



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

**Thursday, June 27, 2019**  
9:30 a.m.  
City of Roseville  
2005 Hilltop Circle  
Meeting Room 3

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### **AGENDA**

**ROLL CALL**      Directors: Bonnie Gore (Chair)  
Bruce Houdesheldt  
Jerry Mitchell  
Pauline Roccucci  
Robert Weygandt  
Scott Alvord (*alternate*)

### **PLEDGE OF ALLEGIANCE**

### **INTRODUCTIONS**

### **ELECTION OF VICE CHAIR**

1. Motion: Election of Vice-Chairperson

### **APPROVAL OF MINUTES, January 31, 2019**

### **OLD BUSINESS ITEMS**

### **NEW BUSINESS ITEMS**

1. Resolution: Approval of Permanent Appointment of SPWA Board Secretary (*Osman*)
2. Information: Overview of Swap Performance & Annual Reporting Requirements (*Teri*)
3. Information: Investments Report (*Jacquie*)
4. Resolution: Approval of FY2020 Investment Policy and Swap Policy (*Jacquie*)
5. Information: Rate Stabilization Fund Balances & Connection Fee Revenues (*Jacquelyn*)
6. Information: Capital Improvement Project Update FY19-20 (*Ken*)
7. Resolution: Approval of Annual Operating Budget for FY2019-20 Budget (*Janet*)
8. Resolution: Approval of Blanket Participation in Statewide Community Infrastructure Program 2019A Agreement (*Ken*)

## **PUBLIC COMMENTS**

Members of the public may comment on any item of interest to the public within subject matter jurisdiction of the South Placer Wastewater Authority. Members of the public who wish to address a specific agenda item are requested to offer their comments during consideration of that item.

## **REPORTS/COMMENTS – BOARD MEMBERS/STAFF**

## **ADJOURNMENT**

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

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

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



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John Allard – Roseville (Chair)  
Scott Alvord – Roseville  
Bonnie Gore – Placer County  
Jerry Mitchell – SPMUD  
Robert Weygandt – Placer County

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**MINUTES OF BOARD OF DIRECTORS' MEETING  
January 31, 2019**

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  
Scott Alvord  
Bonnie Gore  
Jerry Mitchell  
Robert Weygandt

**Staff Present:**

Osman Mufti, JPA Counsel  
Ken Glotzbach, Executive Director  
Pam Walsh, Interim Secretary

**Roll Call**

All Directors were present.

**Introductions**

The following were in attendance: Dennis Kauffman, Jacquie Clarizio, Jacquelyn Flickinger, Nick Rosas, Wayne Wiley, Laura Matteoli, Rich Plecker, George Hanson, Tracie Mueller, Janet Vargas, Garret Mandel, Joe Mandell, Archana Wagley, and Kelly Wallace from the City of Roseville, Scott Canel and Jonathan Canel from the Campus Oaks Development, Herb Niederberger from SPMUD, Michele Kingsbury, Vanessa Lieberman, Kevin Bell, Robin Mahoney, and Jared Deck from Placer County, and James Hamill from California Statewide Communities Development Authority.

**Election of Chair and Vice Chair**

A vote was taken as follows:

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

Vote:                   Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                              Nos:  
                              Absent:

MOTION by Director Weygandt, seconded by Director Mitchell, to elect Director Alvord as Vice-Chair.

Vote:                   Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                          Nos:  
                          Absent:

**Approval of Minutes, June 28, 2018**

A vote was taken as follows:

MOTION by Chair Gore, seconded by Director Weygandt to approve the June 28, 2018, minutes.

Vote:                   Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                          Nos:  
                          Absent:

**Old Business Items**

None

**New Business Items**

**1. Resolution: Designation of Interim Board Secretary**

Ken Glotzbach informed the Board that SPWA Secretary Karen Sainsbury retired from the City of Roseville and would no longer be serving as the Secretary for the SPWA Board.

Ken Glotzbach recommended that the South Placer Wastewater Authority (SPWA) Board formally appoint Roseville staff member Pamela Walsh as Interim Secretary to the Authority.

MOTION by Chair Gore, seconded by Director Weygandt to appoint Pamela Walsh as South Placer Wastewater Authority (SPWA) Board Interim Secretary (Resolution 2019-01).

Vote:                   Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                          Nos:  
                          Absent:

No Public Comment.

**2. Resolution: Statewide Community Infrastructure Program 2019A Agreement**

Wayne Wiley requested the Board adopt a resolution authorizing the inclusion of the South Placer Wastewater Authority Regional Sewer Fees into the Statewide Communities Infrastructure Program (SCIP) for a onetime financing of fees for the Roseville Campus Oaks Project, Phase I and II.

Public Comment:

Scott Canel, Campus Oaks Developer, commented that he would like the SPWA to make a commitment to join CSCDA and the SCIP program.

Herb Niederberger, General Manager of South Placer Municipal Utility District, recommended the Board direct staff to develop a strategy for future SPWA participation in SCIP.

Chair Gore questioned if there was a cost to join CSCDA. Laura Matteoli, City of Roseville Economic Development Director, reported there is no cost for CSCDA membership. She added, if a blanket resolution were adopted by the Board, it would allow projects to be considered for SCIP participation on a case-by-case basis.

MOTION by Director Allard, seconded by Chair Gore requesting the Board adopt a resolution authorizing the inclusion of the South Placer Wastewater Authority Regional Sewer Fees into the Statewide Communities Infrastructure Program (SCIP) for a onetime financing of fees for the Roseville Campus Oaks Project, Phase I and II (Resolution 2019-02).

Vote:           Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                  Nos:  
                  Absent:

**3. Information: Debt Review**

Nick Rosas reported on the Authority's outstanding debt, market commentary and debt service budget, actual and remaining forecast for FY2018-19.

No Public Comment.

**4. Information: Investment Review**

Jacque Clarizio reported on the performance of the Authority's investments through November 30, 2018.

No Public Comment.

**5. Information: Capital Improvement Projects Overview and Update on PGWWTP Expansion Improvements**

Ken Glotzbach provided an update on the Pleasant Grove Wastewater Treatment Plant Expansion capital improvement projects.

Director Mitchell asked if the improvements will provide fuel for garbage trucks and Ken Glotzbach confirmed that it will. Director Mitchell questioned if Roseville planned to replace some vehicles for compressed natural gas fueled engines. Ken Glotzbach confirmed Roseville's Solid Waste Division has already begun to convert a portion of their fleet from diesel fuel to compressed natural gas.

Director Alvord asked if it was possible for the City of Roseville to use the digesters sooner than the projected four-year completion date. Ken Glotzbach reported it will probably be two to three years before they start operating these. Director Alvord stated he was asking this because of odor control issues. Ken Glotzbach reports this project

will eventually completely eliminate that problem but, in the interim, Roseville is continually working on options to mitigate the odor.

Chair Gore questioned if proposals for construction for this project will come before the SPWA Board, and Ken Glotzbach stated it will not. Roseville City Council will approve construction contracts.

No Public Comment.

**6. Information: Financial Audit**

Nick Rosas reported on the Audited Financial Statement for the fiscal year ended June 30, 2018.

Director Alvord questioned if the \$2.4 million adjustment was from the County not doing projects and Nick Rosas reported it was an alignment of timing of the collection of revenue with the County and there was no loss in revenue.

No Public Comment.

**7. Information: Agreed Upon Procedures and Connection Fee Programs**

Janet Vargas presented the Agreed-Upon Procedures and Connection Fee Programs.

No Public Comment.

**8. Resolution: Second Amendment to the Authority's JPA, Funding, and Operations Agreement**

Ken Glotzbach recommends the South Placer Wastewater Authority (SPWA) Board adopt a resolution approving the following SPWA Agreements:

- i. Second Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority.
- ii. Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities; and
- iii. Second Amended and Restated Agreement Regarding the Operation and Use of South Placer Regional Wastewater Facilities.

No Public Comment.

