,000.00	100,000.00	99,991.00		1.075	1.090		122
		Total Investments and Average		111,700,983.01	111,616,778.88	111,125,469.23		1.368	1.387		809



BNY MELLON

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

Account Statement

Statement Period 05/01/2017 Through 05/31/2017

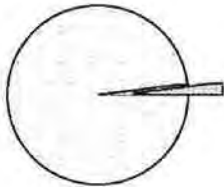
Account 322068
SOUTH PLACER WASTEWATER AUTHORITY
(322068)

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

CLIENT SERVICE MANAGER: WADE WINKLER
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415-263-2439
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Visit us at www.bnymellon.com

Account Overview



Percent of all Investments	Asset Classification	Market Value
100%	FIXED INCOME	8,133,282.23
<1%	CASH AND SHORT TERM	69,005.67
100%	TOTAL OF ALL INVESTMENTS	8,202,287.90

Summary of Assets Held

Asset Classification	Market Value	Cost	Accrued Income	Est Annual Income	Market Yield
FIXED INCOME	8,133,282.23	8,184,306.74	3,123.47	109,286.50	1.34%
CASH AND SHORT TERM	69,005.67	69,005.67	0.00	0.00	0.00%
ACCOUNT TOTALS	8,202,287.90	8,253,312.41	3,123.47	109,286.50	1.33%

Summary of Cash Transactions

Transaction Category	Current Period			Year-to-Date	
	Income	Principal	Realized Gains/Losses	Income	Principal
OPENING BALANCE	0.00	0.00		0.00	0.00
DIVIDENDS	3.95	0.00	0.00	10.75	0.00
INTEREST	54,498.77	0.00	0.00	54,498.77	0.00
PURCHASES	54,502.72 -	0.00	0.00	54,509.52 -	0.00
CLOSING BALANCE	0.00	0.00	0.00	0.00	0.00

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

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BNY MELLON

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

Statement Period 05/01/2017 Through 05/31/2017

Account 322068

SO PLACER 2011 PARITY RESERVE FD

Statement of Assets Held

Table with columns: Shares / Par Value, Asset Description, Market Price Average Cost, Market Value Cost, Accrued Income Est Annual Income, Market Yield. Includes sections for FIXED INCOME and CASH AND SHORT TERM.

ACCOUNT TOTALS

Total Market Value Plus Total Accrued Income 8,205,411.37

Statement of Transactions

Table with columns: Transaction Date, Transaction Description, Income, Principal, Cost, Realized Gains/Losses. Lists various transactions from 05/01/17 to 05/30/17.

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BNY MELLON

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

Statement Period 05/01/2017 Through 05/31/2017

Account 322068

SO PLACER 2011 PARITY RESERVE FD

Statement of Transactions - Continued

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
	CUSIP 3134GAYW8 3,587,000.000 SHARES				
05/30/17	DAILY ENDING BALANCE	0.00	0.00	8,253,312.41	0.00
05/31/17	CLOSING BALANCE	0.00	0.00	8,253,312.41	0.00

Cumulative realized capital gain and loss position from 12/31/2016 for securities held in principal of account:

Short Term: 0.00 * Long Term: 0.00 *

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

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

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

G 0000 M 1W1 S 1329

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: May 17, 2017

FROM: Jacquie Clarizio – Financial Analyst

AUTHORITY COMMUNICATION NO: 17-19

SUBJECT: Investment Policy and SWAP Policies

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

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

BACKGROUND

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

INVESTMENTS

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

Below are the proposed changes to the investment policy.

Summary of changes:

- Changed numbering from roman numerals and underlined each section for ease of reading
- Section 9 was added to clarify who is responsible for reviewing the portfolio
- Section 10 was added to specify the guidelines when investing in an investment pool
- While collateralization is mentioned throughout the policy, CMTA recommended Section 11 be added as a standalone section
- Section 13 was added on diversification to further clarify Section 8 permitted investments

With these changes the SPWA investment policy will be consistent with the City's investment policy which was certified by the California Municipal Treasurers Association (CMTA) through their Investment Policy Certification Program.

SWAP

While reviewing the SWAP policy this year, we noticed there was wrong terminology as it pertains to the South Placer Wastewater Authority (SPWA). We changed the following language:

- City to Authority

- City Council to Board of Directors; and
- Council to Board

These edits create consistency with the SWAP Policy for SPWA. There are no additional changes to the policy.

Submitted by:



Jacquie Clarizio
Financial Analyst

Approved by:



Jay Panzica
Treasurer



Ken Glotzbach
Executive Director

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2017-05

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOUTH PLACER WASTEWATER AUTHORITY
ADOPTING THE SOUTH PLACER WASTEWATER AUTHORITY
INVESTMENT POLICY AND SWAP GUIDELINES FOR FY 2017-2018**

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

WHEREAS, the Authority desires to update the Investment Policy, including the Swap Guidelines set forth therein, to incorporate certain changes that the Board deems necessary or advisable.

