



South Placer Wastewater Authority Board Meeting

January 26, 2023

6. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project (*Bryan*)
7. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for Old Auburn Boulevard Trunk Sewer and Lift Station Improvements (*Bryan*)
8. Information: Nexus Study Overview and Update (*Bryan*)

PUBLIC COMMENTS ON NON-AGENDA ITEMS

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.

minutes



Scott Alvord – Roseville
Bonnie Gore – Placer County (*Vice Chair*)
Bruce Houdesheldt – Roseville
Robert Weygandt – Placer County
James T. Williams – SPMUD (*Chair*)

**MINUTES OF BOARD OF DIRECTORS' MEETING
June 30, 2022**

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

Directors Present:

Scott Alvord
Bonnie Gore
Robert Weygandt
James Williams

Staff Present:

Osman Mufti, JPA Counsel
Richard Plecker, Acting Executive Director
Pam Walsh, Board Secretary

Roll Call

Present: Alvord, Gore, Weygandt, Williams
Absent: Houdesheldt

Closed Session

Conference With Legal Counsel – Anticipated Litigation: Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4): One potential case.

No public comment was received on this item.

Closed session commenced at 9:34 a.m.

Chair Williams adjourned the closed session at 9:50 a.m. South Placer Wastewater Authority Counsel, Osman Mufti, advised no reportable action taken.

Roll Call

Present: Alvord, Gore, Weygandt, Williams
Absent: Houdesheldt

Pledge of Allegiance

Director Gore led the Pledge of Allegiance.

Introductions

The following were in attendance: Nick Rosas, Kyle Horton, Dennis Kauffman, Janet Vargas, George Hanson, and Joe Mandell from the City of Roseville, Kevin Bell and Robin Mahoney from Placer County, Herb Niederberger from SPMUD, Bill Halldin from Rocklin City Council, and Sean MacDiarmid with Lennar Homes.

Approval of Minutes, January 27, 2022

A vote was taken as follows:

MOTION by Director Gore, seconded by Director Alvord, to approve the January 27, 2022, minutes.

Vote: Ayes: Alvord, Gore, Weygandt, Williams
 Nos: None
 Absent: Houdesheldt

Old Business Items

None

New Business Items

1. Resolution: Capital Improvement Projects Update and Approval of Budget Adjustments

Principal Engineer, George Hanson, presented this item in Bryan Buchanan's absence. Mr. Hanson first provided updates on existing projects, including a PowerPoint presentation of the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects. The presentation included progress that has been made at the treatment plant, as well as damage that occurred due to a recent fire at the construction site. There is now a delay in the completion of the project. Initially the completion date for the Energy Recovery Project was February 2022; however, it is now extended through the spring of 2023. For the Expansion Project, the anticipated completion date was the summer of 2022; however, this has also been delayed for approximately one year. Nearly 90% of planned construction has been completed and most of the work over the next year will include commissioning the operation and final set up of the various treatment processes.

Director Alvord asked if the odors will likely be eliminated from the treatment plant once the project is completed and running. Mr. Hanson explained that most of the periodic odors experienced in the neighborhood are the result of the waste activated sludge transport for disposal. With the installation of the digesters, the solids will be further treated and stabilized to the point of nearly eliminating odors. He further explained odors will not be eliminated immediately, but after a period of months to account for the biological "ramping up" and anticipates odors should be eliminated by the end of 2023.

Chair Williams asked for clarification regarding the investigation of the fire. Mr. Hanson replied that the final results of the investigation have not been concluded. Chair Williams asked if this was still in the hands of the contractor and whether or not their insurance was going to cover this. Mr. Hanson confirmed it is still under the contractor's control and once the final findings were established, it will indicate the cause of the fire and where the

responsibility lies. Mr. Buchanan will have more information regarding the fire and its impacts and anticipates presenting it to the Directors at the October 2022 meeting.

Mr. Hanson provided an update regarding the Maintenance Shop Construction at the Pleasant Grove Wastewater Treatment Plant, stating they are hoping to have the conceptual design completed in order to present this at the October 2022 meeting before proceeding with the final design. Mr. Hanson also discussed the Pump Station 26 improvements. The design team is almost finished with the 90% design submittal. Anticipated completion date for this project is the summer of 2023.

Mr. Hanson explained there is also a request for approval of budget adjustments for three projects.

The first budget adjustment is for the UV Disinfection Equipment Additions Project. The request is for \$1.7 million. The additional funds are for an increase in equipment procurement and installation.

The second adjustment is for the Treatment Plant Capacity Analysis Project. This request is for \$371,502. This project was originally designed for a side-by-side execution along with the Pleasant Grove Wastewater Treatment Plant Expansion Project. The additional funds are to cover added costs to the consultant for labor escalations and an extended project schedule due to the delay, increased training sessions, laboratory services, and additional staff.

The third adjustment is for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects to cover projected costs for delays in the project due to contractor inefficiencies and quality issues, supply chain issues, and a fire that occurred at the primary clarifier construction area, resulting in both project end dates delayed by approximately one year. This adjustment is requesting \$4,200,000.

Director Gore asked where the additional money was coming from to cover these requests. Janet Vargas, Environmental Utilities Business Administrator, explained that money will come from the SPWA construction funds, which are funded from new development connection fees collected from all of the SPWA partners.

Chair Williams asked for clarification why the SPWA fund would pay to subsidize “contractor inefficiencies and quality issues” (as stated in Bryan Buchanan’s report as one of the reasons for the requested budget adjustment). Mr. Hanson explained that the City is currently working with the contractor to determine where the responsibility for additional time and money lies. The request for additional money is allowing the consultant to continue to work until that is determined. Once responsibilities have been determined and, if the contractor is responsible for the delays, reallocations of cost responsibility will be made. Chair Williams asked if there would be an approximate time when the results would be presented to the Board. Mr. Hanson stated yes and he would discuss this with Mr. Buchanan and would report back.

No public comment was received on this item.

MOTION by Director Gore, seconded by Director Weygandt, to approve adjustments to the Capital Improvement Projects and Budget Adjustments for FY 2022-23 (Resolution 2022-03).

Vote: Ayes: Alvord, Gore, Weygandt, Williams
 Nos: None
 Absent: Houdesheldt

2. Resolution: Approval of Annual Operating Budget for FY2022-2023

Environmental Utilities Business Administrator, Janet Vargas, presented on this item in Teri Quinlan's absence. Mrs. Vargas stated the proposed connection fees in budget year 2023 are higher due to the anticipation of significant growth. In light of current market conditions and the looming potential of a recession, however, staff will keep a close eye on this number and report updated numbers at future meetings. New to the SPWA Operating Budget is the contingency fund category. Mrs. Vargas explained this is an effective budgeting technique employed by the City of Roseville to provide additional approved money in the budget in case of an unexpected incident. Another new category included in the Operating Budget is future debt service, which will be paid for by future connection fees and is provided for context and better fiscal transparency.

No Public Comment was received on this item.

MOTION by Director Weygandt, seconded by Director Alvord, approving the operating budget for FY 2022-23 (Resolution 2022-04).

Vote: Ayes: Alvord, Gore, Weygandt, Williams
 Nos: None
 Absent: Houdesheldt

3. Resolution: FY2022-2023 Investment Policy

Kyle Horton, Accounting Supervisor, reported on the Investment Policy for the Authority for FY 2022-23. There were no changes to the policy and staff recommended the Board adopt the policy as presented.

Directed Alvord asked for clarification regarding item 8 of the Investment Policy, and if the Authority was only allowed a 5% investment in non-government issuers. Dennis Kauffman, Chief Financial Officer, explained the 5% limit is on any one issuer. Mr. Kauffman explained that state law only allows the investment of 30% in highly rated corporate bonds, but only up to 5% in any particular entity.

Director Alvord commented that the City of Roseville has a business loan program with locally headquartered banks and the City is allowed a slightly better LAIF rate. He asked if it were feasible for the Authority to place money into a local bank and get a higher percentage rate. He added this could also help the local economy. Mr. Kauffman responded, stating the primary issue is that connection fees collected by the Authority are typically invested for the longer-term, so a higher return is already earned, but there needs to be enough liquidity to cover the debt service payments in the event there is an income downturn. Mr. Kauffman added that staff could look into the possibility of depositing some short-term liquid money

into a local bank. Director Alvord asked that staff assess this and return to the Board with their findings.

No Public Comment was received on this item.

MOTION by Director Gore, seconded by Director Alvord, adopting the South Placer Wastewater Authority Investment Policy for FY2022-23 (Resolution 2022-05).

Vote: Ayes: Alvord, Gore, Weygandt, Williams
 Nos: None
 Absent: Houdesheldt

4. Receive and File Items:

- a. Investment Review
- b. Rate Stabilization fund Balances as of April 30, 2022
- c. Nexus Study
- d. Reimbursement for Various COVID-19 Related Costs

The Receive and File items were informational items, therefore no presentations were made.

Kyle Horton announced there was a correction to item 4a, Investment Review, and the revised version was given to the Directors.

Director Gore asked when the Nexus Fee Study would be completed and Mrs. Vargas said she hoped it would be completed by the October 2022 meeting.

Reports/Comments – Board Members/Staff

Director Williams commented that the October meeting would include a number of very significant items concerning updates.

Public Comment

No public comment received.

Adjournment

The meeting was adjourned at 10:28 a.m.

James Williams
Chair

Pamela Walsh
Secretary to the Board

Election
Chair/Vice

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 11, 2023

FROM: Executive Director's Office

AUTHORITY COMMUNICATION NO.: AC 23-01

SUBJECT: Election of Chairperson and Vice-Chairperson

For SPWA Board Meeting of January 26, 2023

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 27, 2022. Section 3.5 of the 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. Customarily the Board annually appoints a new Chairperson and Vice-Chairperson at its first meeting of the year.

Submitted by:



Richard D. Plecker
Acting Executive Director

Tab. 1

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-01

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

WHEREAS, the Bylaws of 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 that the Authority Regular Board meeting schedule shall be held on the last Thursday in January and June, with the next Board meeting being held on June 29, 2023.

PASSED AND ADOPTED this 26th day of January 2023, by the following vote on roll call:

AYES:

NOES:

ABSENT:



Chairperson

ATTEST:



Secretary

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 11, 2023

FROM: Richard D. Plecker, Acting Executive Director

AUTHORITY COMMUNICATION NO.: AC 23-02

SUBJECT: Board Meeting Schedule for 2023

For SPWA Board Meeting of January 26, 2023

ACTION REQUESTED

Staff recommends that the SPWA Board Adopt the attached resolution updating the Authority's regular meeting dates.

BACKGROUND

This request establishes the Regular Board meeting schedule with two meetings per year to be held on the last Thursday of January and June. By approving this recommendation, the next Board meeting will be held on June 29, 2023.

Submitted by:



Richard D. Plecker
Acting Executive Director

TAB 2

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** January 17, 2023
Board of Directors

FROM: Richard D. Plecker, Acting Executive Director

AUTHORITY COMMUNICATION NO: AC 23-03

SUBJECT: City of Roseville Technical Services Peer Review

For SPWA Board Meeting 1/26/2023

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

The City of Roseville engaged Water Works Engineering in 2022 at the request of an SPWA ad-hoc committee tasked with reviewing this matter on behalf of the SPWA Board of Directors. The request was to evaluate key technical, planning and design services identified in response to an incident that occurred involving alleged fraud within the City's Environmental Utilities (EU) Department and associated with the South Placer Wastewater Authority (SPWA). Water Works Engineering was engaged to assess previous scopes of work and deliverables for various efforts related to wastewater facility planning, design and construction to ensure the City and its SPWA partners received appropriate value for the services rendered, within industry standards of care.

The SPWA ad-hoc committee will give an oral report to the full SPWA of Water Works Engineering's findings, along with any written materials for the administrative record.

Submitted by:



Richard Plecker
Acting Executive Director



VALUE OF SERVICES REVIEW PROJECT
Results Presentation
for the SPWA Ad Hoc Committee
by



WATERWORKS
ENGINEERS

January 23, 2023



- Introductions
- Review Objective and General Methodology
- Overview of Results by Project
- Discussion / Questions



- The objective of the review is comparing the Scope of Work and associated Deliverables against the Technical Objective of the project to evaluate if the engineering services were consistent with that generally accepted as Industry Standard of Care.



- ✓ Peer review, in accordance with objective
- ✓ Not intended as a Value Engineering or exhaustive technical audit
- ✓ Technical applicability of scope & fee
- ✓ Included recent body of work (~ 2016-2021), from specific City Staff & Design Consultant:
 - ❑ DCWWTP Cogeneration Project
 - ❑ DCWWTP Nitrate Reduction Project
 - ❑ PGWWTP Cogeneration Project
 - ❑ PGWWTP Expansion and ERP CM Project
 - ❑ WWTP Condition Assessment Project



- ✓ Review of project documents provided by City, which generally included:
 - RFPs and Proposals (where available)
 - Contracts and Budget Adjustments
 - Deliverables
 - Project Invoices



✓ Document list:

- Cogeneration Budget Adjustment and PDSA - 10_5_2016
- Cogeneration PDSA First Amendment and Budget Adjustment 01 09 2019
- Cogeneration and Nitrate Reduction PDSA 2nd Amendments and Budget Adjustments 4 17 2019
- Cogeneration Budget Adjustment (not with Brown and Caldwell) 6 16 2021
- DCWWTP Cogen Record Drawings
- DCWWTP Cogen Project Invoices (#1-31 & Final)



✓ Review Results (slide 1 of 2):

1. Confirm invoice tasks were represented in the RFP and B&C Proposal.
 - ❑ Task 310 O&M, Task 320 Additional RE & Inspection, Task 340 Piping System Design, Task 510 Ferric Chloride System, Task 600 Additional PLC Programming and Network Mods, and Task 700 Renewable Identification Numbers oversight were not in the original RFP and Proposal but were defined in council communication of amendment 1 as necessary to enhance and support the ongoing grant funding opportunities for the project scope of improvements using the design-assist model. This is typical for this type of project with outside grant funding agencies/entities requiring unanticipated level of effort to support meeting their requests and requirements.
 - ❑ Tasks 300 Engineering Services during Construction (ESDCs), Task 400 Construction Management, and Task 600 Programming required level of effort were increased as part of amendment 2. The council communication indicated an approved extension of the construction duration..
 - ❑ **Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.**



✓ Review Results (slide 2 of 2):

2. Confirm invoice Total Budget matches the Contract + Amendments.
 - Confirmed. Total Contract (10/5/2016) + Amendments 1 (1/9/2019) and 2 (4/174/2019) = \$1,821,200, Invoice 17348918 (as of 7/24/2019) shows budget of \$1,821,200, and \$1,821,142.52 was spent (basically 100% of approved budget).

3. Ballpark Budget assessment
 - Total Planning, Funding, Permitting Cost (Tasks 50, 500, 600,700) \$335k
 - Total Design cost (Tasks 100, 200, 300, 340, 510) \$863K
 - Total CM cost (Tasks 310, 320, 400) \$623K
 - Don't know the project value of Bid Results.
 - Would indicate a project value range of \$4.3-5.8M (based on 15%-20% design costs as an industry standard for this kind of work)



✓ Document list:

- Nitrate Discharge Reduction - Budget Adjustment and PSA - 3_16_2016
- Nitrate Reduction PDSA and Budget Adjustment 02_01_2017
- Nitrate Reduction PDSA First Amendment & Budget Adjustment 10 17 2017
- Nitrate Reduction PDSA Third Amendment & Budget Adjustment 08 21 2019
- DCWWTP Nitrate Reduction Record Drawings
- FINAL BODR signed with covers
- Notice of Completion DCWWTP Nitrate Reduction - 8_21_2019
- Project Invoices - Nitrate Reduction Improvements Invoices (#1-34)
- Project Invoices - Nitrate Reduction Study Invoices (#1-34)



✓ Review Results (slide 1 of 2):

1. Confirm invoice tasks were represented in the RFP and B&C Proposal.
 - 2 projects, Nitrate Reduction Study and Nitrate Reduction Improvements
 - Study had no amendments, confirmed services, but no RFP to compare
 - Improvements included original agreement followed by 2 amendments
 - The original agreement scope matched with B&C's proposal, but the RFP was not available to compare against.
 - The amendments appeared to have defensible reasons for expansion of services to cover unforeseen defects that required improvements and additional design services identified to support design-assist delivery.
 - There were some numbering inconsistencies that made comparing scopes of work to final invoice difficult, the actual services appears appropriate.
 - The final invoice included a Task 700 staff augmentation with no budget.
 - Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.**



✓ Review Results (slide 2 of 2):

2. Confirm invoice Total Budget matches the Contract + Amendments.
 - Confirmed. Total Original Study Contract (3/16/2016) = \$141,000, Invoice 17295017 (as of 6/29/2017) shows budget of \$141,000, and \$138,105.14 was spent (basically 98% of approved budget).
 - Confirmed. Total Original Study Contract (2.1.2017) + Amendments 1 (10/17/2018) and 2 (8/21/2019) = \$2,339,859, Invoice 17362746 (as of 1/24/2020) shows budget of \$ 2,339,859, and \$2,339,857.35 was spent (basically 100% of approved budget).
3. Ballpark Budget assessment
 - Total Planning (Tasks Study, 50) \$266k
 - Total Design cost (Tasks 100, 200, 300, 330, 340, 500, 520, 600) \$1.5M
 - Total CM cost (Tasks 320, 400) \$698K
 - Don't know the project value of Bid Results.
 - Would indicate a project value range of \$10-15M (based on 10%-15% design costs as an industry standard for this kind of work)



✓ Document list (slide 1 of 2):

- Final RFP_PG_Expansion_20150327
- RFP_PG_Cogeneration_20150514
- Addendum No 1_04012015
- Addendum 1 with 4 Attachments
- Addendum No 2
- Addendum No. 2 Attachment 2_DRAFT EU SCADA Standards
- Addendum No. 2 Attachment 3_List of Meeting Attendees
- Addendum No. 2 Attachment 4_PGWWTP Expansion PPT
- Addendum No 3
- Brown and Caldwell Proposal June 2015
- SPWA Board Meeting Minutes January 2015



✓ Document list (slide 2 of 2):

- Council Communication 9_2_2015
- Brown & Caldwell - PDSA - Original and 1st and 2nd Amendment - 9_2_2015
- Council Communication 01_18_2017, 3_4_2020 & 3_16_2022
- B&C- PDSA - 3rd Amendment PGWWTP Cogeneration 17_3_2022
- Pleasant Grove PGE Application-Final-Sept2017v2
- Roseville PG_AlternativeFuelInfrastructureApplication 2018
- Roseville_PGWWTP_ERP Ops Test Plan__TEST 1_DRAFT FINAL (002)
- V3_PGWWTP ERP - Contract Document Specifications
- V4_PGWWTP ERP - Contract Document Drawings
- Project Invoices (#1-73)



✓ Review Results (slide 1 of 2):

1. Confirm invoice tasks were represented in the RFP and B&C Proposal.
 - Task 10 (Unanticipated Tech Services) and 72 (Bid Period Assistance) were not represented specifically in the RFP and Proposal but appear to be related work to the overall project.
 - Task 72 was for the review of construction proposals and on-boarding of the construction contractor
 - Task 10 was a \$130k fund for anything unanticipated that came up. Only \$20k was authorized for some Geotech work (as of 1/3/22 – the invoice we have). Only about \$4k was spent.
 - Generally confirmed that all invoiced tasks and tasks on all amendments were included in the RFP or closely related.
 - Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.**



✓ Review Results (slide 2 of 2):

2. Confirm invoice Total Budget matches the Contract + Amendments.

- Confirmed. Total Contract + Amendments 1 and 2 (3/4/20) = \$3,871,361, Invoice 17427883 (as of 1/3/22) shows budget of \$3,761,361. The \$110k discrepancy is for Task 10 which was to be released as needed (only \$20k of the \$130k task was released as of the 1/3/22 invoice date. Amendment 3 came after the invoice we have.

3. Ballpark Budget assessment

- Total Planning Cost (Tasks 1, 2, 3, 4) \$470k
- Total Design cost (Tasks 5, 6, 7) \$1.75M
- Don't know the project value. Bid results are in RFP 08-053 on Public Purchase. We were not able to access these results.
- Would indicate a project value range of \$8.7-11.7M (based on 15%-20% design costs as an industry standard for this kind of work)



✓ Document list:

- Request for Proposal - PGWWTP Construction Management
- Mandatory Pre-Proposal Meeting Attendees
- Proposal B&C May 2017
- Council Communication 9_6_2017
- PSA - PGWWTP EP and ERP CM- 9_6_2017
- CEC Funding Monthly Reports
- ERP Disbursement Requests
- Project Invoices (#1-51)



✓ Review Results (slide 1 of 1):

1. Confirm invoice tasks were represented in the RFP and B&C Proposal.
 - Confirmed.
 - Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.**
2. Confirm that the invoice Total Budget matches the Contract + Amendments
 - Total Contract (there were no amendments) = \$6.39M, Invoice 17433505 (as of 1/1/22) shows budget of \$6.39M.
3. Ballpark Budget assessment
 - Total CM Cost \$6.39M
 - Don't know the project value. Bid results are in RFP 08-052 on Public Purchase. We were not able to access these results.
 - Would indicate a project value range of \$42.6-63.9M (based on 10%-15% CM costs as an industry standard for this kind of work)



✓ Document list:

- RFP-WWTP Condition Assessment Final
- Wastewater Treatment Plants Condition Assessment RFP Addendum 1
- Brown and Caldwell B&C May 2016
- Original Contract and Budget Adjustment- 9_7_2016
- Brown and Caldwell - PSA Wastewater Treatment Plants Condition Assessment - 9_7_2016
- 1st Amendment CC and Budget Adjustment
- B&C - PSA _Amendment - WWTP Condition Assessment - 2_21_2018
- WWTP Condition Assessment Final Report
- Project Invoices (#1-51)



✓ Review Results (slide 1 of 2):

1. Confirm invoice tasks were represented in the RFP and B&C Proposal.
 - Task 4 (Project Management) was not in the RFP but included by B&C as separate tracking task for such services related to overall project oversight and administration.
 - Task 5 (42 Inch Pipe Repair) was added (Amendment 1) to repair emergency defect conditions, identified during Task 1 (Level 2 & 3 inspections), on the DCWWTP influent pipe. Emergency repairs were contemplated and discussed in the original council communication for the project and justification for the emergency condition necessitating the repair were further outlined in the council communication for the amendment. This task was started but only 24% of the task spent. It is our understanding that this pipe was eventually repaired by City staff using a combination of B&C and CH2MHill design assistance.
 - Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.**



✓ Review Results (slide 2 of 2):

2. Confirm that the invoice Total Budget matches the Contract + Amendments
 - Confirmed. Total Contract (9/7/2016) + Amendments 1 (2/21/2018) = \$1,027,660, Invoice 17328366 (as of 11/5/18) shows budget of \$1,027,660, and \$785,849.15 was spent (76% of approved budget).

3. Ballpark Budget assessment
 - Condition assessment is planning level evaluation that is typically considered ongoing operational and maintenance related services.
 - There is no bid related to these services and thus they do not lend themselves to a “project value range” evaluation.



- ✓ Technical tasks appear to be consistent with industry standard of care for requested technical objectives of project.

Tab 3

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** January 17, 2023
Board of Directors

FROM: Dennis Kauffman, Chief Financial Officer

AUTHORITY COMMUNICATION NO: 23-04

SUBJECT: City of Roseville Internal Audit Report

For SPWA Board Meeting 1/26/2023

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

The City of Roseville engaged Moss Adams in May 2022 to evaluate key functional areas identified by the City in response to an incident that occurred involving alleged fraud within the City's Environmental Utilities (EU) Department and associated with the South Placer Wastewater Authority (SPWA). Moss Adams was engaged to assess the City's internal controls, related to certain aspects of key functional areas, and to evaluate related City processes in comparison with best practices. This internal audit took place between May 2022 and October 2022, and the final audit report was issued on January 17, 2023.

Audit Observations (Findings) and Recommendations were provided by Moss Adams in the following four areas: Overall Control Environment, Human Resource Processes, EU Procurement and Contract Monitoring, and Management Override of Internal Controls. The City's responses to the recommendations are included in the attached report.

Submitted by:

**Dennis
Kauffman** Digitally signed by
Dennis Kauffman
Date: 2023.01.18
12:15:52 -08'00'

Dennis Kauffman
Chief Financial Officer


Richard D. Plecker
Acting Executive Director



Proprietary & Confidential

FINAL REPORT

City of Roseville

2022 LIMITED SCOPE INTERNAL AUDIT

January 17, 2023

Moss Adams LLP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500



MOSSADAMS

This report is intended for the internal use of the City of Roseville, and may not be provided to, used, or relied upon by any third parties.

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

Moss Adams LLP (Moss Adams) was contracted by the City of Roseville (the City) in May 2022 to evaluate key functional areas identified by the City in response to an incident that occurred involving alleged fraud within the City's Environmental Utilities (EU) Department and associated with the South Placer Wastewater Authority (SPWA). Moss Adams was engaged to assess the City's internal controls, related to certain aspects of key functional areas, and to evaluate related City processes in comparison with best practices. This internal audit took place between May 2022 and October 2022.

Moss Adams focused on evaluating the processes and controls within the City that resulted in the alleged fraud incident, focusing on purchasing (including p-cards), contracting, and disbursement functions. Moss Adams expanded the scope to include evaluation of certain budgeting and human resource processes, which were identified in interviews as areas that may have control weaknesses that contributed to the alleged fraud incident. We interviewed City management and staff, reviewed policies and procedures for the areas of focus, reviewed internal investigative documents for the alleged fraud, performed testing on a sample of EU contracts for compliance with contract requirements, and evaluated the overall control environment within the City.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. This report was developed based on information gained from our interviews, document review, and analysis of sample documentation. The procedures we performed do not constitute an examination in accordance with generally accepted auditing standards or attestation standards.

B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS	
1.	<p>Observation Weaknesses in the overall control environment, whether they are actual or perceived, leave the City exposed to future incidents of fraud.</p> <p>Recommendation Implement a comprehensive ethics program and an enterprise risk management program and establish an internal audit function.</p>
2.	<p>Observation Insufficient hiring controls and lack of formal policies and procedures for receipt and investigation of personnel-related complaints contribute to the City's vulnerability to future incidents of fraud.</p> <p>Recommendation Ensure that HR and departments are following policies related to hiring processes, including required documentation for hiring decisions, and establish policies and procedures for receipt and investigation of personnel-related complaints.</p>



OBSERVATIONS AND RECOMMENDATIONS	
3.	Observation Weak EU contract procurement and management controls expose the City to potential fraud. A review of invoices for four EU professional service agreements identified charges to the City totaling \$1,379.09 in excess of labor rates stated within the personal service agreement (PSA).
	Recommendation Develop and formalize a procurement and contracting policy manual (PCPM) for EU. Clearly define roles, responsibilities, and decision-making authority for contract and financial management within EU, and consider conducting independent construction audits on significant construction contracts.
4	Observation Decisions were made to override existing controls and policies for questionable expense reimbursement requests, contributing to the longevity and financial impact of the alleged fraudulent activity.
	Recommendation Establish policies and procedures to require documentation of management's decision to override City policies and require approval for override of management controls by the Assistant City Manager or above.



II. SCOPE AND METHODOLOGY

A. INTRODUCTION

Moss Adams was contracted by the City in May 2022 to evaluate key internal controls identified by the City in response to an incident that occurred involving alleged fraud within the City's EU and associated with the SPWA. EU is responsible for the management, operation, and maintenance of the City's environmental utility resources, such as water, wastewater, waste services, recycled water, and stormwater quality services. The City has various programs and projects, such as sewage, water efficiency, and recycling, that require the use of environmental utility resources and funding.

SPWA is comprised of the City, South Placer Municipal Utility District, and Placer County. The SPWA was formed in 2000 to plan for, finance, acquire, construct, own, and operate the regional wastewater facilities through a Joint Exercise of Powers Agreement. The funding and operations of the SPWA regional wastewater facilities are shared by the three parties listed above and defined in funding and operations agreements. The South Placer Municipal Utility District and the County collect wastewater and convey it to the City for treatment and disposal.

Costs incurred by the City for operational and rehabilitation activities for the wastewater funds are initially accounted for through EU funding. At the end of each fiscal year, a partner true-up is performed to allocate operational and rehabilitation costs to the SPWA partners. The allocation is based on proportional volumetric flows for the fiscal year. Currently, the allocation is approximately 63% to the City, 26% to South Placer Municipal Utility District, and 11% to Placer County. The costs associated with the alleged fraud were incurred by the EU and allocated to the SPWA partners. The City contracted Moss Adams for this limited scope internal audit to provide assurance to the SPWA partners that controls were being evaluated to mitigate the risk of fraud to the City and the SPWA partners in the future.

B. BACKGROUND

In 2021, the Roseville Assistant Director of Wastewater Utilities (the Assistant Director) was arrested for alleged fraudulent activity in their role at the City that involved using City funds to pay for ineligible expenses for an individual who worked as a City contractor and later as a Utility Government Relations Administrator (the Administrator) for the EU. The now former Assistant Director recruited the now former Administrator in 2018 and used City funds to pay for their relocation from Washington D.C. to Roseville, California, including costs for a moving company, storage, and vehicle transport.

The City did not have a job opening for the Administrator at the time. The Administrator was hired in December 2018 by City consultant Brown and Caldwell as a Principal Scientist to work full time on the City Cogeneration and Nitrate Reduction Improvement Capital Projects. In early 2019 a Brown and Caldwell contract amendment and budget adjustment for the Cogeneration Capital Project was taken to City Council. This amendment was approved by City Council and included adding Task 700 – RIN program support with a budget of \$173,316. From December 2018 to May 2019, the Administrator billed \$200,866 to the Cogeneration Capital Project and an additional \$84,337 to the Nitrate Reduction Improvement Capital Project with the City.



In August 2019, the Assistant Director hired the Administrator as a City employee. The Administrator was given the highest grade of compensation for the position. After the Administrator's hiring, the Assistant Director allegedly continued to misuse City funds by approving expense reimbursements for ineligible expenses for the Administrator.

In the summer of 2020, the Assistant Director approved \$1,360 in reimbursement to the Administrator for a law school course from a fund for wastewater administration training and development. In September 2020, the Assistant Director directed an administrative employee to open a purchase order with the law school for \$20,000 for "Offsite Environmental, Water, Law / Compliance Training as needed." Two invoices totaling \$14,454 were paid to the law school for the Administrator's fall and spring semester enrollment.

After the discovery of the law school purchase order by an EU employee, further research was done into other erroneous expenses charged by the Assistant Director and the Administrator. The Assistant Director was placed on administrative leave in April 2021 and resigned in November 2021. The Administrator resigned from the City in April 2022.

C. SCOPE AND METHODOLOGY

This limited scope internal audit focused on select key functional areas, which were identified by the City, that potentially had gaps in internal controls or control failures, which could have allowed the alleged fraud incident to occur and not be identified timely. The limited scope internal audit focused on evaluating key controls and processes within these key functional areas including purchasing (including p-cards), contracting, and disbursement functions. The scope of the project was to evaluate the internal control gaps and/or control failures that contributed to the alleged fraud incident, and to identify opportunities for improvement. Our initial objectives included:

- **Purchasing and Credit Card Use:** Evaluate the procedures and internal controls related to the City's purchasing function, including the use of City credit cards, to identify potential control gaps and failures in controls that occurred, as well as to identify opportunities for improvement, where appropriate, to prevent future inappropriate purchases from occurring
- **Estimated Loss:** Assess the information available, such as documentation of purchases and disbursements, employment contracts, and timecards, to calculate the estimated potential loss incurred by the City related to the alleged fraud that occurred, as well as provide recommendations of alternatives for quantifying actual or implied losses, where possible, for purposes of the City's handlings of related insurance claims that will be filed.
- **EU Contracts:** Evaluate a sample of other EU contracts that are currently active to assess whether they appear to have been entered into and executed in compliance with City policies and procedures, evaluate whether there are indications of other inappropriate activities and contracts within the City, and make recommendations to the City, based on the evaluation

Based on initial interviews with City management, we expanded our scope to include a review of certain improvements implemented by EU and the City in response to the alleged fraud incident, select disbursement functions, select human resources (HR) activities such as hiring, education benefits, personnel investigations, and select budgeting activities.

The scope of our project focused on activities related to the alleged fraud incident between fall 2018 through fall 2021 and included a review of certain improvements implemented in response to the incident from fall 2021 to present.



We performed the following procedures:

- **Interviews and Inquiries:** To gain an understanding of the specific processes, controls, and the overall functions being assessed, we conducted interviews with City personnel, specifically the process owners for each of the key functions (described above) across City departments.
- **Document Review:** We reviewed existing City policies and procedures related to procurement, purchasing cards, and budget monitoring, as well as an investigative narrative report and binder of documentary evidence created by City staff for the alleged fraud incident.
- **Purchasing:** Based on the interviews performed, and our review of policies and procedures in this area, we evaluated the adequacy of internal controls related to the purchasing function and assessed whether there were opportunities for improvement or implementation of best practices. Specifically, we:
 - ❑ Interviewed City purchasing staff to understand the purchasing process, including use of purchasing cards, and learn about purchasing procedures before and after the implementation of the Oracle system in 2019
 - ❑ Interviewed the City Chief Financial Officer to understand involvement and action by the Finance Department related to the alleged fraud incident.
 - ❑ Requested the policies and procedures, and any related draft updates in progress, for the purchasing process and purchasing cards, and assessed the policies and procedures to determine if adequate controls were incorporated and whether policies appeared to align with best practices.
- **Budgeting:** Based on the interviews performed, our review of the policies and procedures in this area, and a high-level assessment of the CIP project approval processes and annual budget documentation, we evaluated the adequacy of internal controls related to the budget functions and assessed whether there were opportunities for improvement or implementation of best practices. Specifically, we:
 - ❑ Interviewed budget staff to understand the budgeting processes for City departments and SPWA
 - ❑ Reviewed documentation of approvals for Capital Improvement Projects (CIP) by the SPWA
 - ❑ Reviewed a budget monitoring document for the EU annual budget process
- **Human Resources:** Based on the interviews performed, our review of the policies and procedures in this area, and a high-level assessment of the hiring and complaint investigation processes, we evaluated the adequacy of internal controls related to the HR functions and assessed whether there were opportunities for improvement or implementation of best practices. Specifically, we:
 - ❑ Interviewed the HR Director to understand tuition reimbursement benefits for City employees, the complaint investigation processes, select hiring processes, and HR actions related to the alleged fraudulent activity
 - ❑ Reviewed a Memorandum of Understanding (MOU) related to relocation assistance and tuition reimbursement benefits for City employees



- **Environmental Utilities Contracting:** Based on the interviews performed, our review of the policies and procedures in this area, a review of EU’s analysis on the estimated loss to the City as a result of the alleged fraud, and a review of four active EU contracts, we evaluated the adequacy of internal controls related to the EU contracting and assessed whether there were opportunities for improvement or implementation of best practices. Specifically, we:
 - Interviewed the EU Director, Acting Assistant Director of Wastewater, Assistant Director of Environmental Utilities, Business Services Unit management, and other staff to understand partner billing processes for the SPWA, EU involvement and actions related to the alleged fraud incident, and actions taken by the EU since the discovery of the alleged fraud
 - Reviewed an analysis done by EU staff on the estimated loss to the City and SPWA partners as a result of the alleged fraud
 - Reviewed an investigative narrative report and binder with documentary evidence developed by EU staff with incident details and documentation of the alleged fraud
 - To evaluate the effectiveness of EU contract management and controls over procurement and expenses for EU contracts, we performed the following:
 - Selected the four active contracts with Brown and Caldwell that were initiated between July 1, 2019 and August 24, 2022
 - For each contract, we requested the signed contract, a sample of project invoices, all change orders and related justification documentation, and project lien waivers
 - Reviewed supporting documentation to determine if costs billed to the City were in line with contract requirements

D. FINANCIAL IMPACT TO THE CITY AND SPWA PARTNERS

The City performed an analysis of costs related to the alleged fraud incident and shared their findings with Moss Adams. We reviewed the tables below that detailed estimated costs incurred by the City and costs through June 30, 2022 that were inappropriately charged to the SPWA partners. Throughout the course of our audit, Moss Adams did not uncover any losses related to the alleged fraud incident in addition to the amounts calculated by the City. Brown and Caldwell transferred \$285,205 to the City in March 2022 and the City issued a check to reimburse the SPWA partners in May 2022 for their proportionate share of this amount.

Costs incurred by the City related to the alleged fraud incident are as follows:

Description	Costs in police investigation	Administrative leave costs	Other costs	Total
Brown and Caldwell labor and expenses charged to the City for Administrator	\$285,205			\$285,205
Relocation assistance and law school tuition of Administrator	\$21,980			\$21,980
Administrative leave costs for involved employees		\$467,182		\$467,182
Other costs, including, but not limited to, Administrator recruitment costs, travel/conference			\$43,080	\$43,080



costs, meals, office supplies, other PCard activity				
Costs incurred by City	\$307,185	\$467,182	\$43,080	\$817,447
Less: Reimbursement from Brown and Caldwell for labor and expenses charged to the City for Administrator	(\$285,205)			(\$285,205)
Costs incurred by City, net of Brown and Caldwell reimbursement	\$21,980	\$467,182	\$43,080	\$532,242

Note: The above costs do not include staff time and external professional service costs to investigate the alleged fraud incident.

Costs through June 30, 2022 deemed inappropriate to charge to the SPWA partners are as follows:

Description	SPMUD	Placer County	Total
Brown and Caldwell labor and expenses charged to the City for Administrator	\$73,094	\$33,223	\$106,317
Relocation assistance and law school tuition of Administrator	\$2,863	\$1,164	\$4,027
Administrative leave costs for involved employees	\$72,291	\$29,731	\$102,022
Other costs, including, but not limited to, Administrator recruitment costs, travel/conference costs, meals, office supplies, other PCard activity	\$5,665	\$2,371	\$8,036
Other Administrator labor costs	\$25,093	\$9,633	\$34,726
WIFIA loan application costs, including Stantec grant writing charges and printing/binding	\$4,026	\$1,545	\$5,571
Moss Adams internal audit costs charged to Wastewater utility through 6/30/22	\$2,008	\$832	\$2,840
Total inappropriate charges to partners	\$185,040	\$78,499	\$263,539
Less: Reimbursement from Brown and Caldwell for labor and expenses charged to the City for Administrator - paid to partners May 2022	(\$73,094)	(\$33,223)	(\$106,317)
Costs to be reimbursed to SPWA partners	\$111,946	\$45,276	\$157,222

E. COMMENDATIONS

Although the focus of this assessment was to identify opportunities for improvement, it is important to note the areas of commendable operations. The City should be commended for the following accomplishments:



Readiness for Change: During interviews, feedback from City employees indicated an eagerness to implement improvements to their responsible functions.

City Staff Awareness of potential inappropriate activity: During our interviews with staff from the various City functional areas, staff appeared to have awareness of how to identify potential inappropriate activity and were open to actively communicating any potentially fraudulent or inappropriate activity through the appropriate channels.

We would like to thank City staff and management for their willingness to assist with this limited scope internal audit.



III. FINDINGS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, testing results, and comparisons to best practices, we prepared a comprehensive set of observations and recommendations. The observations and recommendations are detailed below.

A. OVERALL CONTROL ENVIRONMENT

1.	Observation	Weaknesses in the overall control environment, whether they are actual or perceived, leave the City exposed to future incidents of fraud.
	Recommendation	Implement a comprehensive ethics program and an enterprise risk management program and establish an internal audit function.

The alleged fraudulent activity involved a variety of departments and functions across the City, including hiring, training and education benefits, accounts payable, EU, purchasing and contracting, and more. Overall, we found that the activity-level controls for most of these functions were in place and appeared to be designed effectively. However, in interviews performed, employees within each of these functions reported that they had raised concerns about potentially fraudulent activity previously, and the perception was often that those concerns were not acted upon by those at higher levels within the City. There was an overarching sentiment that the City lacked a strong, ethical control environment. These weaknesses in the overall control environment, whether they are actual or perceived, leave the City at risk of future incidents of fraud to occur.

The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal controls. It influences how objectives are defined and how control activities are structured. The City Council and City management are responsible for establishing and maintaining an environment, throughout the City, that sets a positive attitude toward internal controls. The first principle of an effective control environment requires that the City Council and City management demonstrate a commitment to integrity and ethical values.

The alleged fraudulent activity has the potential to erode the trust that residents of Roseville have in the City’s ability to safeguard public resources and prevent unethical behavior. To maintain the trust of the community, the City should implement several improvements to its control environment.

Comprehensive Ethics Program

The City should establish an ethics program to continue promoting an environment of integrity and honesty in all activities to support public confidence and trust. The City’s mission is “to provide exceptional services in a fiscally responsible manner that enhance the quality of Roseville today and into the future,” and the vision includes commitments to “a fiscally sound city” and “a transparent, accountable environment.” The ethics program should include the following components:

- **Update Mission, Vision, and Values:** The City should consider adding specific commitments to ethics and integrity to its Mission, Vision, and Values to emphasize its commitment to an ethical environment.



- **Ethics Policy:** The City should develop a comprehensive ethics policy to offer guidance on ethical behaviors and to outline ethical expectations from City employees. City policies related to ethics should include, at a minimum, the following:
 - General ethical principles and definitions
 - Requirements for annual ethics training for all City employees
 - An Ethics Acknowledgement Form to be completed annually by all City employees
 - Guidance on how to report ethical violations
 - Establishment of an investigative process for reported ethical violations
 - Potential disciplinary actions for ethical violations
- **Whistleblower Hotline:** City management reported that the City is developing a whistleblower protection and complaint process, combined with an anonymous reporting system. Hotlines are useful tools in reducing the possibility of inappropriate or illegal actions, by providing a confidential venue for employees to present issues related to ethics breaches or concerns regarding senior leadership. Hotlines are also inexpensive to operate. Effective hotlines remove all possible barriers to reporting, including trustworthiness, capability for anonymous reporting, and anti-retaliation.

According to the Association of Certified Fraud Examiners, 43% of occupational frauds are detected through an employee tip, making hotlines one of the most effective tools to combat and detect potential fraud. Benefits of implementing an effective, well-advertised hotline include:

- Proactively detect and address misconduct
- Identify areas that might need systematic improvement
- Reinforce ethical corporate culture
- Comply with laws and regulations
- Encourage internal reporting of concerns
- Mitigate fines and penalties from regulatory agencies

Ideally, hotline reports should be routed to an independent party such as an internal auditor, legal counsel, or an independent third-party administrator. It would be prudent for the internal auditor or an independent third-party to receive reports and take the lead on reporting to management, with legal counsel providing support, as needed, and a mechanism for protecting information under attorney-client privilege, when appropriate. Complaint triage and recommended action should be determined by the internal auditor or independent third-party managing the hotline. It may be determined that no actions are needed because information is insufficient for an investigation.

As the City implements the hotline, management should continue to ensure it aligns with best practices and that City employees receive proper training on how to report concerns. The City should also consider how to advertise the hotline to residents. The establishment of a whistleblower hotline would demonstrate to residents a commitment to an environment preserving integrity, enforcing accountability, and ensuring proper safeguarding of City resources.

Enterprise Risk Program

The City does not have an enterprise risk management (ERM) program, although it has engaged in some formal risk management activities such as requesting this limited scope internal audit to



evaluate how the recent alleged fraudulent activity occurred and how to prevent similar events in the future. Risk management is the process of identifying potential events that may affect the City and, within the bounds of the City's risk appetite, taking actions to provide reasonable assurance that the risk has been prepared for or mitigated.

City leadership should reinvigorate its commitment to embrace and incorporate risk management within operations and plan to proactively address uncertainties and pressing risks. While a traditional view of risk focuses only on specific topics like safety and injury prevention, multi-dimensional risk assessments typically address a wide range of issues that fall into the following five categories:

- Strategic
- Operational
- Financial
- Compliance
- Reputational

Internal Audit Function

Following a formal enterprise risk assessment, risks related to each area of the City's work should be assessed, prioritized, and addressed through an internal audit function, which the City does not currently have in place. The City should establish an internal audit function. This function can be carried out by a member of the City's staff or outsourced to a third party. In alignment with the definition from the Institute of Internal Auditors, internal auditing should help the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

An internal audit function typically evaluates key functions across the City on an ongoing basis, such as purchasing, contracting, and disbursements. Regular internal audits of key functions allow for internal control deficiencies or gaps to be identified timely and for corrective actions to be implemented. In many cases, the mere presence of an ongoing internal audit function creates an increased perception that activities are being reviewed, compliance with policies is being monitored, and City management is committed to an environment of constant improvement. This can help to reduce the risk that fraud will occur and not be identified, which can act as a deterrent. When used effectively, internal audit collaborates with management to mitigate risks and improve management systems. In the case of the recent alleged fraudulent activity, an internal audit function would have served as an independent party for employees to report their concerns.

MANAGEMENT RESPONSE	
Action Plan	City management agrees with the recommendations and is in the process of establishing a comprehensive ethics program, including a whistleblower protection and complaint process administrative regulation and an anonymous reporting system. City staff will research and implement enterprise risk management and internal audit programs appropriate for the City of Roseville.



B. HUMAN RESOURCE PROCESSES

2.	Observation	Insufficient hiring controls and lack of formal policies and procedures for receipt and investigation of personnel-related complaints contribute to the City’s vulnerability to future incidents of fraud.
	Recommendation	Ensure that HR and departments are following policies related to hiring processes, including required documentation for hiring, and establish policies and procedures for receipt and investigation of personnel-related complaints.

One function that was heavily impacted by the alleged fraudulent activity was HR. The incident involved manipulation of the City’s hiring and compensation processes. During the assessment, we found that the City’s HR policies and procedures related to how complaints are to be received, documented, handled/investigated, and closed, should be enhanced. Based on interviews performed, and review of documentation available to support the alleged fraud, HR did not maintain documentation of all complaints that related to the alleged inappropriate relationship involved in the incident. There was documentation related to some of the complaints filed; however, based on interviews, there were additional complaints filed that were not documented and there was no documentation made at the time of the complaints supporting what was done with the information. The City should implement several improvements to strengthen HR processes.

Hiring

The City does not have strong controls in place for maintenance of hiring documentation. The policies for documentation retention by the hiring department and HR is not clearly defined. Under the current process, City HR receives all applications and performs initial screening for minimum qualifications. Applicants who are determined by HR to meet the minimum qualifications are forwarded to the hiring department. The hiring department then conducts all interviews and skills assessments, developing rubrics for applicant scoring.

The City personnel rules require that hiring paperwork be maintained for two years for all employees that are deemed qualified for appointment to a position. Hiring documentation typically includes HR’s evaluation of an applicant’s skills, education, and past experience in comparison with the related position qualifications of the position to which they are applying, and the hiring department’s rubrics for interview or skills assessment scoring. At the end of the hiring process, all hiring paperwork and compensation-related documentation should be submitted to HR to be stored in the personnel file and to support hiring decisions. Proper maintenance of the personnel file is important to protect the City from claims of unfair hiring practices or of giving inappropriate preferences in the hiring process.

Complaint Investigation Process

We heard from employees that they alerted management to concerns about an inappropriate relationship between the Assistant Director and the Administrator. Management reported passing this information along informally to the HR Director, and we were unable to obtain documentation of a report to HR. The HR Director stated that they received an informal complaint about an inappropriate relationship and referred the information to the EU Director. The HR Director was not able to provide



documentation of this referral which they said would have likely been done over the phone or through text message.

The City's Municipal Code 3.15.040 includes information on proper employee conduct, employees' duty to report any evidence of improper practice, and guidance on reporting through the supervisory chain or directly to the City Manager if the complaint involves a supervisor. In addition to the provisions in the Municipal Code, HR should establish formal policies and procedures to guide the process for receipt, investigation, and referral of whistleblower and fraud-related complaints. The policies and procedures should include the following:

- Processes for City employees and residents to submit whistleblower or fraud-related complaints anonymously, to the appropriate level of management
- Processes for initial evaluation of the complaint for credibility and determination of investigative action
- Guidelines for the investigative process
- Guidelines for referral of whistleblower or fraud-related complaints to department management and external parties (as needed)
- Specific documentation requirements for complaint resolution including what investigation was performed, the related results, and required next steps for addressing any credible/valid complaints
- Provisions for records retention related to whistleblower or fraud-related complaints in line with City policy and state law

MANAGEMENT RESPONSE	
Action Plan	The Human Resources Department and City Attorney's Office will review and update, or establish, policies and procedures over the hiring process and the handling of personnel-related complaints.

EU Procurement and Contract Monitoring

3.	Observation	Weak EU contract procurement and management controls expose the City to potential fraud. A review of invoices for four EU professional service agreements identified charges to the City totaling \$1,379.09 in excess of labor rates stated within the personal service agreement (PSA).
	Recommendation	Develop and formalize a procurement and contracting policy manual (PCPM) for EU. Clearly define roles, responsibilities, and decision-making authority for contract and financial management within EU, and consider conducting independent construction audits on significant construction contracts.

The alleged incident of fraudulent activity involved the procurement and contract monitoring processes for the City and EU. The Assistant Director allegedly manipulated change order documentation for presentation to City Council to provide funding to two contracts for tasks that were not applicable to the related project objectives. The contractor, Brown and Caldwell, hired the Administrator and they charged 100% of their time to those two contracts. Brown and Caldwell has



reimbursed the City for the alleged fraudulent expenses charged to these contracts.

Contract Testing

To evaluate internal controls related to EU contract management and the payment process for expenditures related to contracts, and to identify opportunities to strengthen controls, we selected a sample of four PSAs with Brown and Caldwell. From the four agreements, we selected the highest dollar invoice for each purchase order and reviewed the related expenditure documentation for compliance with the PSAs. For 1 of the 4 invoices, we confirmed Brown and Caldwell billed the City for labor charges, not in compliance with terms established in the PSAs. Per the PSA, labor is to be billed at rates stated within the contract; however, Brown and Caldwell billed the City for labor rates plus a 3.2 multiplier. The contracted rates would have resulted in a total charge of \$81,295.25, but Brown and Caldwell billed the City for \$82,674.34, a difference of \$1,379.09 in labor charges in excess of labor rates stated within the PSA. Further, Brown and Caldwell billed the City for two positions, Managing Business Consultant and Project Analyst II, which are not identified in the PSA. Additionally, we identified one invoice for \$46.54 that was not supported with proof of payment to the third-party vendor.

Based on our evaluation of the documentation tested, it was clear the invoice submitted by Brown and Caldwell was not being effectively reviewed for compliance with the related contracts. As a result, in many cases, labor charges in excess of the established rates were being charged; however, this was not identified and the invoice was approved and processed for payment.

EU Contract Procurement Policies and Procedures

EU does not have formal policies and procedures for the procurement of contractors and contract management. Written policies and procedures serve as a guide to contract administrators and project managers to ensure a consistent, high-quality contract management process. EU should develop and formalize policies and procedures related to contracting so that staff can perform activities in a consistent manner.

Local government contract management policies and procedures typically focus on monitoring the financial elements of a contract, such as invoice payment, budget monitoring, and cash handling controls. However, nonfinancial contract terms and conditions closely tie to vendor performance and the quality of services rendered. Therefore, comprehensive contract management guidance should address both financial and nonfinancial components, while also defining roles and responsibilities for each area.

A comprehensive, clear, and concise PCPM explains applicable laws and policies and enables procurement staff, vendors, and other stakeholders to understand the proper procedures and rules to follow. The absence of comprehensive guidance presents opportunities for inconsistency, complexity, and confusion, resulting in likely frustration, delays, and overall suboptimal utilization of scarce sources. The PCPM should include clearly defined authority, responsibility, and guidelines to follow. Key components of the procurement process that should be outlined in the PCPM include:

- Purchasing authority, including dollar threshold limits and delegation
- Roles and responsibilities



- Conflict of interest and ethics, as it relates to the procurement and contract management functions
- Competitive solicitation and waivers
- Supplier evaluation and selection
- Emergency purchases
- Special considerations, including use of bonds, prevailing wages, warranties, insurance, and preferences for certain vendor types
- Purchasing classifications, such as information technology (IT), goods, and services
- Protests and post-award disputes
- How employees will be held accountable for adhering to standards

Key components of the contract management process that should be delineated in the PCPM include:

- **Contract Administration Plan:** This plan should include a high-level summary of planned and completed activities that can be used throughout the contract period as a status report. It should detail the methods and performance measures that the contract administrator and project manager will use to monitor the vendor and their specific responsibilities.
- **Contract Kickoff Meeting:** Also referred to as a pre-performance conference, City staff and the vendor should meet to review contract terms and conditions and discuss each other's roles and responsibilities.
- **Project Plan and Schedule Templates:** A sample of basic project management tools for use by operating departments should be developed to facilitate better scope of work development and project management.
- **Contract Change Management Procedures:** Change order administration policies and procedures including what change orders must include to support increased costs/fees and a formal review and approval process.
- **Dispute Resolution Procedures:** A dispute resolution process should be developed and formalized to define the roles and responsibilities of the project manager, contract administrator, legal department, and diversity program, where applicable.
- **Closeout Procedures:** Contract closeout procedures should be detailed including responsibilities for evaluating final contract deliverables and performance, reconciling total invoices to the contract fees/costs, and documentation requirements for record retention.
- **Post-Contract Review:** It is important to note that while policies and procedures are critical to consistency and effectiveness, they must be formalized, training must be provided, and personnel must be held accountable to adhering to them. As policies and procedures evolve over time, training should be revised and re-delivered to ensure consistency.

Once policies and procedures are updated, they should be available in a centralized location, such as an intranet, for employees to easily reference. EU management should ensure all staff are sufficiently trained on any major changes and are held accountable for implementing them. Due to the insufficiency of current guidelines, there is an elevated need for training and expectation-setting for the adoption of these guidelines. EU should consider implementing initial training and annual refresher training to ensure employees are well-equipped to follow standard procurement and contract management policies.



EU Contract and Financial Management

EU is responsible for over \$100 million in operating revenue annually and operates three major utilities for the City and surrounding areas. Staff and management report that roles, responsibilities, and levels of decision-making authority are sometimes unclear within the department and that financial responsibilities are shared with other City functions. Fluctuating expectations and management practices often create confusion and operational inefficiencies.

To effectively administer and monitor financial and contract functions of the department, EU should clearly define roles and responsibilities and decision-making authority. Recommended roles and responsibilities for employees involved in contract and financial management include:

- **Contract Administrator:** Provides cradle-to-grave procurement and contract administration services, including negotiation of terms and conditions, review of deliverables and invoices for compliance, administration of change orders, and contract close out. Leads post-contract review. Responsible for maintaining official contract file.
- **Project Manager:** Acts as technical representative, providing subject matter expertise to the contract administrator, and interfaces with the vendor on day-to-day project management activities. Approves deliverables and manages budgets and schedules. Responsible for maintaining documentation in the contract file for the department.
- **Division Director/Department Head:** Oversees, at a high level, the schedule and budget status of all division/department contracts, and assists project managers as needed, to ensure the department and stakeholder needs are met.
- **Business Managers or Administrators:** May be responsible for maintaining the department's working contract files on behalf of project managers. Responsible for developing and providing summary-level contract status reports to division and department directors.
- **Compliance Auditor:** Within the department, provides regular compliance monitoring of contracts through testing and reporting.
- **Contract Quality Assurance:** Provides subject matter expertise, provides guidance on appropriate use of change orders, participates in post-contract reviews, and compiles and disseminates lessons learned and best practices. Responsible for contract administration performance reporting.
- **Accounting and Budget Divisions:** Performs duties that include accounts payable (e.g., invoice circulation, coding, and processing), budget support, and technical assistance as requested.
- **Risk Management:** Provides support related to contract drafting, review, and negotiation of indemnification provisions and insurance requirements.

The benefits of establishing clear roles and responsibilities in a centralized financial and contract management model include greater consistency and predictability throughout the process, having a standard set of criteria against which to evaluate personnel, and greater transparency for department staff and vendors. Financial and contract administrators with more authority and responsibility over the contracting process will have experience with effectively utilizing systems and complying with requirements and can avoid duplication of effort. In addition, refocusing department personnel toward project management better leverages their skills and abilities to effectively deliver the goods or services, and can lower administrative costs.



Independent Close-Out Construction Audits

EU has not established policies and procedures for conducting independent close-out construction audits for projects to ensure final project billings to the City are compliant and not excessive. In alignment with industry best practice, the City should continue to include record and audit language within all construction contracts. As a best practice, the City should consider implementing policies and procedures surrounding conducting an independent construction audit on significant construction contracts to ensure any potential non-compliant charges are not billed to the City and to support transparency and consistency of the project billings.

MANAGEMENT RESPONSE	
Action Plan	City management agrees with the recommendations. EU staff will work with Finance Department staff on enhanced citywide procurement and contracting guidance, along with the recommended EU-specific policies and procedures.

C. MANAGEMENT OVERRIDE OF INTERNAL CONTROLS

4.	Observation	Decisions were made to override existing controls and policies for questionable expense reimbursement requests, contributing to the longevity and financial impact of the alleged fraudulent activity.
	Recommendation	Establish policies and procedures to require documentation of management’s decision to override City policies and require approval for override of management controls by the Assistant City Manager or above.

Management oversight of the City’s control environment is implemented to promote decision-making in the best interest of the City and establish a tone-at-the-top that is consistent throughout all the City’s operations. A lack of management oversight of the City’s control environment can result in the opportunity for circumventing existing controls and can increase the risk of fraud occurring and not being detected timely. During our discussions with personnel, we identified circumstances where it appeared that concerns were raised to management regarding potentially fraudulent activities, but management evaluated the concerns and proceeded with actions that did not consistently agree with established policies and procedures.

Examples of these situations include:

- **Relocation Assistance:** It was reported that staff raised concerns around the Assistant Director’s request for a payment of over \$6,000 in relocation assistance for the Administrator who was not a City employee at the time. City policy states that the City Manager may approve “up to \$15,000 in relocation assistance for positions the manager deems appropriate.” In conversations with the HR Director, relocation assistance is never approved for positions below the level of department head or for individuals who are not city employees (i.e., contractors). However, when alerted of the request for relocation assistance for the Administrator, the HR Director stated that they notified the Assistant Director that they were not authorized to approve relocation assistance



for the Administrator and then approved the payment anyway to not financially punish the Administrator for the Assistance Director's error.

- Education and Training Reimbursement:** It was reported that staff raised concerns about tuition reimbursements requested by the Assistant Director for the Administrator's tuition fees for law school. The Assistant Director requested reimbursement for these fees as a training expense. The HR Director said the City has an MOU for education reimbursement, which these expenses would have fallen under, but that they approved the request as a training expense. The HR Director explained that they spoke with the Assistant Director about the inappropriateness of the request but agreed to approve the reimbursement since the Administrator had already completed the class and they did not want to hurt them financially for the Assistant Director's error.
- Other Questionable Expense Reimbursements:** It was reported that staff raised concerns over many requests for expense reimbursement by the Administrator, including requests for expenses without receipts, travel expenses for personal trips, and meal expenses for dinner in Nashville, Tennessee. When concerns were raised about the expenses with the Assistant Director who approved the expenses, it was reported that staff were directed to approve the expenses anyway. When these concerns were raised higher, staff reported that they were told to reimburse the expenses because the City did not want to punish the Administrator for the Assistant Director's inappropriate promises to reimburse expenses that were typically not allowed.

For each of these instances, we inquired about the process of documenting the justification management used in decision-making; however, it did not appear that management documented their justification or received approval from the senior management chain for these decisions.

The City should establish policies and procedures to require documentation of management's decision to override any City policy. The City should require the documentation of an override decision be presented to the Assistant City Manager or above for written approval.

MANAGEMENT RESPONSE	
Action Plan	City management will establish the recommended policies and procedures.

Tab 4

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** January 5, 2023
Board of Directors

FROM: Kyle Horton, Accounting Supervisor

AUTHORITY COMMUNICATION NO: AC 23-05

SUBJECT: Debt Review – FY2022-2023

For SPWA Board Meeting 1/26/2023

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

The following report details a review of the Authority's outstanding debt, debt service budget, year-to-date expenses, and remaining forecast for FY2022-23.

SUMMARY OF OUTSTANDING DEBT

The South Placer Wastewater Authority currently has \$151.6 million of debt outstanding shown in the table below. All long term debt in the portfolio is fixed rate. The State Revolving Fund loans issue size represents the total funding approved for both the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects. The outstanding par represents the amount of expense reimbursement received from the state revolving fund through December 31, 2022.

Summary of Outstanding Debt						
Series	Type	Issues Size	Outstanding Par	Coupon Range	Final Maturity	% of Total Debt
2017	Fixed Rate Bonds	\$74,780,000	\$63,590,000	5.00%	11/1/2037	41.9%
2020	Fixed Rate Bonds	\$46,920,000	\$46,920,000	5.00%	11/1/2035	30.9%
N/A	SRF Loans	\$108,021,755	\$41,102,887	1.30%	7/3/2053	27.1%
Total			\$151,612,887			

BUDGET, ACTUAL, and FORECASTED ESTIMATES

The current projection for all debt service in FY2022-23 is estimated to align with the annual budget. With completion of the SRF-funded projects delayed, debt service on the SRF loan is not expected to begin until FY2023-24. No budget changes are proposed at this time.

Summary of Outstanding Debt					
Series	Annual Budget	Debt Service Paid 7/1/22-12/31/22	Estimated Remaining Debt Service	Estimated Year-End Total	Proposed Budget Changes
2017	\$ 9,119,950	\$7,524,500	\$1,589,750	\$9,114,250	\$0
2020	\$ 2,353,000	\$1,173,000	\$1,173,000	\$2,346,000	\$0
SRF	\$ 1,242,050	\$0	\$0	\$0	\$0

Submitted by:

Kyle Horton

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Kyle Horton
Accounting Supervisor


**Dennis
Kauffman**

Digitally signed by
Dennis Kauffman
Date: 2023.01.18
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Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director



Tab 5



AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 17, 2023

FROM: Kyle Horton – Accounting Supervisor

AUTHORITY COMMUNICATION NO: AC 23-06

SUBJECT: Investment Review

For SPWA Board Meeting 1/26/2023

ACTION REQUESTED

None required. This is an information item.

BACKGROUND

The following report details the performance of the Authority's investments through November 2022.

INVESTMENTS

The Schedule of Investments for November 2022 is attached to this report. The yield to maturity on the invested funds was 3.376% as of November.

Additional Accumulated Funds

The additional accumulated funds, in the amount of \$43.5M, is a combination of:

- \$ 31,646,195.78 in the Authority's wastewater project fund held by the fiscal agent.
- \$ 11,918,335.07 in the Authority's bond reserve funds held by the fiscal agent.
- \$ 0.00 in the Authority's interest fund held by the fiscal agent.

Submitted by:

Kyle Horton

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Date: 2023.01.17 16:42:04
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Kyle Horton
Accounting Supervisor

**Dennis
Kauffman**

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Kauffman
Date: 2023.01.18 12:17:00
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Dennis Kauffman
Chief Financial Officer



Richard Plecker
Acting Executive Director

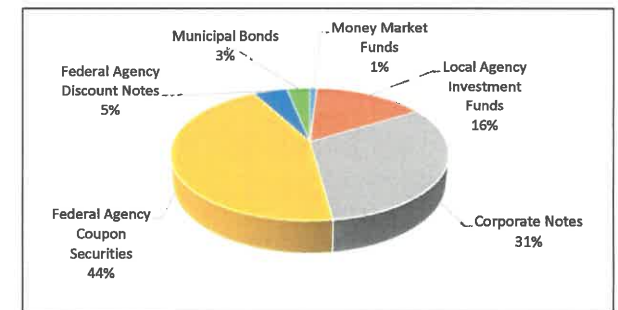


Performance | Total Portfolio Summary
November 30, 2022

Benchmark Performance	5/31/2022	11/30/2022
Average Portfolio Yield	1.160	3.376
2Yr CMT	2.530	4.380
LAIF	0.684	2.007

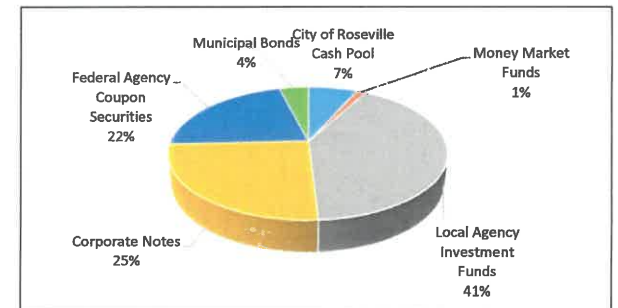
November 2022

Asset Category	Compliance	YTM/C 365	Days to Maturity	Par Value	Market Value	Book Value
	% of Portfolio					
Money Market Funds	0.94%	3.26	1	1,181,076	1,181,076	1,181,076
Local Agency Investment Funds	15.48%	2.007	1	19,384,434	19,384,434	19,384,434
	16.42%	0.341	1	20,565,510	20,565,510	20,565,510
Corporate Notes	31.38%	3.223	1,231	39,901,000	37,866,572	39,302,211
Federal Agency Coupon Securities	44.26%	4.091	535	56,203,000	52,937,937	55,441,492
Federal Agency Discount Notes	4.73%	3.824	120	6,000,000	5,911,320	5,926,000
Municipal Bonds	3.21%	0.984	713	3,895,000	3,731,930	4,015,368
	83.58%	3.035	646	105,999,000	100,447,759	104,685,071
TOTAL PORTFOLIO Average	100.00%	3.376	646	126,564,510	121,013,268	125,250,581



May 2022

Asset Category	Compliance	YTM/C 365	Days to Maturity	Par Value	Market Value	Book Value
	% of Portfolio					
City of Roseville Cash Pool	6.73%	1.157	1	6,749,906	6,749,906	6,749,906
Money Market Funds	1.21%	0.006	1	1,216,518	1,216,518	1,216,518
Local Agency Investment Funds	41.12%	0.684	1	41,236,967	41,236,967	41,236,967
	49.07%	0.359	1	49,203,392	49,203,392	49,203,392
Corporate Notes	25.18%	2.128	541	25,151,000	24,749,193	25,252,889
Federal Agency Coupon Securities	21.72%	1.036	933	21,750,000	20,529,233	21,779,914
Municipal Bonds	4.03%	0.982	897	3,895,000	3,844,809	4,042,971
	50.93%	0.800	375	50,796,000	49,123,234	51,075,775
TOTAL PORTFOLIO Average	100.00%	1.160	376	99,999,392	98,326,626	100,279,167





**Monthly Investment Report
Portfolio Management
Portfolio Summary
November 30, 2022**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTWC
Money Market Funds	1,181,076.08	1,181,076.08	1,181,076.08	0.94	1	1	3.260
Local Agency Investment Funds	19,384,433.64	19,384,433.64	19,384,433.64	15.48	1	1	2.007
Corporate Notes	39,901,000.00	37,866,571.62	39,302,211.39	31.38	1,578	1,231	3.223
Federal Agency Coupon Securities	56,203,000.00	52,937,936.80	55,441,491.56	44.26	1,706	535	4.091
Federal Agency Disc. -Amortizing	6,000,000.00	5,911,320.00	5,926,000.01	4.73	197	120	3.824
Municipal Bonds	3,895,000.00	3,731,930.25	4,015,368.34	3.21	1,519	713	0.984
	126,564,509.72	121,013,268.39	125,250,581.02	100.00%	1,309	652	3.376

Total Earnings	November 30	Month Ending	Fiscal Year To Date
Current Year		297,835.20	1,133,689.82
Average Daily Balance		139,759,605.66	127,171,857.32
Effective Rate of Return		2.59%	2.13%

*Estimated balance at month-end
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.


 Richard Plecker, Acting Executive Director
 Digitally signed by Dennis Kauffman
 Date: 2023.01.12 21:18:02 -08'00'
 Dennis Kauffman, Treasurer

1/17/23
 DATE

**Monthly Investment Report
Portfolio Management
Interest Earnings Summary
November 30, 2022**

	November 30 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	212,285.79	464,826.39
Plus Accrued Interest at End of Period	376,486.38	376,486.38
Less Accrued Interest at Beginning of Period	(390,766.10)	(127,398.89)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	198,006.07	713,913.88
Adjusted by Premiums and Discounts	38,533.56	168,734.96
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	236,539.63	882,648.84
Pass Through Securities:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	(0.00)	(0.00)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	0.00	0.00
Cash/Checking Accounts:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	7,427,418.48	7,427,418.48
Less Accrued Interest at Beginning of Period	(7,366,122.91)	(7,176,377.50)
Interest Earned during Period	61,295.57	251,040.98
Total Interest Earned during Period	259,301.64	984,954.86
Total Adjustments from Premiums and Discounts	38,533.56	168,734.96
Total Capital Gains or Losses	0.00	0.00
Total Earnings during Period	297,835.20	1,133,689.82



**Monthly Investment Report
Fund 001 - SPWA
Investments by Fund
November 30, 2022**

City of Roseville CA

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Days To Date Maturity
City of Roseville Cash Pool*										
SYS10048	10048	City of Roseville Cash Pool	07/01/2022	0.00	0.00	0.00	1.765	1.740	1.765	1
Subtotal and Average				0.00	0.00	0.00	0.000	0.000		0
Money Market Funds										
431114503	10434	US BANK	07/01/2022	1,181,076.08	1,181,076.08	1,181,076.08	3.260	3.215	3.260	1
Subtotal and Average				1,181,076.08	1,181,076.08	1,181,076.08	3.215	3.260		1
Local Agency Investment Funds										
40-31-001	10032	Local Agency Investment Fund	07/01/2022	19,384,433.64	19,384,433.64	19,384,433.64	2.007	1.979	2.007	1
Subtotal and Average				19,384,433.64	19,384,433.64	19,384,433.64	1.980	2.007		1
Corporate Notes										
023135CF1	10694	AMAZON	06/03/2022	2,149,548.50	2,150,000.00	2,061,291.00	3.300	3.258	3.304	04/13/2027 1,594
023135BC9	10718	AMAZON	09/16/2022	2,881,740.00	3,000,000.00	2,850,990.00	3.150	3.983	4.038	08/22/2027 1,725
06048WK41	10690	Bank of America Corp	11/25/2020	2,000,000.00	2,000,000.00	1,755,920.00	0.650	0.712	0.722	11/25/2025 1,090
110122CN6	10719	BRISTOL MYERS SQUIBB	09/16/2022	1,946,860.00	2,000,000.00	1,921,100.00	3.200	3.914	3.968	06/15/2026 1,292
166764BW9	10691	CHEVRON CORP NOTE	04/28/2021	1,028,570.00	1,000,000.00	934,790.00	1.554	0.821	0.832	05/11/2025 892
166764BD1	10695	CHEVRON CORP NOTE	06/03/2022	2,520,900.00	2,500,000.00	2,424,950.00	3.326	3.026	3.068	11/17/2025 1,082
29736RANO	10668	ESTEE LAUDER CO	12/10/2019	3,013,110.00	3,000,000.00	2,848,680.00	2.000	1.870	1.896	12/01/2024 731
458140AX8	10698	INTEL CORP	06/24/2022	1,955,340.00	2,000,000.00	1,899,800.00	3.150	3.603	3.653	05/11/2027 1,622
46625HQW3	10699	JP MORGAN CHASE CORP NOTES	06/21/2022	1,939,600.00	2,000,000.00	1,911,040.00	3.300	4.118	4.175	04/01/2026 1,217
641062BA1	10722	NESTLE HOLDINGS INC	09/16/2022	1,997,880.00	2,000,000.00	1,980,140.00	4.000	3.986	4.041	09/12/2025 1,016
654106AJ2	10700	NIKE INC	06/03/2022	2,454,350.00	2,500,000.00	2,349,600.00	2.750	3.117	3.161	03/27/2027 1,577
771196BK7	10701	ROCHE HOLDINGS INC	06/03/2022	2,440,950.00	2,500,000.00	2,350,700.00	2.625	3.222	3.266	05/15/2026 1,261
784710AA3	10729	SSM HEALTH CARE	11/18/2022	2,348,986.50	2,450,000.00	2,328,847.50	3.823	4.779	4.846	06/01/2027 1,643
872540AQ2	10703	TJX COS INC	06/21/2022	1,867,040.00	2,000,000.00	1,854,980.00	2.250	3.916	3.970	09/15/2026 1,384
89236TGT6	10705	TOYOTA MOTOR CREDIT CORP COMM	06/03/2022	2,418,400.00	2,500,000.00	2,354,925.00	1.800	3.028	3.070	02/13/2025 805
872898AF8	10704	TSMC ARIZ CORP	06/24/2022	1,991,380.00	2,000,000.00	1,930,560.00	3.875	3.918	3.973	04/22/2027 1,603
91324PEG3	10708	UNITEDHEALTH GROUP	06/21/2022	2,124,243.00	2,150,000.00	2,083,908.00	3.700	3.916	3.970	05/15/2027 1,626
384802AE4	10672	WW GRAINGER	04/28/2020	2,216,777.58	2,151,000.00	2,024,349.12	1.850	1.183	1.200	02/15/2025 807
Subtotal and Average				39,295,875.58	39,901,000.00	37,866,571.82	3.179	3.223		1,280

**Fund 001 - SPWA
Investments by Fund
November 30, 2022**

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM/C 360	YTM/C 365	Maturity Date	Days To Maturity
Federal Agency Coupon Securities											
31422BA26	10676	FEDERAL AGRIC MTG CORP AGCY	05/19/2020	5,000,000.00	5,000,000.00	4,554,650.00	0.675	0.665	0.675	05/19/2025	900
31422BY46	10685	FEDERAL AGRIC MTG CORP AGCY	10/14/2020	3,000,000.00	3,000,000.00	2,689,050.00	0.540	0.532	0.540	10/14/2025	1,048
3133EMHF2	10688	Federal Farm Credit Bank	11/27/2020	2,000,000.00	2,000,000.00	1,780,320.00	0.600	0.591	0.599	11/24/2025	1,089
3133ENTS9	10693	Federal Farm Credit Bank	04/05/2022	4,780,875.00	4,750,000.00	4,485,472.50	2.600	2.427	2.461	04/05/2027	1,586
3133ENNG1	10711	Federal Farm Credit Bank	07/18/2022	3,547,500.00	3,750,000.00	3,424,312.50	1.860	3.098	3.141	02/08/2027	1,530
3133ENA26	10727	Federal Farm Credit Bank	11/17/2022	2,935,500.00	3,000,000.00	2,906,640.00	3.750	7.056	7.154	07/13/2026	1,320
3133ENN89	10728	Federal Farm Credit Bank	11/17/2022	2,994,000.00	3,000,000.00	2,982,120.00	4.870	4.858	4.925	09/28/2026	1,397
3130ASD22	10696	Federal Home Loan Bank	06/29/2022	3,000,000.00	3,000,000.00	2,859,570.00	3.590	3.540	3.590	06/29/2027	1,671
3130ALCE2	10709	Federal Home Loan Bank	07/18/2022	3,306,397.50	3,675,000.00	3,205,041.00	0.920	18.980	19.244	02/26/2027	1,548
3130ATCY1	10720	Federal Home Loan Bank	09/30/2022	1,997,500.00	2,000,000.00	1,972,820.00	4.500	4.466	4.528	09/30/2027	1,764
3130ATQL4	10723	Federal Home Loan Bank	10/28/2022	3,004,500.00	3,000,000.00	2,999,550.00	5.700	5.587	5.665	10/28/2027	1,792
3130AT2Y2	10725	Federal Home Loan Bank	11/17/2022	2,825,760.00	2,900,000.00	2,815,494.00	3.700	4.239	4.298	08/23/2027	1,726
3130ATCG0	10726	Federal Home Loan Bank	11/17/2022	2,959,500.00	3,000,000.00	2,946,000.00	4.000	4.443	4.505	09/29/2025	1,033
3134GVR26	10684	Federal Home Loan Mtg Corp	06/25/2020	5,000,000.00	5,000,000.00	4,552,650.00	0.700	0.690	0.700	06/25/2025	937
3134GWXX9	10686	Federal Home Loan Mtg Corp	10/15/2020	2,000,000.00	2,000,000.00	1,797,920.00	0.550	0.542	0.550	10/15/2025	1,049
3134GXRM8	10697	Federal Home Loan Mtg Corp	06/24/2022	3,113,924.00	3,128,000.00	3,032,126.80	3.550	4.005	4.060	05/18/2027	1,629
3134GXU36	10724	Federal Home Loan Mtg Corp	10/28/2022	3,929,600.00	4,000,000.00	3,934,200.00	4.200	4.546	4.609	08/27/2027	1,730
Subtotal and Average				55,385,056.50	56,203,000.00	52,937,936.80		4.035	4.091		1,381
Federal Agency Disc. -Amortizing											
313384DT3	10721	Federal Home Loan Bank	09/15/2022	5,878,516.68	6,000,000.00	5,911,320.00	3.700	3.823	3.876	03/31/2023	120
Subtotal and Average				5,878,516.68	6,000,000.00	5,911,320.00		3.824	3.877		120
Municipal Bonds											
091608RA9	10687	BISMARCK PUB SD#1	10/22/2020	663,000.00	650,000.00	598,201.50	1.150	0.708	0.718	05/01/2025	882
438670Q87	10678	HONOLULU-G-TXBL	05/12/2020	522,540.00	500,000.00	491,060.00	2.812	1.454	1.474	11/01/2023	335
586145F74	10689	MEMPHIS-TXBLE-REF-B	11/23/2020	2,201,580.00	2,000,000.00	1,925,420.00	2.980	0.621	0.630	04/01/2025	852
64966WEH6	10679	NYC HSG DEV	05/01/2020	743,331.20	745,000.00	717,248.75	1.810	1.862	1.887	02/01/2024	427
Subtotal and Average				4,130,451.20	3,895,000.00	3,731,930.25		0.971	0.984		712
Total Investments and Average				125,265,209.68	128,564,509.72	121,013,268.39		3.332	3.378		1,041



**Monthly Investment Report
Purchases Report
Sorted by Fund - Maturity Date
November 1, 2022 - November 30, 2022**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity/Call Date	YTM	Ending Book Value
SPWA													
3130ATCG0	10726	001	FAC	FHLB	3,000,000.00	11/17/2022	03/29 - 09/29	2,959,500.00	Received	4.000	09/29/2023		2,960,049.42
3133ENA26	10727	001	FAC	FFCB	3,000,000.00	11/17/2022	01/13 - 07/13	2,935,500.00	Received	3.750	07/13/2023	7.154	2,936,186.17
3133ENN89	10728	001	FAC	FFCB	3,000,000.00	11/17/2022	03/28 - 09/28	2,994,000.00	Received	4.870	09/28/2023		2,994,060.39
784710AA3	10729	001	MTN	SSM	2,450,000.00	11/18/2022	12/01 - 06/01	2,348,986.50	Received	3.823	03/01/2027		2,349,790.65
3130AT2Y2	10725	001	FAC	FHLB	2,900,000.00	11/17/2022	02/23 - 08/23	2,825,760.00	Received	3.700	08/23/2024		2,826,365.69
				Subtotal	14,350,000.00			14,083,748.50	0.00				14,088,452.32
				Total Purchases	14,350,000.00			14,083,748.50	0.00				14,088,452.32

Received = Accrued Interest at Purchase was received by report ending date.



Table



SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-02

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH PLACER
WASTEWATER AUTHORITY APPROVING BUDGET ADJUSTMENT TO THE
PLEASANT GROVE WASTEWATER TREATMENT PLANT EXPANSION AND
ENERGY RECOVERY PROJECT**

WHEREAS, the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project (the "Project") is currently scheduled for completion in June 2023; and

WHEREAS, the Project budget is anticipated to be adequate for completion, however, there are no additional contingency funds available for use if any unexpected events or unanticipated costs arise between now and June 2023; and

WHEREAS, the next scheduled Board meeting of the Authority is in June and in order for the project to continue to meet its scheduled completion date, it is necessary to supplement the Project budget in the amount of \$1,000,000 to address any additional costs that may arise from now through project completion.

NOW, THEREFORE, BE IT RESOLVED by the Board that the budget for the Project be increased in an amount equal to \$1,000,000 resulting in a total Project budget of \$115,662,182.


PASSED AND ADOPTED this 26th day of January 2023, by the following vote on roll call:

AYES:

NOES:

ABSENT:

ABSTENTIONS:



Chairperson

ATTEST:



Secretary

Secretary

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 13, 2023

FROM: Bryan Buchanan, Wastewater Utility Manager

AUTHORITY COMMUNICATION NO.: AC 23-07

SUBJECT: Pleasant Grove WWTP Expansion and Energy Recovery Projects
Budget Adjustment

For SPWA Board Meeting January 26, 2022

ACTION REQUESTED

Adopt a resolution approving a budget adjustment for the Pleasant Grove WWTP Expansion and Energy Recovery Project in the amount of \$1,000,000 for a total budget amount of \$115,662,182.

BACKGROUND

We are requesting an additional \$1,000,000 for a total budget of \$115,662,183 to cover the total projected costs of the Pleasant Grove WWTP Expansion and Energy Recovery Projects. Currently the project budget is projected to be adequate, but with very little buffer. The project schedule currently shows a June 2023 completion date. If a small amount of funds are necessary to complete the project, there will not be adequate time to gain approval from the SPWA Board and then City of Roseville Council for a minor contract amendment.

The additional funds will help pay staff labor costs and any necessary contract amendments through the projected June 2023 completion date.

Submitted by:

Bryan Buchanan

Bryan Buchanan
Wastewater Utility Manager, City of Roseville

Approved by:

Dennis Kauffman

Digitally signed by Dennis
Kauffman
Date: 2023.01.18 12:18:00 -08'00'

Dennis Kauffman
Chief Financial Officer

Approved by:

Richard D. Plecker

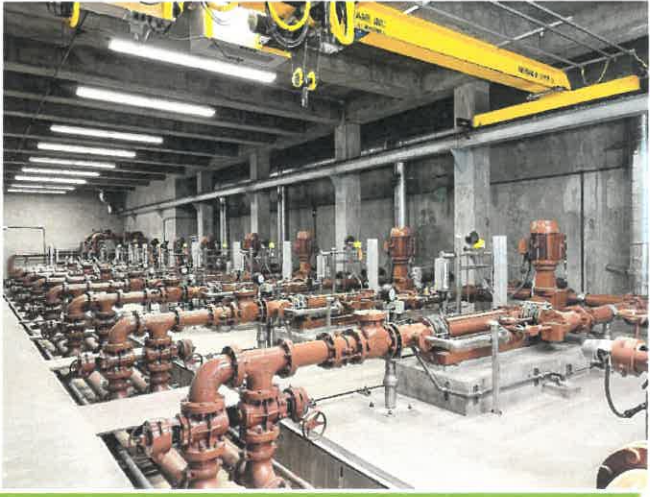
Richard D. Plecker
Acting Executive Director

PGWWTP Expansion & Energy Recovery Projects

Status Update
January 2023



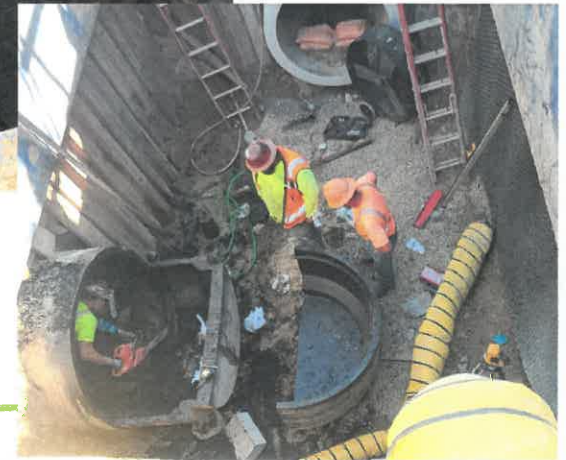
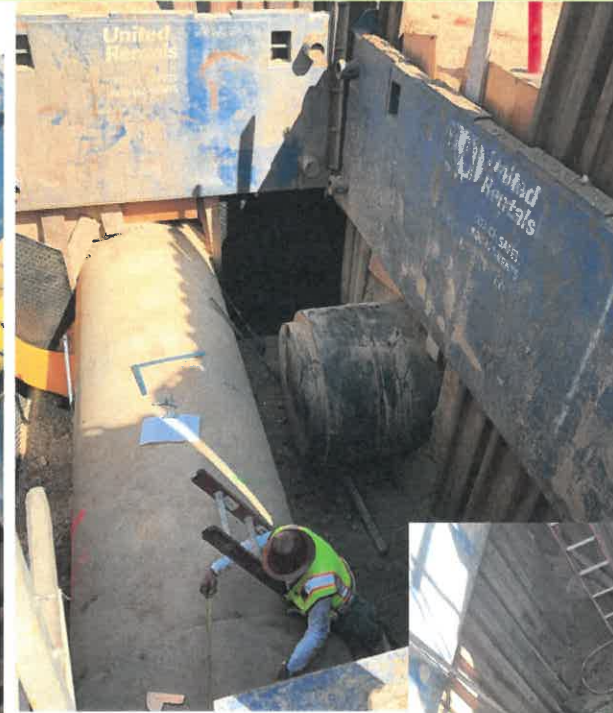
Expansion Project: Primary Clarifiers



Expansion Project – Primary Clarifiers



Expansion Project – Primary Clarifiers



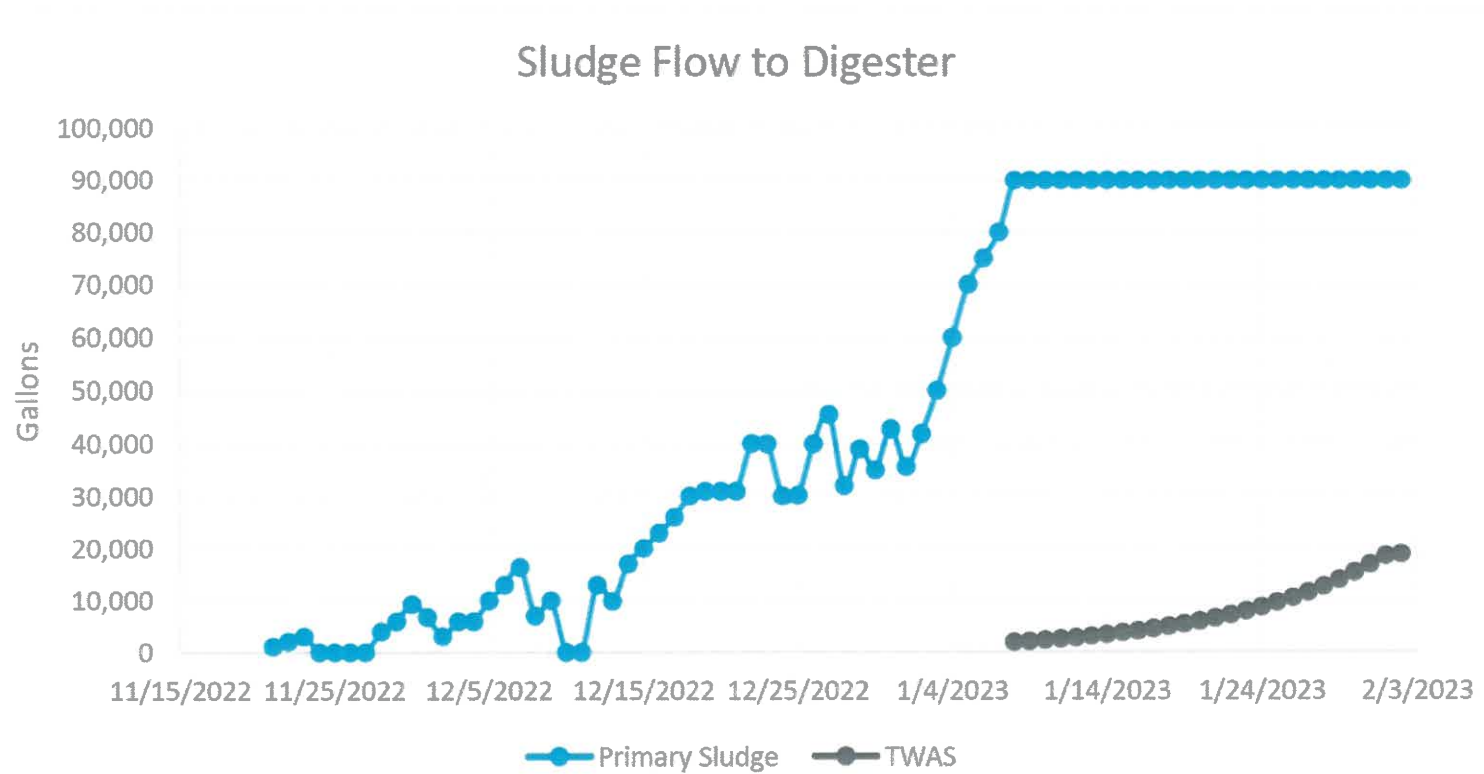
Expansion Project: Digester Area



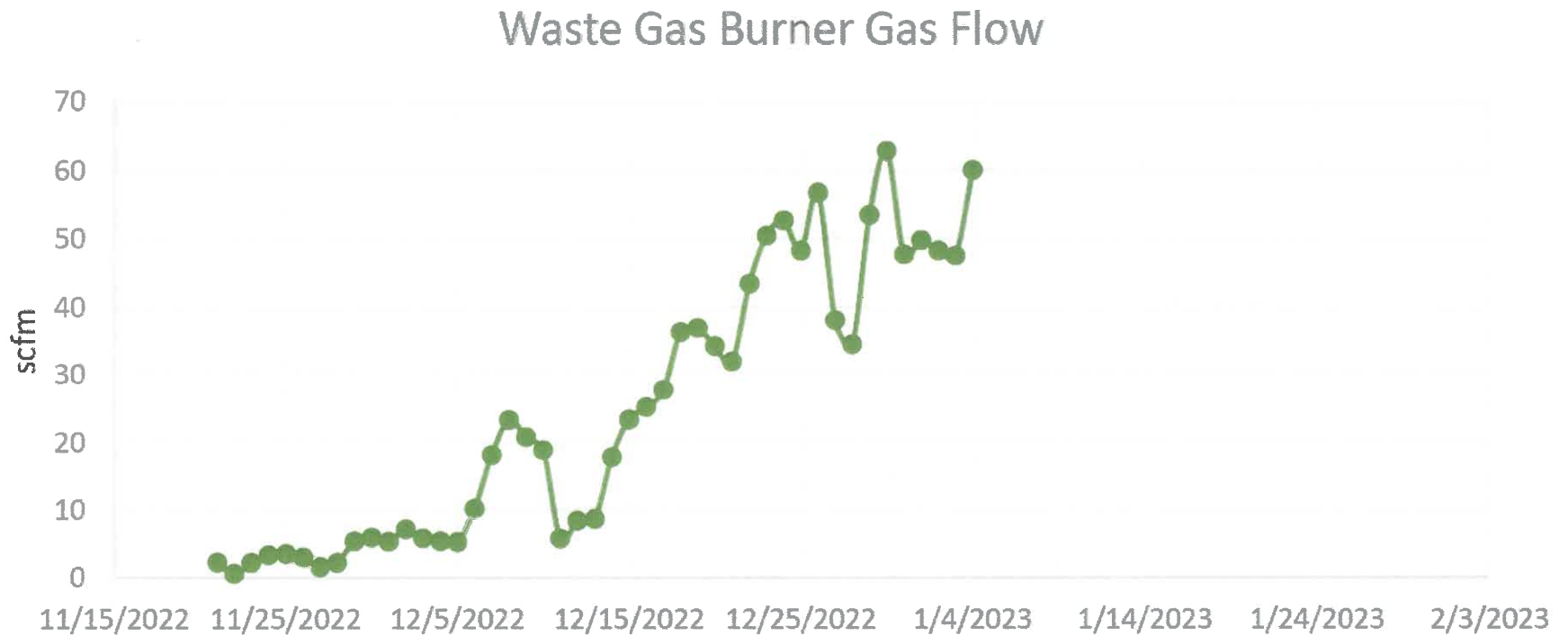
Expansion Project: Digester Area



Sludge Flow to Digester 1



Digester Gas Production



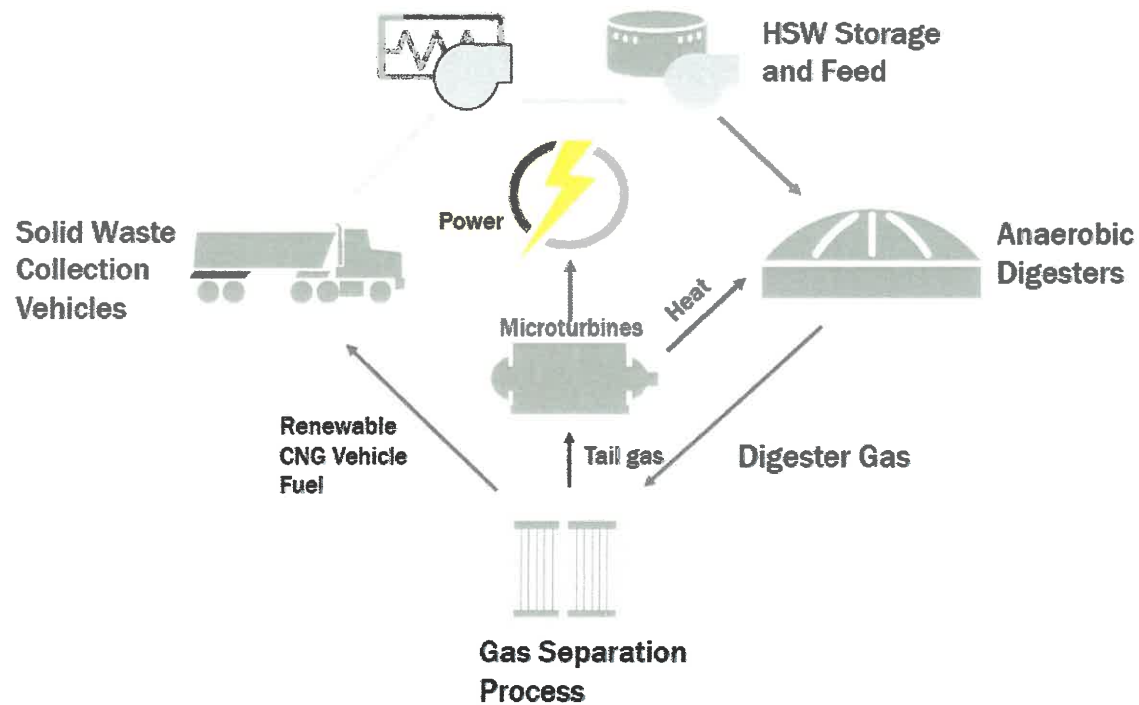


Pleasant Grove WWTP Energy Recovery Project



Energy Recovery Project

Overall Process Schematic





Questions?

JAN 7

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-03

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH PLACER
WASTEWATER AUTHORITY APPROVING BUDGET ADJUSTMENT FOR OLD
AUBURN BOULEVARD TRUNK SEWER AND LIFT STATION IMPROVEMENTS**

WHEREAS, the SPWA trunk sewer located on Old Auburn Road is subject to overflows and a capacity deficiency based on expected development; and

WHEREAS, in order to address capacity issues there is a need to upsize existing pipes, install new manholes, a new pump, and perform electrical improvements to Pump Station 26; and

WHEREAS, the initial budget for the project was \$1,650,000 and upon further analysis and investigation additional funding in the amount of \$1,950,000 is needed for the construction phase resulting in a total project budget of \$3,600,000.

NOW, THEREFORE, BE IT RESOLVED by the Board that the project budget for the Old Auburn Boulevard Trunk Sewer and Lift Station Improvements be increased in an amount of \$1,950,000.

PASSED AND ADOPTED this 26th day of January 2023, by the following vote on roll call:

AYES:

NOES:

ABSENT:

ABSTENTIONS:


Chairperson

ATTEST:



Secretary

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 26, 2023

FROM: Bryan Buchanan, Wastewater Utility Manager, City of
Roseville **AUTHORITY COMMUNICATION NO.:** AC 23-08

SUBJECT: Old Auburn Boulevard Trunk Sewer and Lift Station Improvements Project

For SPWA Board Meeting January 26, 2023

ACTION REQUESTED

Adopt a resolution approving a budget adjustment for the Old Auburn Boulevard Trunk Sewer and Lift Station Improvements project in the amount of \$1,950,000 for a total budget amount of \$3,600,000.

BACKGROUND

The City of Roseville's sewer system hydraulic model indicated that the SPWA trunk sewer on Old Auburn Road could be subject to overflows, and that this capacity deficiency will be further exacerbated under buildout development.

Woodard and Curran was commissioned by the City of Roseville to conduct an analysis comparing multiple options to correct the capacity issue. The scope of this project incorporates recommendations from this analysis to improve capacity and dependability of Pump Station 26 and surrounding force mains, located at Sierra College Boulevard near Old Auburn Road. Water Works Engineers (WWE) was commissioned to perform design and construction management services.

The project to address the capacity deficiency includes upsizing of existing 8" and 10" PVC gravity sewer pipes, installation of a new weir sewer manhole, a new pump, and electrical improvements to Pump Station 26.

The majority of the sewer main improvements will be done via trenchless pipe bursting methods, resulting in significant cost savings and a minimization of traffic disruptions.

This budget adjustment request is based on the following:

1. WWE Engineer's Opinion of Probably Construction Costs is \$2,518,500, which exceeds the original estimate of \$1,450,000 for cost of construction.
2. The following costs exceeded original estimates:
 - a. \$222,410 to fund the design, Construction Management, and Engineering Services During Construction.
 - b. \$181,553.65 to pre-purchase submersible pumps and associated parts.
 - c. \$35,970.28 to fund Roseville Electric upgrade of the Pump Station 26 transformer.
3. Addition of \$24,000 was necessary to fund Traffic Control Inspection Fees
4. Addition of a 5% contingency to account for unforeseen inflated material and/or labor costs (\$127,125)

5. Addition of a 10% contingency to fund change orders during construction (\$266,962.50)
6. Additional funds needed for internal City labor (\$50,000)

The estimated additional funding necessary for the construction phase of this project is approximately \$1,950,000, bringing the total budget amount to \$3,600,000.

Submitted by:

Bryan Buchanan

Bryan Buchanan
Wastewater Utility Manager, City of Roseville

Approved by:

Dennis Kauffman Digitally signed by Dennis
Kauffman
Date: 2023.01.25 08:55:42 -08'00'

Dennis Kauffman
Chief Financial Officer

Approved by:

Richard D. Plecker

Richard D. Plecker
Acting Executive Director

Tab 8

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: January 17, 2023

FROM: Bryan Buchannan – Principal Engineer

AUTHORITY COMMUNICATION NO: AC 23-09

SUBJECT: Nexus Study

For SPWA Board Meeting 1/26/2023

ACTION REQUESTED

None required. This is an information item.

BACKGROUND

An oral update regarding the Nexus Study will be provided by Bryan Buchannan at the Board Meeting.