MOTION by Director Weygandt, seconded by Director Alvord to adopt Resolution of the Board of Directors of the South Placer Wastewater Authority approving Second Amended and Restated Funding Agreement, Second Amended and Restated Operations Agreement, and Second Amended and Restated Joint Powers Agreement (Resolution 2019-03).

Vote:           Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                  Nos:  
                  Absent:

**9. Information: Rate Stabilization Fund Balances**

Jacquelyn Flickinger provided an update on the Rate Stabilization Fund Balances as of November 30, 2018.

No Public Comment.

**10. Information: 2017-18 Final Rate Stabilization Fund Summary**

Jacquelyn Flickinger provided an update on the 2017-18 Final Rate Stabilization Fund Summary.

No Public Comment.

**11. Resolution: Creekview Service Area Boundary Adjustment**

Ken Glotzbach requested the South Placer Wastewater Authority (SPWA) Board approve a modification to the Authority's 2005 Service Area Boundary (SAB) to add the Roseville Creekview Specific Plan Area.

Director Mitchell inquired about the rationale in adding fairly small parcels (as opposed to larger areas) to the SPWA's service area boundaries. Ken Glotzbach explained, if there were undeveloped areas added to SPWA's boundaries, the SPWA would then be responsible for environmental reviews. It was previously determined, as development occurs, that SPWA would rely on the developer's environmental reviews.

No Public Comment.

MOTION by Director Alvord, seconded by Director Allard to adopt Resolution of the Board of Directors of the South Placer Wastewater Authority approving a modification to the Authority's 2005 Service Area Boundary (SAB) to add the Roseville Creekview Specific Plan Area (Resolution 2019-04).

Vote:           Ayes:   Allard, Alvord, Gore, Mitchell, Weygandt  
                  Nos:  
                  Absent:

**Reports/Comments – Board Members/Staff**

Chair Gore requested staff prepare a proposal for the South Placer Wastewater Authority's membership participation in the California Statewide Community Development Authority membership and the Statewide Community Infrastructure Program (SCIP).

Ken Glotzbach asked if it would still be useful to prepare and distribute the monthly financial reports. The Board determined the reports will be sent out on an as-needed basis in the future.

**Public Comment**

None

**Adjournment**

The meeting was adjourned at 10:40 a.m.

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**Bonnie Gore**  
**Chair**

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**Pamela Walsh**  
**Interim Secretary to the Board**

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**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2019-05**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SOUTH PLACER WASTEWATER AUTHORITY  
APPOINTING A SECRETARY OF THE AUTHORITY**

**BE IT RESOLVED** by the Board of Directors (“Board”) of the South Placer Wastewater Authority (“Authority”) as follows:

The Board hereby approves the appointment of Pamela Walsh as Secretary to the Authority until such time as a successor is duly appointed by the Board.

PASSED AND ADOPTED this 27<sup>st</sup> day of June 2019, by the following vote:

AYES: *Garra, Houdesheldt, Mitchell, Weygardt*

NOES: *—*

ABSENT: *Rocucci*

ABSTENTIONS: *—*

*James M. Gore*  
Chairperson

ATTEST:

*Bruce Houdesheldt*  
Vice Chair

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## AUTHORITY COMMUNICATION

**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** May 29, 2019

**FROM:** Teri Quinlan, Financial Analyst

**AUTHORITY COMMUNICATION NO:** 19-13

**SUBJECT:** Overview of Swap Performance

*For SPWA Board Meeting 6/27/19*

### ACTION REQUESTED

None required. This is an informational item.

### BACKGROUND

The South Placer Wastewater Authority currently has \$144.3 million of debt outstanding as shown in the table below. Of the outstanding debt, 59% is fixed-rate, 18% is "synthetic" fixed rate, and 23% is unhedged variable rate. The Authority has entered into an interest-rate swap with Morgan Stanley. The swap acts as a fixed-rate hedge for a portion of the Series 2013 bonds, creating "synthetic" fixed-rate debt.

Summary of Outstanding Debt as of June 30, 2019								
Series	Type	Issues Size	Outstanding Par	Coupon Range	Final Maturity	Expiration Date	Credit Rating (S&P/Moody's)	% of Total Debt
2011C	Fixed	\$19,075,000	\$ 10,210,000	5.00%	11/1/2020	None	A+ / Aa3	7.07%
2013	Variable	\$59,330,000	\$ 59,330,000	70.5% of 1m LIBOR + 0.55%	11/1/2035	4/1/2020	n/a (Direct Purchase)	41.11%
2017	Fixed	\$74,780,000	\$ 74,780,000	5.00%	11/1/2037	None	A+ / Aa3	51.82%
<b>Total</b>			<b>\$ 144,320,000</b>					<b>100.00%</b>

Summary of Outstanding Swap as of May 29, 2019						
Counterparty	Current Notional	SPWA Pays	SPWA Receives	Final Maturity	MTM Value (as of 05/29/2018)	Counterparty Ratings
Morgan Stanley	\$25,680,000	3.665%	62% of 1m LIBOR +0.26%	11/1/2023	(\$1,280,013)	A+ / A1 S&P / Moody's

## OVERVIEW OF SWAP PERFORMANCE

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

SPWA Variable Rate Instruments						
Morgan Stanley Swap and 2013 U.S. Bank Direct Purchase						
<b>Morgan Stanley swap terms</b>						
Pay 3.665% Fixed Rate / Receive 62% 1-month LIBOR + 26 bps						
Calculation based on notional amount of swap (see table below)						
<b>2013 U.S. Bank direct purchase terms</b>						
Interest based on 70.5% of 1m LIBOR + 0.55%						
<b>Morgan Stanley Swap</b>						<b>2013 Direct Purchase</b>
3.665%      62% + 26 bps						\$ 59,330,000
Month	Due	Fixed Amount	1-MONTH LIBOR	Net Swap Payment	Interest Payment	
7/1/2018	8/1/2018	\$ 93,931	\$ 40,523	\$ 53,408	\$ 103,457	
8/1/2018	9/1/2018	93,931	40,294	53,637	103,099	
9/1/2018	10/1/2018	93,931	40,221	53,710	100,564	
10/1/2018	11/1/2018	93,931	43,724	50,207	109,383	
11/1/2018	12/1/2018	78,431	35,770	42,661	107,387	
12/1/2018	1/1/2019	78,431	38,548	39,883	112,755	
1/1/2019	2/1/2019	78,431	39,636	38,795	118,886	
2/1/2019	3/1/2019	78,431	35,622	42,809	107,012	
3/1/2019	4/1/2019	78,431	39,343	39,088	117,762	
4/1/2019	5/1/2019	78,431	37,995	40,436	114,408	
5/1/2019	6/1/2019	78,431	38,817	39,614	117,660	
6/1/2019	7/1/2019	78,431	38,000	40,431	117,000	
<b>Totals</b>		<b>\$ 1,003,172</b>	<b>\$ 468,493</b>	<b>\$ 534,679</b>	<b>\$ 1,329,373</b>	
<b>Interest Rate Summary</b>						
FY19 Average Interest Rate of Swap					1.953%	
FY19 Average Interest Rate of 2013 Direct Purchase					2.241%	
Combined Average Interest Rate - Swap and 2013 Direct Purchase					4.194%	