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

The South Placer Wastewater Authority Investment Policy for Fiscal Year 2017-2018 is hereby adopted in the form presented at this meeting.

PASSED AND ADOPTED this 29th day of June, 2017, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary

South Placer Wastewater Authority Investment Policy



Effective July 1, 2017

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South Placer Wastewater Authority

Investment Policy

Effective July 1, 2017

1. Introduction

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

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

2. Scope

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

3. Prudence

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

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

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

4. **Objectives**

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

- a) ~~1)~~ 1) — Safety. Safety of principal is the foremost objective of the investment program. Investments of SPWA shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. To further achieve the objective of safety the amount invested in all investment categories is limited to a percentage of the portfolio as defined in section VIII “Permitted Investment Instruments”.
- b) ~~2)~~ 2) — Liquidity. The investment portfolio of SPWA will remain sufficiently liquid to enable SPWA to meet its cash flow requirements.
- c) ~~3)~~ 3) — Return on Investment. The investment portfolio of SPWA shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

5. **Delegation of Authority**

~~The Board hereby delegates delegate’s management responsibility of the investment program to the Treasurer and/or his/her designee. The Treasurer is responsible for the management of the investment program. Except as otherwise specifically set forth below, Treasurer and/or his/her designee isare~~ hereby authorized and directed in the name and on behalf of SPWA to invest the Authority’s monies, and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which he or she might deem necessary or appropriate in order to accomplish the purposes of this policy. ~~The Treasurer may delegate investment decision making and execution to the City of Roseville Finance Director or the City of Roseville Controller in absence of the City of Roseville Finance Director.~~ No person may engage in an investment transaction except as provided under the limits of this policy unless specifically exempted by statute or ordinance.

6. **Ethics and Conflict of Interest**

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

7. **Authorized Financial Dealers and Institutions**

The Treasurer and/or his/her designee will maintain a list of approved financial institutions authorized to provide investment services to the SPWA. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule

15C3-1. A determination should be made to insure that all approved Broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Public Agency. The firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with the public agency must supply the Treasurer with the following: completed broker/dealer questionnaire, and certification of having read the SPWA investment policy.

8. Permitted Investment Instruments

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

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

~~6-f)~~ **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. Up to 100 percent of SPWA's investment portfolio may be invested in repurchase agreements.

~~The following collateral restrictions will be observed:~~

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

~~• Market value must be calculated each time there is a substitution of collateral.~~

~~• SPWA or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.~~

~~• SPWA may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.~~

~~• SPWA will have specific written agreements with each firm with which it enters into Repurchase Agreements.~~

~~• Reverse repurchase agreements will not be allowed.~~

~~7-g)~~ **Bankers' Acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.**

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

~~8-h)~~ **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (~~8h1~~) or paragraph (~~8h2~~):

~~1)~~ The entity meets the following criteria:

~~a. (A)~~ Is organized and operating in the United States as a general corporation.

~~b. (B)~~ Has total assets in excess of five hundred million dollars (\$500,000,000).

~~1)c.~~ ~~(C)~~ Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

~~2)~~ The entity meets the following criteria:

~~a.~~ ~~(A)~~ Is organized within the United States as a special purpose corporation, trust, or limited liability company.

~~b.~~ ~~(B)~~ Has program wide credit enhancements including, but not limited to, over collateralizations, letters of credit, or surety bond.

~~2)c.~~ ~~(C)~~ Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

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

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

~~9.i)~~ **Medium-term corporate notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent or better by a nationally recognized rating service.

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

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

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

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

~~12.l)~~ **State of California's Local Agency Investment Fund (LAIF).**

The LAIF portfolio should be reviewed periodically. Investment in LAIF may not exceed the legally authorized limits.

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

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

14.n) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

15.o) City of Roseville's Pooled Investment Fund.

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

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

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

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

18.r) — Prohibited Investments

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

Summary of Maximum Percentage Limitations of Investments by Investment Type

SPWA Pool:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality at Time of Purchase</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
<u>U.S. Treasury Obligations (A)</u>	<u>5 Years</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>U.S. Agency Securities (A) Mortgage Pass-Through Securities</u>	<u>5 Years</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Forward Delivery Agreements</u>	<u>N/A</u>	<u>A</u>	<u>20%</u>	<u>No Limit</u>
<u>State of California or California Local Agency Bonds</u>	<u>5 Years</u>	<u>One of two highest rating categories</u>	<u>None</u>	<u>None</u>
<u>Registered State Treasury Notes or Bonds of the other 49 States</u>	<u>5 Years</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Repurchase Agreements</u>	<u>30 days</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Bankers' Acceptances</u>	<u>180 days</u>	<u>None</u>	<u>40%</u>	<u>30%</u>
<u>Commercial Paper</u>	<u>270 days</u>	<u>A-1</u>	<u>25%</u>	<u>No Limit</u>
<u>Medium-Term Notes</u>	<u>5 Years</u>	<u>A</u>	<u>30%</u>	<u>No Limit</u>

