

# **Agenda**

## **Sacramento Suburban Water District**

### **Regular Board Meeting**

3701 Marconi Avenue, Suite 100  
Sacramento, California 95821

Monday, November 21, 2016  
6:30 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

The regular meeting start time may be delayed if the special meeting is not concluded by 6:30 p.m. and that the regular meeting will begin immediately after the special meeting concludes.

#### **Call to Order**

#### **Roll Call**

#### **Announcements**

#### **Public Comment**

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

#### **Consent Items**

The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

1. Minutes of the October 17, 2016 Regular Board Meeting  
*Recommendation: Approve subject minutes.*

2. Setting the Dates for January and February 2017 Regular Board Meetings  
*Recommendations: Schedule the January and February 2017 regular Board meeting to the fourth Monday of those months.*
3. Resolution No. 16-25 in Recognition of Robert A. Churchill  
*Recommendation: Adopt subject resolution.*
4. Debt Management Policy (PL – Fin 011)  
*Recommendation: Adopt subject policy.*

#### **Items for Discussion and Action**

5. Review of Debt Obligation Continuing Disclosure Policy (PL – Fin 013)  
*Recommendation: Review Policy as presented by Doug Brown, Bond Counsel.*
6. Series 2009B Refinancing Opportunity  
*Recommendation: Receive reports of Financial Advisor and Underwriter and direct staff as appropriate.*
7. 2016 Audit Engagement Letter and Contract  
*Recommendation: Receive written staff report and approve engagement letter and contract.*
8. Resolution No. 16-22 Amending District Conflict of Interest Code  
*Recommendation: Adopt subject resolution.*
9. Treasury Management Services Provider  
*Recommendation: Receive written staff report and approve contract amendment with WestAmerica Bank.*
10. Director Compensation and Travel Reimbursement Policy and Reporting  
*Receive written staff report and policy and direct staff as appropriate.*
11. Drayton Heights Paving Partnership with the County of Sacramento  
*Recommendation: Receive written staff report and approve agreement.*

#### **Information Items**

12. District Activity Report
  - a. Water Operations and Exceptions Report
  - b. Water Conservation and Regional Water Efficiency Program Report

- c. Customer Service Report
- d. Community Outreach Report
- 13. Engineering Report
  - a. Major Capital Improvement Projects
  - b. County and City Projects/Coordination
  - c. McClellan Business Park
  - d. Groundwater Quality Projects
  - e. Developer Projects
  - f. Planning Studies
  - g. Other
- 14. Financial Report
  - a. Financial Statements – October 2016
  - b. Investments Outstanding and Activity – October 2016
  - c. Cash Expenditures – October 2016
  - d. Credit Card Expenditures – October 2016
  - e. Directors Compensation and Expense Accounting – Through October 2016
  - f. Market Report Yields – January 2010 through October 2016
  - g. District Reserve Balances – October 2016
  - h. Information Required by Bond Agreement
- 15. SAWWA Top Ops Competition
- 16. Succession Planning
- 17. Federal Tax Implications on Water Conservation Rebates

18. Elected Officials/Divisions Represented – the LAFCo Process
19. Drought Resistant Landscape at Well 32A by Eco Landscape Inc.
20. Biannual Groundwater Elevations Report
21. Legislative and Regulatory Update
22. General Manager's Report
  - a. Sacramento Area Sewer District Lateral Conflict
  - b. Payment Card Industry Compliance
  - c. Water Transfer – Bureau of Reclamation Update
  - d. Long Term Warren Act Contract Update
  - e. Cal WaterFix Testimony
  - f. McClellan Business Park Improvement Issues Update
  - g. American River Pipeline Conveyance Project
  - h. HDR Engineering Review of Fees and Charges
  - i. Division of Drinking Water Annual System Inspection
23. Upcoming Policy Review
  - a. Employee Recognition and Retention Expense Policy – (PL – HR 005)
  - b. Return to Work Policy – (PL – HR 007)
24. Upcoming Water Industry Events

**Committee Reports**

25. a. Facilities and Operations Committee (Director Locke)  
No report.
- b. Finance and Audit Committee (Director Thomas)  
Notes from the November 1, 2016 meeting.

- c. Government Affairs Committee (Director Locke)  
No report.
- d. Ad Hoc Water Banking and Transfer Committee (Director Wichert)  
No report.

**Director's Reports (Per AB 1234, Directors will report on their meeting activities)**

- 26. a. Regional Water Authority (Director Thomas)  
Agenda from the November 10, 2016 meeting.  
  
Regional Water Authority Executive Committee (General Manager Roscoe)  
Agenda from the October 26, 2016 meeting.
- b. Sacramento Groundwater Authority (Director Schild)  
No report.
- c. Water Forum Successor Effort (General Manager Roscoe)  
No report.  
  
Carryover Storage Working Group Meetings  
No report.  
  
Water Forum Dry Year Conference Meeting  
No report.  
  
Water Caucus Meeting  
Agenda from the November 9, 2016 Meeting.
- d. Other Reports

**Miscellaneous Correspondence and General Information**

- 27. Correspondence received by the District
- 28. General Information

**Director's Comments/Staff Statements and Requests**

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

**Closed Session (Closed Session Items are not opened to the public)**

- 29. Public Employee Performance Evaluation Involving the General Manager Under Government Code Section 54954.5(e) and 54957

**Adjournment**

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**Upcoming Meetings**

Friday, December 9, 2016 at 2:00 p.m., Facilities and Operations Committee Meeting  
Monday, December 19, 2016 at 6:30 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the November 21, 2016 meeting of the Sacramento Suburban Water District Board of Directors was posted by November 17, 2016 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

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Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District

## Minutes

Sacramento Suburban Water District

### Regular Board Meeting

Monday, October 17, 2016

#### Call to Order

President Thomas called the meeting to order at 6:31 p.m.

#### Roll Call

Directors Present: Frederick Gayle, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, David Espinoza, Annette O'Leary, Lynne Yost, John Valdes, David Jones, Mitch Dion, Matt Underwood and Todd Artrip.

Public Present: Avery Wiseman, William Eubanks, Shelley Artrip, Kathy Medley, Steve Medley, Anthony Chacon and Ted Costa.

#### Public Comment

Avery Wiseman (Mr. Wiseman) inquired about division representation. He was wondering if it was possible to elect Board Members on a District wide basis (at large) versus limiting to divisions. He was curious if there was a way to change the procedure.

Director Gayle commented that he believed that you could get more quality candidates if you open up elections to the entire District at large versus each geographic division.

General Manager Robert Roscoe (GM Roscoe) stated that the process for changing electoral methods would need to go through LAFCo, and gave a further explanation of how that process works. He identified the three most common methods used throughout the industry of electing officials and noted that at merger, both District's Board's agreed to the method of determining representation would be "residency by division, elected by division."

President Thomas requested that the discussion come back to the full Board as an agenda item including further information from LAFCo regarding what options the District has.

Mr. Wiseman also commented that he had a desire to communicate with fellow ratepayers through the District's newsletter.

#### Announcements

GM Roscoe announced:

- Sacramento Water Treatment Plant Ribbon Cutting Ceremony Saturday, October 29, 2016 at 10:00am – Flier at dais.
- American River Pipeline Conveyance Project Dedication Celebration on October 24, 2016 at 10:00am - info at dais.
- Replacement for page 5 on agenda Item 11.
- Certificate of Completion for Director Locke for CEQA – CA Environmental Quality Act.

**Consent Items**

- 1. Minutes of the September 16, 2016 Special Board Workshop**
- 2. Minutes of the September 19, 2016 Regular Board Meeting**
- 3. Facility Development Charge Setting Policy (PL – Fin 010)**
- 4. Employment Rules and Procedures Policy (PL – HR 001)**
- 5. Setting the Dates for January and February 2017 Regular Board Meetings**
- 6. Resolution No. 16-22 Amending District Conflict of Interest Code**

President Thomas requested to pull Item 6 and Director Schild requested to pull Item 2.

Director Locke requested to table Item 5 until the November regular Board meeting. The Board agreed to table Item 5.

President Thomas moved to approve Items 1, 3 and 4; Director Locke seconded. The motion passed by a unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Regarding Item 2, Director Schild commented that he disagreed with the verbiage from the September 19, 2016 regular Board meeting minutes, referring to page 113. He commented that his point had always been that San Juan Water District (SJWD) was not charging near enough for the treated water that was being delivered to the north service area of the District. He wanted to change the language to state, “Has been unreasonably low for years.”

Director Schild further noted that in the same Minutes, on page 118, he disagreed with the way the motion was stated with the no vote.

GM Roscoe clarified that there was never a vote called from the motion, only a consensus of the Board, which was why it was stated as a consensus of the Board.



Director Locke suggested stating it as a vote not a consensus.

Director Schild further commented that Director comments are usually pretty well recorded in minutes, however, he felt that the staff comments were not always as thorough.

GM Roscoe clarified that much of staff's position is written in the staff report which is why not all of staff comments are recorded in minutes.

President Thomas moved to approve Item 2 with the amended language; Director Locke seconded. The motion passed by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Regarding Item 6, William Eubanks (Mr. Eubanks) expressed his opinion of the Conflict of Interest Code (COI), stating that it had been made more complicated. He suggested simplifying it to one page and request that everyone on the list fill out the FPPC form as directed.

Director Schild recommended to not send it to legal for review as it would be more costly.

President Thomas moved to table the Item to allow staff to attempt to shorten the COI; Director Wichert seconded. The motion passed by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

### **Items for Discussion and Action**

#### **7. A Week in the Life of Field Services**

GM Roscoe introduced Todd Artrip (Mr. Artrip) who presented a PowerPoint presentation.

President Thomas inquired how Mr. Artrip felt about the equipment provided by the District.

Mr. Artrip expressed that he is happy with the new technology.

GM Roscoe added that staff does a great job and are up against a lot of challenges, and further commented that he thought that the application of the technology has saved staff lots of time.

Mr. Eubanks inquired about the locking devices placed at properties during lock off's and the fee's associated with that service.

GM Roscoe explained of the process for locking off and fees associated.

**8. Master Services Agreement 1 Year Extension For Main Replacements - Service Line Installation**

Dave Jones (Mr. Jones) presented the staff report. He introduced Kathy and Steve Medley from GM Construction, who presented the PowerPoint presentation.

GM Roscoe noted that the staff recommendation was to extend the contract by one year.

Director Wichert inquired about the future plans of the contract.

Mr. Jones clarified that after the year extension there would be a competitive bid for the next 5 years of the Master Services Contract.

Mr. Eubanks withdrew his comment.

Director Schild commented that he believed that the Master Services Agreement should be going out for a competitive bid as GM Construction had already reached its 5 year contract limit.

Director Wichert moved to approve the staff recommendation; Director Locke seconded. The motion passed on a 4/1 vote.

AYES:	Gayle, Locke, Thomas and Wichert.	ABSTAINED:	
NOES:	Schild.	RECUSED:	
ABSENT:			

**9. Resolution No. 16-23 Opposition to Proposed Changes to County Paving Program**

President Thomas moved to approve the staff recommendation; Director Wichert seconded. The motion passed by a unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

**10. Resolution No. 16-24 Accepting Grant of Easement and Right of Way for 2701 – 2709 El Camino Avenue, APN 268-0280-056**

GM Roscoe introduced the staff report noting that at the present time the District did not have the benefit of an easement, so the proposed easement would give the District an easement.

Director Locke suggested putting the check valve at the property line, noting that if it were there, the District wouldn't need an easement at all. GM Roscoe stated that the more feasible solution would be to approve the easement.

Director Wichert inquired what the estimated cost of condemnation of the adjacent property would be. GM Roscoe noted it would be significant due to legal fees.

Director Wichert moved to approve the staff recommendation, Director Locke seconded. The motion passed by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

**11. Project Agreement with RWA for Grant Management Services for 2016 Prop 84 Sacramento Regional Water Efficiency Regional Water Conservation Measures Project**

GM Roscoe introduced the staff report.

President Thomas moved to approve the staff recommendation; Director Locke seconded. The motion passed by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

**12. 2017 Budget and 2018 Forecast – Third Draft & Reserve Policy (PL – Fin 004)**

Dan Bills (Mr. Bills) presented the PowerPoint presentation of the 2017 Budget.

GM Roscoe further explained the staff recommendation.

Mr. Eubanks expressed that originally he thought it was not wise to include the 2 million dollars for water transfers into the budget, however, he believed there was recent activity relative to a water transfer, and was hopeful that there would be water transfers next year. He clarified that if the transfer did not materialize, that the difference would come out of the reserve balance.

GM Roscoe concurred with Mr. Eubanks, that it would come out of the reserve balance.

President Thomas moved to approve the staff recommendation; Director Gayle seconded. The motion passed by a unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Mr. Eubanks noted that Director Schild often does not vocalize his response to the call for a vote. President Thomas clarified that it was a unanimous vote.

Director Schild left the meeting.

## **Information Items**

### **13. District Activity Report**

A written report was provided.

*a. Water Operations and Exceptions Report*

A written report was provided.

*b. Water Conservation and Regional Water Efficiency Program Report*

A written report was provided.

*c. Customer Service Report*

A written report was provided.

*d. Community Outreach Report*

A written report was provided.

### **14. Engineering Report**

President Thomas inquired about the Verner well site status.

John Valdes (Mr. Valdes) gave a brief explanation of the process of manganese treatment. He further announced that they will be breaking ground on another well at that site in the near future.

Director Wichert inquired about the TCE status at well N15.

Mitch Dion (Mr. Dion) expressed that staff was further investigating if it was possible to identify where the TCE levels were coming from, and if it could be isolated.

Mr. Dion expressed that staff did a reconnaissance level review of the area and checked the state database to see if there were any potential responsible parties documented. There weren't any identified and no written report was available.

Director Wichert asked for a copy of the reconnaissance report.

Mr. Dion stated a formal report was not prepared, and expressed that a solvent like TCE would commonly be in either electronic or metal cleaning products.

Director Wichert suggested staff look at business licensees associated with those products in the area.

Mr. Dion clarified that the well was currently off line.

President Thomas inquired about the status of the Palm well.

Mr. Dion expressed that the well drilling was currently taking place and that staff has met with all of the surrounding neighbors.

Director Wichert requested copies of the failed pipe analysis. Mr. Valdes provided the copies.

*a. Major Capital Improvement Projects*

A written report was provided.

*b. County and City Projects/Coordination*

A written report was provided.

*c. McClellan Business Park*

A written report was provided.

*d. Groundwater Quality Projects*

A written report was provided.

*e. Developer Projects*

A written report was provided.

*f. Planning Studies*

A written report was provided.

*g. Other*

**15. Financial Report**

Mr. Bills presented the staff report.

Mr. Eubanks commented that the District may want to consider severing ties with Wells Fargo given their current criminal allegations.

President Thomas inquired if it was possible to explore other options with regards to financial banking needs, and if it was economically feasible for the District to consider alternatives.

Mr. Bills expressed that staff had already been looking at some operational complications with Wells Fargo, and that staff was exploring other alternatives as far as the District's general banking needs.

President Thomas agreed with Mr. Bills to explore options and further suggested to present the topic to the Finance and Audit Committee at the next meeting.

Mr. Eubanks inquired about the Culligan water charge for the walnut facility.

Assistant General Manager York (AGM York). AGM York stated that the fee was for a water softener for washing the District's vehicles.

Mr. Eubanks further inquired about some of the Director reimbursements, noting that Director Schild had several of the reimbursements.

GM Roscoe clarified what the reimbursements were for.

*a. Financial Statements – September 2016*

A written report was provided.

*b. Investments Outstanding and Activity – September 2016*

A written report was provided.

*c. Cash Expenditures – September 2016*

A written report was provided.

*d. Credit Card Expenditures – September 2016*

A written report was provided.

*e. Directors Compensation and Expense Accounting – Through September 2016*

A written report was provided.

*f. Market Report Yields – January 2010 through September 2016*

A written report was provided.

*g. District Reserve Balances – September 2016*

A written report was provided.

*h. Information Required by Bond Agreement*

A written report was provided.

**16. Financial Markets Quarterly Report**

A written report was provided.

**17. Year-to-Date Interest Expense Quarterly Report**

A written report was provided.

**18. 2016 Lead and Copper Sampling Program**

A written report was provided.

AGM York reported that staff received a letter from the Division of Drinking Water that the District has complied. GM Roscoe was pleased to announce non-detects in all the lead samples.

**19. Well Efficiency Testing Annual Report**

A written report was provided.

**20. Supplemental CIP Funding Report**

A written report was provided.

**21. Human Resources Quarterly Report**

A written report was provided.

Mr. Eubanks inquired about the 4 staff members that resigned. GM Roscoe explained that there has been a significantly higher turnover rate than in the past, and that the common reason was better pay elsewhere.

**22. CIP Projects Quarterly Report**

A written report was provided.

**23. Cal WaterFix Hearing Update**

A written report was provided.

Discussion ensued regarding the Cal WaterFix status.

The Directors requested for the Cal WaterFix testimony date to be sent to them once determined.

**24. Legislative and Regulatory Update**

A written report was provided.

**25. General Manager's Report**

A written report was provided.

*a. 2017 Benefits Renewal Analysis for Vision, Dental and Life/Disability Insurance Plans*

A written report was provided.

*b. Wholesale Customer Increases from San Juan Water District*

A written report was provided.

*c. McClellan Update*

A written report was provided.

*d. Water Transfer – Bureau of Reclamation Update*

A written report was provided.

*e. Long Term Warren Act Contract Update*

A written report was provided.

*f. Drinking Water Fee Regulations Update*

A written report was provided.

*g. Local Agency Formation Commission (LAFCO) Application by SSWD and Carmichael Water District Report to Initiate Annexation/Detachment*

A written report was provided.

**26. Upcoming Policy Review**

*a. Debt Management Policy (PL – Fin 011)*

A written report was provided. Directors' comments are due by Monday, November 1, 2016.

Director Wichert inquired if the policy included guidance for refinancing long term debt.

Mr. Bills expressed that there was no specific section on that in the policy.

Director Wichert suggested that it would be nice to have something in the policy regarding if and when it would be appropriate to refinance long term debt.

GM Roscoe expressed that staff will table the item and bring it back to the next regular Board meeting.

**27. Upcoming Water Industry Events**

**Committee Reports**

**28. a. Facilities and Operations Committee (Director Locke)**

Notes from the September 30, 2016 Meeting were provided.

**b. Finance and Audit Committee (Director Thomas)**

No report.

**c. Government Affairs Committee (Director Locke)**

No report.

**d. Ad Hoc Water Banking and Transfer Committee (Director Wichert)**

No report.

**Director's Reports (Per AB 1234, Directors will report on their meeting activities)**

**29. a. Regional Water Authority (Director Thomas)**

No report.



Regional Water Authority Executive Committee (General Manager Roscoe)  
No report.

- b. Sacramento Groundwater Authority (Director Schild)  
Agenda from the October 13, 2016 Meeting was provided.
- c. Water Forum Successor Effort (General Manager Roscoe)  
No report.

Carryover Storage Working Group Meetings  
No report.

Water Forum Dry Year Conference Meeting  
No report.

Water Caucus Meeting  
Agenda from the October 12, 2016 Meeting was provided.

**d. Other Reports**

Director Locke provided an oral report regarding the CEQA training on September 21, 2016.

President Thomas provided oral reports regarding the Aerojet CAG Meeting on September 21, 2016; his meeting with the Assistant General Manager on September 22, 2016; and the Carmichael Founders Day that he attended on September 24, 2016.

Director Gayle provided an oral report regarding the CSDA Conference on October 10-13, 2016.

**Miscellaneous Correspondence and General Information**

**30.** Certain Correspondence received by the District was provided.

**31.** General Information related to District business was provided.

**Director's Comments/Staff Statements and Requests**

Mr. Eubanks inquired about the procedure if a Board member does not respond when calling for a vote, noting that the President of the Board should follow up with that Board member.

Director Wichert commented that Director Schild did voice some of the votes and abstained for others.

GM Roscoe quoted the rules on an abstained vote noting that it would be recoded as a yes vote.

Director Wichert requested to hold an Ad Hoc General Managers Performance Review Committee meeting with Director Gayle on October 27, 2016 at 3:00 p.m. at the Marconi office. Director Gayle agreed.

**Closed Session (Closed Session Items are not opened to the public)**

None.

**Adjournment**

President Thomas adjourned the meeting at 8:47 p.m.

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Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District



## Agenda Item: 2

**Date:** November 9, 2016

**Subject:** Setting the Dates for January and February 2017 Regular Board Meetings

**Staff Contact:** Heather Hernandez, Executive Assistant to the General Manager

**Recommended Board Action:**

Approve revising the District's 2017 Regular Board meeting schedule as follows:

1. Reschedule from Monday, January 16, 2017 to Monday, January 23, 2017 at 6:30 p.m.
2. Reschedule from Monday, February 20, 2016 to Monday, February 27, 2016 at 6:30 p.m.

**Discussion:**

At the request of Director Locke, this item was postponed to the November regular Board meeting. Due to holidays, staff is suggesting to change the 2017 Regular Board meeting schedule as follows:

January Regular Board Meeting	Reschedule from Monday, January 16, 2017 to Monday, January 23, 2017 at 6:30 p.m. to avoid Martin Luther King, Jr. Holiday
February Regular Board Meeting	Reschedule from Monday, February 20, 2017 to Monday, February 27, 2017 at 6:30 p.m. to avoid Presidents Holiday

Staff recommends delaying the meetings one week rather than moving up one week for two principle reasons: 1) monthly financial information will not be available earlier in the month; and 2) the spacing between meetings from December 2016 to March 2017 remains as uniform as possible.

**Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Customer Service – 3.A. Operate in an open and public manner including public information to the Board of Directors.

By resetting the Board meetings for January and February 2016 well in advance, the public is allowed ample notice.

**RESOLUTION NO. 16-25**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SACRAMENTO SUBURBAN WATER DISTRICT  
IN RECOGNITION OF ROBERT A. CHURCHILL**

WHEREAS, Robert A. Churchill began his career as an Engineer with Citrus Heights Irrigation District on May 6, 1976; and

WHEREAS, Mr. Churchill was appointed as General Manager on September 1, 1986; and

WHEREAS, Mr. Churchill will be retiring from Citrus Heights Water District on November 17, 2016, concluding a 40+ year career as the longest serving employee at Citrus Heights Water District; and

WHEREAS, the Sacramento Suburban Water District recognizes Mr. Churchill for his numerous contributions to the regional water community, the Citrus Heights Water District customers and the Citrus Heights Water District staff; and

WHEREAS, the Sacramento Suburban Water District thanks Mr. Churchill for his vision and participation in the completion of the Cooperative Transmission Pipeline, a large regional pipeline that will continue long into the future as a regional asset and as a water management tool; and

WHEREAS, the Sacramento Suburban Water District thanks Mr. Churchill for his steady hand and leadership in the formation and success of the Sacramento Groundwater Authority and Regional Water Authority; and

WHEREAS, the Sacramento Suburban Water District recognizes Mr. Churchill for his commitment to community service through his engagement and leadership in numerous community based organizations such as the Rotary Club, Chamber of Commerce and San Juan High School Alumni Club, which have required countless hours of volunteered time; and

WHEREAS, the Sacramento Suburban Water District recognizes Mr. Churchill for his consistent, thoughtful and reasoned approaches and bringing the “think before you speak” trait which is frequently absent in water discussions; and

WHEREAS, Robert A. Churchill will now be able to more actively follow the San Francisco Giants and his beloved Oregon State Beavers.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District hereby expresses sincere gratitude and appreciation to Robert A. Churchill for his many years of excellent service to the regional water industry and the Citrus Heights community as the General Manager of Citrus Heights Water District:

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 21st day of November 2016, by the following vote:

AYES:  
NOES:  
ABSENT:

By: \_\_\_\_\_  
Kevin M. Thomas  
President, Board of Directors  
Sacramento Suburban Water District

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I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting thereof held on the 21st day of November 2016.

(SEAL) By: \_\_\_\_\_  
Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District



## Agenda Item: 4

**Date:** November 11, 2016

**Subject:** Debt Management Policy (PL – Fin 011)

**Staff Contact:** Daniel A. Bills, Finance Director

**Recommended Board Action:**

Approve the attached updated policy – Debt Management Policy (PL – Fin 011).

**Discussion:**

At last month’s Board meeting, an update of the Debt Management Policy (PL – Fin 011) was provided to the Board for review and comment (see Exhibit 1). Recommended changes include:

1. In Section 100.00, the introductory paragraph has been rewritten to better explain the purpose of Facility Development Charges (FDCs) and how they differ from amounts charged in monthly rates to existing customers.
2. Section 200.00 has been revised for consistency with language used in Regulation No. 7, consideration of recent court findings regarding water rate setting, and clarifying language.

Since last month’s Board meeting, one comment from a Director was received, which was to add guidance as to when debt should be considered eligible for refunding. See new Section 400.00.

**Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Finance – 4.A. Monitor District operation through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

This policy benefits District customers by setting forth comprehensive guidelines for the financing of capital expenditures.

## Sacramento Suburban Water District

**Debt Management Policy**Adopted: September 15, 2014; November XX, 2016**100.00 Purpose of the Policy**

This policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of this policy that – 1) the District obtain financing when necessary, 2) the process for identifying the timing and amount of debt or other financing be as efficient as possible, 3) the most favorable interest rate and issuance costs be obtained, and 4) when appropriate, future financial flexibility be maintained.

**200.00 Policy**

The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time.

To minimize dependency on debt financing for capital projects, annual renewal and replacement capital projects will be adequately funded from rates. Funding levels for capital investments will be sufficient to meet capital improvement projections needed as outlined in the current Asset Management Plans and/or Water System Master Plan. Long-term debt will be considered only for large capital improvement projects or greater than normal capital plans. The District will be managed to at least meet, and potentially exceed, the minimum and target Debt Service Coverage (DSC) requirements as imposed by bond covenants. The District will not issue long-term debt to support operating costs.

- A. Use of Long-Term Debt As a Funding Mechanism – Use of long-term debt will be minimized. The District may consider the use of long-term debt financing when it appears that a capital project, or other expenditures as deemed appropriate by the Board, is of such a magnitude that it will negatively impact the District's rates in the short-term. The benefit of long-term debt financing is that it will spread the costs of the capital asset over a longer period of time and will, therefore, approximate the useful life of the asset, and over time, charge those customers that benefit from that asset more equitably.
- B. Types of Long-Term Debt – The District will strive to utilize the type of debt that has the lowest costs, while not imposing any burdensome covenants or reporting requirements.
- C. Legal Covenants – The District will manage the water District to meet all bond covenants associated with the long-term debt. Bond covenants are legal obligations of the District.
- D. Debt Service Coverage Covenants – Long-term debt issuances typically contain legal covenants regarding DSC. A DSC ratio is an important financial measure of

the District's ability to repay the outstanding debt obligation, and is reviewed for adequacy by banks and rating agencies. Generically, the DSC ratio is the District's net operating income divided by the total annual debt service payment. For financial planning purposes, the targeted annual DSC ratio will be greater than or equal to 1.85 on all outstanding debt that carries such a covenant.

- E. Reporting Standards – The District will fully adhere to all applicable Government Accounting Standards Board (GASB) requirements and recognized best practices for the accounting treatment and disclosure of debt obligation transactions in its audited financial statements and other relevant publications.
- F. Revenue-Bonded Debt Capacity – The issuances of debt are supported by the revenues of the District. The ability of the District to fund and support revenue bonded debt will financially establish a debt level and capacity for revenue-bonded debt.

### **300.00 Conditions for Debt Issuance**

When debt issuance is determined necessary, the District will assess the market conditions and timing for debt issuance to include issuing debt – 1) in times of favorable market conditions, 2) when Bond ratings would qualify District issuances to be investment grade, and 3) when revenues are sufficient to adequately cover expected debt service and issuance costs.