Morgan Stanley Swap						
Notional Amount Amortization Schedule (1)						
FROM (and including)	TO (but excluding)	Notional Amount	FROM (and including)	TO (but excluding)	Notional Amount	
Effective Date	11/1/2003	97,000,000	<i>(continued)</i>			
11/1/2003	11/1/2004	95,400,000	11/1/2016	Amendment Effective Date	64,775,000	
11/1/2004	11/1/2005	94,800,000	Amendment Effective Date	11/1/2017	35,655,000	
11/1/2005	11/1/2006	94,175,000	11/1/2017	11/1/2018	30,755,000	
11/1/2006	11/1/2007	93,525,000	11/1/2018	11/1/2019	25,680,000	
11/1/2007	11/1/2008	92,850,000	11/1/2019	11/1/2020	20,430,000	
11/1/2008	11/1/2009	92,150,000	11/1/2020	11/1/2021	14,980,000	
11/1/2009	11/1/2010	91,425,000	11/1/2021	11/1/2022	9,330,000	
11/1/2010	11/1/2011	90,675,000	11/1/2022	Termination Date	3,480,000	
11/1/2011	11/1/2012	86,725,000				
11/1/2012	11/1/2013	82,650,000				
11/1/2013	11/1/2014	78,425,000				
11/1/2014	11/1/2015	74,025,000				
11/1/2015	11/1/2016	69,475,000				
<i>(continued)</i>						

(1) Source: Schedule 1 to Swap Confirmation, dated August 28, 2003, as amended and restated as of April 2, 2008, as further amended and restated as of September 6, 2017, between Morgan Stanley Capital Services Inc. and South Placer Wastewater Authority

Submitted by:



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Teri Quinlan  
Financial Analyst

Approved by:



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Dennis Kauffman  
Chief Financial Officer



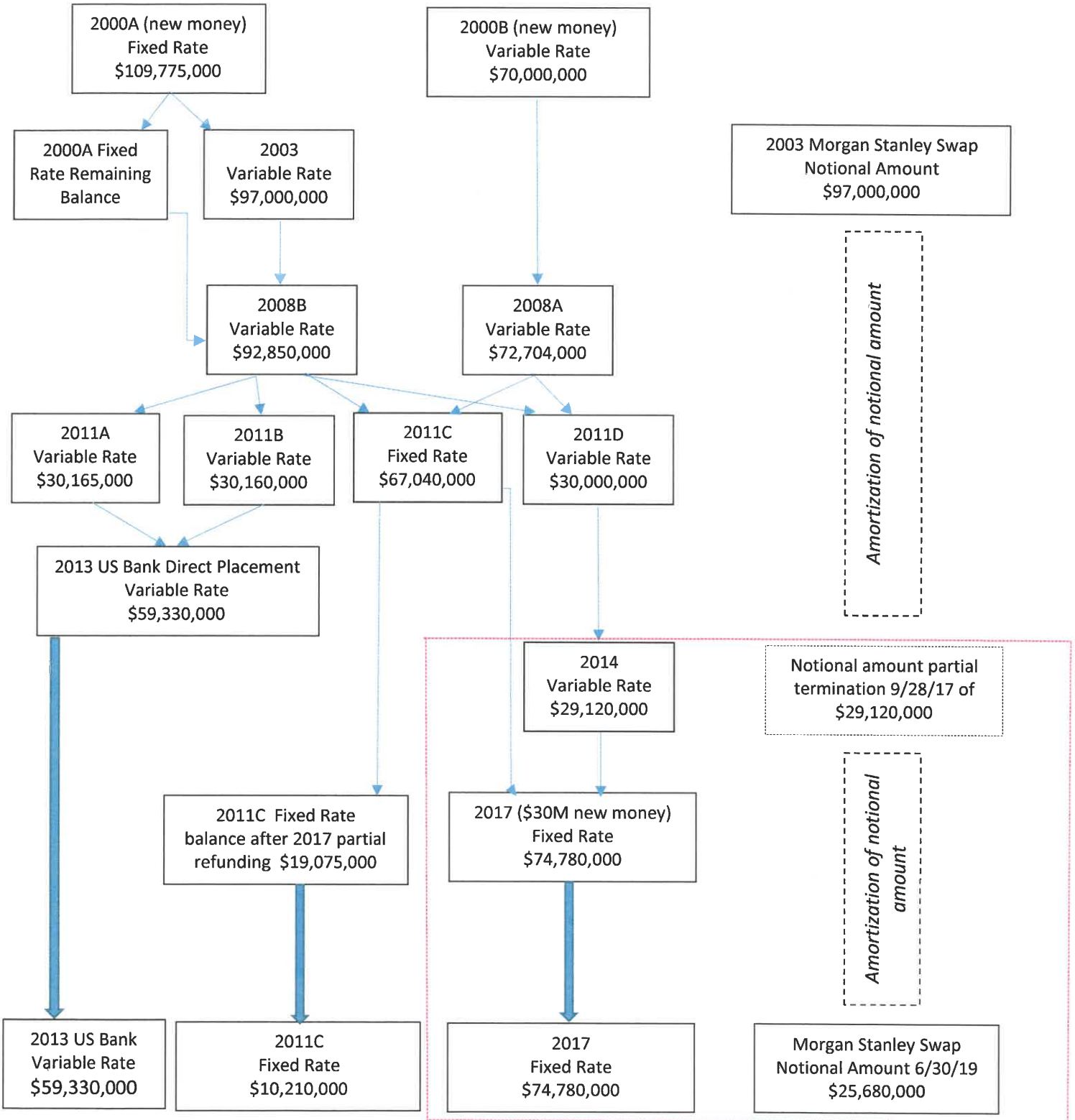
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Kenneth Glotzbach  
Executive Director

# SPWA Bonds and Swap History Flowchart

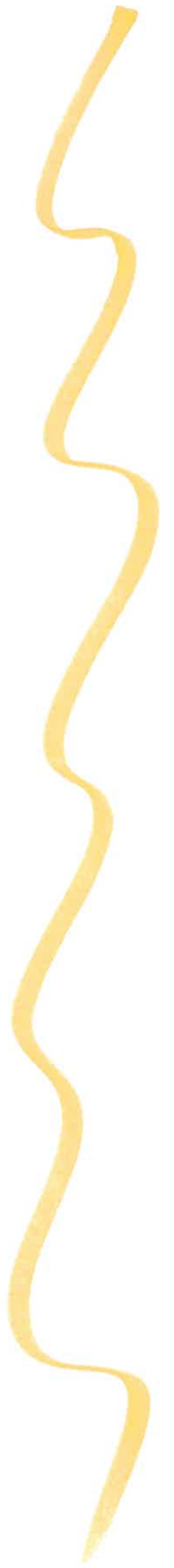
## BONDS

## SWAP



Balances as of June 30, 2019

Swift



## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** May 29, 2019

**FROM:** Teri Quinlan, Financial Analyst

**AUTHORITY COMMUNICATION NO:** 19-14

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**SUBJECT:** Interest Rate Swap Reporting Requirements

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*For SPWA Board Meeting 6/27/19*

### **ACTION REQUESTED**

None required. This is an informational item.

### **BACKGROUND**

As requested in the 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 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**

- **2011/2013/2014/2017 SPWA Refunding Wastewater Revenue Bonds**

In May 2013, the Authority refunded the 2011 Series A and B VRDBs (\$30,165,000 and \$30,160,000). These were issued as a Direct Placement, Series 2013 bonds with U.S. 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.

In September 2017, the Authority sold \$74.8 million of fixed-rate Wastewater Revenue Bonds, Series 2017 in order to finance \$30.0 million of the Pleasant Grove Wastewater Treatment Plant Expansion Project, advance refund \$27.9 million of 2011C Bonds for significant savings, and refund \$29.1 million of 2014 SIFMA Index Bonds along with termination of an equivalent amount of the notional amount of the swap.

#### **Project and Bond Series**

- Please refer to the Schedule of Investments in a separate Authority Communication

#### **Type of Swap**

- Variable to Fixed

## Rates Paid/Received

Issue	Outstanding Par as of 5/29/19	Interest Paid
2013 SPWA <sup>2</sup> Direct Placement	\$59,330,000	\$1,329,373

<sup>2</sup> Date range of 7/1/18 – 6/30/19 – June amount is estimated.

Issue	Notional Amount as of 5/29/19	Net Swap Payment
SPWA <sup>1</sup> Swap	25,680,000	\$534,679

<sup>1</sup> Date range of 7/1/18 – 6/30/19 – June amount is estimated.