<u>Collateralized Time Deposits</u>	<u>5 Years</u>	<u>None</u>	<u>30%</u>	<u>No Limit</u>
<u>Negotiable Certificates of Deposit</u>	<u>5 Years</u>	<u>A</u>	<u>30%</u>	<u>No Limit</u>
<u>Local Agency Investment Fund (LAIF)</u>	<u>N/A</u>	<u>None</u>	<u>No Limit</u>	<u>\$60 million/account</u>
<u>Insured Saving Accounts</u>	<u>N/A</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Money Market Mutual Funds</u>	<u>N/A</u>	<u>(A)</u>	<u>20%</u>	<u>10%</u>
<u>Shares in a California Common Law Trust</u>	<u>N/A</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Interest Rate Swaps</u>	<u>N/A</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>City of Roseville Pooled Investment Fund</u>	<u>N/A</u>	<u>None</u>	<u>No Limit</u>	<u>No Limit</u>
<u>Supranationals</u>	<u>5 Years</u>	<u>AA-</u>	<u>30%</u>	<u>No Limit</u>
<u>Mortgage Pass-Through Securities</u>	<u>5 Years</u>	<u>AA</u>	<u>20%</u>	<u>No Limit</u>

Add table like the City

9. 9. Review of Investment Portfolio

The securities held by the SPWA must be in compliance with Permitted Investments at the time of purchase. Because some securities may not comply subsequent to the date of purchase, the Treasurer shall at least annually review the portfolio to identify those securities that do not comply. The Treasurer shall report major and critical incidences of noncompliance identified through the review of the portfolio.

The following collateral restrictions will be observed:

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

Market value must be calculated each time there is a substitution of collateral.

SPWA or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

SPWA may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

SPWA will have specific written agreements with each firm with which it enters into Repurchase Agreements.

~~Reverse repurchase agreements will not be allowed.~~

10. ~~10.~~ Investment Pools

A thorough investigation of any investment pool is required prior to investing and should be monitored on an ongoing basis. The following information should be obtained and analyzed.

- a) A description of eligible of investment securities
- b) A written statement of investment policies and objectives.
- c) A description of interest calculations and their distribution, and the treatment of gains and losses.
- d) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- e) A description of who may invest in the program, how often, and what size of deposits and withdraws are allowed.

11. ~~11.~~ Collateralization

Collateral for Non-negotiable Certificates of Deposit and Negotiable Certificates of Deposit must comply with California Government Code section 53652. In addition, if the Certificate of Deposit is not FDIC insured, collateral is required equal to 110 percent of principal.

The following collateral restrictions will be observed:

- Only U.S. Treasury securities or Federal Agency securities, as described in section VH8, -1 and 2 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SPWA's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis and the value of the underlying securities brought back up to 102 percent no later than the next business day.
- Market value must be calculated each time there is a substitution of collateral.
- SPWA or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.
- SPWA may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.
- SPWA will have specific written agreements with each firm with which it enters into Repurchase Agreements.

- Reverse repurchase agreements will not be allowed.

12.

12. Safekeeping and Custody

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

13.

13.—Diversification

The SPWA’s investment pool will be diversified to avoid incurring unreasonable and avoidable risks. The investments will be diversified by security type, maturities of those investments, and institutions in which those investments are made.

14. 14.—Maximum Maturity

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

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

15.

15.—Internal Control

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, fraud or misuse. An analysis by an external independent accounting firm shall be conducted annually to review internal controls, account activity, and compliance with the investment policies. The Treasurer will establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

16. 16.—Performance Benchmark

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

17. 17.—Reporting Requirements

The Treasurer shall make available investment reports to SPWA’s Board. The reports shall include, at a minimum, the following information for each individual investment:

- _____ Description of investment instrument
- _____ Issuer name
- _____ Yield on cost
- _____ Purchase date
- _____ Maturity date
- _____ Book Value
- _____ Par Value
- _____ Current market value

- ~~_____~~ Transaction Activity
- ~~_____~~ Interest Earnings Summary

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

18. ~~18.~~ **Investment Policy Adoption**

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

19. 19. Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Portfolio – Collection of securities held by an investor,

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

Prudent Investor Standard – An investment standard that all investments should be made with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

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

APPENDIX A
SOUTH PLACER WASTEWATER AUTHORITY
Swap Guidelines

I. INTRODUCTION

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

II. APPROACH AND OBJECTIVES

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

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

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

Rationales for Utilizing Interest Rate Swaps and Options

1. Optimize capital structure; including schedule of debt service payments and/or fixed vs. variable rate allocations.
2. Achieve appropriate asset/liability match.