Bond credit enhancements will be considered when necessary for market acceptance and when costs are favorable to the District.

### **400.00 Conditions for Debt Refinancing**

Debt refinancing (refunding) is an important debt management tool for the District. There are three key concepts that must be taken into consideration when evaluating a debt for refunding:

1. Financial and Policy Objectives
2. Financial Savings/Results of Financing
3. Bond Structure and Escrow Efficiency

Financial and Policy Objectives – The District may undertake a refinancing for a number of financial and/or policy objectives, including to achieve debt service savings, eliminate restrictive debt/legal covenants, restructure the stream of debt service payments, or to achieve other policy objectives. Although in most circumstances the District may undertake a refunding to obtain economic savings, it may refund an issue to restructure its debt portfolio in order to obtain budgetary/cash flow relief or to address exposure to other costs/liabilities and to extend the maturity.

Financial Savings/Results of Financing - The financial framework regarding the evaluation of refunding opportunities is to be developed and evaluated by the District Treasurer, typically to include the efforts of outside financial advisors. It is important to note that federal tax law typically permits an issuer to conduct one advance refunding over the life of a bond issue<sup>2</sup>. As such, the District must take greater care (i.e., require a higher savings threshold) when evaluating an advance refunding



opportunity.

In certain circumstances, lower savings thresholds may be justified. For example, when an advance refunding is being conducted primarily for policy reasons (other than economic savings), interest rates are at historically low levels or the time remaining to maturity is limited, and as such, future opportunities to achieve greater savings are not likely to occur.

Bond Structure and Escrow Efficiency<sup>1</sup> – The District’s debt management practices should anticipate the potential for future refundings. When debt is issued, careful attention should be paid to the bond structure to address features that may affect flexibility in the future. To that end, upon debt issuance the District shall consider: optional redemption provisions, bond coupon characteristics giving up call rights for certain maturities in exchange for a lower interest rate on the bonds, call provisions that permit the redemption of bonds in any order of maturity or on any date, call provisions that permit the issuer to call bonds at the earliest date without incurring a significant interest-rate penalty, and coupons on callable bonds priced as close to par as possible at the time of original issue.

<sup>1</sup> Escrow Efficiency - The lower the cost of the escrow the more efficient the escrow. Also, in order to be efficient, escrow securities need to mature or pay interest when debt service payments of the refunded escrow are due.

<sup>2</sup> Current vs. Advance Refunding - There are two types of refundings, as defined by Federal Tax laws; a current refunding in which a refunding takes place (i.e., refunding bonds are sold) within 90 days of the optional call date, and an advance refunding in which refunding bonds are sold more than 90 days prior to the first call date. federal tax law typically permits an issuer to conduct one advance refunding over the life of a bond issue.

## **500. Interest Rate Swaps**

The incurring or carrying of variable-rate debt obligations by the District involves a variety of interest rate payments and other risks that interest rate swaps are available to offset, hedge, or reduce. It is the policy of the District to utilize such interest rate swaps to better manage its debt portfolio. The District will consider executing an interest rate swap transaction if it expects the swap transaction will result in any of the following:

- A. Reduce exposure to changes in interest rates on a financial transaction;
- B. Result in a significantly lower net cost of borrowing with respect to the District’s debt consistent with an established target; or
- C. Manage variable interest rate exposure consistent with prudent debt practices and guidelines as approved by the Board.

### **Savings Target**

Interest rate swaps will require a significant financial benefit or savings versus traditional fixed-rate debt. For an interest rate swap intended to produce the effect of a synthetic fixed rate transaction, the swap transaction must generate 5% or greater

net present value savings compared to standard fixed-rate bonds which have the same optional redemption features.

### **Restrictions**

The District will not enter into any swap transaction

- a) for speculative purposes.
- b) if the swap presents an extraordinary risk to the District's liquidity to terminate the agreement due to unforeseen events.
- c) if there is insufficient price transparency to allow for fair market valuation.

### **Provider Requirements**

The transaction provider will have a credit rating of AA (or equivalent) or better from at least two nationally recognized credit rating agencies (at the time of agreement execution). The transaction provider will have a demonstrated record of successfully executing derivative transactions and have a minimum capitalization of \$2 billion.

### **Use of Independent Advisor**

The District will use a professional advisor or designated swap representative ("Swap Advisor") to assist in the assessment, structuring, and pricing of proposed or existing interest rate swaps. The Swap Advisor will be a firm which:

- i. is a Municipal Advisor registered with the Securities and Exchange Commission;
- ii. has sufficient knowledge to evaluate the swap transaction and risks;
- iii. is not subject to a statutory disqualification;
- iv. is independent of the swap dealer or major swap participant;
- v. undertakes a duty to act in the best interests of the District;
- vi. provides appropriate and timely disclosures to the District; and
- vii. evaluates fair pricing and the appropriateness of the swap.

### **500.00 Authority**

The General Manager and District Treasurer are responsible for adherence to this policy and regular reporting of the District's financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

### **600.00 Policy Review**

This Policy will be reviewed at least biennially.



## Agenda Item: 5

**Date:** November 11, 2016

**Subject:** Review of Debt Obligation Continuing Disclosure Policy (PL - Fin 013)

**Staff Contact:** Daniel A. Bills, Finance Director

### **Recommended Board Action:**

Approve the attached policy - Debt Obligation Continuing Disclosure Policy (PL - Fin 013) – as amended with the change in title of the District’s Finance Director to District Treasurer.

### **Discussion:**

This Policy and its related procedure were implemented in March 2015 in response to bond covenants entered into by the District and Regulatory and Statutory disclosure requirements. Both the Policy (Exhibit 1) and Procedure (Exhibit 2) will be presented by the District’s Bond Counsel – Mr. Doug Brown of Stradling, Yocca, Carlson & Rauth. The Procedure is being shown by way of information. Please note the Board is not being asked to adopt the Procedure, as procedures are the responsibility of the General Manager.

### **Background**

The District currently has outstanding two certificates-of-participations (COPs) and one bond (collectively, “Obligations”), that in total amount to \$85.6 million. These Obligations are refinancing instruments from debt issued prior to 2005 for capital investment acquisition purposes. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws. The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

In connection with the issuance or execution and delivery of Obligations, the District has entered and may enter into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the

Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District's Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District's fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Because of these "noticing" and reporting obligations of the District related to these Obligations, their strict requirements and as it is reasonably expected that future Obligations will be issued, a policy statement by the Board is deemed in order.

**Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Finance – 4.A. Monitor District operation through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

**Customer Benefit:**

More robust disclosure of District's financial risks.

## Sacramento Suburban Water District

**Debt Obligation Continuing Disclosure Policy**Adopted: March 16, 2015

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**100.00 Purpose of the Policy**

The purpose of this Debt Obligation Continuing Disclosure Policy (“Policy”) is to memorialize and communicate Board direction in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Sacramento Suburban Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

**200.00 Policy**

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments or other long-term programs. Certain obligations are executed and delivered through the Sacramento Suburban Water District Financing Corporation (the “Financing Corporation”) and others are incurred directly by the District. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

In connection with the issuance or execution and delivery of Obligations, the District has entered and may enter into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating

to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District's Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District's fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require "material event" notices are set forth in each particular Continuing Disclosure Certificate.

The District Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

**300.00 Policy Review**

This Policy shall be reviewed at least biennially.

Sacramento Suburban Water District

## Debt Obligation Continuing Disclosure Procedure

Effective: March 16, 2015

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### Purpose

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Sacramento Suburban Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

### Procedure

#### BACKGROUND

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments or other long-term programs. Certain obligations are executed and delivered through the Sacramento Suburban Water District Financing Corporation (the “Financing Corporation”) and others are incurred directly by the District. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating

information (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

## **DISCLOSURE PROCESS**

When the District determines to issue Obligations directly or through the Financing Corporation, the District Finance Director requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the District Finance Director and other relevant staff are responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular areas of knowledge. Once the draft POS has been substantially updated, the entire draft POS is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

Members of the financing team, including the Bond Counsel and a financial advisor, if one is engaged with respect to the Obligations (the “Financial Advisor”), assist staff in determining the materiality of any particular item, and in the development of specific language in the District Section. Members of the financing team also assist the District in the development of a “big picture” overview of the District’s financial condition, included in the District section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the District.

The District Treasurer or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes District officials, General Counsel, Bond Counsel, the District’s Financial Advisor, the underwriter of the Obligations, and the underwriter’s counsel), and new drafts of the forepart of the draft POS and the District Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among District staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes District officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter’s counsel, during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District’s senior officials. This is referred to as a “due diligence” meeting.

A substantially final form of the POS is provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board of Directors which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.



At the time the POS is posted for review by potential investors, senior District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the District Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior District officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. General Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the District Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

## **DISTRICT SECTION**

The information contained in the District Section is developed by personnel under the direction of the Finance Director, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.
- The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not

anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

- The District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District, its operations and its finances.

## **TRAINING**

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) is coordinated by the finance team and the Finance Director. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the District Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

## **ANNUAL CONTINUING DISCLOSURE REQUIREMENTS**

In connection with the issuance or execution and delivery of Obligations, the District has entered into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District’s Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District’s fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate.

The District Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

Approved by:

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General Manager Signature



## Agenda Item: 6

**Date:** November 15, 2016

**Subject:** Series 2009B Refinancing Opportunity

**Staff Contact:** Daniel A. Bills, Finance Director

### Recommended Board Action:

As recommended by the Finance and Audit Committee, even though the case is not economically or strategically compelling at this time, an opportunity to refund the 2009B COPs and save roughly \$0.4 million per annum through 2028 is available to the District in the current market rate environment. Because the 2009B COPs are not callable until 2019, the District would be “advance refunding” the COPs if it decides to proceed. As the 2009B COPs have already been advance refunded once before, advance refunding again would mean the District would lose its tax-exempt issuance status on the new issuance and on any future refundings of the debt prior to its maturity. Because the refunding is not economically compelling nor a strategic necessity, staff recommends a continuation of monitoring all of its debt for refunding opportunities and not refunding any of its debt at present.

If the Board, however, decides to refund the 2009B COPs presently, then staff would recommend utilizing the following financial service firms for the refunding, namely – Citigroup Global Markets Inc. as Underwriter and Remarketing Agent; Stradling Yocca Carlson & Rauth, A Professional Corporation as Bond Counsel; Bartkiewicz, Kronick, & Shanahan, A Professional Corporation as General Counsel; Fieldman, Rolapp & Associates as Financial Advisor, and Union Bank of California, N.A. as Trustee; and where appropriate such other firms necessary to complete a potential 2009B COP refunding.

### Discussion:

Due to the current low municipal market rate environment, there is an opportunity to advance refund the 2009B COPs and produce an average annual cash flow savings of approximately \$0.4 million per year through 2028. Such savings are achieved through a combination of refinancing to a lower rate (true interest cost of roughly 3.31%) and releasing \$3.5 million of existing debt reserves to pay down existing debt. (Debt issuance costs are expected to be \$0.3 million. Presently, \$24.1 million of the original \$36.2 million is outstanding.) Offsetting these savings is the loss of the ability to refund at a tax-exempt rate anytime in the future. If the District were to wait until 2019, it could execute a current refunding and refinance at a tax-exempt rate, however there is the risk market rates could raise over the next 3 years and the potential savings available in this market environment could be lost.

In order to consider a refunding opportunity as financially viable, certain metrics are typically used by the financial community that serve as a minimum threshold. One metric is called "Escrow Efficiency." This metric suggests an economic advantage may be present if the Escrow Efficiency is greater than 60%-70% range. The Escrow Efficiency for this proposed transaction is only 50%. The other metric is the Net Present Value or NPV. For this metric an economic advantage may exist if the NPV equals or exceeds the 3%-5% range. The NPV for this proposed transaction is 4.4%. Thus, there is a refunding case to be made, but it is not compelling.

The preliminary results of the Financing Team are attached and, if needed, can be discussed in the following order:

1. Exhibit 1 - Citigroup's analysis of the advance refunding opportunity available to the District.
2. Exhibit 2 - Fieldman, Rolapp and Associates independent review of the analysis prepared by Citigroup as well as other issues for the District to consider concerning its debt management.

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\*PRELIMINARY / SUBJECT TO CHANGE\*

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**SOURCES AND USES OF FUNDS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
Refunding Revenue Bonds, Series 2016A  
(Proposed Refunding of Callable Maturities of Series 2009B COPs)  
Market Rates and Assumptions as of November 14, 2016  
\*PRELIMINARY / SUBJECT TO CHANGE\*

**Sources:**

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Bond Proceeds:	
Par Amount	19,900,000.00
Other Sources of Funds:	
Funds on Hand - Accrued Interest	366,172.64
	<hr/>
	20,266,172.64

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**Uses:**

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Refunding Escrow Deposits:	
Cash Deposit	0.86
SLGS Purchases	19,940,377.00
	<hr/>
	19,940,377.86
Delivery Date Expenses:	
Cost of Issuance	175,000.00
Underwriter's Discount	149,250.00
	<hr/>
	324,250.00
Other Uses of Funds:	
Additional Proceeds	1,544.78
	<hr/>
	20,266,172.64

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**BOND SUMMARY STATISTICS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Dated Date	03/23/2017
Delivery Date	03/23/2017
Last Maturity	11/01/2028
Arbitrage Yield	3.046088%
True Interest Cost (TIC)	3.165099%
Net Interest Cost (NIC)	3.170911%
All-In TIC	3.306161%
Average Coupon	3.066416%
Average Life (years)	7.177
Duration of Issue (years)	6.418
Par Amount	19,900,000.00
Bond Proceeds	19,900,000.00
Total Interest	4,379,779.13
Net Interest	4,529,029.13
Total Debt Service	24,279,779.13
Maximum Annual Debt Service	3,475,109.00
Average Annual Debt Service	2,092,082.45
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	7.500000
Total Underwriter's Discount	7.500000
Bid Price	99.250000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	19,900,000.00	100.000	3.066%	7.177	12,439.65
	19,900,000.00			7.177	12,439.65

	TIC	All-In TIC	Arbitrage Yield
Par Value	19,900,000.00	19,900,000.00	19,900,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-149,250.00	-149,250.00	
- Cost of Issuance Expense		-175,000.00	
- Other Amounts			
Target Value	19,750,750.00	19,575,750.00	19,900,000.00
Target Date	03/23/2017	03/23/2017	03/23/2017
Yield	3.165099%	3.306161%	3.046088%

**BOND PRICING**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	11/01/2017	195,000	1.350%	1.350%	100.000
	11/01/2018	330,000	1.450%	1.450%	100.000
	11/01/2019	335,000	1.820%	1.820%	100.000
	11/01/2020	2,700,000	2.110%	2.110%	100.000
	11/01/2021	2,775,000	2.310%	2.310%	100.000
	11/01/2022	2,830,000	2.610%	2.610%	100.000
	11/01/2023	1,385,000	2.860%	2.860%	100.000
	11/01/2024	1,425,000	3.030%	3.030%	100.000
	11/01/2025	1,475,000	3.180%	3.180%	100.000
	11/01/2026	1,510,000	3.280%	3.280%	100.000
	11/01/2027	1,585,000	3.430%	3.430%	100.000
	11/01/2028	3,355,000	3.580%	3.580%	100.000
		19,900,000			

Dated Date	03/23/2017	
Delivery Date	03/23/2017	
First Coupon	05/01/2017	
Par Amount	19,900,000.00	
Original Issue Discount		
Production	19,900,000.00	100.000000%
Underwriter's Discount	-149,250.00	-0.750000%
Purchase Price	19,750,750.00	99.250000%
Accrued Interest		
Net Proceeds	19,750,750.00	



**SUMMARY OF REFUNDING RESULTS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Dated Date	03/23/2017
Delivery Date	03/23/2017
Arbitrage yield	3.046088%
Escrow yield	1.110075%
Value of Negative Arbitrage	907,051.44
Bond Par Amount	19,900,000.00
True Interest Cost	3.165099%
Net Interest Cost	3.170911%
Average Coupon	3.066416%
Average Life	7.177
Par amount of refunded bonds	17,700,000.00
Average coupon of refunded bonds	5.276297%
Average life of refunded bonds	7.544
PV of prior debt to 03/23/2017 @ 3.046088%	20,668,271.05
Net PV Savings	403,643.19
Percentage savings of refunded bonds	2.280470%
Percentage savings of refunding bonds	2.028358%

**SAVINGS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 03/23/2017 @ 3.0460878%
11/01/2017	928,325.00	366,172.64	562,152.36	535,410.63	26,741.73	25,668.02
11/01/2018	928,325.00		928,325.00	889,513.50	38,811.50	39,648.17
11/01/2019	928,325.00		928,325.00	889,728.50	38,596.50	38,302.46
11/01/2020	3,288,325.00		3,288,325.00	3,248,631.50	39,693.50	38,187.20
11/01/2021	3,305,325.00		3,305,325.00	3,266,661.50	38,663.50	35,749.55
11/01/2022	3,295,575.00		3,295,575.00	3,257,559.00	38,016.00	33,748.56
11/01/2023	1,778,550.00		1,778,550.00	1,738,696.00	39,854.00	33,854.93
11/01/2024	1,778,975.00		1,778,975.00	1,739,085.00	39,890.00	32,724.31
11/01/2025	1,787,750.00		1,787,750.00	1,745,907.50	41,842.50	33,090.40
11/01/2026	1,775,406.26		1,775,406.26	1,734,002.50	41,403.76	31,603.47
11/01/2027	1,799,406.26		1,799,406.26	1,759,474.50	39,931.76	29,420.19
11/01/2028	3,517,500.00		3,517,500.00	3,475,109.00	42,391.00	30,101.14
	25,111,787.52	366,172.64	24,745,614.88	24,279,779.13	465,835.75	402,098.41

Savings Summary

PV of savings from cash flow	402,098.41
Plus: Refunding funds on hand	1,544.78
Net PV Savings	403,643.19

**BOND DEBT SERVICE**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Period Ending	Principal	Coupon	Interest	Debt Service
11/01/2017	195,000	1.350%	340,410.63	535,410.63
11/01/2018	330,000	1.450%	559,513.50	889,513.50
11/01/2019	335,000	1.820%	554,728.50	889,728.50
11/01/2020	2,700,000	2.110%	548,631.50	3,248,631.50
11/01/2021	2,775,000	2.310%	491,661.50	3,266,661.50
11/01/2022	2,830,000	2.610%	427,559.00	3,257,559.00
11/01/2023	1,385,000	2.860%	353,696.00	1,738,696.00
11/01/2024	1,425,000	3.030%	314,085.00	1,739,085.00
11/01/2025	1,475,000	3.180%	270,907.50	1,745,907.50
11/01/2026	1,510,000	3.280%	224,002.50	1,734,002.50
11/01/2027	1,585,000	3.430%	174,474.50	1,759,474.50
11/01/2028	3,355,000	3.580%	120,109.00	3,475,109.00
	19,900,000		4,379,779.13	24,279,779.13

**SUMMARY OF BONDS REFUNDED**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Refunding Revenue Certificates of Participation, 2009B, 2009B:					
SERIAL	11/01/2020	5.000%	2,360,000.00	11/01/2019	100.000
	11/01/2021	5.000%	2,495,000.00	11/01/2019	100.000
	11/01/2022	5.250%	2,610,000.00	11/01/2019	100.000
	11/01/2023	5.250%	1,230,000.00	11/01/2019	100.000
	11/01/2024	5.500%	1,295,000.00	11/01/2019	100.000
	11/01/2025	5.625%	1,375,000.00	11/01/2019	100.000
	11/01/2026	5.625%	1,440,000.00	11/01/2019	100.000
	11/01/2027	5.625%	1,545,000.00	11/01/2019	100.000
	11/01/2028	5.000%	3,350,000.00	11/01/2019	100.000
			17,700,000.00		

**ESCROW REQUIREMENTS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
Refunding Revenue Bonds, Series 2016A  
(Proposed Refunding of Callable Maturities of Series 2009B COPs)  
Market Rates and Assumptions as of November 14, 2016  
\*PRELIMINARY / SUBJECT TO CHANGE\*

Period Ending	Interest	Principal Redeemed	Total
05/01/2017	464,162.50		464,162.50
11/01/2017	464,162.50		464,162.50
05/01/2018	464,162.50		464,162.50
11/01/2018	464,162.50		464,162.50
05/01/2019	464,162.50		464,162.50
11/01/2019	464,162.50	17,700,000.00	18,164,162.50
	2,784,975.00	17,700,000.00	20,484,975.00

**ESCROW DESCRIPTIONS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate	Total Cost
Mar 23, 2017:							
SLGS	Certificate	05/01/2017	05/01/2017	441,214	0.290%	0.290%	441,214.00
SLGS	Certificate	11/01/2017	11/01/2017	356,944	0.620%	0.620%	356,944.00
SLGS	Note	05/01/2018	05/01/2017	358,295	0.770%	0.770%	358,295.00
SLGS	Note	11/01/2018	05/01/2017	359,675	0.870%	0.870%	359,675.00
SLGS	Note	05/01/2019	05/01/2017	361,240	0.980%	0.980%	361,240.00
SLGS	Note	11/01/2019	05/01/2017	18,063,009	1.120%	1.120%	18,063,009.00
				19,940,377			19,940,377.00

SLGS Summary

SLGS Rates File	14NOV16
Total Certificates of Indebtedness	798,158.00
Total Notes	19,142,219.00
Total original SLGS	19,940,377.00

**ESCROW COST**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	05/01/2017	441,214	0.290%	441,214.00
SLGS	11/01/2017	356,944	0.620%	356,944.00
SLGS	05/01/2018	358,295	0.770%	358,295.00
SLGS	11/01/2018	359,675	0.870%	359,675.00
SLGS	05/01/2019	361,240	0.980%	361,240.00
SLGS	11/01/2019	18,063,009	1.120%	18,063,009.00
		19,940,377		19,940,377.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
03/23/2017	19,940,377	0.86	19,940,377.86	1.110075%
	19,940,377	0.86	19,940,377.86	

**ESCROW CASH FLOW**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Date	Principal	Interest	Net Escrow Receipts	Present Value to 03/23/2017 @ 1.1100753%
05/01/2017	441,214.00	22,947.84	464,161.84	463,619.78
11/01/2017	356,944.00	107,219.04	464,163.04	461,061.91
05/01/2018	358,295.00	105,866.96	464,161.96	458,515.90
11/01/2018	359,675.00	104,487.52	464,162.52	455,985.57
05/01/2019	361,240.00	102,922.93	464,162.93	453,469.04
11/01/2019	18,063,009.00	101,152.85	18,164,161.85	17,647,724.79
	19,940,377.00	544,597.14	20,484,974.14	19,940,377.00

Escrow Cost Summary

Purchase date	03/23/2017
Purchase cost of securities	19,940,377.00
Target for yield calculation	19,940,377.00



**ESCROW SUFFICIENCY**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
03/23/2017		0.86	0.86	0.86
05/01/2017	464,162.50	464,161.84	-0.66	0.20
11/01/2017	464,162.50	464,163.04	0.54	0.74
05/01/2018	464,162.50	464,161.96	-0.54	0.20
11/01/2018	464,162.50	464,162.52	0.02	0.22
05/01/2019	464,162.50	464,162.93	0.43	0.65
11/01/2019	18,164,162.50	18,164,161.85	-0.65	
	20,484,975.00	20,484,975.00	0.00	

**ESCROW STATISTICS**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Global Proceeds Escrow:	19,940,377.86	2.419	4,822.90	1.110075%	1.110075%	19,033,326.39	907,051.44	0.03
	19,940,377.86		4,822.90			19,033,326.39	907,051.44	0.03

Delivery date 03/23/2017  
 Arbitrage yield 3.046088%  
 Composite Modified Duration 2.419

**UNREFUNDED BOND DEBT SERVICE**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
Refunding Revenue Bonds, Series 2016A  
(Proposed Refunding of Callable Maturities of Series 2009B COPs)  
Market Rates and Assumptions as of November 14, 2016  
\*PRELIMINARY / SUBJECT TO CHANGE\*

<b>Period Ending</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Debt Service</b>
11/01/2017	2,030,000	5.000%	314,175	2,344,175
11/01/2018	2,135,000	5.000%	212,675	2,347,675
11/01/2019	2,230,000	4.750%	105,925	2,335,925
	6,395,000		632,775	7,027,775

**PRIOR BOND DEBT SERVICE**

SACRAMENTO SUBURBAN WATER DISTRICT ('SSWD')  
 Refunding Revenue Bonds, Series 2016A  
 (Proposed Refunding of Callable Maturities of Series 2009B COPs)  
 Market Rates and Assumptions as of November 14, 2016  
 \*PRELIMINARY / SUBJECT TO CHANGE\*

Period Ending	Principal	Coupon	Interest	Debt Service
11/01/2017			928,325.00	928,325.00
11/01/2018			928,325.00	928,325.00
11/01/2019			928,325.00	928,325.00
11/01/2020	2,360,000	5.000%	928,325.00	3,288,325.00
11/01/2021	2,495,000	5.000%	810,325.00	3,305,325.00
11/01/2022	2,610,000	5.250%	685,575.00	3,295,575.00
11/01/2023	1,230,000	5.250%	548,550.00	1,778,550.00
11/01/2024	1,295,000	5.500%	483,975.00	1,778,975.00
11/01/2025	1,375,000	5.625%	412,750.00	1,787,750.00
11/01/2026	1,440,000	5.625%	335,406.26	1,775,406.26
11/01/2027	1,545,000	5.625%	254,406.26	1,799,406.26
11/01/2028	3,350,000	5.000%	167,500.00	3,517,500.00
	17,700,000		7,411,787.52	25,111,787.52

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efficiency, renewable energy & mitigation



Exhibit 2

# OVERVIEW OF REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2009B POTENTIAL REFUNDING PRESENTATION

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September, 2016

REFUNDING OF 2009B REFUNDING REVENUE  
CERTIFICATES OF PARTICIPATION



# REFUNDING OVERVIEW

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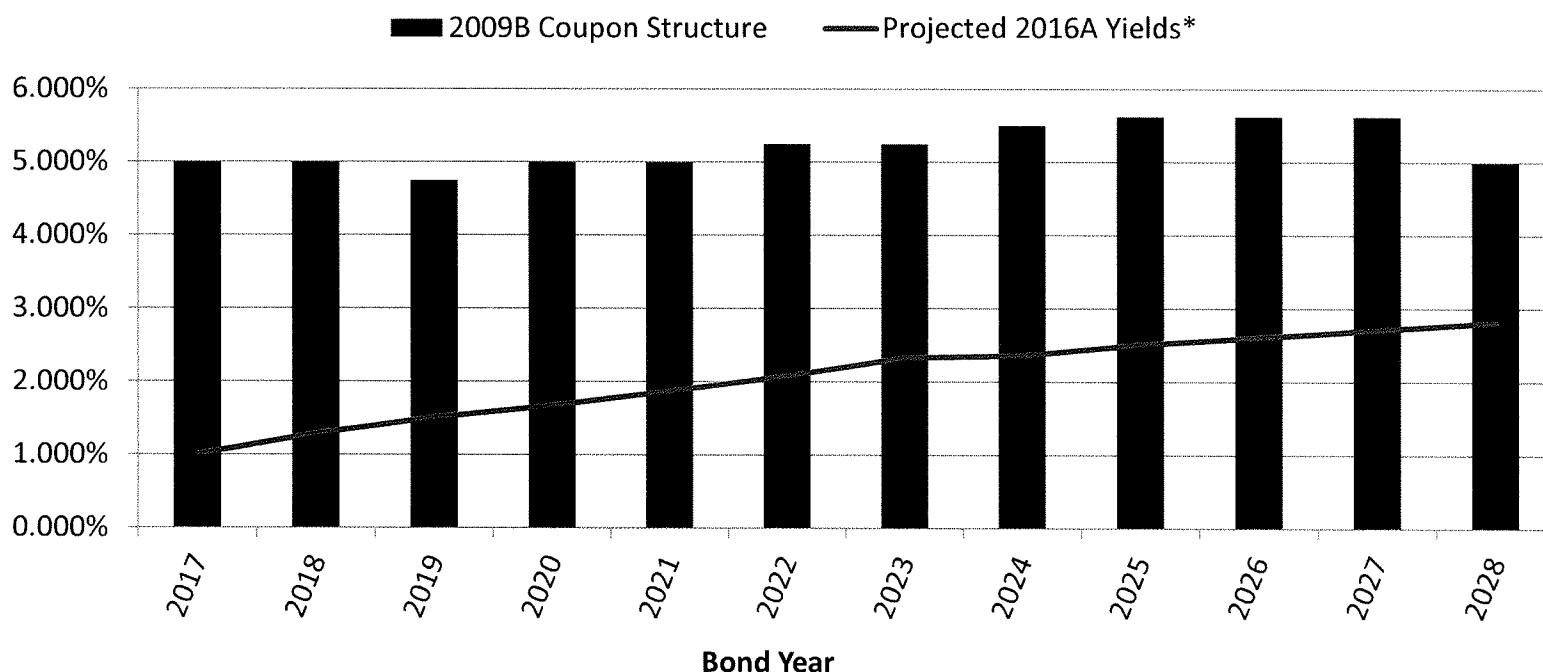
## ⇒ 2009B Refunding Revenue Certificates of Participation (“Certificates”)

- ◆ 2009B Certificates issued to refund Series 2004 Adjustable Rate Revenue COPs
  - ✓ Due to federal tax code, the 2009B Certificates are eligible to be advance refunded on a taxable basis
- ◆ ~\$26 million outstanding
- ◆ Subject to prepayment on November 1, 2019 without premium



# REFUNDING OPPORTUNITY

- ◆ Interest rates range from 4.00% to 4.625%
- ◆ Industry standard suggests 3% NPV savings in total and maturity by maturity
- ◆ Industry standard suggests 70% or higher for escrow efficiency
  - ✓ Escrow efficiency shows NPV savings as a percentage of total possible NPV savings with no negative arbitrage



*\*Preliminary, subject to change*

# 2009B CERTIFICATES REFUNDING SAVINGS\*

Period Ending November 1	Existing 2009 Certificates Debt Service <sup>(1)</sup>	Refunding Debt Service	Annual Savings	Present Value Annual Savings
2017	\$3,238,791	\$2,858,779	\$380,012	\$376,155
2018	3,240,825	2,843,950	396,875	383,087
2019	3,229,075	2,832,750	396,325	373,476
2020	3,253,150	2,855,966	397,184	365,424
2021	3,270,150	2,874,302	395,848	355,549
2022	3,260,400	2,866,550	393,850	345,353
2023	1,743,375	1,347,628	395,747	338,728
2024	1,743,800	1,346,537	397,263	332,122
2025	1,752,575	1,354,519	398,056	325,026
2026	1,740,231	1,344,909	395,322	315,258
2027	1,764,231	1,368,600	395,631	308,124
2028	(35,175)	3,084,600	(3,119,775)	(2,370,927)
<b>Total Savings</b>				<b>\$1,222,338</b>
<b>Net Present Value Savings</b>				<b>\$1,449,815</b>
<b>Percentage savings of refunded bonds</b>				<b>6.02%</b>

- ⇒ Advance refunding will generate ~\$1.5 million (6% of refunded amount)\* in NPV savings
- ⇒ Produces annual savings of approximately \$397,000, excluding final year
- ⇒ Cost to refund the COPs (negative arbitrage) is ~\$961,000 producing an escrow efficiency of 60%

\*All figures are preliminary and subject to change. Based on market conditions as of August 30, 2016. Refer to Disclaimer on last page of this presentation.



