



# **South Placer Wastewater Authority Board Meeting**

**January 30, 2020**



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

### **ADJOURNMENT**

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

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

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

## AUTHORITY COMMUNICATION

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

**DATE:** January 21, 2020

**FROM:** Executive Director's Office

**AUTHORITY COMMUNICATION NO.:** 20-01

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**SUBJECT: Election of a New Chairperson and Vice-Chairperson**

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*For SPWA Board Meeting of January 30, 2020*

### **Action Requested**

Staff requests the Board elect a new Chairperson and Vice-Chairperson at this meeting.

### **Discussion**

The current Board Chairperson and Vice-Chairperson were elected at the South Placer Wastewater Authority's regular meeting on January 31, 2019. The Board Bylaws state that the Chairperson and Vice-Chairperson shall serve for a 1-year term or until a new Chairperson and Vice-Chairperson are appointed.

Submitted by:



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Kenneth J. Glotzbach  
Executive Director



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

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**MINUTES OF BOARD OF DIRECTORS' MEETING  
June 27, 2019**

The regular meeting of the South Placer Wastewater Authority Board of Directors was called to order at 9:30 a.m. at the Roseville Corporation Yard, 2005 Hilltop Circle, Roseville, CA.

**Directors Present:**

Bonnie Gore  
Bruce Houdesheldt  
Jerry Mitchell  
Robert Weygandt

**Staff Present:**

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

**Directors Absent:**

Pauline Roccucci

**Call to Order**

Chair Gore called the June 27, 2019, South Placer Wastewater Authority Board meeting to order at 9:30 a.m.

**Roll Call**

Present: Gore, Houdesheldt, Mitchell, Weygandt

Absent: Roccucci

**Pledge of Allegiance**

The Pledge of Allegiance was led by Chair Gore.

**Introductions**

The following were in attendance: Teri Quinlan, Dennis Kauffman, Jacquie Clarizio, Marisa Tricas, George Hanson, Nick Rosas, Matt Sakamoto, Janet Vargas, Wayne Wylie, and Joe Mandell from the City of Roseville; Mike Harrison from Brown and Caldwell, Kevin Bell and Robin Mahoney from Placer County; Herb Niederberger from SPMUD.

**Election of Chair and Vice Chair**

A vote was taken as follows:

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

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

**Approval of Minutes, January 31, 2019**

A vote was taken as follows:

MOTION by Director Weygandt, seconded by Director Houdesheldt to approve the January 31, 2019, minutes.

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

**New Business Items**

**1. Resolution: Approval of Permanent Appointment of SPWA Board Secretary**

Ken Glotzbach recommended that the South Placer Wastewater Authority (SPWA) Board formally appoint Roseville staff member, Pamela Walsh, as Secretary to the Authority until such time as a successor is duly appointed by the board.

MOTION by Chair Houdesheldt, seconded by Director Weygandt, to appoint Pamela Walsh as South Placer Wastewater Authority (SPWA) Board Secretary (Resolution 2019-05).

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

No Public Comment.

**2. Information: Overview of Swap Performance and Annual Reporting Requirements**

Teri Quinlan provided an overview of the Swap performance and annual reporting requirements.

No Public Comment.

**3. Information: Investments Report**

Jacque Clarizio reported on the performance of the Authority's investments through April 30, 2019.

No Public Comment.

**4. Resolution: Approval of FY2020 Investment Policy and Swap Policy**

Jacque Clarizio presented housekeeping changes to the Investment Policy and Swap Guidelines. There was one minor change on page No. 7, paragraph Q, in the Investment Policy related to Assembly Bill No. 1770, and no change to the Swap Guidelines. There was a request for Board approval.

MOTION by Chair Houdesheldt, seconded by Director Weygandt, to approve the South Placer Wastewater Authority Investment Policy and Swap Guidelines for Fiscal Year 2019-2020 (Resolution 2019-06).

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

No Public Comment.

**5. Information: Rate Stabilization Fund Balances and Connection Fee Revenues**

Nick Rosas reported on the Rate Stabilization Fund Balances and Connection Fee Revenues, for information.