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

III. PERMITTED INSTRUMENTS

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

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

IV. PROCEDURE FOR SUBMISSION AND EXECUTION

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

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

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

Procurement and Execution

The Authority will not have a fixed guideline with respect to swap procurement. The Authority will assess the benefits of competitively bidding financial products that are non-proprietary or generally available in the marketplace. On a product-by-product basis, the Authority will have the authority to negotiate the procurement of financial instruments that have customized or specific attributes designed on the Authority's behalf.

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

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

Conformance with Dodd-Frank

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

Counter-Party Risk Assessment

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

The Authority shall enter into interest rate swap transactions only with qualified swap counter parties. Qualified swap counter parties are investment banks as will be identified by the Financial Advisor. Qualified swap counter parties should be rated at least "Aa3" or "AA-" by one of the nationally recognized rating agencies (i.e. Moody's, Standard and Poor's, and Fitch) and not rated lower than "A2" or "A" by any nationally recognized rating agency. In addition, the counter party must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counter party shall have minimum capitalization of at least \$150 million.

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

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

V. SWAP ANALYSIS AND PARTICIPANT REQUIREMENTS

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

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

Swap Risks

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

Benefit Expectation

Financial transactions, using fixed rate swaps or other derivative products, should generate 2% greater projected savings than the savings guidelines (as described in the “Guidelines for Financing and Selection of the Financing Team”) then in effect for traditional bonds.

¹ Calculation of termination values for existing THE SOUTH PLACER WASTEWATER AUTHORITY swaps will be as of the last quarterly valuation date.

This threshold will serve as a guideline and will not apply should the transaction, in the Authority's sole judgment, help to meet any of the objectives outlined herein. The higher savings target reflects the greater complexity and higher risk of derivative financial instruments. At a minimum, such financial transactions should provide a savings of no less than 5% over refunded par regardless of the spread between the financial transaction and a traditional bond refunding.

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

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

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

VI. LEGAL AND CONTRACTUAL REQUIREMENTS

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

Terms and Notional Amount of Swap Agreement

The Authority shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds, the term of the swap agreement between the Authority and a qualified swap counter party shall not extend beyond the final maturity date of existing debt of the Authority on the related Project, or in the case of a refunding transaction, beyond the final maturity of the refunding bonds. For purposes of calculating net exposure, credit shall be given to any fixed versus variable rate swaps that offset termination exposure for a specific Project or bond transaction. For variable rate transactions, credit may also be given for any assets that are used to hedge a transaction as long as in the Authority's judgment such assets are reasonably expected to remain in place on a coterminous basis with the swap.

Terms and conditions of any swap shall be negotiated by the Authority in the best interests of the Authority subject to the provisions of the Government Code and, unless otherwise waived or altered by the Authority, these guidelines. The swaps between the Authority and each counter party shall include, as appropriate, payment, term, security, collateral, default,

remedy, termination, and other terms, conditions and provisions as the Authority, in consultation with its Bond Counsel and Financial Advisor, deems necessary or desirable.

Subject to the provisions contained herein, the Authority swap documentation and terms should include the following:

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

Termination Provision

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

Collateral

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

1. Each counter party to the Authority may be required to post collateral if the credit rating of the counter party or parent falls below the "AAA" category. Additional collateral for further decreases in credit ratings of each counter party shall be posted by each counter party in accordance with the provisions contained in the collateral support agreement to each counter party with the Authority the Authority. Maximum un-collateralized exposure for: i) "AAA" rated counter parties is \$40 million; ii) "AA" rated counter parties is \$10 million; and iii) below "AA" category, uncollateralized exposure is zero.
2. Threshold amounts shall be determined by the Authority on a case-by-case basis. The Authority will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

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

VII. LIMITATIONS ON TERMINATION EXPOSURE

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

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

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

Under this approach, the Authority will set limits on individual counter party exposure based on existing as well as new or proposed transactions. For existing transactions, exposure will be based on the market value as of the last quarterly swap valuation report provided by the Financial Advisor. For a new or proposed transaction, the Authority will calculate the projected maximum exposure based on the estimated maximum exposure assuming two standard deviations. Standard deviation is a statistic obtained by squaring the average difference from the mean of a distribution of numbers. Two standard deviations capture 95% of the population of a distribution of numbers. For purposes of the calculation, two standard deviations shall be calculated as the annualized standard deviation of weekly

swap rates over the preceding 52 weeks. The time period may vary according to market conditions which could range from flat to volatile.

