



South Placer Wastewater Authority Board Meeting

June 29, 2023



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

Thursday, June 29, 2023

9:30 a.m.

City of Roseville
2005 Hilltop Circle
Meeting Room 3

AGENDA

ROLL CALL Directors: Scott Alvord (Vice Chair)
 Bonnie Gore (*Chair*)
 Shanti Landon
 Pauline Rocucci
 James Williams

PLEDGE OF ALLEGIANCE

INTRODUCTIONS

APPROVAL OF MINUTES, January 26, 2023

OLD BUSINESS ITEMS

NEW BUSINESS ITEMS

1. Resolution: Capital Improvement Project Update and Approval of Capital Improvement Projects Budget for FY23-24 (*Bryan*)
2. Information: Capacity Fee Analysis Update (*Bryan*)
3. Information: Regional Connection Fees Report (*Archana*)
4. Resolution: Approval of Annual Operating Budget for FY 2023-2024 (*Archana*)
5. Resolution: Approval of Investment Policy for FY2023-2024 (*Kyle*)
6. Resolution: Delegation of Authority to Invest in Local Banks (*Dennis*)
7. Resolution: Approve Execution of Conditional Letter of Intent Regarding Castle City Mobile Home Park (*Bryan*)
8. Information: Discussion Regarding Allocated and Direct Charges to Member Agencies (*Dennis, Rich, and Bryan*)
9. Information: SPWA Organizational Chart (*Rich*)

10. Receive and File Items:

- a. Investment Review (*Kyle*)
- b. Rate Stabilization Fund Balances as of April 30, 2023 (*Teri*)
- c. SPWA Annual Financial Statements FY22-23 (*Dennis*)

PUBLIC COMMENTS

REPORTS/COMMENTS – BOARD MEMBERS/STAFF

ADJOURNMENT

NEXT MEETING

The next South Placer Wastewater Authority Board of Directors meeting will be held on January 25, 2024, at 9:30 a.m. at the Roseville Corporation Yard, 2005 Hilltop Circle, Roseville, CA 95747, Conference Room 3.

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.

Scott Alvord – Roseville
Bonnie Gore – Placer County (*Vice Chair*)
Shanti Landon – Placer County
Pauline Roccucci - Roseville
James T. Williams – SPMUD (*Chair*)

MINUTES OF BOARD OF DIRECTORS' MEETING January 26, 2023

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
Shanti Landon
Pauline Roccucci
James Williams

Staff Present:

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

Roll Call

Present: Alvord, Landon, Roccucci, Williams
Absent: Gore

Pledge of Allegiance

Director Landon led the Pledge of Allegiance.

Introductions

The following were in attendance: Joe Mandell, Jonathan Levy, Joe Speaker, Kyle Horton, Dennis Kauffman, Teri Quinlan, Bryan Buchanan, George Hanson, Jason Marks, Archana Wagley, Rana Moore, Tracie Mueller, Trent Johnson, and Jeremy Snyder from the City of Roseville, Chelsey Richie with Moss Adams, Kevin Bell, Jared Deck, and Jean Hanson from Placer County, and Christy Jewell, Herb Niederberger, Carie Huff, and Eric Nielsen from SPMUD.

Election of Chair and Vice Chair

A vote was taken as follows:

MOTION by Director Roccucci, seconded by Director Landon, to elect Director Gore as Chair.

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

MOTION by Director Landon, seconded by Director Roccucci, to elect Director Alvord as Vice-Chair.

Vote: Ayes: Alvord, Landon, Roccucci Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

Approval of Minutes, June 30, 2022

A vote was taken as follows:

MOTION by Director Roccucci, seconded by Director Alvord, to approve the June 30, 2022, minutes.

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

Old Business Items

None

New Business Items

1. Resolution: Approval of Updated Authority Schedule of Regular Meeting Dates

Acting Executive Director Richard Plecker recommended that the South Placer Wastewater Authority (SPWA) Board adopt the resolution updating the Authority’s regular meeting dates annually, by tradition in January of each year.

MOTION by Director Roccucci, seconded by Director Alvord, to update the Authority’s regular meeting dates (Resolution 2023-01).

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

2. Information: City of Roseville Technical Services Peer Review

Acting Executive Director Plecker reported on the findings related to an incident that occurred involving alleged fraud with the City of Roseville's Environmental Utilities Department and associated with the South Placer Wastewater Authority. He reported that an Ad Hoc Committee was tasked with reviewing this matter on behalf of SPWA and a consultant (Water Works Engineering) was engaged to assess previous scopes of work and deliverables for past efforts related to wastewater facility planning, design, and construction support for the previous five to six years.

Director Williams served on the Ad Hoc Committee and stated it was necessary to delve deeply into previous scopes of work and contracts, given the fraud incident. He reported, overall, the consultant did not discover anything that was out of the ordinary, nor did they find cause to merit further examination. The consultant concluded that it appeared the City of Roseville, and SPWA by extension, received value for the services rendered in accordance with industry standards of care. Further, the consultant was complimentary of the thoroughness and the accuracy of the contracts they reviewed.

No Public Comments were received on this item.

3. Information: Moss Adams Internal Audit Report

Dennis Kauffman, Chief Financial Officer for SPWA, introduced Chelsey Richie, Senior Manager with Moss Adams. Mr. Kauffman explained the City engaged Moss Adams to perform an audit at the recommendation of the City's independent audit firm.

Ms. Richie discussed the 2022 limited audit scope that Moss Adams performed for the City of Roseville and provided a report of their findings. The audit originally focused on purchasing, contracting, and disbursement functions. The audit was then expanded to include HR processes and review of Roseville Environmental Utilities contracts. She explained steps taken by Moss Adams while conducting the audit, their observations, and recommendations for further consideration and action.

Recommendations included:

- a. Implementing a comprehensive ethics program and an enterprise risk management program and establish an internal audit function;
- b. 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;
- c. Develop and formalize a procurement and contracting policy manual (PCPM) for Environmental Utilities (EU). Clearly define roles, responsibilities, and decision-making authority for contracts and financial management within EU and consider conducting independent construction audits on significant construction contracts;
- d. Establish policies and procedures to require documentation of management's decisions to override City policies and require approval for override management controls by the Assistant City Manager or above.

Mr. Kauffman thanked Ms. Richie and said the City agrees with the recommendations from Moss Adams and City Management has responded to each of the findings. He added the City is in the process of developing a work plan to implement these recommendations.

Because the fraud incident affected South Placer Wastewater Authority, Director Williams stated he would like the SPWA Board to have more visibility regarding personnel assigned to the SPWA. He would like a greater understanding of the positions, the reason the position is created, and the function the position serves, in order to ensure it meets the needs of the Authority.

No Public Comments were received on this item.

4. Information: Debt Review

Chief Financial Officer, Dennis Kauffman, reported on the Authority's outstanding debt, debt service budget, year-to-date expenses, and remaining forecast for FY2022-2023.

Director Williams asked if the coupon range of 1.30% on the SRF loan will maintain through the full draw down, and Chief Financial Officer Kauffman confirmed that it would, that it was a fixed rate offered at that time.

No Public Comments were received on this item.

5. Information: Investment Review

Kyle Horton reported on the performance of the Authority's investments through November 2022.

Chief Financial Officer Kauffman returned to the podium to address a question presented by Director Alvord during the June 30, 2022, Board meeting, regarding whether it would be prudent for the SPWA Board to consider depositing liquid funds into local banks. Director Alvord stated the investment return rate could be better with local banks than with the state Local Agency Investment Fund (LAIF) and that he feels investing portions of SPWA's idle cash with local banks could benefit the local economy and would be the responsible thing to do.

Chief Financial Officer Kauffman explained that SPWA holds a small amount of available liquid cash in LAIF. In the event development slows down significantly, this money would be used to meet short-term cash flow needs such as paying expenses or making debt payments.

Chief Financial Officer Kauffman commented that he would be comfortable with a small deposit to local banks, no more than \$1.5 million dollars; however, there would be indirect costs that SPWA pays to the City of Roseville for staff labor to create the contracts and manage the accounts. He will initiate conversations with local banks to see if they are willing to pay a higher yield rate. He will also determine if this would be administratively efficient and cost-effective and will report to the Board in June.

No Public Comments were received on this item.

6. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project

Bryan Buchanan, Wastewater Utility Manager for the City of Roseville, requested the Board's approval for a budget adjustment for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project for \$1,000,000.00 to address any additional costs that may arise from now through the project's completion date, which is scheduled for June 2023. He explained the current budget appears to be adequate, but with very little buffer. This budget adjustment is intended to be a precaution in the event of unforeseen costs to complete the project, coupled with there not being adequate time to gain the approval from the SPWA Board and the Roseville Council City.

Director Williams asked if there was a contingency with this project and Mr. Buchanan confirmed there was. He further added for context this has been an extremely large and complex project, built during a global pandemic with associated materials, labor and supply chain shortages. It currently appears the project will complete within established contingency amounts; however, it will be very close, and his recommendation is to have these additional funds available to complete the project, if and only if there is a need.

MOTION by Director Roccucci, seconded by Director Landon, to approve a budget adjustment to the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project (Resolution 2023-02).

Vote:	Ayes:	Alvord, Landon, Roccucci, Williams
	Nos:	None
	Absent:	Gore

No public comments were received on this item.

After the motion, Senior Engineer and project manager for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects, Tracie Mueller, provided a PowerPoint presentation of the project.

Director Roccucci asked when all of the sewage would be collected in Digester One, and Mrs. Mueller responded that all of the sludge flow from the primary clarifier is now going to the digester. Mrs. Mueller added having the digesters would substantially reduce past odors at the treatment plant associated with solids handling. With the expansion in place and functioning, a higher quality and less odorous bio solid will be produced that can be beneficially land applied as a soil amendment, instead of past hauling and disposal practices at the landfill.

Director Alvord asked when the smell would be eliminated. Mr. Buchanan stated the past smell associated with sludge hauling to the landfill should be eliminated altogether. Mr. Buchanan reminded the Board that his staff takes active efforts to reduce odors, but the facility is a wastewater treatment plant, which accordingly, is inherently odorous on occasion, particularly during inclement weather conditions or when maintenance is performed.

7. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for Old Auburn Boulevard Trunk Sewer and Lift Station Improvements.

Bryan Buchanan requested the Board's approval for a budget adjustment for the Old Auburn Boulevard Trunk Sewer and Lift Station Improvements for \$1,950,000.00.

Mr. Buchanan explained this expansion was previously identified and budgeted, but the budget adjustment is due to the increased costs of equipment, supply chain issues, and the significant increase in cost in construction projects in present market conditions. In addition, when the project was originally conceived, there were quite a few unknowns of what needed to be done to improve the capacity at the lift station.

Director Landon noted the biggest increase in costs seemed to be the design construction, management, and engineering services and questioned what part of the design and construction management caused the large increase.

Mr. Buchanan replied that when the project was first identified, there was a conceptual idea of what was going to be needed; however, after more investigation, and as the design developed, they realized it was a more complicated project, with more construction and alterations to the City's existing collection system.

Director Williams asked when the project initially identified. Mr. Buchanan responded approximately three to five years ago. Mr. Buchanan explained a sewer model was initially constructed, which identified infrastructure improvements in the area. With that information, a high-level budget estimate was established for the project at that time, understanding that refinements to infrastructure sizing, extent and any associated impacts would be the subject of more detailed planning and design efforts prior to bidding and award of the construction contract. Accordingly, as more detailed planning and design efforts have taken place, more accurate and timely cost estimates have been produced.

Director Williams stated he would expect there would have been adjustments to the budget over time and he feels there could have been opportunities by staff to discover this earlier in the process. He added it was very unfortunate to have this request submitted to the Board at the very end of the process.

Mr. Buchanan acknowledged Director Williams' concern.

Director Alvord asked about the cost increase associated with pre-purchasing submersible pumps and associated parts. He stated he understands the supply chain challenges and the difficulty in receiving necessary parts for projects and asked if purchasing the parts were already a part of the original contract. Mr. Buchanan confirmed the dollars to purchase these items were already in the authorized budget for the project; however, a decision was made to pre-purchase the pumps with the current operating budget because the lead-time in receiving the pumps has been significant.

Director Landon asked if the 5% contingency for the inflated materials and 10% contingency for future potential change orders was standard in these types of contracts. Mr. Buchanan confirmed they were.

Director Williams asked for clarification regarding the additional cost of traffic control inspection fees. Mr. Buchanan explained this project involves alterations to infrastructure at the intersection of Old Auburn and Sierra College Boulevard (both regional arterial-class roadways) and traffic control requirements became more complex and costly as the project design moved forward. Additional traffic investigations had to be performed at this location by the City of Roseville Public Works Department, which was not originally anticipated.

Mr. Buchanan also provided updates on ongoing projects, including the Dry Creek and Pleasant Grove Wastewater Treatment Plant Capacity Analysis, the Pleasant Grove Maintenance Shop Expansion, and the Pleasant Grove Wastewater Treatment Plant UV Addition.

MOTION by Director Alvord, seconded by Director Roccucci, to approve the Budget Adjustment for Old Auburn Boulevard Trunk Sewer and Lift Station Improvements (Resolution 2023-03).

Vote:	Ayes:	Alvord, Landon, Roccucci, Williams
	Nos:	None
	Absent:	Gore

Public comment was received on this item from Herb Niederberger regarding whether the matter was appropriately on the agenda for Board action in accordance with the Brown Act. JPA Legal Counsel Osman Mufti opined that the matter was substantively correct as described in the staff reports and that staff had issued a revised agenda correctly identifying the subject matter in accordance with the Brown Act. Counsel advised that the Board could consider and take action on the item.

8. Information: Nexus Study Overview and Update

Mr. Buchanan provided an update on the Nexus Study. He anticipates the study will be complete with a report to the SPWA Board by the June 29, 2023, meeting.

Director Williams asked if this will determine connections fees going forward and Mr. Buchanan confirmed it would. Director Williams then asked if it would be an agenda item brought before the Board for approval and, again, Mr. Buchanan confirmed it would.

Acting Executive Director Plecker stated, although this study has taken longer than anticipated, there has been a more thorough job of examining the study and they are doing a better job in taking a closer look at the numbers. Originally, the study called for a sizeable expansion at the Dry Creek Wastewater Treatment Plant, which would cause large increases in connection fees. It is currently believed that an expansion to that extent may not be necessary, thus the re-examination of unit process capacities. He noted there have also been requests to consider offering reduced connection fees for low-income housing, which is being assessed; however, there is uncertainty if this can be done financially or legally, and this will be addressed in the study as well.

Director Williams requested the results of the study be provided to the Directors of the SPWA Board prior to the June meeting, in order to give them time to thoroughly review the results of the study before it comes to the Board for action.

Reports/Comments – Board Members/Staff

Director Williams made a request to tour the wastewater treatment plants. City of Roseville staff will make those arrangements.

Acting Executive Director Plecker acknowledged Director Williams' request for better communication from staff and relayed that staff will work hard in providing clearer and more frequent communication with the Board and that he intends to create an organizational chart, which will outline staff members and how their related functions support SPWA in answer to Director Williams' previous question.

Director Williams stated he appreciated the acknowledgement to his concern and staff's future efforts in communication and transparency.

Public Comment

None.

Adjournment

The meeting was adjourned at 11:03 a.m.

James Williams
Chair

Pamela Walsh
Secretary to the Board

Agenda
Item # 1
AC 23-10

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 15, 2023

FROM: Bryan Buchanan, Wastewater Utility Manager, City of Roseville

AUTHORITY COMMUNICATION NO.: AC 23-10

SUBJECT: Pleasant Grove WWTP Ultraviolet (UV) Disinfection System Addition
Project Budget Adjustment

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

Adopt a resolution approving a budget adjustment for the Pleasant Grove WWTP UV Disinfection Addition Project in the amount of \$1,200,000 for a total budget amount of \$6,970,000.

BACKGROUND

This is a request for an additional \$1,200,000 for a total budget of \$6,970,000 to cover the total projected costs of the Pleasant Grove WWTP UV Disinfection Addition Project (Project). The additional budget request is to pay for equipment, material and labor cost increases due to inflation and supply chain limitations, and the addition of a construction management consultant. The Project is scheduled to begin construction in the fall of 2023 and be complete in approximately one year.

SUBJECT: Pleasant Grove WWTP Electrical Capacity Expansion Project

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

Adopt a resolution approving a new project titled the Pleasant Grove WWTP Electrical Capacity Expansion Project with a total project budget of \$31,000,000, and with an initial authorization of \$6,000,000 for the design phase of the project.

BACKGROUND

This is a request for approval of a new project titled the Pleasant Grove WWTP Electrical Capacity Expansion Project (Project). The requested budget of \$31,000,000 is the estimated total project cost; however, we are estimating the design phase of the Project including the design consultant and staff labor and associated expense be funded by the initial authorization of \$6,000,000. The Project design is projected to begin the fall of 2023 and be completed in approximately one year. Once the design phase is far enough along to allow for material procurement, City staff will return to the Board to request use of additional funds for procurement for long lead items. Finally, when we have knowledge of the procured material delivery dates, we will return the Board to request use of the remaining project budget to construct the Project. The construction is anticipated to take approximately two years.

This Project was identified in 2000 during the original design of the PGWWTP to be needed in the future as equipment and processes were added to the treatment system.

Over the last 18 months, the need for this project was reviewed against the existing, new and planned electrical demands, the existing power feed limitations, and the standby generator capacity at the PGWWTP. The review was documented in the Electrical Power System Capacity Evaluation technical memorandum (attached) and the review confirmed that an electrical expansion at the PGWWTP is required. This Project includes addition of electrical capacity to adequately handle existing, new and planned future loads, a new electrical building to house the added equipment, and added generator capacity to allow for continued operation during emergencies and power outages to maintain required treatment compliance.

It is recommended that we proceed with this project now based on projected equipment procurement delays, increasing construction costs, and the anticipated capacity exceedance with the continued connection of new in-progress equipment loads.

SUBJECT: Dry Creek WWTP Capacity Expansion Project

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

Adopt a resolution approving a new project titled the Dry Creek WWTP Capacity Expansion Project with a total project budget of \$16,725,000.

BACKGROUND

This is a request for approval of a new project titled the Dry Creek WWTP Capacity Expansion Project (Project). The requested budget of \$16,725,000 is the estimated total project cost including staff, consultant and construction costs.

The need for this project was identified during the Dry Creek WWTP Capacity Capital Analysis and is documented in a technical memorandum (attached). This project includes design and construction of the identified Near-Term Capacity Improvements which are estimated to be required in the next two years due to the plant approaching 80% of the current oxidation capacity. This project includes replacement of blowers, addition of a new aeration control system, addition of mixers in the aeration basins, improvements to the clarifier inlet and baffling, addition of a new motor control center and associated electrical improvements to power the new equipment, and modification to the existing effluent cooling system. Implementation of this project is estimated to provide an increased capacity of approximately 24% based on the existing volume, without any major structural or process system additions or expansions.

Additional improvements are identified in the Dry Creek WWTP Capacity Capital Analysis which are estimated to be needed by Fiscal Year 2044/2045 and before projected buildout of the SPWA service area. Projects for these recommended improvements will be presented to the Board in the future.

SUBJECT: Equivalent Dwelling Unit Evaluation

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

Adopt a resolution approving a new project titled Residential Equivalent Dwelling Unit (EDU) Evaluation with a total project budget of \$250,000.

BACKGROUND

This is a request for approval of a new project titled the Residential Equivalent Dwelling Unit (EDU) Evaluation. The requested budget of \$250,000 is the estimated total project cost including staff.

Previously, a task item was added to the recent Capacity Fee Analysis performed by IB Consulting to evaluate projected flows between different residential uses such as age restricted and multi-family developments. The purpose of this task was to determine if a different EDU calculation for these different residential uses was warranted in regard to sewer connection fee calculations. Unfortunately, the task, as described in the contract with IB Consulting, did not provide sufficient detail to study the overall sewer discharge characteristics from different residential uses. This new project will enlist the services of an appropriate consultant to perform this task.

Documents related to the above requests can be found at the following link:

[South Placer Wastewater Authority - City of Roseville](#)

Submitted by:



Bryan Buchanan
Wastewater Utility Manager, City of Roseville

Approved by:

Dennis Kauffman Digitally signed by Dennis
Kauffman
Date: 2023.06.20 19:36:49 -07'00'

Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-04

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING PROJECT BUDGET ADJUSTMENT TO PLEASANT GROVE
WWTP UV DISINFECTION SYSTEM ADDITION PROJECT**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve the increase to the Capital Improvement Project and CIP Budget for FY 2023-24 for the Pleasant Grove Wastewater Treatment Plant UV Disinfection System Addition Project in the amount of \$1,200,000 for a total project budget amount of \$6,970,000 as presented to the Board at this meeting.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: Alvord, Gore, Roccaerei, Williams

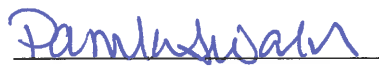
NOES: None

ABSENT: Landon

ABSTENTION: None


Chairperson

ATTEST:


Secretary

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-05

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING PLEASANT GROVE WWTP ELECTRICAL CAPACITY
EXPANSION PROJECT AND BUDGET**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve a Capital Improvement Project for the Pleasant Grove Wastewater Treatment Plant Electrical Capacity Expansion Project (the "Project") with a Project budget of \$31,000,000 as presented to the Board at this meeting.

BE IT FURTHER RESOLVED, that the Authority does hereby provide authorization for an initial CIP Budget for FY 2023-24 the Project in the amount of \$6,000,000 for purposes of initiating the Project design phase.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: *Alvard, Gore, Rocceucci, Williams*


NOES: *None*

ABSENT: *Landon*

ABSTENTION: *None*


Chairperson

ATTEST:


Secretary

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-06

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING DRY CREEK WWTP CAPACITY
EXPANSION PROJECT AND BUDGET**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve a Capital Improvement Project and CIP Budget for FY 23-24 for the Dry Creek Wastewater Treatment Plant Expansion Project (the "Project") with a Project budget of \$16,725,000 as presented to the Board at this meeting.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: *Alvard, Gore, Roccecci, Williams*

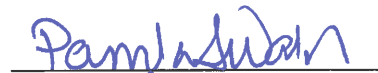
NOES: *None*

ABSENT: *Landon*

ABSTENTION: *None*


Chairperson

ATTEST:


Secretary

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-07

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
APPROVING A RESIDENTIAL EQUIVALENT DWELLING UNIT (EDU)
EVALUATION PROJECT AND BUDGET**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby approve a Residential Equivalent Dwelling Unit (EDU) Evaluation Project (the "Project") with a Project and project budget for FY 2023-24 in the amount of \$250,000 as presented to the Board at this meeting.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: *Alvord, Gore, Roccecci, Williams*


NOES: *None*

ABSENT: *Landon*

ABSTENTION: *None*


Chairperson

ATTEST:


Secretary

Agenda
Item # 2
AC 23.11

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 19, 2023

FROM: Bryan Buchanan, Wastewater Utility Manager, City of Roseville

AUTHORITY COMMUNICATION NO.: AC 23-11

SUBJECT: Capacity Fee Analysis (NEXUS Study) Update

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

For information only

BACKGROUND

The City entered into a contract with IB Consulting (Consultant), LLC to complete the Regional Wastewater Capacity Fee Study (Study) in April 2022. To complete the Study, projected facility planning information was needed for the Dry Creek Wastewater Treatment Plant. This information was being provided from the Capacity Analysis performed by the engineering firm Woodard and Curran.

A portion of Task 1 of the contract with the Consultant will not be completed as a part of this effort. The portion not being completed involves the evaluation of the equivalent dwelling unit (EDU) calculation for different residential land-uses. The intent of this task was to evaluate whether or not the current EDU calculation methodology should be adjusted. Unfortunately this task does not provide enough information to recommend a change to member agencies on the methodology of how different residential EDU should be calculated. A project is being proposed to address this issue specifically.

The facility planning information for the Dry Creek Plant has been provided to the Consultant and the next steps are underway. The next steps are to finalize a proposed fee, prepare a presentation for the member agencies describing the approach, then a final report will be prepared incorporating final comments and adjustments.

Once a final report is completed, this report will be presented to the SPWA Board for acceptance and ask that the Board recommend adoption of the fee to the member agencies.

Submitted by:

Bryan Buchanan

Bryan Buchanan
Wastewater Utility Manager, City of Roseville

Approved by:

Richard D. Plecker

Richard D. Plecker
Acting Executive Director

Agenda
Item # 3
AC 23.12

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: May 26, 2023

FROM: Executive Director's Office

AUTHORITY COMMUNICATION NO.: 23-12

SUBJECT: Regional Connection Fees Program Report

For SPWA Board Meeting of 6/29/2023

ACTION REQUESTED

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

BACKGROUND

The attached report, prepared by Lance, Soll & Lunghard, LLP evaluates how the South Placer Wastewater Authority (Authority) and its member agencies complied with the "Funding Agreement" from July 2021 through June 2022. Payments from Placer County, Roseville, and South Placer Municipal Utility District were tested for the referenced time period.

The following table summarizes the total connection fees collected and the associated equivalent dwelling units (EDUs) from July 2021 through June 2022.

	City	District	County
Gross Regional Connection Fees	\$ 19,655,287	\$ 6,960,998	\$ 5,405,808
EDUs for Gross Regional Connection Fees	2,267	801	628

Actual EDUs developed in FY21-22 are approximately 210% of the EDUs estimated from the 2013 updated connection fee analysis, and total EDUs developed since the original funding of the bonds are approximately 102% of the estimated EDUs. The estimated and actual number of EDUs are summarized below.

Jurisdiction	FY 2021-2022		Total through 2021-2022	
	Estimated EDUs	Actual EDUs	Estimated EDUs	Actual EDUs
Roseville	1,146	2,267	25,493	35,000
South Placer Municipal Utilities District	350	801	15,370	15,675
Placer County	263	628	13,034	4,228
Total	1,759	3,696	53,897	54,903

Approved by:

Dennis
Kauffman

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Dennis Kauffman
Date: 2023.06.20 19:45:35
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Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director



INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

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

We have performed the procedures enumerated below on the Regional Connection Fees collected by the City of Roseville (City), County of Placer (County), and the South Placer Municipal Utility District (District), and the allocation of these fees and compliance with the Amended and Restate Funding Agreement (Funding Agreement) for the year ended June 30, 2022. The Authority's management is responsible for the collection of fees and for compliance with the Funding Agreement. The sufficiency of these procedures is solely the responsibility of the Authority. Consequently, we make no representation regarding the sufficiency of the procedures referred to below either for the purpose for which this report has been required or for any other purpose.

The South Placer Wastewater Authority (Authority) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reviewing the regional connection fees collected and the allocation of these fees and compliance with the Amended and Restated Funding Agreement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

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

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

For the fiscal year ended June 30, 2022, the Board consisted of the following individuals:

Bonnie Gore, Vice Chair – Placer County Supervisor, District 1
Robert Weygandt, Director – Placer County Supervisor, District 2
Bruce Houdesheldt, Director, Roseville City Council Member
Scott Alvord, Director – Roseville City Council Member, District 5
James Williams, Chair – SPMUD Board of Directors
Krista Bernasconi, Alternate Director – Roseville Mayor

No exceptions were found as a result of this procedure.



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

2. Determine that the Board of Directors holds meetings in accordance with section 7 (b) of the JPA Agreement.

Findings – Section (b) of the JPA Agreement established that the Authority Board shall meet semi-annually and additionally as needed. Meetings held are open to the public and held at 2005 Hilltop Circle, Roseville, which is within the jurisdiction of the Authority.

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

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

3. Determine that the Authority handles the following fiscal matters, as listed below, in accordance with section 7 (d) of the JPA Agreement:
 - a. (1) Chief Financial Officer
 - b. (2) Custodian of Property
 - c. (3) Accounts and Reports
 - d. (4) Budgets
 - e. (5) Contributions

Findings – The Authority has designated the Assistant City Manager/Chief Financial Officer of the City as the Chief Financial Officer. The City acts as the custodian of Authority property and tracks the records of the Authority within its general ledger in a separate fund. The Board adopted the budget for fiscal year 2022 through resolution 2021-08 on June 24, 2021. The Participants have paid contributions to the Authority as specified in the Funding Agreement.

4. Inspect (4) monthly payments made to the City by the County and the District and 21 payments made to the City from developers for Regional Connection Fees to ensure they are in compliance with the following sections of the Restated and Amended Funding Agreement related to the Second Amended and Restated South Placer Regional Wastewater Facilities (Amended Funding Agreement) dated January 8, 2019 and the Amended and Restated Joint Exercise of Powers Agreement (Amended JPA Agreement) dated January 31, 2019:
 - a. (3) Term and Termination
 - b. (4) Responsibilities of the City of Roseville
 - c. (5) Capacity Usage
 - d. (6) Issuance of Bonds by the Authority, Bond Provisions
 - e. (7) Pledge and Application of Participant Revenues
 - f. (8) Rate Covenant
 - g. (9) Rate Stabilization Fund
 - h. (10) Regional Connection Fees
 - i. (11) Participant Parity Obligations Secured by Participant Net Revenues
 - j. (12) Determination of Participants' Proportionate Shares
 - k. (13) Covenants of the Participants
 - l. (14) Amendments; Expiration of Certain Provisions

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



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

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

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

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

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

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

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

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

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

- Recalculate the monthly summary reports of Regional Connection Fees transmitted by the participants for the year ended June 30, 2022.

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

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

- Calculate and report the connection fees and EDUs for the County, District, and City as of and for the year ended June 30, 2022.

Findings – We recalculated each Regional Partner’s connection fees and EDUs for the year ended June 30, 2022 as follows:

July 1, 2021 to June 30, 2022	City	District	County
Gross Regional Connection Fees	\$19,655,287	\$6,960,998	\$5,405,808
EDUs for Gross Regional Connection Fees	2,267	801	628

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

We were engaged by the South Placer Wastewater Authority (SPWA) to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the regional connection fees collected and the allocation of these fees and compliance with the Amended and Restated Funding Agreement as of June 30, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



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

We are required to be independent of the SPWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Lance, Solt & Luyhard, LLP

Sacramento, California
March 27, 2023

Agenda
Item # 4
AC 23.13

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 7, 2023

FROM: Archana Wagley, Sr. EU Business Analyst

AUTHORITY COMMUNICATION NO.: 23-13

SUBJECT: Annual Operating Budget for Fiscal Year 2023-2024

For SPWA Board Meeting 6/29/23

ACTION REQUESTED

Adopt the annual operating budget for fiscal year 2023-2024.

BACKGROUND

Section 7d, subsection (4) of the Joint Exercise of Powers Agreement provides that the Board shall adopt a budget for the following fiscal year no later than June 30 of each year.

The attached budget for the South Placer Wastewater Authority (Authority) represents the estimates of revenues and expenses for the Authority for fiscal year 2023-2024 (FY24). The Board will have an opportunity to review, and adjust as necessary, the annual budget at mid-year.

2022-2023 (FY23) Budgeted Revenues and Expenses (Current Year)

Included in the budget document is the amended budget of revenues and expenses for the current fiscal year (FY23).

- Interest earnings are higher than originally budgeted due to higher investment balance and better than expected market interest rate.
- The amended budget for FY23 was unofficially modified to reflect State Revolving Fund reimbursements received in FY23. The original budget anticipated receiving \$63.4 million in reimbursements from the State Revolving Fund in FY23. However, due to contract negotiation and project delays, FY23 total State Revolving Fund reimbursements for the Pleasant Grove WWTP Expansion and Energy Recovery projects are \$45,209,363.
- The amended budget includes \$1,000,000 for the PGWWTP Expansion and Energy Recovery project, and \$1,950,000 for the Regional Pump Station 26 and Force Main Capacity Improvement project budget added at the January 2023 Board meeting.

2023-2024 (FY24) Estimated Revenues

- Connection fees are projected at \$27,184,000 (\$3,448,000 for the County, \$2,956,000 for the District, and \$20,780,000 for Roseville), reflecting an anticipated lower level of development over FY23.
- Interest income is estimated to be higher as we have collected and invested \$45.2 million from State Revolving Fund reimbursement in FY23 and continued higher interest rates on investment are expected.
- \$22,275,000 of bond proceeds is budgeted to be drawn from the 2017 SPWA Wastewater Revenue Bonds project account to fund the PGWWTP Electrical Capacity Expansion project for \$6,000,000 and DCWWTP Capacity Expansion project for \$16,725,000.

2023-2024 (FY24) Estimated Expenses

- Total operating expenses for FY24 are estimated to remain fairly stable.
- An additional \$1,200,000 for the Pleasant Grove UV Project is being requested for FY24.
- The budget requests funding for the following new projects:
 - \$ 6,000,000 PGWWTP Electrical Capacity Expansion
 - \$16,725,000 DCWWTP Capacity Expansion
 - \$ 250,000 Equivalent Dwelling Units Evaluation
- Debt service payments for FY24 are higher than FY23 due to estimated principal and interest costs on State Revolving Fund loan draws.

Approved by:

Dennis Kauffman

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Kauffman
Date: 2023.06.22 08:59:00 -07'00'

Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director

South Placer Wastewater Authority: FY 2023-24 Budget

	Actual FY 2021-22	Amended Budget FY 2022-23	Budget FY 2023-24
ESTIMATED REVENUES			
Interest	\$ 1,180,615	\$ 829,284	\$ 2,801,286
Connection fees	32,022,093	28,315,000	27,184,000
Grant revenue - Pleasant Grove Energy Recovery	4,584,159	300,000	-
State Revolving Fund loan draws for project reimbursements	27,506,922	45,209,363 (1)	16,400,000
Bond Proceeds	-	-	22,725,000
Other Revenue	230,400	-	-
Total Estimated Revenues	65,524,188	74,653,647	69,110,286
ESTIMATED OPERATING EXPENSES			
JPA staff	51,921	65,595	65,604
Legal services	14,265	50,000	43,000
Financial advisory services	7,170	50,000	50,000
Audit services	26,440	25,000	28,000
Insurance	22,094	23,000	26,000
Copying/mailling/supplies	466	2,800	2,466
Conference calls	-	250	250
Travel/meetings	128	500	500
Bank fees	1,844	2,221	3,546
Contingency funds	-	50,000	50,000
Total Estimated Operating Expenses	124,328	269,366	269,366
LESS CAPITAL AND DEBT EXPENSES			
Pleasant Grove WWTP - Energy Recovery	6,300,720	770,000	-
Pleasant Grove WWTP - Expansion	24,056,782	4,430,000	-
DCWWTP and PGWWTP Capacity Evaluation	281,198	371,502	-
Regional Pump Station 26 and Force Main Capacity Imprvmt	165,791	1,950,000	-
Pleasant Grove UV	202,872	1,700,000	1,200,000
PGWWTP Electrical Capacity Expansion Project	-	-	6,000,000
DCWWTP Capacity Expansion Project	-	-	16,725,000
Equivalent Dwelling Units Evaluation	-	-	250,000
Debt service payments	11,347,307	12,715,000	13,035,000
Total Estimated Capital and Debt Expenses	42,354,671	21,936,502	37,210,000
INCREASE (DECREASE) FROM OPERATIONS	23,045,189	52,447,779	31,630,920
Estimated Beginning Fund Balance			
	94,066,749	97,722,217	150,169,996
Increase (Decrease) from Operations			
	23,045,189	52,447,779	31,630,920
Estimated Ending Fund Balance Before Reserves			
	117,111,938	150,169,996	181,800,916
Less Project Carryover Reserve (2)			
	(19,389,721)		
Estimated Unrestricted Ending Fund Balance			
	\$ 97,722,217	\$ 150,169,996	\$ 181,800,916
Future debt service (2025-2053)			\$ 270,000,000

(1) Unofficially amended to reflect projected amount received from State Revolving Fund loans in FY23.

(2) Project Carryover Reserve:

Pleasant Grove UV	\$ 3,731,144
Pleasant Grove WWTP - Energy Recovery	5,899,100
Pleasant Grove WWTP - Expansion	6,730,473
DCWWTP and PGWWTP Capacity Evaluation	794,796
Regional Pump Station 26 and Force Main Capacity Imprvmt	1,484,209
PGWWTP Maintenance Administration and Shop Building	750,000
	\$ 19,389,721

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-08

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY APPROVING THE
OPERATING BUDGET FOR FY 2023-24**

BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority that the Operating Budget for FY 2023-24 is hereby approved as presented to the Board at this meeting; and

BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized to reallocate budgeted amounts among the line-items in the approved Operating Budget, as the Executive Director may deem necessary or desirable; provided, however, that the total amount budgeted for FY 2023-24 shall not be increased without the Board's prior approval.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: *Alvord, Gore, Rocceucci, Williams*

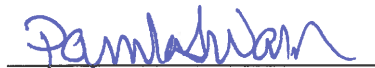
NOES: *None*

ABSENT: *Landon*

ABSTENTIONS: *None*


Chairperson

ATTEST:


Secretary

Agenda
Item # 5
AC 23.14

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 9, 2023

FROM: Kyle Horton, Accounting Supervisor

AUTHORITY COMMUNICATION NO: AC 23-14

SUBJECT: Approval of Investment Policy for FY2023-24

For SPWA Board Meeting 6/29/2023

ACTION REQUESTED

It is recommended that the Board adopt the Investment Policy for South Placer Wastewater Authority for FY 2023-24, effective July 1, 2023.

BACKGROUND

The purpose of the Investment Policy is to establish cash management and investment guidelines for the Treasurer, who is responsible for the stewardship of the SPWA investment program. Each transaction and the entire portfolio must comply with the California Government Code Sections 53600 and 53635 et seq. and the Investment Policy. The Investment Policy conforms to the customary standards of prudent investment management and any changes to the policy must be adopted by the Board of Directors.

Staff recommends one update to the Investment Policy in Section 14, incorporating a provision of Senate Bill 1489, the Local Government Omnibus Act, which clarifies that a public agency investment's term or remaining maturity is to be measured from the purchase settlement date to final maturity. Staff also recommends replacing the SPWA title of Treasurer with Chief Financial Officer throughout the policy to be consistent with the updated title in the SPWA agreement.

Submitted by:

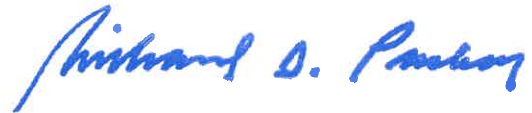
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Kyle Horton
Accounting Supervisor

Approved by:

Dennis Kauffman Digitally signed by Dennis
Kauffman
Date: 2023.06.20 19:46:22 -07'00'

Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director

South Placer Wastewater Authority Investment Policy



Effective July 1, 2023

South Placer Wastewater Authority Investment Policy



Effective July 1, 2023

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South Placer Wastewater Authority

Investment Policy

Effective July 1, 2023

1. **Introduction**

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the South Placer Wastewater Authority (SPWA) are based on state law and prudent money management. All funds will be invested in accordance with this investment policy and Article 2 of Chapter 4 of the California Government Code. This policy is in compliance with the provisions of the California Government Code, Sections 53600 through 53659, and the authority governing investments for municipal governments.

2. **Scope**

It is intended that this policy covers all funds and proceeds of debt issues and investment activities under SPWA's direction.

3. **Prudence**

The standard of care to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. The "prudent investor" standard states that:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. **Objectives**

The primary objectives, in priority order, of the investment activities of SPWA shall be:

- a) **Safety**. Safety of principal is the foremost objective of the investment program. SPWA investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. To further achieve the safety objective, the amount invested in all investment categories is limited to a percentage of the portfolio as defined in section 8 “Permitted Investment Instruments”.
- b) **Liquidity**. The investment portfolio of SPWA will remain sufficiently liquid to enable SPWA to meet its cash flow requirements.
- c) **Return on Investment**. The investment portfolio of SPWA shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

5. **Delegation of Authority**

The Board hereby delegates management responsibility of the investment program to the Chief Financial Officer and/or his/her designee. Chief Financial Officer and/or his/her designee are hereby authorized and directed in the name and on behalf of SPWA to invest the Authority’s monies, and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which he or she might deem necessary or appropriate in order to accomplish the purposes of this policy. No person may engage in an investment transaction except as provided under the limits of this policy unless specifically exempted by statute or ordinance.

6. **Ethics and Conflict of Interest**

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

7. **Authorized Financial Dealers and Institutions**

The Chief Financial Officer and/or his/her designee will maintain a list of approved financial institutions authorized to provide investment services to the SPWA. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. A determination should be made to ensure that all approved Broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Public Agency. The firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with the public agency must supply the Chief Financial Officer with the following: completed broker/dealer questionnaire, and certification of having read the SPWA investment policy.

8. Permitted Investment Instruments

The Authority shall limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

- a) **U.S. Treasury obligations** for which the full faith and credit of the United States are pledged for the payment of principal and interest. Up to 100 percent of SPWA's investment portfolio may be invested in government obligations.
- b) **Federal agency or United States government-sponsored enterprise obligations**, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Up to 100 percent of SPWA's investment portfolio may be invested in federal agency or United States government-sponsored enterprise obligations.
- c) **Mortgage pass through security** issued and guaranteed by a Federal Agency Securities eligible for investment under this category of "AA" or its equivalent or better for an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of SPWA's surplus money.
- d) **Obligations of the State of California** or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency. Up to 100 percent of SPWA's investment portfolio may be invested in California municipal obligations.
- e) **Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of these states.
- f) **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. Up to 100 percent of SPWA's investment portfolio may be invested in repurchase agreements.
- g) **Bankers' Acceptances**, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of SPWA's investment portfolio.
- h) **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (8h1) or paragraph (8h2):

- 1) The entity meets the following criteria:
 - a. Is organized and operating in the United States as a general corporation.
 - b. Has total assets in excess of five hundred million dollars (\$500,000,000).
 - c. Has debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

- 2) The entity meets the following criteria:
 - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - b. Has program wide credit enhancements including, but not limited to, over collateralizations, letters of credit, or surety bond.
 - c. Has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 40 percent of SPWA’s investment portfolio.

- i) **Medium-term corporate notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent or better by a nationally recognized rating service.

Purchase of medium-term corporate notes may not exceed 30 percent of SPWA’s investment portfolio.

- j) **FDIC insured or fully collateralized time certificates of deposit.** Purchases of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA’s investment portfolio.

- k) **Negotiable certificates of deposit or deposit notes** issued by a nationally or state-chartered bank, a state or federal savings and loan association, state or federal credit union, or a federally-licensed or state-licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated "A" or better as provided for by an NRSRO.

Purchase of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA’s investment portfolio.

- l) **State of California's Local Agency Investment Fund**

The Local Agency Investment Fund (LAIF) portfolio should be reviewed periodically. Investment in LAIF may not exceed the legally authorized limits.

- m) **Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission** under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares of beneficial interest purchased shall not include any commission that the companies may charge and shall not exceed 20 percent of SPWA's investment portfolio. Further, no more than 10 percent of SPWA's investment portfolio may be invested in shares of beneficial interest of any one money market fund.

- n) **Shares in a California common law trust** established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.
- o) **City of Roseville's Pooled Investment Fund.**
- p) **Supranationals** are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA-", its equivalent, or better by an NRSRO.

Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the Authority. Supranationals will be permitted by California Government Code §53601 (q) and this Policy effective January 1, 2015.

- q) **A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. No more than 20% of the Authority's surplus funds may be invested in this type of security.

Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. If an investment falls below the minimum purchase rating, the Chief Financial Officer will perform a timely review and, following notification of the Board Chairman, decide whether to sell or hold the investment.

r) Prohibited Investments

For purposes of this policy, a derivative is defined as any security where the value is linked to or derived from an underlying asset or benchmark. Any security type or structure not specifically approved by this policy is hereby specifically prohibited. SPWA will not use such derivatives as range notes, dual index notes, inverse floating rate notes, deleveraged notes, or notes linked to lagging indices or to long term indices, nor will SPWA invest in reverse repurchase agreements or interest-only strips derived from a pool of mortgages. The City will not invest in securities that could result in zero or negative interest accrual if held to maturity, except, in the event of, and for the duration of, a period of negative market interest rates, securities issued by, or backed by, the U.S. government to preserve principal. This policy does not preclude the use of repurchase agreements and callable securities, as they do not fall within the definition of a derivative as described herein.

Summary of Maximum Percentage Limitations of Investments by Investment Type

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality at Time of Purchase</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations (A)	5 Years	None	No Limit	No Limit
U.S. Agency Securities (A) Forward Delivery Agreements	5 Years	None	No Limit	No Limit
State of California or California Local Agency Bonds	N/A	A	None	None
Registered State Treasury Notes or Bonds of the other 49 States	5 Years	None	No Limit	No Limit
Repurchase Agreements	5 Years	None	No Limit	No Limit
Bankers' Acceptances	30 days	None	40%	30%
Commercial Paper	180 days	None	40%	30%
	270 days	A-1	40%	10%

Medium-Term Notes	5 Years	A	30%	10%
Collateralized Time Deposits	5 Years	None	30%	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Local Agency Investment Fund (LAIF)	N/A	None	No Limit	LAIF Limit
Insured Saving Accounts	N/A	None	No Limit	No Limit
Money Market Mutual Funds	N/A	(A)	20%	10%
Shares in a California Common Law Trust	N/A	None	No Limit	No Limit
Interest Rate Swaps	N/A	None	No Limit	No Limit
City of Roseville Pooled Investment Fund	N/A	None	No Limit	No Limit
Supranationals	5 Years	AA-	30%	No Limit
Mortgage Pass-Through Securities	5 Years	AA	20%	No Limit

9. Review of Investment Portfolio

The securities held by the SPWA must be in compliance with Permitted Investments at the time of purchase. Because some securities may not comply subsequent to the date of purchase, the Chief Financial Officer shall at least annually review the portfolio to identify those securities that do not comply. The Chief Financial Officer shall report major and critical incidences of noncompliance identified through the review of the portfolio.

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A thorough investigation of any investment pool is required prior to investing and should be monitored on an ongoing basis. The following information should be obtained and analyzed.

- a) A description of eligible of investment securities
- b) A written statement of investment policies and objectives.
- c) A description of interest calculations and their distribution, and the treatment of gains and losses.
- d) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- e) A description of who may invest in the program, how often, and what size of deposits and withdraws are allowed.

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Collateral for Non-negotiable Certificates of Deposit and Negotiable Certificates of Deposit must comply with California Government Code section 53652. In addition, if the Certificate of Deposit is not FDIC insured, collateral is required equal to 110 percent of principal.

The following collateral restrictions will be observed:

- Only U.S. Treasury securities or Federal Agency securities, as described in Number 8 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SPWA's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis and the value of the underlying securities brought back up to 102 percent no later than the next business day.
- Market value must be calculated each time there is a substitution of collateral.
- SPWA or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.
- SPWA may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.
- SPWA will have specific written agreements with each firm with which it enters into Repurchase Agreements.
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The assets of SPWA shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedure.

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The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of SPWA are protected from loss, theft, fraud or misuse. An analysis by an external independent accounting firm shall be conducted annually to review internal controls, account activity, and compliance with the investment policies.

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The investment portfolio will be designed to obtain a market rate of return during budgetary and economic cycles, taking into account SPWA's investment risk constraints and cash flow needs. The Investment Review Committee has elected to use for its performance standard the Constant Maturity Treasury (CMT) Index. For the SPWA Portfolio the 12

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- Maturity date
- Book Value
- Par Value
- Current market value
- Transaction Activity
- Interest Earnings Summary

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19. Glossary

Broker-Dealer – a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificate of Deposit (CD) – A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CDs are typically negotiable.

Collateral – Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Custody – Safekeeping services offered by a bank, financial institution or trust company, referred to as the “custodian.” Service normally includes the holding and reporting of the customer’s securities, the collection and disbursement of income, securities settlement and market values.

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Prudent Investor Standard – An investment standard that all investments should be made with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

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South Placer Wastewater Authority
Investment Report
(Redlined Report)

South Placer Wastewater Authority Investment Policy



Effective July 1, 202~~3~~²

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South Placer Wastewater Authority

Investment Policy

Effective July 1, 202~~3~~²

1. **Introduction**

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the South Placer Wastewater Authority (SPWA) are based on state law and prudent money management. All funds will be invested in accordance with this investment policy and Article 2 of Chapter 4 of the California Government Code. This policy is in compliance with the provisions of the California Government Code, Sections 53600 through 53659, and the authority governing investments for municipal governments.

2. **Scope**

It is intended that this policy covers all funds and proceeds of debt issues and investment activities under SPWA's direction.

3. **Prudence**

The standard of care to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. The "prudent investor" standard states that:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. **Objectives**

The primary objectives, in priority order, of the investment activities of SPWA shall be:

- a) **Safety**. Safety of principal is the foremost objective of the investment program. SPWA investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. To further achieve the safety objective, the amount invested in all investment categories is limited to a percentage of the portfolio as defined in section 8 “Permitted Investment Instruments”.
- b) **Liquidity**. The investment portfolio of SPWA will remain sufficiently liquid to enable SPWA to meet its cash flow requirements.
- c) **Return on Investment**. The investment portfolio of SPWA shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

5. **Delegation of Authority**

The Board hereby delegates management responsibility of the investment program to the ~~Treasurer~~**Chief Financial Officer** and/or his/her designee. ~~Treasurer~~**Chief Financial Officer** and/or his/her designee are hereby authorized and directed in the name and on behalf of SPWA to invest the Authority’s monies, and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which he or she might deem necessary or appropriate in order to accomplish the purposes of this policy. No person may engage in an investment transaction except as provided under the limits of this policy unless specifically exempted by statute or ordinance.

6. **Ethics and Conflict of Interest**

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

7. **Authorized Financial Dealers and Institutions**

The ~~Treasurer~~**Chief Financial Officer** and/or his/her designee will maintain a list of approved financial institutions authorized to provide investment services to the SPWA. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. A determination should be made to ~~insure~~**ensure** that all approved Broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Public Agency. The firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with the public agency must supply the ~~Treasurer~~**Chief Financial Officer** with the following: completed broker/dealer questionnaire, and certification of having read the SPWA investment policy.

8. Permitted Investment Instruments

The Authority shall limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

- a) **U.S. Treasury obligations** for which the full faith and credit of the United States are pledged for the payment of principal and interest. Up to 100 percent of SPWA's investment portfolio may be invested in government obligations.
- b) **Federal agency or United States government-sponsored enterprise obligations**, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Up to 100 percent of SPWA's investment portfolio may be invested in federal agency or United States government-sponsored enterprise obligations.
- c) **Mortgage pass through security** issued and guaranteed by a Federal Agency Securities eligible for investment under this category of "AA" or its equivalent or better for an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of SPWA's surplus money.
- d) **Obligations of the State of California** or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency. Up to 100 percent of SPWA's investment portfolio may be invested in California municipal obligations.
- e) **Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of these states.
- f) **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. Up to 100 percent of SPWA's investment portfolio may be invested in repurchase agreements.
- g) **Bankers' Acceptances**, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of SPWA's investment portfolio.

- h) **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (8h1) or paragraph (8h2):

- 1) The entity meets the following criteria:
 - a. Is organized and operating in the United States as a general corporation.
 - b. Has total assets in excess of five hundred million dollars (\$500,000,000).
 - c. Has debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

- 2) The entity meets the following criteria:
 - a. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - b. Has program wide credit enhancements including, but not limited to, over collateralizations, letters of credit, or surety bond.
 - c. Has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 40 percent of SPWA’s investment portfolio.

- i) **Medium-term corporate notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent or better by a nationally recognized rating service.

Purchase of medium-term corporate notes may not exceed 30 percent of SPWA’s investment portfolio.

- j) **FDIC insured or fully collateralized time certificates of deposit.** Purchases of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA’s investment portfolio.

- k) **Negotiable certificates of deposit or deposit notes** issued by a nationally or state-chartered bank, a state or federal savings and loan association, state or federal credit union, or a federally-licensed or state-licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated "A" or better as provided for by an NRSRO.

Purchase of time certificates of deposit in combination with negotiable certificates of deposit may not exceed 30 percent of SPWA’s investment portfolio.

- l) **State of California's Local Agency Investment Fund**

The Local Agency Investment Fund (LAIF) portfolio should be reviewed periodically. Investment in LAIF may not exceed the legally authorized limits.

- m) **Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission** under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares of beneficial interest purchased shall not include any commission that the companies may charge and shall not exceed 20 percent of SPWA's investment portfolio. Further, no more than 10 percent of SPWA's investment portfolio may be invested in shares of beneficial interest of any one money market fund.

- n) **Shares in a California common law trust** established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.
- o) **City of Roseville's Pooled Investment Fund.**
- p) **Supranationals** are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA-", its equivalent, or better by an NRSRO.

Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the Authority. Supranationals will be permitted by California Government Code §53601 (q) and this Policy effective January 1, 2015.

- q) **A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. No more than 20% of the Authority's surplus funds may be invested in this type of security.

Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. If an investment falls below the minimum purchase rating, the ~~Treasurer~~ Chief Financial Officer will perform a timely review and, following notification of the Board Chairman, decide whether to sell or hold the investment.

r) Prohibited Investments

For purposes of this policy, a derivative is defined as any security where the value is linked to or derived from an underlying asset or benchmark. Any security type or structure not specifically approved by this policy is hereby specifically prohibited. SPWA will not use such derivatives as range notes, dual index notes, inverse floating rate notes, deleveraged notes, or notes linked to lagging indices or to long term indices, nor will SPWA invest in reverse repurchase agreements or interest-only strips derived from a pool of mortgages. The City will not invest in securities that could result in zero or negative interest accrual if held to maturity, except, in the event of, and for the duration of, a period of negative market interest rates, securities issued by, or backed by, the U.S. government to preserve principal. This policy does not preclude the use of repurchase agreements and callable securities, as they do not fall within the definition of a derivative as described herein.

Summary of Maximum Percentage Limitations of Investments by Investment Type

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality at Time of Purchase</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations (A)	5 Years	None	No Limit	No Limit
U.S. Agency Securities (A) Forward Delivery Agreements	5 Years N/A	None A	No Limit None	No Limit None
State of California or California Local Agency Bonds	5 Years	None	No Limit	No Limit
Registered State Treasury Notes or Bonds of the other 49 States	5 Years	None	No Limit	No Limit
Repurchase Agreements	30 days	None	No Limit	No Limit
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SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-09

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOUTH PLACER WASTEWATER AUTHORITY
ADOPTING THE SOUTH PLACER WASTEWATER AUTHORITY
INVESTMENT POLICY FOR FY 2023-2024**

WHEREAS, the South Placer Wastewater Authority Investment Policy was adopted by the Board of Directors of the South Placer Wastewater Authority ("Authority") at the Board's meeting on February 13, 2001, and amended periodically thereafter (as amended, the "Investment Policy"); and

WHEREAS, the Authority desires to update the Investment Policy to incorporate certain changes that the Board deems necessary.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority as follows:

The South Placer Wastewater Authority Investment Policy for Fiscal Year 2023-2024 is hereby adopted in the form presented at this meeting and attached hereto.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: Alvord, Gore, Roccucci, Williams


NOES: None

ABSENT: Landon

ABSTENTIONS: None


Chairperson

ATTEST:


Secretary

Agenda
Item #6
AC 23.15

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority Board of Directors

DATE: June 9, 2023

FROM: Dennis Kauffman, Chief Financial Officer

AUTHORITY COMMUNICATION NO.: 23-15

SUBJECT: Delegation of Authority to Invest in Local Banks

ACTION REQUESTED

Staff recommends the Board approve a resolution delegating authority to invest in deposits in an amount not to exceed \$1.5 million dollars of Authority funds with one or more local banks in an arrangement similar to the Roseville Advantage Financing Program, approved by the Roseville City Council on June 19, 2019.

In December 2018, the Roseville City Council approved and released a Request for Proposals (RFP) for the design and implementation of the Roseville Advantage Financing Program. The RFP was sent to four locally headquartered banks that are located within a 40-mile radius of the region (American River Bank, First Northern Bank, Five Star Bank, and River City Bank). The RFP outlined that the City would deposit funds in the Program banks, refer business owners with credit needs to the Program banks, perform joint marketing, and promote the Program banks. In return, the Program banks would lend 75% of the funds to businesses within the Roseville community. The City also included a requirement that the City's short-term investment funds earn a rate of return similar to the Local Agency Investment Fund (LAIF) which is a State pooled money investment account.

On January 25, 2019, the City received a joint community bank response from all four banks. The City's Economic Development and Finance Departments evaluated the proposals, met with the Banks, and negotiated program terms and agreed to an initial total City investment of \$10 million dollars (approx. 25% of the City's short-term investment funds). As negotiations were coming to a close, the City's Economic Development Department inquired if Program banks would agree to the requirement that 100% of City funds be loaned to Roseville-based businesses and all four banks unanimously agreed to this request. Additionally, to ensure no loss of City investment income, the Program banks proposed to match the LAIF rate plus 1 basis point. One basis point is equal to one one-hundredth of one percentage point (0.01%).

On June 19, 2019, the Roseville City Council approved the Roseville Advantage Financing Program and authorized the City Manager to execute Banking Services Agreements with all four banks. Under the terms of the agreement, the City reserved its right to withdraw its funds at any time. Additionally, City deposits are fully insured or collateralized pursuant to state law. Since implementation, American River Bank withdrew from participation in the program. In accordance with the agreement, the City's deposit to American River Bank was returned without penalty or liability. The remaining three banks have continued to participate under the terms of the agreements.

The continued goal of the Program is to provide an opportunity for locally headquartered banks to work collaboratively with the City of Roseville in:

- Helping our existing businesses grow and prosper,
- Pursuing new business development, and
- Diversifying our business community.

Given the need to continue supporting entrepreneurs and small businesses in the region, staff is requesting delegated authority to enter into Banking Services Agreement(s) between the SPWA and one or more regional banks in a program similar to the Roseville Advantage Financing Program for one year.

Submitted by:

Dennis
Kauffman

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Dennis Kauffman
Date: 2023.06.20 19:40:42
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Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-10

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOUTH PLACER WASTEWATER AUTHORITY
DELEGATING AUTHORITY TO INVEST FUNDS IN LOCAL BANKS**

WHEREAS, the South Placer Wastewater Authority (“Authority”) desires to support local businesses in the region and regional banks by investing Authority funds in an amount not to exceed \$1,500,000 in local banks with programs loaning funds to Placer County based businesses; and

WHEREAS, the Authority desires to delegate to the Authority’s Chief Financial Officer the authority to deposit Authority funds in regional banks that help the development and growth of local Placer County businesses; and

WHEREAS, the City of Roseville’s “Roseville Advantage Financing Program” has established agreements with three regional banks that offer programs that lend 75% of funds invested to businesses within the Roseville community and these banks ensure no loss of investment income.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South Placer Wastewater Authority as follows:

The South Placer Wastewater Authority Board of Directors hereby delegates to the Authority’s Chief Financial Officer the authority to invest Authority funds in an amount not to exceed \$ 1,500,000 in banks participating in the Roseville Advantage Financing Program.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: Alvord, Gore, Rocca, Williams

NOES: None

ABSENT: Landon

ABSTENTIONS: None


Chairperson

ATTEST:


Secretary

Agenda
Item # 7
AC 23.16

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** June 12, 2023
Board of Directors

FROM Bryan Buchannan

AUTHORITY COMMUNICATION NO.: AC 23-16

**SUBJECT: Approve Execution of Conditional Letter of Intent Regarding Castle
City Mobile Home Park**

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

Approve execution of a Conditional Letter of Intent regarding the Castle City Mobile Home Park in New Castle, CA.

BACKGROUND

The Castle City Mobile Home Park (CCMHP) is a two-hundred-unit mobile home park in Newcastle that owns and operates a private sewer collection system. The system lacks capacity and has historically overflowed in wet years. Coleman Engineering on behalf of the owner of CCMHP (Caritas Corporation) approached SPMUD regarding the potential to consolidate their wastewater system with SPMUD to provide a long term solution for their wastewater needs.

SPMUD staff received information from the California State Water Resources Control Board about the Wastewater Consolidation Program under Senate Bill 1215 (SB1215). SB1215 was enacted in September 2018 with the goal to incentivize sewer services connections and reduce nitrate impacts on drinking water. CCMHP meets the requisite criteria to qualify for funding under SB1215. Funding for the consolidation will be provided through a Wastewater Consolidation Grant. The Grant provides for 100% of the cost for planning and up to \$25M for construction costs.

At its May 4, 2023, Board meeting, SPMUD authorized a letter of intent and directed District staff to contact SPWA to determine the steps necessary for the CCMHP service area to be annexed into the SPWA service area.

DISCUSSION

Section 2 of the Second Amended and Restated Operating Agreement for SPWA provides that future additions to the wastewater treatment service area boundaries may be made by any member agency subject to the City's approval of the location of the connection, which approval shall not be unreasonably withheld. City staff has reviewed the connection location and flow projections and determined that the inclusion of CCMHP would be acceptable contingent upon the project completing all requisite CEQA requirements and the annexation being approved by Placer County LAFCO.

Submitted by:

Bryan Buchanan

Bryan Buchanan
City of Roseville Wastewater Utility Manager

Richard D. Plecker

Richard D. Plecker
Acting Executive Director

Date

Dania Jimmerson, P.E.
Water Resources Control Engineer, Wastewater Consolidation Program
Central Valley Regional Water Quality Control Board
11020 Sun Center Drive, Suite 200
Rancho Cordova, CA 95670

Re: **CONDITIONAL LETTER OF INTENT TO ENGAGE IN WASTEWATER
CONSOLIDATION DISCUSSIONS WITH CASTLE CITY MOBILE HOME PARK**

Dear Ms. Jimmerson:

The South Placer Wastewater Authority (SPWA) was contacted in May 2023 by the South Placer Municipal Utility District (SPMUD) regarding a potential wastewater consolidation project with the Castle City Mobile Home Park in Newcastle, CA (the "Project"). SPWA staff has reviewed the connection location and flow projections for the Project.

Based on the information presented to SPWA staff, SPWA has determined that inclusion of the Project within SPWA's wastewater treatment service area boundaries would be acceptable. SPWA's approval is based on the flow projections presented and contingent upon the Project completing the CEQA review process and SPMUD receiving approval from the Placer County Local Agency Formation Commission of its annexation of the Castle City Mobile Home Park area.

Richard Plecker, P.E.
Executive Director
South Placer Wastewater Authority

Cc: Herb Niederberger, General Manager, SPMUD
Eric Nielsen, Superintendent, SPMUD
Tracy Bejotte, Chief Operating Officer, Caritas Corporation
Chad Coleman, Coleman Engineering

SOUTH PLACER WASTEWATER AUTHORITY

RESOLUTION NO. 2023-11

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTH PLACER WASTEWATER AUTHORITY
AUTHORIZING A CONDITIONAL LETTER OF INTENT REGARDING
THE CASTLE CITY MOBILE HOME PARK**

BE IT RESOLVED, that the Board of Directors of the South Placer Wastewater Authority (the "Authority") does hereby authorize the Executive Director to execute a Conditional Letter of Intent regarding Castle City Mobile Home Park.

PASSED AND ADOPTED this 29th day of June, 2023, by the following vote on roll call:

AYES: Alvord, Gore, Rocceucci, Williams

NOES: None

ABSENT: Landon

ABSTENTION: None


Chairperson

ATTEST:


Secretary

Agenda
Item # 8
AC 23-17

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 12, 2023

FROM: Dennis Kauffman/Richard Plecker/Bryan Buchanan

AUTHORITY COMMUNICATION NO.: AC 23-17

SUBJECT: Discussion Regarding Allocated and Direct Charges to Member
Agencies

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

None required. This is an informational item.

BACKGROUND

SPWA Acting Executive Director, Richard Plecker, received an email on May 24, 2023, from Herb Niederberger, General Manager of South Placer Municipal Utility District, requesting clarification of allocations versus direct charges be discussed at the June 29, 2023, South Placer Wastewater Authority meeting.

DISCUSSION

Roseville staff will discuss and clarify SPWA allocations and direct charges.

Submitted by:

Bryan Buchanan

Bryan Buchanan
City of Roseville Wastewater Manager

Dennis
Kauffman

Digitally signed by Dennis
Kauffman
Date: 2023.06.20 19:47:10
-07'00'

Dennis Kauffman
Chief Financial Officer

Richard D. Plecker

Richard D. Plecker
Acting Executive Director

Agenda
Item #9
AC 23.18

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 1, 2023

FROM: Richard Plecker, Acting Executive Director

AUTHORITY COMMUNICATION NO.: 23-18

SUBJECT: City of Roseville resources supporting SPWA

For SPWA Board Meeting June 29, 2023

ACTION REQUESTED

None requested- this is an informational item.

BACKGROUND

At the most recent SPWA Board meeting on January 26, 2023, Director Williams asked for a table of organization showing the various City of Roseville Departments and various people serving the Authority.

DISCUSSION

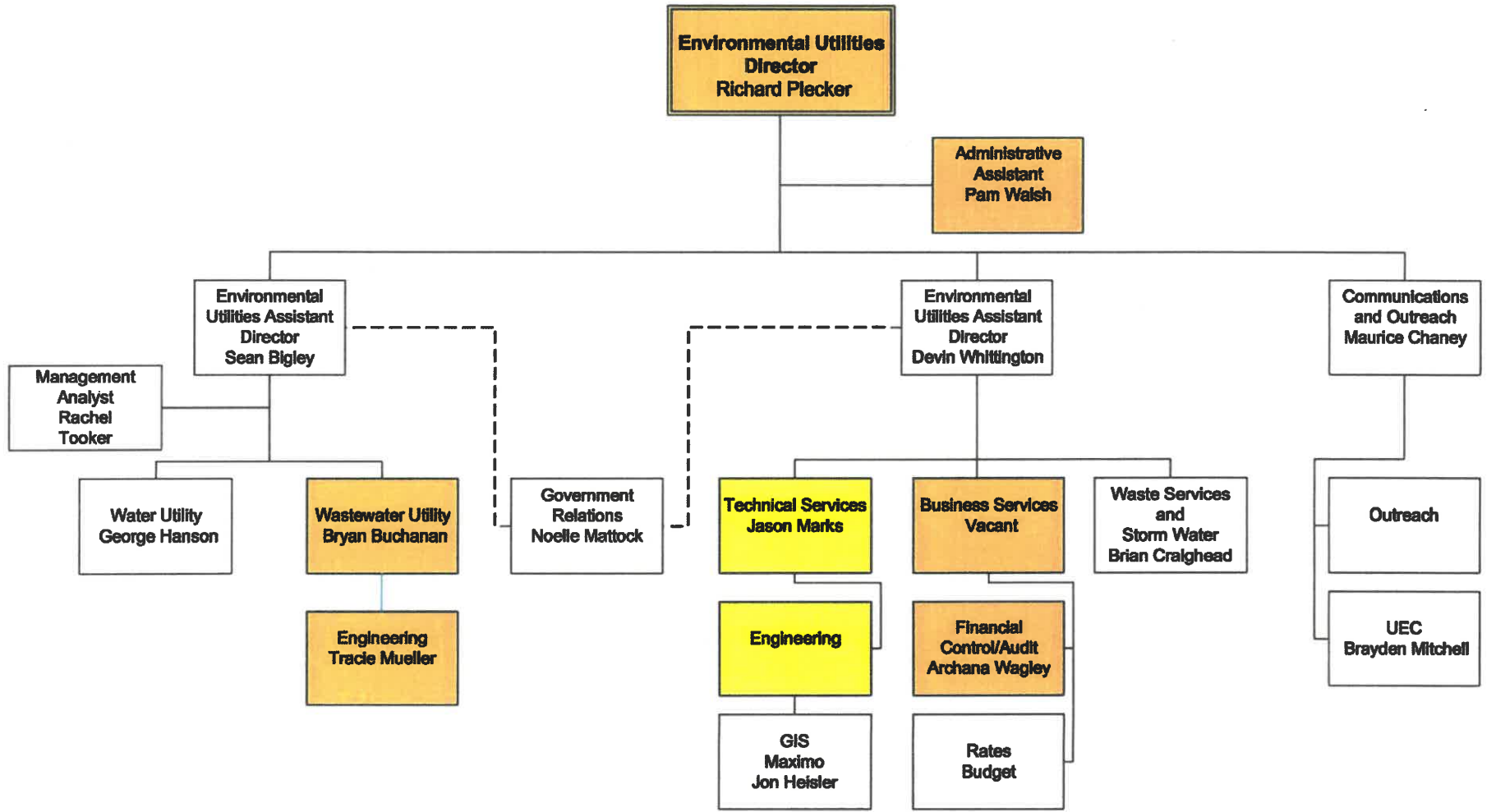
The City of Roseville Environmental Utilities Department and its administrative, financial, engineering, and wastewater utility divisions are the primary service providers to the Authority, providing overall management, operations, maintenance, engineering, budgeting, and reporting services. The City of Roseville Finance Department, through the CFO and his management staff, also supply financial controls, investment management, debt management, and audit functions.

The attached highlighted tables of organization from the proposed City of Roseville FY24 budget are provided to better illustrate the breadth and depth of personnel, across two departments and several operating divisions, supporting the Authority.

Submitted by:



Richard D. Plecker
Acting Executive Director



**City of Roseville
Environmental Utilities Department**

Environmental Utilities
Assistant Director
Sean Bigley

Wastewater Utility
Manager
Bryan Buchanan

Laboratory Maintenance Operations Collections Engineering

Laboratory/
Industrial Waste
EU Compliance
Administrator
Raji Subramanian

Environmental
Utilities Maintenance
Superintendent
Trent Johnson

Wastewater Treatment
Plant
Chief Operator
Jason Fleck
Bob Lawrence (T)

Collection
Superintendent
Dan Pruden

Principal Engineer
Tracie Mueller

Water Quality Lab
Supervisor
Rich Stephens

Industrial Waste
Specialist
Frank Dittich

Industrial Waste
Technician
Melissa Parks

Water Quality Lab
Supervisor
Dan Fleischer

Lab Technician
DCWWTP
Christopher Boggs
Matt Falstrom (T)
Kelsey Fillmon (T)
James Krause
Alyssa McCoy (T)
PGWWTP
Vacancy (1)
EUD74402001

Preventative
Maintenance
Supervisor
Steve Bizalton

Preventative Maint.
Coordinator
Blaine Wegel

Materials
Technician
Larjo Wickstrom

Administrative
Technician
DCWWTP
Patty Pistole

Plant & Equipment
Mechanic
John Barnhart
Jose Castaneda Jr
Brandon DeRobertis
Jeffrey Hendrick
James Simmons
Rick Wagstaff

Plant & Equipment
Maint. Worker
Jose Castaneda Sr
Justin Kirdice
Bob West
Marc Zolovich (T)

Safety
Coordinator
Timothy Thrift
Vacancy (1)
EUD74650002

Preventative
Maintenance
Supervisor
Jeremy Snyder

Preventative Maint.
Coordinator
James Cryan

Sr. Preventative
Maint. Technician
Adam Carphola
Shane Mattox
Jado Oliver

Predictive Maint.
Technician
Ricardo Ortiz

Preventative Maint.
Technician
Rajneel Chand
Dave Eulberg
Dustin McCueary
James Nichols
Louis Tafaya

EU Instrument and
Control Technicians
Barry Blamey
Viktor Kravchuk
Matthew Lausmann
Jason Nelson
JR Ybarra
Vacancy (1)
EUD741039004

SCADA System
Senior Technicians
Jason Houser

SCADA System
Technician
Michael Blackburn
Ryan Jones

Data Management
Specialist
Kris Zanardelli

PGWWTP
Grade IV Operator
Norm Woods
Operators
Chad Brown
Norman Desilva Jr
Mark Fisher
Michael Hedenland
Richard Leal
Lary Luksemburg

DCWWTP
Grade IV Operator
Eric Robarge
Operators
Greg Blancett
Ronald Gibson
Todd Heldrick
Shawn Johnson
Carlos "Joel" Martinez
Gregory Swanton
Kevin Timms

Office Assistant
DCWWTP
Alex Alvarez
Office Assistant
PGWWTP
Danika Spain
Vacancy (1)
EUD744967002

Collection
Supervisor
Shane Rodgers

WW Utility
Maintenance Worker
Preventative Maint.
CIC and Lift Stations
Jose Gutierrez, Jr.
Jacob Lucero
Jordan Rambo
Kyle Williams

WW Utility
Maintenance Worker
CCRY
Tony Ayala
Ty Bowser
Spencer Bracco
Noah Byer
Jesse Luna
Michael McDaniel

WW Utility
Maintenance Worker
Vector
Kiefer Altagua
Edgar Diaz
Ramon Esparza
Alan Maravilla

Collection
Supervisor
Kevin Ryan

Senior WW Utility
Maintenance Worker
Construction
James "Ike" Vandever

WW Utility
Maintenance Worker
Construction
Dustin Burns
Jacob Fagathlin
Gabriel Gonzalez
Wesley Hagan
Nik Mandelik
Luis Medrano
Refugio Talavera
Steve Uren

WW Utility
Maintenance Worker
Service Calls
Dan Smith

Collection
Supervisor
Charles Wilbanks

Senior WW Utility
Maintenance Worker
Preventative Maint.
Mike Beaman
Brendan Gossic
Daryl Harris
Robert Leach

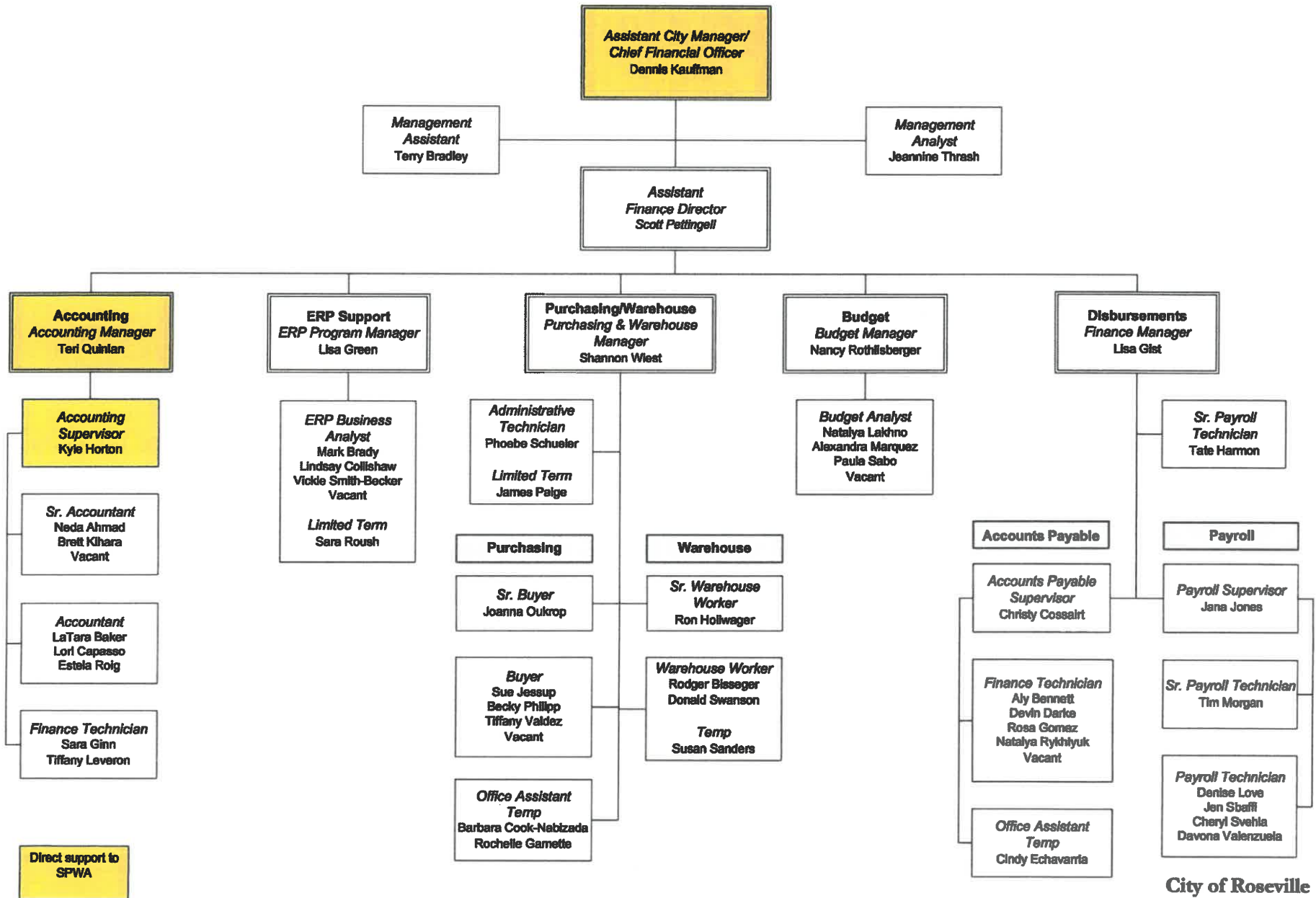
WW Utility
Maintenance Worker
Vaperacion, CFFP
E.Lindig
Jason Franco
Steven Jorgens
Matt Ladd

Materials
Technician
Loni Randolph

Administrative
Technician
Kyla Shufelberger

Direct support to
SPWA

City of Roseville
Environmental Utilities Department
Wastewater Utility



Agenda
Item 10a
AC 23-19

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority **DATE:** June 15, 2023
Board of Directors

FROM: Kyle Horton – Accounting
Supervisor **AUTHORITY COMMUNICATION AC 23-19**

SUBJECT: Investment Review

For SPWA Board Meeting 6/29/2023

ACTION REQUESTED

None required. This is an information item.

BACKGROUND

The following report details the performance of the Authority's investments through May 2023.

INVESTMENTS

The Schedule of Investments for May 2023 is attached to this report. The yield to maturity on the invested funds was 3.651%.

As of May 31, 2023, the portfolio held 26.11% in Money Market Mutual Funds, which is higher than the investment policy limit for that asset class. This was due to a large reimbursement received in May from the State Revolving Fund loan program. The portfolio was brought back into compliance in June 2023 by investing in other allowable categories of investments.

Additional Accumulated Funds

The additional accumulated funds, in the amount of \$44.45M, is a combination of:

- \$ 32,289,802.25 in the Authority's wastewater project fund held by the fiscal agent.
- \$ 12,160,892.21 in the Authority's bond reserve funds held by the fiscal agent.
- \$ 1,039.88 in the Authority's interest fund held by the fiscal agent.

Submitted by:

Kyle Horton Digitally signed by Kyle Horton
Date: 2023.06.20 13:46:46
-07'00'

Kyle Horton
Accounting Supervisor

Dennis Kauffman Digitally signed by Dennis
Kauffman
Date: 2023.06.22 13:02:33
-07'00'

Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director



Monthly Investment Report Portfolio Management Portfolio Summary May 31, 2023

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C
City of Roseville Cash Pool*	4,108,680.50	4,108,680.50	4,108,680.50	2.55	1	1	2.198
Money Market Funds	42,039,118.08	42,039,118.08	42,039,118.08	26.11	1	1	4.620
Local Agency Investment Funds	15,974,130.10	15,974,130.10	15,974,130.10	9.92	1	1	2.993
Corporate Notes	39,901,000.00	38,109,238.61	39,377,236.53	24.45	1,578	1,049	3.225
Federal Agency Coupon Securities	56,203,000.00	52,952,181.78	55,533,620.07	34.49	1,706	578	3.707
Municipal Bonds	3,895,000.00	3,758,100.30	3,987,765.46	2.48	1,519	530	0.986
Investments	162,120,928.68	156,941,429.37	161,020,550.74	100.00%	1,012	469	3.651

Total Earnings	May 31 Month Ending	Fiscal Year To Date
Current Year	324,652.29	3,001,412.22
Average Daily Balance	127,429,414.69	126,819,437.00
Effective Rate of Return	3.00%	2.58%

*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. [Except for the % of the portfolio invested in money market funds at May 31, 2023, which is higher than the policy limit due to a large reimbursement received in May from the State Revolving Fund loan program. The portfolio was brought back into compliance in June by investing in other allowable categories of investments.] 6/12/23


 Richard Plecker, Acting Executive Director
Dennis Kauffman
 Digitally signed by Dennis Kauffman
 Date: 2023.06.11 16:51:05 -07'00'
 Dennis Kauffman, Treasurer

DATE

**Monthly Investment Report
Portfolio Management
Interest Earnings Summary
May 31, 2023**

	May 31Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	246,847.00	1,615,876.62
Plus Accrued Interest at End of Period	569,583.89	569,583.89
Less Accrued Interest at Beginning of Period	(592,406.28)	(127,398.89)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	224,024.61	2,058,061.62
Adjusted by Premiums and Discounts	23,258.47	382,285.72
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	247,283.08	2,440,347.34
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	7,737,442.38	7,737,442.38
Less Accrued Interest at Beginning of Period	(7,660,073.17)	(7,176,377.50)
Interest Earned during Period	77,369.21	561,064.88
Total Interest Earned during Period	301,393.82	2,619,126.50
Total Adjustments from Premiums and Discounts	23,258.47	382,285.72
Total Capital Gains or Losses	0.00	0.00
Total Earnings during Period	324,652.29	3,001,412.22



**Monthly Investment Report
Fund 001 - SPWA
Investments by Fund
May 31, 2023**

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	4,108,680.50	4,108,680.50	4,108,680.50	2.198	2.167	2.198	1
Subtotal and Average				4,108,680.50	4,108,680.50	4,108,680.50		2.168	2.198	1
Money Market Funds										
431114503	10434	US BANK	07/01/2022	42,039,118.08	42,039,118.08	42,039,118.08	4.620	4.556	4.620	1
Subtotal and Average				42,039,118.08	42,039,118.08	42,039,118.08		4.557	4.620	1
Local Agency Investment Funds										
40-31-001	10032	Local Agency Investment Fund	07/01/2022	15,974,130.10	15,974,130.10	15,974,130.10	2.993	2.952	2.993	1
Subtotal and Average				15,974,130.10	15,974,130.10	15,974,130.10		2.952	2.993	1
Corporate Notes										
023135CF1	10694	AMAZON	06/03/2022	2,149,548.50	2,150,000.00	2,072,127.00	3.300	3.258	3.304	04/13/2027 1,412
023135BC9	10718	AMAZON	09/16/2022	2,881,740.00	3,000,000.00	2,862,060.00	3.150	3.983	4.038	08/22/2027 1,543
06048WK41	10690	Bank of America Corp	11/25/2020	2,000,000.00	2,000,000.00	1,783,100.00	0.650	0.712	0.722	11/25/2025 908
110122CN6	10719	BRISTOL MYERS SQUIBB	09/16/2022	1,946,860.00	2,000,000.00	1,930,160.00	3.200	3.914	3.968	06/15/2026 1,110
166764BW9	10691	CHEVRON CORP NOTE	04/28/2021	1,028,570.00	1,000,000.00	943,050.00	1.554	0.821	0.832	05/11/2025 710
166764BD1	10695	CHEVRON CORP NOTE	06/03/2022	2,520,900.00	2,500,000.00	2,434,925.00	3.326	3.026	3.068	11/17/2025 900
29736RAN0	10668	ESTEE LAUDER CO	12/10/2019	3,013,110.00	3,000,000.00	2,878,320.00	2.000	1.870	1.896	12/01/2024 549
458140AX8	10698	INTEL CORP	06/24/2022	1,955,340.00	2,000,000.00	1,897,500.00	3.150	3.603	3.653	05/11/2027 1,440
46625HQW3	10699	JP MORGAN CHASE CORP NOTES	06/21/2022	1,939,600.00	2,000,000.00	1,921,500.00	3.300	4.118	4.175	04/01/2026 1,035
641062BA1	10722	NESTLE HOLDINGS INC	09/16/2022	1,997,880.00	2,000,000.00	1,972,100.00	4.000	3.986	4.041	09/12/2025 834
654106AJ2	10700	NIKE INC	06/03/2022	2,454,350.00	2,500,000.00	2,367,750.00	2.750	3.117	3.161	03/27/2027 1,395
771196BK7	10701	ROCHE HOLDINGS INC	06/03/2022	2,440,950.00	2,500,000.00	2,378,225.00	2.625	3.222	3.266	05/15/2026 1,079
784710AA3	10729	SSM HEALTH CARE	11/18/2022	2,348,986.50	2,450,000.00	2,336,589.50	3.823	4.779	4.846	06/01/2027 1,461
872540AQ2	10703	TJX COS INC	06/21/2022	1,867,040.00	2,000,000.00	1,863,460.00	2.250	3.916	3.970	09/15/2026 1,202
89236TGT6	10705	TOYOTA MOTOR CREDIT CORP COMM	06/03/2022	2,418,400.00	2,500,000.00	2,375,800.00	1.800	3.028	3.070	02/13/2025 623
872898AF8	10704	TSMC ARIZ CORP	06/24/2022	1,991,380.00	2,000,000.00	1,944,700.00	3.875	3.918	3.973	04/22/2027 1,421
91324PEG3	10708	UNITEDHEALTH GROUP	06/21/2022	2,124,243.00	2,150,000.00	2,099,883.50	3.700	3.916	3.970	05/15/2027 1,444
384802AE4	10672	WW GRAINGER	04/28/2020	2,216,777.58	2,151,000.00	2,047,988.61	1.850	1.183	1.200	02/15/2025 625
Subtotal and Average				39,285,875.58	39,901,000.00	38,109,238.61		3.181	3.225	1,098
Federal Agency Coupon Securities										
31422BA26	10676	FEDERAL AGRIC MTG CORP AGCY	05/19/2020	5,000,000.00	5,000,000.00	4,605,550.00	0.675	0.665	0.675	05/19/2025 718

**Fund 001 - SPWA
Investments by Fund
May 31, 2023**

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											
31422BY46	10685	FEDERAL AGRIC MTG CORP AGCY	10/14/2020	3,000,000.00	3,000,000.00	2,724,540.00	0.540	0.532	0.540	10/14/2025	866
3133EMHF2	10688	Federal Farm Credit Bank	11/27/2020	2,000,000.00	2,000,000.00	1,813,900.00	0.600	0.591	0.599	11/24/2025	907
3133ENTS9	10693	Federal Farm Credit Bank	04/05/2022	4,780,875.00	4,750,000.00	4,502,857.50	2.600	2.427	2.461	04/05/2027	1,404
3133ENNG1	10711	Federal Farm Credit Bank	07/18/2022	3,547,500.00	3,750,000.00	3,420,150.00	1.860	3.098	3.141	02/08/2027	1,348
3133ENA26	10727	Federal Farm Credit Bank	11/17/2022	2,935,500.00	3,000,000.00	2,898,690.00	3.750	7.056	7.154	07/13/2026	1,138
3133ENN89	10728	Federal Farm Credit Bank	11/17/2022	2,994,000.00	3,000,000.00	2,949,810.00	4.870	4.858	4.925	09/28/2026	1,215
3130ASD22	10696	Federal Home Loan Bank	06/29/2022	3,000,000.00	3,000,000.00	2,870,880.00	3.590	3.540	3.590	06/29/2027	1,489
3130ALCE2	10709	Federal Home Loan Bank	07/18/2022	3,306,397.50	3,675,000.00	3,236,499.00	0.920	10.636	10.784	02/26/2027	1,366
3130ATCY1	10720	Federal Home Loan Bank	09/30/2022	1,997,500.00	2,000,000.00	1,951,600.00	4.500	4.565	4.629	09/30/2027	1,582
3130ATQL4	10723	Federal Home Loan Bank	10/28/2022	3,004,500.00	3,000,000.00	2,976,960.00	5.700	5.587	5.665	10/28/2027	1,610
3130AT2Y2	10725	Federal Home Loan Bank	11/17/2022	2,825,760.00	2,900,000.00	2,780,288.00	3.700	4.239	4.298	08/23/2027	1,544
3130ATCG0	10726	Federal Home Loan Bank	11/17/2022	2,959,500.00	3,000,000.00	2,934,990.00	4.000	4.443	4.505	09/29/2025	851
3134GVR26	10684	Federal Home Loan Mtg Corp	06/25/2020	5,000,000.00	5,000,000.00	4,597,900.00	0.700	0.690	0.700	06/25/2025	755
3134GWXX9	10686	Federal Home Loan Mtg Corp	10/15/2020	2,000,000.00	2,000,000.00	1,816,660.00	0.550	0.542	0.550	10/15/2025	867
3134GXRM8	10697	Federal Home Loan Mtg Corp	06/24/2022	3,113,924.00	3,128,000.00	2,993,527.28	3.550	3.828	3.881	05/18/2027	1,447
3134GXU36	10724	Federal Home Loan Mtg Corp	10/28/2022	3,929,600.00	4,000,000.00	3,877,360.00	4.200	6.298	6.385	08/27/2027	1,548
Subtotal and Average				55,395,058.50	58,203,000.00	52,952,181.78		3.858	3.707		1,199
Municipal Bonds											
091608RA9	10687	BISMARCK PUB SD#1	10/22/2020	663,000.00	650,000.00	605,728.50	1.150	0.708	0.718	05/01/2025	700
438670Q87	10678	HONOLULU-G-TXBL	05/12/2020	522,540.00	500,000.00	494,715.00	2.812	1.454	1.474	11/01/2023	153
586145F74	10689	MEMPHIS-TXBLE-REF-B	11/23/2020	2,201,580.00	2,000,000.00	1,933,040.00	2.980	0.621	0.630	04/01/2025	670
64966WEH6	10679	NYC HSG DEV	05/01/2020	743,331.20	745,000.00	724,616.80	1.810	1.862	1.887	02/01/2024	245
Subtotal and Average				4,130,451.20	3,895,000.00	3,758,100.30		0.973	0.988		530
Total Investments and Average				180,943,111.98	182,120,928.88	168,941,429.37		3.601	3.651		685



Performance | Total Portfolio Summary
May 31, 2023

Benchmark Performance **5/31/2023** **11/30/2022**

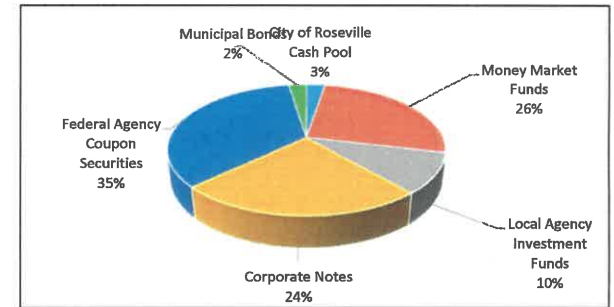
Average Portfolio Yield **3.651** **3.376**

2Yr CMT 4.400 4.380

LAIF 2.993 2.007

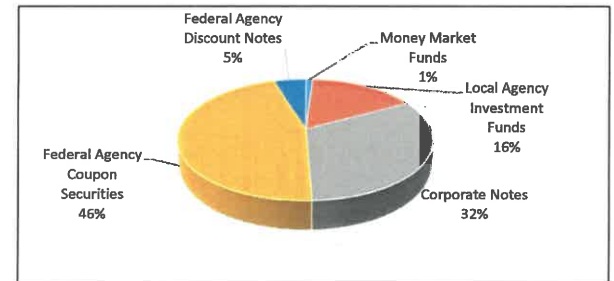
May 2023

<u>Asset Category</u>	<u>Compliance % of Portfolio</u>	<u>YTM/C 365</u>	<u>Days to Maturity</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Book Value</u>
City of Roseville Cash Pool	2.55%	2.198	1	4,108,681	4,108,681	4,108,681
Money Market Funds	26.11%	4.62	1	42,039,118	42,039,118	42,039,118
Local Agency Investment Funds	9.92%	2.993	1	15,974,130	15,974,130	15,974,130
	38.58%	1.559	1	62,121,929	62,121,929	62,121,929
Corporate Notes	24.45%	3.225	1,049	39,901,000	38,109,239	39,377,237
Federal Agency Coupon Securities	34.49%	3.707	578	56,203,000	52,952,162	55,533,620
Municipal Bonds	2.48%	0.986	530	3,895,000	3,758,100	3,987,765
	61.42%	2.092	469	99,999,000	94,819,501	98,898,622
TOTAL PORTFOLIO Average	100.00%	3.651	469	162,120,929	156,941,429	161,020,551



November 2022

<u>Asset Category</u>	<u>Compliance % of Portfolio</u>	<u>YTM/C 365</u>	<u>Days to Maturity</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Book Value</u>
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



Agenda
Item # 10b
AC-23-20

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority
Board of Directors

DATE: June 8, 2023

FROM: Teri Quinlan, Accounting Manager

AUTHORITY COMMUNICATION NO.: 23-20

SUBJECT: Rate Stabilization Fund Balances as of April 30, 2023

For SPWA Board Meeting 6/29/23

ACTION REQUESTED

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

BACKGROUND

With the formation of the Joint Powers Authority and subsequent bond issues, a rate stabilization fund (RSF) was established to collect the participants' connection fees and pay debt service, capital costs, bond redemptions, and administrative costs. Each participant has a sub-account established within the RSF that accounts for its deposits less proportionate cost shares. Available resources include receivables and liabilities that are recognized as funds are available for use.

Debt proceeds, grant revenue, other revenue, and expenses are allocated based on the participants' respective reallocated proportionate shares, defined in the 2nd Amendment to the Funding Agreement as follows: Roseville—64.57%, South Placer Municipal Utility District—21.95% and Placer County—13.48%. Interest revenue is allocated to each participant based on its respective rate stabilization fund balance. Connection fees and reimbursements are recorded directly in each participant's sub-account.

The estimated RSF balance for Placer County as of April 30, 2023 is negative \$487,558. This was caused by significant capital expenses incurred on the Pleasant Grove Wastewater Treatment Plant Expansion Project and the Pleasant Grove Wastewater Treatment Plant Energy Recovery Project. The cash used to pay for these expenses reduces the fund balance of each participant. However, this is the result of a timing difference between project expenditures and financing reimbursements. As the Authority receives reimbursement from the State Revolving Fund Loan, Placer County's RSF balance will continue to increase and is expected to return to a positive balance in FY24.

Changes in RSF Balances from July 1, 2021 to June 30, 2022:

	<u>City of Roseville</u>	<u>SPMUD</u>	<u>Placer County</u>	<u>Total</u>
Revenues:				
Regional Connection Fees	\$ 19,655,287	\$ 6,960,998	\$ 5,405,808	\$ 32,022,093
Grants	2,959,991	1,006,223	617,945	4,584,159
Other Revenue	148,769	50,573	31,058	230,400
Debt Proceeds	17,761,220	6,037,769	3,707,933	27,506,922
Expenses:				
Capital	(20,022,446)	(6,806,453)	(4,179,999)	(31,008,898)
Debt Service	(7,326,957)	(2,490,734)	(1,529,617)	(11,347,308)
Administrative	(79,288)	(26,953)	(16,552)	(122,793)
Increase/(Decrease) in RSF Balances	<u>13,096,576</u>	<u>4,731,423</u>	<u>4,036,576</u>	<u>21,864,575</u>
Beginning Balance, as of July 1, 2021	46,904,402	50,770,007	(6,134,233)	91,540,176
Prior Period Adjustment	<u>2,526,573</u>	-	-	<u>2,526,573</u>
Beginning Balance, as of July 1, 2021 (Restated)	49,430,975	50,770,007	(6,134,233)	94,066,749
Ending Balance Before Interest Allocation	<u>62,527,551</u>	<u>55,501,430</u>	<u>(2,097,657)</u>	<u>115,931,324</u>
Interest Allocation	629,434	597,461	(46,281)	1,180,614
Ending Balance, as of June 30, 2022	<u>\$ 63,156,985</u>	<u>\$ 56,098,891</u>	<u>\$ (2,143,938)</u>	<u>\$ 117,111,938</u>

Changes in RSF Balances from July 1, 2022 to April 30, 2023:

	<u>City of Roseville</u>	<u>SPMUD</u>	<u>Placer County</u>	<u>Total</u>
Revenues:				
Regional Connection Fees	\$ 14,520,111	\$ 2,046,545	\$ 2,975,250	\$ 19,541,906
Grants	-	-	-	-
Other Revenue	119,946	40,775	25,041	185,762
Debt Proceeds	6,449,405	2,192,418	1,346,414	9,988,237
Expenses:				
Capital	(5,277,304)	(1,793,973)	(1,101,720)	(8,172,997)
Debt Service	(7,417,734)	(2,521,593)	(1,548,568)	(11,487,895)
Administrative	(90,468)	(30,754)	(18,887)	(140,109)
Increase/(Decrease) in RSF Balances	<u>8,303,956</u>	<u>(66,582)</u>	<u>1,677,530</u>	<u>9,914,904</u>
Beginning Balance, as of July 1, 2022	63,156,985	56,098,891	(2,143,938)	117,111,938
Ending Balance Before Interest Allocation	<u>71,460,941</u>	<u>56,032,309</u>	<u>(466,408)</u>	<u>127,026,842</u>
Interest Allocation*	1,090,660	908,475	(21,150)	1,977,985
Ending Balance (estimated), as of April 30, 2023	<u>\$ 72,551,601</u>	<u>\$ 56,940,784</u>	<u>\$ (487,558)</u>	<u>\$ 129,004,827</u>

*Interest revenue is reported through March 2023

Submitted by:

Teri Quinlan
Digitally signed by Teri Quinlan
 Date: 2023.06.20 16:45:08 -07'00'

Teri Quinlan
 Accounting Manager

Approved:

Dennis Kauffman
Digitally signed by Dennis Kauffman
 Date: 2023.06.20 19:47:57 -07'00'

Dennis Kauffman
 Chief Financial Officer

Richard D. Plecker
 Acting Executive Director

Agenda
Item #10C
AC 23:21

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority Board of Directors

DATE: June 9, 2023

FROM: Dennis Kauffman, Chief Financial Officer

AUTHORITY COMMUNICATION NO.: 23-21

SUBJECT: Audited Financial Statements for the fiscal year ended June 30, 2022

ACTION REQUESTED

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

The attached audited financial statements, report on internal control, and the communication letter to those charged with governance are for the fiscal year ended June 30, 2022. Lance, Soll, and Lunghard, LLP (LSL) conducted the audit of the financial statements. As a result of that audit, SPWA received an unmodified (clean) opinion. Additionally, they did not identify any audit findings or misstatements, and did not encounter any difficulties or have any disagreements with management while performing procedures.

For the first time, staff have prepared a Management Discussion and Analysis (MD&A) section, which provides a narrative overview and analysis of the financial activities of SPWA. The statements also include a restatement (correction) of the beginning net position of the South Placer Wastewater Authority by an increase of \$2,526,573 to recognize development impact fee revenue collected by the City of Roseville in prior years that should have been transferred from the City's Wastewater Fund to the SPWA in prior years. This fee revenue had been deferred in prior years, and subsequently collected, but inadvertently not transferred to SPWA.

Also attached is the Single Audit report. A Single Audit is an audit that is required when a non-federal entity expends federal awards (grants) totaling \$750,000 or more in a single fiscal year. The State Revolving Fund loans that the Authority is using to fund the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects is a loan program which meets the requirements for a Single Audit. There were no audit findings and no misstatements identified as a result of this audit.

Submitted by:

Dennis
Kauffman

Digitally signed by Dennis
Kauffman
Date: 2023.06.22 10:57:56
-07'00'

Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director

**City of Roseville SPWA Audit Communication Letter Final
March 27, 2023**



March 27, 2023

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

We have audited the financial statements of the South Placer Wastewater Authority (the Authority) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the State Controller's Minimum Audit Standards for California Special Districts, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021-2022. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The financial statement disclosures are neutral, consistent, and clear.

Significant or Unusual Transactions

Management is responsible for the policies and practices used to account for significant or unusual transactions. No significant unusual transactions have occurred during fiscal year 2021-2022.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are pleased to report that no such misstatements were identified during the course of our audit.



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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 27, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the Authority and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on analysis of rate stabilization restricted net position, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2021-2022 audit:

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.



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

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Fiscal year 2024

GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 100, *Accounting Changes and Error Corrections*.

Fiscal year 2025

GASB Statement No. 101, *Compensated Absences*.

Restriction on Use

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

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Loughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California

City of Roseville SPWA FS Revised Final V3
March 27, 2023



SOUTH WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA
JUNE 30, 2022

ANNUAL FINANCIAL REPORT

Focused
on YOU



**SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of South Placer Wastewater Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Authority's. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards will always detect a material misstatement when it



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

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The analysis rate stabilization restricted net position (supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly



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

to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Solt & Lughard, LLP".

Sacramento, California
March 27, 2023

**SOUTH PLACER WASTEWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The following discussion provides readers of the South Placer Wastewater Authority (SPWA) financial statements a narrative overview and analysis of the financial activities of the SPWA for the fiscal year ended June 30, 2022. The SPWA recommends that this document be read in conjunction with the accompanying Basic Financial Statements.

FISCAL YEAR 2022 FINANCIAL HIGHLIGHTS

Financial highlights of the SPWA's fiscal year 2022 include the following:

- The SPWA's expenses exceeded revenue by \$2.2 million in fiscal year 2022. This was primarily attributable to construction costs on the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects exceeding connection fee, grant revenues and interest revenue. Loan proceeds to fund the construction projects increase long-term debt and are not treated as revenue for financial reporting.
- The SPWA collected \$27.5 million in SRF loan reimbursements during fiscal year 2022, compared to \$4.3 million in fiscal year 2021. The SPWA expects to collect up to another \$75 million in SRF reimbursements before the loan is fully drawn up to the \$108 million approved by the State Water Resources Control Board.
- The SPWA's total liabilities exceeded its assets, as of June 30, 2022, by \$20 million, consistent with the prior year, primarily related to debt obligations that will be funded with future regional wastewater connection fees.

OVERVIEW OF THE SPWA'S ANNUAL FINANCIAL REPORT

The SPWA's Annual Financial Report is divided into two sections:

- Financial section, including the independent auditors' report, management's discussion and analysis, the basic financial statements, and the footnotes to the basic financial statements.
- Supplemental Information section, including the Analysis of Rate Stabilization Restricted Net Position.

The Statement of Net Position and the Statement of Activities report information about the entity as a whole and about its activities in a method similar to the private sector. These statements provide both long-term and short-term information about the SPWA's overall financial status. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The notes to the basic financial statements provide additional information essential to understanding the data contained in the basic financial statements. In addition to these required elements, the SPWA has included the Analysis of Rate Stabilization Restricted Net Position as supplementary information.

SOUTH PLACER WASTEWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

This analysis focuses on the SPWA's net position and changes in its assets and liabilities during the fiscal year ending June 30, 2022.

Table 1
Statement of Net Position
As of June 30, 2022 and 2021
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>Increase/ Decrease</u>
Assets			
Cash and investments	\$ 154,021	\$ 144,848	\$ 9,173
Other assets	6,366	1,146	5,220
Total Assets	<u>160,387</u>	<u>145,994</u>	<u>14,393</u>
Liabilities			
Long-term debt outstanding	174,989	154,814	20,175
Other liabilities	5,426	11,486	(6,060)
Total Liabilities	<u>180,415</u>	<u>166,300</u>	<u>14,115</u>
Net Position			
Restricted for rate stabilization	117,112	91,540	25,572
Restricted for debt service	8,543	8,543	-
Unrestricted	<u>(145,683)</u>	<u>(120,388)</u>	<u>(25,295)</u>
Total Net Position	<u>\$ (20,028)</u>	<u>\$ (20,305)</u>	<u>\$ 277</u>

The SPWA's cash and investments increased by \$9.2 million primarily because connection fee revenue and SRF loan reimbursements exceeded construction costs during the fiscal year. Other assets increased because receivables were higher due to the timing of fee collections.

Long-term debt increased as \$27.5 million of SRF loan reimbursements were drawn, while \$5.4 in bond payments were repaid and \$1.9 million of bond premiums were amortized. Other liabilities were lower at June 30, 2022 due to lower payables associated with construction costs as the projects near completion.

The SPWA net position was a deficit \$20 million at June 30, 2022, representing the impact of debt obligations that will be funded with future regional wastewater connection fees. The SPWA net position includes the amount restricted for rate stabilization totaling \$117.1 million, \$8.5 million representing resources that are restricted for use by bond indenture covenants for debt service, and a deficit \$145.7 million representing the amount of expended bond proceeds in excess of the restricted components of net position.

**SOUTH PLACER WASTEWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

**Table 2
Changes in Net Position
As of June 30, 2022 and 2021
(in millions)**

	<u>2022</u>	<u>2021</u>	<u>Increase/ Decrease</u>
Revenues			
Capital contributions and grants	\$ 36,837	\$ 24,849	\$ 11,988
Interest revenue	(3,745)	401	(4,146)
Total Revenues	<u>33,092</u>	<u>25,250</u>	<u>7,842</u>
Expenses			
Construction costs	31,009	52,838	(21,829)
Personnel services and administration	123	177	(54)
Interest expense, fiscal agent fees and amortization	4,209	4,350	(141)
Total Expenses	<u>35,341</u>	<u>57,365</u>	<u>(22,024)</u>
Changes in Net Position	(2,249)	(32,115)	29,866
Net Position - Beginning of fiscal year, as previously reported	<u>(20,305)</u>	<u>11,810</u>	<u>(32,115)</u>
Restatements	<u>2,526</u>	<u>-</u>	<u>2,526</u>
Net Position - Beginning of fiscal year, as restated	<u>(17,779)</u>	<u>11,810</u>	<u>(29,589)</u>
Net Position - End of Fiscal Year	<u>\$ (20,028)</u>	<u>\$ (20,305)</u>	<u>\$ 277</u>

This analysis focuses on the changes in the SPWA's net position.

Capital contributions and grants, which include regional connection fees and grants, increased by \$12.0 million to \$36.8 million due to strong development activity and higher grant revenue. The regional connection fees were based on 3,696 equivalent dwelling units (EDUs) for fiscal year 2022 compared with 2,739 EDUs for fiscal year 2021. Interest revenue in fiscal year 2022 was negative due to the temporary market value adjustment on the SPWA bond portfolio because the value of bonds owned declines when interest rates rise.

Construction costs were lower in fiscal year 2022 as the projects were winding down. Personnel services and administrative costs were lower in 2022 based on the City of Roseville's cost allocation plan.

Beginning net position was restated by \$2.5 million to include City of Roseville connection fees which were deferred and collected in prior fiscal years, but were transferred to the SPWA in fiscal year 2022.

SOUTH PLACER WASTEWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

CAPITAL ASSETS

As of June 30, 2022, the SPWA held no capital assets. Under the SPWA Funding Agreement, the members agreed that the City of Roseville will own and operate the Regional Wastewater Facilities and that the other members will have an interest in the capacity of those facilities. Capital construction costs are transferred to the City of Roseville annually.

DEBT ADMINISTRATION

The SPWA made all scheduled repayments of existing debt. The SPWA continued to draw on its state revolving fund loan for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects. Each of the SPWA's debt issues is discussed in detail in Note 4 to the financial statements. As of June 30, 2022 the SPWA's debt portfolio comprised:

Table 3
Outstanding Debt
As of June 30, 2022 and 2021
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>Increase/ Decrease</u>
Revenue Bonds			
2017 Wastewater Revenue Bonds			
5%, due 11/1/2037	\$ 69,380	\$ 74,780	\$ (5,400)
Add: deferred bond premium	12,916	13,777	(861)
2020 Wastewater Revenue Bonds			
5%, due 11/1/2035	46,920	46,920	-
Add: deferred bond premium	13,922	14,993	(1,071)
Total Revenue Bonds	<u>143,138</u>	<u>150,470</u>	<u>(7,332)</u>
Direct placement debt			
2020 State Revolving Fund Loan			
1.3% Interest, due 6/10/2052	31,851	4,344	27,507
Direct placement debt total	<u>31,851</u>	<u>4,344</u>	<u>27,507</u>
Total	<u>\$174,989</u>	<u>\$154,814</u>	<u>\$ 20,175</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

Development activity remains strong in most sectors, however single family housing development has begun to slow and normalize since fiscal year 2022. The regional economy continues to face a number of headwinds. The pace of inflation has accelerated and the federal government began raising interest rates after an extended period of historically low rates. Supply chain issues, from material sourcing to manufacturing to distribution, are becoming more severe. Labor shortages have remained a challenge as businesses reopen and face increased demand for products and services.

SOUTH PLACER WASTEWATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Next Year's Budget

Estimated revenues are projected to remain strong for fiscal year 2022-23 at \$28.3 million for regional connection fees, even as development is slowing and normalizing. Budgeted expenses for fiscal year 2022-23 are \$18.2 million, an increase of 28.2 percent compared to the fiscal year 2021-22 approved budget. The approved fiscal year 2022-23 budget incorporates additional costs for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects, higher debt service interest costs for the SRF loans, and a \$50,000 contingency for unplanned expenses.

CONTACTING THE SPWA'S FINANCIAL MANAGEMENT

This financial report is intended to provide residents, businesses, customers, investors and creditors with a general overview of the SPWA's finances. Please direct any questions about this report to the City of Roseville Finance Department at 311 Vernon Street, Roseville, California, 95678, or to finance@roseville.ca.us.

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**STATEMENT OF NET POSITION
JUNE 30, 2022**

Assets:

Current:

Cash and investments in City Treasury	\$	20,098,211
Investments		90,719,438
Restricted investments with fiscal agent		43,203,968
Accounts receivable		6,212,253
Accrued interest receivable		153,377

Total Current Assets 160,387,247

Total Assets \$ 160,387,247

Liabilities and Net Position:

Liabilities:

Current:

Accounts payable	\$	4,234,562
Accrued liabilities		1,191,502
Long-term debt due in one year		5,790,000

Total Current Liabilities 11,216,064

Noncurrent:

Long-term debt due in more than one year		169,199,177
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Total Noncurrent Liabilities 169,199,177

Total Liabilities 180,415,241

Net Position:

Restricted for rate stabilization		117,112,000
Restricted for debt service		8,543,070
Unrestricted (deficit)		(145,683,064)

Total Net Position (20,027,994)

Total Liabilities and Net Position \$ 160,387,247

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2022**

Operating Revenues:

Connection fees contributed by members	<u>\$ 32,022,093</u>
Total Operating Revenues	<u>32,022,093</u>

Operating Expenses:

Construction costs	31,008,898
Personnel services and administration	<u>122,793</u>
Total Operating Expenses	<u>31,131,691</u>

Operating Income (Loss)	<u>890,402</u>
-------------------------	----------------

Nonoperating Revenues (Expenses):

Grants	4,584,159
Interest revenue	(3,745,348)
Interest expense, fiscal agent fees and amortization	(4,208,816)
Other revenue	<u>230,400</u>
Total Nonoperating Revenues (Expenses)	<u>(3,139,605)</u>

Changes in Net Position	(2,249,203)
-------------------------	-------------

Net Position:

Beginning of Year, as previously reported	<u>(20,305,364)</u>
Restatements	<u>2,526,573</u>
Beginning of Fiscal Year, as restated	<u>(17,778,791)</u>
Net Position - End of Fiscal Year	<u>\$ (20,027,994)</u>

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022****Cash Flows from Operating Activities:**

Receipts from members	\$ 29,354,422
Payments to contractors	(37,248,609)
Payments from City for personnel services and administration	(122,793)

Net Cash Provided (Used) by Operating Activities (8,016,980)

**Cash Flows from Capital
and Related Financing Activities:**

Proceeds from capital debt	27,506,922
Principal paid on capital debt	(5,400,000)
Interest paid on capital debt	(5,960,522)
Grant revenue	4,584,159

**Net Cash Provided (Used) by
Capital and Related Financing Activities** 20,730,559

Cash Flows from Investing Activities:

Legal settlements	230,400
Interest received	1,180,614
Fair market adjustment	(4,951,257)

**Net Cash Provided (Used) by
Investing Activities** (3,540,243)

**Net Increase (Decrease) in Cash
and Cash Equivalents** 9,173,336

Cash and Cash Equivalents at Beginning of Year 144,848,281

Cash and Cash Equivalents at End of Year \$ 154,021,617

Reconciliation of Cash and Investments to the Statement of Net Position

Cash and investments in City Treasury	\$ 20,098,211
Investments	90,719,438
Restricted investments with fiscal agent	43,203,968

Total cash and investments \$ 154,021,617

**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

Operating income (loss)	\$ 890,402
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**Adjustments to reconcile operating income (loss)
net cash provided (used) by operating activities:**

(Increase) decrease in accounts receivable	(2,667,671)
Increase (decrease) in accounts payable	(6,239,711)

Total Adjustments (8,907,382)

**Net Cash Provided (Used) by
Operating Activities** \$ (8,016,980)

See Notes to Financial Statement.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies

a. Organization and Purpose

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

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

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

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

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

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

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

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

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

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

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

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

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

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

c. Basis of Accounting

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

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

The Authority has only one fund is used to pay all administrative, operating, construction and other expenses incurred by the Authority, and to account for member contributions and charges.

d. Cash and Cash Equivalents

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

e. Interest Income Allocation

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

f. Fair Value Measurement

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

The Authority is a participant in the City-wide cash and investment pool (City Pool). The City Pool is an external investment pool, is not rated, and is not registered with the Securities Exchange Commission (SEC). The City's Assistant City Manager/Chief Financial Officer conducts City Pool oversight. Cash on deposit in the City Pool at June 30, 2022, is stated at fair value. The City Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2022 decreased the Authority's investment income by \$4,968,224. For further information regarding the City Pool, refer to the City of Roseville Annual Comprehensive Financial Report.

g. Net Position

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

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. At June 30, 2022, restrictions included:

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

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

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

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

h. Use of Estimates

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

Note 2: Cash and Investments

The Authority pools cash from all sources and all funds except cash with fiscal agents in the City's investment pool. The Authority's cash and investments balance held in the City's investment pool at June 30, 2022 is \$20,098,211. The City's investment pool is not rated and is not registered with the Securities Exchange Commission (SEC). The Authority's position in the City's investment pool at June 30, 2022 is stated at fair value. For further information regarding the City's investment pool, refer to the City of Roseville Annual Comprehensive Financial Report.

a. Classification

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

Investments in the City's Treasury	\$ 20,098,211
Investments	90,719,438
Restricted investments with fiscal agent	43,203,968
Total investments	<u>\$ 154,021,617</u>

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

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations (a)	5 Years	None	No Limit	No Limit
U.S. Agency Securities (a)	5 Years	None	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	AA	20%	No Limit
Forward Delivery Agreements	N/A	A	None	None
State of California or California Local Agency Bonds	5 Years	None	No Limit	No Limit
Registered State Treasury Notes or Bonds of the other 49 States	5 Years	None	No Limit	No Limit
Repurchase Agreements	30 Days	None	No Limit	No Limit
Bankers' Acceptances	180 Days	None	40%	30%
Commercial Paper	270 Days	A-1	40%	10%
Medium-Term Notes	5 Years	A	30%	10%
Collateralized Time Deposits	5 Years	None	30%	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	LAIF Limit
Insured Saving Accounts	N/A	None	None	No Limit
Money Market Mutual Funds	N/A	(a)	20%	10%
Shares in a California Common Law Trust	N/A	None	None	No Limit
Interest Rate Swaps (c)	N/A	None	None	No Limit
City of Roseville Pooled Investment Fund	N/A	None	No Limit	No Limit
Supranationals	5 Years	AA-	30%	No Limit

(a) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of \$500,000,000.

c. Investments Authorized by Debt Agreements

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

Note 2: Cash and Investments (Continued)

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

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

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

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

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

d. Interest Rate Risk

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 2: Cash and Investments (Continued)

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

	Remaining Maturity			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
Corporate Notes	\$ -	\$ -	\$ 29,358,596	\$ 29,358,596
Federal Agency Securities	-	-	26,457,414	26,457,414
Municipal Bonds	-	1,224,751	2,574,921	3,799,672
Money Market Mutual Funds	43,472,920	-	-	43,472,920
City of Roseville Investment Pool	20,098,211	-	-	20,098,211
Local Agency Investment Fund	30,834,804	-	-	30,834,804
Total investments	\$ 94,405,935	\$ 1,224,751	\$ 58,390,931	\$ 154,021,617

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2022, these investments had an average maturity of 1,392 days.

e. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2022, for each investment type as provided by standard and poor’s investment rating system:

	A+/A/A-	AA+/AA/AA-	Total
Investments:			
Corporate Notes	\$ 17,019,762	\$ 12,338,834	\$ 29,358,596
Federal Agency Securities	-	12,568,944	12,568,944
Municipal Bonds	-	1,964,720	1,964,720
Totals	\$ 17,019,762	\$ 26,872,498	43,892,260
Not Rated:			
City of Roseville Investment Pool			20,098,213
Local Agency Investment Fund			30,834,804
Money Market Mutual Funds			43,472,918
Federal Agency Securities			13,888,470
Municipal Bonds			1,834,952
Total investments			\$ 154,021,617

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022**

Note 2: Cash and Investments (Continued)

f. Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2022:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 9,576,032

g. Fair Value Measurements

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

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

The Authority has the following recurring fair value measurements as of June 30, 2022:

Investments at Fair Value	Amount	Quoted Prices In Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Securities	\$ 26,457,414	\$ -	\$ 26,457,414	\$ -
Corporate Notes	29,358,596	-	29,358,596	-
Municipal Bonds	3,799,672	-	3,799,672	-
Money Market Mutual Funds	43,472,918	43,472,918	-	-
Categorized Investments	103,088,600	<u>\$ 43,472,918</u>	<u>\$ 59,615,682</u>	<u>\$ -</u>
Local Agency Investment Fund- uncategorized	30,834,804			
City of Roseville Investment Pool- uncategorized	20,098,213			
Total Investments	<u>\$ 154,021,617</u>			

Note 3: Capital Assets Contributed to the City of Roseville

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

Costs incurred by the Authority in fiscal year 2022 totaling \$30,725,986 were transferred as construction in progress to the City of Roseville as of June 30, 2022.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 4: Long-Term Debt

a. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022	Current Portion
Revenue Bonds:						
2017 Wastewater Revenue Bonds						
5%, due 11/1/37	\$ 74,780,000	\$ 74,780,000	\$ -	\$ (5,400,000)	\$ 69,380,000	\$ 5,790,000
Add: bond premium	17,220,595	13,776,477	-	(861,029)	12,915,448	-
2020 Wastewater Revenue Bonds						
5%, due 11/1/35	46,920,000	46,920,000	-	-	46,920,000	-
Add: bond premium	16,084,362	14,993,404	-	(1,070,959)	13,922,445	-
Total revenue bonds	154,984,957	150,469,881	-	(7,331,988)	143,137,893	5,790,000
Direct placement debt						
2020 SRF Loan						
1.30% Interest, due 6/10/2052	4,344,362	4,344,362	27,506,922	-	31,851,284	-
Direct placement debt total	4,344,362	4,344,362	27,506,922	-	31,851,284	-
Total	\$ 159,329,319	\$ 154,814,243	\$ 27,506,922	\$ (7,331,988)	\$ 174,989,177	\$ 5,790,000

b. Public Debt

2017 South Placer Wastewater Authority Refunding Revenue Bonds

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

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

The Revenue Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. Principal payments are due annually on November 1 beginning 2021 through 2037. The balance outstanding as of June 30, 2022 is \$69,380,000.

South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series 2020

On April 28, 2020, the South Placer Wastewater Authority issued Revenue Bonds, Series 2020 in the amount of \$46,920,000 to redeem the Authority's Wastewater Revenue Refunding Bonds, Series 2013 outstanding. The Revenue Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. Principal payments are due annually on November 1 beginning 2029 through 2035. The balance outstanding as of June 30, 2022 is \$46,920,000.

As of June 30, 2022, the total principal and interest remaining to be paid on the 2017 Bonds and the 2020 Bonds was \$116,300,000 in principal and \$49,965,750 in interest. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds, however the Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. As discussed in Note 1A, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

Note 4: Long-Term Debt (Continued)

c. Direct Placement Debt

2020 SRF Loan

In June 2020, the City entered into loan agreements with the State Water Resources Control Board to secure funding for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects in the form of loans from the Clean Water State Revolving Fund. The City then entered into a reimbursement agreement with the South Placer Wastewater Authority as the Authority is responsible for the completion of these projects. The loans are approved for up to \$108,021,755, bear interest at the rate of 1.30% and are payable in 30 annual payments beginning on June 10, 2023. Total funds drawn on the loans at June 30, 2022 was \$31,851,284.

d. Debt Service Requirements

Annual debt service requirements, using interest rates as of June 30, 2022, are shown below for all long-term debt:

Year Ending June 30,	Revenue Bonds		Direct Placement Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 5,790,000	\$ 5,670,250	\$ -	\$ -	\$ 5,790,000	\$ 5,670,250
2024	6,195,000	5,370,625	-	-	6,195,000	5,370,625
2025	6,635,000	5,049,875	881,453	417,168	7,516,453	5,467,043
2026	6,710,000	4,716,250	892,912	405,709	7,602,912	5,121,959
2027	7,055,000	4,372,125	904,520	394,102	7,959,520	4,766,227
2028 - 2032	33,435,000	16,599,375	4,702,067	1,791,039	38,137,067	18,390,414
2032 - 2037	40,255,000	7,931,625	5,015,752	1,477,354	45,270,752	9,408,979
2037 - 2042	10,225,000	255,625	5,350,363	1,142,743	15,575,363	1,398,368
2042 - 2047	-	-	5,707,297	785,809	5,707,297	785,809
2047 - 2052	-	-	6,012,014	402,059	6,012,014	402,059
2052 - 2057	-	-	2,384,906	52,786	2,384,906	52,786
Totals	116,300,000	\$ 49,965,750	31,851,284	\$ 6,868,769	148,151,284	\$ 56,834,519
Reconciliation of long-term debt						
Add bond premium	26,837,893		-		26,837,893	
Net long-term debt	\$ 143,137,893		\$ 31,851,284		\$ 174,989,177	

Note 5: Risk Management

The Authority has purchased commercial insurance for general, property and public officials' liability. During the fiscal year ended June 30, 2022, the Authority paid \$22,094 for current year coverage.

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

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

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

Note 6: Commitments and Contingent Liabilities

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

SUPPLEMENTARY INFORMATION

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**ANALYSIS OF RATE STABILIZATION RESTRICTED NET POSITION
JUNE 30, 2022**

	<u>City of Roseville</u>	<u>South Placer Municipal Utility District</u>	<u>Placer County</u>	<u>Totals</u>
Changes July 1, 2021 to June 30, 2022				
Regional connection fees	\$ 19,655,287	\$ 6,960,998	\$ 5,405,808	\$ 32,022,093
Grants	2,959,991	1,006,223	617,945	4,584,159
Other revenue	148,769	50,573	31,058	230,400
Debt proceeds	17,761,220	6,037,769	3,707,933	27,506,922
Capital	(20,022,446)	(6,806,453)	(4,179,999)	(31,008,898)
Debt service	(7,326,957)	(2,490,734)	(1,529,617)	(11,347,308)
Administrative costs	(79,288)	(26,953)	(16,552)	(122,793)
	<u>13,096,576</u>	<u>4,731,423</u>	<u>4,036,576</u>	<u>21,864,575</u>
Increase/(Decrease) in RSF Balances				
Beginning Balance, as of July 1, 2021	46,904,402	50,770,007	(6,134,233)	91,540,176
Prior period adjustment	2,526,573	-	-	2,526,573
Beginning Balance, as of July 1, 2021 (Restated)	<u>49,430,975</u>	<u>50,770,007</u>	<u>(6,134,233)</u>	<u>94,066,749</u>
Ending Balance Before Interest Allocation	<u>62,527,551</u>	<u>55,501,430</u>	<u>(2,097,657)</u>	<u>115,931,324</u>
Interest allocation	629,434	597,461	(46,281)	1,180,614
Ending Balance, as of June 30, 2022	<u>\$ 63,156,985</u>	<u>\$ 56,098,891</u>	<u>\$ (2,143,938)</u>	<u>\$ 117,111,938</u>

	<u>Net Position of</u>	
	<u>Bond Proceeds/Other</u>	<u>Member Contributions</u>
Investments in City of Roseville Treasury Investments	\$ -	\$ 20,098,211
Investments	-	90,719,438
Unrealized gains / losses on investments	(4,163,221)	4,163,221
Restricted investments with fiscal agent	43,203,968	-
Accounts receivable	-	6,212,253
Accrued interest receivable	-	153,377
Accounts payable and other liabilities	(1,191,502)	(4,234,562)
Long-term debt:		
Due in one year	(5,790,000)	-
Due in more than one year	(169,199,177)	-
Net Position (Deficit)	<u>\$ (137,139,932)</u>	<u>\$ 117,111,938</u>

**City of Roseville SPWA Report on IC Final
March 27, 2023**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southern Placer Wastewater Authority (The "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Sacramento, California
March 27, 2023

City of Roseville SPWA Single Audit Report



SOUTH PLACER WASTEWATER AUTHORITY ROSEVILLE, CALIFORNIA

JUNE 30, 2022

SINGLE AUDIT REPORT

Focused
on YOU



SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2022

SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southern Placer Wastewater Authority (The "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Luyhard, LLP

Sacramento, California
March 27, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the South Placer Wastewater Authority (the "Authority")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.



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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify



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

any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 27, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Lance, Solt & Lughard, LLP".

Sacramento, California
March 27, 2023

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Clean Water State Revolving Fund Cluster				
Passed through from the City of Roseville				
Capitalization Grants for Clean Water State Revolving Funds*	66.458	CL1ACZKW59E1	\$ -	\$ 1,921,414
Total Environmental Protection Agency Programs			-	1,921,414
Total Expenditures of Federal Awards			\$ -	\$ 1,921,414

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the South Placer Wastewater Authority (Authority), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTH PLACER WASTEWATER AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number: 2021-001

Status of finding: This matter is considered resolved in the current year.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.