SPWA Executive Director Ken Glotzbach commented that the changes made to the funding agreements, which resulted in the subaccount balances now being positive, are going to be very important next year when the Board starts taking action on the Bond debt and thanked the directors for supporting this decision.

No Public Comment.

**6. Information: Capital Improvement Project Update Fiscal Year 19-20**

Ken Glotzbach reported on the Capital Improvement Projects update for Fiscal Year 19-20. He stated this essentially consists of expanding the Pleasant Grove Wastewater Treatment Plant, hopefully with construction beginning in September 2019.

Director Weygandt asked what percentage of the project would be funded by the state and Ken reported approximately 40%. Director Weygandt also questioned the interest rate on the State SRF fund. Ken replied this will not be finalized until the agreement is signed, but was in the lower 3% range when first inquiring about it.

Chair Gore asked for the anticipated cost of the project. Ken responded that the project would cost approximately \$80 million, but there will be a more accurate estimate after contractor proposals have been received.

Director Mitchell inquired when the project was expected to be completed and Ken replied in approximately 2-1/2 to 3 years.

Ken added the Energy Project was awarded a \$3 million grant from the California Energy Commission.

No Public Comment.

**7. Resolution: Approval of Annual Operating Budget for FY2019-20 Budget**

Janet Vargas presented the Authority's operating budget for FY2019-20 and requested Board Approval.

MOTION by Director Weygandt, seconded by Director Houdesheldt, approving the South Placer Wastewater Authority's operating budget for FY2019-20 (Resolution 2019-07).

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

No Public Comment.

**8. Resolution: Approval of Blanket Participation in Statewide Community Infrastructure Program 2019A Agreement.**

Ken Glotzbach requested the Board's approval to authorize the Authority's Executive Director and Treasurer to approve individual development projects for participation in the Statewide Community Infrastructure Program (SCIP).

MOTION by Director Mitchell, seconded by Director Weygandt, authorizing the Authority's Director and Treasurer to approve individual development projects for participation in the Statewide Community Infrastructure Program (SCIP). (Resolution 2019-08).

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

No Public Comment.

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

None.

**Public Comment**

None.

**Adjournment**

The meeting was adjourned at 9:55 a.m.

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**Bonnie Gore**  
**Chair**

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

## AUTHORITY COMMUNICATION

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

**DATE:** January 9, 2020

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

**AUTHORITY COMMUNICATION NO.:** 20-02

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**SUBJECT: Board Meeting Schedule for 2020**

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*For SPWA Board Meeting of January 30, 2020*

### ACTION REQUESTED

Staff recommends that the SPWA Board add February 18, 2020, as a regular meeting date.

### BACKGROUND

Due to a scheduling conflict with a professional conference, a significant number of SPWA staff are not able to attend the meeting scheduled on January 30, 2020 to provide financial information to the Board. Staff is requesting an additional Board meeting on February 18, 2020 for two reasons:

- To allow appropriate staff the opportunity to provide routine financial updates to the SPWA Board, and
- To provide an opportunity for the Board to consider action on debt that must be addressed during a regular meeting prior March 2020 with all staff present to assist the Board as needed.

Submitted by:



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Kenneth J. Glotzbach  
Executive Director

**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2020-01**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SOUTH PLACER WASTEWATER AUTHORITY APPROVING  
REGULAR MEETING DATES**

WHEREAS, the Bylaws for the South Placer Wastewater Authority (“Authority”) state that the Authority’s Board of Directors shall meet as specified by resolution duly adopted by the Board of Directors (“Board”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority that the regular meetings of the Board shall be held at 2005 Hilltop Circle, Roseville, California on the following Dates:

February 18, 2020 at 9:30 a.m.

June 25, 2020 at 9:30 a.m.