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

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

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

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

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

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

VIII. ONGOING MANAGEMENT

The Authority will seek to maximize the benefits and minimize the risks it carries by actively managing its swap program. This will entail frequent monitoring of market conditions, by

both the Financial Advisor and swap counter party, for emergent opportunities and risks. Active management may require modifications of existing positions including, for example:

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

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

IX. ONGOING REPORTING REQUIREMENTS

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

1. A description of all outstanding interest rate swap agreements, including Project and bonds series, type of swap, rates paid and received by the Authority, total notional amount, average life of each swap agreement, remaining term of each swap agreement.
2. Highlights of all material changes to swap agreements or new swap agreements entered into by the Authority since the last report.
3. Termination Exposure of each of the Authority's interest rate swap agreements.
4. The credit rating of each swap counter party and credit enhancer insuring swap payments, if any.
5. If applicable, information concerning any default by a swap counter party to the Authority, including but not limited to the financial impact to the Authority, if any.
6. If applicable, information concerning any default by the Authority to a swap counter party.
7. A summary of swap agreements that were terminated or that have expired.
8. For a swap transaction entered into to generate debt service savings, the Authority will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction at the original time of execution. Such a calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the Authority) versus the projected savings at the time the swap was executed.

THE SOUTH PLACER WASTEWATER AUTHORITY

Attachment A – Acceptable Collateral

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

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

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 12, 2017

FROM: Jacquelyn Flickinger, Controller

AUTHORITY COMMUNICATION NO.: 17-20

SUBJECT: Rate Stabilization Fund Balances of May 30, 2017

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

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

BACKGROUND

Upon the formation of the Joint Powers Authority and subsequent bond issue, a rate stabilization fund (RSF) was established to collect the participants' connection fees and pay debt service, capital costs, bond redemptions, and administrative costs. Each participant has a sub-account established within the RSF that accounts for its deposits less proportionate cost shares. Available resources include receivables and liabilities that are recognized as funds available for use.

A comparative view of the individual accounts of the participants is on the next page of this Authority Communication.

Changes in RSF Balances from July 1, 2015 to June 30, 2016:

	City of Roseville	SPMUD	Placer County	Total
Revenues:				
Connection Fees	\$ 6,618,117	\$ 5,320,391	\$ 1,138,182	\$ 13,076,690
Reimbursements	77,075	28,038	843,338	948,451
Interest	630,551	409,483	(17,957)	1,022,077
Total Revenues	7,325,743	5,757,912	1,963,563	15,047,218
Expenses:				
Capital	738,366	268,596	190,520	1,197,482
Debt Service	5,667,057	2,061,498	1,462,258	9,190,813
Administrative	103,836	37,772	26,793	168,401
Total Expenses	6,509,259	2,367,866	1,679,571	10,556,696
Increase/(Decrease) in RSF Balances	816,484	3,390,046	283,992	4,490,522
Beginning Balance, as of July 1, 2015	66,300,850	41,541,091	(2,034,706)	105,807,235
Ending Balance, as of June 30, 2016	\$ 67,117,334	\$ 44,931,137	\$ (1,750,714)	\$ 110,297,757

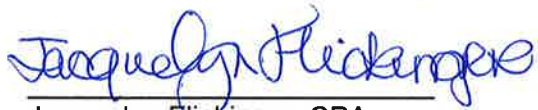
Changes in RSF Balances from July 1, 2016 to May 31, 2017:

	City of Roseville	SPMUD	Placer County	Total
Revenues:				
Connection Fees	\$ 6,907,703	\$ 6,385,998	\$ 663,367	\$ 13,957,068
Reimbursements	-	-	500,000	500,000
Interest	798,099	568,963	-	1,367,062
Total Revenues	7,705,802	6,954,961	1,163,367	15,824,130
Expenses:				
Capital	1,945,236	707,615	501,924	3,154,775
Debt Service	5,473,315	1,991,023	1,412,268	8,876,606
Administrative	95,109	34,597	24,542	154,248
Total Expenses	7,513,660	2,733,235	1,938,734	12,185,629
Increase/(Decrease) in RSF Balances	192,142	4,221,726	(775,367)	3,638,501
Beginning Balance, as of July 1, 2016	67,117,334	44,931,137	(1,750,714)	110,297,757
Ending Balance, as of May 31, 2017	\$ 67,309,476	\$ 49,152,863	\$ (2,526,081)	\$ 113,936,258

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

*Connection fees are reported through April 2017.