## Average Life

- The interest rate swap has an average life of approximately 4.5 years.

## Remaining Term

- Maturity 11/1/2023

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

No information to report.

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

As of May 29, 2019, the Mark-to-Market value was (\$1,280,013).

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

As of May 29, 2019 Morgan Stanley is rated A+ by S&P (up from BBB+ as of April 30, 2018) and rated A1 by Moody's (up from A3 as of April 30, 2018).

## 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 to 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 Ending	2000A SPWA \$97,000,000 Fixed Rate [1]	Actual Swap Debt Service [2]	(Cost) / Savings [4]
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
6/30/2018	3,226,500	1,484,192 [3]	1,742,308
6/30/2019	2,977,125	3,320,052	(342,927)
<b>Total</b>			<b>\$18,597,409</b>

[1] Debt Service based on 2000 SPWA Series A fixed rate schedule  
 [2] Estimated actual interest expense for synthetic fixed rate debt  
 [3] Does not include \$5,159,000 partial swap termination payment  
 [4] The applicability of the data in this table will be evaluated in future reporting periods

Submitted by:

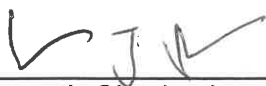


Teri Quinlan  
Financial Analyst

Approved by:



Dennis Kauffman  
Chief Financial Officer



Kenneth Glotzbach  
Executive Director

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## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** May 21, 2019

**FROM:** Jacquie Clarizio – Financial Analyst

**AUTHORITY COMMUNICATION NO:** 19-15

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**SUBJECT:** Investment Review

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*For SPWA Board Meeting 6/27/19*

### 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 April 30, 2019.

### INVESTMENTS

The Schedule of Investments for April 30, 2019, is attached to this report. The yield-to-market on the invested funds as of April 2019 was 2.043%.

### Additional Accumulated Funds

The remaining funds, \$8.66m, are the Authority's bond reserve funds held by the fiscal agent.

Submitted by:



Jacquie Clarizio  
Financial Analyst



Dennis Kauffman  
Chief Financial Officer



Kenneth J. Glotzbach  
Executive Director



**So Placer Wastewater Authority  
Portfolio Management  
Portfolio Summary  
April 30, 2019**


City of Roseville CA


Investments	Per Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C
City of Roseville Cash Pool*	11,919,875.12	11,919,875.12	11,919,875.12	9.54	1	1	2.116
Money Market Funds	11,279,368.73	11,279,368.73	11,279,368.73	9.02	1	1	2.042
Local Agency Investment Funds	19,714,847.73	19,714,847.73	19,714,847.73	15.77	1	1	2.445
Corporate Notes	28,350,000.00	28,224,818.00	28,094,278.64	22.48	1,650	1,022	2.533
Federal Agency Coupon Securities	47,000,000.00	46,676,105.00	46,999,103.33	37.60	1,584	309	1.548
Federal Agency Disc. -Amortizing	4,000,000.00	3,979,380.00	3,979,569.44	3.18	254	77	2.558
Supra-National Agency Bond	3,000,000.00	3,006,810.00	3,000,000.00	2.40	1,813	1,588	2.750
<b>Investments</b>	<b>125,264,091.58</b>	<b>124,804,004.58</b>	<b>124,986,042.99</b>	<b>100.00%</b>	<b>1,011</b>	<b>387</b>	<b>2.070</b>

Total Earnings	April 30 Month Ending	Fiscal Year To Date
Current Year	219,579.80	1,646,262.98
Average Daily Balance	122,483,134.37	120,293,297.75
Effective Rate of Return	2.18%	1.64%

\*Estimated balance as of 04/30/2019  
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

  
\_\_\_\_\_  
Dennis Kauffman, Treasurer

S-K-19  
\_\_\_\_\_  
DATE  
5/15/19  
\_\_\_\_\_  
DATE

Reporting period 04/01/2019-04/30/2019

Run Date: 05/15/2019 - 07:16

Portfolio SPWA  
AP  
PM (PRF\_PM1) 7.3.0  
Report Ver. 7.3.5

**So Placer Wastewater Authority  
Portfolio Management  
Interest Earnings Summary  
April 30, 2019**

April 30 Month Ending

Fiscal Year To Date

**CD/Coupon/Discount Investments:**

Interest Collected	85,500.00	1,237,944.94
Plus Accrued Interest at End of Period	426,083.50	426,083.50
Less Accrued Interest at Beginning of Period	( 380,806.70)	( 285,277.01)
Less Accrued Interest at Purchase During Period	( 0.00)	( 0.00)
Interest Earned during Period	130,776.80	1,378,751.43
Adjusted by Premiums and Discounts	15,072.98	106,186.46
Adjusted by Capital Gains or Losses	0.00	-415,846.50
Earnings during Periods	145,849.78	1,069,091.39

**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	5,404,619.03	5,404,619.03
Less Accrued Interest at Beginning of Period	( 5,330,889.01)	( 4,827,447.44)
Interest Earned during Period	73,730.02	577,171.59

<b>Total Interest Earned during Period</b>	<b>204,506.82</b>	<b>1,955,923.02</b>
<b>Total Adjustments from Premiums and Discounts</b>	<b>15,072.98</b>	<b>106,186.46</b>
<b>Total Capital Gains or Losses</b>	<b>0.00</b>	<b>-415,846.50</b>
<b>Total Earnings during Period</b>	<b>219,579.80</b>	<b>1,646,262.98</b>



**So Placer Wastewater Authority  
Fund 001 - SPWA  
Investments by Fund  
April 30, 2019**

City of Roseville CA

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
<b>City of Roseville Cash Pool*</b>											
SYS10048	10048	City of Roseville Cash Pool	07/01/2018	11,919,875.12	11,919,875.12	11,919,875.12	2.116	2.087	2.116		1
<b>Subtotal and Average</b>				<b>11,919,875.12</b>	<b>11,919,875.12</b>	<b>11,919,875.12</b>		<b>2.087</b>	<b>2.116</b>		<b>1</b>
<b>Money Market Funds</b>											
431114503	10434	US BANK	07/01/2018	11,279,368.73	11,279,368.73	11,279,368.73	2.042	2.014	2.042		1
<b>Subtotal and Average</b>				<b>11,279,368.73</b>	<b>11,279,368.73</b>	<b>11,279,368.73</b>		<b>2.014</b>	<b>2.042</b>		<b>1</b>
<b>Local Agency Investment Funds</b>											
40-31-001	10032	Local Agency Investment Fund	07/01/2018	19,714,847.73	19,714,847.73	19,714,847.73	2.445	2.411	2.445		1
<b>Subtotal and Average</b>				<b>19,714,847.73</b>	<b>19,714,847.73</b>	<b>19,714,847.73</b>		<b>2.412</b>	<b>2.445</b>		<b>1</b>
<b>Corporate Notes</b>											
037633CC2	10637	APPLE INC GLOBAL NOTES	08/17/2018	2,851,540.38	2,850,000.00	2,790,093.00	1.550	1.504	1.525	08/04/2021	826
14912L6F3	10623	CATERPILLAR FINANCIAL SE	01/11/2016	1,001,170.46	1,000,000.00	997,170.00	2.250	2.234	2.285	12/01/2019	214
166764BN9	10680	CHEVRON CORP NOTE	11/07/2018	977,288.90	1,000,800.00	996,820.00	2.498	3.304	3.349	03/03/2022	1,037
22160KAG0	10617	COSTCO WHOLESALE	10/13/2015	1,001,137.42	1,000,000.00	993,210.00	1.750	1.754	1.778	02/15/2020	290
40428HPV8	10618	HSBC USA Global Notes	10/09/2015	2,005,431.64	2,000,000.00	2,000,420.00	2.750	2.735	2.772	08/07/2020	484
459200JC8	10655	IBM CORP GLOBAL NOTES	08/23/2018	2,973,903.96	3,000,000.00	3,007,710.00	2.676	2.896	2.938	11/09/2022	1,288
589331AT4	10646	MERCK & CO INC	05/23/2018	2,927,488.53	3,000,000.00	2,991,990.00	2.400	2.441	2.475	09/15/2022	1,233
69371RP59	10653	PACCAR FINL CORP	08/23/2018	2,013,606.05	2,000,000.00	2,021,980.00	3.400	3.181	3.226	08/09/2023	1,561
747525AD5	10619	QUALCOMM INC	10/09/2015	1,501,492.11	1,500,000.00	1,492,755.00	2.250	2.120	2.150	05/20/2020	385
828807CN5	10650	SIMON PROP GR LP	05/24/2018	1,846,080.02	2,000,000.00	1,897,580.00	2.750	2.806	2.845	02/01/2023	1,372
89238TEL5	10656	TOYOTA MOTOR CREDIT CORP COMM	08/23/2018	2,954,815.40	3,000,000.00	2,997,080.00	2.700	2.742	2.780	01/11/2023	1,361
911312BC9	10684	UNITED PARCEL SERVICE	11/07/2018	971,179.67	1,000,000.00	992,280.00	2.350	3.316	3.362	06/16/2022	1,111
931142DH3	10654	WALMART	08/23/2018	1,983,257.07	2,000,000.00	1,991,560.00	2.550	2.594	2.630	04/11/2023	1,441
949746SA0	10639	WELLS FARGO & COMPANY	08/05/2016	3,005,908.03	3,000,000.00	2,954,610.00	2.100	1.979	2.008	07/28/2021	817
<b>Subtotal and Average</b>				<b>28,894,278.64</b>	<b>28,380,968.00</b>	<b>28,224,619.00</b>		<b>2.488</b>	<b>2.533</b>		<b>1,051</b>
<b>Federal Agency Coupon Securities</b>											
3130A83A7	10640	Federal Home Loan Bank	08/24/2016	2,000,000.00	2,000,000.00	1,982,480.00	2.000	0.988	1.002	08/24/2021	846
3130AFE29	10665	Federal Home Loan Bank	11/27/2016	2,000,000.00	2,000,000.00	2,019,380.00	3.350	3.304	3.350	11/27/2023	1,671

