



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

AGENDA

Monday, March 23, 2020
4:00 p.m.

Teleconference Only Pursuant to Executive Order N-29-20: Members of the public may observe the meeting and offer public comment by utilizing the following information:

Dial In Number: (515) 604-9705 Access Code: 456945

If 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.

AGENDA

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

INTRODUCTIONS

NEW BUSINESS ITEMS

1. Resolution: Approval for Authority's Wastewater Revenue Refunding Bonds, Series 2013 (2016 Direct Placement) Extension with U.S. Bank, N.A. (*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.

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** March 19, 2020
Board of Directors

FROM: Kenneth Glotzbach, Executive Director

AUTHORITY COMMUNICATION NO: AC 20-12

SUBJECT: Extension of Authority's Wastewater Revenue Refunding Bonds, Series 2013 (2016 Direct Placement) with U.S. Bank, N.A.

For SPWA Board Meeting 3/23/20

ACTION REQUESTED

Approval of an extension and related amendments to the Authority's Wastewater Revenue Refunding Bonds, Series 2013 currently held privately by U.S. Bank, N.A. (U.S. Bank N.A. 2016 Direct Placement, hereinafter the "Series 2013 Bonds").

BACKGROUND

On February 18, 2020, the Authority Board approved Resolution 2020-04 authorizing the sale of wastewater revenue bonds and related agreements to (i) redeem all of the outstanding Series 2013 Bonds, (ii) pay the costs of issuance of the Series 2020 Bonds, and (iii) fund a deposit to a parity reserve fund, if necessary. The approved bond sale was scheduled to occur on March 12, 2020. The scheduled sale coincided with unprecedented changes in the municipal bond market related to the effects of the Covid-19 virus.

Starting the week of March 9, 2020, global financial markets began to experience high degrees of volatility as the severity of the Covid-19 pandemic became apparent. U.S. equity securities reacted with steep drops in stock prices and the U.S. Treasury bond rates were driven to record lows as investors sought to reduce risk and maintain liquidity. The municipal tax-exempt market typically derives its rates from the U.S. Treasury market and the two typically move in similar directions. However, the Covid-19 virus pandemic has had the opposite effect on municipal bond rates. Traditional municipal bond funds and buyers (i.e. investment firms, insurance companies, etc.) experienced an enormous amount of outflows as investors sought to liquidate positions for cash. These essential buy-side pillars of the municipal bond market became net sellers of municipal bonds almost overnight, driving interest rates dramatically higher.

The preliminary indications that the Authority received from Morgan Stanley, the municipal bond underwriter and confirmed with the Authority's municipal advisor, Hilltop Securities Inc., is that the municipal bond market was essentially closed unless the Authority was willing to receive materially higher interest rates than what was previously provided to the Authority Board. Authority Staff determined that unless the municipal bond market stabilized, the Authority Staff would recommend execution of an extension of the Series 2013 Bonds held by U.S. Bank, which are set to expire on April 1, 2020.

Given the aforementioned market movements, the termination value of the Authority's outstanding swap with Morgan Stanley also increased. Authority Staff determined to postpone the termination of the swap agreement as approved in Resolution 2020-04, due to the unforeseen changes in the market. The Authority Staff recommends that the Authority continue to monitor the municipal bond market for opportunities to execute the

fixed rate refunding of the Series 2013 Bonds prior to the new expiration date and termination of the outstanding swap agreement at that time.

Preliminary conversations with U.S. Bank N.A. are underway to determine terms of the extension. As of the date of this report, it appears an extension would include a 6-month term and a variable rate 85% of 1-month LIBOR plus 0.55% (the current calculation is 70.5% of 1-month LIBOR plus 0.55%). Assuming this calculation, the initial rate on the U.S. Bank extension would be approximately 1.07%. Final terms of the U.S. Bank extension have yet to be confirmed, however proposed final terms are expected to be available prior to the March 23, 2020 Authority Board meeting.

Recommended Plan of Finance Procure an extension from U.S. Bank N.A. as the direct placement bank of the Series 2013 Bonds with no modifications to the outstanding interest rate swap.

Approved by:

A handwritten signature in black ink, appearing to read 'K. Glotzbach', with a long horizontal stroke extending to the right.

Kenneth Glotzbach
Executive Director

Attachments:
Resolution 20-04
Amendment
3rd Supplemental Indenture

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2020-06

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

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

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

WHEREAS, all of the 2013 Bonds were initially sold to and continue to be held by U.S. Bank National Association (the "Bank") and in connection therewith entered into a Continuing Covenant Agreement dated as of April 1, 2013 and a first amendment thereto dated September 30, 2016; and

WHEREAS, the Indenture was supplemented by a First Supplement to Indenture dated as of June 1, 2014 and Second Supplement to Indenture dated as of October 1, 2016, with the consent of the Bank; and

WHEREAS, on February 18, 2020 this Board adopted a resolution approving actions and certain documents in connection with refunding the 2013 Bonds and termination of the Authority's outstanding swap with Morgan Stanley, however since that date the municipal bond underwriter and the Authority's municipal advisor, Hilltop Securities Inc., have advised that the municipal bond market has substantially weakened due to the spread of the coronavirus; accordingly, it is now recommended that a the refunding and swap termination be postponed and instead that staff of the Authority be given authority to proceed with execution of an extension of the current U.S. Bank 2016 direct placement of the 2013 Bonds, which is set for mandatory tender on April 1, 2020; and

WHEREAS, the Bank and the Authority now desire to extend the mandatory tender date and, in connection therewith, to execute a Third Supplement to Indenture (the "Third Supplement"), to extend the term of the Bank's investment on such terms as staff deems appropriate, and a Second Amendment to Continuing Covenant Agreement (the "Second Amendment") in connection with the Bank's continued investment in the 2013 Bonds; and

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

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

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

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

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


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

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

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

PASSED AND ADOPTED this 23rd day of March, 2020, by the following vote:

AYES:	Gore, Houdesheldt, Mitchell, Roccucci, Weygandt
NOES:	None
ABSENT:	None
ABSTAIN:	None


Chairperson
South Placer Wastewater Authority

ATTEST:


Secretary
South Placer Wastewater Authority