Submitted by:



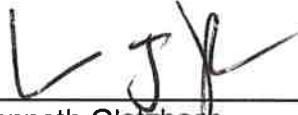
Jacquelyn Flickinger, CPA
Controller

Approved:



Jay Panzica
Treasurer

FOR



Kenneth Glotzbach
Executive Director

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 9, 2017

FROM: Kenneth J. Glotzbach, Executive Director

AUTHORITY COMMUNICATION NO.: 17-21

SUBJECT: Approval of Capital Improvement Projects Budget and Update

For SPWA Board Meeting of June 29, 2017

ACTION REQUESTED

Request approval of the recommended budget changes shown on Attachment A.

BACKGROUND

Budget

As shown on Attachment A, the Process Control Standards Project No. 50 has been completed and is closed to further spending. Staff recommends transferring the unspent budgeted funds from project No. 50 to the Pleasant Grove Expansion Project No. 55. This increases project No. 55's budget by \$51,883.00 from \$10,910,300.00 to \$10,962,183.00. This change does not increase the approved total capital program budget of \$272,286,730.00.

Project Updates

Pleasant Grove WWTP Expansion and Energy Projects

Design work continues on both the Expansion and Energy projects and staff continues to make bond and State Revolving Fund (SRF) funding arrangements. Although the exact timing for the SRF funding remains uncertain, current estimates indicate arrangements will be completed by the end of 2017. This should allow construction work to begin during the 2018 construction season.

In addition, air permits, necessary for the Energy Project, have been secured from the Placer County Air Quality Management District.

Other Project Updates

Project No. 53, Dry Creek Bank Stabilization, remains open in order to monitor environmental permitting and mitigation requirements. All other project work was previously completed.

Submitted by:



Kenneth J. Glotzbach
Executive Director

SPWA WASTEWATER PROJECTS

Attachment A

PROJECT TITLE	ACCOUNT NUMBER	Total Approved Project Budget	Estimated PTD Expenditures Through FY 16-17	FY 17-18 CIP Budget (new \$ ONLY)	Anticipated Spending in FY18 (commentary)
1 WWTP LANDSCAPE PROJECT	30950 / 943507	\$ 1,219,812	\$ 1,219,812		\$ -
2 POTABLE WATER LINE TO THE DCWWTP	30950 / 963502	\$ 183,838	\$ 183,838		\$ -
3 KASEBERG NORTHREACH TRUNK SEWER LINE	30950 / 983501	\$ 1,570,936	\$ 1,570,936		\$ -
4 PLEASANT GROVE WASTEWATER TREATMENT PLANT	30950 / 983503	\$ 123,998,751	\$ 123,998,751		\$ -
5 TRANSMISSION MAIN	30950 / 983504	\$ 3,525,013	\$ 3,525,013		\$ -
6 PLEASANT GROVE TRUNK SEWER	30950 / 983505	\$ 11,573,550	\$ 11,573,550		\$ -
7 LIME FEED SYSTEM FOR RECYCLED WATER DIST	30950 / 983506	\$ 75,594	\$ 75,594		\$ -
8 EMERGENCY STORAGE POND FLOOD CONTROL (1)	30950 / 983507	\$ 8,996,779	\$ 8,996,779		\$ -
9 BOIFILTER ODOR CONTROL SCRUBBING UNIT	30950 / 983508	\$ 623,340	\$ 623,340		\$ -
10 NRSP 30" RECYCLE LINE	30950 / 983510	\$ 1,898,988	\$ 1,898,988		\$ -
11 VIBRATION MONITORING AT WWTP	30950 / 993502	\$ 5,371	\$ 5,371		\$ -
12 RECYCLED WATER PUMPS UPGRADE	30950 / 993503	\$ 33,312	\$ 33,312		\$ -
13 MODIFY BACKWASH PUMP STATION	30950 / 993504	\$ 2,703	\$ 2,703		\$ -
14 KASEBERG SOUTHREACH TRUNK SEWER	30950 / 993505	\$ 613,601	\$ 613,601		\$ -
15 DIAMOND OAKS RECYCLE LINE	30950 / 993506	\$ 7,106,661	\$ 7,106,661		\$ -
16 WOODCREEK OAKS PRESSURE VALVE	30950 / 003502	\$ 5,745	\$ 5,745		\$ -
17 UPGRADE AERATION CONTROLS	30950 / 003506	\$ 124,048	\$ 124,048		\$ -
18 MECHANICAL MAINTENANCE BUILDING UPGRADE	30950 / 013501	\$ 161,886	\$ 161,886		\$ -
19 UPGRADE RECYCLED WATER SYSTEM	30950 / 013502	\$ 1,850,037	\$ 1,850,037		\$ -
20 DIAMOND CREEK CASCADE/OUTFALL	30950 / 013503	\$ 210,531	\$ 210,531		\$ -
21 DCWWTP/WEST DRY CREEK OUTFALL	30950 / 013504	\$ 153,370	\$ 153,370		\$ -
22 RWQCB BASIN PLAN AMENDMENT	30950 / 013505	\$ 658,856	\$ 658,856		\$ -
23 DCWWTP COOLING UNITS	30950 / 023501	\$ 3,139,986	\$ 3,139,986		\$ -
24 DCWWTP CONVERSION TO UV	30950 / 023503	\$ 37,399,962	\$ 37,399,962		\$ -
25 WEST DRY CREEK CFD RW CONNECTION	30950 / 023504	\$ 171,258	\$ 171,258		\$ -
26 DCWWTP DIGESTER HANDRAIL	30950 / 033502	\$ 5,760	\$ 5,760		\$ -
27 DCWWTP GATE SECURITY	30950 / 033503	\$ 47,530	\$ 47,530		\$ -
28 DCWWTP FILTER PLC UPGRADE	30950 / 033504	\$ 169,217	\$ 169,217		\$ -
29 REGIONAL PARTNER TELEMTRY	30950 / 033505	\$ 6,909	\$ 6,909		\$ -
30 CIP RESERVE	30950 / 033506	\$ -	\$ -		\$ -
31 DCWWTP FLOW METERS	30950 / 043501	\$ 522,629	\$ 522,629		\$ -
32 PGWWTP RECYCLED WATER SYSTEM	30950 / 043502	\$ -	\$ -		\$ -
33 PS DECOMMISSIONING	30950 / 043503	\$ 132,750	\$ 132,750		\$ -
34 WW/RW SYSTEMS EVALUATION	30950 / 043504	\$ 1,095,577	\$ 1,095,577		\$ -
35 DCWWTP AERATION PLC UPGRADE	30950 / 053501	\$ 13,059	\$ 13,059		\$ -
36 DCWWTP FILTER BACKWASH RETURN PIPELINE UPGRADE	30950 / 053502	\$ 1	\$ (1)		\$ -
37 DCWWTP OPERATIONS ADMIN BUILDING	30950 / 053503	\$ 564,636	\$ 564,636		\$ -
38 WATER PURIFICATION PILOT PROJECT	30950 / 053504	\$ 420,567	\$ 420,567		\$ -
39 RW MODEL DEVELOPMENT	30950 / 053505	\$ 187,498	\$ 187,498		\$ -
40 NPDES PERMIT RENEWAL	30950 / 053506	\$ 585,654	\$ 585,654		\$ -
41 PGWWTP CONVERSION TO UV	30950 / 063502	\$ -	\$ -		\$ -
42 DCWWTP MAINTENANCE SHOP	30950 / 063503	\$ 4,220,075	\$ 4,220,075		\$ -
43 PGWWTP PROCESS IMPROVEMENTS	30950 / 063504	\$ 3,630,770	\$ 3,630,770		\$ -
44 SIA RW PIPELINE	30950 / 063505	\$ -	\$ -		\$ -
45 WW FORCE MAIN CONVERSION TO RW	30950 / 063506	\$ 953,005	\$ 953,005		\$ -
46 RELIABILITY CENTERED MAINTENANCE	30950 / 063507	\$ 453,548	\$ 453,548		\$ -
47 EXPANSION OF PGWWTP (2007)	30950 / 073505	\$ 41,049,474	\$ 41,049,474		\$ -
48 EXPANSION OF DCWWTP	30950 / 073506	\$ 874,326	\$ 874,326		\$ -
49 RADIO TELEMTRY	30950 / 073507	\$ 141,002	\$ 141,002		\$ -
50 PROCESS CONTROL STANDARDS	30950 / 073508	\$ 160,000	\$ 108,117	\$ (51,883)	\$ -
51 GREASE RECEIVING STATION	30950 / 073509	\$ 227,047	\$ 227,047		\$ -
52 SERVICE AREA CEQA ANALYSIS	30950 / 123507	\$ 2,468	\$ 2,468		\$ -
53 DRY CREEK BANK STABILIZATION	30950 / 133504	\$ 609,000	\$ 506,160		\$ 10,000
54 DRY CREEK WWTP NITRATE PROCESS IMPROVEMENTS	30950 / 143505	\$ -	\$ -		\$ -
55 PGWWTP EXPANSION	30950 / 153507	\$ 10,910,300	\$ 4,604,869	\$ 51,883	\$ 6,000,000
TOTAL (includes completed projects)		\$ 272,286,730	\$ 265,826,576	\$ -	\$ 6,010,000

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

Completed Projects: closed to further spending

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2017-06

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING ADJUSTMENTS TO
CAPITAL IMPROVEMENT PROJECTS AND BUDGET FOR FY 2017-18**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve the adjustments to the Capital Improvement Projects and CIP Budget for FY 2017-18 presented to the Board at this meeting.