(1) Assumes prior reserve fund earns 1.00% annually.

# SENSITIVITY ANALYSIS

- ⇒ If interest rates remain unchanged, waiting until a current refunding reduces the negative arbitrage of the certificates (as the certificates are callable on November 1, 2019)
  - ◆ Results in ~13.9% NPV savings and an escrow efficiency of 98% since a current refunding can use tax-exempt interest rates
- ⇒ Breakeven analysis shows taxable rates would need to increase 0.81% or more and tax-exempt rates by 0.60% or more in the next two years and 9 months to offset the higher savings of waiting until a current refunding

Refunding Scenario	Refunding Issue Closing Date	Refunding Bond Rate <sup>3</sup>	Average Annual Savings <sup>5</sup>	NPV Savings <sup>2</sup>	NPV % Savings <sup>4</sup>	Interest Rate Cushion <sup>6</sup>	Refunding Escrow Cost	Escrow Efficiency <sup>1</sup>
Scenario 1 Taxable	11/16/2016	2.31%	\$397,000	\$1,449,815	6.02%	NA	\$960,872	60%
Scenario 2 Taxable	11/16/2017	2.23%	\$477,000	\$1,829,691	8.29%	39 bps	\$614,647	75%
Scenario 3 Taxable	11/16/2018	2.17%	\$572,000	\$2,158,697	10.83%	42 bps	\$307,005	88%
Scenario 4 Tax-exempt	8/3/2019	1.58%	\$693,000	\$2,771,352	13.91%	60 bps	\$64,111	98%

1. Escrow efficiency measures impact of escrow cost (based on SLGS purchase). SLGS are used for the escrow fund for modeling purposes, however, OMS will need to be purchased for taxable refundings. Shows NPV savings as percentage total possible NPV savings with no escrow cost.
2. NPV Savings in Scenario 2 is discounted to November 2016.
3. Refunding bond arbitrage yield. Rate estimates are based on current market rates / coupon structure as of 8/30/2016.
4. NPV Savings as a percentage of bonds refunded.
5. Average annual savings account for release of prior reserve fund, earning 1.00% annually. Assumes no funding of a new reserve fund.
6. Amount rates can increase for Scenario 3 to breakeven with prior scenario. At +0.42% rates, Scenario 3 is equal to Scenario 2 NPV savings. Scenario 4 tax-exempt rates would need to increase by 0.60% to equal Scenario 1 NPV savings.

# MATURITY BY MATURITY ANALYSIS

- The ability to use the prior debt service reserve fund to downsize the refunding transaction offsets the negative cash flow savings and negative arbitrage from the current earnings on the reserve fund
  - ◆ Increases the annual cash flow savings and overall NPV savings

Refund only callable Maturities - no DSRF		
Dated Date	11/16/2016	
FY Ending	Annual Savings	Present Value Annual Savings
2017	94,012	94,898
2018	99,169	97,379
2019	99,109	95,046
2020	99,961	93,603
2021	98,161	89,405
2022	101,333	89,664
2023	98,978	85,153
2024	97,163	81,479
2025	99,947	81,617
2026	99,773	79,357
2027	98,073	75,978
2028	98,735	74,476
<b>Total Savings</b>		<b>\$1,184,414</b>
<b>Net Present Value Savings</b>		<b>\$1,038,732</b>
<b>Percentage savings of refunded bonds</b>		<b>5.87%</b>

Refund all outstanding Maturities - no DSRF		
Dated Date	11/16/2016	
FY Ending	Annual Savings	Present Value Annual Savings
2017	87,069	89,389
2018	89,858	89,354
2019	87,818	85,022
2020	87,857	82,776
2021	86,225	79,063
2022	89,585	79,828
2023	87,439	75,799
2024	85,858	72,604
2025	88,879	73,232
2026	88,957	71,441
2027	87,519	68,510
2028	88,453	67,463
<b>Total Savings</b>		<b>\$1,055,516</b>
<b>Net Present Value Savings</b>		<b>\$936,747</b>
<b>Percentage savings of refunded bonds</b>		<b>3.89%</b>

Refund all outstanding Maturities - w/ DSRF		
Dated Date	11/16/2016	
FY Ending	Annual Savings	Present Value Annual Savings
2017	380,012	376,155
2018	396,875	383,087
2019	396,325	373,476
2020	397,184	365,424
2021	395,848	355,549
2022	393,850	345,353
2023	395,747	338,728
2024	397,263	332,122
2025	398,056	325,026
2026	395,322	315,258
2027	395,631	308,124
2028	(3,119,775)	(2,370,927)
<b>Total Savings</b>		<b>\$1,222,338</b>
<b>Net Present Value Savings</b>		<b>\$1,449,815</b>
<b>Percentage savings of refunded bonds</b>		<b>6.02%</b>



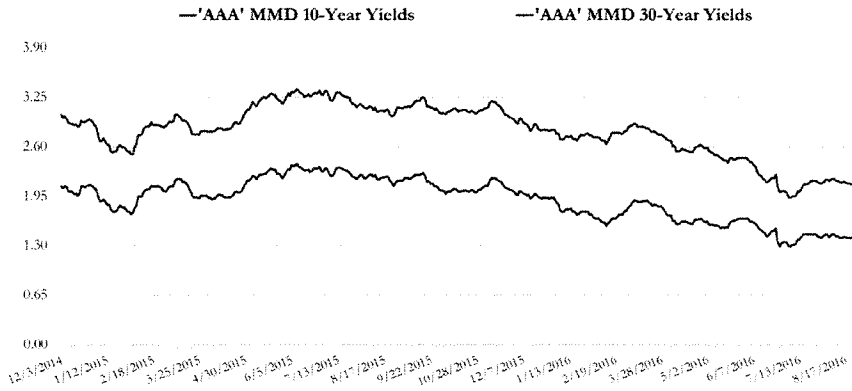
# MUNICIPAL MARKET UPDATE



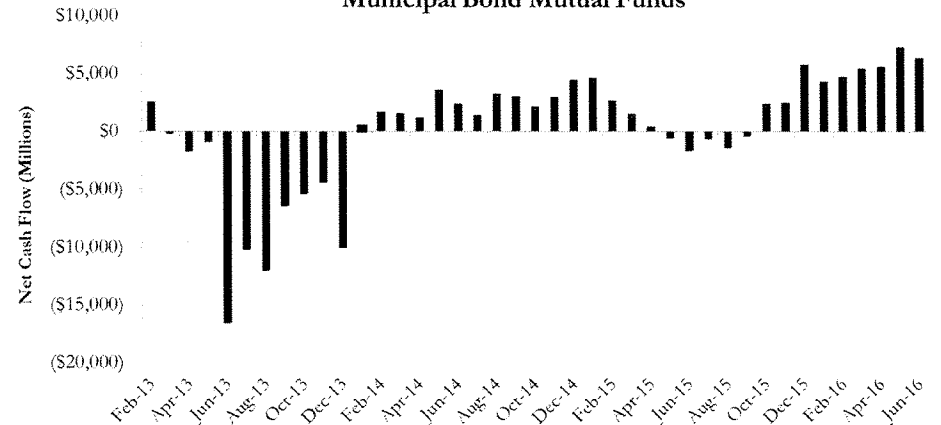
# MUNICIPAL MARKET UPDATE

## MARKET MOVEMENTS

**Historical Change in 'AAA' MMD Yields**  
(December 1, 2014 through August 26, 2016)

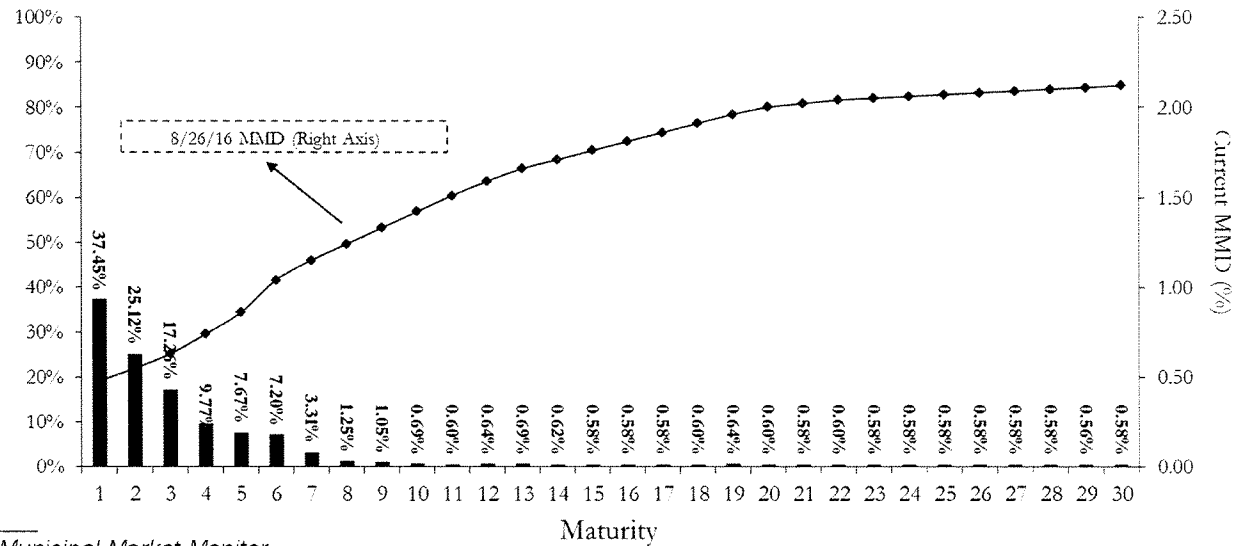


**Monthly Flow of Funds**  
Municipal Bond Mutual Funds



Note: Far right green column is for the month of June, 2016.

**Current "AAA" MMD and Percentage of Time Historical "AAA" MMD has been Lower than Current "AAA" MMD**  
from January 2, 1998 through August 26, 2016

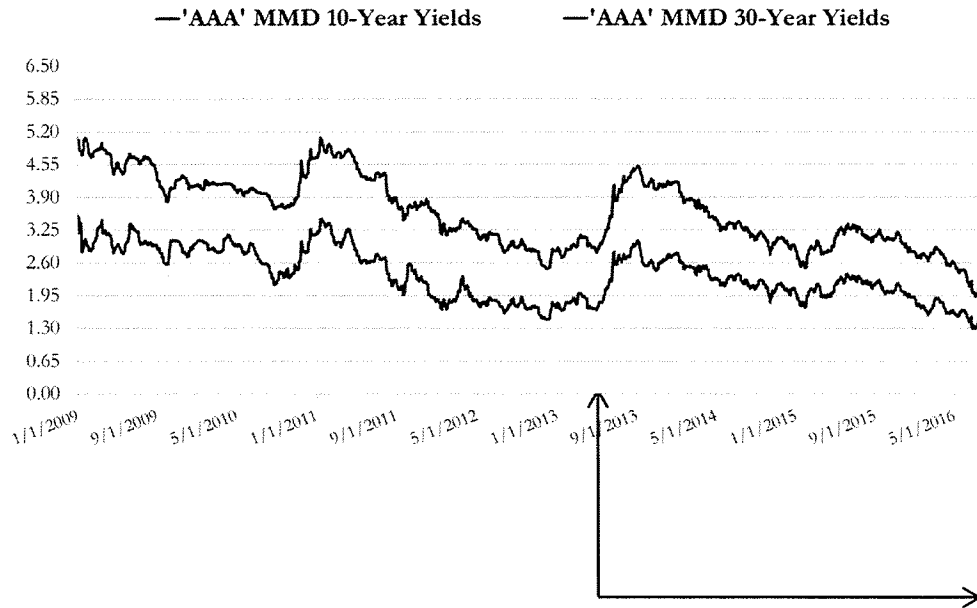


Source: Thomson Municipal Market Monitor.

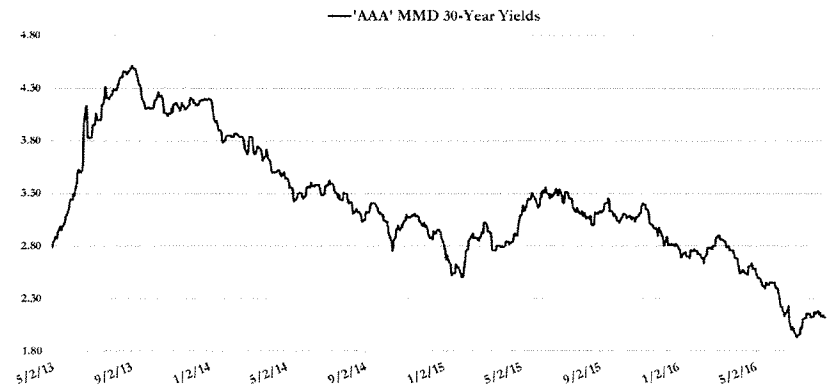
# MUNICIPAL MARKET UPDATE

## TAX-EXEMPT INTEREST OVERVIEW

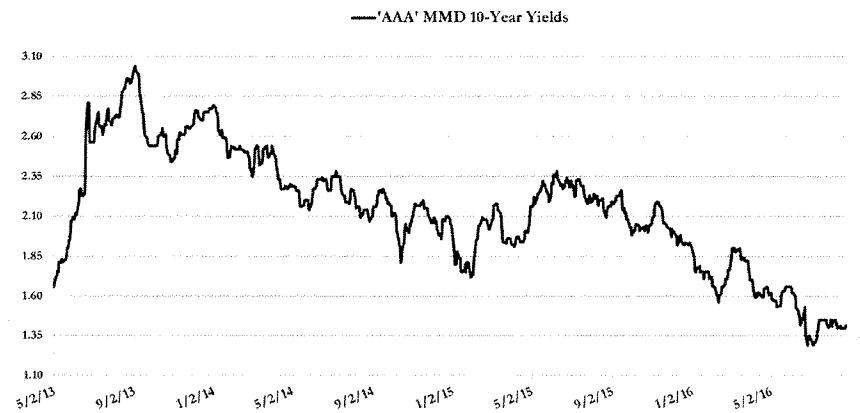
**Change in 'AAA' MMD Yields**  
(August 1, 2008 through August 26, 2016)



**Change in "AAA" 30-Year MMD Yields**  
(May 2, 2013 through August 26, 2016)



**Change in "AAA" 10-Year MMD Yields**  
(May 2, 2013 through August 26, 2016)



# QUESTIONS AND DISCUSSION

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# DISCLAIMER

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The scenarios are being provided for informational purposes only, and do not reflect any specific recommendation regarding a financial transaction. These materials include an assessment of current market conditions, and include Fieldman, Rolapp & Associates, Inc. assumptions about interest rates, execution costs, and other matters related to municipal securities issuance or municipal financial products. These assumptions may change at any time subsequent to the date these materials were provided. The refinancing and refunding scenarios presented herein are not intended to be inclusive of every feasible or suitable refinancing alternative.

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor, undertaking a fiduciary duty in providing financial advice to public agencies. Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for a transaction is contingent on successful completion of the transaction, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the public agency. However, Fieldman, Rolapp & Associates, Inc. undertakes a fiduciary duty in advising public agencies regardless of compensation structure.



## Agenda Item: 7

**Date:** November 2, 2016

**Subject:** 2016 Audit Engagement Letter and Contract

**Staff Contact:** Daniel A. Bills, Finance Director

### Recommended Board Action:

As recommended by the Finance and Audit Committee, approve the 2016 Audit Engagement Letter and Contract with Richardson & Company, LLP at an anticipated cost of \$44,540 and authorize the Finance and Audit Committee Chair (Director Thomas) to execute the Engagement Letter and Contract.

### Discussion:

The District has received the 2016 Audit Engagement Letter for the December 31, 2016 Audit from Richardson & Company, LLP (Exhibit 1) which has been reviewed by the Finance and Audit Committee. The Audit Engagement Letter serves as the Statement of Work between the District and the auditors for the current year's Audit and is renewable annually. Commensurate with the terms of the Audit Engagement Letter, staff has prepared a District Contract (Exhibit 2) for execution. The Audit Engagement Letter will become Exhibit A to the contract.

Staff has reviewed the Engagement Letter and confirmed it meets all the services requested by the Board in previous years, including the expanded expenditure testing the District has requested for the past eleven years over and above that required for a standard public agency audit (see the second paragraph on page 2 of the Engagement Letter) and the Federal Grant Single Audit. As noted on page 9 of the Engagement Letter, the cost of the expanded testing will be \$6,240, while the cost for the Single Audit will be \$4,100.

Per the District's "Engagement of Auditor Policy" (PL – Fin 001), "the Finance and Audit Committee is responsible for recommending the District's independent auditor to the full Board for appointment and compensation, and administering the relationship between the District and independent auditor during the course of the audit..." Therefore, the Finance and Audit Committee will review audit results as the audit progresses. At the conclusion of the audit, the auditors will provide a report to the Finance and Audit Committee and the Board of Directors.

### Fiscal Impact:

\$44,540 for the audit, comprised of \$34,200 for the financial statement audit, \$6,240 for the additional procedures requested by the District and \$4,100 for the Federal Grant Single Audit.

### Strategic Plan Alignment:

Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

# EXHIBIT 1



550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

October 6, 2016

Finance and Audit Committee  
Sacramento Suburban Water District  
3701 Marconi Avenue  
Sacramento, California 95821

We are pleased to confirm our understanding of the services we are to provide the Sacramento Suburban Water District (the District). We will audit the financial statements, including the notes to the financial statements which collectively comprise the basic financial statements of the District as of and for the year ended December 31, 2016. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such 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. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Schedule of funding progress for the other postemployment benefits plan
2. Schedule of Proportionate Share of the Net Pension Obligation
3. Schedule of Contributions to the Pension Plan

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

1. Schedule of expenditures of federal grants (if applicable).

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Transmittal Letter
2. Statistical Section

At the request of the District, we will perform additional procedures by expanding the scope of our expense testing to include additional sample sizes for general cash disbursements, payroll disbursements, wire and ACH transfers, petty cash, and purchasing card payments. This testing will include verifying payments to the District employees and Board members on a sample basis. Payment verification will include verifying the pay rates for at least one period of senior management, finance staff, anyone involved in the payroll processing function and a sample of ten other employees. The results of our work will be reported in the governance letter issued as part of the audit.

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that

states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement, or may withdraw from the engagement.

### **Management Responsibilities**

Management is responsible for the basic financial statements, schedule of expenditures of federal grants and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal grants received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal grants (including notes and noncash assistance received) in accordance with the requirements of Uniform Guidance.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles; for the preparation and fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional

information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include, including identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management's responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for preparation of the schedule of expenditures of federal grants (including notes and noncash assistance received) in conformity with Uniform Guidance. Management agrees to include our report on the schedule of expenditures of federal grants in any document that contains and indicates that we have reported on the schedule of expenditures of federal grants. Management also agrees to make the audited financial statements readily available to intended users of the schedule of expenditures of federal grants no later than the date the schedule of expenditures of federal grants is issued with our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) Management is responsible for presentation of the schedule of expenditures of federal grants in accordance with Uniform Guidance; (2) Management believes the schedule of expenditures of federal grants, including its form and content, is fairly presented in accordance with Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) Management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal grants.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information.

Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) Management is responsible for presentation of the supplementary information in accordance with GAAP; (2) Management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) Management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as planned corrective actions, for the report, and for the timing and format for providing that information.

### **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the

appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about their responsibilities for the financial statements; schedule of expenditures of federal grants; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards. Because of the importance of oral and written management representations to an effective audit, the District releases and indemnifies Richardson & Company, LLP and its personnel from any and all claims, liabilities, costs and expenses attributable to any active negligence on the part of the District.

#### **Audit Procedures-Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, and Uniform Guidance.



### **Audit Procedures-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the *Uniform Guidance Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Guidance.

### **Audit Administration and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the District; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal grants, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The workpapers for this engagement are the property of Richardson & Company, LLP and constitute confidential information. The workpapers for this or any engagement for you will be retained for a minimum of seven years after the date the auditor's report is issued, or longer if required by generally accepted auditing standards. The firm will make available its workpapers and respond to all reasonable inquiries of successor auditors and others to review workpapers of the District, upon the District's written request or consent. Access to such workpapers will be provided under the supervision of Richardson & Company personnel at a location designated by our Firm. Furthermore, upon your request or consent, we may provide photocopies of selected workpapers to the successor auditors or others. All professional and administrative services and expenses relating to such access will be charged as an additional expense to the District.

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our workpapers or our personnel to respond to inquiries or serve as witnesses with respect to this or any engagement for you, you will, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, in responding to such a request. If such a request is made, and unless we are obligated by law or legal process to the contrary, we will inform you prior to providing such access.

If the District intends to publish or otherwise reproduce in any document our report on the District's financial statements, or otherwise make reference to our Firm in a document that contains other information in addition to the audited financial statements (e.g., in a debt offering circular for example), the District agrees that prior to making any such use of our report, or reference to our Firm, management will provide us with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to our Firm, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report and any request by the District to reissue our report or to consent to its inclusion or incorporation by reference in an offering or other document will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request to make use of our report, or reference to our Firm; fees for such services would be based upon the rates for additional services as described in the Professional Fees section of this letter.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, if applicable, you understand that electronic sites are a means to distributed information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Our Firm, as well as all other accounting firms with a significant audit practice, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us.

Ingrid Shepline will serve as the engagement partner and is responsible for supervising the engagement and may sign the auditor's reports or authorize another individual to sign them.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our current peer review report accompanies this letter.

**Professional Fees**

Our total not-to-exceed cost for the year ended December 31, 2016 is as follows:

Financial Audit	\$ 33,200
Additional fee for auditing net pension liability and related disclosures	1,000
Single Audit, one major program	4,100
Additional Procedures	<u>6,240</u>
Total	<u><u>\$ 44,540</u></u>

The fees quoted include ten hours per year for occasional consultation with auditing and tax staff regarding accounting, sales tax, arbitrage liabilities or other issues that might arise at the District during the year.

Changes in Scope That Could Result in a New Fee Arrangement: In the event that the scope of the audit increases due to changes in accounting or auditing pronouncements and standards, laws or regulations, material weaknesses in the internal control environment, the loss of key accounting personnel or significant changes in the scope of the District's operations, we will discuss the situation with you and arrive at a new mutually agreed upon fee arrangement.

Additional Services: The fee for additional services provided under this engagement letter or otherwise requested by the District, if any, will be based on a rate per hour by staff classification as follows:

<u>Classification</u>	<u>Rate Per Hour</u>
Partner	\$ 180
Senior Manager	120
Managers and Supervisors	110
Seniors	100
Staff	80

If any provision in this letter is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

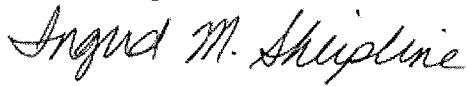
\*\*\*\*\*

Sacramento Suburban Water District  
October 6, 2016  
Page 10 of 11

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,

RICHARDSON & COMPANY, LLP



Ingrid Sheipline, CPA  
Managing Partner

Response:

This letter correctly sets forth the understanding of the Sacramento Suburban Water District and is signed by the officer authorized by the Board of Directors to enter into this agreement on the District's behalf.

By: \_\_\_\_\_ Title: \_\_\_\_\_

Date: \_\_\_\_\_



First Financial Bank Building  
400 Pine Street, Ste. 600, Abilene, TX 79601  
325.672.4000 / 800.588.2525 / f: 325.672.7049  
www.dkcpa.com

## System Review Report

July 15, 2015

To the Partners of  
**Richardson & Company, LLP**  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of **Richardson & Company, LLP** (the firm) in effect for the year ended March 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of **Richardson & Company, LLP** in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Richardson & Company, LLP** has received a peer review rating of *pass*.