Portfolio SPWA  
AP

**Fund 001 - SPWA**  
**Investments by Fund**  
**April 30, 2019**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
<b>Federal Agency Coupon Securities</b>											
3134G7S77	10818	Federal Home Loan Mtg Corp	10/29/2015	1,998,103.33	2,000,000.00	1,998,080.00	2.000	1.147	1.163	10/29/2020	547
3134G8VZ9	10828	Federal Home Loan Mtg Corp	04/28/2016	4,000,000.00	4,000,000.00	3,972,480.00	1.500	1.232	1.250	04/28/2021	728
3134G9AD9	10827	Federal Home Loan Mtg Corp	04/28/2016	2,000,000.00	2,000,000.00	1,967,840.00	1.500	1.479	1.500	04/28/2021	728
3134G9KW8	10829	Federal Home Loan Mtg Corp	05/28/2016	5,000,000.00	5,000,000.00	4,968,300.00	1.350	1.331	1.350	11/28/2019	209
3134G9KB2	10832	Federal Home Loan Mtg Corp	09/13/2016	5,000,000.00	5,000,000.00	4,978,350.00	1.750	1.232	1.249	06/09/2021	770
3134G9QV2	10833	Federal Home Loan Mtg Corp	08/15/2016	5,000,000.00	5,000,000.00	4,948,500.00	1.450	1.430	1.450	08/15/2020	411
3134G94K0	10638	Federal Home Loan Mtg Corp	09/10/2016	2,500,000.00	2,500,000.00	2,478,775.00	1.310	1.292	1.310	02/10/2020	285
3134GAEF7	10843	Federal Home Loan Mtg Corp	09/29/2016	3,500,000.00	3,500,000.00	3,441,620.00	1.650	1.627	1.650	09/29/2021	882
3134GAVP6	10845	Federal Home Loan Mtg Corp	11/04/2016	2,000,000.00	2,000,000.00	1,988,680.00	1.100	1.084	1.100	11/04/2021	918
3134GSQA6	10852	Federal Home Loan Mtg Corp	08/28/2018	5,000,000.00	5,000,000.00	5,003,300.00	2.500	2.485	2.500	08/28/2021	789
3138G3SD8	10835	Federal National Mtg Assn	08/13/2016	5,000,000.00	5,000,000.00	4,967,000.00	1.330	1.311	1.330	12/13/2019	226
3138G3VK8	10838	Federal National Mtg Assn	07/21/2016	2,000,000.00	2,000,000.00	1,968,580.00	1.500	1.479	1.500	07/21/2021	812
<b>Subtotal and Average</b>				<b>46,989,103.33</b>	<b>47,000,000.00</b>	<b>46,679,105.00</b>		<b>1.525</b>	<b>1.546</b>		<b>633</b>
<b>Federal Agency Disc. -Amortizing</b>											
313384GV5	10862	Federal Home Loan Bank	11/05/2018	1,994,171.11	2,000,000.00	1,984,240.00	2.440	2.505	2.540	08/13/2019	43
313384KR9	10863	Federal Home Loan Bank	11/05/2018	1,984,398.33	2,000,000.00	1,985,140.00	2.530	2.605	2.641	08/20/2019	111
<b>Subtotal and Average</b>				<b>3,978,569.44</b>	<b>4,000,000.00</b>	<b>3,979,380.00</b>		<b>2.556</b>	<b>2.591</b>		<b>76</b>
<b>Supra-National Agency Bond</b>											
45905UW75	10857	INTL BANK OF RECON AND DEV	09/28/2018	3,000,000.00	3,000,000.00	3,006,810.00	2.750	2.712	2.750	09/15/2023	1,598
<b>Subtotal and Average</b>				<b>3,000,000.00</b>	<b>3,000,000.00</b>	<b>3,006,810.00</b>		<b>2.712</b>	<b>2.750</b>		<b>1,598</b>
<b>Total Investments and Average</b>				<b>124,986,042.99</b>	<b>125,264,091.58</b>	<b>124,804,604.58</b>		<b>2.043</b>	<b>2.071</b>		<b>511</b>



# BNY MELLON

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

## Account Statement

Statement Period 04/01/2019 Through 04/30/2019

Account 322068 Base Currency = USD  
SO PLACER 2011 AND 2017 PARITY RES

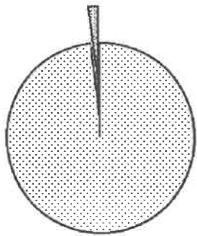
CLIENT SERVICE MANAGER: MILLY CANESSA  
BNYM CORPORATE TRUST  
100 PINE STREET, SUITE 32  
SAN FRANCISCO, CA 94111  
415-263-2420  
MILLY.CANESSA@BNYMELLON.COM

### Go Paperless.

Securely access your accounts online to view your statements. Ask your BNY Mellon contact how we can help you access your account balances and activity in real time, receive your reports, enter your own transactions or submit an audit confirmation online. Also be sure to ask how NEXEN(SM) Gateway, our new cloud-based ecosystem, can help you.