BE IT FURTHER RESOLVED, that the Executive Director is authorized to reallocate budgeted amounts among the projects shown as line-items in the FY 2017-18 Capital Improvement Projects Budget, as he may deem necessary or desirable; provided, however, that the total amount budgeted for FY 2017-18 shall not be increased without the Board's prior approval.

BE IT FURTHER RESOLVED, that the expenditure of funds for the construction of projects requiring further environmental review is expressly conditioned on the completion, approval, and consideration, of any necessary environmental reviews. This Resolution is not intended to, and shall not, predetermine the outcome of any such necessary environmental reviews.

PASSED AND ADOPTED this 29th day of June, 2017, by the following vote:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 15, 2017

FROM: Executive Director's office

AUTHORITY COMMUNICATION NO.: 17-08

SUBJECT: Annual Operating Budget for Fiscal Year 2017-2018

For SPWA Board Meeting 6/29/17

ACTION REQUESTED

Adopt the annual operating budget for fiscal year 2017-2018.

BACKGROUND

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

The attached budget for the Authority represents the estimates of revenues and expenditures for the Authority for the fiscal year 2017-2018 (FY18). The Board will have an opportunity to review, and adjust as necessary, the annual budget at mid-year.

2016-2017 (FY17) Estimated Revenues and Operating Expenses (Current Year)

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

- Interest earnings, net of amortized premiums and unrealized gains/losses are higher than originally budgeted due to better market interest rates than expected.
- Connection fees are higher than what was originally budgeted as development is picking up a bit faster than we had thought.

2017-2018 Estimated Revenues

Connection fees have been projected at \$13,221,710 (\$1,259,610 for the County, \$4,962,100 for the District, and \$7,000,000 for Roseville). This is a positive turn and reflects a higher level of anticipated development from prior year. Interest income, net of amortized premiums and unrealized gains/losses is also estimated to be a bit higher than what was originally budgeted for in FY17.

2017-2018 Estimated Operating Expenses

Total operating expenditures for FY18 are the same as the FY17 budget. While indirect costs went down, financial services and legal fees were increased to accommodate additional meetings in FY18. Authority staff line items include both direct and indirect costs related to administration of the Authority. Indirect costs include the city attorney, city manager, and certain finance personnel, etc., who do not charge directly to the Authority. Legal and financial advisory services include projected costs for possible agreement and financial reviews.

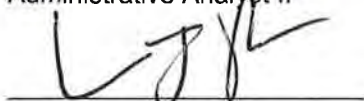
The Capital Improvement Projects Budget for FY18 is included in a separate agenda item.

Debt service payments for FY18 are expected to be approximately 1.38% higher than the FY17 budget.

Submitted by:



Janet L. Vargas
Administrative Analyst II



Kenneth Glotzbach
Executive Director

South Placer Wastewater Authority: FY 2017-18 Budget

	Actual 2015-16	Amended Budget 2016-17	Budget 2017-18
ESTIMATED REVENUES			
Interest	\$ 1,022,080	\$ 1,275,000	\$ 921,886
Connection Fees	13,076,691	12,930,500	13,221,710
Repayment from County	948,450	500,000	500,000
Total Estimated Revenues	15,047,221	14,705,500	14,643,596
ESTIMATED OPERATING EXPENSES			
JPA Staff	127,433	138,611	89,723
Legal Services	2,389	20,000	44,444
Financial Advisory Services	-	25,000	49,444
Audit Services	20,420	25,000	25,000
Insurance	17,652	18,650	18,659
Copying/Mailing/Supplies	383	2,250	2,250
Travel/Meetings	-	500	500
Miscellaneous	124	9	-
Total Estimated Operating Expenses	168,401	230,020	230,020
LESS CAPITAL AND DEBT EXPENSES			
Capital expenses	1,197,481	10,015,724	-
Debt service payments	9,190,817	9,787,447	9,922,905
Total Estimated Capital and Debt Related Expenses	10,388,298	19,803,171	10,155,675
INCREASE (DECREASE) FROM OPERATIONS	4,490,522	(5,327,691)	4,257,901
FUND BALANCE, BEGINNING OF YEAR	105,807,235	110,297,757	104,970,066
FUND BALANCE, END OF YEAR	\$ 110,297,757	\$ 104,970,066	\$ 109,227,967

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2017-07

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY APPROVING
OPERATING BUDGET FOR FY 2017-2018**

BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority that the Operating Budget for FY 2017-2018 is hereby approved as presented to the Board at this meeting; and

BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized to reallocate budgeted amounts among the line-items in the approved Operating Budget, as he may deem necessary or desirable; provided, however, that the total amount budgeted for FY 2017-2018 shall not be increased without the Board's prior approval.

PASSED AND ADOPTED this 29th day of June, 2017, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary