



South Placer Wastewater Authority Board Meeting

February 18, 2020



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:

Tuesday, February 18, 2020
9:30 a.m.
City of Roseville
2005 Hilltop Circle, Meeting Room 3
Roseville, CA 95747

AGENDA

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

PLEDGE OF ALLEGIANCE

INTRODUCTIONS

APPROVAL OF MINUTES, January 30, 2020

OLD BUSINESS ITEMS

NEW BUSINESS ITEMS

1. Information: Debt Review (Teri)
2. Information: Investment Review (Jacquie)
3. Information: Financial Audit (Nick)
4. Resolution: Agreed Upon Procedures and Connection Fee Programs (Janet)
5. Information: Rate Stabilization Fund Balances (Jacquelyn)
6. Information: 2018-2019 Final Rate Stabilization Fund Summary (Jacquelyn)
7. Resolution: Approval of the following agreements, certificates, and disclosure documents, relating to the refunding of the Authority's Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds), and the issuance of the Authority's Wastewater Revenue Refunding Bonds, Series 2020 in the maximum aggregate principal amount of \$65,000,000 (the "Series 2020 Bonds"):
 - a. Seventh Supplemental Wastewater Revenue Bond Indenture, by and between the Authority and the Bank of New York Mellon Trust Company, N.A.;
 - b. Contract of Purchase by and between the Authority and Morgan Stanley & Co. LLC ("Underwriter");

- c. Preliminary form of Official Statement for the Series 2020 Bonds;
- d. Any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which an Authorized Officer, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the foregoing documents.

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.

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

MINUTES OF BOARD OF DIRECTORS' MEETING
January 30, 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:

Bruce Houdesheldt
Jerry Mitchell
Pauline Roccucci
Robert Weygandt

Staff Present:

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

Roll Call

Present: Houdesheldt, Mitchell, Roccucci, Weygandt

Absent: Gore

Introductions

The following were in attendance: Kevin Bell and Shanti Landon from Placer County, Phillip Curls from Hilltop Securities, Inc., Daniel Kurz from Morgan Stanley, Herb Niederberger from SPMUD, and Teri Quinlan, Marisa Tricas, Joe Mandell, George Hanson, and Tracie Mueller from the City of Roseville.

Election of Chair and Vice Chair

A vote was taken as follows:

MOTION by Director Weygandt, seconded by Director Roccucci, to elect Director Houdesheldt as Chair.

Vote: **Ayes:** Houdesheldt, Mitchell, Roccucci, Weygandt
 Nos:
 Absent: Gore

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

Vote: **Ayes:** Houdesheldt, Mitchell, Roccucci, Weygandt
 Nos:
 Absent: Gore

Approval of Minutes, June 27, 2019

A vote was taken as follows:

MOTION by Chair Roccucci, seconded by Director Weygandt to approve the June 27, 2019, minutes.

Vote: Ayes: Houdesheldt, Mitchell, Roccucci, Weygandt
 Nos:
 Absent: Gore

Old Business Items

None

New Business Items

1. Resolution: Approval of 2020 SPWA Regular Meeting Schedule

Ken Glotzbach informed the Board that scheduling a future meeting in February was twofold. First, a significant number of SPWA Finance staff could not be at today’s meeting and, second, to vote on the Swap Bond Restructure debt matter. Outside experts were at today’s meeting to discuss the refinancing options of SPWA’s Refunding Bond, in order to provide information and answer any questions the Directors may have prior to the vote in February.

Ken Glotzbach recommended that the South Placer Wastewater Authority (SPWA) Board add February 18, 2020, as a regular meeting date.

MOTION by Director Mitchell, seconded by Director Roccucci to add an additional board meeting on February 18, 2020 (Resolution 2020-02).

Vote: Ayes: Houdesheldt, Mitchell, Roccucci, Weygandt
 Nos:
 Absent: Gore

2. Resolution: Capital Improvement Projects Budget and Overview and Update on Pleasant Grove Wastewater Treatment Plant Expansion Improvements

Ken Glotzbach stated there is already a UV disinfection system at the Pleasant Grove Wastewater Treatment Plant; however, due to water quality changes and growth in the service area, it has now become necessary to supply a fourth channel with equipment. This project is requesting \$2.52 million to purchase the necessary equipment and provide the design and construction to install the equipment.

The Pleasant Grove Wastewater Treatment Plant Expansion Project was awarded to W.M. Lyles and Company. The construction contracts amounts were close to the \$80 million construction estimates: \$54.4 million for the Expansion project and \$23.4 million for the Energy Recovery project. Now that actual contract prices and costs estimates are in place, staff can provide final project budget recommendations. Currently, there is \$85.952 million approved for the project. Including all environmental, engineering, construction

management costs, and a 5% construction contingency for unknowns, the project is expected to cost \$105.5 million. Staff is requesting to add an additional \$19.5 million to the approved budget to match the total estimated cost.

State Revolving Fund (SRF) legal staff are drafting the funding agreement now. It should be ready in February. In addition, a \$4 million loan principle forgiveness for the Energy Recovery Project (essentially a grant) is still included. In addition, the Energy Recovery Project has received a \$3 million California Energy Commission grant and an \$180,000 Placer County Air Pollution Control Board Grant.

A Groundbreaking Ceremony is scheduled for March 25, 2020, and more information and invitations will be shared with the Board as details develop.

Director Mitchell asked if there was a timeframe when the treatment plant will need to be expanded again, and Ken responded that the work that is currently being done is expected to last until the mid-2030s; therefore, another expansion will probably occur in approximately 15 years.

Director Mitchell asked if the SPWA works through CCAP to evaluate the capacity needed at the Treatment Plant and Ken responded the SPWA conducted a project in 2009 called the SPWA Systems Evaluation. This provided a planning document that defined the sewer capacity needs, as well as the treatment plant capacity for the SPWA service area. This document is being updated now and should be available within the next year.

Director Weygandt asked if the \$85 million was mostly for the cost of the expansion or if any of the funding went towards modifications needed for new regulation. Ken answered this was all expansion-related.

Director Roccucci asked if the money to fund this project was from the combined agencies' EDUs /connection fees and Ken confirmed that it is.

No Public Comment.

MOTION by Director Weygandt, seconded by Director Roccucci requesting the Board adopt a resolution to approve adjustments to the Capital Improvement Projects and Budget for FY 2019-20 (Resolution 2020-02).

Vote: Ayes: Houdesheldt, Mitchell, Roccucci, Weygandt
 Nos:
 Absent: Gore

3. Information: Swap Bond Restructure - Share Options

Ken Glotzbach introduced Phillip Curls from Hilltop Securities, Inc. and Daniel Kurz from Morgan Stanley to provide information to the Board regarding the refinancing options of SPWA's Refunding Bonds.

There are three options:

- Continue the direct placement arrangement SPWA now has with US Bank for an additional 3.5 years with no real change to the debt structure.

- Partially refinance the variable rate bond debt to a fixed rate and partially unwind the swap that artificially fixes the interest rate.
- Completely refinance the variable rate bond debt to a long-term fixed rate and completely eliminate the swap.

Director Weygandt asked if this was for Fiscal Year 2038. It was clarified this would be through Fiscal Year 2036.

Director Roccucci asked if a Letter of Credit would be required. Phillip Curls replied a Letter of Credit will not be required.

A final determination will be made by the Board at the next SPWA meeting on February 18, 2020. All Board members (or their alternates) need to be present for this decision and the decision needs to be unanimous according to SPWA bylaws.

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

Tab 1

1057

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 31, 2020

FROM: Teri Quinlan, Financial Analyst
Dennis Kauffman, Treasurer

AUTHORITY COMMUNICATION NO: 20-05

SUBJECT: Debt Review – FY2019-2020

For SPWA Board Meeting 2/18/2020

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

The following report details a review of the Authority's outstanding debt, market commentary, and debt service budget, actual, and remaining forecast for FY2019/2020.

SUMMARY OF OUTSTANDING DEBT

The South Placer Wastewater Authority currently has \$139.4 million of debt outstanding shown in the table below. Of the outstanding debt, 57% is fixed-rate and 43% is variable rate. The debt is currently rated 'A+' by Standard & Poor's and Fitch Ratings. The Authority entered into an interest-rate swap with Morgan Stanley which is also referred to as a "synthetic" fixed-rate debt. The swap acts as a fixed-rate hedge for about half of the Series 2013 variable rate bonds. When including the interest rate swap hedge, 28% of the Authority's debt portfolio is considered unhedged variable rate debt.

Summary of Outstanding Debt							
Series	Type	Issues Size	Outstanding Par	Coupon Range	Final Maturity	Expiration Date	% of Total Debt
2011C	Fixed	\$67,040,000	\$ 5,285,000	5.00%	11/1/2020	None	3.8%
2013	Variable	\$59,330,000	\$59,330,000	70.5% of 1m LIBOR + 0.55%	11/1/2035	4/1/2020	42.6%
2017	Fixed	\$74,780,000	\$74,780,000	5.00%	11/1/2037	None	53.6%
Total			\$139,395,000				

Summary of Outstanding Swap						
Counterparty	Current Notional	SPWA Pays	SPWA Receives	Final Maturity	MTM Value (as of 1/31/2020)	Counterparty Ratings
Morgan Stanley	\$20,430,000	3.665%	62% of 1m LIBOR +0.26%	11/1/2023	(\$1,152,957)	BBB+ / A3 / A (S&P/Moody's / Fitch)

MARKET COMMENTARY

The Federal Reserve lowered the federal funds target rate, the chief driver of short-term interest rates, by 0.25% three times in 2019. The federal funds target rate moved from an interest rate range of 2.25% - 2.50% to 2.00% - 2.25% in July 2019. Subsequent 0.25% reductions in September 2019 and October 2019 have the current target rate at 1.50% to 1.75%. The Federal Reserve most recently held the target rate ranges in place at its December 2019 meeting. These rate changes materially influence short-term interest rates including LIBOR.

The current Treasury yield curve is especially flat with 23 basis points separating the two-year Treasury yield and 10-year Treasury yield as of January 23, 2020. The two-year Treasury yield trading at 1.79% in July 2019, is down 28 basis points to 1.51% as of January 23, 2020. The 10-year Treasury yield has shed 29 basis points since July 2019 and is currently trading at 1.74% for the same time period.

BUDGET, ACTUAL, and FORECASTED ESTIMATES

As mentioned earlier, the Authority has a swap in place to synthetically fix the interest rates on the Series 2013 bonds (currently the 2016 Direct Placement with U.S. Bank, N.A.). The swap functions as follows: the Authority pays a fixed interest rate of 3.665% to Morgan Stanley and in return receives an interest payment equal to 62% of the 1-month LIBOR rate plus 26 basis points. As a result, the net interest rate paid through December is approximately 4.13%. As stated in the market commentary section, the schedule of future rate increases from the Federal Reserve is uncertain. Since July, rates have steadily decreased from 1.74% to about 1.35% on the 2013 bonds. Staff has forecasted interest rates to reset at approximately 1.50% - 1.70% for the remainder of the year. The current projection for all debt service in FY 2019/2020 is estimated to align with the annual budget. Therefore, no budget changes are proposed at this time.

Bond Series	Annual Budget	Debt Service Paid 7/1/2019 - 12/31/2019	Estimated Remaining Debt Service	Estimated Year-End Total	Proposed Budget Changes
2011C	\$ 5,271,557	\$5,180,250	\$ 132,125	\$ 5,312,375	\$ 0
2013	\$ 950,000	\$ 603,126	\$ 600,000	\$ 1,203,126	\$ 0
SWAP	\$ 950,000	\$ 256,219	\$ 260,000	\$ 516,219	\$ 0
2017	\$ 3,739,000	\$1,869,500	\$1,869,500	\$ 3,739,000	\$ 0
Total	\$10,910,557	\$7,909,095	\$2,861,625	\$10,770,720	\$ 0

Submitted by:


Teri Quinlan
Financial Analyst


Dennis Kauffman
Treasurer


Kenneth J. Glotzbach
Executive Director

Tab 2

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 7, 2020

FROM: Jacquie Clarizio – Financial Analyst

AUTHORITY COMMUNICATION NO: 20-06

SUBJECT: Investment Review

For SPWA Board Meeting 2/18/20

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 December 31, 2019.

INVESTMENTS

The Schedule of Investments for December 31, 2019 is attached to this report. The yield-to-market on the invested funds as of December 2019 was 1.939%.

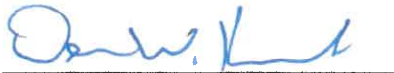
Additional Accumulated Funds

The remaining funds, \$8.79m, are the Authority's bond reserve funds held by the fiscal agent.

Submitted by:



Jacquie Clarizio
Financial Analyst



Dennis Kauffman
Treasurer



Kenneth J. Glotzbach
Executive Director



BNY MELLON

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

Account Statement

Statement Period 12/01/2019 Through 12/31/2019

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

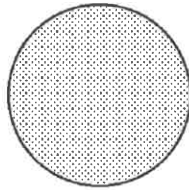
CLIENT SERVICE MANAGER: MILLY CANESSA
BNYM CORPORATE TRUST
100 PINE STREET, SUITE 32
SAN FRANCISCO, CA 94111
415-263-2420
MILLY.CANESSA@BNYMELLON.COM

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

Account Overview

Percent of all Investments	Asset Classification	Market Value
100%	CASH AND SHORT TERM	8,799,351.06
100%	TOTAL OF ALL INVESTMENTS	8,799,351.06



Summary of Assets Held by Asset Classification

Asset Classification	Market Value	Cost	Accrued Income	Estimated Annual Income	Market Yield
CASH AND SHORT TERM	8,799,351.06	8,799,351.06	0.00	105,381.16	1.20 %
ACCOUNT TOTALS	8,799,351.06	8,799,351.06	0.00	105,381.16	1.20 %

Summary of Cash Transactions by Transaction Category

Transaction Category	Current Period		Year-to-Date	
	Income	Principal	Realized Gains/Losses	Income
OPENING BALANCE	0.00	0.00		0.00
DIVIDENDS	8,738.45	0.00	0.00	84,422.34
INTEREST	0.00	0.00	0.00	106,161.30
SALES AND REDEMPTIONS	0.00	0.00	0.00	53,125.00
OTHER CASH ADDITIONS	0.00	0.00	0.00	0.00
				8,500,000.00
				2.16



BNY MELLON

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

Statement Period 12/01/2019 Through 12/31/2019
Account 322068 Base Currency = USD
SO PLACER 2011 AND 2017 PARITY RES

Summary of Cash Transactions by Transaction Category - Continued

Transaction Category	Current Period			Year-to-Date		
	Income	Principal	Realized Gains/Losses	Income	Principal	Principal
OTHER CASH DISBURSEMENTS	0.00	0.00	0.00	2.16 -	0.00	0.00
PURCHASES	8,738.45 -	0.00	0.00	243,706.48 -	8,500,002.16 -	8,500,002.16 -
CLOSING BALANCE	0.00	0.00	0.00	0.00	0.00	0.00

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



BNY MELLON

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

Statement Period 12/01/2019 Through 12/31/2019
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
CASH AND SHORT TERM								
8,553,239.010	DREYFUS INS RES TSY AGY CH ADV 6541 CUSIP: X9USDEFRU	1.00000	8,553,239.01	8,553,239.01	1.00000	0.00	102,433.72	1.20%
246,112.050	INSTL RES TRE AND AGNY CASH ADV6541 CUSIP: X9USDEFRU	1.00000	246,112.05	246,112.05	1.00000	0.00	2,947.44	1.20%
Total CASH AND SHORT TERM								
			8,799,351.06	8,799,351.06		0.00	105,381.16	1.20%
ACCOUNT TOTALS								
	Total Market Value Plus Total Accrued Income		8,799,351.06	8,799,351.06		0.00	105,381.16	1.20%

Total Market Value Plus Total Accrued Income 8,799,351.06

Statement of Transactions by Transaction Date

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
12/01/19	ACCOUNT OPENING PERIOD BALANCE	0.00	0.00	8,790,612.61	
12/03/19	Purchase INSTL RES TRE AND AGNY CASH ADV6541 TRADE DATE 12/03/19 SET/DATE 12/03/19 CUSIP X9USDEFRU	8,738.45-	0.00	8,738.45	0.00
12/03/19	8,738.450 SHARES Dividend	8,738.45	0.00	0.00	0.00
12/03/19	DREYFUS INS RES TSY AGY CH ADV 6541 TRADE DATE 12/03/19 SET/DATE 12/03/19 CUSIP X9USDEFRU				
12/03/19	ACCOUNT CLOSING DAILY BALANCE	0.00	0.00	8,799,351.06	0.00
12/31/19	ACCOUNT CLOSING PERIOD BALANCE	0.00	0.00	8,799,351.06	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 *

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



BNY MELLON

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

Statement Period 12/01/2019 Through 12/31/2019
Account 322068 Base Currency = USD
SO PLACER 2011 AND 2017 PARITY RES

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

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



**So Placer Wastewater Authority
Portfolio Management
Portfolio Summary
December 31, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C
City of Roseville Cash Pool*	7,843,328.54	7,843,328.54	7,843,328.54	6.00	1	1	2.103
Money Market Funds	19,372,133.87	19,372,133.87	19,372,133.87	15.22	1	1	1.208
Local Agency Investment Funds	44,043,821.94	44,043,821.94	44,043,821.94	34.59	1	1	2.103
Corporate Notes	32,350,000.00	32,839,822.50	32,290,253.03	25.34	1,812	986	2.423
Federal Agency Coupon Securities	24,000,000.00	24,008,660.00	24,000,000.00	18.65	1,663	667	1.967
Investments	127,408,962.36	127,906,464.85	127,319,236.38	100.00%	726	360	1.966

Total Earnings December 31 Month Ending Fiscal Year To Date
 Current Year 213,086.26 1,344,467.17
 Average Daily Balance 124,462,960.68 125,134,428.35
 Effective Rate of Return 2.02% 2.13%

*Estimated balance as of 12/31/2019
 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
 1-8-20
 1/6/2020
 Dennis Kauffman, Treasurer

**So Placer Wastewater Authority
Portfolio Management
Interest Earnings Summary
December 31, 2019**

	December 31 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	119,500.00	745,299.72
Plus Accrued Interest at End of Period	283,609.34	283,609.34
Less Accrued Interest at Beginning of Period	(306,249.21)	(351,914.89)
Less Accrued Interest at Purchase During	(0.00)	(0.00)
Interest Earned during Period	96,860.13	676,984.17
Adjusted by Premiums and Discounts	4,512.06	39,700.35
Adjusted by Capital Gains or Losses	0.00	8,319.19
Earnings during Periods	101,372.19	725,013.71
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	(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	6,189,014.88	6,189,014.88
Less Accrued Interest at Beginning of Period	(6,077,298.81)	(5,569,561.42)
Interest Earned during Period	111,716.07	619,453.46
Total Interest Earned during Period	208,576.20	1,296,447.63
Total Adjustments from Premiums and Discounts	4,512.06	39,700.35
Total Capital Gains or Losses	0.00	8,319.19
Total Earnings during Period	213,088.26	1,344,467.17



So Placer Wastewater Authority
Fund 001 - SPWA
Investments by Fund
December 31, 2019

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM C	YTM C	Maturity Date	Days To Maturity
City of Roseville Cash Pool*											
5YS10048	10048	City of Roseville Cash Pool	07/01/2019	7,843,328.54	7,843,328.54	7,843,328.54	2.103	2.074	2.103		1
				Subtotal and Average	7,843,328.54	7,843,328.54		2.074	2.103		1
Money Market Funds											
431114503	10434	US BANK	07/01/2019	19,372,133.87	19,372,133.87	19,372,133.87	1.209	1.192	1.209		1
				Subtotal and Average	19,372,133.87	19,372,133.87		1.193	1.209		1
Local Agency Investment Funds											
40-S1-001	10032	Local Agency Investment Fund	07/01/2019	44,043,521.94	44,043,521.94	44,043,521.94	2.103	2.074	2.103		1
				Subtotal and Average	44,043,521.94	44,043,521.94		2.074	2.103		1
Corporate Notes											
009168AV8	10687	AIR PROD & CHEM	12/10/2019	2,110,986.59	2,000,000.00	2,105,780.00	3.350	2.042	2.071	07/31/2024	1,673
037833CC2	10637	APPLE INC GLOBAL NOTES	08/17/2016	2,851,065.65	2,850,000.00	2,839,312.50	1.550	1.504	1.525	08/04/2021	581
165784BN9	10680	CHEVRON CORP NOTE	11/07/2018	982,607.88	1,000,000.00	1,016,750.00	2.488	3.304	3.349	03/03/2022	792
22160KAG0	10617	COSTCO WHOLESALE	10/13/2016	1,000,176.22	1,000,000.00	999,920.00	1.750	1.754	1.778	02/19/2020	45
28738RAN0	10688	ESTEE LAUDER CO	12/10/2019	3,012,956.28	3,000,000.00	3,008,040.00	2.000	1.870	1.888	12/01/2024	1,796
459200JC6	10655	IBM CORP GLOBAL NOTES	08/29/2018	2,978,845.27	3,000,000.00	3,077,820.00	2.875	2.888	2.938	11/09/2022	1,043
48128GH49	10686	JP MORGAN CHASE CORP NOTES	11/27/2019	2,000,000.00	2,000,000.00	1,868,020.00	2.300	2.288	2.300	11/27/2021	686
589331AT4	10646	MERCK & CO INC	05/23/2018	2,941,823.68	3,000,000.00	3,046,800.00	2.400	2.441	2.475	09/15/2022	988
88371RP69	10653	PACCAR FINL CORP	09/23/2018	2,011,482.87	2,000,000.00	2,060,440.00	3.400	3.181	3.228	08/09/2023	1,316
747625AD5	10619	QUALCOMM INC	10/09/2016	1,500,547.24	1,500,000.00	1,501,850.00	2.250	2.120	2.150	05/20/2020	140
828907CN5	10650	SIMON PROP GR LP	05/24/2018	1,955,865.80	2,000,000.00	2,038,820.00	2.750	2.806	2.845	02/01/2023	1,127
88236TEL5	10656	TOYOTA MOTOR CREDIT CORP COMM	08/23/2018	2,982,988.01	3,000,000.00	3,061,380.00	2.700	2.742	2.780	01/11/2023	1,106
911312BC9	10684	UNITED PARCEL SERVICE	11/07/2018	977,486.45	1,000,000.00	1,011,200.00	2.350	3.916	3.982	05/16/2022	868
931142DH3	10654	WALMART	09/29/2018	1,886,467.15	2,000,000.00	2,043,480.00	2.550	2.594	2.630	04/11/2023	1,198
948746S40	10639	WELLS FARGO & COMPANY	08/05/2018	3,004,146.23	3,000,000.00	3,004,410.00	2.100	1.979	2.008	07/26/2021	572
				Subtotal and Average	32,280,283.03	32,839,822.90		2.388	2.423		884
Federal Agency Coupon Securities											
3130A93A7	10640	Federal Home Loan Bank	09/24/2016	2,000,000.00	2,000,000.00	2,010,060.00	2.000	0.988	1.002	08/24/2021	801

**Fund 001 - SPWA
Investments by Fund
December 31, 2019**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM/ C	YTM/ C	Maturity Date	Days To Maturity
Federal Agency Coupon Securities											
3130AFE28	10865	Federal Home Loan Bank	11/27/2018	2,000,000.00	2,000,000.00	2,021,900.00	3.350	3.304	3.350	11/27/2023	1,428
3134G9AD9	10827	Federal Home Loan Mig Corp	04/28/2018	2,000,000.00	2,000,000.00	1,997,340.00	1.500	1.478	1.500	04/28/2021	483
3134G9QV2	10833	Federal Home Loan Mig Corp	06/15/2018	5,000,000.00	5,000,000.00	4,995,950.00	1.450	1.430	1.450	06/15/2020	196
3134G94K0	10836	Federal Home Loan Mig Corp	08/10/2018	2,500,000.00	2,500,000.00	2,498,850.00	1.310	1.292	1.310	02/10/2020	40
3134GAEF7	10843	Federal Home Loan Mig Corp	08/29/2018	3,500,000.00	3,500,000.00	3,493,210.00	1.650	1.627	1.650	08/29/2021	637
3134GUDZ3	10668	Federal Home Loan Mig Corp	12/23/2019	5,000,000.00	5,000,000.00	4,991,550.00	1.800	1.775	1.800	12/23/2024	1,818
3136G3VK8	10836	Federal National Mig Assn	07/21/2016	2,000,000.00	2,000,000.00	1,997,900.00	1.500	1.479	1.500	07/21/2021	567
Subtotal and Average				24,000,000.00	24,000,000.00	24,006,660.00		1.644	1.667		786
Total Investments and Average				127,319,236.38	127,408,882.35	127,506,464.86		1.939	1.966		387



City of Roseville CA

So Placer Wastewater Authority
Purchases Report
Sorted by Fund - Fund
December 1, 2019 - December 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment	Principal Purchase	Accrued at Purchase	Rate at Purchase	Maturity/Call Date	YTM	Ending Book Value
SPWA													
006158AV8	10667	001	MTN	AR	2,000,000.00	12/10/2019	01/31 - 07/31	2,112,400.00	24,194.44	3.360	07/31/2024		2,110,988.59
29738RAN0	10668	001	MTN	ESTEE	3,000,000.00	12/10/2019	05/21 - 11/21	3,013,110.00	3,169.67	2.000	12/01/2024		3,012,959.29
3134GUDZ3	10669	001	FAC	FLJMC	5,000,000.00	12/23/2019	09/23 - 12/23	5,000,000.00		1.800	12/23/2024	1.800	5,000,000.00
			Subtotal		10,000,000.00			10,125,510.00	27,364.11				10,123,942.87
			Total Purchases		10,000,000.00			10,125,510.00	27,364.11				10,123,942.87



**So Placer Wastewater Authority
Maturity Report
Sorted by Maturity Date
Amounts due during December 1, 2019 - December 31, 2019**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date at Maturity	Rate	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
14912L6F3	10623	001	MTN	CATERP	1,000,000.00	12/01/2019	01/11/2016	2.250	1,000,000.00	11,250.00	1,011,250.00	11,250.00
3136G3SD8	10635	001	FAC	FNMA	5,000,000.00	12/13/2019	09/13/2016	1.390	5,000,000.00	33,250.00	5,033,250.00	33,250.00
Total Maturities					6,000,000.00				6,000,000.00	44,500.00	6,044,500.00	44,500.00



City of Roseville CA

**So Placer Wastewater Authority
Sales/Call Report
Sorted by Maturity Date - Fund
December 1, 2019 - December 31, 2019**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
06/09/2021												
3134G9KBZ	10632	001	FHLMC FAC	08/19/201	12/09/201	5,000,000.00	2.000 %	5,000,000.00	5,000,000.00	50,000.00	5,050,000.00	50,000.00
					08/09/202						Call	
			Subtotal			5,000,000.00		5,000,000.00	5,000,000.00	50,000.00	5,050,000.00	50,000.00
			Total Sales			5,000,000.00		5,000,000.00	5,000,000.00	50,000.00	5,050,000.00	50,000.00

V - Security with variable rate change.

TAB 3

Ed. 107

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority Board of Directors

DATE: February 18, 2020

FROM: Nick Rosas, Accounting Supervisor

AUTHORITY COMMUNICATION NO.: 20-07

SUBJECT: Audited Financial Statement for the Fiscal Year Ended June 30, 2019

ACTION REQUESTED

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

The attached audited financial statement and the communication to those charged with governance letter are for the fiscal year ended June 30, 2019. SPWA received an unmodified (clean) opinion and no findings were included in the report.

Submitted by:



Nick Rosas, CPA
Accounting Supervisor

Approved:



Dennis Kauffman
Treasurer



Kenneth J. Glotzbach
Executive Director



December 18, 2019

To the Board of Directors
South Placer Wastewater Authority
Roseville, California

We have audited the financial statements of the South Placer Wastewater Authority (Authority) as of and for the year ended June 30, 2019 and have issued our report thereon dated December 18, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated March 29, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a significant control deficiency during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 18, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are related to the value of the derivative.

Management's estimate of the derivative is based on management's fair value measurement. We evaluated the key factors and assumptions used to develop the derivative and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following misstatement that we identified as a result of our audit procedures were brought to the attention of, and correct by management:

Due from other governments	\$539,334
Connection Fee Revenues	\$539,334

**To recognize revenues that were received after year-end.*

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 18, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Sacramento, California



Annual Financial Report
June 30, 2019

South Placer Wastewater Authority
Roseville, California

SOUTH PLACER WASTEWATER AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Table of Contents

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Independent Auditor's Report

Members of the Board of Directors of the
South Placer Wastewater Authority
Roseville, California

Report of the Financial Statements

We have audited the accompanying financial statements of the South Placer Wastewater Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The analysis of rate stabilization restricted net position (supplementary information) on page 21 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Sacramento, California
December 18, 2019

SOUTH PLACER WASTEWATER AUTHORITY

**STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Cash and investments in City Treasury	\$ 7,710,158
Investments	118,918,234
Restricted investments with fiscal agent	39,728,329
Accrued interest receivable	531,585
Due from other governments	539,334
Total Assets	<u>167,427,640</u>

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in fair value of hedging derivatives	1,351,294
Loss on refunding	891,866
Total Deferred Outflows of Resources	<u>2,243,160</u>

LIABILITIES

Current Liabilities:

Accounts payable and other liabilities	127,055
Interest payable	820,462
Long-term debt due in one year	4,925,000

Long-term liabilities:

Derivative at fair value	1,351,294
Long-term debt due in more than one year	155,393,426

Total Liabilities	<u>162,617,237</u>
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NET POSITION

Restricted for:

Rate stabilization	127,143,799
Debt service	8,726,829

Unrestricted (deficit)	<u>(128,817,065)</u>
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Total Net Position	<u>\$ 7,053,563</u>
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See accompanying notes to financial statements.

SOUTH PLACER WASTEWATER AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES:

Connection fees contributed by members \$ 14,870,222

OPERATING EXPENSES:

Construction costs 1,033,533

Personnel services and administration 120,557

Total operating expenses 1,154,090

Operating income 13,716,132

NON-OPERATING REVENUES (EXPENSES):

Payments from the County under repayment agreement 250,000

Interest earned on connection fees 2,170,075

Interest earned on investments with fiscal agent 655,306

Net increase in the fair value of investments 2,586,002

Debt service interest, variable bond interest, fiscal agent fees, and amortization (5,798,769)

Total nonoperating revenues (expenses) (137,386)

Change in Net Position 13,578,746

Net Position (Deficit) - Beginning (6,525,183)

Net Position - Ending \$ 7,053,563

See accompanying notes to financial statements.

SOUTH PLACER WASTEWATER AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from members	\$ 14,887,998
Payments to contractors	(1,458,529)
Payments to the City for personnel services and administration	(120,557)
Net cash provided by operating activities	<u>13,308,912</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Receipts from the County under repayment agreement	250,000
Principal payments on capital debt	(4,530,105)
Interest paid on long-term debt	(6,089,894)
Net cash provided by capital and related financing activities	<u>(10,369,999)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>5,391,017</u>
Net increase in cash and cash equivalents	8,329,930
Cash and investments at beginning of year	<u>158,026,791</u>
Cash and investments at end of year	<u>\$ 166,356,721</u>

Reconciliation of cash and investments to the statement of net position:

Cash and investments in City Treasury	\$ 7,710,158
Investments	118,918,234
Restricted investments with fiscal agent	39,728,329
Total cash and investments	<u>\$ 166,356,721</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 13,716,132
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	973
(Increase)/decrease due from other governments	16,803
(Increase)/decrease accounts payable and other liabilities	(424,996)
Net cash provided by operating activities	<u>\$ 13,308,912</u>

NONCASH INVESTING ACTIVITIES

Changes in the fair value of derivative	<u>\$ (93,632)</u>
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NONCASH CAPITAL FINANCING ACTIVITIES

Amortization of deferred bond premium	<u>\$ 365,087</u>
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See accompanying notes to financial statements.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The South Placer Wastewater Authority (Authority) is a Joint Powers Agreement created in October 2000 to finance the construction of the Pleasant Grove Wastewater Treatment Plant and improvements to the Dry Creek Wastewater Treatment Plant, referred to collectively as the Regional Wastewater Facilities.

The members of the Authority are the City of Roseville (City), South Placer Municipal Utility District (SPMUD), and the County of Placer (County). The Authority's governing board is comprised of five directors as appointed by the member agencies. Two directors are appointed by the City, one director is appointed by SPMUD, and two directors are appointed by the County. Each representative of the governing board has one vote.

In addition, the members entered into a Funding Agreement and Operations Agreement to provide for the funding and operation of the Regional Wastewater Facilities. Under the Funding Agreement the members agreed that the City will own and operate the Regional Wastewater Facilities and that the other members will have an interest in the capacity of those facilities. Capital construction costs are transferred to the City annually.

The members of the Authority amended the Joint Powers Authority Agreement and also entered into an Amended and Restated Funding Agreement and a Reallocation and Repayment Agreement effective January 31, 2019. The Amended and Restated Funding Agreement retroactively changed the proportionate shares of each member for cost allocations as follows:

- 1) The City from 61.66% to 64.57%
- 2) SPMUD from 22.43% to 21.95%
- 3) The County from 15.91% to 13.48%

The intent of the Amended and Restated Funding Agreement is that, notwithstanding short-term variances in the respective member contributions of Regional Connection Fees or other funds, the members' total respective financial contributions to capital costs (whether financed by Bonds, funded by Regional Connection Fees, or other sources) should be directly proportional to the members' respective actual usage of the wastewater treatment capacity made available by the construction of Regional Wastewater Facilities.

Members contribute connection fees they collect from developers. These connection fees are expected to be sufficient to fund the entire cost of the debt service on the Plant's construction, including principal and interest. These contributions are made monthly.

The Authority may not be terminated, and no member agency may withdraw its membership, until all bonds or other indebtedness issued by the Authority have been paid in full.

The Authority has no employees and substantially all staff services are performed by the City's personnel. Costs incurred by the City to provide such services are reimbursed by the Authority. The accounting records of the Authority are maintained by the City.

The Authority is considered to be a separate legal entity and is not a component unit of the above members.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about the Authority. These statements include the financial activities of the Authority overall. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Revenues, Expenses and Changes in Net Position presents operating revenues and expenses and non-operating activities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenue for the Authority is connection fees contributed by members. Operating expenses include the costs of personnel services and administration and construction costs of assets contributed to the City. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Basis of Accounting

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

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets, all liabilities and all deferred inflows/outflows of resources of the enterprise are recorded on its statement of net position and, under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

The Authority has only one fund which is the main operating fund of the Authority. It is used to account for all financial resources of the Authority. This fund is used to pay all administrative, operating, construction and other expenses incurred by the Authority, and to account for member contributions and charges.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority has two items that qualifies for reporting in this category. It is the accumulated decrease in the fair value of hedging derivatives and the loss on debt refunding reported in the statement of net position. An accumulated decrease in the fair value of hedging is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed an effective hedge. The loss on debt refunding is the difference between the book value and the reacquisition price of the debt that will be amortized over the term of the refunded bonds.

E. Cash and Cash Equivalents

All cash and investments are held either in the City's investment pool or by a fiscal agent. For purposes of the statement of cash flows, the Authority considers the cash and investment balance to be cash and cash equivalents.

F. Interest Income Allocation

Interest income is credited to capital construction costs and member contributions based on the source of the interest earned. Interest earned on restricted investments with fiscal agents is credited to capital construction costs and all other interest is accounted for as interest on contributions.

G. Fair Value Measurement

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 3 inputs.

The Authority is a participant in the City-wide cash and investment pool (City Pool). The City Pool is an external investment pool, is not rated, and is not registered with the Securities Exchange Commission (SEC). The City's Chief Financial Officer conducts City Pool oversight. Cash on deposit in the City Pool at June 30, 2019, is stated at fair value. The City Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2019 increased the Authority's investment income by \$2,586,002. For further information regarding the City Pool, refer to the City of Roseville Comprehensive Annual Financial Report.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. The Authority's net position is divided into two segments, restricted and unrestricted.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. At June 30, 2019, restrictions included:

Restricted for rate stabilization represents the portion of net position restricted for future use in the event development fees are not adequate to meet the required ratio of revenue to expenses required under bond indentures.

Restricted for debt service represents the portion of net position held in reserve in the event other resources of the Authority are not adequate to make required debt service payments.

Unrestricted describes the portion of net position which is not legally or contractually restricted as to use.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The Authority pools cash from all sources and all funds except cash with fiscal agents in the City's investment pool. The Authority's cash and investments balance held in the City's investment pool at June 30, 2019 is \$7,710,158. The City's investment pool is not rated and is not registered with the Securities Exchange Commission (SEC). The Authority's position in the City's investment pool at June 30, 2019 is stated at fair value. For further information regarding the City's investment pool, refer to the City of Roseville Comprehensive Annual Financial Report.

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Authority's fiscal agents as required under its debt issues. In order to maximize security, the Authority employs the Trust Department of a bank as the custodian of all Authority managed investments, regardless of their form.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

Investments in the City's Treasury Investments	\$ 7,710,158
Investments	118,918,234
Restricted investments with fiscal agent	<u>39,728,329</u>
Total Investments	<u>\$ 166,356,721</u>

B. Investments Authorized by the California Government Code and the Authority's Investment Policy

The Authority's investment policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's Investment Policy where the Authority's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	No Limit	No Limit
U.S. Agency Securities	5 Years	None	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	AA	20%	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	\$60 million
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

- (A) 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 with assets under management in excess of \$500,000,000.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quantity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	N/A	None	None	None
U.S. Agency Securities of Certain Agencies (A) (B)	N/A	None	None	None
Money Market Mutual Funds	N/A	AAAm-G or AAAM	None	None
Certificates of Deposit	360 days	A-1	None	None
Savings Accounts Deposit Accounts (fully insured)	N/A	None	None	None
Investment Agreements including Forward Delivery Agreements	N/A	AA	None	None
State or Municipality Bonds/Notes	N/A	One of two highest rating categories	None	None
Federal Funds or Bankers' Acceptances	360 days	A-1	None	None
Commercial Paper	270 days	A-1	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$65 million
California Asset Management Program	N/A	None	None	None

(A) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the Agency, provided they are backed by the full faith and credit of the United States of America, as follows:

- a. Certificates of beneficial ownership of the Farmers Home Administration
- b. Federal Housing Administration debentures
- c. Participations certificates of the General Services Administration
- d. Guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association
- e. Guaranteed Title XI financings of the U.S. Maritime Administration
- f. Project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit of the U.S. government agencies:

- a. Senior debt obligations of the Federal Home Loan Bank System
- b. Participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation
- c. Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association
- d. Senior debt obligations of the Student Loan Marketing Association
- e. Obligations of the Resolution Funding Corporation
- f. Consolidated system-wide bonds and notes of the Farm Credit System

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity or earliest call date:

	Remaining Maturity			Total
	12 Months or Less	13 to 24 Months	25-60 Months	
Corporate notes	\$ 3,495,005	\$ 2,010,080	\$ 23,085,042	\$ 28,590,127
Federal agency securities	19,421,785	12,981,090	11,506,420	43,909,295
Supranationals	-	-	3,006,990	3,006,990
Money market mutual funds	58,425,303	-	-	58,425,303
City of Roseville Investment Pool	7,710,158	-	-	7,710,158
Local Agency Investment Fund	24,714,848	-	-	24,714,848
Total Investments	\$ 113,767,099	\$ 14,991,170	\$ 37,598,452	\$ 166,356,721

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2019, these investments had an average maturity of 173 days.

Money market mutual funds were available for withdrawal on demand and at June 30, 2019 and had an average maturity of 15 days for the Dreyfus U.S. Treasury Money Market Fund and 19 days for the First American Money Market Fund.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2019, for each investment type as provided by standard and poor’s investment rating system:

	AAA	AA+/AA/AA-	A+/A/A-	Total
<i>Investments:</i>				
Corporate Notes	\$ -	\$ 11,937,252	\$ 16,652,875	\$ 28,590,127
Federal Agency Securities	-	43,909,295	-	43,909,295
Supranational	3,006,990	-	-	3,006,990
Totals	<u>\$ 3,006,990</u>	<u>\$ 55,846,547</u>	<u>\$ 16,652,875</u>	75,506,412
<i>Not Rated:</i>				
City of Roseville Investment Pool				7,710,158
Local Agency Investment Fund				24,714,848
Money Market Mutual Funds				58,425,303
Total Investments				<u>\$ 166,356,721</u>

F. Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2019:

Issuer	Investment Percentage	Investment Type	Amount
Federal Home Loan Mortgage Corporation	18.58%	Federal Agency Securities	\$ 30,909,235

G. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. Fair Value Measurements (Continued)

The Authority has the following recurring fair value measurements as of June 30, 2019:

Investments at fair value	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agency securities	\$ 43,909,295	\$ 1,993,860	\$ 41,915,435	\$ -
Corporate notes	28,590,127	-	28,590,127	-
Supranationals	3,006,990	-	3,006,990	-
Money market mutual funds	58,425,303	58,425,303	-	-
Categorized investments	133,931,715	\$ 60,419,163	\$ 73,512,552	\$ -
Local Agency Investment Fund - uncategorized	24,714,848			
City of Roseville Investment Pool - uncategorized	7,710,158			
Total investments	\$ 166,356,721			

Deposits and withdrawals from the City Pool and LAIF are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Authority’s proportionate share of investments in the City Investment Pool and LAIF are based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

NOTE 3 – CAPITAL ASSETS CONTRIBUTED TO THE CITY OF ROSEVILLE

Capital construction costs incurred by the Authority are transferred annually, in the form of construction in progress, to the City of Roseville, which owns and operates the Regional Wastewater Facilities. Capital construction costs of the Authority, as defined by the Funding Agreement, include personnel services and administration and construction costs. Construction costs include interest on construction financing costs, net of interest income on unexpended bond proceeds. Since the Regional Wastewater Facilities construction project was accepted as complete at the end of fiscal year 2004-2005, the debt service and interest income on unexpended bond proceeds are no longer a component of the capital construction costs of the Authority.

Costs incurred by the Authority in fiscal year 2019 totaling \$1,029,064 were transferred as construction in progress to the City of Roseville as of June 30, 2019.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – LONG-TERM DEBT

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Public Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C						
5.00%, due 11/1/21	\$ 67,040,000	\$ 14,800,000	\$ -	\$ 4,590,000	\$ 10,210,000	\$ 4,925,000
Add: bond premium	5,240,941	874,809	-	374,918	499,891	-
2017 Wastewater Revenue Bonds, Series 2017						
5%, due 11/1/37	74,780,000	74,780,000	-	-	74,780,000	-
Add: bond premium	17,220,595	16,359,565	-	861,030	15,498,535	-
Public debt total		106,814,374	-	5,825,948	100,988,426	4,925,000
Direct Placement Revenue Bonds:						
2013 Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2013 variable rate, due 11/1/35	59,330,000	59,330,000	-	-	59,330,000	-
Direct placement debt total		59,330,000	-	-	59,330,000	-
Total		\$ 166,144,374	\$ -	\$ 5,825,948	\$ 160,318,426	\$ 4,925,000

B. Public Debt

2011 South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series A, B, C and D

On April 7, 2011, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2011A and 2011B in the original principal amounts of \$30,165,000 and \$30,160,000, respectively, and Revenue Refunding Bonds Series 2011C and 2011D (SIFMA Index Bonds) in the original principal amounts of \$67,040,000 and \$30,000,000, respectively.

The Series 2011ABCD Bonds were issued to refund the remaining outstanding balance of the 2008 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds Series A and Series B. During fiscal year 2013, the 2011A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds. The 2011D Bonds were refunded in August 2014 by the 2014 Wastewater Revenue Refunding Bonds. In September 2017, the 2011C Bonds were partially refunded by the 2017 South Placer Wastewater Authority Revenue Bonds.

The remaining Series 2011C Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. The Bonds are repayable solely from the Authority Revenues. Principal payments are due annually November 1 through 2020. The balance outstanding as of June 30, 2019 is \$10,210,000.

2017 South Placer Wastewater Authority Refunding Revenue Bonds

On September 28, 2017, the South Placer Wastewater Authority issued the Wastewater Revenue bonds, Series 2017 in the amount of \$74,780,000.

The 2017 Bonds were issued for the purpose of providing funds, together with other available moneys, to (i) finance the Series 2017 Project, (ii) defease and redeem a portion of the Authority’s Wastewater Revenue Refunding Bonds, Series 2011C (the “Series 2011C Bonds”) and all of the Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds), (iii) fund a deposit to the Parity Reserve Fund, and (iv) pay costs of issuance of the Series 2017 Bonds.

Interest is semi-annually commencing in November 2018. Principal payments are due annually beginning in November 2021 and continuing through 2037.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 – LONG-TERM DEBT (Continued)

B. Public Debt (Continued)

2017 South Placer Wastewater Authority Refunding Revenue Bonds (Continued)

As of June 30, 2019, the total principal and interest remaining to be paid on the 2011C Bonds, 2013 Bonds and the 2017 Bonds was \$144,320,000 in principal and \$52,329,931. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds, however the Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. As discussed in Note 1A, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share. For fiscal year 2019, \$9,985,711 in debt service was paid from the Rate Stabilization Account.

C. Direct Placement Debt

2013 South Placer Wastewater Authority Wastewater Refunding Revenue Bonds

On April 1, 2013, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2013 in the original principal amount of \$59,330,000. The 2013 Bonds were issued to refund the remaining outstanding balance of the 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A and Series B.

The 2013 Bonds were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Indenture to mean the per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The interest rate of the Bonds cannot exceed 12% per year and may be converted by the Authority into a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate, subject to certain conditions defined in the Indenture. The interest rate at June 30, 2019 was 2.025%. The Bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

The Authority originally entered into a 19-year interest rate swap agreement for the entire amount of the 2008B Bonds, and as part of the issuance of the 2011 ABCD Bonds, the swap agreement was amended. The interest rate swap agreement remains outstanding after the refunding and issuance of the 2013 Bonds, and the notional amount of the swap continues to be based on the notional amount of the 2008B Bonds. The notional amount of the swap was readjusted again as a result of the issuance 2017 Bonds. The combination of the variable rate bonds and the floating rate swap creates a synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the 2011C and 2013 Bonds at June 30, 2019 was 4.094%.

In the event of a default, such as failing to pay any obligation of the Authority on within three (3) days of the maturity date or the credit rating of Moody's, Fitch, or S&P of any of the long-term unenhanced Parity Debt of the Authority falls below Baa3, BBB-, or BBB- or their equivalents, respectively may a) declare the outstanding amount of the bonds under the agreement be immediately due and payable after seven (7) days after the occurrence of the event date. The revenues of the Authority have been pledged as security for the bonds.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – LONG-TERM DEBT (Continued)

D. Interest Rate Swap Agreement

The Authority entered into an interest rate swap agreement in connection with the 2008 Refunding Wastewater Revenue Bonds, Series B. The Authority amended the swap with the issuance of the 2017 Bonds, including reducing the notional amount of the 2008B Bonds.

The combination of variable rate bonds and a floating swap effectively changes the Authority’s variable interest rate on the bonds to a synthetic rate, protecting the Authority against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2019, is included below. The Authority’s swap agreement contains scheduled reductions to the outstanding notional amount, which is based on the amended notional amount of the 2008 Refunding Wastewater Revenue Bonds, Series B.

<u>Notional Amount</u>	<u>Effective Date</u>	<u>Counterparty</u>	<u>Credit Rating</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Maturity/ Termination Date</u>
\$25,680,000	9/6/2017	Morgan Stanley Capital Services Inc.	A+	3.6650%	62% of 1m LIBOR plus 26 bps	11/1/2023

Based on the swap agreement, the Authority owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Authority interest based on the variable rate that approximates the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which swap receipts and payments are calculated.

Fair value. Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique. Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market’s best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The Authority has accounted for the change in fair value of the swap as a deferred outflow. As of June 30, 2019, the fair value of the swap was not in favor of the Authority as follows:

<u>Related Bond Issue</u>	<u>Fair Value</u>
2011 Refunding Wastewater Revenue Bonds, Series C and 2013 Refunding Wastewater Revenue Bonds	<u>\$ (1,351,294)</u>

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 – LONG-TERM DEBT (Continued)

D. Interest Rate Swap Agreement (Continued)

Credit risk. Since the fair value of the swap is negative, the Authority is not currently exposed to credit risk. The fair values may increase if interest rates increase in the future. Should interest rates increase to the point where fair values become positive, the Authority would be exposed to credit risk on the outstanding swap. The Authority will be exposed to interest rate risk only if the counterparty to a swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the Authority on underlying variable rate bond to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Authority bears basis risk on the swap. The swap has basis risk since the Authority receives a percentage of LIBOR index to offset the actual variable bond rate the Authority pays on its bonds. The Authority is exposed to the basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on the underlying bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Authority is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Authority is exposed to this basis risk.

Termination risk. The Authority may terminate if the other party fails to perform under the terms of the contract. The Authority will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Authority's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the Authority will be re-exposed to the risks being hedged by the swap. The swap based on the 2008 Refunding Wastewater Revenue Bonds, Series B, associated with the 2011C Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the Authority to rollover risk because the swap terminates on November 1, 2023, the 2011C Bonds mature on November 1, 2020, and the 2013 Bonds mature on November 1, 2035.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – LONG-TERM DEBT (Continued)

D. Interest Rate Swap Agreement (Continued)

Swap payments and associated debt. Using rates as of June 30, 2019, debt service requirements of the Bonds and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

For the Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total
2020	\$ -	\$ 1,329,342	\$ 467,528	\$ 1,796,870
2021	-	1,329,342	354,053	1,683,395
2022	-	1,329,342	236,363	1,565,705
2023	-	1,329,342	114,458	1,443,800
2024	-	1,329,342	24,451	1,353,793
2025-2029	-	6,646,710	-	6,646,710
2030-2034	40,285,000	4,379,383	-	44,664,383
2035-2036	19,045,000	360,735	-	19,405,735
Totals	<u>\$ 59,330,000</u>	<u>\$ 18,033,538</u>	<u>\$ 1,196,853</u>	<u>\$ 78,560,391</u>

E. Debt Service Requirements

Annual debt service requirements, using interest rates as of June 30, 2019, are shown below for all long-term debt:

For the Year Ending June 30	Public		Direct Placement	
	Principal	Interest	Principal	Interest
2020	\$ 4,925,000	\$ 4,126,375	\$ -	\$ 1,201,433
2021	5,285,000	3,871,125	-	1,201,433
2022	5,400,000	3,604,000	-	1,201,433
2023	5,790,000	3,324,250	-	1,201,433
2024	6,195,000	3,024,625	-	1,201,433
2025-2029	35,615,000	10,048,625	-	6,007,163
2030-2034	1,830,000	5,033,250	40,285,000	3,953,273
2035-2039	19,950,000	3,005,000	19,045,000	325,080
Total	<u>84,990,000</u>	<u>\$ 36,037,250</u>	<u>59,330,000</u>	<u>\$ 16,292,678</u>
Reconciliation of long-term debt				
Add bond premium	<u>15,998,426</u>			
Net long-term debt	<u>\$ 100,988,426</u>		<u>\$ 59,330,000</u>	

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5 – RISK MANAGEMENT

The Authority has purchased commercial insurance for general, property and public officials’ liability. During the fiscal year ended June 30, 2019, the Authority paid \$18,262 for current year coverage.

The following types of loss risks are covered by the above commercial insurance policies as follows:

<u>Type of Coverage</u>	<u>Coverage Limit</u>	<u>Deductible</u>
Personal Injury, Including Bodily Injury and Property Damage	\$ 1,000,000	\$ 2,500
Automobile Liability	1,000,000	2,500
Public Officials Errors and Omissions	1,000,000	2,500
Employment Practices Liability	1,000,000	10,000
Crime Bond	10,000,000	2,500
Cyber Liability	250,000	10,000

The Authority has not had any claims that exceeded coverage in the past 3 years.

NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

SOUTH PLACER WASTEWATER AUTHORITY

**ANALYSIS OF RATE STABILIZATION RESTRICTED NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	City of Roseville	South Placer Municipal Utility District	Placer County	Totals
Balance at June 30, 2018	\$ 64,245,120	\$ 54,028,618	\$ 2,719,565	\$ 120,993,303
Changes July 1, 2018 to June 30, 2019				
Reimbursement costs - others	-	-	250,000	250,000
Regional connection fees	9,015,259	5,289,129	565,834	14,870,222
Interest allocation	1,150,853	982,467	36,755	2,170,075
Capital construction costs	(667,351)	(226,860)	(139,322)	(1,033,533)
Debt service	(6,447,773)	(2,191,864)	(1,346,074)	(9,985,711)
Administrative costs	(77,843)	(26,463)	(16,251)	(120,557)
Total	2,973,145	3,826,409	(649,058)	6,150,496
Balance at June 30, 2019	\$ 67,218,265	\$ 57,855,027	\$ 2,070,507	\$ 127,143,799

	Net Position of	
	Bond Proceeds	Member Contributions
Investments in City of Roseville Treasury	\$ -	\$ 7,710,158
Investments	-	118,742,578
Discount/Premium on investments		(252,437)
Restricted investments with fiscal agent	39,728,329	-
Unallocated loss on investments	364	(364)
Accounts receivable	-	-
Accrued interest receivable	-	531,585
Due from other governments	-	539,334
Permit fees receivable	-	-
Accumulated decrease in fair value of hedging derivatives	1,351,294	-
Loss on refunding	891,866	-
Accounts payable and other liabilities	-	(127,055)
Derivative at fair value	(1,351,294)	-
Long-term debt:		
Due in one year	(4,925,000)	-
Due in more than one year	(155,393,426)	-
Net Position (Deficit)	\$ (119,697,867)	\$ 127,143,799

TAB 4

1004

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: February 10, 2020

FROM: Executive Director's Office

AUTHORITY COMMUNICATION NO.: 20-08

SUBJECT: Connection Fee Program Report

For SPWA Board Meeting of 2/18/20

ACTION REQUESTED

This staff report is for information only. No action is requested.

BACKGROUND

The attached report, prepared by Eide Bailly, LLP, evaluates how the South Placer Wastewater Authority (Authority) and its member agencies complied with the "Funding Agreement" from July 2018 through June 2019. Payments from Placer County, Roseville, and South Placer Municipal Utility District were tested for the referenced time period.

The following table summarizes the total connection fees collected and the associated equivalent dwelling units (EDUs) from July 2018 through June 2019.

	City	District	County
Gross Regional Connection Fees	\$9,015,160	\$5,244,130	\$565,834
EDUs for Gross Regional Connection Fees	1,148	664	73

Actual EDUs developed in FY18-19 are approximately 99% of the EDUs estimated from the 2013 updated connection fee analysis, and total EDUs developed since the original funding of the bonds are approximately 95% of the estimated EDUs. The estimated and actual number of EDUs are summarized below.

Jurisdiction	FY 2018-2019		Total through 2018-2019	
	Estimated EDUs	Actual EDUs	Estimated EDUs	Actual EDUs
Roseville	996	1,148	22,204	29,211
South Placer Municipal Utilities District	650	664	14,020	13,847
Placer County	255	73	12,223	3,288
Total	1,901	1,885	48,447	46,346

Submitted by:



Janet L. Vargas
Business Services Administrator



Kenneth J. Glotzbach
Executive Director



Agreed-Upon Procedures on the Regional Connection Fees
June 30, 2019

South Placer Wastewater Authority
City of Roseville, California

South Placer Wastewater Authority
Table of Contents
June 30, 2019

Independent Accountant’s Report On Applying Agreed-Upon Procedures	1
Procedures and Findings.....	2



Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Board of Directors
of the South Placer Wastewater Authority
Roseville, California

We have performed the procedures, which were agreed to by the South Placer Wastewater Authority (Authority) (the specified party), to the Regional Connection Fees collected by the City of Roseville (City), County of Placer (County), and the South Placer Municipal Utility District (District) (Regional Partners), and the allocation of these fees and compliance with the Amended and Restated Funding Agreement (Funding Agreement) for the year ended June 30, 2019. The Authority's management is responsible for the collection of fees and for compliance with the Funding Agreement. The sufficiency of these procedures is solely the responsibility of the Authority. Consequently, we make no representation regarding the sufficiency of the procedures referred to below either for the purpose for which this report has been required or for any other purpose.

The procedures and associated findings are described in the attached procedures and findings.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not perform an examination or review, the objective of which would be expression of an opinion or conclusion, respectively, on the regional connection fees collected and the allocation of these fees and compliance with the Amended and Restated Funding Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Authority and its Regional Partners and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads 'Eide Bailly LLP'.

Sacramento, California
December 18, 2019

The agreed-upon procedures performed, and the associated findings are as follows:

1. Determine whether the roster of the Authority's Board of Directors is in accordance with section 7 (a) of the JPA Agreement.

Findings – Section 7(a) of the JPA Agreement states that “The Authority shall be administered by a board of directors (Board) consisting of five directors. Two directors shall be appointed by the City, one director shall be appointed by the District, and two directors shall be appointed by the County. One County-appointed director shall be a member of the County Board of Supervisors and must represent a supervisorial district which includes all or a portion of the City; such County-appointed director shall be selected annually by the County Board of Supervisors and shall be subject to confirmation by the Roseville City Council.”

For the fiscal year ended June 30, 2019, the Board consisted of the following individuals:

Bonnie Gore, Chair – Placer County Supervisor, District 1
Robert Weygandt, Director – Placer County Supervisor, District 2
Bruce Houdesheldt, Vice Chair, Roseville City Council Member
Jerry Mitchell, Director – SPMUD Board of Directors
Pauline Roccucci, Roseville City Council Member

No exceptions were found as a result of this procedure.

2. Determine that the Board of Directors holds meetings in accordance with Authority Resolution 2014-05.

Findings – Authority Resolution 2014-05 established that the Authority Board shall meet semi-annually and additionally as needed. Meetings held are open to the public and held at 2005 Hilltop Circle, Roseville, which is within the jurisdiction of the Authority.

Minutes to all meetings are available on the Authority's website.

All board members timely filed a conflict of interest form to disclose their income, assets and gifts.

No exceptions were found as a noted as a result of this procedure.

3. Determine that the Authority handles the following fiscal matters, as listed below, in accordance with section 7 (d) of the JPA Agreement:

- A. (1) Chief Financial Officer
- B. (2) Custodian of Property
- C. (3) Accounts and Reports
- D. (4) Budgets
- E. (5) Contributions

Findings – The Authority has designated the Chief Financial Officer of the City as the Chief Financial Officer. The City acts as the custodian of Authority property and tracks the records of the Authority within its general ledger in a separate fund. The Participants have paid contributions to the Authority as specified in the Funding Agreement.

The Board adopted the budget for fiscal year 2019 through resolution 2018-06 on June 28, 2018.

4. Inspect four monthly payments made to the City by the County and the District and 21 payments made to the City from developers for Regional Connection Fees to ensure they are in compliance with the following sections of the Restated and Amended Funding Agreement related to the South Placer Regional Wastewater Facilities (Funding Agreement) dated October 1, 2012 and the Amended and Restated Joint Exercise of Powers Agreement (JPA Agreement) dated October 1, 2012:
 - A. (3) Term and Termination
 - B. (4) Responsibilities of the City of Roseville
 - C. (5) Capacity Usage
 - D. (6) Issuance of Bonds by the Authority, Bond Provisions
 - E. (7) Pledge and Application of Participant Revenues
 - F. (8) Rate Covenant
 - G. (9) Rate Stabilization Fund
 - H. (10) Regional Connection Fees
 - I. (11) Participant Parity Obligations Secured by Participant Net Revenues
 - J. (12) Determination of Participants' Proportionate Shares
 - K. (13) Covenants of the Participants
 - L. (14) Amendments; Expiration of Certain Provisions

Findings – We inspected four monthly payments made to the City by the County and the District and 21 payments made to the City from developers for Regional Connections Fees to ensure they were in compliance with the sections of the Funding Agreement and the JPA Agreement listed above.

Section 10.D.1 of the Funding Agreement states that payments should be remitted by the 15th day of the subsequent month.

No exceptions were found as a noted as a result of this procedure.

5. Recalculate the payments inspected in procedure 4 to determine mathematical accuracy.

Findings – We recalculated the four payments made to the City from the County and the District and 21 payments made to the City from developers tested in procedure 4 for mathematical accuracy.

No exceptions were found as a noted as a result of this procedure.

6. Recalculate the monthly equivalent dwelling units (EDU) included in the remittance summaries for the payments inspected in procedure 4 to determine mathematical accuracy.

Findings – We recalculated the EDUs included in the remittance summaries for the four payments made to the City from the County and the District and 21 payments made to the City from developers tested in Procedure 4 for mathematical accuracy.

No exceptions were found as a noted as a result of this procedure.

7. Recalculate the monthly summary reports of Regional Connection Fees transmitted by the participants for the year ended June 30, 2019.

Findings – We obtained the four monthly summary reports selected in Procedure 4 for each Regional Partner and compared them to the underlying records for each Regional Partner. We recalculated the monthly summary reports.

No exceptions were found as a noted as a result of this procedure.

8. Calculate and report the connection fees and EDUs for the County, District, and City as of and for the year ended June 30, 2019.

Findings – We recalculated each Regional Partner’s connection fees and EDUs for the year ended June 30, 2019 as follows:

July 1, 2018 to June 30, 2019	City	District	County
Gross Regional Connection Fees	\$ 9,015,160	\$ 5,289,129	\$ 565,834
EDUs for Gross Regional Connection Fees	1,148	664	73

No exceptions were found as a noted as a result of this procedure.

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2020-03

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY ADOPTING THE INDEPENDENT
ACCOUNTANTS REPORT ON APPLYING AGREED-UPON PROCEDURES**

WHEREAS, the members of the South Placer Wastewater Authority (“Authority”) agreed to procedures regarding the collection and allocation of regional connection fees in an Amendment and Restated Funding Agreement (“Funding Agreement”); and

WHEREAS, the Authority is responsible for the collection of fees and compliance with the Funding Agreement; and

WHEREAS, EideBailly was engaged to perform and evaluate compliance with the agreed upon procedures and EideBailly prepared an Independent Accountant’s Report on Applying Agreed Upon-Procedures, June 30, 2019, attached hereto as Exhibit “A” (the “Report”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority that the Board hereby accepts and adopts the Report.

PASSED AND ADOPTED this 18th day of February, 2020, by the following vote:

AYES:

NOES:

ABSENT:

Chairperson

ATTEST:

Secretary

Task 5

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AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** January 24, 2020
Board of Directors

FROM: Jacquelyn Flickinger, Controller

AUTHORITY COMMUNICATION NO.: 20-09

SUBJECT: Rate Stabilization Fund Balances as of December 31, 2019

For SPWA Board Meeting 2/18/2020

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 2nd 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 member agency's sub-account.

Attached are Rate Stabilization Fund Balances as of December 31, 2019.

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


	City of Roseville	SPMUD	Placer County	Total
Revenues:				
Connection Fees	\$ 9,015,259	\$ 5,289,129	\$ 565,834	\$ 14,870,222
Reimbursements	-	-	250,000	250,000
Interest	1,150,141	982,852	37,082	2,170,075
Total Revenues	10,165,400	6,271,981	852,916	17,290,297
Expenses:				
Capital	667,351	226,860	139,322	1,033,533
Debt Service	6,447,773	2,191,864	1,346,074	9,985,711
Administrative	77,843	26,463	16,251	120,557
Total Expenses	7,192,967	2,445,187	1,501,647	11,139,801
Increase/(Decrease) in RSF Balances	2,972,433	3,826,794	(648,731)	6,150,496
Beginning Balance, as of July 1, 2018, restated	64,245,120	54,028,619	2,719,565	120,993,303
Ending Balance, as of June 30, 2019	\$ 67,217,553	\$ 57,855,413	\$ 2,070,834	\$ 127,143,799

Changes in RSF Balances from July 1, 2019 to December 31, 2019:

	City of Roseville	SPMUD	Placer County	Total
Revenues:				
Connection Fees	\$ 4,022,192	\$ 1,980,440	\$ 603,635	\$ 6,606,267
Reimbursements	-	-	-	-
Interest	604,025	205,333	126,100	935,458
Total Revenues	4,626,217	2,185,773	729,735	7,541,725
Expenses:				
Capital	1,424,156	484,129	297,315	2,205,600
Debt Service	1,743,918	592,830	364,070	2,700,818
Administrative	42,285	14,374	8,828	65,487
Total Expenses	3,210,359	1,091,333	670,213	4,971,905
Increase/(Decrease) in RSF Balances	1,415,858	1,094,440	59,522	2,569,820
Beginning Balance, as of July 1, 2019	67,217,553	57,855,413	2,070,834	127,143,799
Ending Balance, as of December 31, 2019	\$ 68,633,411	\$ 58,949,853	\$ 2,130,356	\$ 129,713,619


*Connection fees are reported through November 2019.

Submitted by:



Jacquelyn Flickinger, CPA
Controller

Approved:



Dennis Kauffman
Treasurer



Kenneth J. Glotzbach
Executive Director

Table

10/10/17

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 24, 2020

FROM: Jacquelyn Flickinger, Controller

AUTHORITY COMMUNICATION NO 20-10

SUBJECT: 2018-19 Final Rate Stabilization Fund Summary

For SPWA Board Meeting of 2/18/2020

ACTION REQUESTED

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

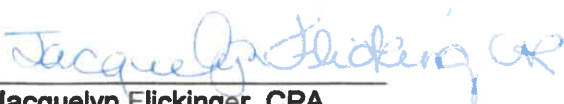
BACKGROUND

Attached is the fund summary for the final activity in fiscal year 2018-19.

Final Activity for fiscal year 2018-19:

- Interest was higher than budget by \$770.0 thousand due to rising interest rates and higher than expected returns.
- Connection fees were higher than budget by \$1.0 million due to additional connection fees received.
- Funding from State Revolving Fund Loan was lower than budget by \$25.0 million due to delays in finalizing the agreement with the State of California.
- Operating expenses were lower than budget by \$107.4 thousand due to conserving operating expenses and lower than expected advisory services needed.
- Capital expenses were lower than budget by \$79.4 million primarily due to construction delays in Pleasant Grove Wastewater Treatment Plant expansion project. The amount remaining will automatically carryforward to fiscal year 2019-20.
- Debt service payments were lower than budget by \$886.8 thousand due to conservative budgeting of variable rate debt.
- As a result of all changes, fund balance increased by \$6.2 million from \$121.0 million to \$127.1 million.

Submitted by:



Jacquelyn Flickinger, CPA
Controller

Approved:



Dennis Kauffman
Treasurer



Kenneth J. Glotzbach
Executive Director

South Placer Wastewater Authority: Final Activity FY 2018-19

Rate Stabilization Fund

	Amended Budget 2018-19	Actual 2018-19	Variance Favorable (Unfavorable)	Percent of Budget
Operating Revenues:				
Interest	\$ 1,400,000	\$ 2,170,075	\$ 770,075	155.01%
Connection Fees	13,823,040	14,870,222	1,047,182	107.58%
Repayment from County	500,000	250,000	(250,000)	50.00%
Funding from State Revolving Fund Loan	25,000,000	-	(25,000,000)	0.00%
Total Revenues	40,723,040	17,290,297	(23,432,743)	42.46%
Operating Expenses:				
JPA Staff	90,422	75,471	14,951	83.47%
Legal Services	40,000	6,686	33,314	16.72%
Financial Advisory Services	50,000	-	50,000	0.00%
Audit Services	25,000	19,481	5,519	77.92%
Insurance	21,009	18,262	2,747	86.92%
Copying/Mailing/Supplies	1,000	615	385	61.50%
Conference Calls	250	-	250	0.00%
Travel/Meetings	500	42	458	8.40%
Miscellaneous	-	-	-	0.00%
Total Operating Expenses	228,181	120,557	107,624	52.83%
Capital and debt service expenses:				
Capital expenses	80,400,000	1,033,533	79,366,467	1.29%
Debt service payments	10,872,550	9,985,711	886,839	91.84%
Total Capital and Debt Service Expenses	91,272,550	11,019,244	80,253,306	12.07%
INCREASE (DECREASE) FROM OPERATIONS	(50,777,691)	6,150,496	\$ 56,928,187	-12.11%
FUND BALANCE, BEGINNING OF YEAR	120,993,303	120,993,303		
FUND BALANCE, END OF YEAR	\$ 70,215,612	\$ 127,143,799		

TAB 7

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AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** February 11, 2020
Board of Directors

FROM: Kenneth Glotzbach, Executive Director

AUTHORITY COMMUNICATION NO: 20-11

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

For SPWA Board Meeting 2/18/20

ACTION REQUESTED

Approval of the sale of wastewater revenue bonds and related agreements (described below) to (i) refund the Authority's Wastewater Revenue Refunding Bonds, Series 2013, (ii) fund a deposit to the Parity Reserve Fund, and (iii) pay costs of issuance of the Series 2020 Bonds. The bonds will be titled Wastewater Revenue Refunding Bonds, Series 2020 and authorized in an aggregate principal amount not to exceed \$65,000,000.

BACKGROUND

The following report describes the plan of finance that was presented to the Authority on January 30, 2020 in relation to refinancing certain outstanding obligations and terminating the existing swap agreement. An analysis prepared by the Authority's financial advisor, Hilltop Securities, Inc. and bond underwriter, Morgan Stanley, detailed the options available to the Authority. The following plan of finance is being recommended by Staff:

1. Refinancing \$59,330,000 of the Wastewater Revenue Refunding Bonds, Series 2013 (the "2016 Direct Placement") into fixed rate bonds; and
2. Swap termination payment of approximately \$1,200,000 to eliminate the outstanding swap agreement.

SPWA directly placed the 2016 Direct Placement with U.S. Bank N.A. The three-year term of the 2016 Direct Placement is set to expire on April 1, 2020. Staff has analyzed three financing scenarios that address the Authority's requirement to either procure an extension from U.S. Bank or refinance the 2016 Direct Placement with an alternative debt instrument. In addition, SPWA currently has an outstanding interest rate swap with Morgan Stanley that the Authority may consider terminating in combination with refinancing the 2016 Direct Placement, using proceeds of the refunding bonds or with cash on hand.

An analysis prepared by the Authority's financial advisor, Hilltop Securities, Inc. and bond underwriter, Morgan Stanley, was presented to the Authority at the January 30, 2020 Board meeting:

1. Procure an extension from U.S. Bank N.A. as the direct placement bank of the 2016 Direct Placement for an additional 3.5 years (through October 2023) with no modifications to the outstanding interest rate swap;

2. Fixed rate refinancing a portion of the 2016 Direct Placement (an estimated \$20.4 million), procure a variable rate debt instrument to refinance the remaining \$38.9 million, and fund the termination of the Authority's outstanding interest rate swap;
3. Fixed rate refinancing all \$59,330,000 2016 Direct Placement. The refinancing could also fund the termination of the Authority's outstanding interest rate swap.

DEBT

The Authority has \$139,395,000 of outstanding revenue bonds split among three series: 2011C Bonds (\$5,285,000) fixed rate bonds, 2016 Direct Placement (\$59,330,000) variable rate bonds, and 2017 Bonds (\$74,780,000) fixed rate bonds. The 2016 DP are variable rate bonds that derive their interest rates from the LIBOR index. The 2016 DP rate is set based on 70.5% of 1-month LIBOR plus 0.55%. The following table shows the Authority's outstanding debt issues and interest rate swap agreement.

Summary of Outstanding Wastewater Revenue Bonds

Series	Type	Issue Size	Outstanding	Callable	Interest Rate	First Call Date	Final Maturity	Expiration Date
2011C	Fixed	\$67,040,000	\$5,285,000	\$--	5.00%	N/A	11/1/2020	N/A
2013/2016 ⁽¹⁾	Variable (DP)	59,330,000	59,330,000	59,330,000	70.5% of 1mL + 0.55%	10/1/2017	11/1/2035	4/1/2020 ⁽²⁾
2017	Fixed	74,780,000	74,780,000	29,580,000	5.00%	11/1/2027	11/1/2037	N/A
Total		\$201,150,000	\$139,395,000	\$88,910,000				

⁽¹⁾ Direct Placement ("DP") with U.S. Bank as amended in 2016 (3.5-year term with termination option after the first year)

⁽²⁾ U.S. Bank provided a term sheet on August 23, 2019 that included an extension of the existing Credit Facility (Index Floater Direct Placement) for 3.5 years at a rate of 80% of 1mL + 60 bps

Recommended Plan of Finance: Refinancing all \$59,330,000 of 2016 Direct Placement into fixed rate bonds and funding through bonding or from cash on hand approximately \$1.2 million in swap termination costs for the final remaining portion of the Authority's interest rate swap. Key attributes are provided below:

1. Refunds all outstanding Authority variable rate bonds
2. Terminates interest rate swap agreement
3. Current estimate of all-in cost is 2.65%

Summary of Interest Rate Swap Agreement

Effective Date	Counterparty	Notional Outstanding	Fixed Rate Paid	Variable Rate Received	Final Maturity	MTM Value ⁽²⁾
9/17/2003 ⁽¹⁾	Morgan Stanley	\$20,430,000	3.665%	62% of 1M LIBOR + 26 bps	11/1/2023	\$1,150,000

⁽¹⁾ Amended 4/10/2008 and 9/1/2017

⁽²⁾ Estimated by Morgan Stanley on December 13, 2019

4. Marginally higher debt service payments from FY 2021 through FY 2029 due to higher coupon rates for fixed rate bonds but lower debt service in FY 2030 through FY 2036
5. Net present value impact could be slightly positive or slightly negative relative to the bond amount depending upon interest rates at the time of sale (range has been a net present value cost of approximately \$250,000 to savings of approximately \$200,000 over the past 2 months, all based upon certain variable rate assumptions) inclusive of costs of issuance and swap termination payment
6. Resulting debt portfolio is 100% fixed rate with no variable rate debt and no swap
7. Removes the following risks from SPWA debt portfolio:
 - a. Interest Rate Risk – The risk future variable interest rates increase
 - b. Basis Risk – The risk swap payments could increase due to changes in tax-exempt and taxable variable rates

- c. Remarketing Risk – The risk that an available variable rate product will not be available or alternatives are cost prohibitive at the time of term expiration
- d. Swap Counterparty Risk – The risk that the SPWA’s swap counterparty does not make payments due to the Authority in accordance with the outstanding swap agreement

Approved by:



Kenneth J. Glotzbach
Executive Director

Attachments:

Resolution 2020-04

Seventh Supplement Wastewater Revenue Bond Indenture

Contract of Purchase

Preliminary Official Statement

**SEVENTH SUPPLEMENTAL
WASTEWATER REVENUE BOND INDENTURE**

between the

SOUTH PLACER WASTEWATER AUTHORITY

and

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

**Dated as of
_____ 1, 2020**

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

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Seventh Supplemental Wastewater Revenue Bond Indenture

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

Authorizing the Issuance of
\$ _____ Principal Amount of
South Placer Wastewater Authority
Wastewater Revenue Refunding Bonds, Series 2020

This SEVENTH SUPPLEMENTAL WASTEWATER REVENUE BOND INDENTURE, dated as of _____ 1, 2020 (the "Seventh Supplemental Indenture"), between the SOUTH PLACER WASTEWATER AUTHORITY (the "Authority"), a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Trustee"),

BACKGROUND:

1. The Authority was created by the South Placer Municipal Utility District (the "District"), the City of Roseville (the "City") and the County of Placer (the "County") (the District, the City and the County being referred to herein as the "Participants") pursuant to that certain Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective as of October 1, 2000, as amended and restated, most recently by a Second Amended and Restated Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, dated as of January 31, 2019, each among the Participants (the "Joint Powers Agreement").

2. In accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the "Master Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and supplements thereto pursuant to which various series of bonds were issued.

3. The Authority has previously entered into an interest rate swap agreement pursuant to a Master Agreement and related documents, dated August 28, 2003 with Morgan Stanley Capital Services Inc., as amended and restated as of April 2, 2008, and September 6, 2017 (the "2003 Swap Agreement"), that settled contemporaneously with the issuance of bonds issued by the Authority in 2003.

4. The Authority currently has outstanding the following obligations: (i) the November 1, 2020 maturity of Wastewater Revenue Refunding Bonds, Series 2011C (the "2011C Bond"), (ii) Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "2013 Bonds"), (ii) \$74,780,000 original principal amount of South Placer Wastewater Authority Wastewater Revenue Bonds, Series 2017 (the "2017 Bonds") issued pursuant to the Master Indenture and a Sixth Supplement thereto, and (iii) payment obligations under the 2003 Swap Agreement.

5. The Authority has determined that it is desirable and necessary and in the best interests of the Authority and the Participants to issue its Wastewater Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds") to provide funds to (i) redeem all of the outstanding Series 2013 Bonds, (ii) pay the costs of issuance, and (iii) fund a deposit to a Parity

Reserve Fund created under the Master Indenture. Additionally, the Authority finds it desirable to terminate the 2003 Swap Agreement, using funds on hand to pay the associated termination payment.

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

7. The Authority has determined that it is necessary and required that the Authority enter into this Seventh Supplemental Indenture in order to establish and declare, in conjunction with the Indenture, the terms and conditions upon which the Series 2020 Bonds will be issued and secured and to secure the payment of the principal thereof and premium (if any) and interest thereon.

8. This Seventh Supplemental Indenture is a "Supplemental Indenture" and the Series 2020 Bonds are "Bonds" within the meaning of the Indenture, and the Series 2020 Bonds are secured on parity with the 2011C Bond and the 2017 Bonds, and any bonds which may be issued in the future under the Master Indenture, as supplemented (as previously and in the future may be supplemented, the "Indenture").

9. In order to provide for the authentication and delivery of the Series 2020 Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors of the Authority has authorized the execution of this supplement to the Master Indenture.

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

AGREEMENT:

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

ARTICLE XX

THE SERIES 2020 BONDS

SECTION 20.01. Definitions. The terms defined in this Section will, for all purposes of this Seventh Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms used but not defined herein will have the meanings set forth in the recitals hereto or in the Indenture.

“Interest Payment Date” means, with respect to the Series 2020 Bonds, each May 1 and November 1, commencing _____ 1, ____20__.

“Issue Date” means, with respect to the Series 2020 Bonds, _____, 2020, the date of issuance and delivery of the Series 2020 Bonds.

“Record Date” means, with respect to the Series 2020 Bonds, the fifteenth day of the month preceding an Interest Payment Date.

“Series 2020 Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 20.07.

SECTION 20.02. Authorization of the Series 2020 Bonds. Pursuant to Section 3.01 of this Indenture, a Series of Bonds to be known as the “South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020” (the “Series 2020 Bonds”) is hereby created. The Series 2020 Bonds will be issued in the principal amount of \$_____ in accordance with the Bond Law and the Indenture to (i) defease and redeem all of the outstanding Series 2013 Bonds, (ii) pay the Costs of Issuance in connection with the issuance and delivery of the Series 2020 Bonds, and (iii) fund a deposit to the Parity Reserve Fund.

SECTION 20.03. Terms of the Series 2020 Bonds. The Series 2020 Bonds will be issued in fully registered form and will be initially registered in the name of “Cede & Co.”, as nominee of DTC in accordance with Section 2.10 of this Indenture. The Series 2020 Bonds will be issued in denominations of \$5,000, or any integral multiple thereof and each Bond of such series will be assigned a distinctive number.

The Series 2020 Bonds will bear interest at the annual rates set forth below, payable semiannually on each Interest Payment Date, and will mature, subject to prior redemption, on November 1 in each of the years set forth below.

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

Interest accruing on the Series 2020 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Series 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2020 Bond, interest is then in default on the Outstanding Series 2020 Bonds, such Series 2020 Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2020 Bonds. Payment of interest on the Series 2020 Bonds due on or before the maturity or prior redemption of such Series 2020 Bonds shall be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof, as of the close of business on the

applicable Record Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at such Owner's address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2020 Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal of and redemption premiums, if any, on the Series 2020 Bonds shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the principal corporate trust office of the Trustee or such other place as designated by the Trustee. Principal of and redemption premiums, if any, and interest on the Series 2020 Bonds shall be paid in lawful money of the United States of America.

SECTION 20.04. Optional Redemption of Series 2020 Bonds. The Series 2020 Bonds maturing on or after _____ will be subject to redemption prior to maturity on or after _____, at the option of the Authority, from any source of available funds, as a whole or in part on any date, at a Redemption Price equal to 100% of the principal amount of Series 2020 Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

SECTION 20.05. Form and Delivery of Series 2020 Bonds. The Series 2020 Bonds and the certificate of authentication and registration to be executed thereon will be in substantially the form set forth as Exhibit F to this Indenture. At any time after the execution and delivery of this Seventh Supplemental Indenture, the Authority may execute (by the manual or facsimile signature of an Authorized Official) and the Trustee will authenticate and deliver the Series 2020 Bonds in the principal amount of \$ _____ upon the Request of the Authority.

SECTION 20.06. Application of Proceeds of Series 2020 Bonds. The proceeds of the sale of the Series 2020 Bonds in the amount of \$ _____ (computed as \$ _____ principal amount of the Series 2020 Bonds, plus \$ _____ original issue premium, less \$ _____ underwriter's discount), will be received by the Trustee on behalf of the Authority and held in trust and will be set aside as follows:

- (i) The Trustee will deposit in the Series 2020 Costs of Issuance Fund \$ _____, to be applied in accordance with Section 20.07;
- (ii) The Trustee will transfer \$ _____ to the Refunding Fund to be held pursuant to Irrevocable Refunding Instructions given by the Authority to the Trustee.
- (iii) The Trustee will transfer \$ _____ to the Parity Reserve Fund, which amount, together with other amounts already on deposit thereon, shall be equal to the Reserve Requirement.

SECTION 20.07. Establishment and Application of Series 2020 Costs of Issuance Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2020 Costs of Issuance Fund." The Trustee will deposit to the Series 2020 Costs of Issuance Fund the amount specified in Section 20.06. All money in the Series 2020 Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2020 Bonds upon receipt of Request(s) of the Authority filed with the Trustee, each of which will be

sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On _____ 1, 2020 or upon the earlier Request of the Authority, any remaining balance in the Series 2020 Costs of Issuance Fund will be transferred, unless otherwise directed by the Authority, to the Interest Account.

SECTION 20.08. Terms of Series 2020 Bonds Subject to the Indenture. Except as in this Seventh Supplemental Indenture expressly provides, every term and condition contained in the Indenture will apply to the Seventh Supplemental Indenture and to the Series 2020 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Seventh Supplemental Indenture.

The Indenture is amended to include the following provisions:

(i) Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(ii) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing Authorized Officers and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various

methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

SECTION 20.09. Continuing Disclosure. The Authority hereby covenants and agrees to comply with the Series 2020 Continuing Disclosure Agreement as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of the Series 2020 Continuing Disclosure Agreement, as it may from time to time hereafter be amended or supplemented, will not be considered an Event of Default and the Trustee will have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations in this Section with respect to the Series 2020 Continuing Disclosure Agreement.

SECTION 20.10. Parity Reserve Fund. In accordance with Section 5.05(D), the Series 2020 Bonds will be secured by the Parity Reserve Fund. The Reserve Requirement will be calculated with regard to the 2011C Bond and the Series 2020 Bonds, and the Series 2020 Bonds will be entitled to the benefit of the Parity Reserve Fund in the event of a deficiency in the Principal Fund or Interest Fund with respect to the Series 2020 Bonds.

Section 2. Attachment of Exhibit F. The Indenture is hereby further amended by incorporating therein an Exhibit F setting forth the form of the Series 2020 Bonds, which will read in its entirety as set forth in Exhibit A attached hereto and hereby made a part hereof.

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

Section 4. Execution in Counterparts. The Seventh Supplemental Indenture may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Seventh Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

**SOUTH PLACER WASTEWATER
AUTHORITY**

By: _____
Treasurer

ATTEST:

By: _____
Secretary

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

By: _____
Authorized Officer

**EXHIBIT A
(FORM OF SERIES 2020 BOND)**

No. R-____

\$_____

**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020**

<u>INTEREST RATE</u> %	<u>MATURITY DATE</u> November 1, _____	<u>DATED DATE</u> _____, 2020	<u>CUSIP</u> 839423 _____
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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:\$_____

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

The Authority was created pursuant to a joint exercise of powers agreement, effective October 1, 2000, and amended and restated as of January 31, 2019, among the City of Roseville (the "City"), the County of Placer (the "County") and the South Placer Municipal Utility District (the "District"). The City, the County and the District are referred to herein collectively as the "Participants."

This Bond is one of a duly authorized issue of bonds of the Authority, issued in the initial aggregate principal amount of \$_____ known as the South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are limited obligations of the Authority, payable solely from Revenues, as defined and provided under the Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as supplemented, including by the Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of _____ 1, 2020 (including all supplements thereto, the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Such payment of the Bonds from Revenues is on parity with the Authority's obligation to pay the Series 2017 Bonds and the November 1, 2020 maturity of Wastewater Revenue Refunding

Bonds, Series 2011C (both as defined in the Indenture). The Revenues and certain other rights and interests under the Indenture have been assigned under the Indenture to the Trustee, having a corporate trust office in Los Angeles, California (the "Trust Office").

In addition, the Bonds will be secured by the Parity Reserve Fund held by the Trustee under the Indenture. The Reserve Requirement will be calculated with regard to the Bonds and any outstanding bonds secured on parity with the Bonds, and the Bonds will be entitled to the benefit of the Parity Reserve Fund in the event of a deficiency in the Principal Fund or Interest Fund with respect to the Bonds.

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

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

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

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

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

The Bonds maturing on or after _____, 20__ are subject to redemption prior to maturity on or after _____, 20__, at the option of the Authority, from any source of available

funds, as a whole or in part on any date, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

This Bond has been issued by the Authority pursuant to the terms of the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and the Indenture. The Authority has certified that it is authorized to enter into the Indenture under the Bond Law and laws of the State of California. The Authority and the Participants have entered into a Second Amended and Restated Funding Agreement, dated as of January 31, 2019 (the "Funding Agreement"), under which the Authority issues bonds to finance or refinance the costs of acquiring and constructing a wastewater treatment facility, in consideration of the agreement of the Participants to make payments to the Trustee, from Participant Net Revenues (as described below) which are sufficient to pay debt service on the Bonds and any Parity Debt for such purpose. Reference is hereby made to the Funding Agreement and the Indenture (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trustee and the rights and obligations of the Participants under the Funding Agreement, and to all of the provisions of the Funding Agreement and the Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

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

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

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

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

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

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

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

SOUTH PLACER WASTEWATER
AUTHORITY

By: _____
Executive Director

Attest:

By: _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

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

Authentication Date: _____

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

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

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

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

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

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

Dated: _____

Signature Guaranteed:

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

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

**[\$Par]
SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020**

CONTRACT OF PURCHASE

[____], 2020

South Placer Wastewater Authority
Roseville, California

Ladies and Gentlemen:

Morgan Stanley & Co. LLC (the “**Underwriter**”) hereby offers to enter into this Contract of Purchase with the South Placer Wastewater Authority (the “**Authority**”), which, upon acceptance of this offer by the Authority and delivery to the Underwriter, will be binding upon the Authority and the Underwriter. This offer is made subject to the written acceptance hereof by the Authority on or before 5:00 p.m., Pacific Standard Time, on [____], 2020, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written or oral notice given to the Authority by the Underwriter at any time prior to the acceptance hereof by the Authority.

1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of [\$Par] aggregate principal amount of the Authority’s Wastewater Revenue Refunding Bonds, Series 2020 (the “**2020 Bonds**”). The 2020 Bonds shall be dated as of the Closing Date (as defined herein) and will mature on the dates and in the amounts shown in Schedule I hereto. The purchase price of the 2020 Bonds is equal to \$[Purchase Price], being the sum of the aggregate principal amount of the 2020 Bonds of \$[Par], plus original issue premium of \$[Premium], less the aggregate Underwriter’s discount thereon of \$[UW Discount].

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

(c) The Authority acknowledges and agrees that (i) the purchase and sale of the 2020 Bonds pursuant to this Contract of Purchase is an arm’s-length commercial transaction between the Authority and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority with respect to the offering of the 2020 Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Contract of Purchase and (iv) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the 2020 Bonds.

2. The 2020 Bonds.

(a) The 2020 Bonds are being issued by the Authority pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as supplemented from time to time, including by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of [_____] 1, 2020 (collectively, the “**Indenture**”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), for the purpose of providing funds, together with other available moneys, (i) to redeem all of the Authority’s outstanding Wastewater Revenue Refunding Bonds, Series 2013, (ii) to fund a deposit to the Parity Reserve Fund (as defined herein), and (iii) to pay costs of issuance of the 2020 Bonds, as more fully described in the Official Statement relating to the 2020 Bonds, dated [_____] 2020 (the “**Official Statement**”). The Authority was created pursuant to the Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, dated as of October 1, 2000, as amended and restated by the Second Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority dated as of January 31, 2019 (the “**Joint Powers Agreement**”), each among the Participants (as defined herein). The City of Roseville (the “**City**”) will operate and maintain the Pleasant Grove Wastewater Treatment Plant, the Dry Creek Wastewater Treatment Plan and other Regional Wastewater Facilities for the mutual benefit of, and provide wastewater treatment services to the City, the South Placer Municipal Utility District (the “**District**”) and the County of Placer (the “**County**”) (collectively, the “**Participants**” and each a “**Participant**”). The City, the District and the County are obligated to pay to the Authority the amounts required under the Funding Agreement (as defined herein) and the Second Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “**Operations Agreement**”), each among the Authority and the Participants.

(b) The 2020 Bonds are payable solely from Revenues, consisting principally of payments from the Participants under the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “**Funding Agreement**”), each among the Authority and the Participants. Under the Funding Agreement, each Participant agrees to make payments of its Proportionate Share of Debt Service and its share of Regional Operation and Maintenance Costs in consideration for the provision by the City of wastewater treatment capacity. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of its Participant System. The payment of Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation, and there is no cross-collateralization of the Proportionate Share of Debt Service obligation between the Participants. Upon issuance, the 2020 Bonds will be secured by Revenues on a parity with the Authority’s Wastewater Revenue Bonds, Series 2017, and the Authority’s Wastewater Revenue Refunding Bonds, Series 2011C. The Authority may issue or incur additional Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described in the Official Statement. The 2020 Bonds shall be subject to redemption and otherwise shall be as described in the Official Statement and as provided in the Indenture. The Joint Powers Agreement, the Funding Agreement, the Operations Agreement, the Continuing Disclosure Certificate (defined below), the Indenture and this Contract of Purchase are collectively referred to herein as the “**Transaction Documents**.”

(c) The 2020 Bonds shall be dated their delivery date. The 2020 Bonds shall be delivered in fully registered form, without coupons, in denominations of \$5,000 and any integral multiple thereof. The 2020 Bonds shall be substantially in the form described in, and shall be executed and delivered under, the provisions of the Indenture.

3. **Offering.** It shall be a condition to the Authority's obligations to sell the 2020 Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the 2020 Bonds, that the entire \$[Par] aggregate principal amount of the 2020 Bonds shall be so sold by the Authority and purchased, accepted and paid for by the Underwriter at the Closing (as defined herein). The Underwriter agrees to make a public offering of all of the 2020 Bonds at not in excess of the initial public offering prices or less than the yields set forth in the Official Statement, plus interest accrued thereon, if applicable, from the date of the 2020 Bonds.

4. **Liquidated Damages.** In the event of the Authority's failure to deliver the 2020 Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions of the Underwriter's obligation to purchase and accept delivery of the 2020 Bonds as set forth in this Contract of Purchase, or if the Underwriter's obligations with respect to the 2020 Bonds shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriter nor the Authority shall be under further obligation hereunder, except that the respective obligations of the Authority and the Underwriter for the payment of expenses, as provided in Paragraph 11 hereof, shall continue in full force and effect. In the event that the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the 2020 Bonds at the Closing as herein provided, the amount of 1% of the Par Amount (provided that such amount shall not exceed \$500,000) shall be paid by the Underwriter to, and shall constitute full liquidated damages of, the Authority, as well as any other person or entity (to be used to pay the expenses of the Authority incurred in connection with this proposed transaction), for such failure and for any defaults hereunder on the part of the Underwriter. The Underwriter and the Authority understand that in such event the Authority's actual damages may be greater or may be less than such sum, that the amount of such damages would be impracticable to ascertain, and that the amount set forth above represents a reasonable estimate, made in good faith, of such damages in accordance with California Civil Code Section 1671. Accordingly, the Underwriter hereby waives any right to claim that the Authority's actual damages are less than such sum, and the Authority's acceptance of this offer shall constitute a waiver of any right the Authority may have to additional damages from the Underwriter.

5. **Official Statement, Delivery of Other Documents, Use of Documents.**

(a) At or before the time of the Authority's acceptance hereof, the Authority shall furnish the Underwriter with a copy of the final Official Statement, executed by an authorized officer of the Authority.

The Authority shall thereafter deliver to the Underwriter, as promptly as practicable but in no event later than the earlier of the business day preceding the Closing Date or the seventh (7th) business day following the date hereof, substantially in the form of the Preliminary Official Statement, dated [____], 2020 (the "**Preliminary Official Statement**"), with only such changes therein as have been accepted by the Underwriter, such number of copies

of the Official Statement as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board (the “MSRB”) and paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

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

(c) The Authority authorizes the use by the Underwriter of the Official Statement (including any supplements or amendments thereto) and the Transaction Documents and the information therein contained, in connection with the public offering and sale of the 2020 Bonds. The Authority also consents to the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with the public offering of the 2020 Bonds.

(d) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplement or amendment thereto, to the MSRB as specified by the Rule.

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

(a) At both the time of the Authority’s acceptance hereof and at the time of the Closing, the Authority is, and will be, a duly existing joint powers authority, organized under and by virtue of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, with full legal right, power and authority to issue the 2020 Bonds and to enter into, adopt, execute and deliver the Transaction Documents to which the Authority is a party (the “Authority Documents”).

(b) The Authority has full legal right, power and authority (i) to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement, and (ii) to cause the Trustee to authenticate and deliver the 2020 Bonds to the Underwriter as provided in the Indenture and herein.

(c) By all necessary official action of the Authority, the Authority has duly approved the Preliminary Official Statement and the Official Statement; the Authority has duly authorized and approved the issuance of the 2020 Bonds and the execution and delivery of the Authority Documents; the Authority has duly authorized and approved the performance by the Authority of its obligations and the consummation by it of all other transactions contemplated by the Official Statement and the Authority Documents to have been performed or consummated by the Authority at or prior to the Closing Date; and the Authority has complied, and will at the Closing be in compliance in all respects, with the laws of the State of California and of the

United States and with its obligations in connection with the issuance of the 2020 Bonds on its part contained in the Authority Documents.

(d) The 2020 Bonds and the Authority Documents conform in all material respects to the descriptions thereof contained in the Official Statement.

(e) At or prior to Closing, the Authority Documents shall have been duly executed by the Authority and each shall be legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and, upon the execution and delivery of the 2020 Bonds to the Underwriter, the Indenture will provide, for the benefit of the respective owners from time to time of the 2020 Bonds, a legally valid and binding pledge of and lien on the funds and accounts established under the Indenture and the Revenues and other moneys pledged under the Indenture, as provided in and contemplated by the Indenture.

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

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

(h) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body to the best knowledge of the officer of the Authority executing this Contract of Purchase, pending or threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting or seeking to prohibit, restrain or enjoin the issuance of any of the 2020 Bonds, or the collection of Revenues pledged or to be pledged to pay the principal or interest due with respect to the Indenture or the 2020 Bonds, or application of the proceeds of sale of the 2020 Bonds, or in any way contesting or affecting the validity of the 2020 Bonds, the Authority Documents, or the tax-exempt status of interest on the 2020 Bonds, or the collection of said Revenues, or the pledge thereof, or contesting the powers of the Authority or any authority for the issuance of the 2020

Bonds or the execution and delivery by the Authority of the Authority Documents; or (iii) contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Authority will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriter as the Underwriter may request (i) to qualify the 2020 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the 2020 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2020 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance, sale and delivery of the 2020 Bonds under this Contract of Purchase have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2020 Bonds; and, except as disclosed in the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission, having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of its respective obligations under the Authority Documents, have been duly obtained.

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

(l) At the time of the Authority's acceptance hereof and (unless an event occurs of the nature described in subparagraph (n) of this Paragraph 6) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2020 Bonds (as determined in accordance with Paragraph 17 hereof), the information in the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If the information in the Official Statement is supplemented or amended pursuant to subparagraph (n) of this Paragraph 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2020 Bonds (as determined in accordance with Paragraph 17 hereof), such information, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(n) If during the period from the date of this Contract of Purchase to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the 2020 Bonds (as determined in accordance with Paragraph 17 hereof) any event shall occur which might or would cause the information in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(o) The Authority has heretofore prepared and delivered to the Underwriter the Preliminary Official Statement with respect to the 2020 Bonds, which the Authority confirms it has “deemed final” for purposes of paragraph (b)(1) of the Rule. The Authority ratifies and consents to the distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the 2020 Bonds.

(p) The Authority agrees, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided to the MSRB certain annual financial information and operating data and agrees to provide, or cause to be provided, to the MSRB in a timely manner notice of certain material events respecting the 2020 Bonds. These agreements have been made in order to assist the Underwriter in complying with the Rule.

(q) Except as disclosed in the Official Statement, the Authority has not failed to comply with any of its undertakings to provide continuing disclosure pursuant to paragraph (b)(5) of the Rule.

7. **Closing.** At [9:00] a.m., Pacific Standard Time, on [____], 2020, or at such other time or on such later date, as shall have been mutually agreed upon by the Authority and the Underwriter (the “**Closing Date**”), the Authority will cause the Trustee to deliver to The Depository Trust Company (“**DTC**”) in New York, New York, on behalf of the Underwriter, the 2020 Bonds, in definitive form duly executed by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery to DTC and will pay the

purchase price of the 2020 Bonds, as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. Such payment and delivery is herein called the “Closing.” The 2020 Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of “Cede & Co.”, as nominee of DTC; there shall be one (1) typewritten bond for each maturity of the 2020 Bonds.

8. **Closing Conditions.** The Underwriter has entered into this Contract of Purchase in reliance upon the respective representations and warranties of the Authority contained herein and the performance by the Authority of its obligations hereunder both as of the date hereof and as of the Closing Date. The Underwriter’s obligations under this Contract of Purchase shall be conditioned upon the performance by the Authority of its obligations to be performed hereunder and under the other Transaction Documents and any other instruments delivered in connection with the issuance and delivery of the 2020 Bonds and shall also be subject to the following further conditions:

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

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

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

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

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

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

(4) The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the 2020 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the

Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (ii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings “INTRODUCTION”, “THE SERIES 2020 BONDS,” “SECURITY FOR THE SERIES 2020 BONDS” and “TAX MATTERS” and in Appendices G, and H thereto, insofar as such statements expressly summarize certain provisions of the 2020 Bonds, the Indenture, and such firm’s opinion concerning certain federal tax matters relating to the 2020 Bonds, are accurate in all material respects; (iii) this Contract of Purchase has been executed and delivered by the Authority and is a valid and binding agreement of the Authority; and (iv) no facts came to the attention of Bond Counsel which caused Bond Counsel to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC and the information contained in Appendix A, B-2, C-2, D-2 and F, or referred to therein, which Bond Counsel expressly excludes from the scope of this paragraph and as to which Bond Counsel expresses no opinion or view), contained or contains any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

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

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

(7) An opinion of Sloan Sakai Yeung & Wong LLP, counsel to the Authority, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the Authority is duly existing as a joint exercise of powers entity, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to issue the 2020 Bonds and to execute and deliver the Authority Documents and the Official Statement; (ii) the resolution of the Authority approving and authorizing the issuance of the 2020 Bonds, the execution and delivery of the Authority Documents and the distribution of the Official Statement in preliminary and final form was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting through; (iii) the Authority Documents have each been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery

by the other parties thereto, are valid and binding obligations of the Authority, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iv) the execution and delivery of the Authority Documents and the Official Statement, and compliance with the provisions hereof and thereof, do not and will not conflict with or constitute on the part of the Authority a breach or default under any existing law, regulation, court order or consent decree to which the Authority is subject, or, to the best of such counsel's knowledge after due inquiry, any agreement or instrument to which the Authority is a party or by which the Authority is bound; (v) all actions on the part of the Authority necessary for the making and performance of the Authority Documents, and the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2020 Bonds, have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Authority for the making and performance of the Authority Documents, or the actions on the part of the Authority contemplated hereby and thereby, including causing the issuance of the 2020 Bonds; (vi)(A) other than as set forth in the Official Statement, no litigation is pending or, to such counsel's knowledge, threatened in any court to restrain or enjoin the issuance of any of the 2020 Bonds, or the application of the proceeds of sale of the 2020 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the 2020 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2020 Bonds or the security therefor; and (B) other than as set forth in the Official Statement, there is no litigation pending, or, to such counsel's knowledge, threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Authority Documents or the transactions contemplated thereby or the security for the 2020 Bonds or the federal or State tax-exemption of interest due on the 2020 Bonds; and (vii) as of its date, or the date of the most recent amendment or supplement thereto, the statements set forth in the Official Statement contained under the headings "INTRODUCTION" and "SECURITY FOR THE SERIES 2020 BONDS" and in Appendix G thereto, insofar as such statements expressly summarize certain provisions of the Joint Powers Agreement, the Reallocation Agreement and the Funding Agreement, are accurate in all material respects.

(8) A certificate of the Chair of the Authority (or other appropriate official of the Authority agreed to by the Underwriter), dated the Closing Date, to the effect that (i) each of the representations and warranties set forth in Paragraph 6 hereof is true, accurate and complete in all material respects as of the Closing and each of the agreements of the Authority, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with, (ii) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2020 Bonds, or the application of the proceeds of sale of the 2020 Bonds, or the collection of the revenues or other income

or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2020 Bonds, or in any way contesting or affecting the execution, delivery or validity of the Authority Documents or the 2020 Bonds or the security therefor; and (iii) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Authority or involving any of the property or assets under the control of the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to perform its obligations under the Indenture or the transactions contemplated thereby or the security for the 2020 Bonds or the exclusion of interest due on the 2020 Bonds from gross income for purposes of federal or State income taxation.

(9) A certificate of each Participant, executed by an authorized officer of such Participant, in form and substance acceptable to the Underwriter, dated the Closing Date, to the effect that (i) the Participant is duly existing as a charter city, political subdivision of the State of California, or municipal utility district, as applicable, organized under and by virtue of the laws of the State of California, with full legal right, power and authority to execute and deliver the Participant Documents; (ii) the Participant Documents have each been duly authorized, executed and delivered by the Participant and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Participant, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting the enforceability of creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (iii) the execution and delivery of the Participant Documents, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Participant a breach or default under any existing law, regulation, court order or consent decree to which the Participant is subject, or, to the best of their knowledge after due inquiry, any agreement or instrument to which the Participant is a party or by which the Participant is bound; (iv) all actions on the part of the Participant necessary for the making and performance of the Participant Documents, and the actions on the part of the Participant contemplated hereby and thereby have been duly and effectively taken and no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the Participant for the making and performance of the Participant Documents, or the actions on the part of the Participant contemplated hereby and thereby; and (v) other than as set forth in the Official Statement, to such official's knowledge, no litigation is pending or threatened in any court to restrain or enjoin the issuance of any of the 2020 Bonds, or the application of the proceeds of sale of the 2020 Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due on the 2020 Bonds, or in any way contesting or affecting the adoption or validity of the Joint Powers Agreement or the execution, delivery or validity of the other Participant Documents or the security therefor; (vi) other than as set forth in the Official Statement, to such official's knowledge, there is no litigation pending or threatened against the Participant or involving any of the property or assets under the control of the Participant wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Participant to perform its obligations under the Participant Documents, or the transactions contemplated

thereby; and (vii) the information contained in Appendix B, C, D and/or E, as applicable, of the Official Statement does not contain any untrue statement of a material fact or omit any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) A certificate signed by an authorized officer of the Trustee, to the effect that: (i) the Trustee is a duly organized and validly existing national banking association and has full power and authority to carry out the activities of the Trustee under the Transaction Documents to which it is a party (the “**Trustee Documents**”); and (ii) the 2020 Bonds have been duly authenticated and delivered by the Trustee in accordance with the Indenture, and the Trustee Documents have been duly authorized, executed and delivered by the Trustee; and (iii) the execution and delivery of the Trustee Documents and authentication and delivery of the 2020 Bonds, and compliance with the provisions thereof, will not conflict in any material respect with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, by-law or agreement to which the Trustee is subject or by which it is bound;

(11) An opinion of counsel to the Trustee, addressed to the Underwriter and the Authority, to the effect that (i) the Trustee Documents have been duly authorized, executed and delivered by the Trustee and constitute the valid and legally binding agreements of the Trustee enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights; (ii) the Trustee has lawful authority for the authentication and delivery of the 2020 Bonds; and (iii) the 2020 Bonds have been duly authenticated by the Trustee and delivered in accordance with the Indenture and are entitled to the benefits of the Indenture;

(12) Executed copies of each Transaction Document;

(13) Evidence satisfactory to the Underwriter that, as of the Closing Date, the 2020 Bonds are rated “[]” by Moody’s Investors Services, Inc. (“**Moody’s**”) and “[]” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“**S&P**”);

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

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

(16) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably deem necessary to evidence the due issuance of the 2020 Bonds, the truth and accuracy as of the time of the Closing of the Authority’s representations, warranties and agreements contained in Paragraph 6 hereof and the due performance or satisfaction by the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Participants pursuant to the Transaction Documents.

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

9. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the 2020 Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate substantially in the form attached hereto as Appendix A, together with the supporting pricing wires or equivalent communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2020 Bonds.

(b) [Except for the maturities set forth in Schedule I attached hereto, the]¹ [The] Authority will treat the first price at which 10% of each maturity of the 2020 Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) [The Underwriter confirms that it has offered the 2020 Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in the final official statement. Schedule I sets forth, as of the date of this Purchase Contract, the maturities, if any, of the 2020 Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2020 Bonds, the Underwriter will] neither offer nor sell unsold 2020 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the 2020 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority or Hilltop Securities Inc., the Authority’s municipal advisor (the “**Municipal Advisor**”), when the Underwriter has sold 10% of that maturity of the 2020 Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

¹ Delete if there are no HTOP Maturities.

The Authority acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event that the Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the 2020 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold the offering price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its agreement regarding the hold-the-offering-price rule as applicable to the 2020 Bonds.]¹

(d) The Underwriter confirms that (i) each retail distribution agreement (to which the Underwriter is a party) relating to the initial sale of the 2020 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold 2020 Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the 2020 Bonds of that maturity or all 2020 Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and (ii) the Underwriter acknowledges that sales of any 2020 Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

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

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2020 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2020 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2020 Bonds to the public),

(3) a purchaser of any of the 2020 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

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

10. **Termination.** The Underwriter shall have the right to terminate its obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the 2020 Bonds by notifying the Authority of its election to do so if, after the execution hereof and prior to the Closing: (a) the marketability of the 2020 Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States, (B) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority Participant of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the Federal tax status of the Authority or the Participants, their respective property or income, or the interest on their respective obligations; (b) there shall have occurred the outbreak or escalation of hostilities involving the United States, or the declaration by the United States of a national emergency or war, which in the judgment of the Underwriter have had a materially adverse effect on the marketability of the 2020 Bonds on the terms and in the manner contemplated by the Official Statement; (c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of California or the State of New York; (d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any rating by Moody's or S&P of any securities issued by or obligations of the Authority, including the 2020 Bonds, or (e) an event described in subparagraph (n) of Paragraph 6 hereof shall have occurred which in the opinion of the Underwriter requires the preparation and publication of a supplement or amendment to the Official Statement, regardless of whether or not such a supplement or amendment to the Official Statement has been prepared and/or circulated, unless the Underwriter shall have otherwise agreed that this Contract of Purchase shall not be terminated as a result of such event.

11. **Expenses.** (a) Unless the Underwriter defaults upon its obligations hereunder, the Authority shall, except as set forth in subsection (b) hereof, pay any expenses incident to the performance of the Authority's obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the 2020 Bonds; (ii) the fees for Bond ratings; (iii) the cost of printing and distribution of the Transaction Documents, the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Jones Hall, A Professional Law Corporation, Bond Counsel; (v) the fees and disbursements of counsel to the Authority; (vi) the fees and disbursements of the Trustee and its counsel; (vii) the fees and expenses of Hilltop Securities Inc., Municipal Advisor to the Authority; (viii) the fees and disbursements incurred in connection with the preparation of the Official Statement; (ix) the fees and disbursements of any other engineers, accountants, attorneys, and other experts or consultants or advisors retained by the Authority; (x) the meal, travel, lodging, entertainment and

deal memento expenses, if any, of its own officials and employees; and (xi) any other costs and disbursements incurred by the Authority in connection with the transaction.

(b) The Underwriter shall pay (i) the fees and disbursements of Orrick, Herrington & Sutcliffe LLP in connection with the purchase and sale of the 2020 Bonds pursuant hereto other than those items set forth in paragraph (a) above; (ii) the fee payable to the California Debt and Investment Advisory Commission with respect to the sale of the 2020 Bonds; (iii) advertising expenses and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the 2020 Bonds; (iv) fees and expenses related to obtaining CUSIP numbers; (v) the cost of word processing, printing and distribution of this Contract of Purchase; (vi) the cost of preparation of any Blue Sky and legal investment memorandum with respect to the 2020 Bonds; and (vii) expenses to qualify the 2020 Bonds for sale under any Blue Sky laws.

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

defense of such action on behalf of the Underwriter (or such officers, directors, agent, or employees or such person so controlling the Underwriter), and in such event the said fees and expenses of the Underwriter in defending such action shall be borne by the Authority.

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

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

15. **Parties in Interest.** This Contract of Purchase when executed by the Authority and the Underwriter shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority, the Participants and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Authority contained in this Contract of Purchase shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriter and (b) delivery of and payment for the 2020 Bonds hereunder.

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

17. **Determination of End of the Underwriting Period.** For purposes of this Contract of Purchase, the End of the Underwriting Period for the 2020 Bonds shall mean the earlier of (a) the day of the Closing unless the Authority has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the “end of the underwriting period” for the 2020 Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Authority pursuant to clause (a) above that the “end of the underwriting period” for the 2020 Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority in writing as soon as practicable following the “end of the underwriting period” for the 2020 Bonds for all purposes of the Rule.

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

Dated as of the date first set forth above.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: _____
Authorized Representative

Agreed and Accepted:

SOUTH PLACER WASTEWATER
AUTHORITY

By: _____
[Treasurer]

APPENDIX A

CERTIFICATE OF THE UNDERWRITER REGARDING OFFERING PRICES

SOUTH PLACER WASTEWATER AUTHORITY WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020

[____], 2020

This certificate is furnished by, Morgan Stanley & Co. LLC (the “Underwriter”) in connection with the Contract of Purchase dated [____], 2020 (the “Contract of Purchase”), between the Underwriter and the South Placer Wastewater Authority (the “Authority”) for the sale of \$[Par] aggregate principal amount of Wastewater Revenue Refunding Bonds, Series 2020 (the “Bonds”).

THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:

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

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

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

(b) As set forth in the Contract of Purchase, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and has agreed in writing that (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, none of the Underwriters has offered or sold any unsold Bonds of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]¹

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule I hereto as the “General Rule Maturities.” [As set forth in Schedule I, all of the Maturities of the Bonds are General Rule Maturities.]

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule I hereto as the “Hold-the-Offering-Price Maturities.”]¹

(c) ***[Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth

¹ Delete if there are no HTOP Maturities.

business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]¹

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

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

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [____], 2020.

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

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

Dated as of the date first set forth above.

MORGAN STANLEY & CO. LLC

By: _____
Authorized Representative

SCHEDULE I

\$[Par]
SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020

Maturity Date (November 1) ^[*]	Principal Amount	Interest Rate	Yield	Initial Offering Price	10% Test Used	Hold-the- Offering- Price Rule Used
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^[*] All the maturities are 10% Test Maturities.
^[†] Yield/Price to par call date of [_____] 1, 20[____].
^[‡] Term Bonds.]

[SCHEDULE II]¹

[PRICING WIRE OR EQUIVALENT COMMUNICATION]

(to be attached)

¹ Delete if there are no HTOP Maturities.

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: "____"
S&P: "____"
(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020**

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

The South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds") are being issued by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011, as previously supplemented and as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of March 1, 2020 (the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, to (i) redeem the Authority's Wastewater Revenue Refunding Bonds, Series 2013, (ii) fund a deposit to the Parity Reserve Fund (as defined herein), and (iii) pay costs of issuance of the Series 2020 Bonds, as more fully described herein.

The Series 2020 Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (as amended from time to time, the "Funding Agreement"), among the Authority and the Participants. In consideration for the provision of wastewater treatment capacity, each Participant has agreed to remit to the Authority all Regional Connection Fees to pay its Proportionate Share of Debt Service under the Funding Agreement, as well as its share of Regional Operation and Maintenance Costs under the Second Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the "Operations Agreement"), among the Authority and the Participants. The obligation of each of the Participants to pay its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of each Participant's respective Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint, obligation. The Series 2020 Bonds are secured by Authority Revenues on parity with the Authority's Wastewater Revenue Bonds, Series 2017, currently outstanding in the principal amount of \$74,780,000 and the sole remaining maturity of the Authority's Wastewater Revenue Refunding Bonds, Series 2011C. The Authority may issue or incur additional parity debt secured by Authority Revenues, including an anticipated State Revolving Fund loan described herein, subject to the terms and conditions of the Indenture, as more fully described herein, and each of the Participants may issue or incur additional Participant Parity Obligations secured by such Participant's Net Revenues, subject to the terms and conditions of the Funding Agreement, as more fully described herein.

Interest on the Series 2020 Bonds is payable semiannually on May 1 and November 1 of each year, commencing _____, 2020. The Series 2020 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Series 2020 Bonds. Individual purchases of the Series 2020 Bonds will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2020 Bonds purchased. See APPENDIX F – Book-Entry System.

The Series 2020 Bonds are subject to redemption prior to maturity as described herein.

THE SERIES 2020 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2020 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES AND PARTICIPANT NET REVENUES ARE PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2020 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2020 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" for a description of certain of the risks associated with an investment in the Series 2020 Bonds.

The Series 2020 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Sloan Sakai Yeung & Wong LLP, Sacramento, California, for the Participants

by their respective counsels and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. It is expected that the Series 2020 Bonds in definitive form will be available for delivery to DTC on or about _____, 2020.

MORGAN STANLEY

Date of this Official Statement: _____, 2020

**MATURITY SCHEDULE
(Base CUSIP[†]: 839423)**

\$ _____ **Serial Bonds**

<u>Maturity Date</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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† CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP[®] data is not intended to create a database and does not serve in any way as a substitute for the CUSIP[®] Service Bureau. CUSIP[®] numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

° Priced to the first optional redemption date of _____ at _____.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2020 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2020 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Participants or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Series 2020 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Series 2020 Bonds.

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

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

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Series 2020 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

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

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

SOUTH PLACER WASTEWATER AUTHORITY

GOVERNING BOARD OF THE AUTHORITY

Bruce Houdesheldt, *Chair*

Jerry Mitchell, *Vice-Chair*

Bonnie Gore

Pauline Roccucci

Robert Weygandt

MANAGEMENT

Kenneth Glotzbach, *Executive Director*

Dennis Kauffman, *Treasurer*

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AUTHORITY COUNSEL

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DISCLOSURE COUNSEL

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[MAP PLACEHOLDER]

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OFFICIAL STATEMENT

\$ _____ *

SOUTH PLACER WASTEWATER AUTHORITY WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the South Placer Wastewater Authority (the "Authority"), a joint exercise of powers agency created by the City of Roseville, the South Placer Municipal Utility District and the County of Placer (collectively, the "Participants"), of the above-referenced bonds (the "Series 2020 Bonds"). All capitalized terms not otherwise defined herein have the meanings ascribed thereto in APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

The Series 2020 Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the "Master Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of March 1, 2020 (the "Seventh Supplemental Indenture"), between the Authority and the Trustee. The Master Indenture was previously supplemented by a First Supplemental Wastewater Revenue Bond Indenture, a Second Supplemental Wastewater Revenue Bond Indenture, a Third Supplemental Wastewater Revenue Bond Indenture, a Fourth Supplemental Indenture (each dated as of April 1, 2011), a Fifth Supplemental Indenture dated August 1, 2014, and a Sixth Supplemental Indenture dated as of September 1, 2017 (collectively, the "Previous Supplements"). The Master Indenture, the Seventh Supplemental Indenture and the Previous Supplements are collectively referred to herein as the "Indenture." See "THE SERIES 2020 BONDS."

The Series 2020 Bonds are being issued for the purpose of providing funds to (i) redeem the Authority's Wastewater Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") outstanding in the principal amount of \$59,330,000, (ii) fund a deposit to the Parity Reserve Fund (as defined herein), and (iii) pay costs of issuance of the Series 2020 Bonds, as more fully described herein. In connection with the refunding of the Series 2020 Bonds, the Authority will make a termination payment under and pursuant to the Swap Agreement (defined herein), in order to terminate the swap arrangement. The Authority will make this swap termination payment with funds on hand, and not use any proceeds of the Series 2020 Bonds. The Series 2020 Bonds will be issued in full conformity with the Constitution and the laws of the State of California (the "State"), including the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Act") and are issued as parity debt under the Funding Agreement (as herein defined).

* Preliminary, subject to change.

Various series of prior bonds of the Authority were issued to finance portions of the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant") and other regional wastewater facilities, including certain trunk sewers, recycled water lines and certain other related projects. The Pleasant Grove Plant, completed in April 2005, was constructed to increase the regional wastewater treatment capacity available for continued growth and development within the service areas of the Participants in the southern part of the County of Placer. Costs of the Pleasant Grove Plant, including debt service on the Series 2020 Bonds, and any other Regional Wastewater Facilities constructed by the Authority, are required to be paid by the Participants pursuant to the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (as amended from time to time, the "Funding Agreement"), among the Authority and the Participants. See "SOUTH PLACER WASTEWATER AUTHORITY" and "APPENDIX G –Summary of Certain Provisions of the Principal Legal Documents." A Rate Stabilization Fund has been established under the Funding Agreement to provide, among other things, a source of funds for the payment of debt service on the Series 2020 Bonds and Parity Debt in the event of variations in the timing of development and collection of Regional Connection Fees. In the event the amount available to be drawn from a Participant's account in the Rate Stabilization Fund is not sufficient to pay such Participant's Proportionate Share of Debt Service (including because development is significantly slower than expected), such Participant may be obligated to pay all or a part of such amount from such Participant's Participant Net Revenues (derived principally from User Charges collected by such Participant from its wastewater customers).

The Authority

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, effective October 1, 2000, which has been amended and restated pursuant to a Second Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, dated as of January 31, 2019, among the Participants. The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Pleasant Grove Plant, the Dry Creek Wastewater Treatment Plant (the "Dry Creek Plant"), any other regional treatment plants constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively to all of the Participants, and all Related Regional Infrastructure (as defined in the Funding Agreement) (collectively, the "Regional Wastewater Facilities" or the "Enterprise"). The Authority's service area consists of the wastewater service areas of the City, SPMUD and certain areas of Placer County (as each is defined below), which, in aggregate, encompasses approximately 77 square miles, a population of approximately 248,080 and approximately _____ (as of June 30, 2020) equivalent dwelling units ("EDUs"). See "THE REGIONAL WASTEWATER SYSTEM" and "SOUTH PLACER WASTEWATER AUTHORITY."

The Participants

In 2000, the City of Roseville, California (the "City" or "Roseville"), the South Placer Municipal Utility District (the "District" or "SPMUD") and the County of Placer ("Placer County" or the "County") determined that their collective present and future needs for wastewater treatment required the construction of the Pleasant Grove Plant and other regional facilities. Accordingly, the Participants created the Authority and entered into the Funding Agreement (as subsequently amended), payments under which will secure the payment of the Parity Bonds (as defined therein) and the Series 2020 Bonds. See "SECURITY FOR THE SERIES 2020 BONDS."

City of Roseville. Roseville is a charter city located in California's Sacramento Valley. Roseville started developing its own wastewater collection and treatment utility shortly after its incorporation as a city on April 10, 1909. Roseville owns and operates the Dry Creek Plant and the Pleasant Grove Plant. Prior to creation of the Authority, Roseville provided wastewater treatment for SPMUD and Placer County at the Dry Creek Plant pursuant to various contracts. The Dry Creek Plant has a rated capacity of 18 million gallons per day ("mgd") under average dry weather flow. Plant modifications have recently been completed that address increasingly stringent discharge requirements and changing influent loading conditions. See "THE REGIONAL WASTEWATER SYSTEM." Roseville's wastewater utility currently provides sewer service to a population of approximately 140,458 (as of January 1, 2020). The wastewater service area of Roseville consists of approximately 31.8 square miles (or 20,352 acres), including 71,550 EDUs (as of June 30, 2019), 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. See "THE REGIONAL WASTEWATER SYSTEM – Service Area." For more information concerning Roseville and its wastewater utility, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit.

South Placer Municipal Utility District. SPMUD was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, SPMUD changed its name to the South Placer Municipal Utility District. SPMUD currently provides sewer collection service to a population of approximately 76,300 as of the Fiscal Year 2019-20 Budget Report, consisting of approximately 34,174 EDUs (as of June 30, 2019). SPMUD services an area of approximately 31 square miles, involving the entire City of Rocklin, the Town of Loomis and certain unincorporated areas of Placer County, including Penryn, Newcastle, and the Rodgersdale Area of Granite Bay. For more information concerning SPMUD and its wastewater system, see APPENDIX C-1 – Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit.

County of Placer. The County provides wastewater collection services to certain of its residents through two sewer maintenance districts ("SMD No. 2" and "SMD No. 3") and two county service areas ("CSA No. 2A" and "CSA No. 173") (collectively, the "County's Wastewater Entities"). Each of these entities is accounted for as a separate enterprise fund. SMD No. 2 was established in 1961, comprises 11.2 square miles and serves a population of approximately _____, consisting of 7,296 EDUs. CSA No. 2A was established in 1963 and comprises 2.3 square miles of industrial property, consisting of 1,058 EDUs. CSA No. 173 was established in 2003 for the provision of wastewater services to the Dry Creek Community Plan Area and serves approximately 1.5 square miles, consisting of 1,551 EDUs. On December 31, 2014, the County connected SMD No. 3 to the Regional Wastewater System as part of an effort to regionalize sewer treatment throughout the western portion of the County. Although the net revenues of SMD No. 3 are not pledged to the Series 2020 Bonds or Parity Debt, the Regional Connection Fees from SMD No. 3 are deposited into the Rate Stabilization Fund. As such, the EDU, connection fee, and Rate Stabilization Fund numbers in this Official Statement include SMD No. 3 whereas the Net Revenues of the County do not. SMD No. 3 consists of 633 EDUs. For more information regarding Placer County and the County's Wastewater Entities, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer's Wastewater Entities.

Sewer collection service is provided to other residents of Placer County through other sewer maintenance districts and county service areas, revenues from which are not

deposited to the Rate Stabilization Fund or in any way pledged under the Funding Agreement, the Indenture or involved in the repayment of any obligations of the Authority, including the Series 2020 Bonds.

Security for the Series 2020 Bonds

The Series 2020 Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement. In consideration for providing wastewater treatment capacity, each Participant has agreed to pay its Proportionate Share of Debt Service under the Funding Agreement, as well as its share of Regional Operation and Maintenance Costs under the Second Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the "Operations Agreement"), among the Authority and the Participants. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of Proportionate Shares of Debt Service is an unconditional obligation and is not subject to abatement. The obligations of the Participants to pay their respective Proportionate Shares of Debt Service is a several, but not joint, obligation. See "SECURITY FOR THE SERIES 2020 BONDS."

The Authority has obligations currently outstanding and may issue future obligations secured by Authority Revenues on parity with the Series 2020 Bonds as described under "- Parity Debt" below.

THE SERIES 2020 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2020 BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES AND PARTICIPANT NET REVENUES ARE PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2020 BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Regional Connection Fees

The Participants are required by the Funding Agreement to remit Regional Connection Fees to Roseville for deposit in the Rate Stabilization Fund described below. The Participants intend that their respective contributions of Regional Connection Fees will be sufficient to pay their Proportionate Share of Debt Service. To the extent required by the Funding Agreement and as described herein, if the Regional Connection Fees collected by any Participant are insufficient to pay its Proportionate Share of Debt Service over the term of the Series 2020 Bonds and Parity Debt (defined below), such Participant may be required to set User Charges for its Participant System as described below under "—Rate Covenant."

Rate Stabilization Fund

A Rate Stabilization Fund has been established pursuant to the Funding Agreement and is maintained by Roseville on behalf of the Authority. The Rate Stabilization Fund is held as one fund, with three separate accounts therein (one for each Participant), all of which, collectively, will constitute the Rate Stabilization Fund. As of June 30, 2019, the Authority had on deposit \$127,143,799 (audited) in the Rate Stabilization Fund. See “SOUTH PLACER WASTEWATER AUTHORITY” and “SECURITY FOR THE SERIES 2020 BONDS—Funding Agreement – Rate Stabilization Fund; Regional Connection Fees” for a discussion of these terms.

To the extent that amounts on deposit in any of the Participants’ accounts in the Rate Stabilization Fund are insufficient to pay such Participant’s Proportionate Share of Debt Service, the other Participants’ accounts within the Rate Stabilization Fund are projected to be available to pay the deficiency, subject to the terms and conditions of the Funding Agreement. See “SECURITY FOR THE SERIES 2020 BONDS—Funding Agreement – Rate Stabilization Fund; Regional Connection Fees” for a discussion of these terms.

Parity Debt

The Authority has previously issued its Wastewater Revenue Bonds, Series 2017, currently outstanding in the aggregate principal amount of \$74,780,000 (the “Series 2017 Bonds”) pursuant to the Indenture. The Series 2020 Bonds will be secured by Authority Revenues on a parity with (i) the Series 2017 Bonds, and (ii) the sole remaining outstanding maturity of the Authority’s Wastewater Revenue Refunding Bonds, Series 2011C (the “Series 2011C Bonds”), outstanding in the amount of \$5,285,000 and maturing on November 1, 2020, which outstanding prior bonds are referred to collectively herein as “Parity Debt.” The Authority is also in the process of borrowing \$25 million from the Clean Water State Revolving Fund administered by the California State Water Resources Control Board, which, if approved and funded, will be secured by the Authority Revenues on parity with the Series 2020 Bonds. See “SECURITY FOR THE SERIES 2020 BONDS - Outstanding Parity Obligations.”

The Authority may issue or incur in the future additional series of bonds (all bonds issued under the Indenture are referred to collectively as the “Bonds”) under the Indenture or other parity debt instrument secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein. See “SECURITY FOR THE SERIES 2020 BONDS—Additional Parity Obligations.”

Continuing Disclosure

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series 2020 Bonds to provide certain financial information and operating data by not later than 270 days following the end of the Authority’s and each Participant’s Fiscal Year (presently June 30) (the “Annual Reports”), commencing with the report for the Fiscal Year ended June 30, 2020, and the Authority will covenant to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and notices of material events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX I – Forms of Continuing Disclosure Undertakings for the Series 2020 Bonds. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

Other Matters

This introduction contains only a brief summary of certain of the terms of the Series 2020 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

Additional Information

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

THE FINANCING PLAN

Refunding of Series 2013 Bonds

A portion of the proceeds of the Series 2020 Bonds will be used to redeem the Authority's outstanding Wastewater Revenue Refunding Bonds, Series 2013. The Series 2013 Bonds were issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2013 (the "2013 Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and sold to U.S. Bank National Association. Certain terms of bonds were amended in 2014 and 2016. The current interest rate varies weekly based on a LIBOR formula with a fixed spread which expires on April 1, 2020. All of the Series 2013 Bonds will be redeemed on the closing date for the Series 2020 Bonds, which is anticipated to occur on April 1, 2020.

In connection with the refunding of the Series 2013 Bonds, the Authority will make a termination payment under and pursuant to an interest rate swap transaction entered into under a Master Agreement, dated August 28, 2003 between the Authority and Morgan Stanley Capital Services Inc. (the "Counterparty"), as amended. The Authority will make this swap termination payment with funds on hand, and not use any proceeds of the Series 2020 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds for the Series 2020 Bonds are as follows:

Sources:

Par Amount

Plus Original Issue Premium

Total Sources

Uses:

Additional Deposit to Parity Reserve Fund

Refunding of Series 2013 Bonds⁽¹⁾

Costs of Issuance⁽²⁾

Total Uses

(1) To be deposited with the Trustee and used to refund all of the Series 2013 Bonds. See “–Refunding of Series 2013 Bonds” above.

(2) Includes legal, financial advisory, printing, rating, trustee and Authority fees, and underwriting discount.

THE SERIES 2020 BONDS

General

Interest accruing on the Series 2020 Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be paid on May 1 and November 1 of each year, commencing _____ 1, 2020 (each, an “Interest Payment Date”). Each Series 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2020 Bond, interest is then in default on the Outstanding Series 2020 Bonds, such Series 2020 Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series 2020 Bonds. Payment of interest on the Series 2020 Bonds due on or before the maturity or prior redemption of such Series 2020 Bonds shall be made to the person whose name appears on the bond registration books of the Trustee as the Owner thereof, as of the close of business on the applicable Record Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at such Owner’s address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Series 2020 Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

When issued, the Series 2020 Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). Beneficial owners of the Series 2020 Bonds will not receive physical certificates representing their interests in the Series 2020 Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal and interest on the Series 2020 Bonds will be paid by the Trustee to DTC, which will in turn remit

such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2020 Bonds as described herein. As long as Cede & Co. is the registered owner of the Series 2020 Bonds, principal and interest on the Series 2020 Bonds are payable by wire transfer on the payment date by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such amounts to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee of DTC, references herein to the registered owners mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2020 Bonds. See APPENDIX F – Book-Entry System.

Redemption

Optional Redemption. The Series 2020 Bonds maturing on or after _____ 1, _____ will be subject to redemption prior to maturity on or after _____ 1, _____, at the option of the Authority, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the Authority), at a Redemption Price equal to 100% of the principal amount of Series 2020 Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

Notice of Redemption. Each notice of redemption will be mailed by the Trustee, not less than 20 nor more than 30 days prior to the redemption date, to each Owner, the Securities Depository and the MSRB. Each such notice will also state that on said date there will become due and payable on each of said Series 2020 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2020 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2020 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. With respect to any notice of optional redemption of Series 2020 Bonds, conditional notice of optional redemption may be given at the direction of the Authority. Any such notice may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture. Failure by the Trustee to give notice to the Securities Depository or the MSRB or failure of any Owner to receive notice or any defect in any such notice will not affect the sufficiency of the proceedings for redemption.

Selection of Series 2020 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of a Series of Series 2020 Bonds, the Authority will select which maturities and in which amounts such Series 2020 Bonds will be redeemed. Whenever provision is made in the Indenture for the redemption of less than all of a maturity of Series 2020 Bonds, the Trustee will select the Series 2020 Bonds to be redeemed, from all Series 2020 Bonds of such Series and maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair.

Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, Series 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2020 Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the date fixed for redemption, interest on the Series 2020 Bonds so called for redemption will cease to accrue, said Series 2020 Bonds (or

portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2020 Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest. All Series 2020 Bonds redeemed pursuant to the provisions of this Article will be cancelled upon surrender thereof and destroyed.

Purchase of Series 2020 Bonds. In lieu of redemption of Series 2020 Bonds, amounts held by the Trustee for such redemption will, at the Request of the Authority received by the Trustee prior to the selection of Series 2020 Bonds for redemption, be applied by the Trustee to the purchase of Series 2020 Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such Series 2020 Bonds were redeemed. The aggregate principal amount of Series 2020 Bonds of the same Series and maturity purchased in lieu of redemption may not exceed the aggregate principal amount of Series 2020 Bonds of such Series and maturity that would otherwise be subject to such redemption.

DEBT SERVICE SCHEDULE

Estimated annual debt service on the Series 2020 Bonds and Parity Debt is presented below.

Fiscal Year Ending June 30	Series 2011C Bonds Debt Service	Series 2017 Bonds Debt Service	Series 2020 Bonds			Total Parity Debt Service ⁽¹⁾
			Principal	Interest	Debt Service	
2020	\$5,312,375	\$3,739,000				
2021	5,417,125	3,739,000				
2022	--	9,004,000				
2023	--	9,114,250				
2024	--	9,219,625				
2025	--	9,338,875				
2026	--	9,080,250				
2027	--	9,081,125				
2028	--	9,079,375				
2029	--	9,084,000				
2030	--	2,873,250				
2031	--	997,500				
2032	--	997,500				
2033	--	997,500				
2034	--	997,500				
2035	--	997,500				
2036	--	997,500				
2037	--	10,479,375				
2038	--	10,480,625				
Total:	\$10,729,500	\$110,297,750				

(1) Totals may not add due to rounding.

SECURITY FOR THE SERIES 2020 BONDS

Pledge of Authority Revenues

The Series 2020 Bonds are special limited obligations of the Authority payable solely from and secured solely by a pledge of Revenues under the Indenture (referred to herein, as the “Authority Revenues”). Under the Indenture, “Revenues” means, for any period of computation, (a) all amounts received by, or entitled to be received by, the Authority from the Participants under Section 7 of the Funding Agreement (but excluding Regional Connection Fees and amounts held in the Rate Stabilization Fund, unless and until said funds are deposited in the Interest Fund or the Principal Fund or a debt service fund established for payment of any Parity Debt), (b) amounts received under a Credit Facility, and (c) all receipts derived from the investment of funds held by the Trustee under this Indenture or any Parity Debt Instrument. See “–Funding Agreement” below for additional details on the Funding Agreement.

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners of the Series 2020 Bonds, the Series 2017 Bonds, the remaining Series 2011C Bonds, and any additional Parity Debt issued thereunder, the Authority Revenues which are required to be in an amount sufficient to pay the punctual payment of the principal of and premium, if any, and interest on the Series 2020 Bonds and any Parity Debt. The Authority Revenues are not permitted to be used for any other purpose while any of the Series 2020 Bonds or other Parity Debt remain Outstanding, except that out of the Authority Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture.

Funding Agreement

General. The purpose and intent of the Funding Agreement is (1) to provide for the general allocation of Capital Costs among the Participants, (2) to provide for the allocation of the Participants’ individual financial responsibility for the payment of Debt Service, (3) to provide for the Participants’ use of the wastewater treatment capacity provided by the construction of Regional Wastewater Facilities and (4) to provide assurance to the purchasers of the Series 2020 Bonds and any Parity Bonds regarding the availability of Participant Net Revenues for the payment of Debt Service. Certain of the provisions of the Funding Agreement are described below. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents – Funding Agreement for a summary of other provisions of the Funding Agreement.

Under the Funding Agreement, each Participant has an obligation to pay its respective Proportionate Share of Debt Service. The Participants’ Proportionate Shares of Debt Service are currently 64.57% for the City, 21.95% for SPMUD, and 13.48% for Placer County, but are subject to reallocation over time as outlined in the Funding Agreement. The Rate Stabilization Fund is held as one fund, with three separate accounts therein (one for each Participant). Regional Connection Fees collected by each of the Participants are deposited into their respective accounts within the Rate Stabilization Fund. Each Participant’s Proportionate Share of Debt Service is payable from the following sources in the following order of priority: (i) such Participant’s account within the Rate Stabilization Fund; (ii) other Participants’ accounts in the Rate Stabilization Fund, so long as a draw from the aggregate balance of the Rate Stabilization Fund to pay Debt Service would not cause the aggregate balance in the Rate Stabilization Fund to fall below the lesser of: (a) Debt Service due in the two Fiscal Years occurring immediately after the draw is made, and (b) the amount required to redeem or retire all Bonds (the “Minimum Level”); and (iii) one or more Participants’ Participant Net Revenues, if the aggregate balance in the Rate Stabilization Fund would fall below the Minimum Level due to a draw to pay Debt Service. Except for payments from

the Rate Stabilization Fund as described in the preceding sentence, no Participant has any obligation respecting the payment of any other Participant's Proportionate Share of Debt Service. Regional Connection Fees collected by the Participants in recent years (prior to the January 2019 amendment of the Funding Agreement) have not generally corresponded to Participant's Proportionate Share of Debt Service of the Participants, and in Placer County's case, collection of Regional Connection Fees has been significantly less than its Proportionate Share of Debt Service. As of June 30, 2019, Roseville, SPMUD and Placer County had on deposit, respectively, \$67,218,265, and \$57,855,027 in such Participant's respective account within the Rate Stabilization Fund, for a total balance in the Rate Stabilization Fund of \$2,070,507, versus the Minimum Level at June 30, 2019 of approximately \$_____.

Amendments to the Funding Agreement. Amendments and supplements to the Funding Agreement can be made in accordance with its terms and the terms of the Indenture, and the agreement was amended in 2012 and 2019. The primary purpose of the 2012 amendment was to reallocate proportionate shares and in connection with that amendment the Participants entered into a Reallocation and Repayment Agreement in order to address a Placer County deficit balance in the Rate Stabilization Fund. Pursuant to the Funding Agreement and the Reallocation Agreement, each Participant's respective capacity and Proportionate Shares of Debt Service were reallocated to reduce Placer County's obligations to the other Participants, and in turn Placer County agreed to make additional deposits to the Rate Stabilization Fund beyond deposits of Placer County Regional Connection Fees and to continue making such deposits until its subaccount in the Rate Stabilization Fund had a positive balance, at which time the Reallocation Agreement would expire. Placer County's subaccount in the Rate Stabilization Fund now has a positive balance and the Reallocation Agreement has expired under its terms. The 2019 amendment to the Funding Agreement likewise adjusted Participant allocations and added a provision providing that any Participant that enters a Rate Stabilization Fund deficit due to addition of fewer EDUs than what that Participant had projected in any fiscal year shall contribute an amount equal to that Participant's deficit to the Rate Stabilization Fund at the end of that fiscal year to alleviate the Rate Stabilization Fund deficit. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

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

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

before such Interest Payment Date, make a payment directly to the Trustee for deposit to the Debt Service Fund from its Participant Net Revenues or other funds to make up such deficiency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Regional Wastewater Facilities. Pursuant to the provisions of the Funding Agreement, Regional Connection Fees and other amounts in the Rate Stabilization Fund may also be used by the Authority to fund other expansions or modifications of, or improvements to, the Regional Wastewater Facilities, subject to the prior written approval of the Authority; provided, however, that at the time a decision is made to so use Regional Connection Fees, the Authority will reasonably determine the amounts to be withdrawn from each Participant's account within the Rate Stabilization Fund so as to give effect to the principle that the Participants' respective contributions to Capital Costs should be proportional to their usage of the wastewater treatment capacity made available by the construction of such Regional Wastewater Facilities.

[[[Notwithstanding the foregoing, and subject to the availability of funds from the Authority, when the average daily inflows to the Dry Creek Plant or Pleasant Grove Plant reach 75% of actual total capacity of either plant, respectively, Roseville will begin the planning and design of the next expansion of the Pleasant Grove Plant or Dry Creek Plant, or the construction of new Regional Wastewater Facilities, as appropriate. While the 75% threshold of either plant has not been reached, the plants are experiencing higher organic loading rates than expected which has prompted the Authority to commence design work for the next expansion of the Pleasant Grove Plant ahead of the 75% requirement, and the Authority anticipates using a portion of the proceeds of the Series 2020 Bonds and amounts on deposit in the Rate Stabilization Fund (along with other sources) to pay for the costs of expanding the Pleasant Grove Plant. See "FINANCIAL OPERATIONS – Capital Costs" for the Authority's 5-year capital improvement program.]]]

Flow of Funds Under the Indenture

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

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

Principal Fund; Sinking Accounts. The Authority will transfer to the Trustee and the Trustee will set aside in the Principal Fund on or before the second Business Day prior to each principal or Sinking Fund Installment date therefor an amount equal to the amount of Principal Payments coming due and payable on the Outstanding Bonds. Amounts deposited in order to pay Sinking Fund Installments will be deposited into the respective Sinking Accounts for the Term Bonds established within the Principal Fund. Notwithstanding the foregoing, if the Authority certifies to the Trustee that any Principal Payments are expected to be refunded on or prior to their respective due dates or paid from excess amounts on deposit in the Parity Reserve Fund or other bond reserve fund, no amounts need be set aside towards such principal to be so refunded or paid. All of the deposits with respect to Sinking Fund Installments will be made without priority of any payment into any one Sinking Account over any other Sinking Account.

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

Parity Reserve Fund

A Parity Reserve Fund has been established under the Indenture and is funded with cash in an amount equal to the "Reserve Requirement," which is defined in the Indenture to mean, as to the Bonds secured by the Parity Reserve Fund as of the date of calculation, an amount equal to (a) the least of (i) the Maximum Annual Debt Service on the Outstanding Bonds, (ii) 10% of the proceeds of the Bonds, (iii) 125% of the average annual Debt Service on Outstanding Bonds. In no event will the Authority, in connection with the issuance of any Parity Debt, be obligated to deposit an amount in the Parity Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Internal Revenue Code to be so deposited from the proceeds of tax-

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

Upon issuance of the Series 2020 Bonds the Reserve Requirement is \$ _____ and the Parity Reserve Fund will secure the final maturity of the 2011C Bonds, the Series 2017 Bonds, and the Series 2020 Bonds.

An amount equal to the Reserve Requirement in the form of either (i) cash or Permitted Investments or a (ii) Reserve Fund Credit Instrument under the Indenture, for the account of the Parity Reserve Fund, will be maintained in the Parity Reserve Fund at all times. Any deficiency in the Parity Reserve Fund will be replenished from: (1) amounts paid by the Authority to the Trustee resulting from a late payment by a Participant under the Funding Agreement; and (2) amounts paid by the Authority to the Trustee from payments made by the Participants under the Funding Agreement as a result of a deficiency in the Parity Reserve Fund caused by investment losses on Permitted Investments held in the Parity Reserve Fund.

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

For additional details regarding the Parity Reserve Fund, see APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents.

Outstanding Parity Obligations

Upon delivery of the Series 2020 Bonds, the Series 2020 Bonds will be secured on parity with the final maturity of the 2011C Bonds and the outstanding Series 2017 Bonds. In addition to the Series 2020 Bonds, the Authority may, under a Supplemental Indenture, issue or incur additional bonds and other debt payable from Authority Revenues. See “–Additional Bonds and Parity Debt” below for the conditions pursuant to which additional Bonds may be issued under the Indenture or additional Parity Debt may be issued under a Parity Debt Instrument other than the Indenture.

The estimated construction cost of the Pleasant Grove Plant improvements project is \$80 million, and is anticipated to be funded approximately as follows: (i) \$25 million from cash reserves in the Rate Stabilization Fund, (ii) \$25 million from the Clean Water State Revolving Fund administered by the California State Water Resources Control Board, expected to be received in the second quarter of 2020 and secured by the Authority Revenues on a parity with the Series 2020 Bonds and (iii) \$30 million from proceeds of the Series 2017 Bonds. If the state revolving fund loans, as described above, cannot be secured, the Authority anticipates replacing this funding source by using additional cash from the Rate Stabilization Fund and/or issuing additional Parity Debt. The state revolving fund loan described above that is anticipated to be entered into by the Authority to finance a portion of the improvements contemplated as part of the plant expansion is anticipated to be incurred on a parity with the Series 2020 Bonds.

Additional Bonds and Parity Debt

Additional Bonds. Issuance of additional Bonds on a parity with the Series 2020 Bonds is subject to the following conditions under the Indenture:

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

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

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

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

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

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

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

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

In addition, the Parity Debt Instrument providing for the issuance of such Parity Debt under the Indenture will provide that the proceeds of such Parity Debt will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Enterprise, or otherwise for facilities, improvements or property which the Authority determines are of benefit to the Enterprise, or for the purpose of refunding any Parity Debt in whole or in part, including all costs (including costs of issuing such Parity Debt and including capitalized interest on such Parity Debt during any period which the Authority deems necessary or advisable) relating thereto.

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

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

SOUTH PLACER WASTEWATER AUTHORITY

General

The Authority was created pursuant to a Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, effective October 1, 2000, which has been amended and restated, most recently pursuant to a Second Amended and Restated Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, dated as of January 31, 2019 (the “Joint Powers Agreement” or the “JPA”) among the Participants. The JPA was entered into pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Joint Exercise of Powers Act”). The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities. Subsequent amendments and supplements to the JPA can be made in accordance with the terms of the Indenture. In addition, no Participant is permitted to withdraw from the Authority until all bonds or other instruments of indebtedness issued by the Authority have been paid in full.

The Participants

The Authority’s Participants consist of the City, SPMUD and Placer County. Pursuant to the Funding Agreement (see “SECURITY FOR THE SERIES 2020 BONDS—Funding Agreement”) and the Operations Agreement, each of the Participants agrees to collect and forward to the Authority, its Regional Connection Fees, as well as its share of Regional Operation and Maintenance Costs. For information relating to Roseville, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit. For information relating to SPMUD, see APPENDIX C-1 – Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit. For information relating to Placer County, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer’s Wastewater Entities.

Governance and Management

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

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

THE REGIONAL WASTEWATER SYSTEM

Service Area

The Authority's service area consists of the wastewater service areas of the City, SPMUD and certain areas of Placer County, which, in aggregate, encompasses approximately 77 square miles, a population of approximately 248,080 and approximately _____ EDUs (as of January 1, 2020). The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant and related regional conveyance systems and any other regional treatment facilities constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively for all of the Participants. Refer to the appendices to this Official Statement for more specific information on the service areas for each of the Participants.

Wastewater Generation and Treatment Requirements

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

Existing Wastewater Treatment Flow. The Dry Creek Plant has a rated capacity of 18 mgd under average dry weather flow ("ADWF") conditions. The available capacity is adequate to meet the treatment need for anticipated wastewater generation during the next 15 years. The existing Dry Creek Plant facilities and operations provide the City with the capability of meeting the requirements of the plant's NPDES permit. There have been no significant compliance issues with respect to permits or regulations.

The Pleasant Grove Plant has a rated capacity of 12 mgd under ADWF conditions. Other than an expansion project to increase treatment capacity that is currently underway, no significant plant modifications are anticipated to be needed in order to maintain compliance with respect to permits and regulations. The expansion work is expected to be complete within 3 years.

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

The current ADWF is 16.4 mgd and the projected buildout ADWF is 27.4 mgd.

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

The table below provides a breakdown of current and projected EDUs from 2018 through 2050 for each Participant.

Participant	Current EDUs (As of January 1, 2018)	Projected EDUs (through 2050)
Roseville	74,280	91,000
Placer County	10,547	33,979
SPMUD	<u>32,825</u>	<u>43,080</u>
Total	119,821	168,059

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

Existing Wastewater Facilities and Effluent Requirements. All wastewater from the Authority’s service area is currently conveyed to and treated at either the Dry Creek Plant or the Pleasant Grove Plant. Both plants were designed to produce an effluent that allows unrestricted reuse of the effluent. The California Regional Water Quality Control Board, Central Valley Region (Regional Board), adopted separate Waste Discharge Requirements (discharge permit) for each plant that were effective on August 1, 2019. The discharge permits are authorized under the National Pollutant Discharge Elimination System NPDES, and are in effect for at least a 5-year period, or until the California Regional Water Quality Control Board renews the NPDES permit. Effluent from the Dry Creek Plant is discharged into Dry Creek and effluent from the Pleasant Grove Plant is discharged into the Pleasant Grove Creek. The Dry Creek and Pleasant Grove Plants discharge permits allow up to 18 and 12 mgd of effluent, respectively. Prior to buildout, the Authority expects to expand the Pleasant Grove and Dry Creek Plants to ultimate capacities of 24 mgd and 21 MGD. When needed, future discharge permits will reflect the expanded capacity.

In general, the NPDES permits for both plants require all wastewater to be treated to “tertiary effluent limitations” which, in Roseville’s case, are analogous to the requirements described in the California Code of Regulations, Title 22. Title 22 contains criteria for the reuse or reclamation of wastewater as an alternative to discharging to a receiving stream. In the case of the Pleasant Grove Plant, since Pleasant Grove Creek is an ephemeral stream at times providing little or no dilution to wastewater effluent discharged from the Pleasant Grove Plant, all effluent must meet the Title 22 limitations in order to protect the beneficial uses of contact recreation and irrigation in the creek. Title 22 requires that wastewater treated for unrestricted reclamation use must be oxidized, coagulated, filtered, and disinfected, or receive equivalent treatment. Although Dry Creek has year round flow, it does not provide sufficient flow to provide significant dilution of the Dry Creek Plant’s discharge. Therefore, the Dry Creek Plant also is required to meet Title 22 water quality criteria. The NPDES permits for both plants contain limitations on ammonia, nitrate, metals, and organic constituents. To date, the Dry Creek Plant and the Pleasant Grove Plant have demonstrated exceptional patterns of compliance with treatment requirements.

Additional Wastewater Facilities and Available Capacity

General. Depending on future demand, the Authority may expand capacity at either the Pleasant Grove Plant or the Dry Creek Plant, or both, to meet the needs of its service area. The Authority may finance such expansion with one or more Authority Parity Debt issues. Presently, the total rated wastewater treatment capacity in the Authority’s system is 30 mgd – 18 mgd at the Dry Creek Plant and 12 mgd at the Pleasant Grove Plant. Presently, the approximate combined daily treatment demands of the system were 16.4 million gallons and the remaining available

hydraulic capacity of the system is 13.5 mgd. Both treatment plants in the Authority's system can be expanded to accommodate additional demands resulting from growth throughout the service area.

Expansion of Pleasant Grove Plant. Growth estimates in the Authority's service area indicate that future treatment demands are approximately 27.4 mgd. Although this is below the total rated wastewater treatment capacity of the system, growth in the Pleasant Grove Plant collection area is expected to exceed that plant's rated treatment capacity by 2025. The plant's current treatment capacity is lower than its hydraulic capacity and is presently 9.5 mgd. As a result, the Pleasant Grove Plant expansion effort is now underway. Following completion of the expansion project, total rated treatment capacity of the Pleasant Grove Plant will be 12 mgd (consistent with the plant's current hydraulic capacity of 12 mgd), which is expected to accommodate growth in the Authority's service area through 2035. Growth in the Dry Creek Plant collection area is not expected to exceed its rated capacity in the next ten years. See "–Service Area" above.

[Details to come on completion dates, funding status (SRF Loans), permits.]

Operations

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

Insurance

The insurance needs of the [City's Wastewater Utility] are handled by the Risk Management Division of the City's Human Resources Department. The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the applicable limits described below. General liability claims are covered up to \$40,000,000 with a self-insured retention or deductible of \$500,000. For the City's Fiscal Year ended June 30, 2019, the City's premium was \$1,008,371. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage and Boiler and machinery is covered up to \$100,000,000 with a self-insured retention or deductible of \$250,000. For the City's Fiscal Year ended June 30, 2019, the City's premium was \$528,646 (coverage limit of \$375,000,000). Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property, which coverage has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the City's Fiscal Year ended June 30, 2019, the City's premium for coverage was \$658,399 The City's insurance covers the Regional Wastewater Facilities.

FINANCIAL OPERATIONS

Capital Costs

As of January 1, 2020, the Authority has funded the construction or acquisition of more than \$260 million of capital projects since October 2000, when the Authority was formed. For Fiscal Year 2019-20, the Authority anticipates the expenditure of approximately \$10.0 million, including for design and construction costs related to the Pleasant Grove Plant expansion. The remaining \$9.9 million shown for Fiscal Year 2019-20 in the table below is for rehabilitation project costs expected to be funded by the Participants from user rates, not from amounts in the Rate Stabilization Fund.

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

South Placer Wastewater Authority 5-Year Capital Improvement Program

Project Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Expansion Projects (Connection Fee Funding)						
Pleasant Grove WWTP Expansion	\$16,000,000	41,000,000	\$43,000,000	\$10,000,000	\$	\$110,000,000
Rehabilitation Projects (User Charge (Rate) Funding)						
Dry Creek WWTP - Digester 1 Roof Rehabilitation	-	-	-	2,000,000	-	2,000,000
Dry Creek WWTP - Tertiary Filter Rehabilitation	-	-	-	-	765,000	765,000
Dry Creek WWTP - Nitrate Removal Project (TSO)	785,000	-	-	-	-	785,000
Dry Creek WWTP - Cogeneration Project	1,365,000	-	1,100,000	-	-	1,365,000
Dry Creek WWTP - Square D PLC Replacement	-	546,650	-	-	-	1,646,650
Dry Creek WWTP - Influent 66-inch Repair	-	815,000	-	-	-	815,000
Pleasant Grove WWTP - Chemical Tank Replacements	150,000	-	-	-	-	150,000
Pleasant Grove WWTP - VFD Replacement Project	-	320,000	-	-	-	320,000
Pleasant Grove & Dry Creek WWTPs - Secondary Clarifier Coating Project	-	-	-	340,000	340,000	680,000
Pleasant Grove & Dry Creek WWTPs - SCADA Project	534,000	-	150,000	-	-	534,000
WWC - Regional Interceptors Condition Assessment and Cleaning	-	150,000	-	-	-	300,000
WWC - Regional Wastewater Lift Station #2	-	-	-	375,000	-	375,000
Technology - Historical Data Repository (HDR)	60,000	50,000	-	-	-	110,000
Total	18,894,000	42,881,650	44,250,000	12,715,000	1,105,000	119,845,650
Shared Costs⁽¹⁾						
Roseville	12,148,842	27,572,901	28,452,750	8,175,745	710,515	77,060,753
SPMUD	4,604,468	10,450,258	10,783,725	3,098,646	269,289	29,206,384
Placer County	2,140,690	4,858,491	5,013,525	1,440,610	125,197	13,578,512

(1) Based on each Participant's Proportionate Share.
Source: The Authority

Operations and Maintenance Costs

The Operations Agreement among the Participants provides that each Participant’s responsibility for Regional Operation and Maintenance Costs for the Regional Wastewater Facilities is based upon its Proportional Volumetric Share (defined as the proportion of total yearly wastewater volume entering the Regional Wastewater Facilities that is attributable to such Participant). For Fiscal Year 2018-19, the Participants contributed the following amounts under the Operations Agreement to fund Regional Operation and Maintenance Costs:

**South Placer Wastewater Authority
Participant Contributions to Fund Regional Operation and Maintenance Costs
Fiscal Year 2018-19**

<u>Participant</u>	<u>Contribution</u>
Roseville	\$9,015,258
SPMUD	5,289,129
Placer County	<u>565,834</u>
Total	<u>\$14,870,222</u>

Source: City of Roseville

Certain administrative costs incurred by the City on behalf of the Authority are payable directly from the Rate Stabilization Fund. In Fiscal Year 2018-19 these administrative costs totaled \$120,557; for Fiscal Year 2019-20, the administrative costs are estimated to total approximately \$120,163.

Certain Financial Data Relating to the Authority

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

**South Placer Wastewater Authority
Rate Stabilization Fund Allocations
At Fiscal Years Ended June 30, 2015 through June 30, 2019**

<u>Participant</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019⁽¹⁾</u>
Roseville	\$66,300,850	\$67,117,334	\$72,703,913	\$73,410,965	\$67,218,265
SPMUD	41,541,091	44,931,137	50,257,037	52,184,690	57,855,027
Placer County	<u>(2,034,706)</u>	<u>(1,750,714)</u>	<u>(901,620)</u>	<u>(4,602,352)</u>	<u>2,070,507</u>
Total	<u>\$105,807,235</u>	<u>\$110,297,757</u>	<u>\$120,308,616</u>	<u>\$120,993,303</u>	<u>\$127,143,799</u>

⁽¹⁾ In January 2019, the Authority entered into a second amended and restated funding agreement, which realigned the rate stabilization fund allocations to be more in line with historical development within each of the Participant’s service areas.

Source: The Authority

See “SECURITY FOR THE SERIES 2020 BONDS – Funding Agreement” herein for a discussion of debt service and other capital costs paid under the Funding Agreement.

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

**South Placer Wastewater Authority
Regional Connection Fees Received
Fiscal Years 2016-17 through 2018-19**

<u>Participant</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Roseville	\$13,234,296	\$11,557,556	\$9,015,259
SPMUD	7,797,012	5,512,844	5,289,129
Placer County	830,515	689,400	565,834
Total	\$21,861,823	\$17,759,800	\$14,870,222
Percentage of Debt Service	226%	121%⁽²⁾	149%

(1)

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

(2) During the 2017-18 fiscal year, the Authority made a \$5,159,000 payment to Morgan Stanley to partially eliminate its outstanding interest rate swap. That payment is included in this calculation.

Source: The Authority

The Authority's service area continues to experience high levels of development, which has kept Regional Connection Fee Revenue high compared to the most recent economic recession. For fiscal year 2018-19 the Authority collected \$14,870,222 in Regional Connection Fees. The City anticipates that while growth within the Authority's service area continues, annual collections of Regional Connection Fees will be sufficient to maintain a stable or growing balance in the Rate Stabilization Fund after deducting amounts for debt service payments and allocated administrative expenses. Under certain circumstances, it is possible the balance in the Rate Stabilization Fund could fall below the Minimum Level set in the Funding Agreement, and all or a portion of debt service would have to be funded from Participant Net Revenues. See "SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement."

Investment Policy

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

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

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

Historical Financial Data

Financial Statements. The table below presents summaries of financial data relating to the Authority's Rate Stabilization Fund for the Fiscal Years ended June 30, 2015 through 2019. This data is extracted from the Authority's Annual Financial Reports for such years. The Authority's Annual Financial Report is currently audited by Eide Bailly LLP, Sacramento, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the Authority. The reports include certain notes to the financial statements that may not be fully described below. Such notes constitute an integral part of the audited financial statements. See APPENDIX A –South Placer Wastewater Authority Audit.

South Placer Wastewater Authority Summary of Rate Stabilization Fund Results Fiscal Years Ended June 30, 2015 through 2019

	2014-15	2015-16	2016-17	2017-18 ⁽²⁾	2018-19
Beginning Balance:	\$99,053,879	\$105,807,235	\$110,297,757	\$117,774,586	\$120,993,303
Contributions:					
Reallocation Agr. Payments ⁽¹⁾	500,000	843,338	500,000	500,000	250,000
Reimbursement Costs	142,995	105,113	--	--	--
Regional Connection Fees	15,156,521	13,076,690	21,861,823	17,759,800	14,870,222
Interest Allocation	<u>792,462</u>	<u>1,022,077</u>	<u>1,504,112</u>	<u>1,762,800</u>	<u>2,170,075</u>
Total Contributions	16,591,978	15,047,218	23,865,935	20,022,600	17,290,297
Withdrawals:					
Capital Construction Costs	430,094	1,197,482	4,009,381	1,986,387	1,033,533
Debt Service	9,253,778	9,190,813	9,665,678	14,673,789	9,985,711
Administrative Costs	<u>154,750</u>	<u>168,401</u>	<u>180,017</u>	<u>143,134</u>	<u>120,557</u>
Total Withdrawals	9,838,622	10,556,696	13,855,076	16,803,310	11,139,801
Increase (Decrease) in Balance	6,753,356	4,490,522	10,010,859	3,219,290	6,150,496
Ending Balance	\$105,807,235	\$110,297,757	\$120,308,616	\$120,993,303	\$127,143,799

(1) Payments made by the County pursuant to the Reallocation Agreement. See "SECURITY FOR SERIES 2020 BONDS – Funding Agreement – Reallocation Agreement" for additional details.

(2) The beginning balance of the rate stabilization fund of the Authority was restated as of July 1, 2017.

Source: *The Authority.*

As noted above, the Proportionate Shares were reallocated as of January 2019, defined in the Second Amended and Restated Funding Agreement as follows: Roseville – 64.57%, South Placer Municipal Utility District – 21.95% and Placer County – 13.48%. See "SECURITY FOR THE SERIES 2017 BONDS – Funding Agreement."

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

THE PARTICIPANTS

The Participants consist of Roseville, SPMUD and Placer County. Pursuant to the Funding Agreement (see "SECURITY FOR THE SERIES 2020 BONDS—Funding Agreement") and the Operations Agreement, each of the Participants agrees to collect and forward to the Authority, its Regional Connection Fees, as well as its share of Regional Operation and Maintenance Costs. For information relating to Roseville, see APPENDIX B-1 – Information Concerning the City of Roseville Wastewater Utility and APPENDIX B-2 – Excerpted Portions of the City of Roseville Audit. For information relating to SPMUD, see APPENDIX C-1 – Information Concerning the South Placer Municipal Utility District and APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit. For information relating to Placer County, see APPENDIX D-1 – Information Concerning the Provision of Wastewater Collection Service to Certain Areas Within the County of Placer and APPENDIX D-2 – Financial Information Concerning Certain of the County of Placer's Wastewater Entities.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2020 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Series 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Series 2020 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Series 2020 Bonds and Parity Debt. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

General

The payment of principal of and interest on the Series 2020 Bonds is secured solely by a pledge of the Authority Revenues and certain funds under the Indenture. The realization of the Authority Revenues is subject to, among other things, the capabilities of management of the Participants, the ability of the Participants to provide wastewater services to their users, and the ability of the Participants to establish and maintain wastewater fees and charges sufficient to provide the required debt service coverage as well as pay for Participant Operation and Maintenance Costs and Regional Operation and Maintenance Costs.

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

Earthquakes, Floods and Other Natural Disasters; Climate Change

General. The financial stability of the Authority and the Participants may be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and the continued use of such improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts, tornadoes and climate changes). Although the Authority's facilities are not in a high-risk area for landslides, floods, wildfires or tornadoes, natural disasters such as these are unpredictable and may occur anywhere throughout the State, with serious consequences. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant impacts on the revenues of the Participants and could interrupt operation of public facilities and cause increased costs and thereby interrupt the ability of the Participants to realize Participant Net Revenues sufficient to pay their Proportionate Share of Debt Service to the Authority. The Participants are not obligated under the Funding Agreement to have earthquake or flood insurance.

Droughts. From time to time, areas of the State have experienced significant drought conditions that resulted in severe impacts to water supplies. The Authority cannot predict if and when drought conditions may return or what effect drought conditions may have on development in the Authority's service area .

Climate Change. There may be negative impacts resulting from climate change in the service area of the Authority. The State of California's Fourth Climate Change Assessment, released in 2017 estimates that impacts will include drier winters, hotter temperatures and other impacts. Local impacts of climate change are not definitive, but the Authority's service area could experience changes to local and regional weather patterns; increased risk of flooding; water restrictions; and vegetation changes. These changes could adversely impact revenues available to the Authority to pay debt service.

Permits and Regulation

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

Environmental Regulation

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

Dependence of Connection Fee Revenue on Development

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

While each of the Participants projects that connection fee revenues will allow the Rate Stabilization Fund to be maintained at a level sufficient to fund annual Debt Service on the Series 2020 Bonds and any Parity Debt, wastewater service charges are the ultimate financial support for the payment of each Participant's Proportionate Share of Debt Service. See "SECURITY FOR THE SERIES 2020 BONDS – Funding Agreement." In general, the Participants agree annually to set rates for wastewater service charges at a level which will generate revenues sufficient to cover Debt Service on the Series 2020 Bonds and Parity Debt that is not covered by amounts transferred from the Rate Stabilization Fund. See "SECURITY FOR THE SERIES 2020 BONDS – Funding Agreement – Rate Covenant."

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

The installation of the necessary infrastructure improvements and the construction of the proposed development are subject to the receipt of ministerial and discretionary approvals from a number of public agencies concerning the layout and design of the proposed development, the nature and extent of the improvements, land use, health and safety requirements and other matters. Moreover, land development operations may be adversely affected by future

governmental policies, including, but not limited to, governmental policies to restrict or control development.

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

In the past, a number of communities in California, including Roseville, have had initiative measures placed on the ballot intended to control the rate of future development. Any such initiatives relating to the Participants, including one for Roseville in 1996, have failed to pass. It is possible that future initiatives could be enacted, could become applicable to certain proposed development and could negatively impact the ability of developers to complete land development within Placer County. The application of future land use regulations to land development could cause significant delays and cost increases in the completion of development.

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

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX G – Summary of Certain Provisions of the Principal Legal Documents, for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Participants, including but not limited to the Rate Stabilization Fund, could have a material adverse effect on the security of the Series 2020 Bonds.

Cyber Security

The Authority is managed by the City of Roseville. The City, like many other large public and private entities, relies on a technology to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Systems Technology of the Authority for the purposes of misappropriating assets or information or causing operational disruption and damage.

Articles XIII C and XIII D of the California Constitution

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

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

- "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

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

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

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

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

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

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

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

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

bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

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

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

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

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

Under the *Bighorn* case, voters of a Participant jurisdiction could adopt an initiative measure that reduces or repeals such Participant's wastewater rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds.

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

No assurance may be given that Article XIIC and Article XIID would not have a material adverse impact on the Authority's Revenues. See "SECURITY FOR THE SERIES 2020 BONDS."

Limitations on Remedies and Bankruptcy

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

In addition to the limitations on Bond owner remedies contained in the Indenture, the rights and obligations under the Series 2020 Bonds, the Indenture and the Funding Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy,

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

The opinion of Bond Counsel (attached as APPENDIX H) notes that the rights of the owners of the Series 2020 Bonds and the enforceability of the Series 2020 Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

CONTINUING DISCLOSURE

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series 2020 Bonds to provide certain financial information and operating data by not later than 270 days following the end of the Authority's and each Participant's Fiscal Year (presently June 30) (the "Annual Reports"), commencing with the report for Fiscal Year ended June 30, 20____, and the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed with the MSRB. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX I – Forms of Continuing Disclosure Undertakings for the Series 2020 Bonds. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Each of the Authority, the City, SPMUD and the County have, in the past five years, failed in certain respects to comply with their respective prior continuing disclosure obligations. Additional details follow.

[[[Authority: to come]]]

[[[City: The City's proportionate share of annual debt service amounts were misstated in the annual reports for Fiscal Years 2011-12 through 2015-16 and Participant Local Operation and Maintenance costs and Regional Operation and Maintenance costs were misstated in the Annual reports for Fiscal Year 2015-16. Corrective filings have been posted to EMMA with the correct proportionate share of debt service amounts for all such Fiscal Years.]]]]

[[[SPMUD: SPMUD failed to timely file annual reports and audited financial statements for Fiscal Years 2014-15, and 2015-16. Such annual reports and audited financial statements have been posted in corrective filings to EMMA. Further, SPMUD's annual proportionate share of debt service amounts were misstated in the annual report for and 2015-16. SPMUD has since

posted to EMMA corrective filings with the correct proportionate share of debt service amounts for all such Fiscal Year]]]]

[[[County: The County failed to timely file annual reports and audited financial statements for Fiscal Year 2015-16. Such annual reports and audited financial statements have been posted in corrective filings to EMMA.]]]]

To help ensure compliance going forward with each entity's respective continuing disclosure obligations with respect to its bonds, the Authority, the City, SPMUD, and the County have each established internal procedures, and engaged Applied Best Practices, LLC, as Dissemination Agent to assist with the preparation and filing of continuing disclosure reports.

LITIGATION

To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority (i) affecting the existence of the Authority or the titles of its officers to their respective offices, or (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2020 Bonds, or (iii) contesting or affecting, as to the Authority, the validity or enforceability of the Series 2020 Bonds, the Funding Agreement, the Operations Agreement or the Indenture, or (iv) contesting the powers of the Authority to enter into, adopt or perform its obligations under any of the foregoing, or (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the operations or finances of the Authority.

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

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (as amended, the "Code") that must be satisfied subsequent to the issuance of the Series 2020 Bonds. The Authority has covenanted to comply with each such requirement. Failure to comply with certain

of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2020 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2020 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2020 Bonds who purchase the Series 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2020 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series 2020 Bond (said term being the shorter of the Series 2020 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2020 Bond is amortized each year over the term to maturity of the Series 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series 2020 Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2020 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2020 Bonds is exempt from California personal income taxes.

Owners of the Series 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series 2020 Bonds other than as expressly described above.

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

APPROVAL OF LEGALITY

The issuance of the Series 2020 Bonds is subject to the approving opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, with respect to validity and tax exemption. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel the Authority. Certain legal matters will be passed upon for the Authority by Sloan Sakai Yeung & Wong LLP, Sacramento, California, for the Participants by their respective counsels and for the Underwriter by Orrick, Herrington & Sutcliffe LLP.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned ratings of "_____" and "_____" respectively, to the Series 2020 Bonds. Certain information was supplied by the Authority and the Participants to such rating agencies to be considered in evaluating the Series 2020 Bonds. The ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participant's outstanding obligations may be obtained only from the rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; and S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or either of them, if in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2020 Bonds.

MUNICIPAL ADVISOR

Hilltop Securities Inc., serves as municipal advisor with respect to the issuance of the Series 2020 Bonds. Hilltop Securities Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

PROFESSIONAL SERVICES

In connection with the issuance of the Series 2020 Bonds, all or a portion of the fees payable to Bond Counsel and Disclosure Counsel, the Underwriter, Underwriter's Counsel, the municipal advisor and the Trustee are contingent upon the issuance and delivery of the Series 2020 Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2020 Bonds at a price of \$_____ (representing \$_____ aggregate principal amount of the Series 2020 Bonds, plus original issue premium of \$_____, less \$_____ of Underwriter's discount). The Purchase Contract provides that the Underwriter will purchase all the Series 2020 Bonds if any are purchased.

Morgan Stanley & Co. LLC, the Underwriter of the Series 2020 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020 Bonds.

EXECUTION AND DELIVERY

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

SOUTH PLACER WASTEWATER AUTHORITY

By: _____
Dennis Kauffman
Treasurer

APPENDIX A
SOUTH PLACER WASTEWATER AUTHORITY AUDIT

APPENDIX B-1

INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY

General

The City of Roseville (“Roseville” or the “City”) is located in California’s Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 140,458 as of January 1, 2020, is the largest city in Placer County (“Placer County” or the “County”) as well as the residential and industrial center of the County.

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

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

Wastewater Utility

The City started developing its own wastewater collection and treatment system (the “City’s Wastewater Utility”) shortly after its incorporation as a city on April 10, 1909. Currently, the City’s Wastewater Utility provides sewer service to 71,550 EDUs as of June 30, 2019. The Wastewater Fund, a separate enterprise fund of the City, accounts for the operations of the City’s Wastewater Utility. See “–Financial Information” below.

Governance and Management

In 2019, The Roseville City Council voted to move from a long standing “at-large” voting system to a “district-based” voting system. Roseville has a long history of addressing issues proactively and this change was motivated from recent activity throughout the state of California related to lawsuits involving the California Voter Rights Act. To date, no public agency that has fought to remain in an at-large voting system has won a legal challenge brought as a result of this legislation costing millions in legal fees. Given the lack of viable alternatives, the Roseville City Council elected to shift from the at-large voting system to a five district system with one council member elected to represent each district. At this time, details including the procedure for selection of future mayors are still being developed. The first election using district-based system will be held in November 2020.

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

RICHARD PLECKER, Director of Environmental Utilities. Mr. Plecker, as Director of Environmental Utilities, is responsible for the City’s Wastewater, water and solid waste utilities and reports to the Assistant City Manager of the City. He has served the City in this capacity

since January 2015. Prior to his current position, Mr. Plecker held senior management positions with a global engineering firm. Prior to his consulting work, Mr. Plecker served as a general manager, public works director and city engineer for several public agencies in northern California. Mr. Plecker is a registered civil engineer in the State of California and has a B.S. in Civil Engineering from the University of Alaska.

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

DENNIS KAUFFMAN, Assistant City Manager/Chief Financial Officer. Mr. Kauffman is responsible for the City's Finance, Human Resources, and Information Technology departments and reports to the City Manager. He has served in this capacity since January 5, 2020. Prior to his current position, Mr. Kauffman served the City of Roseville for one year as Chief Financial Officer and fifteen months as Finance Director. Prior to his service with Roseville, Mr. Kauffman served the City of Sacramento's Finance Department for over 16 years as Finance Operations Manager and Accounting Manager. Prior to joining the City of Sacramento, Mr. Kauffman worked for a local CPA firm for five years specializing in audits of school districts and other local governments. Mr. Kauffman holds a Bachelor's degree in Business Administration, with concentrations in Accounting and Finance, and a Master's degree in Public Policy and Administration from California State University, Sacramento. In addition to his CPA license, Dennis has earned recognition from GFOA as a Certified Public Finance Officer.

Employees

As of January 1, 2020, the City had approximately 228 permanent full-time equivalent employees employed in the City's Environmental Utilities Department, which provides wastewater, water and solid waste services. The Wastewater Utility includes 18 full-time equivalent employees in wastewater treatment, 31 full-time equivalent employees in wastewater collection, 29 full-time equivalent employees in water/wastewater mechanical maintenance and electronics, 8 full-time equivalent employees in water/wastewater analysis, 1 full-time equivalent employee in recycled water and 4 full-time equivalent employees in wastewater administration. All of the non-management City personnel assigned to the City's Wastewater Utility are represented by Local 39 or the International Brotherhood of Electrical Workers ("IBEW"). Their contracts will expire on December 31, 2021 and April 30, 2022 respectively. There have been no strikes or other work stoppages at the City, including at the City's Wastewater Utility.

Wastewater Facilities

The City's Wastewater Utility currently consists of the Dry Creek Plant, the Pleasant Grove Plant and a wastewater collection system. The Pleasant Grove Plant has a rated treatment capacity of 12 million gallons per day ("mgd") average dry weather flow and the Dry Creek Plant has a rated treatment capacity of 18 mgd average dry weather flow. Within the City, the two plants receive wastewater from over 700 miles of sewer lines and 15 lift stations. The City's Wastewater Utility treats all wastewater generated within the Authority's service area at either the Dry Creek

Plant or the Pleasant Grove Plant, both of which it owns and operates on behalf of the Authority partners.

The Dry Creek Plant is the older of the two plants and has been in operation at its current location since the 1950's. The Dry Creek Plant has been routinely upgraded to add process capability needed for increasingly stringent water treatment requirements and to replace aging systems. Significant projects occurred in the 1970's, 1980's and 1990's to address area growth and new treatment requirements. Two recent projects include:

- Modifications to the secondary treatment systems to provide reliable nitrate reduction below a new 10 mg/L permit limit; and
- Addition of high strength waste receiving which improves anaerobic digester gas production and is used by an engine driven generator to produce electricity for plant operations..

The Pleasant Grove Plant has been in operation since 2005. Due to the relatively young age of the plant, there has been no significant need to replace aging systems. However, like the Dry Creek Plant, the chlorine disinfection system was replaced with a UV system in 2010 to address increasingly stringent water quality requirements. The portion of the service area this plant serves is experiencing significant growth which is driving the need for an expansion project that is now under construction and will add primary clarifiers and anaerobic digesters to increase treatment capacity.

The City routinely inspects facilities in its collection system and at the treatment plants to plan and pay for replacement of aging infrastructure. These inspections provide information to predict the remaining life of facilities so that user charges can be set to provide sufficient funds when replacement is expected.

Currently, the City collects and treats approximately 16.4 mgd from the Authority's service area including Roseville and surrounding areas served by the South Placer Municipal Utility District ("SPMUD") and certain areas within the County of Placer. Both treatment plants provide tertiary treatment and generate water quality meeting California Title 22 Standards for full unrestricted water reuse.

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

Wastewater Permits, Licenses and Other Regulations

The Dry Creek Plant and Pleasant Grove Plant operate under two National Pollutant Discharge Elimination System ("NPDES") permits both issued by the California Regional Water Quality Control Board (the "Regional Board"). The Regional Board adopted renewals of the original discharge permits on August 1, 2019 that will remain in effect for at least a five-year period, or until the Regional Board renews the NPDES permit.

The existing Pleasant Grove Plant facilities and operations provide the City with the capability of meeting the requirements its NPDES permit. There have been no significant compliance issues with respect to these permits and regulations. Growth in the Authority's service area is concentrated in the Pleasant Grove Plant's shed area. The plant is currently operating at approximately 75% of its treatment capacity. As growth in this area is expected to continue, facilities to increase the Pleasant Grove Plant's treatment capacity are now under construction and should be completed within the next three years to maintain adequate capacity.

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

Wastewater Service Area and Customers

The area served by the City’s Wastewater Utility consists of approximately 31.8 square miles (or 20,352 acres), including 71,550 equivalent dwelling units (“EDUs”) (as of June 30, 2019), 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. The population of the City’s Wastewater Utility service area as of January 1, 2019 was estimated to be 139,643 with total connections as of June 30, 2019 of 45,581 (note that these population and connection figures do not include service connections for SPMUD and Placer County).

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

**Roseville Wastewater Utility
Number of Equivalent Dwelling Units and Connections
by Class of User
As of June 30, 2019**

Class of User	Equivalent Dwelling Units	Connections	Percentage of Connections
Residential	53,841	43,705	96%
Commercial/Industrial	17,709	1,876	4%
Total Users	71,550	45,581	100%

Source: City of Roseville; 2019 Regional Partner EDU Schedule.

**Roseville Wastewater Utility
User Charge Revenues by Class of User
Fiscal Year Ended June 30, 2019 (Unaudited)**

Class of User	User Charge Revenues ⁽¹⁾	Percentage of Revenues
Residential	\$24,996,647	80%
Commercial/Industrial	6,401,719	20
Total	\$31,398,366	100.00%

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

Source: City of Roseville

The following table shows the type of business of the five largest users of the City’s Wastewater Utility by sewer service charge revenue during the Fiscal Year ended June 30, 2019 (unaudited).

**Roseville Wastewater Utility
Five Largest Users
Fiscal Year Ended June 30, 2019 (Unaudited)**

User	User Charge Revenues ⁽¹⁾	Percentage of Total Revenues
Manufacturing	\$1,042,765	3.39%
Medical Care	222,875	0.72
Medical Care	161,169	0.52
Apartment Complex	159,757	0.52
Industrial	149,313	0.49

Total

\$1,735,879

5.64%

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

Source: City of Roseville

Rates and Charges

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

Current Service Charges and Billing. Effective July 1, 2019, the monthly rate increased to \$38.99 per sewer unit from \$36.78 per sewer unit, a 6% increase. For residential connections, a sewer unit is one per living unit. For nonresidential connections, the calculation of sewer units varies depending on the biological and chemical composition of the discharge. In general, nonresidential sewer units are one sewer unit per 1,000 cubic feet of estimated discharge per month. In addition, special treatment and handling costs may be added. Residential, commercial and industrial customers are billed monthly. The City bills customers for all utility services including electric, water, wastewater and solid waste. Bills are due and payable on presentation, and become delinquent after 21 days.

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

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the City's Wastewater Utility. Because connection fees are primarily collected on new construction within the City, revenues obtained from such fees vary based on the level of construction activity. The current connection fee (as of July 1, 2019) is \$8,408, of which \$8,037 is the Regional Connection Fee and \$371 is the Local Connection Fee. See "SECURITY FOR THE SERIES 2020 BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Historical Rates and Charges

The City's historical, current and future wastewater utility charges per sewer unit for Fiscal Years 2016-17 through 2020-21 are shown in the table below.

Roseville Historical Wastewater Utility Charges Per Sewer Unit⁽¹⁾

<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
\$34.70	\$36.78	\$38.99	\$40.55	\$42.18

(1) A sewer unit represents 1,000 cubic feet of associated water usage. Residential customers are charged one sewer unit per month regardless of consumption. Commercial users are charged one unit of sewer for every 1,000 cubic feet of water.

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

Financial Information

Budgetary Process. The operating budget takes the form of an annual financial plan which is adopted in its entirety by the City Council. The operating budget is presented on a program basis, with an emphasis on matching services with the cost of providing those services. The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions.

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

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

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

Selected Financial Information. The table below presents summaries of certain financial data relating to the City for the Fiscal Years ended June 30, 2015 through 2019.

**City of Roseville Wastewater Utility Fund
Summary of Historical Operating Results
Fiscal Years Ending June 30, 2015 through 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Participant Gross Revenues ⁽¹⁾ :					
Wastewater Service Charge	\$31,786,319	\$34,411,404	\$39,000,990	\$37,426,508	\$43,389,397
Local Connection Fees ⁽²⁾	309,989	309,485	506,050	637,954	414,581
Interest Income	276,001	477,274	57,373	54,738	2,556,854
Total Gross Revenues	32,372,309	35,198,163	39,564,413	38,119,200	46,361,102
Operation and Maintenance Costs ⁽³⁾					
Participant Local Operation and Maintenance Costs	5,077,590	6,316,998	3,400,198	5,863,226	5,806,381
Regional Operation & Maintenance Costs ⁽⁴⁾	14,699,223	15,604,823	16,840,957	17,480,302	20,061,418
Total Operation & Maintenance Costs	19,776,813	21,921,821	20,241,155	23,343,528	25,867,799
Participant Net Revenues	12,595,496	13,276,342	19,323,258	14,775,672	20,493,303
Debt Service					
Proportionate Share of Debt Service	5,705,879	5,667,057	5,959,857	9,047,858	6,447,773
RSF Withdrawal for Debt Service	(5,705,879)	(5,667,057)	(5,959,857)	(9,047,858)	(6,447,773)
Proportionate Share of Debt Service Net of RSF Draw	0	0	0	0	0
Net Revenues Available After Debt Service	\$12,595,496	\$13,276,342	\$19,323,258	\$14,775,672	\$20,493,303

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

(2) As described in the Funding Agreement, only "Available Local Connection Fees" that are determined by a participant on a case-by-case basis to be available to pay Debt Service can be included as part of "Participant Gross Revenues." Regional Connection Fees flow to a Rate Stabilization Fund. See "SECURITY FOR THE SERIES 2020 BONDS" in the forepart of the Official Statement.

(3) Operation and Maintenance Costs excludes depreciation.

(4) Includes portions allocable to Placer County and SPMUD for which the City is reimbursed.

Source: City of Roseville

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

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

Gross Revenues. Gross Revenues, not including Regional Connection Fees, fluctuated over a five-year period from a low of \$32.37 million in Fiscal Year 2014-15 to a high of \$46.36 million in Fiscal Year 2018-19, averaging \$37.72 million per year. This fluctuation between years was primarily due to growth and rate increases to cover increased costs of providing services and to work towards meeting financial policy reserve goals.

Operations and Maintenance Costs. Over the past five years (Fiscal Years 2014-15 to 2018-19), Operations & Maintenance Costs have ranged from \$19.78 million to \$25.87 million. The fluctuations are due to the varying operating and rehabilitation costs over that same period.

Outstanding Long-Term Obligations

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

Insurance

The insurance needs of the City's Wastewater Utility are handled by the Risk Management Division of the City's Human Resources Department. The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the applicable limits. General liability claims are covered up to \$40,000,000 with a self-insured retention of \$500,000. For the City's Fiscal Year ended June 30, 2019, the City's premium was \$829,689. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$400,000,000 limit with a self-insured retention of \$25,000. For the City's Fiscal Year ended June 30, 2019, the City's premium was \$370,651.

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$500,000 per claim. During the Fiscal Year ended June 30, 2019, the City's premium was \$797,193.

Investment Policy

The cash attributable to the City's Wastewater Utility must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and permitted investments include the following:

- U.S. Treasury obligations
- U.S. Agency Securities
- Certificates of Deposit
- Time Deposits
- Repurchase Agreements
- Bankers' Acceptances
- Money Market Funds
- Taxable Governmental Money Market Portfolio
- Commercial Paper
- Special Revenue Bonds
- Pre-refunded Municipal Obligations
- Municipal Obligations
- Common Law Trust
- California Asset Management Pool
- Investment Agreements
- Local Agency Investment Fund
- Placer County Investment Pool
- Supranationals
- Mortgage Pass-Through Securities

Criteria for selecting investments and the order of priority are:

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

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

The following table shows the investments in the pooled funds of the City as of June 30, 2019.

City of Roseville Pooled Investment Fund

	<u>Market Value</u>
Federal Agency Securities	\$ 438,204,582
Forward Purchase Agreement	4,012,747
Commercial Paper	9,974,700
Corporate Notes	214,523,049
Money Market Mutual Funds	157,642,454
Supranationals	8,001,040
Guaranteed Investment Contracts	6,068,862
Local Agency Investment Fund	86,254,271
California Asset Management Pool	<u>825,967</u>
Total:	\$925,507,672

Source: City of Roseville

As of June 30, 2019, the portion of the City's Pooled Investment Fund allocable to the City's Wastewater Utility was \$43,315,989, or approximately 4.7% of the City's Pooled Investment Fund.

Retirement Benefits

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

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

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

Employees of the Wastewater Utility participate in the PERS Miscellaneous Plan described above, and the Wastewater Utility pays a percentage of the City's Plan expenses based on the number of employees. The Wastewater Utility's portion of the City's net pension liability is \$24.0 million (9.3%) as of June 30, 2019. The following discussion pertains to the City's PERS liability as a whole for the Miscellaneous plan only.

The Plans' provisions and benefits are summarized as follows:

Hire date	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	10.179% + \$13,873,846	6.250%

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

determined rate and the contribution rates of employees. The City made contributions of \$20,601,494 to the miscellaneous plan.

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS membership data

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

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

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

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

The changes in the Net Pension Liability for each Plan as of the measurement date of June 30, 2018 follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 632,299,916	\$ 403,695,744	\$ 228,604,172
Changes in the year:			
Service Cost	\$ 15,197,311		\$ 15,197,311
Interest on the total pension liability	44,939,359		44,939,359
Changes in assumptions	(5,705,470)		(5,705,470)
Plan to plan resource movement		(1,010)	(1,010)
Contribution - employer		19,671,137	(19,671,137)
Contribution - employee		6,408,266	(6,408,266)
Net investment income		34,705,395	(34,705,395)
Benefit payments, including refunds of employee contributions	(27,471,425)	(27,471,425)	
Administrative expenses		(629,069)	629,069
Other miscellaneous income/(expense)		(1,194,613)	1,194,613
Net changes	35,024,880	31,488,681	3,536,199
Balance at June 30, 2018	\$ 667,624,796	\$ 435,184,425	\$ 232,140,371

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

Other Post-Employment Benefits

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

Employees of the Wastewater Utility participate in the OPEB Benefits described below, and the Wastewater Utility pays a percentage of the City's OPEB Benefit expenses based on the number of employees. The City does not separately calculate the portion of the City's OPEB

liability that is attributable to the City's Wastewater Utility. The following discussion pertains to the City's OPEB Benefits and liability as a whole.

City Plan Description. The City provides medical benefits to substantially all retirees under the City of Roseville Retiree Healthcare Plan (Plan), a sole employer defined benefit healthcare plan administered by the Trust Investment Review Committee. The City is responsible for establishing and amending the funding policy of the Plan. The Plan financial statements can be obtained at www.roseville.ca.us or by contacting the City of Roseville Accounting Division at 311 Vernon Street, Roseville, California 95678.

Benefits Provided –The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. Benefit provisions are established and may be amended by City labor agreements, which are approved by the City Council.

Actuarial Assumptions -

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Contribution Policy	Pre-Funded with pay-go plus a percent of pay which varies by employee group
Discount Rate	6.25%
Expected Long-Term Rate of Return	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scal MP-17
Salary Increases	Aggregate 3%
Medical Trend	Merit - CalPERS 1997-2011 Experience Study Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Healthcare Participation	Tier 1: 100% Tier 2: 80% at 50% of cap to 100% at 100% of cap Tier 3: 60%

The changes in the Net OPEB Liability for each Plan as of the measurement date of June 30, 2019 follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 226,908,000	\$ 84,119,640	\$ 142,788,360
Changes in the year:			
Service Cost	\$ 6,021,000		\$ 6,021,000
Interest	14,291,000		14,291,000
Contribution - employer		15,342,178	(15,342,178)
Net investment income		7,122,750	(7,122,750)
Benefit payments	(8,550,000)	(8,550,000)	-
Administrative expenses		(75,162)	75,162
Net changes	11,762,000	13,839,766	(2,077,766)
Balance at June 30, 2019	\$ 238,670,000	\$ 97,959,406	\$ 140,710,594

Source: City of Roseville

APPENDIX B-2

EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT

APPENDIX C-1

INFORMATION CONCERNING THE SOUTH PLACER MUNICIPAL UTILITY DISTRICT

General

The South Placer Municipal Utility District (“SPMUD” or the “District”) was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) (the “Act”) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, the District changed its name to the South Placer Municipal Utility District. The District services an area of approximately 31 square miles; involving the entire City of Rocklin, the Town of Loomis and certain unincorporated communities of Placer County, including Penryn, Newcastle and the Rodgersdale Area of Granite Bay. The District provides sewer collection service to a population of approximately 76,300¹, consisting of 34,174 equivalent dwelling units (“EDUs”)².

Governance and Management

The District is a customer owned utility, governed by a five-member board of directors. Pursuant to the Act, the directors are elected at biennial general elections for staggered terms of four years.

The District’s senior management consists of the following personnel:

HERB NIEDERBERGER, General Manager. Mr. Niederberger, as General Manager, oversees and manages all District operations. Mr. Niederberger has over 38 years’ experience in the planning, design, engineering, operations, maintenance, financing and management of utilities in California. He has served the District for 5 years. Prior to his current position, Mr. Niederberger was General Manager of Utilities, Development and Operations for the City of Davis. Mr. Niederberger has a Bachelor’s Degree in Civil Engineering from the University of California, Irvine, and a Master’s Degree in Business from Golden Gate University. He is a Registered Civil Engineer and licensed Land Surveyor in California.

SAM ROSE, Superintendent. Mr. Rose is responsible for the day-to-day maintenance and operations of the District. He has served the District in this capacity for 5 years. Prior to his current position, Mr. Rose was the Technical Services Manager for the District and has had a longstanding career with the District for over 34 years.

EMILIE COSTAN, Administrative Services Manager. Ms. Costan is the recording secretary for the District Board of Directors and responsible for all administrative, financial, customer service, human resources, and billing functions for the District. Ms. Costan has served the District for 6 months in this capacity. Ms. Costan has over 16 years of experience in Municipal Government and Administrative Management, most recently serving as a manger in the Office of the City Clerk at the City of Sacramento.

ERIC NIELSEN, Assistant Superintendent. Mr. Nielsen will be taking over as Superintendent for Mr. Rose upon his pending retirement and will be responsible for overseeing

¹ South Placer Municipal Utility District Fiscal year 2019/20 Budget Report

² South Placer Municipal Utility District Comprehensive Annual financial report for fiscal year ending June 30, 2019

the day-to-day maintenance and operations of the District. Mr. Nielsen has previously served the District for 6 years as District Engineer. He is a registered Civil Engineer in the State of California, with an additional 10 years of engineering experience in the private sector.

CARIE HUFF, District Engineer. Ms. Huff is responsible for activities and operations of the Technical Services Department including Engineering, Contracting, Inspection Services and Capital Improvement Programs. Ms. Huff previously served as an Associate Civil Engineer for the District for 5 years in this capacity. She is a registered Civil Engineer in the States of California and Nevada with an additional 15 years of prior engineering experience in the private sector and in municipal government.

Employees

The District has 37 total positions: 5 elected, 2 contract, 29 full-time and 1 part-time intern. The District has a three-year Memorandum of Understanding (MOU), effective from July 1, 2017 through June 30, 2020, with employees and management. New MOUs are expected to go into effect on July 1, 2020. The District has never experienced any work stoppages by its employees.

Wastewater Facilities

The District owns and operates a sewage collection system involving approximately 280 miles of pipe (ranging from 4-inch to 42-inches in diameter), 22,805 service connections totaling approximately 147 miles, 13 pump stations, 6619 manholes, and 12 permanent flow monitoring stations, along with other appurtenances³. The District collects and transmits its sewage to the Dry Creek Wastewater Treatment Plants (2.0 MGD) and Pleasant Grove Wastewater Treatment Plant (2.2 MGD) for treatment by the City of Roseville through two major conveyance pipelines. See "THE REGIONAL WASTEWATER SYSTEM" in the beginning of the Official Statement.

The District's oldest part of the system is approximately 60 years old with most of the in-ground facilities installed since the late 1980's. Most in-ground facilities have an estimated life of over 75 years, so much of these facilities are new and not in need of replacement. The District has an aggressive pipeline rehabilitation program installing hundreds of feet of Cured-in-Place Plastic (CIPP) liners in pipe in existing rights-of way. The District also employs both predictive and preventative maintenance programs intended to extend the life of its assets. The District actively measures the success of its maintenance programs through a Computerized Maintenance Management System (CMMS).

Wastewater Permits, Licenses and Other Regulations

The District operates under the authority and regulations of the State of California Municipal Utility District Act, as codified by the California Public Utilities Code, Chapter 764, Division 6. The District is also regulated by the State Water Resources Control Board Order No. 2006-003 (Statewide General Discharge Requirements for Sanitary Sewer Systems). The District is currently in compliance with all its regulatory requirements.

Wastewater Service Area and Customers

The District's service area is determined by the Board of Directors per the California Public Utilities Code Section 12801. The area served by the District consists of approximately 30 square

³ South Placer Municipal Utility District Fiscal year 2019/20 Budget Report

miles, involving the entire City of Rocklin, the Town of Loomis and certain unincorporated communities of Placer County, including Penryn, Newcastle and the Rogersdale Area of Granite Bay. The District provides sewer collection service to a population of approximately 76,300 as of the Fiscal Year 2019-20 Budget Report, consisting of approximately 34,174 EDUs as of June 30, 2019. Approximately 88% of the EDUs serviced by the District are located in the City of Rocklin.

The following tables show the current number of EDUs and connections served by the District by class of user and wastewater service charge revenues by class of user.

**South Placer Municipal Utility District
Number of Equivalent Dwelling Units and Connections
by Class of User
As of June 30, 2019**

Class of User	Equivalent Dwelling Units	Connections	Percentage of Connections
Residential	27,265	22,493	96%
Commercial	6,185	937	4%
Educational ⁽¹⁾	724	N/A	N/A
Total Users	34,174	23,430	100%

(1) The educational category reflects the average EDUs for Sierra College & Del Oro High School. An existing agreement with the College allows them to self-report their usage based upon water use, and the District is not notified on additional connections within their school system. For Del Oro High School, adjustments are made annually when the School District provides information regarding any construction activity on site. Educational facilities pay connection fees to the District upon initial connection but do not pay connection fees to the District for additional improvements.
Source: SPMUD

**South Placer Municipal Utility District
Wastewater Service Charge Revenue by Class of User
Fiscal Year Ended June 30, 2019**

Class of User	Revenue ⁽¹⁾	Percentage of Revenue
Residential	\$11,339,711	80%
Commercial	2,451,642	17%
Educational ⁽²⁾	369,985	3%
Total	\$14,161,338	100%

(1) The amount of Wastewater Service Charge Revenue in this table excludes revenue generated from late charges.
(2) The educational category reflects the average EDUs for Sierra College & Del Oro High School. An existing agreement with the College allows them to self-report their usage based upon water use, and the District is not notified on additional connections within their school system. For Del Oro High School, adjustments are made annually when the School District provides information regarding any construction activity on site. Educational facilities pay connection fees to the District upon initial connection but do not pay connection fees to the District for additional improvements.
Source: SPMUD

The following table shows the six largest users of the District by wastewater service charge revenues during the Fiscal Year ended June 30, 2019. Collectively, the six largest users accounted for approximately 5.40% of total revenues.

**South Placer Municipal Utility District
Six Largest Users
Fiscal Year Ended June 30, 2017**

User	Revenue	% of Total Revenue
Meridian Apartments	\$181,704	1.3%
Rocklin Ranch Apartments	143,236	1.0
Sunset Summit Apartments	138,288	1.0
Garnet Creek Apartments	103,844	0.7
Rocklin High Schools ¹	102,729	0.7
Senior Living	94,872	0.7
Total	\$764,673	5.4%

(1) Includes Whitney, Victory & Rocklin High Schools.

Source: SPMUD

Rates and Charges

The District funds the cost of the operation, maintenance and replacement, and capital expansion of its collection system through a fee system involving service fees and connection charges. Sewer service fees and connection charges are determined by and adopted by the Board of Directors of the District and are subject to change in accordance with the provisions of Section 14401 of the Act. Such rates are examined each year and are adjusted as needed to meet budgetary requirements. The charges established by the District are not subject to review or approval by any other agency. See "RISK FACTORS – Articles XIIC and XIID of the California Constitution" in the forepart of this Official Statement.

Current Service Charges and Billing. The current monthly rate for residential wastewater service is \$36.00 and has been in effect since July 1, 2019. The monthly rate for commercial wastewater service is based upon the rate of \$36.00 multiplied by the number of EDUs allocated to such commercial building. Residential and commercial customers are billed quarterly. Fees are not projected to increase until some time after June 30, 2022.

Current Connection Charges. The connection fee as of July 1, 2019 is \$12,051 per EDU, which included the District's Local Connection Fee in the amount of \$4,014 per EDU and the Regional Connection Fee collected by the District and remitted to the City in the amount of \$8,037 per EDU.

Historical Rates and Charges. The table below shows the District's recent past and current Local Connection Fee and monthly service charges.

<u>Fiscal Year</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Service Charge	\$28.00	\$28.00	\$31.00	\$34.00	\$36.00
Local Connection Fee	\$3,000	\$3,750	\$3,750	\$3,923	\$4,014

Delinquencies. At the end of each Fiscal Year, delinquent sewer charges from the prior calendar year, plus a ten percent (10%) penalty, are forwarded to Placer County where they are added to the tax rolls. Under the Teeter Plan, Placer County remits the assigned amounts back to the District during the Fiscal Year in three increments: 55% in January, 40% in May and 5% in August. Accounts assigned to the tax rolls during the Fiscal Year ended June 30, 2019 amounted

to \$296,622. In late 2016 The District implemented a Utility Billing Delinquent (Past Due) Policy. This policy establishes uniform procedures to establish criteria in the assessment of late fees to delinquent accounts and ensure payment of these past due bills for monthly service charges. Any balance not paid in full by the due date is considered past due (delinquent). A late fee of \$2.50 will be assessed for each EDU and will be charged monthly to each past due account.

Financial Information

Budgetary Process. The Board of Directors of the District approves each year's budget submitted by the District's General Manager. The operating budget is subject to supplemental appropriations, budget transfers and other changes throughout the year in order to provide flexibility to meet changing needs and conditions. These supplemental appropriations, budget transfers and other changes are subject to the approval of the Board of Directors of the District.

Financial Statements & Accounting Policies. The District's Annual Financial Report for Fiscal Year 2018-19 was audited by Mann Urrutia Nelson CPAs & Associates, LLP. This audit was conducted in accordance with generally accepted auditing standards and will contain opinions that the financial statements present fairly the financial position of the various funds maintained by the District. The reports include certain notes to the financial statements that may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the District. See APPENDIX C-2 – Excerpted Portions of the South Placer Municipal Utility District Audit.

Selected Financial Information. The table below presents summaries of certain financial data relating to the District for the Fiscal Years ended June 30, 2014 through 2019 (audited).

South Placer Municipal Utility District Summary of Historical Operating Results ⁽¹⁾ Fiscal Year Ended June 30, 2015 through 2019 (Audited)					
	2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Audited)	2019 (Audited)
Gross Revenues:					
Wastewater Service Charges	\$ 10,758,026	\$ 10,911,091	11,196,600	12,694,346	\$14,336,548
Local Connection Fees (2)	888,198	1,443,773	4,700,227	2,520,400	2,574,427
Interest Income	384,925	347,632	72,111	321,933	1,832,865
Taxes	686,237	825,604	874,218	929,449	993,704
Other Revenue	342,247	443,885	448,338	401,944	547,639
Total Gross Revenues	13,059,633	13,971,985	17,291,494	16,868,072	20,285,183
Operation and Maintenance Costs 3)					
Participant Local Operation and Maintenance Costs	4,989,253	4,757,475	5,209,777	5,095,521	5,623,425
Regional Operation & Maintenance Costs (4)	4,591,517	6,476,122	6,216,957	7,293,428	4,725,854
Total Operation & Maintenance Costs	9,580,770	11,233,597	11,426,734	12,388,949	10,349,279
Participant Net Revenues	3,478,863	2,738,388	5,864,760	4,479,123	9,935,904
Debt Service:					
Proportionate Share of Debt Service(5)	2,075,623	2,061,498	2,168,012	3,291,331	2,191,864
RSF Withdrawal for Debt Service	(2,075,623)	(2,061,498)	(2,168,012)	(3,291,331)	(2,191,864)
Proportionate Share of Debt Service Net of RSF Draws	0	0	0	0	0
Net Revenues Available After Debt Service	\$3,478,863	\$2,738,388	\$5,864,760	\$4,479,123	\$9,935,904

(1) Figures derived from SPMUD's audited financial statements and South Placer Wastewater Authority Continuing Disclosure Annual Report, fiscal years ended June 30, 2014 -2019

(2) Regional Connection Fees are transferred to Roseville for deposit into the Rate Stabilization Fund.

(3) Operation & Maintenance Costs exclude depreciation and include both local collection system operation and maintenance costs and SPMUD's share of Regional Operation & Maintenance Costs.

(4) Includes Regional Operation and Maintenance Costs and Rehabilitation and Replacement Costs (RWWTP Costs).

(5) Information provided by the City of Roseville.

Source: SPMUD.

Unrestricted Cash Reserves

As of June 30, 2019, the District had \$57,035,992 in reserves allocated to three different funds: Fund 100 – General Fund Reserve; Fund 300 – Capital Improvement Plan and Expansion Fund Reserve; and Fund 400 – Capital Replacement and Rehabilitation Fund Reserve. The SPMUD Board of Directors has the authority to expend these reserves to benefit the District.

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

Gross Revenues and Connection Fees. Gross Revenues have generally increased over the period from the Fiscal Years ended June 30, 2015 through 2019, from approximately \$13.2 million to \$20.3 million as a result of additional connections coming online. From Fiscal Year 2014-15 through 2018-19, Local Connection Fees ranged from approximately \$0.9 million to \$4.7 million due to an increase in construction activity and the District's decision to raise its Local Connection Fee and index it to the Engineering News Record Cost of Construction Index (ENR-CCI). Revenue from the monthly service charge has increased from approximately \$10.8 million in Fiscal Year 2014-15 to \$14.3 million in Fiscal Year 2018-19, as a result of growth in the District with scheduled increases in monthly wastewater rates.

Operations and Maintenance Costs. Total Operations & Maintenance Costs for the District increased significantly from approximately \$9.6 million in Fiscal Year 2014-15 to \$12.4 million in Fiscal Year 2017-18. The majority of this increase is attributable to Authority operations, maintenance and rehabilitation and replacement costs that have increased from approximately \$4.6 million to \$7.2 million over the same time. The District received a one-time \$2.5 million adjustment to the Authority operations, maintenance and rehabilitation and replacement costs occurred in Fiscal Year 2018-19, which shows up as a credit to expenses during that fiscal year.

Outstanding Long-Term Obligations

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

Insurance

The District currently maintains commercial property general liability and workers compensation insurance through the Special District Risk Management Authority. General Liability limits to \$10,000,000, Errors & Omissions limits to \$10,000,000, Personal Liability Coverage Board members limits to \$500,000, Employment Practices Liability limits to \$10,000,000, Employee Benefits Liability limits to \$10,000,000, Employee Dishonesty Coverage limits to \$400,000, Auto Liability limits to \$10,000,000, Auto Physical Damage, Uninsured Motorists limits to \$750,000, Property Coverage limits to \$1,000,000,000, Machinery Coverage limits to \$100,000,000 and Workers Compensation limits to \$5,000,000.

Investment Policy

The District adopted Policy 3120–Investment of District Funds in 2015 per Resolution 15-27. In accordance with Policy 3120, the Board of Directors of the District is required to review the

Investment Policy on an annual basis. Certain provisions of the Investment Policy are summarized below.

Authorized Investments. The District is authorized to invest in investments listed in Section 53601 and related subsections of the California Government Code.

Basic Policy and Objectives. The Investment Policy of the District is a conservative policy guided by three principles of public fund management. In specific order of importance, the three principles are:

(a) Safety of Principal – Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.

(b) Liquidity – Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.

(c) Return on Investment – Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Reporting Requirements. Beginning in 2020, the General Manager prepares and submits a quarterly report of investment transactions to the Board of Directors of the District. This report will be sufficiently detailed to provide information for investment evaluation. (Prior to 2020, this report was prepared monthly.) This report will also contain a statement of compliance of the portfolio with the statement of Investment Policy and a statement of the District's ability to meet its expenditure requirements for the next six (6) months.

Current Investment. The District currently has diversified its investments in CalTrust, the Local Area Investment Fund, the Placer County treasury and Fixed Income Securities backed by the Federal Government and managed by Wells Fargo.

Defined Benefit Pension Plan

The District's defined benefit pension plan, the California Public Employee's Retirement System ("CalPERS"), provides retirement and disability benefits, annual cost of living adjustments and death benefits to all plan members and beneficiaries.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The District now has three tiers as it relates to retirement through CalPERS.

Tier I – 2.7% at 55 - The required employer contribution rate for Fiscal Year 2019/20 is 13.182%. Tier I employees contribute an 8% employee retirement contribution.

Tier II -2% at 55 - The required employer contribution rate for Fiscal Year 2019/20 is 9.680%. Tier II employees contribute a 7% employee retirement contribution.

Tier III – 2% at 62 - The required employer contribution rate for Fiscal Year 2019/20 was 6.985%. Tier III employees contribute a 6.25% retirement contribution.

For Fiscal Year 2019-20, the District's annual pension cost is budgeted to be \$280,000.

CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS is an agency in California managing pension and health benefits for more than 1.6 million California public, employees, retirees and their families. CalPERS acts as a common investment and administrative agent for participating public employers within the state of California menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods).

The District Board of Directors desires to fully fund its obligations to CalPERS. These obligations are calculated in accordance with a historical discount rate experienced by CalPERS over previous years. This discount rate was used to determine not only current payouts for CalPERS but also future pension plan payouts. However, the downturn in the economy has resulted in huge losses and an underfunded liability within the CalPERS portfolio.

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

The benefits of reducing the discount rate include:

- Strengthening long-term sustainability of the fund
- Reducing negative cash flows; additional contributions will help to offset the cost to pay pensions
- Reducing the long-term probability of funded ratios falling below undesirable levels
- Improving the likelihood of CalPERS investments earning our assumed rate of return
- Reducing the risk of contribution increases in the future from volatile investment markets

Employer contribution increases as a result of the discount rate changes are estimated below. The Total Employer Contribution is the sum of the Normal Cost Rate applied to reported payroll plus the Unfunded Accrued Liability payment. The Normal Cost portion of the Employer Contribution is expected to increase by the listed percentages of payroll. Increases to the UAL payments are provided as relative increases to be applied to the projected UAL payments in the June 30, 2019 valuation report.

The changes to the Unfunded Accrued Liability ("UAL") due to changes of actuarial assumptions are amortized over a fixed 20-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. The 5-year ramp up means that

the payments in the first four years of the amortization schedule are 20 percent, 40 percent, 60 percent and 80 percent of the ultimate payment, which begins in year five. The 5-year ramp down means that the reverse is true and the payments in the final four years are ramped down by the above percentages. A new ramp is established with each change to the discount rate. There will be three ramps established in the first three years. As a result of the 5-year ramp up and effective date of the increase, it will be seven years until the full impact of the discount rate change is completely realized.

The CalPERS amortization schedules to repay the UAL are included below. The Board of Directors has elected to pay the UAL over 20 years.

**CalPERS Actuarial Valuation Amortization Summary
(per CalPERS Actuarial Valuation – June 30, 2017)**

Date	20-Year			Total
	Tier 1	Tier 2	Tier 3	
6/30/2019	313,830	2,743	2,463	299,493
6/30/2020	348,371	2,925	2,534	308,477
6/30/2021	386,951	3,009	2,607	317,732
6/30/2022	416,291	3,095	2,682	299,493
6/30/2023	427,286	3,184	2,759	308,477
6/30/2024	439,570	3,276	2,838	317,732
Total	\$2,332,299	\$18,232	\$15,883	\$1,851,404

Other Post-Employment Benefits (OPEB): South Placer Municipal Utility District's Post-Retirement Healthcare Plan is a single employer defined benefit healthcare plan administered by CalPERS. CalPERS provide medical insurance benefits and life insurance benefits to eligible retirees and their eligible dependents. The District approved post-retirement health insurance benefits for all of its employees effective July 1, 2007 under the Public Employees' Medical and Hospital Care Act (PEMHCA). Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of employment with the District. For an employee retiring with 5 or more years of service with SPMUD, the District will contribute the health benefit cost for the retiree and family members up to 100% of the greater of the CalPERS family rate for Kaiser. A retiree with less than 5 complete years of service with the District receives no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the District's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

The contribution requirement of the District to contribute to the plan is established and may be amended by the Board. Currently, employees are not required to contribute to the plan. The District's contributions are calculated on a pre-funding basis using entry age normal cost, with investment gains and losses amortized over the remaining 24-year period with payments determined on a level percent of pay basis. The District has prefunded the actuarial accrued liability ("AAL") based on a calculation of the annual required contribution certified by an actuarial valuation service. The District chose the California Employers Retiree Benefit Trust ("CERBT") as the trustee for the plan. The District made the net contribution for fiscal year end June 30, 2019 by paying health insurance providers or reimbursing retiree paid premiums. These reimbursements were not funded by CERBT.

Annual OPEB Cost and Net OPEB Obligation. The District's OPEB cost (expense) is calculated based upon the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table represents the schedule of funding progress and shows multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits available.

Assessment of OPEB Accrued Liabilities (per GASB 75 Actuarial Reports)

Valuation Date	Actuarial Accrued Liabilities	Actuarial Accrued Assets	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAL as a % of Payroll
7/1/2011	\$3,062,219	\$2,729,321	\$332,898	89.13%	\$1,387,068	24.00%
7/1/2013	\$3,496,648	\$3,181,069	\$315,579	90.97%	\$1,425,554	22.14%
7/1/2015	\$5,596,626	\$3,825,896	\$1,770,730	68.36%	\$1,671,388	105.94%
7/1/2017	\$5,710,816	\$4,272,861	\$1,437,955	74.82%	\$2,217,714	64.84%
7/1/2019	\$6,300,633	\$4,604,911	\$1,695,722	73.09%	\$2,354,398	72.02%

APPENDIX C-2

EXCERPTED PORTIONS OF THE SOUTH PLACER MUNICIPAL UTILITY DISTRICT AUDIT

APPENDIX D-1

INFORMATION CONCERNING THE PROVISION OF WASTEWATER COLLECTION SERVICE TO CERTAIN AREAS WITHIN THE COUNTY OF PLACER

Certain County Wastewater Entities

The County of Placer (the "County") provides wastewater collection services to certain of its residents through two sewer maintenance districts ("SMD No. 2" and "SMD No. 3") and two county service areas ("CSA No. 2A" and "CSA No. 173") (collectively, the "County's Wastewater Entities"). Each of these entities is accounted for as a separate enterprise fund. Through the County's Wastewater Entities, the County provides sewer collection service to 10,539 equivalent dwelling units ("EDUs") as of June 30, 2019.

SMD No. 2 was established in 1961 and comprises 11.2 square miles and serves a population of approximately 18,750, consisting of 7,296 EDUs. CSA No. 2A3 was established in 1963 and comprises 2.3 square miles of industrial property, consisting of 1,058 EDUs. CSA No. 173 was established in 2003 for the provision of wastewater services to the Dry Creek Community Plan Area and serves approximately 1.5 square miles, consisting of 1,551 EDUs. On December 31, 2014, the County connected sewer maintenance district No. 3 ("SMD No. 3"), to the Regional Wastewater System as part of an effort to regionalize sewer treatment throughout the western portion of the County. The County developed federal funding for the costs involved in regionalizing sewer treatment and received grant funds from the U.S. Army Corps of Engineers totaling \$4.8 million for regionalizing wastewater treatment. Additionally, the County obtained financial assistance from the California State Water Resources Control Board State Revolving Fund ("SRF") in the amount of \$9.7 million in order to complete the project. SMD No. 3 paid approximately \$4.4 million for regional connection fees, and will continue to pay the current regional connection fee for each new connection. Although the net revenues of SMD No. 3 are not pledged to the Series 2020 Bonds or Parity Debt, the Regional Connection Fees from SMD No. 3 are deposited into the Rate Stabilization Fund. As such, the EDU, connection fee, and Rate Stabilization Fund numbers in this Official Statement include SMD No. 3 whereas the Net Revenues of the County do not. SMD No. 3 consists of 633 EDUs.

Governance and Management

The County's Wastewater Entities are independent special districts that are governed by the Board of Supervisors of the County and are operated by the Environmental Utilities Division of the County's Department of Public Works. The senior management of the Department consists of the following personnel:

KEVIN BELL, Deputy Director. Mr. Bell attended University of California at Riverside and studied chemical and environmental engineering and is a Professional Civil Engineer. Mr. Bell has been employed with the County since 2006 and is currently Deputy Director of the Department of Public Works, and is responsible for the Environmental Utilities Division. Mr. Bell has extensive experience in managing solid waste and sewer operations.

KEN GREHM, Director of Public Works Works. Mr. Grehm attended UC Irvine, and has a degree in Civil Engineering. Mr. Grehm has been employed with the County since 2002, serving as Assistant Director of the Department of Public Works. In his current capacity of Director of Public Works, Mr. Grehm manages a large municipal services department which provides park development and maintenance, wastewater services and county-wide solid waste services including maintenance of, and operation of,

active and closed landfills, transportation, transit, floodplain management, fleet management and road maintenance. Mr. Grehm has extensive experience managing construction projects and governmental management.

Employees

The Environmental Utilities Division of the County’s Department of Public Works manages the sewer, drainage and water operations throughout the County, including the County’s Wastewater Entities, with 49 full-time employees, which includes the Deputy Director, two Program Managers, a ten-member engineering/permitting group, a six-member construction management group, twenty five utility service workers, and one engineering technician two clerks, an IT Specialist, and a Senior GIS technician. Labor costs are budgeted for each of the County’s Wastewater Entities and unforeseen labor needs are provided on a cost basis. All of the non-management employees are unionized. The County has not had any work stoppages by its employees.

Wastewater Facilities

SMD No. 2 is comprised of approximately 118 miles of 6 to 21-inch sewer pipe and 7 lift stations. CSA No. 2A is comprised of 10 miles of 6 to 21-inch sewer pipe and 3 sewage pump stations. In 2003 the County created CSA No. 173 to provide wastewater services to the Dry Creek Community Plan Area. CSA No. 173 is comprised of 2 lift stations and approximately 24 miles of 6-inch to 15-inch trunk sewers, including approximately 2 miles of force-main connecting the system to the Dry Creek Treatment Plant. In total, the County’s Wastewater Entities encompass 170 miles of gravity and forcemain pipelines, ranging in age from 55 years old to newly constructed. In addition, there are 15 lift stations in these districts that have been installed over the past 50 years. The County has a rehabilitation plan in place for the lift stations, and every sewer pipeline is video inspected every 10 years and repairs are prioritized and completed as necessary.

Wastewater Permits, Licenses and Other Regulations

The County’s Wastewater Entities are subject to permit requirements and regulation by the California Regional Water Quality Control Board. The County’s Wastewater Entities are currently in compliance with all their regulatory requirements.

Wastewater Service Area and Customers

The following two tables show the current number of EDUs and connections served by each of the County’s Wastewater Entities by class of user.

**County’s Wastewater Entities
Number of Equivalent Dwelling Units by Class of User
As of June 30, 2019⁽¹⁾**

Class of User	SMD No. 2	SMD No. 3	CSA No. 2A	CSA No. 173	Total	% of Total
Residential	6,234	623	0	1,485	8,342	79.2%
Commercial/Industrial	1,062	10	1,058	66	2,196	20.8
Total	7,296	633	1,058	1,551	10,538	100%

(1) Note: Equivalent Dwelling Units vary from year to year based upon a variety of factors, including changes in business type, refunds etc.
Source: Placer County

**County's Wastewater Entities
Number of Connections by Class of User
As of June , 2019**

Class of User	SMD No. 2	SMD No. 3	CSA No. 2A	CSA No. 173	Total	% of Total
Residential	5,968	549	0	1,490	8,007	96.6%
Commercial/Industrial	128	6	143	8	285	6.4
Total	6,096	555	143	1,498	8,292	100%

Source: Placer County

The following table shows the revenues of the County's Wastewater Entities (other than SMD No. 3, because the revenues of SMD No. 3 are not pledged under the Funding Agreement to the Series 2020 Bonds or Parity Debt) by class of user.

**County's Wastewater Entities
Revenues⁽¹⁾ by Class of User
Fiscal Year Ended June 30, 2019**

Class of User	SMD No. 2	CSA No. 2A	CSA No. 173	Total	% of Total
Residential	\$3,625,660	\$0	\$748,604	\$4,374,264	81.4%
Commercial/Industrial	617,653	347,968	33,271	998,892	18.6
Total	\$4,243,313	\$347,968	\$781,857	\$5,373,156	100%

(1) Includes revenues generated from wastewater service charges and local connection fees.
Source: Placer County

The following table shows the five largest users of County's Wastewater Entities by revenues during the Fiscal Year ended June 30, 2019.

**Five Largest Users
Fiscal Year Ended June 30, 2019**

User	Revenue ⁽¹⁾	Percentage of Total Revenues
Glenbrook Mobile Home Park	\$95,759	1.8%
Granite Bay High School	50,456	0.9
Country Gables	45,582	0.8
Granite Bay Mobile Home Park	41,246	0.8
Envirotech	37,676	0.7
Total	\$270,719	5.0%

(1) Includes revenues generated from wastewater service charges and local connection fees.
Source: Placer County

Rates and Charges

The rate setting method for user fees for the County's Wastewater Entities is as follows:

(1) A budget is prepared for each of the County's Wastewater Entities. Each budget consists of four parts: wastewater treatment charges from the City of Roseville; maintenance costs to operate the wastewater collection systems that transport sewage to the City of Roseville; maintenance related improvement projects; and capital improvement projects.

(2) Local Connection Fees fund capital improvement projects for the wastewater collection systems of the County's Wastewater Entities.

(3) The City of Roseville estimates the cost of providing wastewater treatment to each of the County's Wastewater Entities each year. The cost of operation and maintenance related projects are then estimated and the total cost of operation and maintenance are combined.

(4) The estimated operations and maintenance cost is divided by the total number of equivalent dwelling units connected to the wastewater collection system of each of the County's Wastewater Entities. The result is the needed user fee for the proposed budget.

(5) If the fee needs to be increased, recommended increases are presented to the County's Board of Supervisors for approval at a public hearing in accordance with Proposition 218.

See "RISK FACTORS – Articles XIII C and XIII D of the California Constitution" in the forepart of this Official Statement.

Current Service Charges and Billing. The current sewer service charge per EDU is \$50.04 per month for SMD No. 2, \$34.38 for CSA No. 2A and \$39.67 for CSA No. 173. The Placer County Assessor collects the majority of these fees twice a year in conjunction with property taxes. Properties that are exempt from property taxes are billed for sewer service directly.

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the County's Wastewater Entities. Because connection fees are primarily collected on new construction within the County, revenues obtained from such fees vary based on the level of construction activity. The connection fees are a combination of the Regional Connection Fee and a Local Connection Fee charged by each of the County's Wastewater Entities. The fees are projected based on capital improvements plans and are adjusted for inflation. When a fee adjustment is proposed by either the City of Roseville (with respect to the Regional Connection Fee) or by County staff (with respect to the Local Connection Fee), the proposed new connection fee is presented to the County's Board of Supervisors for approval at a public hearing.

The current connection fees for the County's Wastewater Entities are:

<u>Entity</u>	<u>Regional Connection Fee</u>	<u>Local Connection Fee</u>
SMD No. 2	\$8,037	\$1,468
SMD No. 3	8,037	1,468
CSA No. 2A	8,037	1,468
CSA No. 173	8,037	1,468

See "SECURITY FOR THE SERIES 2020 BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Historical Rates and Charges

The following table shows the historical monthly rates per EDU for the last five years for each of the County's Wastewater Entities.

**Historical Monthly Rates per Equivalent Dwelling Unit
From Fiscal Year Ended June 30, 2014 Through Fiscal Year June 30, 2018**

<u>Fiscal Year (June 30)</u>	<u>SMD No. 2</u>	<u>CSA No. 2A</u>	<u>CSA No. 173</u>
2018	\$48.12	\$33.06	\$38.14
2017	48.12	33.06	38.14
2016	48.12	33.06	38.14
2015	48.12	33.06	38.14
2014	48.12	33.06	38.14

Delinquencies. The majority of the user fees are collected on the property tax rolls. Several years ago, the County implemented a "Teeter" program. The County's Wastewater Entities are guaranteed 99% of the fee submitted each year for inclusion on the tax rolls.

Financial Information

Budgetary Process. The operating budgets for the County's Wastewater Entities are developed on an annual basis. The budgets are presented on an objective basis, and are developed to achieve identified objectives at the lowest possible cost to the rate-payers.

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

Significant Accounting Policies. The accounting policies of the County conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. See Note 1 to APPENDIX D-2 for more information on significant accounting policies of the County.

Selected Financial Information. The table below presents summaries of certain financial data relating to the County's Wastewater Entities for the Fiscal Years ended June 30, 2015 through 2018 (audited), as well as June 30, 2019 (unaudited).

**Combined Enterprise Funds for County's Wastewater Entities
Summary of Historical Operating Results
Fiscal Year Ended June 30, 2015 through 2018 (Audited)
and Fiscal Year Ended June 30, 2019 (Unaudited)**

	2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Audited)	2019 (Unaudited)
Gross Revenues:					
Wastewater Service Charges	\$5,310,860	\$5,380,729	\$5,342,810	\$5,398,480	
Local Connection Fees ⁽¹⁾	990,946	228,623	155,028	369,936	
Interest Income	109,314	133,604	134,013	118,100	
Other Revenue	150,308	29,492	48,369	627,047	
Total Gross Revenues	6,561,428	5,772,448	5,680,220	6,513,563	
Operation and Maintenance Costs ⁽²⁾					
Participant Local Operation and Maintenance Costs ⁽³⁾	2,942,840	3,023,937	3,222,001	3,728,978	
Regional Operation & Maintenance Costs ⁽⁴⁾	2,253,746	2,166,359	1,874,756	2,295,279	
Total Operation & Maintenance Costs	5,196,586	5,190,296	5,096,757	6,024,257	
Participant Net Revenues	1,364,842	582,152	583,463	489,306	
Debt Service:					
Proportionate Share of Debt Service ⁽⁴⁾	1,472,276	1,462,258	1,514,533	1,578,734	
RSF Withdrawal for Debt Service	(1,472,276)	(1,462,258)	(1,514,533)	(1,578,734)	
Proportionate Share of Debt Service Net of RSF Draws	0	0	0	0	
Net Revenues Available after Debt Service	\$1,364,842	\$582,152	\$583,463	\$489,306	

- (1) Regional Connection Fees are transferred to City of Roseville for deposit into the Rate Stabilization Fund.
- (2) Operation & Maintenance Costs exclude depreciation and include both local collection system operation and maintenance costs and the County's share of Regional Operation & Maintenance Costs.
- (3) Amounts include payments to City of Roseville for County's share of rehabilitation costs.
- (4) May differ from the costs reported by the Authority due to timing differences between estimated payments versus actual costs.
- (5) Removed one-time reallocation payment of \$6.2 million for deposit into the Rate Stabilization Fund.

Source: Placer County.

Management's Discussion and Analysis.

The following discussion relates to certain items shown in the table above.

Gross Revenues. Gross Revenues for the County's Wastewater Entities, not including Regional Connection Fees, have remained stable in recent years, increasing slightly from \$6.2 million in the Fiscal Year ended June 30, 2014 to \$6.5 million in the Fiscal Year ended June 30, 2018. Revenues have remained relatively static over the last five years. See "Historical Rates and Charges" above.

The increase in Local Connection Fees for Fiscal Year 2014-15 was due to a one-time payment by SMD No. 3 for connection to SMD No. 2 to allow wastewater to flow from SMD No. 3 for treatment at the Dry Creek Treatment Plant.

Operations and Maintenance Costs. Over the last five years (Fiscal Years ending June 30, 2014 to June 30, 2018), Local Operations & Maintenance Costs for the County fluctuated within the range of \$2.3 million and \$3.7 million. This variance is due primarily to the amount of rehabilitation work performed in a given fiscal year.

Unrestricted Cash Reserves

The County's current reserve balances for each of the County's Wastewater Entities are listed in the table below as of June 30, 2018.

**County's Current Reserve Balances per Wastewater Entity
as of June 30, 2018**

<u>County Wastewater Entity</u>	<u>Reserve Balance</u>
SMD No. 2	\$6,566,927
CSA No. 2A	808,822
CSA No. 173	<u>866,842</u>
Total	\$8,242,591

Outstanding Long-Term Obligations

The County's obligations under the Funding Agreement and the Reallocation Agreement are the County's only long-term obligations payable from pledged revenues of the County's Wastewater Utilities. However, the County obtained financial assistance from the California State Water Resources Control Board State Revolving Fund ("SRF") in the amount of \$9.7 million in order to complete a regional wastewater project involving SMD No. 3. SMD No. 3 paid approximately \$4.4 million for regional connection fees, and will continue to pay the current regional connection fee for each new connection. The revenues of SMD No. 3 are not pledged to the Series 2020 Bonds or Parity Debt.

Insurance

The County of Placer is exempt from insurance requirements of the State of California and is therefore legally uninsured. However, the County does maintain a self-insurance fund for purposes of either general liability or automobile liability claims, up to \$1,000,000 and carries excess General/Automobile Liability Insurance up to \$25,000,000 per accident. The County is also self-insured for Workers' Compensation coverage up to \$300,000 and carries Excess Workers' Compensation coverage above \$300,000 to the \$50,000,000.

Investment Policy

The County Treasurer manages, in accordance with California Government Code Section 53600 et seq., funds deposited in the Treasury by the County, all County school districts, various special districts, including the County's Wastewater Entities and some cities within the County. State law requires that all moneys of the County, school districts and certain special districts be held in the County Treasury. The County Treasurer accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, state and federal funding and other fees and charges.

Moneys deposited in the County Treasury by the participants represent an undivided interest in all assets and investments in the County Treasury based upon the amount deposited and the average daily balances. All investments in the County Treasurer's investment pool are amortized and accrued monthly and are priced on a monthly basis for informational purposes. Gains and losses are recorded when they are actually realized upon sale or other disposition of an investment and adjusting entries for market value are made at year-end if necessary as required by GASB 31. Investment earnings, less actual treasury administrative cost, are distributed monthly to all pool participants on a pro-rata basis based on average daily balance.

The County's investment policy states that preservation of capital and maintenance of liquidity shall be of primary concern with earnings to be at market rates of return commensurate with minimum levels of risk. The County Treasurer maintains a reserve of cash and cash equivalents projected to be more than sufficient to meet foreseeable liquidity needs. The policy allows for the purchase of a variety of securities as specified by California Government Code Sections 53601 and 53635 with further limitations and specifications regarding market risk, maturity, credit ratings and diversification. The County's Treasury Review Panel duties include reviewing and monitoring the investment policy prior to being submitted to the Board of Supervisors by the County Treasurer. Copies of the County's investment policy can be obtained from the County Treasurer-Tax Collector, 2976 Richardson Drive, Auburn, California 95603.

Retirement Benefits

All full and part-time permanent County employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the California Public Employees Retirement System ("CalPERS"). The County's Safety and Miscellaneous Plans are part of the Public Agency portion of CalPERS. Elected officials may also participate at their option. Benefits vest after five years of service. To be eligible for retirement an employee must be at least 50 years of age and have five years of CalPERS credited service. Effective January 1, 2013, new CalPERS members are subject to the Public Employees' Pension Reform Act ("PEPRA") and to be eligible for retirement, an employee must be at least 52 years of age and have five years of CalPERS credited service.

Funding contributions for the County's Miscellaneous and Safety Plans are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2018, the average active employee contribution rate was 7.691% of annual pay for the Miscellaneous Plan and 8.84% for the Safety Plan.

Employer contribution rates may change if plan contracts are amended. For the fiscal year ended June 30, 2018, the employer's contribution rates for the Miscellaneous and Safety Plans were 25.27% and 34.06%, respectively. Contributions to the Miscellaneous and Safety Plans totaled \$38,387,242 and \$15,968,393, respectively, totaling \$54,355,635.

As of June 30, 2018, the County's net pension liability with respect to its CalPERS plans was approximately \$440,066,805 for its Miscellaneous Plan and approximately \$167,737,749 for its Safety Plan, for a total net pension liability of approximately \$607,804,554. A portion of this net pension liability is allocable to the County's Wastewater Entities.

Other Post-Employment Benefits

The County provides other post-retirement healthcare benefits to its retirees under its Retiree Healthcare Plan ("OPEB Plan") in accordance with various labor agreements. The County contributes to the California Employers' Retiree Benefit Trust ("CERBT"), an agent multiple employer plan administered by CalPERS.

In accordance with California Government Code, all employees electing a CalPERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits for life. The County provides postretirement medical and dental benefits to employees who retire directly from the County after age 50 and with five years of County service and ten years of CalPERS service if hired after January 1, 2005. Eligible retirees can continue participation in the medical and dental plans, with the County contributing up to a cap, which varies by bargaining unit.

During the fiscal year ended June 30, 2018, the County contributed \$31,290,127 to the OPEB Plan, of which a portion was allocable to the County's Wastewater Entities. Of this amount, the County paid \$17,900,319 to retirees during the year and \$13,389,808 to the CERBT. The purpose of these contributions was to cover the annual required contribution ("ARC") rate of \$5,650 per employee (excluding extra help) and to prefund as determined annually.

As of June 30, 2018, the most recent valuation date, the OPEB Plan was 91.0% funded. The actuarial accrued liability for benefits was \$393,115,000, and the actuarial value of plan assets was \$357,795,000, resulting in an unfunded actuarial accrued liability ("UAAL") of \$35,320,000. The covered payroll (annual payroll of active employees covered by the plan) was \$198,134,000, and the ratio of the UAAL to the covered payroll was 17.8%.

APPENDIX D-2

**FINANCIAL INFORMATION CONCERNING CERTAIN OF THE COUNTY OF PLACER'S
WASTEWATER ENTITIES**

[The information in this APPENDIX D-2 referring to "Sunset Whitney Sewer" relates to
CSA No. 2A.]

APPENDIX E

GENERAL DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF PLACER

The following information is included only for the purpose of supplying general information regarding the City of Roseville and the County of Placer (the "County"). This information is provided only for general informational purposes, and provides prospective investors limited information about the County and its economic base. The Series 2020 Bonds are not a debt of the City, County, State or any of their respective political subdivisions, and none of the City, County, the State or any of their respective political subdivisions is liable therefor.

General

City of Roseville. The City of Roseville is located in Placer County, which is located in the Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. Roseville presently occupies 43 square miles in the southwestern part of Placer County and is the largest city in Placer County as well as the residential and business center of Placer County. It is bordered by Sacramento County to the south, the city of Rocklin to the north and un-incorporated Placer County to the east and west. The estimated population of Roseville as of January 1, 2019 was approximately 139,643.

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

Roseville is predominately comprised of residential housing, small and large businesses, as well as numerous retail centers, the latter of which play a vital role in the economy of Roseville and contribute significantly to sales tax receipts. Roseville has the thirteenth highest retail sales of all cities in the State, and Roseville is considered a regional shopping destination. The Westfield Galleria at Roseville is the main shopping center in Roseville and the second largest shopping mall in Northern California. Across from the Westfield Galleria lies the "Fountains at Roseville," a 330,000 square foot retail center, containing additional stores and several recreation centers. Plans call for future construction of hotel, additional retail, and office buildings in connection with the Fountains at Roseville project. In addition to the Westfield Galleria and Fountains at Roseville, Roseville has many shopping plazas surrounding the Westfield Galleria and the Douglas Boulevard financial corridor. Roseville is also home to one of the largest auto malls in the United States and a popular water park, Roseville Golfand-SunSplash.

Roseville was incorporated on April 10, 1909 and is a charter city. Roseville operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

Roseville services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. Roseville also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

Placer County. Placer County, which covers an estimated area of 1,500 square miles, is bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter

Counties on the west and by Sacramento and El Dorado Counties on the south. Placer County is included (along with Sacramento County and El Dorado County in the three-county Sacramento Metropolitan Statistical Area. There are six incorporated cities in Placer County, of which four (Auburn, Lincoln, Rocklin and Roseville) have populations of 10,000 or more, with Auburn being the county seat.

The California Legislature approved the formation of Placer County in 1851 from portions of what were then Sutter and Yuba Counties. It is a charter county divided into five districts on the basis of registered voters and population. Placer County is governed by a five-member, non-partisan Board of Supervisors who serves alternate four-year terms. The Supervisors elect one of the members as chairman annually and make program and policy decisions for the county. Placer County’s administration includes appointed and elected officials, boards, commissions, and committees that assist the Board of Supervisors in making decisions.

A wide range of services is provided by Placer County to its residents, including deputy sheriff and fire protection, medical and health services, education, library services, judicial institutions, a variety of public assistance programs and other programs. Additional services are provided to residents in specific areas by special districts and service or improvement areas. Some municipal services are provided to incorporated cities within the county’s boundaries on a contract basis. This permits cities to contract for services without incurring the cost of creating numerous city departments and facilities.

Population

The following table sets forth population estimates for the City of Roseville, Placer County and the State for the past five years.

**POPULATION ESTIMATES
City, County and State
Calendar Years 2015 through 2019, as of January 1**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2015	129,120	371,326	38,952,462
2016	132,000	376,443	39,214,803
2017	134,110	383,719	39,504,609
2018	136,260	389,480	39,740,508
2019	139,643	396,691	39,927,315

Source: California State Department of Finance.

Effective Buying Income

Effective buying income (“EBI”) is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the City, the County, the State and the United States.

EFFECTIVE BUYING INCOME (EBI) City, County, State and United States As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Roseville	\$3,959,073	\$64,615
	Placer County	11,729,490	64,480
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Roseville	\$4,126,395	\$66,668
	Placer County	12,122,101	65,269
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Roseville	\$4,470,762	\$70,438
	Placer County	12,967,927	69,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Roseville	\$4,981,208	\$75,784
	Placer County	14,736,480	74,797
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Roseville	\$4,834,974	\$72,395
	Placer County	14,333,583	72,431
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Employment and Industry

The unemployment rate in the Sacramento--Roseville--Arden-Arcade MSA was 3.2 percent in December 2019, unchanged from a revised 3.2 percent in November 2019, and below the year-ago estimate of 3.5 percent. This compares with an unadjusted unemployment rate of 3.7 percent for California and 3.4 percent for the nation during the same period. The unemployment rate was 3.1 percent in El Dorado County, 2.7 percent in Placer County, 3.2 percent in Sacramento County, and 3.9 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento--Arden-Arcade--Roseville MSA for the years 2014 through 2018. Annual figures are not yet available for 2019.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Sacramento Arden Arcade Roseville Metropolitan Statistical Area
(El Dorado, Placer, Sacramento, and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
Annual Averages
(As of March 2018)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Civilian Labor Force</u> ⁽¹⁾	1,044,700	1,053,800	1,069,300	1,076,500	1,095,800
Employment	970,300	992,100	1,012,900	1,027,600	1,055,100
Unemployment	74,400	61,700	56,400	48,900	40,600
Unemployment Rate	7.1%	5.9%	5.3%	4.5%	3.7%
<u>Wage and Salary Employment</u> ⁽²⁾					
Agriculture	9,200	9,400	9,700	9,800	9,100
Mining and Logging	400	400	400	400	500
Construction	45,600	50,300	55,000	58,700	63,600
Manufacturing	35,400	36,400	36,200	35,700	36,100
Wholesale Trade	24,100	24,400	25,500	26,500	28,500
Retail Trade	95,300	98,000	100,500	101,400	102,300
Transportation, Warehousing and Utilities	23,600	24,600	26,000	26,700	29,100
Information	13,900	14,100	13,800	12,500	12,300
Finance and Insurance	35,600	37,100	37,300	37,200	37,100
Real Estate and Rental and Leasing	13,400	13,800	14,500	15,200	16,800
Professional and Business Services	118,300	120,300	128,100	130,600	135,700
Educational and Health Services	134,300	140,100	145,600	152,800	159,500
Leisure and Hospitality	91,800	95,400	99,800	103,300	106,300
Other Services	30,300	30,900	31,700	33,000	34,200
Federal Government	13,600	13,700	14,000	14,200	14,100
State Government	113,400	115,300	116,600	118,400	120,500
Local Government	100,800	102,900	104,000	102,600	102,900
Total, All Industries ⁽³⁾	898,800	927,100	958,700	978,800	1,008,700

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the major employers within Placer County, in alphabetical order.

MAJOR EMPLOYERS Placer County (In Alphabetical Order) January 2020

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Resort	Alpine Meadows	Resorts
Backyard Bar & BBQ	Truckee	Restaurants
Composite Engineering Inc	Roseville	Engineers-Professional
Costco Wholesale	Roseville	Wholesale Clubs
Golfland Sunsplash	Roseville	Water Parks
Hewlett-Packard	Roseville	Computers-Electronic-Manufacturers
Kaiser Permanente Roseville MD	Roseville	Hospitals
Northstar California	Truckee	Resorts
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County Sheriff	Auburn	Government Offices-County
Placer County Sheriff Dept	Tahoe City	Government Offices-County
PRIDE Industries	Roseville	Employment Agencies & Opportunities
Q I P-Roseville	Roseville	Real Estate Management
Resort At Squaw Creek	Alpine Meadows	Hotels & Motels
Ritz-Carlton Club Lake Tahoe	Truckee	Hotels & Motels
Roseville Toyota & Scion	Roseville	Automobile Dealers-Used Cars
Sheriff's Training	Auburn	Government Offices-County
Sierra Community College Dist	Rocklin	Junior-Community College-Tech Institutes
Stagg Howard A Pro Corp	Roseville	Attorneys
Sutter Auburn Faith Hospital	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tami Saner & Assoc	Roseville	Real Estate
Thunder Valley Casino	Lincoln	Casinos
Union Pacific Railroad Co	Roseville	Railroads

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Principal Employers

The following table shows the principal employers in the City of Roseville, as shown in its Comprehensive Annual Financial Report for fiscal year ending June 30, 2019.

PRINCIPAL EMPLOYERS City of Roseville As of June 30, 2019

<u>Employer</u>	<u>Number of Employees</u>
The Permanente Medical Group & Foundation Group	5,794
Sutter Roseville Medical Group	2,202
City of Roseville	1,896
Hewlett Packard	1,154
Roseville City School District	1,154
PRIDE Industries	1,062
Roseville Joint Union High School	1,005
Adventist Health	920
Union Pacific Railroad Company	569
Wal-Mart	488
Total – Top Ten	<u>16,244</u>
Total City-Wide Employment	<u>88,597</u>

Source: City of Roseville Comprehensive Annual Financial Report for Fiscal Year 2018-19.

Construction Permits

City of Roseville. The following table shows valuations of residential and non-residential building permits issued for calendar years 2014 through 2017.

**BUILDING PERMIT VALUATION
City of Roseville
(Valuation in Thousands of Dollars)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$154,499.7	\$262,769.4	\$242,272.7	\$322,386.5	\$220,813.8
New Multi-family	15,360.4	0.0	5,900.3	51,882.2	0.0
Res. Alterations/Additions	<u>4,967.8</u>	<u>9,039.9</u>	<u>7,518.4</u>	<u>7,283.3</u>	<u>8,598.7</u>
Total Residential	\$174,827.9	\$271,809.3	\$255,691.40	\$381,552.0	\$229,412.5
New Commercial	\$19,546.6	\$36,704.0	\$27,783.7	\$81,544.8	\$21,072.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	10,935.1	9,340.5	18,126.2	8,356.1	11,541.4
Com. Alterations/Additions	<u>62,138.9</u>	<u>42,754.7</u>	<u>32,621.0</u>	<u>51,836.3</u>	<u>38,098.5</u>
Total Nonresidential	\$92,620.6	\$88,799.2	\$78,530.9	\$141,737.2	\$70,712.4
<u>New Dwelling Units</u>					
Single-Family	644	927	862	1,201	806
Multiple Family	<u>0</u>	<u>0</u>	<u>58</u>	<u>486</u>	<u>0</u>
Total New Dwelling Units	644	927	920	1,687	806

Source: Construction Industry Research Board, Building Permit Summary.

Placer County. The following table shows residential and non-residential building permits issued within the County for calendar years 2014 through 2018.

**BUILDING PERMIT VALUATION
County of Placer
(Valuation in Thousands of Dollars)**

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$523,638.2	\$683,806.3	\$776,410.8	\$771,800.5	\$696,737.4
New Multi-family	48,645.5	21,702.2	42,395.7	92,565.5	2,338.5
Res. Alterations/Additions	<u>59,428.5</u>	<u>82,577.5</u>	<u>79,543.6</u>	<u>89,429.2</u>	<u>99,341.6</u>
Total Residential	\$631,712.2	\$788,086.0	\$898,350.10	\$953,795.2	\$798,417.5
New Commercial	\$38,343.5	\$72,506.2	\$84,953.2	\$138,544.8	\$90,424.4
New Industrial	199.8	1,339.6	535.1	0.0	\$7,956.4
New Other	44,159.8	72,602.9	90,958.7	57,356.4	\$68,280.3
Com. Alterations/Additions	<u>101,977.7</u>	<u>80,457.5</u>	<u>64,524.2</u>	<u>94,058.6</u>	<u>\$84,271.0</u>
Total Nonresidential	\$184,680.8	\$226,906.2	\$240,971.2	\$289,959.8	\$250,932.1
<u>New Dwelling Units</u>					
Single-Family	1,620	1,994	2,102	2,500	1,963
Multiple Family	<u>376</u>	<u>240</u>	<u>322</u>	<u>782</u>	<u>29</u>
Total New Dwelling Units	2,234	2,424	2,342	3,282	1,992

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

A summary of historic taxable sales within the City and County during the past five years in which data is available is shown in the following tables. The total taxable sales during 3 quarters of calendar year 2019 in the City were reported to be \$3,588,427,384, a 3.51% increase from the total taxable sales of \$3,466,584,246 reported during the first 2 quarters of calendar year 2018. Annual figures for 2019 are not yet available.

TAXABLE TRANSACTIONS City of Roseville Calendar Years 2014 through 2018 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	3,699	\$3,607,127	4,743	\$4,227,788
2015 ⁽¹⁾	3,828	3,684,238	5,334	4,446,457
2016	3,761	3,749,782	5,293	4,425,939
2017	3,715	3,915,184	5,257	4,642,069
2018	3,705	4,048,870	5,393	4,767,160

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2014-2016. State Department of Tax and Fee Administration for year 2017 and 2018.

The total taxable sales during the 3 quarters of calendar year 2019 in the County were reported to be \$7,566,637,000, a 5.01% increase over the total taxable sales of \$7,205,828,358 reported during the 3 quarters of calendar year 2018. Annual figures for 2109 are not yet available.

TAXABLE TRANSACTIONS Placer County Calendar Years 2014 through 2018 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	8,520	\$6,296,076	11,749	\$8,100,167
2015 ⁽¹⁾	8,678	6,594,126	13,124	8,675,315
2016	8,671	6,814,515	13,227	8,920,892
2017	8,713	7,194,952	13,365	9,428,862
2018	8,717	7,724,326	13,794	9,909,906

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017 and 2018.

Transportation

The transportation network in and around Roseville and Placer County is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through Roseville and Placer County, connecting San Francisco to New York. Highway 65 runs north through Roseville, from I-80 to Lincoln and Marysville. Interstate 5, which is west of Roseville, runs north to Seattle and south to Los Angeles.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the Placer County to the midwest and Chicago.

Greyhound operates a station in Roseville, providing interstate destination services. Greyhound also operates throughout Placer County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport serves the Roseville area, Elk Grove area and Placer County. Served by ten major carriers and several commuter airlines, as well as air-freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve Roseville, Elk Grove and Placer County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in the city of Rocklin in Placer County, offers freight transportation services as well.

The Port of Sacramento is located approximately 38 miles from the City of Roseville. The Port handles ocean-going freighters via San Francisco Bay. Warehouses and conveyor systems are equipped with vacuum dust collectors, permitting rapid loading of ordinary dusty commodities without environmental pollution.

APPENDIX F

BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series 2020 Bonds, payment of principal, interest and other payments on the Series 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Series 2020 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Series 2020 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2020 Bonds (in this appendix, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX H
FORM OF BOND COUNSEL OPINION

APPENDIX I

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE SERIES 2020 BONDS

CONTINUING DISCLOSURE AGREEMENT – SOUTH PLACER WASTEWATER AUTHORITY

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the South Placer Wastewater Authority (the “Authority”), a joint powers authority duly organized and existing under the laws of the State of California, and Applied Best Practices, LLC, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the Authority of its \$ _____ Wastewater Revenue Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the “Master Indenture”), as previously supplemented and as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of _____, 2020 (the “Seventh Supplemental Indenture” and, collectively with the Master Indenture and the previous supplements, the “Indenture”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 6.16 of the Indenture, the Authority covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Report” will mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” will mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” will mean Applied Best Practices, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority pursuant to Section 7 of this Disclosure Agreement.

“Holder” will mean the person in whose name any Bond will be registered.

“Listed Events” will mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” will mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Authority will, or will cause the Dissemination Agent to, not later than 270 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority’s Fiscal Year changes, it will give notice of such change in a filing with the MSRB. The Annual Report will be submitted on a standard form in use by industry participants or other appropriate form and will identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) business days prior to said date, the Authority will provide the Annual Report to the Dissemination Agent. If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority will, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Authority’s Annual Report will contain or include by reference the following:

(a) The audited financial statement of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the Authority is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report will contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds (the “Official Statement”), and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the Authority required in subsection (a) above, an update of the following information contained in the Official Statement:

1. The balance in each Participant’s account in the Rate Stabilization Fund as of the end of the immediately preceding Fiscal Year;

2. The amount of Regional Connection Fees collected during the immediately preceding Fiscal Year;
3. The remaining available capacity of the Regional Wastewater System (as defined in the Official Statement) as of the end of the immediately preceding Fiscal Year; and
4. The Proportionate Share for each Participant.

Any or all of the items above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB's website. The Authority will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Authority will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
6. Tender Offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar events of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e)).

(b) The Authority will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.
8. Incurrence of a financial obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e)).

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Authority will determine if such event would be material under applicable federal securities laws.

(d) If the Authority learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(a) would be material under applicable federal securities laws, the Authority will, or will cause the Dissemination Agent, within ten (10) business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event

is given to Holders of affected Bonds pursuant to the Indenture. The Dissemination Agent will have no responsibility to determine the materiality of any of the Listed Events.

(e) For purposes of Section 5(a)(10) and (b)(8), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority’s and the Dissemination Agent’s obligations under this Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority will give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the Authority. If at any time there is not any other designated Dissemination Agent, the Authority will be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the Authority which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or

operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement will be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Authority will have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent will be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) will have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section will survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent will be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Authority from time to time. The Dissemination Agent will have no duty or obligation to review any information provided to it by the Authority or hereunder and will not be deemed to be acting in any fiduciary capacity for the Authority, the Holders, Beneficial Owners or any other party.

Section 13. Beneficiaries. This Disclosure Agreement will inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Dated: _____, 2020

SOUTH PLACER WASTEWATER
AUTHORITY

By _____
Treasurer

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: South Placer Wastewater Authority

Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020

Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the South Placer Wastewater Authority has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 6.16 of the Indenture, dated as of April 1, 2011, as supplemented, between the Authority and The Bank of New York Mellon Trust Company, N.A. and by Section 13(o) of the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019, between each of the Obligated Persons listed above. The South Placer Wastewater Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

CONTINUING DISCLOSURE AGREEMENT – CITY OF ROSEVILLE

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Roseville (the “City”), a charter city duly organized and existing under the laws of the State of California, and Applied Best Practices, LLC, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its \$_____ Wastewater Revenue Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the “Master Indenture”), as previously supplemented and as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of _____, 2020 (the “Seventh Supplemental Indenture” and, collectively with the Master Indenture and the previous supplements, the “Indenture”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 6.16 of the Indenture, the City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Report” will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” will mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” will mean Applied Best Practices, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City pursuant to Section 7 of this Disclosure Agreement.

“Holder” will mean the person in whose name any Bond will be registered.

“Listed Events” will mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic

Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” will mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it will give notice of such change in a filing with the MSRB. The Annual Report will be submitted on a standard form in use by industry participants or other appropriate form and will identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) business days prior to said date, the City will provide the Annual Report to the Dissemination Agent. If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The City’s Annual Report will contain or include by reference the following:

(a) The audited financial statement of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the City is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report will contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds (the “Official Statement”), and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the City required in subsection (a) above, an update of the following information contained in APPENDIX B-1 to the Official Statement:

1. Tables entitled “Roseville Wastewater Utility Number of Dwelling Unit Equivalents and Connections by Class of User,” “Roseville Wastewater Utility User

Charge Revenues by Class of User” and “Roseville Wastewater Utility Five Largest Users” for the immediately preceding Fiscal Year;

2. A summary of the historical results of the information contained in the table entitled “City of Roseville Wastewater Utility Fund Summary of Historical Operating Results” for the immediately preceding Fiscal Year;
3. Service charges, connection charges and the amount of uncollected delinquencies for the immediately preceding Fiscal Year; and
4. Participant Net Revenue and Rate Covenant Debt Service for the immediately preceding Fiscal Year.

Any or all of the items above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB’s website. The City will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar events of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such

jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e)).

(b) The City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.
8. Incurrence of a financial obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e)).

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City will determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(a) would be material under applicable federal securities laws, the City will, or will cause the Dissemination Agent, within ten (10) business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding

the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture. The Dissemination Agent will have no responsibility to determine the materiality of any of the Listed Events.

(e) For purposes of Section 5(a)(10) and (b)(8), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s and the Dissemination Agent’s obligations under this Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City will give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the City. If at any time there is not any other designated Dissemination Agent, the City will be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the City which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City will describe such amendment in the next Annual Report, and will include, as applicable, a

narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the City will have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent will be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) will have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section will survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent will be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time. The Dissemination Agent will have no duty or obligation to review any information provided to it by the City or hereunder and will not be deemed to be acting in any fiduciary capacity for the City, the Holders, Beneficial Owners or any other party.

Section 13. Beneficiaries. This Disclosure Agreement will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Dated: _____, 2020

CITY OF ROSEVILLE

By _____
Chief Financial Officer

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: South Placer Wastewater Authority

Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020

Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City of Roseville has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019, between each of the Obligated Persons listed above. The City of Roseville anticipates that the Annual Report will be filed by _____.

Dated: _____

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

cc: South Placer Wastewater Authority

CONTINUING DISCLOSURE AGREEMENT – SOUTH PLACER MUNICIPAL UTILITY DISTRICT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the South Placer Municipal Utility District (the “District”), a municipal utility district duly organized and existing under the laws of the State of California, and Applied Best Practices, LLC, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its \$ _____ Wastewater Revenue Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the “Master Indenture”), as previously supplemented and as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of _____, 2020 (the “Seventh Supplemental Indenture” and, collectively with the Master Indenture and the previous supplements, the “Indenture”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 6.16 of the Indenture, the District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Report” will mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” will mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” will mean Applied Best Practices, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District pursuant to Section 7 of this Disclosure Agreement.

“Holder” will mean the person in whose name any Bond will be registered.

“Listed Events” will mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” will mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District will, or will cause the Dissemination Agent to, not later than 270 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, _____, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s Fiscal Year changes, it will give notice of such change in a filing with the MSRB. The Annual Report will be submitted on a standard form in use by industry participants or other appropriate form and will identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) business days prior to said date, the District will provide the Annual Report to the Dissemination Agent. If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District will, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report will contain or include by reference the following:

(a) The audited financial statement of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the District is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report will contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds (the “Official Statement”), and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the District required in subsection (a) above, an update of the following information contained in APPENDIX C-1 the Official Statement:

1. Tables entitled “South Placer Municipal Utility District Number of Equivalent Dwelling Units and Connections by Class of User,” “South Placer Municipal Utility District Wastewater Service Charge Revenue by Class of User” and “South Placer Municipal Utility District Five Largest Users” for the immediately preceding Fiscal Year;

2. A summary of the historical results of the information contained in the table entitled "South Placer Municipal Utility District Summary of Historical Operating Results" for the immediately preceding Fiscal Year;

3. Service charges, connection charges and the amount of uncollected delinquencies for the immediately preceding Fiscal Year; and

4. Participant Net Revenues and Rate Covenant Debt Service for the immediately preceding Fiscal Year.

Any or all of the items above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar events of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).

(b) The District will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.
8. Incurrence of a financial obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District will determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(a) would be material under applicable federal securities laws, the District will, or will cause the Dissemination Agent, within ten (10) business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture. The Dissemination Agent will have no responsibility to determine the materiality of any of the Listed Events.

(e) For purposes of Section 5(a)(10) and (b)(8), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s and the Dissemination Agent’s obligations under this Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District will give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the District. If at any time there is not any other designated Dissemination Agent, the District will be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the District which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial

statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement will be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the District will have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent will be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) will have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section will survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent will be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District or hereunder and will not be deemed to be acting in any fiduciary capacity for the District, the Holders, Beneficial Owners or any other party.

Section 13. Beneficiaries. This Disclosure Agreement will inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Dated: _____, 2020.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT

By: _____
General Manager

APPLIED BEST PRACTICES, LLC, as Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: South Placer Wastewater Authority

Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020

Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the South Placer Municipal Utility District has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019, between each of the Obligated Persons listed above. The South Placer Municipal Utility District anticipates that the Annual Report will be filed by _____.

Dated: _____

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

cc: South Placer Wastewater Authority

CONTINUING DISCLOSURE AGREEMENT – COUNTY OF PLACER

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the County of Placer (the “County”), a political subdivision duly organized and existing under the laws of the State of California, and Applied Best Practices, LLC, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its of its \$_____ Wastewater Revenue Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the “Master Indenture”), as previously supplemented and as supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of _____, 2020 (the “Seventh Supplemental Indenture” and, collectively with the Master Indenture and the previous supplements, the “Indenture”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 6.16 of the Indenture, the County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Report” will mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” will mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” will mean Applied Best Practices, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County pursuant to Section 7 of this Disclosure Agreement.

“Holder” will mean the person in whose name any Bond will be registered.

“Listed Events” will mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” will mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County will, or will cause the Dissemination Agent to, not later than 270 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, _____, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s Fiscal Year changes, it will give notice of such change in a filing with the MSRB. The Annual Report will be submitted on a standard form in use by industry participants or other appropriate form and will identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) business days prior to said date, the County will provide the Annual Report to the Dissemination Agent. If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County will, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The County’s Annual Report will contain or include by reference the following:

(a) The audited financial statement of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the County is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report will contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds (the “Official Statement”), and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the County required in subsection (a) above, an update as of the end of the immediately preceding Fiscal Year of the following information contained in APPENDIX D-1 to the Official Statement:

1. Tables entitled “County’s Wastewater Entities Number of Equivalent Dwelling Units by Class of User,” “County’s Wastewater Entities Number of Connections by Class of User,” “County’s Wastewater Entities Revenues by Class of User” and “Five Largest Users” for the immediately preceding Fiscal Year;

2. A summary of the historical results of the information contained in the table entitled "Combined Enterprise Funds for County's Wastewater Entities Summary of Historical Operating Results" for the immediately preceding Fiscal Year;

3. Service charges, connection charges and the amount of uncollected delinquencies for the immediately preceding Fiscal Year; and

4. Participant Net Revenue and Rate Covenant Debt Service for the immediately preceding Fiscal Year.

Any or all of the items above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar events of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority

having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e)).

(b) The County will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.
8. Incurrence of a financial obligation of the County, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e)).

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the County will determine if such event would be material under applicable federal securities laws.

(d) If the County learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(a) would be material under applicable federal securities laws, the County will, or will cause the Dissemination Agent, within ten (10) business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event

is given to Holders of affected Bonds pursuant to the Indenture. The Dissemination Agent will have no responsibility to determine the materiality of any of the Listed Events.

(e) For purposes of Section 5(a)(10) and (b)(8), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County’s and the Dissemination Agent’s obligations under this Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County will give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the County. If at any time there is not any other designated Dissemination Agent, the County will be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the County which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the

accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement will be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the County will have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent will be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) will have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section will survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent will be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the County from time to time. The Dissemination Agent will have no duty or obligation to review any information provided to it by the County or hereunder and will not be deemed to be acting in any fiduciary capacity for the County, the Holders, Beneficial Owners or any other party.

Section 13. Beneficiaries. This Disclosure Agreement will inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Dated: _____, 2020

COUNTY OF PLACER

By: _____
Director of Facility Services

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: South Placer Wastewater Authority

Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2020

Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the County of Placer has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Second Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019, between each of the Obligated Persons listed above. The County of Placer anticipates that the Annual Report will be filed by _____.

Dated: _____

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

cc: South Placer Wastewater Authority

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2020-04

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

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

WHEREAS, in accordance with the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code (the "Bond Law"), and a Wastewater Revenue Bond Indenture, dated as of April 1, 2011 (the "Master Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and supplements thereto pursuant to which various series of bonds were issued; and

WHEREAS, the Authority has previously entered into an interest rate swap agreement pursuant to a Master Agreement and related documents, dated August 28, 2003 with Morgan Stanley Capital Services Inc., as amended and restated as of April 2, 2008, and September 6, 2017 (the "2003 Swap Agreement"), that settled contemporaneously with the issuance of bonds issued by the Authority in 2003; and

WHEREAS, the Authority currently has outstanding the following obligations: (i) the November 1, 2020 maturity of Wastewater Revenue Refunding Bonds, Series 2011 C Bond (the "2011C Bond"), (ii) Wastewater Revenue Refunding Bonds, Series 2013 (Variable Rate Demand Bonds) (the "2013 Bonds"), (iii) \$74,780,000 original principal amount of South Placer Wastewater Authority Wastewater Revenue Bonds, Series 2017 (the "2017 Bonds") issued pursuant to the Master Indenture and a Sixth Supplement thereto, and (iii) payment obligations under the 2003 Swap Agreement; and

WHEREAS, to provide funds 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 Authority, after due investigation and deliberation, has determined that it is desirable and necessary and in the best interests of the Authority and the Participants to issue its Wastewater Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds"); and

WHEREAS, in order to provide for the issuance of the Series 2020 Bonds, the Authority desires to supplement the Master Indenture by entering into a Seventh Supplemental Wastewater Revenue Bond Indenture (the “Seventh Supplement”); and

WHEREAS, the Authority has prepared a form of Official Statement (the “Official Statement”), to be delivered to prospective purchasers of the Series 2020 Bonds, which Official Statement describes the Participants, the Authority, and the terms of and the security for the Series 2020 Bonds; and

WHEREAS, the Seventh Supplement provides that the Series 2020 Bonds will be issued as fixed rate bonds and will be secured by certain revenues of the Authority on parity with the 2011C Bond and the 2017 Bonds, all as described in the Seventh Supplement; and

WHEREAS, in connection with the issuance of the Series 2020 Bonds, the Authority will be required to execute a Contract of Purchase providing for purchase of the Series 2020 Bonds by the Underwriter and certain other documents; and

WHEREAS, the Board of Directors of the Authority (the “Board”) wishes at this time to authorize all proceedings relating to the Authority’s issuance of the Series 2020 Bonds;

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

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

Section 2. Definitions. Except as otherwise defined herein, all initially capitalized terms shall have the definitions given to them in that certain Second Amended and Restated Funding Agreement relating to the South Placer Regional Wastewater Facilities, dated as of January 31, 2019, among the Authority and the Participants (the “Funding Agreement”), as it may be further amended from time to time.

Section 3. Issuance of the Series 2020 Bonds; Approval of Seventh Supplement. The Board hereby authorizes the issuance of the Series 2020 Bonds under and pursuant to the Act and the Seventh Supplement in the aggregate principal amount of not to exceed \$65,000,000, for the purposes described in the Seventh Supplement and summarized in the recitals hereto. The Board hereby approves the Master Indenture and the Seventh Supplement thereto, including the pledge of Revenues described therein for payment of the Series 2020 Bonds, in substantially the form on file with the Secretary (or in the form of a new indenture of trust incorporating substantially the same terms as the Master Indenture, as amended by the Seventh Supplement), together with such changes, insertions and omissions as may be approved by the Executive Director, Treasurer or Chair of the Authority, or any of their designees (each, an “Authorized Officer”), such approval to be conclusively evidenced by the execution and delivery thereof. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Seventh Supplement, for and in the name and on behalf

of the Authority. The Board hereby authorizes the delivery and performance of the Master Indenture, as supplemented by the Seventh Supplement.

Section 4. Sale of the Series 2020 Bonds. The Board hereby approves the sale of the Series 2020 Bonds by the Authority, by negotiation, to Morgan Stanley & Co. LLC (the "Underwriter"). The Board hereby approves the Contract of Purchase between the Underwriter and the Authority, pursuant to which the Underwriter agrees to purchase the Series 2020 Bonds (the "Contract of Purchase") in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof, so long as the aggregate principal amount of Series 2020 Bonds does not exceed the amount authorized above in this resolution. Each Authorized Officer is authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Contract of Purchase, for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Contract of Purchase.

Section 5. Approval of Official Statement. The Board hereby approves the Official Statement, in substantially the form on file with the Secretary, together with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Board hereby authorizes the distribution of the Official Statement in preliminary form by the Underwriter to prospective purchasers of the Series 2020 Bonds. Each Authorized Officer is hereby authorized, on behalf of the Authority, to execute and deliver an appropriate certificate stating that the Official Statement in preliminary form has been deemed "final" within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 6. Swap Termination. The Board hereby directs any Authorized Officer to terminate the 2003 Swap Agreement, and pay any required swap termination payment, if and to the extent the Authorized Officer deems it to be in the best interest of the Authority. Each Authorized Officer is authorized and directed to execute and deliver to the counterparty to any swap agreement any notice, certification or other documents necessary to accomplish such termination and to fund the termination payment from available funds and/or proceeds of the Series 2020 Bonds as the Authorized Officer deems appropriate.

Section 7. Official Actions. The Chair, the Vice Chair, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including the selection of the Trustee, execution and delivery of an arbitrage certificate and continuing disclosure agreement, any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution, including but not limited to an escrow agreement or refunding instructions pertaining to the refunding of the Series 2013 Bonds, and documents effectuating the payment of the swap termination payment and related amendments.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED this _____ day of _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

Bruce Houdesheldt
Chair

Attest:

Pamela J. Walsh
Secretary