*Davis Kinard & Co, PC*

Certified Public Accountants

## Exhibit 2

### **AGREEMENT BETWEEN SACRAMENTO SUBURBAN WATER DISTRICT AND RICHARDSON & COMPANY, LLP FOR SERVICES RELATING TO 2016 ANNUAL ADUIT**

THIS AGREEMENT is made this \_\_\_\_\_, 2016, in Sacramento, California, between the Sacramento Suburban Water District (“District”), a California public agency, and Richardson & Company, LLP, a public accounting firm (“Consultant”), concerning the District’s 2016 annual audit (the “Work”). The parties agree as follows:

**1. Scope of Work.** Consultant shall perform the work described in Exhibit A attached hereto and incorporated herein, and described as follows: 2016 annual audit (the “Work”). Consultant shall: (a) provide all labor, equipment, material and supplies required or necessary to properly, competently, and completely perform the Work under this Agreement; and (b) determine the method, details and means of doing the Work.

**2. Compensation.**

a. In exchange for the Work, District shall pay to Consultant a fee based on the fee arrangement described on Exhibit A attached hereto and incorporated herein.

b. The total fee for the Work shall not exceed \$44,540.00. There shall be no compensation for extra or additional work or services by Consultant unless approved in advance in writing by District. Consultant’s fee shall include all of Consultant’s costs and expenses related to the Work.

c. At the end of each month, Consultant shall submit to District an invoice for the Work performed during the preceding month. The invoice shall include a brief description of the Work performed, the dates of Work, number of hours worked and by whom (if payment is based on time), and an itemization of any reimbursable expenditures. If the Work is satisfactorily completed and the invoice is accurately computed, District shall pay the invoice within 30 days of its receipt.

**3. Term and Termination.**

a. This Agreement shall take effect on the above date and continue in effect until completion of the Work, unless sooner terminated as provided below. Time is of the essence in this Agreement. Consultant shall perform the Work diligently and as expeditiously as possible, consistent with the professional skill and care appropriate for the orderly progress of the Work.

b. This Agreement may be terminated at any time by District upon 10 days’ advance written notice to Consultant. In the event of such termination, Consultant shall be fairly compensated for all work performed to the date of termination as calculated by District based on the above fee and payment provisions. Compensation under this subsection shall not include any termination-related expenses, cancellation or demobilization charges, or lost profit associated with the expected completion of the Work or other such similar payments relating to Consultant’s claimed benefit of the bargain.

**4. Professional Ability of Consultant.** Consultant represents that it is specially trained and experienced, and possesses the skill, ability, knowledge and certification, to competently perform the Work provided by this Agreement. District has relied upon Consultant’s training, experience, skill,

## Exhibit 2

ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Consultant shall meet the standard of care and quality ordinarily to be expected of competent professionals in Consultant's field.

**5. Conflict of Interest.** Consultant (including its principals, associates and professional employees) represents and acknowledges that: (a) it does not now and shall not acquire any direct or indirect investment, interest in real property or source of income in the area covered by this Agreement or that would be affected in any manner or degree by the performance of Consultant's services under this Agreement; and (b) no person having any such interest shall perform any portion of the Work. The parties agree that Consultant is not a designated employee within the meaning of the Political Reform Act and District's conflict of interest code because Consultant will perform the Work independent of the control and direction of the District or of any District official, other than normal contract monitoring, and Consultant possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel. Consultant shall not engage in any conduct or other employment or business that would be incompatible with or unreasonably interfere with its obligations under this Agreement, that would create a conflict of interest, or that would reflect unfavorably upon the interests of District.

**6. Consultant Records.**

a. Consultant shall keep and maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records and documents evidencing or relating to the Work and charges for services, expenditures and disbursements for the Work for a minimum period of three years (or for any longer period required by law) from the date of final payment to Consultant under this Agreement. District may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement.

b. In accordance with California Government Code section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the State Auditor General for three years following final payment under the Agreement.

**7. Ownership of Documents.**

a. Every report, study, spreadsheet, worksheet, plan, blueprint, specification, drawing, map, photograph, computer model, computer disk, magnetic tape, CAD data file, GIS data file, computer software and any other document or thing prepared by Consultant under this Agreement and provided to District ("Work Product") shall be the sole and exclusive property of District, and District shall have the perpetual, world-wide right to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Consultant or any other party. Consultant may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product; provided, however, that Consultant shall not provide any Work Product to any third party without District's prior written approval, unless compelled to do so by legal process.

b. If any Work Product is copyrightable, Consultant may copyright the same, except that, as to any Work Product that is copyrighted by Consultant, District reserves a royalty-free, nonexclusive, world-wide, and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product. If District reuses or modifies any Work Product for a use or purpose other than

## Exhibit 2

that intended by the scope of work under this Agreement, then District shall hold Consultant harmless against all claims, damages, losses and expenses arising from such reuse or modification.

c. For Work Product provided to District in paper format, upon request by District, Consultant agrees to provide the Work Product to District in an appropriate and usable electronic format (e.g., Word file, Excel spreadsheet, Adobe pdf, AutoCAD file).

### **8. Compliance with Laws; Safety of Work.**

a. Consultant shall perform the Work in compliance with all applicable federal, California, and local laws and regulations, including applicable anti-discrimination and anti-harassment laws, and to give all notices required by any such law or regulation. Consultant also shall possess, maintain and comply with all federal, state and local permits, licenses, certificates, and approvals that may be required for it to perform the Work. In accordance with California Code of Regulations Title 13, section 2022.1(g), Consultant shall comply with all federal, state and local air pollution control laws and regulations applicable to the Consultant and its Work.

**9. Confidentiality of Documents and Information.** Consultant shall keep in strict confidence all Work Product and other documents and information provided to, shared with or created by Consultant in connection with the performance of the Work under this Agreement or during its time as a District consultant (collectively "Information"). Consultant shall not use any Information for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by District. Consultant shall not disclose any Information to any person or entity not connected with the performance of the Work under this Agreement, unless otherwise authorized in advance in writing by District.

**10. Professional Liability Insurance.** Consultant shall maintain professional liability insurance as shall protect against claims based on alleged errors or negligent acts or omissions which may arise from the Work or from Consultant's operations or performance under this Agreement, whether any such claim is made during or subsequent to the term of this Agreement, and whether such operations or performance be by Consultant or its employees, subcontractors, agents or anyone else employed by any of the foregoing. Coverage is to be endorsed to include contractual liability. The amount of this insurance shall not be less than \$2,000,000 per claim and \$2,000,000 aggregate. Said policy shall be continued in full force and effect during the term of this Agreement and for a period of five years following the completion of the Work. In the event of termination of said policy, new coverage shall be obtained for the required period to insure for the prior acts of Consultant during the course of performing services under the terms of this Agreement. Consultant shall provide to District a certificate of insurance on a form acceptable to the District indicating the deductible or self-retention amounts and the expiration date of said policy, and shall provide renewal certificates within 10 days after expiration of each policy term. Any deductible or self-insured retention must not exceed \$50,000, unless authorized in writing by District prior to Consultant beginning the Work. The insurance is to be placed with insurers licensed to do business by and in good standing with the California Department of Insurance, with a current A.M. Best's rating of A:VII or better unless otherwise approved in advance by District.

### **11. General Insurance.**

a. Consultant, at its sole cost and expense, shall procure and maintain for the duration of this Agreement the following types and limits of insurance:



Exhibit 2

Type	Limits	Scope
Commercial General Liability	\$1,000,000 per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for general liability, blanket contractual liability, bodily injury, personal injury and property damage.	At least as broad as ISO Occurrence Form CG 0001.
Automobile Liability	\$1,000,000 per accident for bodily injury, including death, and property damage.	At least as broad as ISO Business Auto Coverage Form CA 0001 (Code 1, any auto).
Workers' Compensation	California statutory limits.	
Employer's Liability	\$1,000,000 per accident for bodily injury or disease.	

b. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the Work/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to District), or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.

c. The general liability and automobile liability policies will be endorsed to name District, and its directors, officers, employees, authorized volunteers, and agents, as additional insureds regarding liability arising out of this Agreement using an ISO endorsement form at least as broad as CG 2010 1185 or both CG 20 37 and CG 20 38 04 13 forms (if later revisions used) as respects: liability arising out of activities performed by or on behalf of Consultant; products and completed operations of Consultant; premises owned, occupied or used by Consultant; and automobiles owned, leased, hired or borrowed by Consultant. The policies shall contain no special limitations on the scope of protection afforded to District, and its directors, officers, employees, authorized volunteers, and agents.

d. Each insurance policy will be endorsed to state that coverage will not be canceled, except after 30 days' prior written notice to the District (10 days for non-payment of premium).

e. The workers' compensation policy will be endorsed to include a waiver of subrogation against the District and its directors, officers, employees, authorized volunteers, and agents.

f. If Consultant's firm owns no motor vehicles, Consultant agrees to obtain Business Automobile liability insurance in compliance with this Agreement should any motor vehicle be acquired during the term of this Agreement. Such Business Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (3-06 ed.) Code 1, any auto. Non-Owned and Hired Automobile liability insurance is waived if Consultant's firm does not own

## Exhibit 2

any motor vehicles and such coverage is provided by a hired and non-owned auto endorsement to the Commercial General Liability policy described in Section 11(a), above.

g. Consultant's coverage will be endorsed to be primary and apply separately to each insurer against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability, and District's insurance or self-insurance, if any, will be excess and will not contribute with Consultant's insurance (at least as broad as ISO endorsement CG 20 01).

h. Insurance is to be written on policy forms acceptable to District and be placed with insurers with a current A.M. Best's rating of A:VII or better and that are admitted to do business and in good standing in California, unless otherwise acceptable upon notice to and approval by District. In the case of Workers' Compensation and Employer's Liability Insurance, coverage provided by the California State Compensation Insurance Fund is acceptable.

i. No later than its execution of this Agreement and then annually thereafter, Consultant will provide to District the following proofs of insurance: (a) certificate(s) of insurance evidencing all required coverages under this Section 11 on Acord Form 25 or insurer's equivalent; and (b) additional insured endorsement(s), signed by an insurer representative evidencing the required coverages and endorsements required hereunder. Consultant may not commence the Work until District has approved all insurance coverages and documentation, unless otherwise agreed by District in writing. District reserves the right to review and reject any certificates or endorsements that are not in compliance with this Section 11 and to require Consultant to obtain the appropriate coverages and amendatory endorsements prior to starting the Work.

j. The requirements as to the types, limits, and District's approval of insurance coverage to be maintained by the Consultant are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by Consultant under this Agreement. In addition, in the event any change is made in the insurance carrier, policies or nature of coverage required under this Agreement, Consultant shall notify District prior to making such changes.

k. Consultant shall ensure that all required insurance coverages are maintained throughout the term of this Agreement. If any of the required coverages expire during the term of this Agreement, Consultant shall deliver renewal certificates and any required endorsements to District at least 10 days before the expiration date.

l. Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

m. Insurance deductibles or self-insured retentions must be declared by Consultant, and such deductibles and retentions shall be approved by District before Consultant commences the Work. At the election of District, Consultant shall either: (1) reduce or eliminate such deductibles or self-insured retentions; or (2) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

n. Consultant shall, upon demand of District, deliver to District such policy or policies of insurance required under this Section 11 and the receipts for payment of premiums thereon.

**12. Indemnification.**

a. To the fullest extent permitted by law, Consultant shall immediately indemnify, defend (with counsel approved by District), protect, and hold harmless District, and its directors, officers, employees, authorized volunteers, and agents from and against any and all actions, judgments, legal or administrative proceedings, arbitrations, claims, demands, damages, liabilities, interest, and costs (including, without limitation, attorney's, expert witness and consultant fees and expenses, fines, penalties, and litigation costs and expenses) of every nature ("claims" or "claim"), arising out of, pertaining to or in any way connected with the negligence, recklessness or willful misconduct of Consultant's, or its employees', agents' or subcontractors', negligence, recklessness or willful misconduct arising out of or in any manner directly or indirectly connected with the Work to be performed under this Agreement, however caused, regardless of any negligence of District, or its directors, officers, employees, authorized volunteers, or agents (including passive negligence), except if caused by the sole negligence or willful misconduct or active negligence of District, or its directors, officers, employees, authorized volunteers, or agents, or as otherwise provided or limited by law.

b. Consultant's obligations under this indemnification provision shall survive the completion of Work under, or the termination of, this Agreement. Submission of insurance certificates or submission of other proof of compliance with the insurance requirements in this Agreement does not relieve Consultant from liability under this provision. The obligations of this provision shall apply whether or not such insurance policies shall have been determined to be applicable to any claims.

c. By executing this Agreement, Consultant specifically acknowledges that: (1) the duty to defend provided in this indemnification provision is a separate and distinct obligation from Consultant's duty to indemnify District; (2) Consultant shall defend District and other indemnified parties in any legal, equitable, administrative, or special proceedings asserting a claim covered by this indemnity, including any claims under the Americans with Disabilities Act or other federal or state disability access or discrimination laws; (3) Consultant shall pay and satisfy any judgment, award or decree that may be rendered against District, or its directors, officers, employees, authorized volunteers, or agents, in any and all suits, actions, or other legal or administrative proceedings asserting a claim covered by this indemnity and otherwise not barred by subsection (a) of this Section 12; and (4) Consultant shall reimburse District, or its directors, officers, employees, authorized volunteers, or agents, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

**13. Subcontractors.** No subcontract shall be awarded nor any subcontractor engaged by Consultant without District's prior written approval. Consultant shall be responsible for requiring and confirming that each approved subcontractor meets the minimum insurance requirements specified in Sections 10 and 11 of this Agreement. Any approved subcontractor shall be covered by Consultant's insurance in accordance with the insurance requirements of Sections 10 and 11 of this Agreement or such subcontractor shall obtain the required insurance coverages and provide proof of same to District in the manner provided in Section 11 of this Agreement.

**14. Independent Contractor.** It is expressly understood and agreed by the parties that Consultant's relationship to District is that of an independent contractor. All persons hired by Consultant and performing the Work shall be Consultant's employees or agents. Consultant and its officers, employees, subcontractors, and agents are not District employees, and they are not entitled to District employment salary, wages or benefits. Consultant shall pay, and District shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance,

Exhibit 2

disability insurance, tax withholding, and benefits to and on behalf of Consultant's employees. Consultant shall, to the fullest extent permitted by law, indemnify District, and its directors, officers, employees, authorized volunteers, and agents, from and against any and all liability, penalties, expenses and costs resulting from any adverse determination by the United States Internal Revenue Service, California Franchise Tax Board or other federal or state agency concerning Consultant's independent contractor status.

**15. Entire Agreement.** This Agreement and the attached exhibits represent the sole, final, complete, exclusive, and integrated expression and statement of the terms of the agreement between District and Consultant concerning the Work. There are no written or oral agreements, conditions, representations, warranties, or promises with respect to the subject matter of this Agreement except those contained in or referred to in this writing. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties to this Agreement.

**16. Successors and Assignment.** This Agreement shall be binding on, and inure to the benefit of, the heirs, successors, and assigns of the parties. However, Consultant agrees that it will not subcontract, assign, transfer, convey, or otherwise dispose of this Agreement or any part thereof, or its rights, title or interest therein, or its power to execute the same without the prior written consent of District, which shall be given or refused in the District's sole discretion.

**17. Severability.** If any part of this Agreement is held to be void, invalid, illegal or unenforceable, then the remaining parts will continue in full force and effect and be fully binding, provided that each party still receives the benefits of this Agreement.

**18. No Waiver of Rights.** Any waiver at any time by either District or Consultant of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default. No payment by District to Consultant shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default.

**19. Interpretation.** District and Consultant each had the opportunity to consult independent counsel in the negotiation and execution of this Agreement. For the purposes of interpretation of this Agreement, neither party will be deemed to have been its drafter.

**20. Governing Law and Venue.** This Agreement will be governed by and construed in accordance with the laws of the State of California. The state superior or federal district court where District's office is located shall be venue for any litigation concerning the enforcement or construction of this Agreement.

**21. Notices.** Any notice or other communication required or permitted to be given under this Agreement will be in writing and will be deemed to be properly given if delivered, mailed or sent by facsimile or e-mail in the manner provided in this Section 21, to the following persons:

District:

Sacramento Suburban Water District  
Attn: Dan Bills  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5346

Consultant:

Richardson & Company, LLP  
Attn: Ingrid Shepline  
550 Howe Avenue, Suite 210  
Sacramento, CA 95825

Exhibit 2

Fax: (916) 972-7639  
E-mail: [dbills@sswd.org](mailto:dbills@sswd.org)

Fax: (916) 564-8728  
E-mail: [isheipline@richardsoncpas.com](mailto:isheipline@richardsoncpas.com)

If sent by mail, any notice, delivery or other communication will be effective or deemed to have been given three days after it has been deposited in the United States mail, with postage prepaid, and addressed as set forth above. If sent by facsimile or e-mail, any notice, delivery or other communication will be deemed to have been given only after it has been confirmed in writing as received. If delivered personally or by commercial overnight delivery service, any such notice, delivery or other communication will be deemed to have been given on the date of delivery. Either party may change that party's address or designated representative by giving written notice of the change to the other party in the manner provided in this Section 21.

**23.** Consultant represents that it is licensed by the California Board of Accountancy, and that Consultant's license is in good standing and will be kept in good standing during the term of this Agreement.

IN WITNESS WHEREOF, the parties execute this Agreement on the day and year first above written.

SACRAMENTO SUBURBAN  
WATER DISTRICT:

Richardson & Company:

By: \_\_\_\_\_  
Kevin M. Thomas  
Chair, Finance & Audit Committee

By: \_\_\_\_\_  
Ingrid Sheipline  
Managing Partner



## Agenda Item: 8

**Date:** November 9, 2016

**Subject:** Resolution No. 16-22 Amending District Conflict of Interest Code

**Staff Contact:** Heather Hernandez, Executive Assistant to the General Manager

**Recommended Board Action:**

Approve Resolution No. 16-22 Amending District Conflict of Interest Code.

**Discussion:**

At the October 17, 2016 regular Board meeting, the Board directed staff to attempt to shorten the language within the District's Conflict of Interest Code (Code). After review of the document staff strongly believes it would be in the best interest of the District to keep the amended Code as drafted, as this version is the preferred format and satisfied the recommendations from the Fair Political Practices Commission (FPPC) as well as Joint Powers Insurance Authority. District legal counsel initially edited the Code to meet the recommendations from FPPC and JPIA

The California Political Reform Act requires all local government agencies to review their conflict of interest codes biennially. Accurate disclosure is essential to monitor whether officials have conflicts of interest and to help ensure public trust in government. The biennial review examines current programs to ensure that the agency's Code includes disclosure by those agency officials who make or participate in making governmental decisions. The District's review is scheduled in even-numbered years and must be submitted to the Sacramento County Board of Supervisors by November 28, 2016.

District legal counsel confirmed that there is a need to amend the District's Code to designate additional staff positions that will be required to file Form 700 forms based on their involvement in making, or participating in making, agency decisions. It has been determined the Technical Services Director will be a Form 700 filer for the District. Legal counsel previously reformatted the Code so it now consists of a cover page and appendix with reporting position designations and related explanatory text, with the FPPC regulation incorporated by reference.

Staff has provided a draft template for the resolution (Exhibit 1) and the reformatted document reflecting the FPPC's preferred current format and style, attached as Exhibit 2. The approving resolution is now a stand-alone document that has the sole purpose of adopting the revised Code and directing its submission to the Sacramento County Board of Supervisors for final approval. Due to the Code being previously thoroughly reformatted and edited by District legal counsel, a redline version was not provided.

**Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Customer Service – 3.A. Operate in an open manner including public information to the Board of Directors.

A Conflict of Interest Code is a benefit to the District's customer's because the purpose is to ensure that agency officials subject to the statute disclose economic interests that might be involved in the making of decisions that may have a material effect on each official's financial interest.

## **Exhibit 1**

### **RESOLUTION NO. 16-22**

#### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SACRAMENTO SUBURBAN WATER DISTRICT ADOPTING AMENDED DISTRICT CONFLICT OF INTEREST CODE**

WHEREAS, Government Code Section 87300 requires each local public agency to adopt and promulgate a conflict of interest code pursuant to the Political Reform Act for the purpose of ensuring that agency officials subject to the statute disclose economic interests that might be involved in the making or in the participation of making decisions that may foreseeably have a material effect on each official's financial interest;

WHEREAS, Government Code Section 87307 authorizes a local public agency to amend its conflict of interest code at any time; and

WHEREAS, the District's existing conflict of interest code, as last amended by the Board on September 17, 2012, requires updating to conform to current FPPC recommendations on format and content and to memorialize changes in designated staff positions subject to the code's reporting requirements, and make other minor changes.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The Board of Directors hereby adopts the revised District conflict of interest code attached hereto, which supersedes the amended conflict of interest code adopted by the Board on September 17, 2012, and all other prior inconsistent codes or resolutions.

2. Designated employees and consultants shall file statements of economic interest on FPPC Form 700 with the District's designated code filing officer, the Administrative Services Manager or her designee, who will make the statements available for public inspection and copying and, if required, file such statements with Sacramento County.

3. This conflict of interest code shall not take effect until the Sacramento County Board of Supervisors approves it in its capacity as code reviewing body under the Political Reform Act. The General Manager is hereby authorized and directed to submit a certified copy of this resolution with the amended District conflict of interest code to the Board of Supervisors and request approval of that code.

4. After approval by the Sacramento County Board of Supervisors, the amended code attached hereto shall constitute the Conflict of Interest Code of the Sacramento Suburban Water District in accordance with subdivision (a) of Section 18730.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 21<sup>st</sup> day of November 2016, by the following vote:



AYES:  
NOES:  
ABSENT:

By: \_\_\_\_\_  
Kevin M. Thomas  
President, Board of Directors  
Sacramento Suburban Water District

\*\*\*\*\*

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting thereof held on the 21<sup>st</sup> day of November 2016.

(SEAL)

By: \_\_\_\_\_  
Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District

Exhibit 2

Sacramento Suburban Water District

**Conflict of Interest Code**

Adopted: February 20, 2002

Revised: September 17, 2012, November 21, 2016

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The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, Section 18730 of Title 2 of the California Code of Regulations, which contains the terms of a standard conflict of interest code. This regulation can be incorporated by reference into any agency's code without publication in full within the code. After public notice and hearing, Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of that regulation, Title 2, section 18730 of the California Code of Regulations and any amendments to it duly adopted by the Fair Political Practices Commission from time to time are hereby incorporated by reference in full into this code and will be applied in accordance with the provisions existing on the date that any issue arising under this code adopted by the Sacramento Suburban Water District Board of Directors must be addressed. This cover page, the referenced and incorporated FPPC regulation, and the Appendix, which is attached hereto and incorporated herein, designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Sacramento Suburban Water District.

Recognizing that different employees have different levels of authority and responsibility, the Appendix to this Conflict of Interest Code establishes three categories of disclosure under which employees are designated based on the scope of their decision making authority. Employees with no significant decision making responsibility are classified as exempt, and are not required to file reports under this Code.

Non-exempt District employees and officers listed in the attached Appendix are designated as persons who are deemed to make, or participate in the making of, decisions that may have a material effect on a financial interest. Consultants are also subject to the disclosure requirements of this Conflict of Interest Code if they are in a position to make decisions, or influence decisions, that could have an effect on their financial interest.

**SACRAMENTO SUBURBAN WATER DISTRICT  
CONFLICT OF INTEREST CODE**

**APPENDIX OF DESIGNATED POSITIONS AND DISCLOSURE CATEGORIES**

**Designated Positions.** The officers and employees listed below are designated as persons who are deemed to make, or participate in the making of, decisions that may have a material effect on a financial interest. Persons holding designated positions listed below will disclose interests and investments in accordance with the corresponding disclosure categories as defined below.

<b><u>Designated Position</u></b>	<b><u>Disclosure Categories</u></b>
Assistant General Manager	1
District Legal Counsel	1
Technical Services Director	2
Operations Manager	2
Information Technology Manager	2
Administrative Services Manager	3
Consultants	1 <sup>1</sup>

**Officials Who Manage Public Investments.** Officials who manage public investments are deemed to be “statutory filers” within the meaning of Government Code Section 87200 and California Code of Regulations, Title 2, section 18720 because they must file statements of economic interest (FPPC Form 700) pursuant to the state Political Reform Act instead of the District’s Conflict of Interest Code. The District’s statutory filers are: Members of the Board of Directors, General Manager/Board Secretary and Finance Director/Board Treasurer. As a result, such persons are not designated in this code and are listed here for information only. An individual holding one of the above-listed positions may contact the Fair Political Practices Commission (“FPPC”) for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The FPPC makes the final determination whether or not a position is covered by Government Code Section 87200.

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<sup>1</sup> Unless the General Manager determines in writing that narrower disclosure is permitted in accordance with the standards provided on page 2 of this Appendix under the heading “Consultants.”

**Disclosure Categories.** The District's disclosure categories are defined as follows:

Category 1- Full Disclosure: All persons in this disclosure category will disclose all interests in real property within two miles of the District's boundaries, as well as all investments, business positions in business entities and sources of income, including receipt of gifts, loans and travel payments, from all sources.

Category 2 – Employees with Significant Contracting and Policy Authority But Without Authority Over Acquisition of Interests in Real Property: All persons in this disclosure category will disclose all investments, business positions in business entities and sources of income, including receipt of gifts, loans and travel payments, in or from all sources that provide goods, equipment or services, including training or consulting services, of the type utilized by the District.

Category 3 – Employees with Specific Contracting or Policy Authority or Who Participate in Making Specific Contracts or Policies: All positions in this category will disclose all investments, business positions in business entities and sources of income, including the receipt of gifts, loans and travel payments, in or from all sources that provide services and supplies of the type utilized by the department or programs administered or managed by the designated position.

**Consultants.** "Consultant" means an individual who, pursuant to a contract with the District, either: (A) Makes a governmental decision whether to: (1) approve a rate, rule, or regulation; (2) adopt or enforce a law; (3) issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement; (4) authorize the District to enter into, modify, or renew a contract provided it is the type of contract that requires District approval; (5) grant District approval to a contract that requires District approval and to which the District is a party, or to the specifications for such a contract; (6) grant District approval to a plan, design, report, study, or similar item; or (7) adopt or grant District approval of policies, standards, or guidelines for the District, or for any subdivision thereof; or (B) Serves in a staff capacity with the District and in that capacity participates in making a governmental decision as defined in California Code of Regulations, Title 2, Section 18702.2 or performs the same or substantially all the same duties for the District that would otherwise be performed by an individual holding a position specified in the District's conflict of interest code under Government Code Section 87302. (See 2 CCR 18701(a)(2).)<sup>2</sup>

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<sup>2</sup> A consultant serves in a staff capacity only if he or she has an on-going relationship with the District. A consultant who works on one project or a limited range of projects for the District is not deemed a consultant subject to the reporting requirements of this code unless the project or projects extend over a substantial period of time, generally more than one year. (See *Smith* Advice Letter, FPPC No. I-99-316; *Travis* Advice Letter, FPPC No. A-96-053; *Randolph* Advice Letter, FPPC No. A-95-045.)

“Consultants” are included in the list of designated positions and must disclose interests and investments in accordance with the broadest disclosure category in the District’s conflict of interest code, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a “consultant” and “designated position,” nevertheless is hired or retained to perform a range of duties that is limited in scope and therefore is not required to comply with any or some of the disclosure requirements described in this section. The General Manager’s written determination will include a description of the consultant’s duties, and, based on that description, a statement of the extent of disclosure requirements. The written determination is a public record and will be retained for public inspection in the same manner and location as the District’s conflict of interest code as required by Government Code Section 81008.

**New Position Added or New Consultant Hired Without Code Revision.** If the District creates a new position that requires disclosure under this code without simultaneously amending the code, the employee appointed to fill such a position will file a Form 700 Assuming Office Statement and thereafter file annual Form 700 Disclosure of Economic Interest Statements using the broadest disclosure category until the District amends the code to designate the position and, if warranted, to authorize more narrow disclosure for the position. Alternatively, the General Manager may designate for any such position or consultant narrower disclosure obligations using a FPPC Form 804 (New Hire) or Form 805 (New Consultant) as appropriate. (See 2 CCR 18734.)