PASSED AND ADOPTED this 30<sup>th</sup> day of January, 2020, by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Chairperson

ATTEST:

\_\_\_\_\_  
Secretary

## AUTHORITY COMMUNICATION

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

**DATE:** January 9, 2020

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

**AUTHORITY COMMUNICATION NO.:** 20-03

**SUBJECT:** Capital Improvement Project Update

*For SPWA Board Meeting of January 30, 2019*

### ACTION REQUESTED

Staff requests authorization to initiate the Pleasant Grove Wastewater Treatment Plant (WWTP) UV Disinfection Equipment and approval of the budget additions for the following projects:

Project Name	Previously Approved Budget	New Funding Requested	Total Budget with Requested Funding
Pleasant Grove Expansion	\$85,952,000	\$19,500,000	\$105,452,000
Pleasant Grove UV	N/A	\$2,520,000	\$2,520,000

### BACKGROUND AND PROJECT UPDATES

#### UV Disinfection Equipment

The UV disinfection system at the Pleasant Grove WWTP was constructed with four treatment channels to convey treated water for disinfection with the UV equipment installed in the channels. When constructed, three of the four channels were fitted with the equipment. The fourth channel was built for system expansion and was to be equipped when the treatment flow approached the capacity of the first three channels. Growth in the Pleasant Grove WWTP service area is now generating sufficient flow to justify equipping the fourth channel.

This project will purchase the necessary UV disinfection equipment and pay for design and construction services necessary to install the equipment.

The requested project budget is \$2.52 M. Staff intend to initiate the project immediately.

#### Pleasant Grove WWTP Expansion and Energy Projects

Staff completed construction services procurement and is completing pre-construction activity at this time. The Roseville City Council awarded two construction contracts to W.M. Lyles Company for \$54.4 million (Expansion) and \$23.4 million (Energy) on November 6, 2019.

Including actual construction contract prices, design services and a 5% construction contingency, Staff estimates the total project cost will be \$105.5 M. The previously approved project budget is \$85,952,000. Staff is requesting a project budget increase of \$19.5 M to increase the approved project funding to \$105.5 M.

A State Revolving Fund (SRF) funding agreement is not yet in place at this time. SRF Staff had previously estimated that Roseville (acting on behalf of the SPWA) would receive this agreement in December 2019 and now estimates that it will be available in February 2020. The cash previously committed by SPWA from the Authority's Rate Stabilization Fund and from the bond sale proceeds will be sufficient to complete at least one year of construction activity. If progress toward securing SRF Funding does not appear to adequate to continue construction, Staff will recommend funding options to the SPWA Board at a future meeting.

Also, the Energy Project received a California Energy Commission grant for \$3.0 M and a Placer County Air Pollution Control Board grant for \$180,000.

Onsite construction will begin when weather permits in 2020 and will require approximately three years to complete.

Submitted by:



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Kenneth J. Glotzbach  
Executive Director

**SOUTH PLACER WASTEWATER AUTHORITY**

**RESOLUTION NO. 2020-02**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SOUTH PLACER WASTEWATER AUTHORITY  
APPROVING ADJUSTMENTS TO  
CAPITAL IMPROVEMENT PROJECTS AND BUDGET FOR FY 2019-20**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve the increase to the Capital Improvement Projects and CIP Budget for FY 2019-20 for the Pleasant Grove Wastewater Treatment Plant expansion in the amount of \$19,500,000 as presented to the Board at this meeting.

BE IT FURTHER RESOLVED, that the Authority does hereby approve the addition of the purchase and installation of UV Disinfection Equipment at the Pleasant Grove Wastewater Treatment Plant to the CIP Budget in the amount of \$2,520,000.

PASSED AND ADOPTED this 30<sup>th</sup> day of January, 2020, by the following vote on roll call:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Chairperson

ATTEST:

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Secretary

## AUTHORITY COMMUNICATION

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**TO:** South Placer Wastewater Authority      **DATE:** January 16, 2020  
Board of Directors

**FROM:** Kenneth Glotzbach, Executive Director

**AUTHORITY COMMUNICATION NO:** 20-04

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

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*For SPWA Board Meeting January 30, 2020*

### **NO ACTION REQUESTED**

The information provided in the following report is for informational purposes and is related to the refinancing options of SPWA's Wastewater Revenue Refunding Bonds, Series 2013 (2016 Direct Placement) (the "2016 DP").

### **BACKGROUND**

SPWA directly placed the 2016 DP with U.S. Bank N.A.. The three-year term of the 2016 DP 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 DP 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 DP.

An analysis prepared by the Authority's financial advisor, Hilltop Securities, Inc. and bond underwriter, Morgan Stanley, detail the options available to the Authority:

1. Procure an extension from U.S. Bank N.A. as the direct placement bank of the 2016 DP 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 DP (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 DP and 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 DP (\$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 <sup>(1)</sup>	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 <sup>(2)</sup>
2017	Fixed	74,780,000	74,780,000	29,580,000	5.00%	11/1/2027	11/1/2037	N/A
<b>Total</b>		<b>\$201,150,000</b>	<b>\$139,395,000</b>	<b>\$88,910,000</b>				

<sup>(1)</sup> Direct Placement ("DP") with U.S. Bank as amended in 2018 (3.5-year term with termination option after the first year)

<sup>(2)</sup> 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

### Summary of Interest Rate Swap Agreement

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

<sup>(1)</sup> Amended 4/10/2008 and 9/1/2017

<sup>(2)</sup> Estimated by Morgan Stanley on December 13, 2019

### Financing Options for 2016 Bonds

With the 2016 DP term expiration on April 1, 2020, Staff has illustrated the following financing options to address a number of stated priorities of the Authority.

**Scenario 1 – Extension with U.S. Bank N.A.:** U.S. Bank, N.A. as the current holder of the 2016 DP proposed to Authority Staff an additional 2020 direct placement including a 3.5 year term with a comparable financing structure to that of the 2016 DP. The proposed credit spread offered in the U.S. Bank proposal does increase from 0.55% to 0.60% when compared to the 2016 DP. In addition, they require the Authority to utilize a slightly different interest rate formula, resulting in an estimated interest rate increase of 0.12%. Under Scenario 1, no modifications would be made to the outstanding interest rate swap. Key attributes of Scenario 1 are provided below:

1. Maintains proposed 2020 DP in variable rate mode
2. Maintains interest rate swap agreement
3. Current estimate of all-in cost is 2.04%
4. Lowest upfront costs of issuance of scenarios provided
5. Resulting debt portfolio is 57% fixed rate, 15% synthetic fixed rate, and 28% unhedged variable rate with \$20.4 million of swap notional remaining

**Scenario 2 – Partial Fixed Rate Bond Refinancing:** Scenario 2 allows the Authority to reduce the amount of variable rate bonds outstanding from \$59.33 million to \$38.9 million. The Authority would issue both variable rate bonds and fixed rate bonds as separate series on one preliminary official statement. The amount of fixed rate bonds corresponds to the amount of swap notional amount currently outstanding. The plan of finance would include paying the termination amount due on the interest rate swap of approximately \$1.2 million. The remaining \$38.9 of 2016 Bonds would be refinanced by a variable rate debt instrument such as SIFMA floating rate notes, variable rate demand bonds, or the U.S. Bank direct placement. Key attributes of Scenario 2 are provided below:

1. Reduces amount of outstanding variable rate bonds
2. Terminates interest rate swap agreement
3. Estimates of all-in cost depend on variable rate debt instrument selected but is currently ~2.40%
4. Relatively neutral NPV savings (using certain variable rate assumptions) inclusive of costs of issuance and swap termination payment
5. Highest upfront costs of issuance of scenarios provided
6. Resulting debt portfolio is 71% fixed rate and 29% unhedged variable rate with no swap

**Scenario 3 – Fixed Rate Bond Refinancing:** Scenario 3 involves refinancing all \$59,330,000 of 2016 DP into fixed rate bonds and funding approximately \$1.2 million in swap termination costs for the final remaining portion of the Authority's interest rate swap. Key attributes of Scenario 3 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%
4. Upfront costs of issuance higher than Scenario 1 but comparable to Scenario 2
5. Marginally higher debt service payments from FY 2021 through FY 2029 to due higher coupon rates for fixed rate bonds but lower debt service in FY 2030 through FY 2036
6. Approximately \$1 million in negative refunding NPV savings (using certain variable rate assumptions) inclusive of costs of issuance and swap termination payment
7. Resulting debt portfolio is 100% fixed rate with no variable rate debt and no swap

The provided scenarios maintain flexibility to be modified and/or combined using different plans of finance. The information provided hopes to assist the Authority Board in its evaluation of financing alternatives in connection with the 2016 DP term expiration.

Approved by:



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Kenneth Glotzbach  
Executive Director

Attachments:  
None