Visit us at [www.bnymellon.com](http://www.bnymellon.com)

## Account Overview



Percent of all Investments	Asset Classification	Market Value
99%	FIXED INCOME	8,501,105.00
1%	CASH AND SHORT TERM	162,544.09
100%	TOTAL OF ALL INVESTMENTS	8,663,649.09

## Summary of Assets Held by Asset Classification

Asset Classification	Market Value	Cost	Accrued Income	Estimated Annual Income	Market Yield
FIXED INCOME	8,501,105.00	8,500,000.00	48,402.78	212,500.00	2.50 %
CASH AND SHORT TERM	162,544.09	162,544.09	0.00	3,682.53	2.27 %
ACCOUNT TOTALS	8,663,649.09	8,662,544.09	48,402.78	216,182.53	2.50 %

## Summary of Cash Transactions by Transaction Category

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	275.61	0.00	0.00	740.37	0.00
INTEREST	0.00	0.00	0.00	106,161.30	0.00
OTHER CASH ADDITIONS	0.00	0.00	0.00	0.00	2.16

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# BNY MELLON

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

Statement Period 04/01/2019 Through 04/30/2019  
Account 322068 Base Currency = USD  
SO PLACER 2011 AND 2017 PARITY RES

## Statement of Assets Held by Asset Classification

Shares/Par Value	Asset Description	Market Price	Market Value	Cost	Average Cost	Accrued Income	Estimated Income	Market Yield
<b>FIXED INCOME</b>								
8,500,000.000	FEDERAL HOME LOAN MORTGAGE CORP CUSIP: 3134GSUK9 MATURITY DATE: 08/09/2021 RATE: 2.500% MOODY'S Aaa S&P AA+	100.01300	8,501,105.00	8,500,000.00	100.00000	48,402.78	212,500.00	2.50%
<b>Total FIXED INCOME</b>			<b>8,501,105.00</b>	<b>8,500,000.00</b>		<b>48,402.78</b>	<b>212,500.00</b>	<b>2.50%</b>
<b>CASH AND SHORT TERM</b>								
53,239.010	DREYFUS INS RES TSY AGY CH ADV 6541 CUSIP: X9USDEFRU	1.00000	53,239.01	53,239.01	1.00000	0.00	1,206.16	2.27%
109,305.080	INSTL RES TRE AND AGNY CASH ADV6541 CUSIP: X9USDEFRU	1.00000	109,305.08	109,305.08	1.00000	0.00	2,476.37	2.27%
<b>Total CASH AND SHORT TERM</b>			<b>162,544.09</b>	<b>162,544.09</b>		<b>0.00</b>	<b>3,682.53</b>	<b>2.27%</b>
<b>ACCOUNT TOTALS</b>			<b>8,663,649.09</b>	<b>8,662,544.09</b>		<b>48,402.78</b>	<b>216,182.53</b>	<b>2.50%</b>

Total Market Value Plus Total Accrued Income 8,712,051.87

## Statement of Transactions by Transaction Date

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
04/01/19	ACCOUNT OPENING PERIOD BALANCE	0.00	0.00	8,662,268.48	
04/02/19	Purchase INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 04/02/19 SET/DATE 04/02/19 CUSIP X9USDEFRUI 275.610 SHARES	275.61-	0.00	275.61	0.00
04/02/19	Dividend DREYFUS INS RES TSY AGY CH ADV 6541 TRADE DATE 04/02/19 SET/DATE 04/02/19 CUSIP X9USDEFRU	275.61	0.00	0.00	0.00
04/02/19	ACCOUNT CLOSING DAILY BALANCE	0.00	0.00	8,662,544.09	0.00
04/30/19	ACCOUNT CLOSING PERIOD BALANCE	0.00	0.00	8,662,544.09	0.00

Cumulative realized capital gain and loss position from 12/31/2018 for securities held in principal of account:

Short Term: 0.00 \* Long Term: 0.00 \*

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## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** June 3, 2019

**FROM:** Jacquie Clarizio – Financial Analyst

**AUTHORITY COMMUNICATION NO:** 19-16

---

**SUBJECT:** Investment Policy and SWAP Policy

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*For SPWA Board Meeting 6/27/19*

### **ACTION REQUESTED**

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

### **BACKGROUND**

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

### **INVESTMENTS**

The purpose of the Investment Policy is to establish cash management and investment guidelines for the Chief Financial Officer, 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. There was only one nonsubstantive update to the existing policy to reflect Government Code changes effected by Assembly Bill No. 1770.

### **SWAP**

There are no proposed changes to the Swap policy.

Submitted by:



Jacquie Clarizio  
Financial Analyst

Approved by:



Dennis Kauffman  
Chief Financial Officer



Kenneth J. Glotzbach  
Executive Director

**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2019-06**

**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 2019-2020**

**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 2019-2020 is hereby adopted in the form presented at this meeting.


PASSED AND ADOPTED this 27<sup>th</sup> day of June, 2019, by the following vote on roll call:

AYES: Gore, Hausheldt, Mitchell, Weygardt

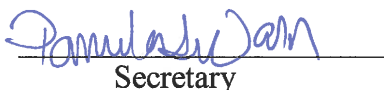
NOES: —

ABSENT: Ricciucci

ABSTENTIONS: —

  
Chairperson

ATTEST:

  
Secretary

# **South Placer Wastewater Authority Investment Policy**



**Effective July 1, 2019**

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# South Placer Wastewater Authority

## Investment Policy

Effective July 1, 2019

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 covers all funds and proceeds of debt issues and investment activities under SPWA's direction.

3. **Prudence**

The standard of care 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) **Safety.** Safety of principal is the foremost objective of the investment program. SPWA investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. To further achieve the safety objective, the amount invested in all investment categories is limited to a percentage of the portfolio as defined in section 8“Permitted Investment Instruments”.
- b) **Liquidity.** The investment portfolio of SPWA will remain sufficiently liquid to enable SPWA to meet its cash flow requirements.
- c) **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 management responsibility of the investment program to the Treasurer and/or his/her designee. Treasurer and/or his/her designee are hereby authorized and directed in the name and on behalf of SPWA to invest the Authority’s monies, and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which he or she might deem necessary or appropriate in order to accomplish the purposes of this policy. No person may engage in an investment transaction except as provided under the limits of this policy unless specifically exempted by statute or ordinance.

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.

- 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.
- 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.
- c) **Mortgage pass through security** issued and guaranteed by a Federal Agency Securities eligible for investment under this category of "AA" or its equivalent or better for an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of SPWA's surplus money.
- 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 nationally recognized statistical-rating organization (NRSRO). Up to 100 percent of SPWA's investment portfolio may be invested in California municipal obligations.
- 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.
- 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.
- 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.
- h) **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a 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. Is organized and operating in the United States as a general corporation.
  - b. Has total assets in excess of five hundred million dollars (\$500,000,000).
  - c. Has debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.
  
- 2) The entity meets the following criteria:
  - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
  - b. Has program wide credit enhancements including, but not limited to, over collateralizations, letters of credit, or surety bond.
  - c. Has commercial paper that is rated “A-1” or higher, or the equivalent, by a 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.

- 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.

- 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.

- 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.

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

- 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.
  
- o) **City of Roseville's Pooled Investment Fund.**
  
- p) **Supranationals** 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.

- q) **A 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.** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO

and have a maximum remaining maturity of five years or less. No more than 20% 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 on 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.

**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, deleveraged notes, or notes linked to lagging indices or to long term indices, nor will SPWA invest in reverse repurchase agreements, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity. This policy does not preclude the use of repurchase agreements and callable securities, as they do not fall within the definition of a derivative as described herein.

**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.S. Treasury Obligations (A)	5 Years	None	No Limit	No Limit
U.S. Agency Securities (A)	5 Years	None	No Limit	No Limit
Forward Delivery Agreements	N/A	A	None	None
State of California or California Local Agency Bonds	5 Years	One of two highest rating categories	No Limit	No Limit
Registered State Treasury Notes or Bonds of the other 49 States	5 Years	None	No Limit	No Limit
Repurchase Agreements	30 days	None	No Limit	No Limit
Bankers' Acceptances	180 days	None	40%	30%

Commercial Paper	270 days	A-1	25%	No Limit
Medium-Term Notes	5 Years	A	30%	No Limit
Collateralized Time Deposits	5 Years	None	30%	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Local Agency Investment Fund (LAIF)	N/A	None	No Limit	\$65 million/account
Insured Saving Accounts	N/A	None	No Limit	No Limit
Money Market Mutual Funds	N/A	(A)	20%	10%
Shares in a California Common Law Trust	N/A	None	No Limit	No Limit
Interest Rate Swaps	N/A	None	No Limit	No Limit
City of Roseville Pooled Investment Fund	N/A	None	No Limit	No Limit
Supranationals	5 Years	AA-	30%	No Limit
Mortgage Pass-Through Securities	5 Years	AA	20%	No Limit

**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.

**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 withdrawals are allowed.

**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 Number 8 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. **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 versus payment procedure.

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. **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. **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.

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. For the SPWA Portfolio the 12 month moving average yield on 2Yr CMT will be used.

**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. 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. 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.

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**APPENDIX A**  
**SOUTH PLACER WASTEWATER AUTHORITY**  
**Swap Guidelines**

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## **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; and
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 Authority's 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 Exposure<sup>1</sup> (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. This threshold will serve as a guideline and will not apply should the transaction, in the

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

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 California 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 cannot 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.

<b>Credit Ratings</b>	<b>Maximum Collateralized Exposure</b>	<b>Maximum Uncollateralized Exposure</b>	<b>Maximum Total Termination Exposure</b>
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

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<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.

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## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority      **DATE:** June 3, 2019  
Board of Directors

**FROM:** Jacquelyn Flickinger, Controller

**AUTHORITY COMMUNICATION NO.:** 19-17

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**SUBJECT:** Rate Stabilization Fund Balances as of April 30, 2019

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*For SPWA Board Meeting 6/27/19*

### **ACTION REQUESTED**

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

### **BACKGROUND**

With 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.

Expenses and interest are allocated based on the participants' respective reallocated Proportionate Shares, defined in the 2<sup>nd</sup> Amendment to the Funding Agreement as follows: Roseville—64.57%, South Placer Municipal Utility District—21.95% and Placer County—13.48%. Connection Fees and Reimbursements are recorded directly in each partners sub-account.

*Changes in RSF Balances from July 1, 2017 to June 30, 2018:*

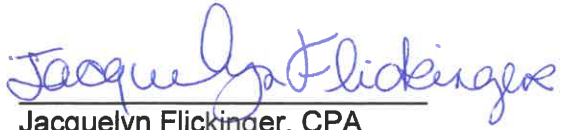
	<u>City of Roseville</u>	<u>SPMUD</u>	<u>Placer County</u>	<u>Total</u>
<b>Revenues:</b>				
Connection Fees	\$ 11,557,556	\$ 5,512,844	\$ 689,400	\$ 17,759,800
Reimbursements	-	-	500,000	500,000
Interest	940,921	778,553	42,753	1,762,227
<b>Total Revenues</b>	<u>12,498,477</u>	<u>6,291,397</u>	<u>1,232,153</u>	<u>20,022,027</u>
<b>Expenses:</b>				
Capital	1,282,609	436,013	267,765	1,986,387
Debt Service	9,474,866	3,220,896	1,978,027	14,673,789
Administrative	92,420	31,419	19,295	143,134
<b>Total Expenses</b>	<u>10,849,895</u>	<u>3,688,328</u>	<u>2,265,087</u>	<u>16,803,310</u>
<b>Increase/(Decrease) in RSF Balances</b>	1,648,582	2,603,069	(1,032,934)	3,218,717
Beginning Balance, as of July 1, 2017	62,596,538	51,425,550	3,752,499	117,774,586
<b>Ending Balance, as of June 30, 2018</b>	<u>\$ 64,245,120</u>	<u>\$ 54,028,619</u>	<u>\$ 2,719,565</u>	<u>\$ 120,993,303</u>

*Changes in RSF Balances from July 1, 2018 to April 30, 2019:*

	<u>City of Roseville</u>	<u>SPMUD</u>	<u>Placer County</u>	<u>Total</u>
<b>Revenues:</b>				
Connection Fees	\$ 6,652,461	\$ 4,226,180	\$ 291,741	\$ 11,170,382
Reimbursements	-	-	250,000	250,000
Interest	889,072	757,020	29,145	1,675,237
<b>Total Revenues</b>	<u>7,541,533</u>	<u>4,983,200</u>	<u>570,886</u>	<u>13,095,619</u>
<b>Expenses:</b>				
Capital	520,859	177,062	108,740	806,661
Debt Service	5,012,749	1,704,041	1,046,490	7,763,280
Administrative	59,466	20,216	12,415	92,097
<b>Total Expenses</b>	<u>5,593,074</u>	<u>1,901,319</u>	<u>1,167,645</u>	<u>8,662,038</u>
<b>Increase/(Decrease) in RSF Balances</b>	1,948,459	3,081,881	(596,759)	4,433,581
Beginning Balance, as of July 1, 2018	64,245,120	54,028,619	2,719,565	120,993,303
<b>Ending Balance, as of April 30, 2019</b>	<u>\$ 66,193,579</u>	<u>\$ 57,110,500</u>	<u>\$ 2,122,806</u>	<u>\$ 125,426,884</u>

\*Connection fees are reported through March 2019.

Submitted by:



Jacquelyn Flickinger, CPA  
Controller

Approved:



Dennis Kauffman  
Chief Financial Officer



Kenneth J. Glotzbach

Executive Director

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## AUTHORITY COMMUNICATION

**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** June 3, 2019

**FROM:** Kenneth J. Glotzbach, Executive Director

**AUTHORITY COMMUNICATION NO.:** 19-18

**SUBJECT: Capital Improvement Project Update – Pleasant Grove WWTP Expansion**

*For SPWA Board Meeting of June 27, 2019*

### ACTION REQUESTED

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

### PLEASANT GROVE EXPANSION PROJECT UPDATE

Staff began the contractor selection process for construction of the Pleasant Grove Wastewater Treatment Plant (PGWWTP) expansion and energy project improvements. To begin, Staff requested qualification statements from contractors. To be considered qualified, contractors submitted documentation demonstrating recent experience with similar project construction in terms of scope and cost among other criteria. Qualified contractors are invited to submit a scope and cost proposal for consideration. A list of qualified contractors is attached as Exhibit A.

For the purpose of contracting, Staff are treating the expansion and energy projects as two separate projects and will solicit two independent proposals from contractors. Ten contractors submitted qualification packets and staff found that nine were qualified for at least one project. Four contractors were deemed qualified to perform both the expansion and energy projects. A given contractor may be selected to construct one or both projects based on the outcome of the competitive selection process. Selection criteria considered include contractor staff qualifications and experience, the construction work plan and schedule, safety records, corporate financial information, and the proposed cost.

Staff are beginning the proposal process and will invite all qualified contractors to submit proposals that include the contractors work plan, schedule, and proposed cost. Proposals will be evaluated by a selection committee and final contract negotiations will begin with the highest ranking contractor(s) for each of the two projects. Once negotiations are completed, staff will request a contract be awarded to the selected contractor(s) by the Roseville City Council.

A project budget adjustment is not necessary at this time for this project. The need for future budget requests will be determined based on the contractors cost proposals and the actual cost to do the work.

Submitted by:



Kenneth J. Glotzbach  
Executive Director

Exhibit A: City of Roseville's PGWWTP Expansion and ERP SOPQ Submittal Evaluation Results

	Prospective Proposer										
	Auburn Constructors LLC	Balfour Beatty Infrastructure, Inc.	Flatiron West Inc.	Gateway Pacific	Kiewit Infrastructure West Company	W. M. Lyles Company	Myers and Sons Construction LLC	C. Overaa & Co.	Walsh Construction Company II, LLC	Western Water Constructors, Inc.	
<b>CITY OF ROSEVILLE PRE-QUALIFICATION DETERMINATION</b>											
Pre-qualified for PGWWTP Expansion Project	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Yes	
Pre-qualified for PGWWTP ERP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	
Pre-qualified for both PGWWTP project above; however, independent proposals required for each project	No	Yes	No	No	Yes	Yes	No	Yes	No	No	

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## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** June 3, 2019

**FROM:** Janet Vargas, Business Services Administrator

**AUTHORITY COMMUNICATION NO.:** 19-19

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**SUBJECT:** Annual Operating Budget for Fiscal Year 2019-2020

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*For SPWA Board Meeting 6/27/19*

### **ACTION REQUESTED**

Adopt the annual operating budget for fiscal year 2019-2020.

### **BACKGROUND**

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

The attached budget for the South Placer Wastewater Authority (Authority) represents the estimates of revenues and expenses for the Authority for fiscal year 2019-2020 (FY20). The Board will have an opportunity to review, and adjust as necessary, the annual budget at mid-year.

#### 2018-2019 (FY19) Estimated Revenues and Operating Expenses (Current Year)

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

- Interest earnings, net of amortized premiums and unrealized gains/losses are lower than FY18 due to not receiving the State Revolving Funds in FY19. These are expected to be received in FY20.
- Connection fees are also lower than FY18 due to uncertainties in the market. However, they are on track to come in a bit higher than budget.

#### 2019-2020 Estimated Revenues

Connection fees have been projected at \$14,648,600 (\$1,129,700 for the County, \$4,518,900 for the District, and \$9,000,000 for Roseville). This reflects a level of anticipated development from the prior year, however, this will be watched closely as there are uncertainties in the market. Interest income, net of amortized premiums and unrealized gains/losses is also estimated to be slightly higher than what was originally budgeted in FY19 as we are planning to obtain \$25 million from State Revolving Fund proceeds in FY20.

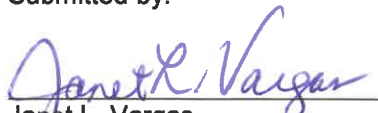
#### 2019-2020 Estimated Operating Expenses

Total operating expenses for FY20 are the same as FY19 total operating expenses. The JPA staff line includes 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 expenses directly to the Authority.

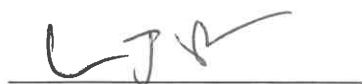
No additional Capital Improvement Project costs are budgeted for in FY20.

Debt service payments for FY20 are comparable to FY19.

Submitted by:



Janet L. Vargas  
Business Services Administrator



Kenneth J. Glotzbach  
Executive Director

**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2019-07**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SOUTH PLACER WASTEWATER AUTHORITY APPROVING THE  
OPERATING BUDGET FOR FY 2019-20**

**BE IT RESOLVED** by the Board of Directors of the South Placer Wastewater Authority that the Operating Budget for FY 2019-20 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 2019-20 shall not be increased without the Board's prior approval.

PASSED AND ADOPTED this 27<sup>th</sup> day of June, 2019, by the following vote on roll call:

AYES: Gore, Houdesheldt, Mitchell, Weygandt

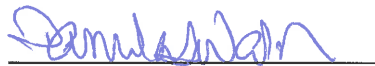
NOES: —

ABSENT: Rocucci

ABSTENTIONS: —

  
Chairperson

ATTEST:

  
Secretary

# South Placer Wastewater Authority: FY 2019-20 Budget

	Actual 2017-18	Amended Budget 2018-19	Budget 2019-20
<b>ESTIMATED REVENUES</b>			
Interest	\$ 1,762,227	\$ 1,400,000	\$ 1,925,277
Connection Fees	17,759,800	13,823,040	14,648,600
Repayment from County	500,000	500,000	-
Funding from State Revolving Fund Loan		25,000,000	25,000,000
<b>Total Estimated Revenues</b>	<b>20,022,027</b>	<b>40,723,040</b>	<b>41,573,877</b>
<b>ESTIMATED OPERATING EXPENSES</b>			
JPA Staff	78,779	90,422	88,431
Legal Services	28,894	40,000	40,000
Financial Advisory Services	-	50,000	50,000
Audit Services	22,193	25,000	25,000
Insurance	12,573	21,009	23,000
Copying/Mailing/Supplies	-	1,000	1,000
Office supplies	189	1,000	1,000
Postage	428	1,000	1,000
Conference calls	-	250	250
Travel/Meetings	78	500	500
Miscellaneous	-	-	-
<b>Total Estimated Operating Expenses</b>	<b>143,134</b>	<b>230,181</b>	<b>230,181</b>
<b>LESS CAPITAL AND DEBT EXPENSES</b>			
Capital expenses	1,986,387	80,400,000	-
Debt service payments	14,673,789	10,872,550	10,928,857
<b>Total Estimated Capital and Debt Related Expenses</b>	<b>16,660,176</b>	<b>91,272,550</b>	<b>10,928,857</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	<b>3,218,717</b>	<b>(50,779,691)</b>	<b>30,414,839</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>117,774,586</b>	<b>120,993,303</b>	<b>70,213,612</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 120,993,303</b>	<b>\$ 70,213,612</b>	<b>\$ 100,628,451</b>

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## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority  
Board of Directors

**DATE:** June 3, 2019

**FROM:** Kenneth J. Glotzbach, Executive Director

**AUTHORITY COMMUNICATION NO.:** 19-20

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**SUBJECT: Approval of Blanket Participation in Statewide Community  
Infrastructure Program**

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*For SPWA Board Meeting of June 27, 2019*

### ACTION REQUESTED

Staff requests that the South Placer Wastewater Authority Board approve a resolution authorizing the South Placer Wastewater Authority Executive Director and Treasurer to approve individual development projects for participation in the Statewide Community Infrastructure Program (SCIP).

### BACKGROUND

At the January 2019 South Placer Wastewater Authority (SPWA) Board meeting, the Board approved a resolution authorizing SCIP participation by SPWA for a single development project located in Roseville. SCIP is a statewide program that allows developers to finance development impact fees that are paid when a project's building permits are issued. The program is available for commercial and residential projects. While considering this approval, the SPWA Board requested that Staff consider an overall policy regarding SPWA's future participation in the SCIP program and present a recommendation at the June 2019 meeting.

The single largest complication to participating in the SCIP program appears to be the timing of project expenditures. Generally, connection fees financed by SCIP must be used for infrastructure improvements within three years. While SPWA funds projects routinely, large project expenditures such as those incurred by treatment plant expansion often occur on cycles much longer than three years.

To address this, Staff proposes to individually review requests to finance SPWA sewer connection fees and approve them only if planned project expenditures will utilize the funds within three years. The SPWA Executive Director will be responsible for initial review of SCIP financing requests and will engage the SPWA treasurer to confirm determinations from this review. Both the SPWA Executive Director and SPWA Treasurer must approve SCIP financing for a given project based on projected funding needs and SCIP financed projects that were previously approved. If the three year projected funding need does not exceed the SCIP finance request, approval will not be granted.

Submitted by:



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Kenneth J. Glotzbach  
Executive Director

**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2019-08**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SOUTH PLACER WASTEWATER AUTHORITY AUTHORIZING THE EXECUTIVE  
DIRECTOR AND TREASURER TO APPROVE INDIVIDUAL DEVELOPMENT  
PROJECTS FOR PARTICIPATION IN THE STATEWIDE COMMUNITY  
INFRASTRUCTURE PROGRAM (SCIP)**

**BE IT RESOLVED** by the Board of Directors of the South Placer Wastewater Authority (the "Authority") that the Executive Director and Treasurer of the Authority are hereby authorized to evaluate and authorize the Authority's participation in SCIP; and

**BE IT FURTHER RESOLVED**, that the Executive Director and Treasurer shall only authorize the Authority's participation in SCIP in instances where planned project expenditures will utilize funds within three years. The Executive Director and Treasurer shall review all SCIP funding requests in the order such requests are received.

PASSED AND ADOPTED this 27<sup>th</sup> day of June, 2019, by the following vote on roll call:

AYES: *Gore, Houdesheldt, Mitchell, Weygandt*

NOES: *—*

ABSENT: *Rocqueci*

ABSTENTIONS: *—*

*Janine M. Gore*  
Chairperson

ATTEST:

*Janine M. Gore*  
Secretary