**Filing of Form 700 Statements of Economic Interest.** Persons holding designated positions shall file statements of economic interests with the Administrative Services Manager, who is the District’s code filing officer. The Administrative Services Manager will retain all Forms 700 filed for the retention period provided in the District’s records management policy and will, upon request, make filed statements of economic interests available for public inspection and reproduction (at a cost of no more than \$0.10 per page) in accordance with Government Code Section 81008.



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## Agenda Item: 9

**Date:** November 11, 2016

**Subject:** Treasury Management Services Provider

**Staff Contact:** Daniel A. Bills, Finance Director

### **Recommended Board Action:**

Approve the District enhancing its existing relationship with WestAmerica Bancorporation (WestAmerica) by including depository and lockbox services and to act as the District's Treasury Management Services provider. Authorize the General Manager to execute an agreement, in substantially the same form as the attached District contract and exhibits, including amendments, if any, thereto, with WestAmerica. Retain Wells Fargo Bank, N.A. (Wells Fargo) as the District's interest rate swap counterparty.

### **Discussion:**

The District currently utilizes Wells Fargo as its primary Treasury Management Services Provider. In addition, Wells Fargo also serves as the counterparty to the District's interest rate swap. WestAmerica also provides treasury management services to the District by processing the District's credit card transactions (merchant services). Due to the current serious allegations against Wells Fargo, combined with the need of the District to acquire improved customer service from its bank, staff recommends expanding the services it now receives from WestAmerica to include all treasury management services, while retaining Wells Fargo as its interest rate swap counterparty.

As the Board may recall, in July 2014, the District moved certain banking services from West America to Wells Fargo in order to receive improved automated services even though the cost was higher than what was being charged by WestAmerica. On Wednesday, November 9, 2016, staff met with three representatives from WestAmerica to discuss in detail the opportunity for WestAmerica to again provide services to the District. Staff discussed with the representatives the prior concerns of the District, which WestAmerica agreed to resolve to staff's satisfaction.

Operationally, the change will be relatively easy to effectuate. The District will still be able to use the same armored car service as it does with Wells Fargo. The lockbox address will change from San Francisco to Suisun, which will allow for customer payments to be posted and deposited by 7:00 am each business day as WestAmerica's processing center is located in Suisun. Other additional services include online reconciliations, remote deposits from the

Treasury Management Services Provider

November 11, 2016

Page 2 of 2

District's offices and positive-pay checking, all important for maintaining proper fiscal control and internal operations efficiency.

**Fiscal Impact:**

Monthly costs expected to be roughly \$8,000 for depository and lockbox services and \$5,000 for merchant services.

**Strategic Plan Alignment:**

Finance - 4.E. Provide responsible cash and investment management and other prudent financial practices in order to meet the District's needs and maintain reserves within District policies.

## **AGREEMENT BETWEEN SACRAMENTO SUBURBAN WATER DISTRICT AND WESTAMERICA BANK FOR FINANCIAL INSTITUTION SERVICES**

THIS AGREEMENT is made this November \_\_, 2016, in Sacramento, California, between Sacramento Suburban Water District ("District"), a California public agency, and Westamerica Bank, a state-chartered commercial bank ("Consultant"), concerning the deposit and treasury management services described in Exhibit A (the "Work"). The parties agree as follows:

1. **Scope of Work.** Consultant shall perform the work described in Exhibit A attached hereto and incorporated herein, and described as follows: deposit, lockbox and treasury management services (the "Work"). Consultant shall: (a) provide all labor, equipment, material and supplies required or necessary to properly, competently, and completely perform the Work under this Agreement; and (b) determine the method, details and means of doing the Work.

2. **Compensation.** In exchange for the Work, the District shall pay to Consultant fees based on the fee arrangement described on Exhibit B attached hereto and incorporated herein.

3. **Term and Termination.** This Agreement may be terminated at any time by the District upon 60 days advance written notice to Consultant. In the event of such termination, Consultant shall be fairly compensated for all work performed to the date of termination based on the above fee and payment provisions. Compensation under this subsection shall not include any termination-related expenses, cancellation or demobilization charges, or lost profit associated with the expected completion of the Work or other such similar payments relating to Consultant's claimed benefit of the bargain.

4. **Professional Ability of Consultant.** Consultant represents that it is specially trained and experienced, and possesses the skill, ability, knowledge and certification, to competently perform the Work provided by this Agreement. The District has relied upon Consultant's training, experience, skill, ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Consultant shall meet the standard of care and quality ordinarily to be expected of competent professionals in Consultant's field.

5. **Conflict of Interest.** The parties agree that Consultant is not a designated employee within the meaning of the Political Reform Act and the District's conflict of interest code because Consultant will perform the Work independent of the control and direction of the District or of any District official, other than normal contract monitoring, and Consultant possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel.

6. **Consultant Records.**

a. Consultant shall keep and maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records and documents evidencing or relating to the Work and charges for services, expenditures and disbursements for the Work in accordance with its internal record retention policies which must comply with any retention period required by law. The District may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement upon reasonable notice during Business hours and in accordance with Consultant's internal privacy and record retention policies.



b. In accordance with California Government Code section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the State Auditor General for three years following final payment under the Agreement.

7. **Ownership of Documents.** The District shall own copyright in all materials comprised of reports, studies, and other tangible materials created by Consultant specifically for the District containing information provided by the District. Consultant shall retain any and all intellectual property rights and related rights in any reports, studies, and other tangible materials created by Consultant without use of information provided by the District which has not been created specifically for District under this Agreement (“Consultant’s Retained Rights”). The District shall have a royalty-free, nonexclusive, world-wide, and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute those reports, studies, and other tangible materials covered by Consultant’s Retained Rights and delivered to District under this Agreement and to prepare derivative and additional documents or works based on said materials.

8. **Compliance with Laws.** Consultant shall perform the Work in compliance with all federal, California, and local laws and regulations, applicable to it including applicable anti-discrimination and anti-harassment laws. Consultant also shall possess, maintain and comply with all federal, state and local permits, licenses, certificates, and approvals applicable to it that may be required for it to perform the Work. In accordance with California Code of Regulations Title 13, section 2022.1(g), Consultant shall comply with all federal, state and local air pollution control laws and regulations applicable to the Consultant and its Work.

9. **Confidentiality of Documents and Information.** Consultant shall keep in strict confidence all Work Product and other documents and information provided to, shared with or created by Consultant in connection with the performance of the Work (collectively “Information”). Consultant shall not use any Information for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by the District. Consultant shall not disclose any Information to any person or entity not connected with the performance of the Work under this Agreement, unless otherwise authorized in writing by the District. Provided, however, notwithstanding the above, Consultant may disclose the Information to: (i) federal and state bank examiners, and other regulatory officials having jurisdiction over Consultant; to (ii) Consultant’s Representatives (including affiliates, legal counsel, auditors, and other professional advisors retained by Consultant or its affiliates who need to know the Information in connection with the Work), and (iii) as required by law or legal process. For the avoidance of doubt, Information does not include information that: (a) is or becomes generally available to the public other than as a result of an unauthorized disclosure by Consultant or its Representatives; (b) is or becomes available to Consultant on a non-confidential basis by the District or any officer, employee, agent or representative of the District prior to its disclosure by Consultant; (c) is or becomes available to the Consultant from a source not known to the Consultant to be under an obligation of confidentiality to the District; or (d) is independently developed by the Consultant without the use of the Information.

10. **Professional Liability.** Consultant shall protect against claims based on alleged errors or negligent acts or omissions which may arise from the Work or from Consultant’s operations or performance under this Agreement, whether any such claim is made during or subsequent to the term of this Agreement, and whether such operations or performance be by Consultant or its employees, consultants, agents or anyone else employed by any of the foregoing. Said protection shall be continued in full force and effect during the term of this Agreement and for a period of five years following the completion of the Work.

**11. General Insurance.**

a. Consultant, at its sole cost and expense, shall procure and maintain for the duration of this Agreement the following types and limits of insurance

<u>Type</u>	<u>Limits</u>	<u>Scope</u>
Commercial general liability	\$2,000,000 per occurrence & \$5,000,000 aggregate	at least as broad as ISO CG 0001
Automobile liability	\$2,000,000 per occurrence	at least as broad as ISO CA 0001 (Code 1, any auto)
Workers' compensation	Statutory limits	
Employer's Liability	\$1,000,000 per accident	

b. Consultant's general liability and auto policies are endorsed with an omnibus additional insured endorsement intended to cover the District, and its directors, officers, employees, authorized volunteers, and agents as additional insureds regarding liability arising out of this Agreement. Consultant shall provide all applicable certificates of insurance and additional insured endorsements to the District within five days after execution of this Agreement. The policies shall contain no special limitations on the scope of protection afforded to the District, and its directors, officers, employees, authorized volunteers, and agents. Consultant shall provide the District with at least 30 days' prior written notice of any cancellation of coverage. The worker's compensation policy will be endorsed to include a waiver of subrogation against the District and its directors, officers, employees, volunteers, and agents.

c. Consultant's coverage will be primary and apply separately to each insurer against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. The District's insurance or self-insurance, if any, will be excess and will not contribute with Consultant's insurance.

d. Insurance is to be written on policy forms acceptable to the District and be placed with insurers with a current A.M. Best's rating of A-:VII or better and that are admitted to do business and in good standing in California, unless otherwise acceptable upon notice to and approval by the District.

e. Upon execution of this Agreement and annually thereafter, Consultant will provide to the District the following proof of insurance: (a) certificate(s) of insurance evidencing this insurance; and (b) endorsement(s) on ISO Form CG 2010 (or insurer's equivalent), signed by a person authorized to bind coverage on behalf the insurer(s), and certifying the additional insured coverage.

f. The requirements as to the types, limits, and the District's approval of insurance coverage to be maintained by the Consultant are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by Consultant under this Agreement. In addition, in the event any change is made in the insurance carrier, policies or nature of coverage required under this Agreement that results in noncompliance with the insurance requirements required herein, Consultant shall notify the District prior to making such changes.

g. Consultant shall ensure that all required insurance coverages are maintained throughout the term of this Agreement. If any of the required coverages expire during the term of this Agreement, Consultant shall deliver renewal certificates and any required endorsements to the District no later than 10 days after any such coverage are renewed.

h. Consultant shall not require the District to participate in or contribute to any deductible or self-insured retention maintained by Consultant. Consultant shall be solely responsible for meeting its deductibles or self-insured retention obligations.

**12. Indemnification.** During the term of this Agreement, Consultant will indemnify, defend and hold harmless the District and its officers, directors, employees, agents and assigns (the “Indemnified Parties”) from and against all claims, losses, demands, liability, judgments, awards, interest, attorney's fees and costs (collectively, “Losses”) arising out of, resulting from or relating to the performance of the Work provided hereunder which are, in each case, directly caused in whole or in part by the negligent or intentional acts or omissions of Consultant or any of its officers, directors, employees, agents, subcontractors or assigns, except to the extent such Losses are caused by the negligence or intentional misconduct of any Indemnified Party. In no event will Consultant be liable for any indirect, special, consequential or punitive damages, whether or not the likelihood of such damages was known to Consultant, and regardless of the form of the claim or action or the legal theory on which it is based.

**13. Subcontractors.** If Consultant subcontracts to provide any of the Work to the District under this Agreement, Consultant shall be solely responsible for the performance of all obligations pursuant to this Agreement, including those performed by a subcontractor. Consultant shall require that any such subcontractor carries and provides evidence of insurance that meets or exceeds the insurance requirements provided in this Agreement.

**14. Independent Contractor.** It is expressly understood and agreed by the parties that Consultant's relationship to the District is that of an independent contractor. All persons hired by Consultant and performing the Work shall be Consultant's employees or agents. Consultant and its officers, employees and agents are not District employees, and they are not entitled to District employment salary, wages or benefits. Consultant shall pay, and District shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance, disability insurance, tax withholding, and benefits to and on behalf of Consultant's employees. Consultant shall, to the fullest extent permitted by law, indemnify District, and its officers, employees, volunteers and agents, from and against any and all liability, penalties, expenses and costs resulting from any adverse determination by the federal Internal Revenue Service, California Franchise Tax Board or other federal or state agency concerning Consultant's independent contractor status.

**15. Entire Agreement.** This Agreement and the attached exhibits represent the sole, final, complete, exclusive, and integrated expression and statement of the terms of the agreement between the parties concerning the Work. There are no written or oral agreements, conditions, representations, warranties, or promises with respect to the subject matter of this Agreement except those contained in or referred to in this writing. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties to this Agreement. In the event that there is any conflict between the terms of this Agreement and the terms provided in any of the Consultant documents attached hereto as an exhibit, the term in this Agreement shall govern over any such inconsistent or conflicting term in the attached exhibit.

**16. Successors and Assignment.** This Agreement shall be binding on, and inure to the benefit of, the heirs, successors, and assigns of the parties; however, Consultant agrees that it will not assign, transfer, convey, or otherwise dispose of this Agreement or any part thereof, or its rights, title or interest therein, or its power to execute the same without the prior written consent of the District.

**17. Severability.** If any part of this Agreement is held to be void, invalid, illegal or unenforceable, then the remaining parts will continue in full force and effect and be fully binding, provided that each party still receives the benefits of this Agreement.

**18. No Waiver of Rights.** Any waiver at any time by either party of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default. No payment by the District to Consultant shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default. If either party fails to require the other to perform any term of this agreement, that failure does not prevent the party from later enforcing that term. If either party waives the other's breach of a term, that waiver is not treated as waiving a later breach of the term.

**19. Interpretation.** The District and Consultant each had the opportunity to consult independent counsel in the negotiation and execution of this Agreement. For the purposes of interpretation of this Agreement, neither party will be deemed to have been its drafter.

**20. Governing Law and Venue.** This Agreement will be governed by and construed in accordance with the substantive federal laws, regulations and rules and, to the extent such laws, regulations and rules are not applicable, those laws of the State of California. The state superior or federal district court where the District's office is located shall be venue for any litigation concerning the enforcement or construction of this Agreement.

**21. Notices.** Any notice or other communication required or permitted to be given under this Agreement will be in writing and will be deemed to be properly given if delivered, mailed or sent by facsimile or e-mail in the manner provided in this paragraph, to the following persons:

District:  
Sacramento Suburban Water District  
Attn: Daniel A. Bills  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821  
Fax: (916) 972-7639  
E-mail: [dbills@sswd.org](mailto:dbills@sswd.org)

Consultant:  
Westamerica Bank  
Attn: Darla Carillo  
1610 Arden Way, Suite 199  
Sacramento, CA 95819  
Fax: (916) 920-1208  
E-mail: [Darla.Carillo@westamerica.com](mailto:Darla.Carillo@westamerica.com)

If sent by mail, any notice, delivery or other communication will be effective upon receipt. If sent by facsimile or e-mail, any notice, delivery or other communication will be deemed to have been given only after it has been confirmed in writing as received. If delivered personally or by overnight delivery service, any such notice, delivery or other communication will be deemed to have been given on the date of delivery. Either party may change that party's address by giving written notice of the change to the other party in the manner provided in this paragraph. Notwithstanding the above, any deposit account statement and any notice contained therein, will be deemed received one (1) Business Day after the statement date.

IN WITNESS WHEREOF, the parties execute this Agreement on the day and year first above written.

SACRAMENTO SUBURBAN WATER  
DISTRICT:

WESTAMERICA BANK:

By: \_\_\_\_\_  
Robert S. Roscoe, P.E.  
General Manager

By: \_\_\_\_\_  
Julie Freeman  
Vice President  
Regional Services Manager  
Greater Sacramento Region

# EXHIBIT A

## Banking Services

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A Proposal to

# Sacramento Suburban Water District

**Darla Carrillo**

Assistant Vice President, Business Relationship Manager

**Nancy Whiteside**

Customer Service Manager

**Point West Branch**

1610 Arden Way, Suite 199, Sacramento, California 95815

**Telephone**

(916) 648-6580

**Fax**

(916) 920-1208



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## Introduction

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Westamerica Bank is pleased to present this banking services proposal to Sacramento Suburban Water District. We look forward to continuing our efforts directed at building a long term relationship with both your current and future banking needs. We are committed to delivering quality services and products to meet the evolving needs of our clients. This proposal includes services which Sacramento Suburban Water District currently requires, as well as recommendations to support your efforts in achieving superior customer service coupled with strategic cost effectiveness.

We appreciate the opportunity to present this proposal, and the goal is that it facilitates improved operational efficiency, as per our discussion. You are a valued client to Westamerica Bank and we look forward to expanding our relationship.

Thank you for your consideration.



## About Westamerica

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### **Westamerica Bancorporation**

Westamerica Bancorporation is a bank holding company with combined assets of over \$5.0 billion. Westamerica Bank benefits from the strong financial backing of our holding company. The philosophy of the corporation stresses a commitment to community banking which includes an emphasis on local management and local decision makers.

### **Westamerica Bank**

Westamerica Bank is a regional community bank with over 80 branches and 2 trust offices serving Northern and Central California. In the early 1980s, the holding company brought its banks together under the Westamerica name, with one board of directors and one president. Our senior management team has been a steady force, attesting to our clear, consistent direction and long-term stability.

Our capital ratios significantly exceed regulatory minimum requirements, and independent bank rating agencies consistently reaffirm their positive ratings.

### **Sacramento Suburban Water District and Westamerica Bank... A Great Fit**

We're committed to building long-term relationships, and we'll work with you to design the banking plan that will help your business grow and prosper. Westamerica has the locations and services you need, with none of the "big bank" headaches. Credit and other banking decisions are made locally, and our smaller size means we treat you as a special client, recognizing your individuality.

### **Your Community Banker™**

All Westamerica employees are dedicated to the utmost in personal service and we have a knowledgeable staff to respond to your financial needs. Westamerica realizes that strong business alliances strengthen our communities. We are committed to the communities we serve, and our employees are active in local civic and charitable organizations.

## Relationship Management

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### **Bank Liaison Officers**

Primary Contact: Darla Carrillo, AVP, Business Relationship Manager

Secondary Contact: Stacy Jue, AVP, Product Support Specialist

Branch Contacts: Nancy Whiteside, Customer Service Manager  
Guilleam Arradaza, Branch Services Officer

Address: 1610 Arden Way, Suite 199, Sacramento, California 95815

Telephone: (916) 648-6580

Fax: (916) 920-1208

### **Operations and Service Availability**

Our Point West Branch is a full-service branch. The office is staffed from 8 a.m. to 5 p.m. daily, and until 6 p.m. every Friday. At any time, you are welcome to contact your Business Relationship Manager or Customer Service Manager to answer questions concerning your accounts

Additionally, Westamerica Bank has a toll-free number (1-800-848-1088) which can be accessed from any location in California. Through this number you may also contact other departments in the bank during regular business hours.

When branch visits are preferred, "sit down" banking is available. Our lobby hours are 9 a.m. to 4 p.m. Monday through Thursday and 9 a.m. to 6 p.m. on Fridays. After-hours night drop service is also available for your convenience.

## Westamerica, Your Community Banker

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### **Our Community Banker™ Pledge**

Westamerica Bank believes in the concept of community. Our community is a place where people live and work, know and support one another. From contributing to local efforts to improve social and cultural aspects of our community, to developing profitable partnerships in the economic arena, we practice the art of community banking.

### **Your Community Banker Is...**

- Someone who is a part of your community.
- A local decision maker, capable of making a prompt decision on your behalf.
- A financial consultant for your personal and business cash management, investment, retirement and loan needs — someone who knows you personally.
- A superior service provider, through personal consideration, responsiveness and attention to detail.
- A partner in building your community through participation in social and cultural events and financial partnerships.

### **Making the Move to Westamerica Bank**

As your community banker, Westamerica gives you the best of both worlds: a bank that works with and invests in its communities, and a financial institution that provides you with the security and service your organization requires.

We're committed to delivering the best services and products to meet our clients' evolving needs. At Westamerica, we strive to anticipate your long-term needs, offering new and innovative ways to resolve your business banking challenges.

## Corporate Contributions

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At Westamerica, we pride ourselves in investing a portion of earned income back into the communities we serve. One of the ways we do this is through contributions to locally based nonprofit organizations providing programs or services in the following areas: health and human services, education, the arts, and civic affairs.

Westamerica is proud to have supported our communities through the following types of worthy programs:

- Art therapy and theater programs for homeless children and disabled
- Basic budgeting classes with schools and nonprofits serving low-income and re-entering clients
- Bowling fundraiser for Big Brothers/Big Sisters
- Business and education alliances
- Economic development support
- Elder abuse prevention programs
- Employee supported walks for a variety of causes
- Food drives and food distribution
- Home buyer assistance
- Literacy coalitions and programs
- Meal delivery to home-bound and HIV/AIDS patients
- Multi-cultural programs
- Self-sufficiency projects
- Senior programs
- Shelters for homeless
- Summer programs for low-income children
- Volunteer centers
- Women's re-entry programs
- Youth-at-risk after school programs
- Youth-at-risk entrepreneur program
- Youth leadership programs

### **Mission Statement**

As one of the leading financial institutions in the Northern and Central California areas, Westamerica Bancorporation recognizes its responsibility not only to provide the highest quality banking services to the citizens of our communities, but also to improve the quality of life of the communities we serve.

## CRA Rating and Other Community Involvement

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Westamerica Bank received a "Satisfactory" CRA Rating from the Federal Deposit Insurance Corporation (FDIC) effective January 11, 2010. The Bank offers a full range of products and services. The majority of the lending activity is in two products: business loans to medium and small businesses and purchasing motor vehicle contracts. The Bank originates community development loans that are responsive to community needs including affordable housing, economic development and stabilizing and/or revitalizing economically distressed communities. Westamerica provides financing to nonprofit entities that provide vital services such as education, affordable housing and medical services, job training and employment opportunities; and financing to schools for programs and classrooms that primarily serve economically disadvantaged students.

Westamerica purchases investments that are responsive to the diverse needs of the communities served by the Bank, such as low-income housing tax credits, municipal bonds that focus on helping to rebuild infrastructure, and mortgage-backed securities comprised of loans made to low and moderate-income families. The Bank makes contributions to a wide variety of organizations that help those who have the greatest need.

Bank services are tailored to meet the needs of the communities served by the Bank. Employees serve on community organization boards and committees. Westamerica employees provide financial education for adults and youth including basic budgeting/financial literacy classes and seminars to promote identity theft awareness and financial abuse awareness. The Bank's Senior Guard seminars are designed to assist elders in making sound financial decisions, safeguarding their assets, and to provide resources to prevent victimization from financial abuse.

## Financial Results

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### Financial Performance

Today, with \$5.3 billion in assets and over 80 branches in Northern and Central California, Westamerica Bancorporation is the largest independent banking companies and one of the most stable and prosperous community banks in the nation. By continuing to combine high loan quality, operating cost controls and checking and savings deposit growth with improved technological efficiency and highly responsive customer service, we believe Westamerica will continue to be successful in the years to come.

- Net income for the third quarter in 2016 was \$15.6 million and \$14.9 million for the third quarter of 2015.
- Return on Assets (ROA) was 1.18% for the third quarter of 2016; for the third quarter of year 2015, ROA was 1.16%. ROA is an indicator of how profitable a bank is relative to its total assets. The ROA for our peers is approximately 0.87%.
- Return on Equity (ROE) was 11.4% for the third quarter of 2016; for the third quarter of year 2015, ROE was 11.3%. ROE is the amount of the net income returned as a percentage of shareholders' equity. ROE measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

### Historical Milestones

- 1884 – First National Bank of Mendocino County (California) was founded.
- 1973 – First National Bank of Mendocino County, Bank of Marin, and Bank of Sonoma County form Independent Bankshares Corporation.
- 1983 – Westamerica Bank forms through merger of six banks, including VacaValley Bank and Gold Country Bank.
- 1992-1995 – Through growth and acquisition of John Muir National Bank, Napa Valley Bancorp (Napa Valley Bank and Bank of Lake County), PV Financial (Pacific Valley Bank), Capitol Bank Sacramento, North Bay Bancorporation (Novato National Bank), plus two branches of Bank of America, Westamerica grows to 57 branches.
- 1996 – Westamerica builds consolidated administrative and service center in Solano County.
- 1997 – ValliWide Bank merges into Westamerica Bank.
- 2000 – First Counties Bank merges into Westamerica Bank.
- 2002 – Kerman State Bank merges into Westamerica Bank.
- 2005 – National Bank of the Redwoods merges into Westamerica Bank.
- 2009 – Westamerica Bank acquires failed County Bank from the FDIC.
- 2010 – Westamerica Bank acquires failed Sonoma Valley Bank from the FDIC.

## Acquisitions

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On August 20, 2010, Westamerica Bank purchased the assets and assumed the liabilities of Sonoma Valley Bank.

On August 15, 2009, Westamerica Bank purchased the assets and assumed the liabilities of County Bank from the Federal Deposit Insurance Corporation (FDIC). County Bank had approximately \$1.6 billion in assets and 39 branches.

On March 1, 2005, Westamerica Bancorporation completed the merger with Redwood Empire Bancorp. Redwood Empire Bancorp had approximately \$511 million in assets and seven branches in Sonoma and Lake Counties.

On June 21, 2002, Westamerica Bancorporation completed the merger with Kerman State Bank. Kerman State Bank had approximately \$106 million in assets and three branches in Fresno County.

On August 17, 2000, Westamerica Bancorporation completed the merger with First Counties Bank with approximately \$95 million in assets and five branches in Lake, Napa, and Colusa counties.

On April 12, 1997, Westamerica Bancorporation completed the merger of ValliCorp Holdings, Inc. into Westamerica. This merger added \$1.3 billion in deposits and over 30 Central California branches to the Westamerica system.

Three bank acquisitions were completed in 1995. In each of these instances, the acquired bank was merged into Westamerica Bank. The three banks were:

- Pacific Valley National Bank, with \$135 million in deposits in five Modesto area branches, was added to Westamerica Bank's branch network in the first quarter of 1995.
- CapitolBank Sacramento, with \$112 million in deposits in one downtown Sacramento branch, was added to Westamerica Bank in the second quarter of 1995.
- Novato National Bank, with \$80 million in deposits in three North Bay branches, was combined with nearby Westamerica branches in the third quarter of 1995.

In the fourth quarter of 1995, Westamerica Bank also acquired two branches from Bank of America.

In 1993, Westamerica completed the acquisition of Napa Valley Bancorp, adding branches in Napa, Lake, and Solano counties and deposits of approximately \$550 million.

In 1992, Westamerica completed the acquisition of John Muir National Bank, adding \$51 million in deposits and branches in Contra Costa County.

## Rating Agencies

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### **Westamerica Receives Positive Ratings**

Independent bank rating agencies have consistently reaffirmed their positive ratings of Westamerica Bank and Westamerica Bancorporation, including:

- Findley Reports: Super Premier Performance
- Veribanc: Blue Ribbon Bank
- S & P: Profitability Rating A

Westamerica Bancorporation's stock trades on the NASDAQ under the symbol "WABC".

Westamerica's exemplary financial performance and business success has prompted positive analyst reports from investment banking firms located in San Francisco and New York.



## Health and Safety

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Westamerica Bank's performance is outstanding in these important areas:

### **Allowance for Loan Losses**

Our September 30, 2016 reserve for loan losses of \$26.4 million far exceeds our originated non-performing loans of \$6.0 million.

At September 30, 2016, the reserve for loan losses was 2.13% of originated loans.

### **Earnings**

The earnings of Westamerica Bank, as a percentage of our assets, were 60% higher than our peers in the banking industry. This high level of profitability is an outstanding source of strength for the consolidated Company and for the bank's customers.

### **Capital Ratios**

The combination of strong capital ratios, well in excess of the most stringent "well capitalized" levels, and consistently superior profitability, places Westamerica Bank in the lowest risk group for FDIC insurance purposes.

## Overview of Account Services

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You'll find that Westamerica Bank can meet your business banking needs better than the "big banks" can. We're small enough to be flexible, yet we have the technical expertise to design a banking system just for you. Plus, Westamerica Bank has the range of services you can count on.

### **Cash Vault**

Deposits and change orders are transported by armored carrier. Your transactions are processed in a controlled environment, and your business operations will be uninterrupted.

### **Concentration and Zero Balance Account**

Each night, Westamerica will automatically move funds in or out of your concentration account to your zero balance account(s) to concentrate excess funds or cover debits. This service simplifies your cash management while allowing you to maintain separate accounts for different purposes, such as for payroll funds, subsidiaries, or operating expenses.

### **Courier and Armored Car Pick-up and Delivery**

Westamerica will make scheduled pick-ups and deliveries to fit your needs. We are flexible about arranging special courier runs when necessary.

### **Credit Card**

Our Visa Business Credit Card products are specifically tailored to provide worldwide acceptance, flexible spending limits and payment plans, and cardholder benefits. They can help you control spending, manage cash flow, and enjoy rewards.

### **Electronic Banking and Cash Management**

Bank from your office anytime with Onsite Banker Plus, our full-featured banking and cash management program. Updated account information helps you improve cash flow and better understand your cash position while streamlining tasks like account reconciliation, reporting, and monitoring. Export files to share information with your accounting software.

### **Electronic Collections and Deposits**

Our Direct Payment Service is a PC-based system that enables you to originate Automated Clearing House (ACH) transactions to or from accounts at any bank. Automatically withdraw payments from your clients, or generate credits to pay employees or other recipients by Direct Deposit. Users of this system who access ACH/Tax Module and Wire Transfers can enhance the security of these online transactions with StarID security tokens. StarID security tokens add another level of authentication security to transaction initiation and approval processes.

## Overview of Account Services (cont'd)

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### **eStatements**

eStatements are the secure electronic form of your checking or savings account statement and your cleared checks. You'll enjoy the speed and security of eStatements – you no longer have to wait for mail delivery or have concerns about your account information sitting in your mailbox. We'll notify you via e-mail each time your eStatement is ready. Then at your convenience, simply log into a secure site to view your statement and check images.

### **Express Deposit – Remote Deposit Capture**

Enjoy the flexibility to make unlimited deposits to your Westamerica account without leaving your office. ExpressDeposit gives you the flexibility to manage your business on your schedule, enjoy later deposit deadlines and take advantage of earlier funds availability.

### **Lockbox**

Let us process your incoming invoices according to your specifications. Our lockbox service speeds collection of your accounts receivable, reduces your processing float, and frees your staff for other duties.

### **Positive Pay**

Our PC-based Positive Pay service helps with the detection of altered or misencoded amounts on the checks you issue. Discrepancies can be detected daily, not just once a month when you're balancing your bank statement.

### **ACH Positive Pay**

With Westamerica Bank's ACH Positive Pay service, unauthorized ACH Items are captured and available for your immediate review, not weeks later when you're balancing your statement. ACH Positive Pay is a very effective tool to help protect your company from fraud.

### **Safe Deposit**

To protect important documents, records, computer tapes, and valuables, Westamerica Bank offers safe deposit boxes. Pricing varies based on size of box and may be charged through Account Analysis.

### **Toll-Free Phone Number for Superior Customer Service**

There is no charge for unlimited calls, seven days a week, 24 hours a day. We feature an automated inquiry system, plus you always have the option of speaking with a customer service representative if you have questions or need more detailed information between the hours of 5:00 a.m. and midnight.

### **Wire Transfers**

Westamerica Bank maintains its own Wire Transfer Department and receives and transmits domestic and foreign wires through the Federal Reserve Bank. In addition, we have several correspondent banks for foreign wire requirements. Recurring wires may be set up and authorized in advance.

## Visa Business Credit Cards

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### **Visa CommUNITY Credit Card**

The Visa CommUNITY Credit Card is designed for non-profits and municipalities seeking an easier way to manage cash flow and expenses. Enhanced reporting helps document expenses, track purchases, reveal spending patterns, organize budgeting information and save time on accounting procedures.

### **No Annual Fee\***

You will have access to a revolving line of credit, with no annual fee.

### **No Personal Guarantee Needed**

Credit approval is based on your Organization, not your personal assets.

### **Dedicated Servicing Group**

To ensure all your needs are handled quickly and efficiently, Cardmember Service is your single point of contact to assist with account changes or additions, or to answer any questions you may have. Cardmember Service, based in the U.S., is available 24 hours a day, seven days a week.

### **Consolidated Statements**

Organization will receive central billing in one statement each month showing all charges at a single glance. Charges are grouped by cardmember.

### **Improve Cash Flow**

You have the choice of paying in full each month, paying 50% of the balance or paying any amount in between the two.

### **Optional Rewards Program**

Help reduce expenses with an optional rewards program. Earn one point per dollar spent on net purchases and redeem for flights with no blackout dates, 1% cash back, gift cards or merchandise with non earnings caps. Rewards points from all CommUNITY cards are pooled to one central account.

### **Free Online Reporting with Scoreboard**

Our free, comprehensive online management reporting tool can organize and track spending on a monthly, quarterly, annual or YTD basis. You can view your spending by total spend, average ticket or merchant category. You can also compare your organization to others in the same industry or state. Your reports can be customized and your data displays in a clean, easy-to-read format that can be downloaded.

*\*We may change APRs, fees and other Account terms in the future based on your experience with Elan Financial Services and its affiliates as provided under the Cardmember Agreement and applicable law.*

## ExpressDeposit Remote Deposit Capture

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### Deposit Checks Without Leaving Your Office

ExpressDeposit gives you the flexibility and convenience to manage your business on your schedule. You can make unlimited deposits, enjoy later deposit cut-off times, and save time – without ever leaving the office.

- Reduce or eliminate courier expenses or inconvenient trips to the bank.
- Process and transmit deposits at your convenience from the security of your office, 24 hours a day, 7 days a week.
- Minimize manual deposit preparation requirements with a faster, automated deposit preparation process.
- Reduce your fraud risk with accelerated check clearing, allowing you to identify returned items sooner, enhancing the collection process.
- Improve your funds availability since deposits are delivered to the bank sooner, allowing you to take advantage of earlier availability deadlines.

ExpressDeposit allows you to make a deposit to your bank account from your office without physically delivering the check to the bank. Checks are submitted for deposit using a PC and certified check-scanning device. The scanner will capture the information on the check, creating a two-sided digital image and transmit it to the bank. Your electronic deposit files are sent to Westamerica on a secure, encrypted internet connection.

You can deposit checks drawn on any U.S. bank made payable in U.S. currency. Scan up to 199 checks through the web-based version or 249 checks through the software version in a single deposit and can make as many deposits per day as you like, 24 hours a day, 7 days a week. Check images are stored as secure pdf files for accurate and efficient record keeping.

Deposits received by Westamerica before 5:00 p.m. PT are processed on the same business day and are subject to the funds availability schedules provided by your designated account type. Deposits made after 5:00 pm will be processed the next business day.

You can save and print images of your deposited items and you can also export various reports of deposits, items in a deposit, and return and adjustment items. You are able to view detailed information about a submitted deposit for 90 calendar days.

System requirements for ExpressDeposit:

- Microsoft Windows Vista Business or Microsoft Windows 7 Professional or Ultimate
- Internet Explorer 10.0 or Mozilla Firefox
- Sun Java Runtime (latest version)
- Certified desktop check scanner
- USB 2.0 compatible port
- The desktop software-based version requires additional specialized software and will be provided by Westamerica.
- A specialized check scanner is required to use ExpressDeposit. Scanners can be purchased through Westamerica or you may use another scanner as long as it is on our certified list of check scanners.

## Account Reconciliation and Positive Pay Services

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### **PC Banking Account Reconciliation**

Account transaction data can be viewed and sorted for quick, convenient access through our Electronic banking service, Onsite Banker Plus. A daily transmission of cleared checks for Sacramento Suburban Water District's General Operating and Payroll accounts can be saved to your network or hard drive in a variety of formats, accessed by drop down menus, to meet your particular needs. Transaction information would be available by 8:00 a.m. each day.

### **PC Banking Positive Pay**

Positive Pay is an automated fraud detection tool offered by the Onsite Banker Plus Cash Management system. In its simplest form, it is a service that matches the date, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by the District. All three components of the check must match exactly or it will create an exception.

Positive Pay requires the District to send (transmitted through Onsite Banker Plus) a file of issued checks to the bank each day checks are written. When those issued checks are presented for payment at the bank, they are compared electronically against the list of transmitted checks. The check-issue file sent to the bank contains the check number, account number, issue date, and dollar amount. You may also include the payee name, but it is not part of the matching service.

When a check is presented that does not have a "match" in the file, it becomes an "exception item." The bank sends a notification that an exception item is pending a pay/return decision. You will review the image and instruct the bank to pay or return the check through Onsite Banker Plus. If there are no pay/return decisions presented before 12:00 p.m., the default will be to pay the item.

### **ACH Positive Pay**

With Westamerica Bank's ACH Positive Pay service, unauthorized ACH Items are captured and available for your immediate review, not weeks later when you're balancing your statement. ACH Positive Pay is a very effective tool to help protect your company from fraud.

ACH Positive Pay is an automated program that allows you to select ACH Items which are authorized to pay from your account. You simply provide Westamerica with the authorized Company Names, Tax Identification Numbers (TINs) and last day the Company was paid.

Only the ACH Items presented by the company with the information you provide will pay against your account. Any other ACH Item will be reported to you first thing the following morning (Monday through Friday, excluding bank holidays) and will automatically return unless you call us by 12:00 noon Pacific Time and authorize us to pay the item.

## Electronic Banking and Cash Management

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### Onsite Banker Plus Banking and Cash Management

Now more than ever, businesses are trying to improve cash flow, understand their cash position, and obtain accurate and timely information about their bank accounts. Onsite Banker Plus is designed to help you achieve these goals while minimizing the time, effort, and cost of your cash management activities. Onsite Banker Plus gives you the control and security you want, while streamlining tasks like account reconciliation, reporting, and monitoring accounts payable and receivable activities. You can even perform banking tasks 24 hours a day.

We will be pleased to make a full presentation and demonstration of the capabilities of Onsite Banker Plus.

### Features and Benefits:

#### Basic Package

*Balance Reporting* - Better assess your cash and float positions.

*Activity Reporting* - View posted transactions for better account tracking and security.

*Funds Transfer* - Move funds between accounts for better cash management.

*Reports* - Create reports for management needs and easier monitoring.

*Account Reconciliation* - Review posted transactions and electronically compare information to your register.

### Onsite Banker Price Schedule

Basic Package.....	\$20.00 per month for first two accounts
Additional accounts.....	\$5.00 per month per account
Per-item Fee .....	First 200 items      5¢ each Items 201 - 1,000      4¢ each Items 1,001+      3¢ each
Stop Payment .....	\$18 per order
Domestic Wire Transfer .....	\$15 per order
Installation, Training or Consulting.....	Current hourly rate
Positive Pay .....	\$60 per month per account 5¢ per item

## Electronic Collections and Deposits

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### Onsite Banker ACH Origination

Onsite Banker Plus ACH Origination is an internet-based collection and deposit system that enables you to originate Automated Clearing House transactions to or from accounts at any bank.

There are no costly investments for hardware or systems development. Using a PC with an Internet connection, simply log in to initiate transactions. On-line help screens will prompt you to proceed through the various menus and functions. Comprehensive security functions including Star ID security tokens with passwords, authorization levels and access logs maintain client confidentiality. We will be pleased to make a full presentation and demonstration of the capabilities of our Onsite Banker Plus Direct Payment Service.

### ACH Debit Transactions

Automatically withdraw payments from your clients. Your customers will appreciate the convenience, since they will save on postage while avoiding the hassle of returning the payment on time. It's also convenient for your business, saving processing time, reducing your float, and assuring that payments are received on time. Credit approval is required.

### ACH Credit Transactions

Pay your employees via Direct Deposit with the touch of a button! Great for your employees, giving them quick access to their paychecks. Plus, your business saves the time and expense of issuing and reconciling checks.

### Direct Payment Service Price Schedule

Licensing Fee .....	\$20.00 per month
Transmission/Batch Fee.....	\$8.00 per transmission
Per-item Fee.....	\$ 0.25 each (first 100 items) \$ 0.20 each (items 101-500) \$ 0.15 each (items 501-1,000) \$ 0.10 each (items 1,001+)
Returned Item Fee.....	\$12.00 per item
Reversal .....	\$15.00 per item
Installation, Training or Consulting .....	Current hourly rate
Other Services.....	As quoted

*NOTE: Some or all of these fees may be offset by compensating balances through Account Analysis.*



## Lockbox Service

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### **Westamerica Bank's Lockbox Service**

Westamerica Bank's lockbox service is fully customized for the unique processing, reporting and posting file requirements for each lockbox account. This allows us to meet the special needs of your business without requiring you to conform to a "standard" used by all. It also allows for modifications to be made which may be unique to you as your system or operating procedure changes.

The Westamerica Bank lockbox center is located in Fairfield, California. The center is staffed with 11 processors, one supervisor and the department manager. All are experienced in lockbox processing and reporting. All lockbox accounts have customized processing instructions to fit the reporting needs of the lockbox customer. All funds are deposited same day as receipt and all customers have direct contact with the lockbox supervisor for quick and easy inquiries and research needs. Lockbox payments are processed Monday through Friday. There is no processing on weekends or holidays. The lockbox area is monitored by security equipment.

### **Receipt of Payments**

Westamerica utilizes the Suisun Post Office, just a short distance to the processing center, for lockbox receipts. Sacramento Suburban Water District is assigned a unique PO Box number at the Suisun Post Office. The zip code contains a 4 digit extension for the PO Box number which is included in the post office's first sorting pass. Each morning the mail in the post office box is picked up by a bonded courier and delivered to the lockbox processing center in Fairfield by 8:30 am. One lockbox staff processor (and one back-up) is assigned to the District's account. The processor opens the payments received and prepares them for processing based on the customized instructions established by the District.

### **Technical Requirements for Billing Documents**

Westamerica Bank's lockbox is a fully automated remittance capture and reporting system. It performs automated data capture from encoding formats of MICR, OCR or bar code scan lines to capture and process individual payment information. Scan lines placed at the top or bottom of the payment document with a ½" clearance from the edge of the document or other printed matter provide for optimum read capability. Non-reads by the scanner are re-scanned a second time. If the second pass does not read, the payment information is then entered via manual data entry. At the end of processing, the checks are balanced to the scan file of payments and a deposit is prepared to the lockbox account.

## Lockbox Service (cont'd)

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Payments received as "check only" without an invoice, such as those from "bill payer" systems, are entered via manual data entry from information on the check. Any information missing, such as account number, invoice number, or any other field required as part of the District's payment reporting information could be left blank, default to "0" or "9" filled, or payment not accepted and returned to the District. All "exception" item processing instructions are determined by the District. A contact person is also identified from the District to resolve any payment exceptions not previously documented. The goal is to process all items in the lockbox each day.

Sacramento Suburban Water District can set a daily processing deadline for release of the report and posting files. If no deadline is requested, deposit totals are reported daily by 4:00 pm. Cash received in payments is counted and logged in a register by two people. Cash is deposited in the local branch ATM.

### **Data Transmission File**

Westamerica Bank's lockbox data file format is "user defined" and file tests are completed prior to implementation. Currently the District uses a scan line for remittance payment information, therefore the data file is prepared using the detail information captured from the scan line of the payment documents. The format is customized to be compatible with the District's accounts receivable system. The daily posting file is released by the lockbox area by 4:00 pm, which the District can retrieve as a Secure e-mail file or a Secure FTP (user name & password) using Secure Envelope by CISCO systems.

### **Reporting**

Daily lockbox reports will be transmitted to, and retrieved by, Sacramento Suburban Water District via e-mail. The reports will detail the lockbox payment transactions received for the day, and total deposit of funds to the District's account. To eliminate the need to mail remittance copies and "exception" items back to the District, they can be imaged and included as an attachment to the posting file.

## Lockbox Service (cont'd)

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### **Benefits Received From Westamerica's Lockbox Processing Service**

- Experienced lockbox staff.
- Direct telephone or e-mail contact with Lockbox Supervisor.
- Processing instructions customized to meet your needs.
- Payments received today are processed and deposited today.
- Personal processor assigned to your account.
- Daily file of receivables formatted to post to your customer accounts.
- Images of daily "exception" items can be attached to report file.
- Backup documentation always available.

Westamerica's Lockbox Service can process your receivable items, freeing your staff for other productive duties. You also benefit from reduced processing float before depositing receipts. Your Lockbox Service can be customized to suit the special needs of your business.

### **Benefits of Lockbox Service**

- Processes your incoming invoices according to your instructions.
- Speeds accounts receivable collection.
- Daily pickups enable timely deposit of funds received.
- Reduces processing time.
- Lowers personnel costs.

## Lockbox Service (cont'd)

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### Pricing

Set Up Fee	\$0.00
Monthly Base	\$100.00
Data Entry Items	.45/item (2 fields of information: name and \$ paid) .10 each additional field of data entry per item
Scan Copies	.05 each
Email Report	No Charge
Fax Report	\$10.00/month
Correspondence and Envelopes Returned	\$0.00
Exception Items Not Processed and Returned	\$0.00
Scan Items	.25 - .35
	0-999 Items/Month .35
	1000-4999 Items/Month .30
	Over 5000 Items/Month .25



SAMPLE ACCOUNT ANALYSIS STATEMENT

SACRAMENTO SUBURBAN WATER DISTRICT
3701 MARCONI AVE STE 100
SACRAMENTO CA 95821-5346

Sep-16

CONSOLIDATED ACCOUNT ANALYSIS

30 days in this cycle

Account Number: CONSOLIDATED
Number of Accounts: 4

BALANCE INFORMATION

Table with 2 columns: Description and Amount. Rows include Average Ledger Balance, Less Average Float, Average Collected Balance, Average Positive Collected Balance, Less Legal Reserve, and Positive Balance Available for Earnings Allowance.

EARNINGS ALLOWANCE INFORMATION

Table with 4 columns: Description, AVERAGE BALANCES, RATE, and AMOUNT. Rows include Earnings Allowance on Positive Balance Available, Expense on Negative Collected Balance, and Net Earnings Allowance.

ACCOUNT POSITION

Table with 2 columns: Description and Amount. Rows include Net Earnings Allowance, Less Activity Charges, and Amount Due.

Your account will be charged at the end of the month. \$7,826.76
Collected Balance required per \$1.00 of service charge is \$3,873.02
This service charge could have been avoided by maintaining
an additional Average Positive Collected Balance of \$30,313,183.26

**SAMPLE ACCOUNT ANALYSIS STATEMENT**  
**SACRAMENTO SUBURBAN WATER DISTRICT**

30 days in this cycle

**SERVICE ACTIVITY CHARGES FOR ACCOUNT:**

TMA CODE	SERVICE DESCRIPTION	VOLUME	PRICE	SERVICE CHARGE	BAL REQUIRED
<b>01 GENERAL ACCT SERVICES</b>					
010000	ACCOUNT MAINTENANCE	4	19.00	76.00	294,349.21
000076	TOTAL INTEREST PAID			0.00	0.00
000230	FDIC ASSESSMENT	3400	0.1167	396.78	1,536,735.24
010020	ZBA MAINTENANCE-MASTER	1	10.00	10.00	38,730.16
010021	ZBA MAINTENANCE-SUB ACCOUNT	1	15.00	15.00	58,095.24
<b>05 LOCKBOX SERVICES</b>					
050020	LOCKBOX MONTHLY FEE	1	100.00	100.00	387,301.59
059930	LOCKBOX ITEMS (scan)	11595	0.25	2,898.75	11,226,904.76
059945	LOCKBOX ITEMS (non scan)	1398	0.45	629.10	2,436,514.29
059905	LOCKBOX SCAN IMAGES	24588	0.05	1,229.40	4,761,485.71
<b>10 DEPOSITORY SERVICES</b>					
100000	CREDITS AND DEPOSITS	43	1.40	60.20	233,155.56
100000 B	CASH VAULT DEPOSITS	56	1.56	87.36	338,346.67
100000 B	CASH VAULT ORDERS	3	6.50	19.50	75,523.81
100040	COIN & CURRENCY FURN (per \$10.00)	76	0.0130	0.99	3,826.54
100044	ROLLED COIN FURNISHED	6	0.10	0.60	2,323.81
10011Z B	COIN & CURRENCY DEP (per \$10.00)	2974	0.0110	32.71	126,701.84
100220	CHECKS DEPOSITED	13527	0.13	1,758.51	6,810,737.14
100400	RETURN ITEM	14	12.00	168.00	650,666.67
<b>15 PAPER DISBURSEMENT SERVICES</b>					
150102	CHECKS PAID TRUNCATED	354	0.18	63.72	246,788.57
150340	NSF/OD ITEMS	0	35.00	0.00	0.00
150410	PC STOP PAYMENT	1	18.00	18.00	69,714.29
<b>20 POSITIVE PAY SERVICES</b>					
200000	ACH POSITIVE PAY	4	30.00	120.00	464,761.90
200001	POSITIVE PAY MONTHLY BASE	3	60.00	180.00	697,142.86
200002	POSITIVE PAY ITEMS	278	0.05	13.90	53,834.92
<b>25 ACH SERVICES</b>					
250102	ONSITE BANKER ACH ORIGATION ITEMS	100	0.25	25.00	96,825.40
250102	ONSITE BANKER ACH ORIGATION ITEMS	400	0.20	80.00	309,841.27
250102	ONSITE BANKER ACH ORIGATION ITEMS	500	0.15	75.00	290,476.19
250102	ONSITE BANKER ACH ORIGATION ITEMS	3809	0.10	380.90	1,475,231.75
251120	ONSITE BANKER ACH SOFTWARE LICENSE	1	20.00	20.00	77,460.32
250501	ONSITE BANKER ACH FILE TRANSMISSION	9	8.00	72.00	278,857.14
250202	ACH RECEIVED DEBIT/CREDIT	325	0.12	39.00	151,047.62
<b>35 WIRE TRANSFER SERVICES</b>					
35020Z	PC OUTGOING WIRE	3	15.00	45.00	174,285.71
350300	INCOMING WIRE	0	15.00	0.00	0.00
<b>40 ELECTRONIC BANKING SERVICES</b>					
400231	ONSITE BANKER PLUS PER ITEM FEE	200	0.05	10.00	38,730.16
400231	ONSITE BANKER PLUS PER ITEM FEE	595	0.04	23.80	92,177.78
401000	ONSITE BANKER PLUS BASIC FEE(2ACCT)	1	20.00	20.00	77,460.32
401001	ONSITE BANKER PLUS ADD'L ACCT FEE	3	5.00	15.00	58,095.24
<b>TOTAL ACTIVITY CHARGES</b>				<b>8,684.22</b>	<b>33,634,129.65</b>



SAMPLE ACCOUNT ANALYSIS STATEMENT

SACRAMENTO SUBURBAN WATER DISTRICT
3701 MARCONI AVE STE 100
SACRAMENTO CA 95821-5346

Aug-16

CONSOLIDATED ACCOUNT ANALYSIS

31 days in this cycle

Account Number: CONSOLIDATED
Number of Accounts: 4

BALANCE INFORMATION

Table with 2 columns: Description and Amount. Rows include Average Ledger Balance, Less Average Float, Average Collected Balance, Average Positive Collected Balance, Less Legal Reserve, and Positive Balance Available for Earnings Allowance.

EARNINGS ALLOWANCE INFORMATION

Table with 4 columns: Description, AVERAGE BALANCES, RATE, and AMOUNT. Rows include Earnings Allowance on Positive Balance Available, Expense on Negative Collected Balance, and Net Earnings Allowance.

ACCOUNT POSITION

Table with 2 columns: Description and Amount. Rows include Net Earnings Allowance, Less Activity Charges, and Amount Due.

Your account will be charged at the end of the month. \$7,417.51
Collected Balance required per \$1.00 of service charge is \$3,748.08
This service charge could have been avoided by maintaining
an additional Average Positive Collected Balance of \$27,801,425.44

**SAMPLE ACCOUNT ANALYSIS STATEMENT**  
**SACRAMENTO SUBURBAN WATER DISTRICT**

31 days in this cycle

**SERVICE ACTIVITY CHARGES FOR ACCOUNT:**

TMA CODE	SERVICE DESCRIPTION	VOLUME	PRICE	SERVICE CHARGE	BAL REQUIRED
<b>01 GENERAL ACCT SERVICES</b>					
010000	ACCOUNT MAINTENANCE	4	19.00	76.00	284,854.07
000076	TOTAL INTEREST PAID			0.00	0.00
000230	FDIC ASSESSMENT	2558	0.1167	298.52	1,118,871.56
010020	ZBA MAINTENANCE-MASTER	1	10.00	10.00	37,480.80
010021	ZBA MAINTENANCE-SUB ACCOUNT	1	15.00	15.00	56,221.20
<b>05 LOCKBOX SERVICES</b>					
050020	LOCKBOX MONTHLY FEE	1	100.00	100.00	374,807.99
059930	LOCKBOX ITEMS (scan)	10397	0.25	2,599.25	9,742,196.62
059945	LOCKBOX ITEMS (non scan)	1249	0.45	562.05	2,106,608.29
059905	LOCKBOX SCAN IMAGES	22043	0.05	1,102.15	4,130,946.24
<b>10 DEPOSITORY SERVICES</b>					
100000	CREDITS AND DEPOSITS	45	1.40	63.00	236,129.03
100000 B	CASH VAULT DEPOSITS	63	1.56	98.28	368,361.29
100000 B	CASH VAULT ORDERS	3	6.50	19.50	73,087.56
100040	COIN & CURRENCY FURN (per \$10.00)	77	0.0130	1.00	3,751.83
100044	ROLLED COIN FURNISHED	12	0.10	1.20	4,497.70
10011Z B	COIN & CURRENCY DEP (per \$10.00)	3377	0.0110	37.15	139,229.92
100220	CHECKS DEPOSITED	12187	0.13	1,584.31	5,938,120.43
100400	RETURN ITEM	19	12.00	228.00	854,562.21
<b>15 PAPER DISBURSEMENT SERVICES</b>					
150102	CHECKS PAID TRUNCATED	462	0.18	83.16	311,690.32
150340	NSF/OD ITEMS	0	35.00	0.00	0.00
150410	PC STOP PAYMENT	3	18.00	54.00	202,396.31
<b>20 POSITIVE PAY SERVICES</b>					
200000	ACH POSITIVE PAY	4	30.00	120.00	449,769.59
200001	POSITIVE PAY MONTHLY BASE	3	60.00	180.00	674,654.38
200002	POSITIVE PAY ITEMS	559	0.05	27.95	104,758.83
<b>25 ACH SERVICES</b>					
250102	ONSITE BANKER ACH ORIGATION ITEMS	100	0.25	25.00	93,702.00
250102	ONSITE BANKER ACH ORIGATION ITEMS	400	0.20	80.00	299,846.39
250102	ONSITE BANKER ACH ORIGATION ITEMS	500	0.15	75.00	281,105.99
250102	ONSITE BANKER ACH ORIGATION ITEMS	3794	0.10	379.40	1,422,021.51
251120	ONSITE BANKER ACH SOFTWARE LICENSE	1	20.00	20.00	74,961.60
250501	ONSITE BANKER ACH FILE TRANSMISSION	10	8.00	80.00	299,846.39
250202	ACH RECEIVED DEBIT/CREDIT	353	0.12	42.36	158,768.66
<b>35 WIRE TRANSFER SERVICES</b>					
35020Z	PC OUTGOING WIRE	2	15.00	30.00	112,442.40
350300	INCOMING WIRE	1	15.00	15.00	56,221.20
<b>40 ELECTRONIC BANKING SERVICES</b>					
400231	ONSITE BANKER PLUS PER ITEM FEE	200	0.05	10.00	37,480.80
400231	ONSITE BANKER PLUS PER ITEM FEE	745	0.04	29.80	111,692.78
401000	ONSITE BANKER PLUS BASIC FEE(2ACCT)	1	20.00	20.00	74,961.60
401001	ONSITE BANKER PLUS ADD'L ACCT FEE	3	5.00	15.00	56,221.20

<b>TOTAL ACTIVITY CHARGES</b>				<b>8,082.08</b>	<b>30,292,268.67</b>
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SAMPLE ACCOUNT ANALYSIS STATEMENT

SACRAMENTO SUBURBAN WATER DISTRICT
3701 MARCONI AVE STE 100
SACRAMENTO CA 95821-5346

Jul-16

CONSOLIDATED ACCOUNT ANALYSIS

31 days in this cycle

Account Number: CONSOLIDATED
Number of Accounts: 5

BALANCE INFORMATION

Table with 2 columns: Description and Amount. Rows include Average Ledger Balance, Less Average Float, Average Collected Balance, Average Positive Collected Balance, Less Legal Reserve, and Positive Balance Available for Earnings Allowance.

