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Bonnie Gore – Placer County  
Bruce Houdesheldt – Roseville (*Chair*)  
Jerry Mitchell – SPMUD (*Vice Chair*)  
Pauline Roccucci – Roseville  
Robert Weygandt – Placer County

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## MINUTES OF BOARD OF DIRECTORS' MEETING February 18, 2020

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:

Bonnie Gore  
Bruce Houdesheldt  
Jerry Mitchell  
Pauline Roccucci  
Robert Weygandt

### Staff Present:

Osman Mufti, JPA Counsel  
Ken Glotzbach, Executive Director  
Dennis Kauffman, Treasurer  
Pam Walsh, Secretary

### Roll Call

All Directors were present.

### Introductions

The following were in attendance: Teri Quinlan, Jacquelyn Flickinger, Jacquie Clarizio, Nick Rosas, Janet Vargas, Jeannine Thrash, Marisa Tricas, and Joe Mandell from the City of Roseville; Herb Niederberger from SPMUD; Kevin Bell and Shanti Landon, from Placer County; Phillip Curls from Hilltop Securities, Inc.; Dave Fama and James Wawrzyniak from Jones Hall; and John Sheldon from Morgan Stanley.

### Approval of Minutes, January 30, 2020

A vote was taken as follows:

MOTION by Director Roccucci, seconded by Director Weygandt to approve the January 30, 2020, minutes. The vote was unanimous.

### New Business Items

#### 1. Information: Debt Review

Teri Quinlan reported on the Authority's outstanding debt, market commentary, and debt service budget, actual and remaining forecast for FY2019-20. Teri brought with her a chart, which showed the history of SPWA's debt and distributed this to the Board Members. Additional copies were available for attendees of the meeting.

No Public Comment.

## 2. Information: Investment Review

Jacque Clarizio reported on the performance of the Authority's investments through December 31, 2019. Jacquie explained the portfolio demonstrates less earnings due to it being kept a bit more liquid, so that funds are readily available for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects.

No Public Comment.

## 3. Information: Financial Audit

Nick Rosas reported on the Audited Financial Statement for the fiscal year ended June 30, 2019. On page 3 of the letter from Eide Bailly, there was a misstatement that was identified as a result of the audit procedures and this was brought to management's attention. This was revenue that was received after year-end, but related to 2019. The adjustment was approved by management and had no impact on the financial statements.

No Public Comment.

## 4. Resolution: Connection Fee Programs

Janet Vargas presented the Connection Fee Programs from July 2018 through June 2019. Based on a previous study, equivalent dwelling units (EDUs) were estimated to be 1,901. Actual EDUS for FY 2018-19 was 1,885.

Director Mitchell asked if there was anticipation that there would be a change in the number of connections in the service area. Janet replied that she believes an internal study had recently been completed and is hoping to incorporate those results in the EDU estimates for next year.

MOTION by Director Roccucci, seconded by Director Gore to adopt the independent accountants report on applying agreed-upon procedures (Resolution 2020-03).

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

No Public Comment.

## 5. Information: Rate Stabilization Fund Balances

Jacquelyn Flickinger provided an update on the Rate Stabilization Fund Balances as of December 31, 2019. Overall, there has been good growth, strong connection fees, and less expenses. Rate stabilization fund balances will more than likely decrease over the next few years once the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery projects begin and more capital dollars are spent for these projects.

No Public Comment.

## **6. Information: 2018-19 Final Rate Stabilization Fund Summary**

Jacquelyn Flickinger provided an update on the Fund Summaries for the final activity in fiscal year 2018-2019. Interest and connection fees were both higher than budgeted; however, the repayment from the County was less than budgeted. The reason for this is, when the reallocation was completed, quarterly payments were no longer required; therefore, this will no longer be included in the budget going forward. Operating expenses were less than budgeted.

No Public Comment.

## **7. Resolution: Refinancing of the Authority's Wastewater Revenue Refunding Bonds, Series 2013 (2016 Direct Placement) and Termination of Interest Rate Swap**

Phillip Curls from Hilltop Securities, Inc. gave an update to the Board regarding the options facing the Authority with regard to the 2016 Direct Placement upcoming expiration on April 1, 2020. Representatives from Jones Hall and Morgan Stanley were also present to answer any questions.

As discussed at the previous SPWA meeting of January 30, 2020, three financing scenarios were presented to the board members:

1. Procure an extension from US Bank for an additional 3.5 years with no modifications to the outstanding interest rate swap (after the January 30<sup>th</sup> SPWA meeting, US Bank proposed to keep the existing terms in place for six months, giving them time to roll out another variable rate product that the Authority might be interested in).
2. Partial fixed rate refunding (\$20.4 million) and a variable rate refunding, that removes the outstanding swap, but leaves a balance still on a variable rate (approximately \$40 million).
3. Refinance all of the 2016 Direct Placement on a fixed rate (\$59.330 million) and fund the termination of the Authority's outstanding interest rate swap.

Pending approval today of the 2020 fixed rate issuance, the proposed Finance schedule would include the following: a tentative rating conference call scheduled for February 24<sup>th</sup>; receipt of the credit rating on March 5<sup>th</sup>; posting the preliminary official statement on March 6<sup>th</sup>; selling the bonds in mid-March; and close a couple of days before the expiration of the Direct Placement.

Director Rocucci asked how would the coupons and the above options be affected if the economy took a turn downward. Phillip responded that the difference in the scenarios are based on the interest rate the Authority will be projected to pay and the risks involved. With the fixed rate bond, the interest rates are set in stone. There will be an option to restructure the Authority's debt in 2027 as the 2017 bond becomes callable so, if there was anything that needed to be changed about the debt payments, it could be done at that time or even a couple of years prior to that.

Director Mitchell asked if there would still be enough money to proceed with the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery projects and Ken Glotzbach assured him there was. Director Mitchell asked if the agreements for the project were complete, and Ken replied they are currently in draft form and the Authority should be getting those anytime. Essentially, there will be a low-interest, long-term loan to help spread the cost of the contract over time.

Chair Houdesheldt added that this appears to be an opportune time to take advantage of historically low interest rates to avoid the risk of some unforeseen situation in the global economy that might drive interest rates higher.

MOTION by Director Weygandt, seconded by Director Roccucci to adopt the Resolution approving refinancing of Wastewater revenue bonds, authorizing execution of a supplemental indenture of trust therefor and other documents, and related matters (Resolution 2020-04).

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

No Public Comment.

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

None.

**Public Comment**

None.

**Adjournment**

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



**Bruce Houdesheldt**  
**Chair**



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