EARNINGS ALLOWANCE INFORMATION

Table with 4 columns: Description, AVERAGE BALANCES, RATE, and AMOUNT. Rows include Earnings Allowance on Positive Balance Available, Expense on Negative Collected Balance, and Net Earnings Allowance.

ACCOUNT POSITION

Table with 2 columns: Description and Amount. Rows include Net Earnings Allowance, Less Activity Charges, and Amount Due.

Your account will be charged at the end of the month. \$7,647.75
Collected Balance required per \$1.00 of service charge is \$3,748.08
This service charge could have been avoided by maintaining
an additional Average Positive Collected Balance of \$28,664,392.32

**SAMPLE ACCOUNT ANALYSIS STATEMENT**  
**SACRAMENTO SUBURBAN WATER DISTRICT**

31 days in this cycle

**SERVICE ACTIVITY CHARGES FOR ACCOUNT:**

TMA CODE	SERVICE DESCRIPTION	VOLUME	PRICE	SERVICE CHARGE	BAL REQUIRED
<b>01 GENERAL ACCT SERVICES</b>					
010000	ACCOUNT MAINTENANCE	5	19.00	95.00	356,067.59
000076	TOTAL INTEREST PAID			0.00	0.00
000230	FDIC ASSESSMENT	3484	0.1167	406.58	1,523,904.81
010020	ZBA MAINTENANCE-MASTER	1	10.00	10.00	37,480.80
010021	ZBA MAINTENANCE-SUB ACCOUNT	1	15.00	15.00	56,221.20
<b>05 LOCKBOX SERVICES</b>					
050020	LOCKBOX MONTHLY FEE	1	100.00	100.00	374,807.99
059930	LOCKBOX ITEMS (scan)	11240	0.25	2,810.00	10,532,104.45
059945	LOCKBOX ITEMS (non scan)	1139	0.45	512.55	1,921,078.34
059905	LOCKBOX SCAN IMAGES	23619	0.05	1,180.95	4,426,294.93
<b>10 DEPOSITORY SERVICES</b>					
100000	CREDITS AND DEPOSITS	42	1.40	58.80	220,387.10
100000 B	CASH VAULT DEPOSITS	54	1.56	84.24	315,738.25
100000 B	CASH VAULT ORDERS	4	6.50	26.00	97,450.08
100040	COIN & CURRENCY FURN (per \$10.00)	114	0.0130	1.48	5,554.65
100044	ROLLED COIN FURNISHED	13	0.10	1.30	4,872.50
10011Z B	COIN & CURRENCY DEP (per \$10.00)	2822	0.0110	31.04	116,347.90
100220	CHECKS DEPOSITED	13257	0.13	1,723.41	6,459,478.34
100400	RETURN ITEM	21	12.00	252.00	944,516.13
<b>15 PAPER DISBURSEMENT SERVICES</b>					
150102	CHECKS PAID TRUNCATED	355	0.18	63.90	239,502.30
150340	NSF/OD ITEMS	0	35.00	0.00	0.00
150410	PC STOP PAYMENT	1	18.00	18.00	67,465.44
<b>20 POSITIVE PAY SERVICES</b>					
200000	ACH POSITIVE PAY	4	30.00	120.00	449,769.59
200001	POSITIVE PAY MONTHLY BASE	3	60.00	180.00	674,654.38
200002	POSITIVE PAY ITEMS	326	0.05	16.30	61,093.70
<b>25 ACH SERVICES</b>					
250102	ONSITE BANKER ACH ORIGATION ITEMS	100	0.25	25.00	93,702.00
250102	ONSITE BANKER ACH ORIGATION ITEMS	400	0.20	80.00	299,846.39
250102	ONSITE BANKER ACH ORIGATION ITEMS	500	0.15	75.00	281,105.99
250102	ONSITE BANKER ACH ORIGATION ITEMS	3816	0.10	381.60	1,430,267.28
251120	ONSITE BANKER ACH SOFTWARE LICENSE	1	20.00	20.00	74,961.60
250501	ONSITE BANKER ACH FILE TRANSMISSION	9	8.00	72.00	269,861.75
250202	ACH RECEIVED DEBIT/CREDIT	306	0.12	36.72	137,629.49
<b>35 WIRE TRANSFER SERVICES</b>					
35020Z	PC OUTGOING WIRE	4	15.00	60.00	224,884.79
350300	INCOMING WIRE	1	15.00	15.00	56,221.20
<b>40 ELECTRONIC BANKING SERVICES</b>					
400231	ONSITE BANKER PLUS PER ITEM FEE	200	0.05	10.00	37,480.80
400231	ONSITE BANKER PLUS PER ITEM FEE	583	0.04	23.32	87,405.22
401000	ONSITE BANKER PLUS BASIC FEE(2ACCT)	1	20.00	20.00	74,961.60
401001	ONSITE BANKER PLUS ADD'L ACCT FEE	3	5.00	15.00	56,221.20

<b>TOTAL ACTIVITY CHARGES</b>				<b>8,540.20</b>	<b>32,009,339.77</b>
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## Discounted Banking for Your Employees

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Your employees will appreciate your support when your business banking relationship provides benefits for them as well. Should your employees choose to bank with Westamerica Bank, we can offer them an attractive package of benefits.

### **Special Sacramento Suburban Water District Employee Accounts**

This special offer of discounted services includes:

- 120 personalized standard checks at no charge.
- No monthly service charges for the first 12 months (Overdraft and other special handling fees and charges may still apply.)
- No charge for automatic deposit of your employees' paychecks. This service provides added security for your employees, plus they save the time and avoid the inconvenience of going to the bank to make deposits.
- Friendly, attentive, personal service.
- No fees to make deposits or withdrawals at any of more than 125 linked ATMs throughout our Westamerica Bank network.

### **Financial Planning for the Future**

- Employees can plan for their retirement through a variety of retirement accounts.
- Westamerica Bank offers a wide range of IRAs, including Contributory IRAs, Rollover IRAs, and Transfer IRAs.
- Financial investment services, including mutual funds, annuities and insurance, are available for all employees through Sorrento Pacific Financial. \*

\*Non-deposit investment products and services are offered through Sorrento Pacific Financial, LLC ("SPF"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through SPF: are not FDIC or otherwise federally insured, are not a deposit or guarantee of the bank, and may involve investment risk including possible loss of principal. Investment Representatives are registered through SPF. Westamerica Bank has contracted with SPF to make non-deposit investment products and services available to bank clients.

## 2016 Third Quarter Earnings Release

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### PRESS RELEASE

FOR IMMEDIATE RELEASE

October 20, 2016

For additional information

Contact: Westamerica Bancorporation  
Robert A. Thorson  
707-863-6840  
www.westamerica.com

#### WESTAMERICA BANCORPORATION REPORTS THIRD QUARTER 2016 FINANCIAL RESULTS

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC), parent company of Westamerica Bank, generated net income for the third quarter 2016 of \$15.6 million and diluted earnings per common share ("EPS") of \$0.61, compared to net income of \$14.5 million and EPS of \$0.57 for the prior quarter, and net income of \$14.9 million and EPS of \$0.58 for the third quarter 2015.

Nonperforming delinquent loans declined \$7.1 million during the third quarter 2016; the resolution of these problem loans contributed to net recoveries of prior loan losses of \$649 thousand during the quarter. Given the level of improvement in credit quality, Westamerica recorded a reversal of the provision for loan losses of \$3.2 million for the third quarter 2016. Operating expenses increased approximately \$900 thousand for the third quarter 2016 relative to the prior quarter due in part to higher legal fees related to loan administration and collection activities. Our net interest margin was 3.21 percent in the third quarter 2016, down 0.06 percent from the prior quarter due to persistently low market interest rates," said Chairman, President and CEO David Payne. "Westamerica continued to generate relatively high returns within our industry, realizing an annualized return on shareholders' common equity of 11.4 percent for the third quarter 2016. Westamerica paid its shareholders a \$0.39 per share dividend in the third quarter," concluded Payne.

## 2016 Third Quarter Earnings Release

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The annualized net interest margin on a fully taxable equivalent basis was 3.21 percent for the third quarter 2016, compared to 3.27 percent for the prior quarter, and 3.31 percent for the third quarter 2015. Net interest income on a fully taxable equivalent basis was \$36.2 million for the third quarter 2016, compared to \$36.5 million for the prior quarter, and \$37.2 million for the third quarter 2015. The Company's loan portfolio has declined from the third quarter 2015 through the third quarter 2016; Management has avoided originating long-term, low-yielding loans given historically low interest rates. Management has also maintained conservative loan underwriting, terms and conditions. During this period, the investment portfolio has grown. The changing composition of interest earning assets and low market interest rates has pressured the net interest margin. The funding cost of deposits and other interest-bearing borrowings, as a percentage of average loans and investment securities, was 0.05 percent for the third quarter 2016, unchanged from the prior quarter and the third quarter 2015. Checking and savings deposits, which earn relatively low interest rates and are less volatile than time deposits during periods of rising market interest rates, represented 94 percent of average total deposits during the third quarter 2016.

During the third quarter 2016, Westamerica's recoveries of loan losses exceeded gross loan losses by \$649 thousand. In contrast, gross loan losses exceeded recoveries of loan losses by \$577 thousand for the second quarter 2016 and by \$792 thousand for the third quarter 2015. Westamerica recorded a reversal of the provision for loan losses of \$3.2 million for the third quarter 2016 while the provision for loan losses was zero for both the second quarter 2016 and third quarter 2015. At September 30, 2016, the allowance for loan losses totaled \$26.4 million.

Noninterest income for the third quarter 2016 totaled \$11.6 million, compared to \$11.7 million for the prior quarter and \$12.0 million for the third quarter 2015.

Noninterest expense for the third quarter 2016 totaled \$26.1 million, compared to \$25.2 million for the prior quarter, and \$26.2 million for the third quarter 2015. The approximate \$900 thousand increase in noninterest expense from the second quarter 2016 to the third quarter 2016 is attributable to higher legal fees related to loan administration and collection efforts as well as increased occupancy costs and higher net OREO costs, offset in part by lower other expenses.

## 2016 Third Quarter Earnings Release

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The approximate \$100 thousand reduction in noninterest expense from the third quarter 2015 to the third quarter 2016 is due to lower net OREO costs and other expenses, offset in part by higher legal fees and employee benefit costs.

At September 30, 2016, Westamerica Bancorporation's tangible common equity-to-asset ratio was 8.4 percent, and assets totaled \$5.3 billion. Westamerica Bancorporation, through its wholly owned subsidiary Westamerica Bank, operates commercial banking and trust offices throughout Northern and Central California.

### FORWARD-LOOKING INFORMATION:

The following appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release may contain forward-looking statements about the Company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may."

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors — many of which are beyond the Company's control — could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. The Company's most recent reports filed with the Securities and Exchange Commission, including the annual report for the year ended December 31, 2015 filed on Form 10-K and quarterly report for the quarter ended June 30, 2016 filed on Form 10-Q, describe some of these factors, including certain credit, interest rate, operational, liquidity and market risks associated with the Company's business and operations. Other factors described in these reports include changes in business and economic conditions, competition, fiscal and monetary policies, disintermediation, legislation including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011, the Sarbanes-Oxley Act of 2002 and the Act of 1999, and mergers and acquisitions.

Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date forward looking statements are made.

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# 2016 Third Quarter Financial Highlights

Public Information October 20, 2016

**WESTAMERICA BANCORPORATION**  
**FINANCIAL HIGHLIGHTS**  
September 30, 2016

1. Net Income Summary.

	(In thousands except per-share amounts)							
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
1 Net Interest and Fee Income (FTE)	\$36,176	\$37,179	-2.7%	\$36,495	-0.9%	\$109,118	\$111,524	-2.2%
2 Reversal of Provision for Loan Losses	(3,200)	-	n/m	-	n/m	(3,200)	-	n/m
3 Noninterest Income	11,598	11,993	-3.3%	11,702	-0.9%	35,029	36,562	-4.2%
4 Noninterest Expense	26,088	26,173	-0.3%	25,229	3.4%	77,175	79,796	-3.3%
5 Income Before Taxes (FTE)	24,888	22,999	8.2%	22,968	8.4%	70,172	68,290	2.8%
6 Income Tax Provision (FTE)	9,258	8,142	13.7%	8,422	9.9%	25,772	24,115	6.9%
7 Net Income	\$15,628	\$14,857	5.2%	\$14,546	7.4%	\$44,400	\$44,175	0.5%
8 Average Common Shares Outstanding	25,641	25,530	0.4%	25,586	0.2%	25,558	25,565	0.0%
9 Diluted Average Common Shares Outstanding	25,687	25,565	0.5%	25,630	0.2%	25,595	25,585	0.0%
10 Operating Ratios:								
11 Basic Earnings Per Common Share	\$0.61	\$0.58	5.2%	\$0.57	7.0%	\$1.74	\$1.73	0.6%
12 Diluted Earnings Per Common Share	0.61	0.58	5.2%	0.57	7.0%	1.73	1.73	0.0%
13 Return On Assets (a)	1.18%	1.18%	1.13%	1.13%	1.14%	1.17%	1.17%	-0.3%
14 Return On Common Equity (a)	11.4%	11.3%	10.9%	10.9%	11.0%	11.4%	11.4%	-0.3%
15 Net Interest Margin (FTE) (a)	3.21%	3.31%	3.27%	3.27%	3.27%	3.37%	3.37%	-0.3%
16 Efficiency Ratio (FTE)	54.6%	53.2%	52.3%	52.3%	53.5%	53.9%	53.9%	-0.5%
17 Dividends Paid Per Common Share	\$0.39	\$0.38	2.6%	\$0.39	0.0%	\$1.17	\$1.14	2.6%
18 Common Dividend Payout Ratio	64%	66%	68%	68%	68%	66%	66%	0.5%

2. Net Interest Income.

	(dollars in thousands)							
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
1 Interest and Fee Income (FTE)	\$36,699	\$37,764	-2.8%	\$37,036	-0.9%	\$110,734	\$113,385	-2.3%
2 Interest Expense	523	585	-10.6%	541	-3.4%	1,616	1,861	-13.2%
3 Net Interest and Fee Income (FTE)	\$36,176	\$37,179	-2.7%	\$36,495	-0.9%	\$109,118	\$111,524	-2.2%
4 Average Earning Assets	\$4,489,317	\$4,471,690	0.4%	\$4,473,700	0.3%	\$4,448,261	\$4,417,114	0.7%
5 Average Interest-Bearing Liabilities	2,616,357	2,511,820	4.2%	2,598,868	0.7%	2,605,584	2,540,948	2.5%
6 Yield on Earning Assets (FTE) (a)	3.26%	3.36%	3.32%	3.32%	3.32%	3.43%	3.43%	-0.3%
7 Cost of Funds (a)	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
8 Net Interest Margin (FTE) (a)	3.21%	3.31%	3.27%	3.27%	3.27%	3.37%	3.37%	-0.3%
9 Interest Expense/Interest-Bearing Liabilities (a)	0.08%	0.09%	0.08%	0.08%	0.08%	0.10%	0.10%	-0.3%
10 Net Interest Spread (FTE) (a)	3.16%	3.27%	3.24%	3.24%	3.24%	3.33%	3.33%	-0.3%

3. Loans & Other Earning Assets.

	(average volume, dollars in thousands)							
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
1 Total Assets	\$5,253,502	\$5,052,334	3.8%	\$5,194,409	1.3%	\$5,204,418	\$5,055,421	2.9%
2 Total Earning Assets	4,489,317	4,471,690	0.4%	4,473,700	0.3%	4,448,261	4,417,114	0.7%
3 Total Loans	1,386,186	1,591,798	-12.9%	1,455,050	-4.7%	1,447,061	1,643,438	-11.9%
4 Commercial Loans	343,727	377,687	-9.0%	356,629	-3.6%	356,781	394,829	-9.6%
5 Commercial Real Estate Loans	572,044	675,597	-15.3%	611,996	-6.5%	604,741	690,970	-12.5%
6 Consumer Loans	470,415	538,514	-12.6%	486,425	-3.3%	485,539	557,639	-12.9%
7 Total Investment Securities	3,103,131	2,879,892	7.8%	3,018,650	2.8%	3,001,200	2,773,876	8.2%
8 Available For Sale (Market Value)	1,660,680	1,649,886	0.6%	1,554,014	6.9%	1,594,253	1,669,056	-4.5%
9 Held To Maturity	1,442,451	1,229,906	17.3%	1,464,636	-1.5%	1,406,947	1,104,820	27.4%
10 HTM Unrealized Gain at Period-End	29,100	15,144	n/m	33,820	n/m	29,100	15,144	n/m
11 Loans / Deposits	30.2%	36.1%	32.1%	32.1%	31.8%	31.8%	37.3%	-3.3%

4. Deposits, Other Interest-Bearing Liabilities & Equity.

	(average volume, dollars in thousands)							
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
1 Total Deposits	\$4,588,762	\$4,414,711	3.9%	\$4,531,751	1.3%	\$4,552,819	\$4,404,379	3.4%
2 Noninterest Demand	2,041,045	1,975,498	3.3%	1,994,803	2.3%	2,010,058	1,946,018	3.3%
3 Interest-Bearing Transaction	850,215	817,479	4.0%	855,732	-0.6%	859,437	810,980	6.0%
4 Savings	1,427,247	1,304,128	9.4%	1,404,322	1.6%	1,406,338	1,239,051	9.3%
5 Time greater than \$100K	118,113	147,215	-19.0%	119,475	-1.1%	120,418	172,834	-30.3%
6 Time less than \$100K	152,142	170,390	-10.7%	157,419	-3.4%	156,568	175,626	-10.0%
7 Total Short-Term Borrowings	68,640	72,607	-5.5%	61,920	10.9%	62,823	81,926	-23.3%
8 Federal Home Loan Bank Advances	-	-	n/m	-	n/m	-	861	n/m
9 Shareholders' Equity	545,771	520,261	4.9%	537,987	1.4%	537,010	517,054	3.9%
10 Demand Deposits / Total Deposits	44.5%	44.7%	44.0%	44.0%	44.1%	44.2%	44.2%	-0.3%
11 Transaction & Savings Deposits / Total Deposits	94.1%	92.8%	93.9%	93.9%	93.9%	92.1%	92.1%	0.5%

5. Interest Yields Earned & Rates Paid.

	(dollars in thousands)						
	Average Volume	Q3'16 Income/Expense	Yield/Rate	Q2'16 Yield/Rate	Q3'15 Average Volume	Income/Expense	Yield/Rate
1 Interest & Fee Income Earned							
2 Total Earning Assets (FTE)	\$4,489,317	\$36,699	3.26%	3.32%	\$4,471,690	\$37,764	3.36%
3 Total Loans (FTE)	1,386,186	17,260	4.95%	4.95%	1,591,798	19,732	4.92%
4 Commercial Loans (FTE)	343,727	4,302	4.96%	4.75%	377,687	4,470	4.70%

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## WESTAMERICA BANCORPORATION FINANCIAL HIGHLIGHTS September 30, 2016

5	Commercial Real Estate Loans	572,044	8,832	6.14%	6.27%	675,597	10,127	5.95%
6	Consumer Loans	470,415	4,128	3.49%	3.44%	538,514	5,135	3.79%
7	Total Investment Securities (FTE)	3,103,731	19,439	2.51%	2.53%	2,879,892	18,032	2.50%
8	Interest Expense Paid							
9	Total Earning Assets	4,489,317	523	0.05%	0.05%	4,471,690	585	0.05%
10	Total Interest-Bearing Liabilities	2,616,357	523	0.05%	0.08%	2,511,820	585	0.09%
11	Total Interest-Bearing Deposits	2,547,717	512	0.08%	0.08%	2,438,213	573	0.09%
12	Interest-Bearing Transaction	850,215	64	0.03%	0.03%	817,479	65	0.03%
13	Savings	1,427,247	229	0.06%	0.06%	1,304,128	211	0.06%
14	Time less than \$100K	152,142	95	0.25%	0.27%	170,390	133	0.31%
15	Time greater than \$100K	118,113	124	0.42%	0.45%	147,216	164	0.44%
16	Total Short-Term Borrowings	68,840	11	0.06%	0.07%	72,607	12	0.07%
17	Net Interest Income and Margin (FTE) * Annualized		\$36,176	3.21%	3.27%		\$37,179	3.31%

### 6. Noninterest Income.

(dollars in thousands except per-share amounts)									
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD	
1	Service Charges on Deposit Accounts	\$5,303	\$5,581	-5.0%	\$5,239	1.2%	\$15,790	\$16,981	-7.0%
2	Merchant Processing Services	1,532	1,485	3.1%	1,638	-6.5%	4,699	4,971	-5.5%
3	Debit Card Fees	1,587	1,538	3.2%	1,621	-2.1%	4,724	4,528	4.3%
4	Other Service Fees	671	693	-3.1%	650	3.3%	1,951	2,041	-4.4%
5	ATM Processing Fees	600	616	-2.6%	603	-0.5%	1,860	1,828	1.6%
6	Trust Fees	688	682	0.5%	657	4.4%	2,004	2,081	-2.6%
7	Financial Services Commissions	118	177	-33.4%	137	-13.7%	411	527	-22.2%
8	Other Income	1,101	1,221	-9.9%	1,157	-4.9%	3,590	3,625	-1.0%
9	Total Noninterest Income	\$11,598	\$11,993	-3.3%	\$11,702	-0.9%	\$35,029	\$36,562	-4.2%
10	Operating Ratios:								
11	Total Revenue (FTE)	\$47,774	\$49,172	-2.8%	\$48,197	-0.9%	\$144,147	\$148,086	-2.7%
12	Noninterest Income / Revenue (FTE)	24.3%	24.4%		24.3%		24.3%	24.7%	
13	Service Charges / Avg. Deposits (a)	0.48%	0.50%		0.46%		0.48%	0.52%	
14	Total Revenue Per Avg. Common Share (a)	\$7.41	\$7.64	-3.0%	\$7.58	-2.2%	\$7.53	\$7.74	-2.7%

### 7. Noninterest Expense.

(dollars in thousands)									
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD	
1	Salaries & Benefits	\$13,063	\$12,761	2.4%	\$12,687	1.4%	\$39,067	\$39,795	-1.8%
2	Occupancy	3,749	3,748	0.1%	3,400	10.3%	10,546	11,199	-6.8%
3	Outsourced Data Processing	2,114	2,115	0.0%	2,130	-0.7%	6,375	6,334	0.6%
4	Amortization of Identifiable Intangibles	867	952	-9.0%	870	-0.3%	2,642	2,908	-9.2%
5	Professional Fees	1,693	746	127.1%	758	123.5%	3,183	1,876	69.7%
6	Furniture and Equipment	1,211	1,075	12.7%	1,167	2.1%	3,611	3,353	7.7%
7	Other Real Estate Owned	-206	83	n/m	-392	n/m	-487	451	n/m
8	Counter Service	451	604	-25.3%	462	-2.5%	1,458	1,744	-16.4%
9	Other Operating	3,146	4,091	-23.1%	3,927	-19.5%	10,780	12,138	-11.2%
10	Total Noninterest Expense	\$26,088	\$26,173	-0.3%	\$25,229	3.4%	\$77,175	\$79,786	-3.3%
11	Operating Ratios:								
12	Noninterest Expense / Avg. Earning Assets (a)	2.31%	2.32%		2.27%		2.32%	2.42%	
13	Noninterest Expense / FTE Revenues	54.6%	53.2%		52.3%		53.5%	53.9%	

### 8. Allowance for Loan Losses.

(dollars in thousands)									
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD	
1	Average Total Loans	\$1,386,186	\$1,591,798	-12.9%	\$1,455,050	-4.7%	\$1,447,061	\$1,643,438	-11.9%
2	Allowance for Loan Loss (ALL) Beginning of Period	\$28,910	\$30,828	-6.2%	\$29,487	-2.0%	\$29,771	\$31,485	-5.4%
3	Reversal of Provision for Loan Losses	(3,200)	-	n/m	-	n/m	(3,200)	-	n/m
4	Net ALL Recoveries (Losses)	649	-792	-182.0%	-577	-212.6%	-212	-1,449	-85.4%
5	ALL End of Period	\$26,359	\$30,036	-12.2%	\$28,910	-8.6%	\$26,359	\$30,036	-12.2%
6	ALL Recoveries / Gross ALL Losses	134%	46%		61%		96%	63%	
7	Net ALL (Recoveries) Losses / Avg. Total Loans (a)	-0.19%	0.20%		0.16%		0.02%	0.12%	

### 9. Credit Quality.

(dollars in thousands)									
	9/30/16	9/30/15	9/30/16 / 9/30/15	6/30/16	9/30/16 / 6/30/16	3/31/16	12/31/15	6/30/15	
1	Nonperforming Originated Loans:								
2	Nonperforming Nonaccrual Loans	\$1,198	\$7,578	-84.2%	\$1,693	-29.2%	\$9,205	\$6,302	\$6,269
3	Performing Nonaccrual Loans	4,410	-	n/m	6,890	n/m	1,841	350	11
4	Total Nonaccrual Loans	5,608	7,578	-26.0%	8,583	-34.7%	11,046	6,652	6,280
5	Accruing Loans 90+ Days Past Due	438	481	-9.5%	303	44.5%	183	295	221
6	Total	6,046	8,059	-25.0%	8,886	-32.0%	11,229	6,947	6,501
7	Repossessed Originated Loan Collateral	665	5,834	-88.5%	1,088	-38.9%	4,786	5,829	5,806
8	Total Nonperforming Originated Assets	6,712	13,893	-51.7%	9,975	-32.7%	16,015	12,776	12,407
9	Nonperforming Purchased Covered Loans (1):								
10	Nonperforming Nonaccrual Loans	29	-	n/m	29	n/m	-	-	3
11	Performing Nonaccrual Loans	-	-	n/m	-	n/m	-	-	-
12	Total Nonaccrual Loans	29	-	n/m	29	n/m	-	-	3
13	Accruing Loans 90+ Days Past Due	-	-	n/m	-	n/m	-	-	-

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14 Total	29	-	n/m	29	n/m	-	-	3
15 Repossessed Purchased Covered Loan Collateral (1)	-	-	n/m	-	n/m	-	-	486
16 Total Nonperforming Purchased Covered Assets (1)	29	-	n/m	29	0.4%	-	-	489
<b>17 Nonperforming Purchased Non-Covered Loans (2):</b>								
18 Nonperforming Nonaccrual Loans	634	8,784	-92.8%	4,805	-86.8%	6,601	8,348	9,937
19 Performing Nonaccrual Loans	22	84	n/m	148	n/m	80	-	5
20 Total Nonaccrual Loans	656	8,868	-92.6%	4,953	-86.8%	6,681	8,348	9,942
21 Accruing Loans 90+ Days Past Due	49	-	n/m	53	n/m	77	-	-
22 Total	705	8,868	-92.1%	5,006	-85.9%	6,758	8,348	9,942
23 Repossessed Purchased Non-Covered Loan Collateral (2)	2,366	3,433	-31.1%	3,073	-23.0%	3,532	3,433	2,868
24 Total Nonperforming Purchased Non-Covered Assets (2)	3,071	12,303	-75.0%	8,079	-62.0%	10,410	11,781	12,810
<b>25 Total Nonperforming Assets</b>	<b>\$9,812</b>	<b>\$26,196</b>	<b>-62.5%</b>	<b>\$18,083</b>	<b>-45.7%</b>	<b>\$26,425</b>	<b>\$24,557</b>	<b>\$25,706</b>
26 Total Originated Loans Outstanding	\$1,242,224	\$1,376,905	-8.8%	\$1,280,194	-3.0%	\$1,310,083	\$1,351,839	\$1,425,047
27 Total Purchased Covered Loans Outstanding (1)	11,745	14,640	-19.8%	12,777	-8.1%	13,664	14,061	15,109
28 Total Purchased Non-Covered Loans Outstanding (2)	110,360	180,298	-38.8%	136,589	-19.2%	149,449	167,496	191,115
29 Total Loans Outstanding	\$1,364,329	\$1,571,843	-13.2%	\$1,429,560	-4.6%	\$1,473,196	\$1,533,396	\$1,631,271
<b>30 Total Assets</b>	<b>\$5,306,778</b>	<b>\$5,001,395</b>	<b>6.1%</b>	<b>\$5,179,085</b>	<b>2.5%</b>	<b>\$5,199,868</b>	<b>\$5,168,875</b>	<b>\$5,031,230</b>
<b>31 Loans:</b>								
32 Allowance for Loan Losses	\$26,359	\$30,036	-12.2%	\$28,910	-8.8%	\$29,487	\$29,771	\$30,828
33 Allowance/Loans	1.93%	1.91%		2.02%		2.00%	1.94%	1.89%
34 Nonperforming Loans/Total Loans	0.50%	1.08%		0.97%		1.22%	1.00%	1.01%
<b>35 Purchased Covered Loans (1):</b>								
36 Fair Value Discount on Purchased Covered Loans	\$-	\$155		\$-		\$18	\$152	\$197
37 Discount/Purchased Covered Loans, gross	0.00%	1.05%		0.00%		0.13%	1.07%	1.29%
38 Nonperforming Purchased Covered Loans/Total Cvd Loans	0.25%	0.00%		0.23%		0.00%	0.00%	0.02%
<b>39 Purchased Non-Covered Loans (2):</b>								
40 Fair Value Discount on Purchased Non-Covered Loans	\$4,922	\$7,082		\$5,411		\$6,084	\$6,432	\$7,780
41 Discount/Purchased Non-Covered Loans, gross	4.27%	3.78%		3.81%		3.91%	3.70%	3.91%
42 Nonperforming Purchased NC Loans/Total NC Loans	0.64%	4.92%		3.66%		4.52%	4.98%	5.20%

### 10. Capital.

(in thousands, except per-share amounts)								
	9/30/16	9/30/15	9/30/16 / 9/30/15	6/30/16	9/30/16 / 6/30/16	3/31/16	12/31/15	6/30/15
1 Shareholders' Equity	\$562,996	\$533,938	5.4%	\$558,327	0.8%	\$538,973	\$532,205	\$525,338
2 Total Assets	5,306,778	5,001,395	6.1%	5,179,085	2.5%	5,199,868	5,168,875	5,031,230
3 Total Shareholders' Equity / Total Assets	10.61%	10.68%		10.78%		10.37%	10.30%	10.44%
4 Total Shareholders' Equity / Total Loans	41.27%	33.97%		39.06%		36.59%	34.71%	32.20%
5 Tangible Common Equity Ratio	8.37%	8.23%		8.48%		8.64%	7.94%	7.99%
6 Common Shares Outstanding	25,665	25,530	0.5%	25,632	0.1%	25,438	25,528	25,529
7 Common Equity Per Share	\$21.94	\$20.91	4.9%	\$21.78	0.7%	\$21.19	\$20.85	\$20.58
8 Market Value Per Common Share	\$50.88	\$44.44	14.5%	\$49.26	3.3%	\$48.71	\$46.75	\$50.65
<b>9 Share Repurchase Programs</b>								
(shares in thousands)								
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
10 Total Shares Repurchased / Canceled	-	26	n/m	7	n/m	137	342	-59.8%
11 Average Repurchase Price	\$-	\$50.30	n/m	\$49.35	n/m	\$41.94	\$43.90	-4.5%
12 Net Shares (Issued) Repurchased	-33	-1	n/m	-194	n/m	-137	215	-163.6%

### 11. Period-End Balance Sheets.

(unaudited, dollars in thousands)								
	9/30/16	9/30/15	9/30/16 / 9/30/15	6/30/16	9/30/16 / 6/30/16	3/31/16	12/31/15	6/30/15
<b>1 Assets:</b>								
2 Cash and Due from Banks	\$471,367	\$268,587	75.5%	\$441,785	6.7%	\$471,164	\$433,044	\$289,606
3 Investment Securities Available For Sale	1,762,408	1,571,710	12.1%	1,531,035	15.1%	1,585,970	1,570,216	1,634,878
4 Investment Securities Held to Maturity	1,411,019	1,278,814	10.3%	1,473,357	-4.2%	1,358,139	1,316,075	1,159,581
5 Loans	1,364,329	1,571,843	-13.2%	1,429,560	-4.6%	1,473,196	1,533,396	1,631,271
6 Allowance For Loan Losses	-26,359	-30,036	-12.2%	-28,910	-8.8%	-29,487	-29,771	-30,828
7 Total Loans, net	1,337,970	1,541,807	-13.2%	1,400,650	-4.5%	1,443,709	1,503,625	1,600,443
8 Other Real Estate Owned	3,032	9,269	-67.3%	4,162	-27.2%	8,438	9,264	9,260
9 Premises and Equipment, net	37,059	39,244	-5.6%	37,759	-1.9%	38,045	38,693	37,945
10 Identifiable Intangibles, net	7,789	11,379	-31.5%	8,656	-10.0%	9,526	10,431	12,331
11 Goodwill	121,673	121,673	0.0%	121,673	0.0%	121,673	121,673	121,673
12 Other Assets	154,461	158,912	-2.8%	160,008	-3.5%	163,204	165,854	165,513
<b>13 Total Assets</b>	<b>\$5,306,778</b>	<b>\$5,001,395</b>	<b>6.1%</b>	<b>\$5,179,085</b>	<b>2.5%</b>	<b>\$5,199,868</b>	<b>\$5,168,875</b>	<b>\$5,031,230</b>
<b>14 Liabilities and Shareholders' Equity:</b>								
<b>15 Deposits:</b>								
16 Noninterest Bearing	\$2,064,988	\$1,942,450	6.3%	\$1,978,947	4.3%	\$1,989,010	\$2,026,049	\$1,930,551
17 Interest-Bearing Transaction	851,885	812,940	4.8%	827,857	2.9%	855,008	860,706	795,793
18 Savings	1,462,860	1,310,905	11.6%	1,404,840	4.1%	1,393,919	1,366,936	1,287,859
19 Time	255,137	300,545	-11.8%	273,670	-3.1%	278,813	286,958	340,641
20 Total Deposits	4,644,870	4,366,920	6.4%	4,485,314	3.6%	4,516,750	4,540,659	4,354,844
21 Short-Term Borrowed Funds	56,358	57,063	-1.2%	67,852	-16.9%	52,451	53,028	82,747
22 Other Liabilities	42,554	43,474	-2.1%	67,592	-37.0%	91,694	42,983	68,301

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23 Total Liabilities	4,743,782	4,467,457	6.2%	4,620,758	2.7%	4,660,895	4,636,670	4,505,892
24 Shareholders' Equity:								
25 Common Equity:								
26 Paid-in Capital	393,134	381,227	3.1%	391,213	0.5%	381,426	381,436	380,050
27 Accumulated Other Comprehensive Income	9,001	7,198	25.1%	11,885	-24.3%	6,619	675	3,988
28 Retained Earnings	160,861	145,513	10.5%	155,229	3.6%	150,928	150,094	141,300
29 Total Shareholders' Equity	562,996	533,938	5.4%	558,327	0.8%	538,973	532,205	525,338
30 Total Liabilities and Shareholders' Equity	\$5,306,778	\$5,001,395	6.1%	\$5,179,085	2.5%	\$5,199,868	\$5,168,875	\$5,031,230

12. Income Statements.

	(unaudited, in thousands, except per-share amounts)							
	Q3'16	Q3'15	Q3'16 / Q3'15	Q2'16	Q3'16 / Q2'16	9/30'16YTD	9/30'15YTD	9/30'16YTD / 9/30'15YTD
1 Interest and Fee Income:								
2 Loans	\$16,968	\$19,378	-12.4%	\$17,583	-3.5%	\$52,904	\$59,643	-11.3%
3 Investment Securities Available For Sale	8,796	7,880	11.6%	8,931	8.7%	24,855	23,347	6.5%
4 Investment Securities Held to Maturity	7,704	7,041	9.4%	8,953	-4.3%	23,083	19,551	17.5%
5 Total Interest and Fee Income	33,468	34,299	-2.4%	35,467	-0.8%	100,842	102,541	-1.8%
6 Interest Expense:								
7 Transaction Deposits	64	65	-1.0%	67	-3.5%	201	190	5.7%
8 Savings Deposits	229	211	8.5%	225	1.9%	677	634	6.6%
9 Time Deposits	219	297	-26.3%	239	-8.6%	768	992	-28.6%
10 Short-Term Borrowed Funds	11	12	-10.3%	10	8.7%	30	44	-30.9%
11 Federal Home Loan Bank Advances	-	-	n/m	-	n/m	-	1	n/m
12 Total Interest Expense	523	585	-10.6%	541	-3.4%	1,616	1,861	-13.2%
13 Net Interest Income	32,945	33,714	-2.3%	33,186	-0.7%	99,226	100,780	-1.5%
14 Reversal of Provision for Loan Losses	(3,280)	-	n/m	-	n/m	(3,280)	-	n/m
15 Noninterest Income:								
16 Service Charges on Deposit Accounts	5,303	5,581	-5.0%	5,239	1.2%	15,790	16,981	-7.0%
17 Merchant Processing Services	1,532	1,485	3.1%	1,638	-6.5%	4,699	4,971	-5.5%
18 Debit Card Fees	1,587	1,538	3.2%	1,621	-2.1%	4,724	4,528	4.3%
19 Other Service Fees	671	693	-3.1%	650	3.3%	1,951	2,041	-4.4%
20 ATM Processing Fees	600	616	-2.6%	603	-0.5%	1,860	1,828	1.8%
21 Trust Fees	686	682	0.5%	657	4.4%	2,004	2,061	-2.8%
22 Financial Services Commissions	118	177	-33.4%	137	-13.7%	411	527	-22.2%
23 Other	1,101	1,221	-9.9%	1,157	-4.9%	3,590	3,625	-1.0%
24 Total Noninterest Income	11,598	11,993	-3.3%	11,702	-0.9%	35,029	36,562	-4.2%
25 Noninterest Expense:								
26 Salaries and Related Benefits	13,063	12,761	2.4%	12,887	1.4%	39,067	39,795	-1.8%
27 Occupancy	3,749	3,746	0.1%	3,400	10.3%	10,546	11,199	-6.6%
28 Outsourced Data Processing	2,114	2,115	0.0%	2,130	-0.7%	6,375	6,334	0.6%
29 Amortization of Identifiable Intangibles	867	952	-9.0%	870	0.3%	2,642	2,908	-9.2%
30 Professional Fees	1,693	746	127.1%	758	123.5%	3,183	1,876	69.7%
31 Furniture and Equipment	1,211	1,075	12.7%	1,187	2.1%	3,611	3,353	7.7%
32 Other Real Estate Owned	-206	83	n/m	-392	n/m	-487	451	n/m
33 Courier Service	451	604	-25.3%	462	-2.5%	1,458	1,744	-16.4%
34 Other	3,146	4,091	-23.1%	3,927	-19.9%	10,780	12,136	-11.4%
35 Total Noninterest Expense	26,088	26,173	-0.3%	25,229	3.4%	77,175	79,796	-3.3%
36 Income Before Income Taxes	21,655	19,534	10.8%	19,659	10.2%	60,260	57,546	4.8%
37 Income Tax Provision	6,927	4,677	28.9%	5,113	17.9%	15,880	13,371	18.8%
38 Net Income	\$15,628	\$14,857	5.2%	\$14,546	7.4%	\$44,400	\$44,175	0.5%
39 Average Common Shares Outstanding	25,641	25,530	0.4%	25,586	0.2%	25,558	25,565	0.0%
40 Diluted Average Common Shares Outstanding	25,687	25,585	0.5%	25,630	0.2%	25,595	25,585	0.0%
41 Per Common Share Data:								
42 Basic Earnings	\$0.61	\$0.58	5.2%	\$0.57	7.0%	\$1.74	\$1.73	0.6%
43 Diluted Earnings	0.61	0.58	5.2%	0.57	7.0%	1.73	1.73	0.0%
44 Dividends Paid	0.39	0.38	2.6%	0.39	0.0%	1.17	1.14	2.6%

Footnotes and Abbreviations:

(FTE) Fully Taxable Equivalent. The Company presents its net interest margin and net interest income on a FTE basis using the current statutory federal tax rate, which is a non-generally accepted accounting principles (GAAP) financial measure. Management believes the FTE basis is valuable to the reader because the Company's loan and investment securities portfolios contain a relatively large portion of municipal loans and securities that are federally tax exempt. The Company's tax exempt loans and securities composition may not be similar to that of other banks, therefore in order to reflect the impact of the federally tax exempt loans and securities on the net interest margin and net interest income for comparability with other banks, the Company presents its net interest margin and net interest income on a FTE basis.

(A) Annualized

(1) Purchased covered loans and repossessed loan collateral represent assets purchased in a business combination in which losses are shared with the FDIC per a Loss-Sharing Agreement.

(2) Purchased non-covered loans and repossessed loan collateral represent assets purchased in a business combination.

## 2016 Third Quarter Dividend Earnings

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### PRESS RELEASE

FOR IMMEDIATE RELEASE

October 27, 2016

For additional information

Contact: Westamerica Bancorporation  
Robert A. Thorson  
707-863-6840  
www.westamerica.com

#### WESTAMERICA BANCORPORATION DECLARES QUARTERLY DIVIDEND

San Rafael, CA: The Board of Directors of Westamerica Bancorporation (NASDAQ: WABC) today declared a quarterly cash dividend of \$0.39 per share on common stock outstanding to shareholders of record at the close of business November 7, 2016. The dividend is payable November 18, 2016.

Chairman, President and CEO David Payne stated, "This quarterly dividend brings full year 2016 dividends to \$1.56 per share, representing the twenty-seventh consecutive year of growing dividends for our shareholders."

On October 20, 2016, Westamerica reported \$15.6 million in net income for the three months ended September 30, 2016, or \$0.61 diluted earnings per common share.

Westamerica Bancorporation, through its wholly owned subsidiary, Westamerica Bank, operates banking and trust offices throughout Northern and Central California.

## 2016 Third Quarter Dividend Earnings

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### FORWARD-LOOKING INFORMATION:

The following appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release may contain forward-looking statements about the Company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may."

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors — many of which are beyond the Company's control — could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. The Company's most recent reports filed with the Securities and Exchange Commission, including the annual report for the year ended December 31, 2015 filed on Form 10-K and quarterly report for the quarter ended June 30, 2016 filed on Form 10-Q, describe some of these factors, including certain credit, interest rate, operational, liquidity and market risks associated with the Company's business and operations. Other factors described in these reports include changes in business and economic conditions, competition, fiscal and monetary policies, disintermediation, legislation including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011, the Sarbanes-Oxley Act of 2002 and the Gramm-Leach-Bliley Act of 1999, and mergers and acquisitions.

Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date forward looking statements are made.

####

## Exhibit B

### WESTAMERICA BANK PRICE LIST FOR SACRAMENTO SUBURBAN WATER DISTRICT

#### DEPOSITORY SERVICES

Account Maintenance	\$19.00 per account
Checks and Debits Paid	\$ 0.18 per item
Checks Deposited	\$ 0.13 per item
Deposits - Branch	\$ 1.40 per item
Deposits - Vault	\$ 1.56 per item
Coin/Currency Deposited - Branch	\$ 1.30 / \$1,000
Coin/Currency Deposited - Vault	\$ 1.10 / \$1,000
Cash Vault Orders	\$ 6.50 per order
Currency Furnished	\$ 1.30 / \$1,000
Coin Furnished	\$ .10 / roll
Returned Deposited Item	\$12.00 per item
Zero Balance Master	\$10.00 per month
Zero Balance Account	\$15.00 per month
ACH Debit/Credit	\$ 0.12 per item
Stop Payment (Initial or Renewal)	\$30.00 per item
Deposit Insurance	\$.1167 / \$1,000

#### OTHER

Incoming Wire Transfer	\$15.00 per item
Outgoing Wire Transfer	\$35.00 per item
PC Outgoing Wire	\$15.00 per item

#### LOCKBOX

Monthly Base	\$100.00 per month
Scan Items	\$ .25 per item
Non-Scan Items	\$ .45 per item
Scan Images	\$ .05 per item

#### ELECTRONIC SERVICES

Onsite Banker Plus	\$20.00 per month (includes up to 2 accts)
Each Additional Account	\$ 5.00 per month
Per Item Fee	
First 200 Items	.05 each
Items 201 – 1,000	.04 each
Items 1,000+	.03 each
Stop Payment Orders	\$18.00 each
Onsite Banker ACH Origination	\$20.00 per month
Transmission Fee	\$ 8.00 each
Per-Item Fee	
First 100 Items	\$ .25 each
Items 101 – 500	\$ .20 each
Items 501 – 1000	\$ .15 each
Items 1000+	\$ .10 each
ACH Returned Item	\$12.00 each
Positive Pay	\$60.00 each account per month
Per-Item Fee	\$ .05 each
ACH Positive Pay	\$30.00 per month



## Agenda Item: 10

**Date:** November 14, 2016

**Subject:** Director Compensation and Travel Reimbursement Policy and Reporting

**Staff Contact:** Daniel A. Bills, Finance Director

### **Recommended Board Action:**

Discuss proposed revisions to the Director Compensation and Expense Reimbursement Policy PL – BOD 003 (Exhibit 1) and revisions to the monthly Board reports related to reporting Director compensation and expense reimbursements (Exhibit 3). Adopt revised Policy and direct staff on changes to the monthly reports.

### **Discussion:**

The District has been reporting Director compensation and expense reimbursements in a standard, unaltered format for over ten years as shown in Exhibit 2. Staff is proposing that Directors consider making certain revisions to the Director Compensation and Expense Reimbursement Policy PL – BOD 003 as shown in Exhibit 1, individual Director reporting process and consider altering the Board Report reporting format.

In substance, staff is requesting that Directors consider:

1. Selecting between having compensation and expense reporting occur monthly or quarterly. Note: timesheets may be turned in and expense reimbursements may be submitted at any time for payment.
2. Including all meetings attended in their respective timesheets, whether or not compensation is requested (note: necessary for workers compensation insurance reporting).
3. Requiring each Director to submit timesheets and expense reimbursements no later than the 5<sup>th</sup> day of the month following month or quarter-end.
4. For expense reimbursements, having total expenses paid on behalf of each Director included in the monthly/quarterly report, segregated between expenses reimbursed to each Director versus those paid directly by the District on a Director's behalf.

### **Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Finance - 4.A. Monitor District operations through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

**Customer Benefit:**

Comprehensive reporting in a single location of Director attendance at all meetings attended and total expenses, reimbursed and direct payment, incurred by each Director per month/quarter and year-to-date.

## Sacramento Suburban Water District

**Directors' Compensation and Expense Reimbursement Policy**

Adopted: July 21, 2003

Revised: May 15, 2006; May 19, 2008; May 17, 2010; June 20, 2011; July 15, 2013;  
August 18, 2014; August 17, 2015; November XX, 2016**100.00 Purpose of the Policy**

This document sets forth the policy of the Sacramento Suburban Water District concerning Directors' compensation and the payment of actual and necessary expenses incurred in the performance of official duties and is intended to comply with the requirements of Government Code sections 53232 through 53232.4.

**200.00 Directors' Compensation****200.10 Amount of Compensation**

Each member of the Board of Directors of the District will be entitled to receive \$100 per day for each day's attendance at meetings of the Board, or for each day's service rendered as a member of the Board by request of the Board, as provided in article 200.20.

**200.20 Types of Service for Which Compensation Will Be Provided**

Applicable law (Government Code section 53232.1) permits the District to compensate Directors for each day's attendance at meetings of the Board, or for each day's service rendered as a Director, subject to a written policy adopted in a public meeting. A Director can be compensated for up to 10 days per calendar month of service in accordance with the Board's adoption of Ordinance No. 02-01. (Water Code section 20202.) The District encourages Directors to take advantage of opportunities to be informed concerning matters of interest to the District, and to inform others of the activities and interests of the District. Directors are required to turn in a monthly (quarterly?) report of meetings attended, whether or not compensable, in a format prescribed by the District Treasurer by the fifth day of the month (quarter?) following month-end (quarter-end?). The General Manager or his or her designee will then provide to the Board on a monthly (quarterly?) basis a list of meetings attended by each Director for which the Director was compensated under this policy. Directors will be compensated (for up to 10 days per calendar month) for attending the following types of meetings:



- a. Meetings of the Board of Directors of the District and the Board of Directors of the Sacramento Suburban Water District Financing Corporation;
- b. Committee meetings of the Board, attended as a member of the committee;
- c. Other meetings necessary for the disposition of duties assigned to a Board committee, attended by a member of the committee;
- d. Meetings of other governmental entities, associations or duly-recognized committees on which the District is officially represented, attended by the liaison representative of the Board and/or the liaison representative alternate who has been appointed to represent the District on the governmental entity or committee (both liaison representative and liaison representative alternate should attend all meetings to be informed on the issues and therefore both will be compensated for attending those meetings);
- e. Conferences, seminars, workshops and other events held within the State of California that are sponsored by industry associations or nonprofit entities for the purpose of discussing relevant water issues, including days while attending the conference, seminar, workshop or event, but excluding days in transit to or from the conference, seminar, workshop or event (attendance at conferences, seminars, workshops and events held outside the State of California will be approved by the Board of Directors on a case-by-case basis);
- f. Educational training, seminars, and courses designed to improve Directors' understanding of District business and their obligations as public officials, including ethics training mandated under Government Code section 53235(a) and harassment prevention training under Government Code section 12950.1;
- g. Meetings, water industry events or office visits of a substantial duration concerning substantive District business as requested and approved for payment by the General Manager or the Board President; and
- h. In connection with business, educational and ceremonial meetings, functions and conferences for which the District has prepaid for a Director's attendance, the Director shall attend such events. If the Director is unable to attend the pre-paid event, the Director shall immediately notify the District. If the District cannot obtain a refund of fees paid, then the District shall bill the Director for reimbursement for all amounts paid, unless the Director's failure to attend the event arises from circumstances beyond the control of the Director.

## **300.00 Reimbursement of Directors' Expenses**

### **300.10 Policy and General Rules**

The District encourages Directors to attend conferences, seminars and other meetings that require their participation or provide an opportunity to be informed concerning matters of interest to the District. Each Director is entitled to reimbursement for the amount of the reasonable and prudent expenditures (i.e., registration fees, travel, meals, lodging, and other actual and necessary expenses) incurred in the performance of his or her official duties. When a Director pre-pays expenses (e.g. registration, airfare, hotel), the Director may submit such items for expense reimbursement prior to the meeting occurrence as described in article 300.20.

A Director may use his or her personal funds for meeting registration. The District will reimburse the Director for the actual amount of the registration, if properly reported and documented in accordance with article 300.40. If requested, staff will register a Director for qualifying meetings as described in article 200.20.

The District's annual budget will set an appropriate level of funding for payment of Directors' expenses. A Director will not be entitled to receive in excess of \$ 4,000 per fiscal year for reimbursable expenses, exclusive of registration fees, unless the Board of Directors preapproves a Director's request to increase this amount for the applicable fiscal year. A maximum of five paid meeting days per conference will be allowed with the following exception: ancillary programs that are not a part of the main conference (e.g. ACWA/JPIA meetings). The General Manager or his or her designee will be responsible for ensuring that the budgeted amount is not exceeded without prior approval of the Board.

Any exceptions for expenses that do not come within the District's expense reimbursement policy must be approved by the Board in a public meeting in advance of the time when the expense will be incurred. (Government Code, §53232.2, subd. (f).) Any question concerning the propriety of a particular expense should be resolved by the Board before the expense is incurred.

### **300.20 Reimbursable Expenses**

Directors' direct expenses for attendance at meetings and events authorized by this policy, including registration fees, reasonable travel, lodging, and meal costs, and other actual necessary expenses, will be paid by the District in accordance with the guidelines and per diem rates for an accountable expense reimbursement plan as defined in the United States Internal Revenue Service's Publication 463 ("Travel, Entertainment, Gift and Car Expenses") and GSA Per Diem Rates Publication 1542 ("~~Per Diem Rates (For Travel Within the Continental United States)~~") (collectively, the "IRS Publications"). A copy of the current IRS Publications can be obtained from the ~~Finance Director~~District Treasurer.

The following expenses are authorized business-related expenditures:

- a. **Personal Vehicle Mileage.** A Director will be reimbursed for actual vehicle travel miles at the rate authorized under the IRS Publications for all meetings attended and services provided as defined in article 200.20, Director's Compensation, above. A Director will be considered to have accounted for personal vehicle expenses by indicating the actual miles traveled, the business purpose of the travel, and the date of travel on the approved District expense reimbursement form and submitted in accordance with article 300.40. -The District will not reimburse Directors for any other personal vehicle expenses.
- b. **Hotel Expenses.** A Director will be reimbursed for reasonable lodging expenses incurred in accordance with this Policy when a Director attends conferences, seminars or meetings, if the Director stays at the hotel or other lodging listed in the event's registration materials at the group rate obtained for the event. -If a Director travels on District business for which no hotel is designated or is unable to book lodging at a specified conference rate, he or she may either (a) be reimbursed at the per diem hotel rate provided in the IRS Publications for the city in which the hotel is located; or (b) use the Director's personal funds to pay for hotel charges, in which case the District will reimburse the Director for actual charges, but only up to three times the maximum per diem hotel rate provided for in the IRS Publications for the event location.
- c. **Meals.** A Director may be reimbursed for the cost of meals while attending authorized conferences, seminars or meetings away from the District based on the per meal rate provided for in the IRS Publications. A Director may either (a) report meals at the IRS per diem rate or (b) use the Director's personal funds to pay for meals, in which case the District will reimburse the Director for actual charges, but only up to three times the maximum per diem meal rates provided for in the IRS Publications.- If a Director is not traveling for a full day, defined as from 12:01 a.m. to 12:00 Midnight, the per diem meal/incidental allowance will be prorated according to the actual hours of travel unless a Director uses his or her personal funds to pay for meals, in which case the District will reimburse the Director for actual charges for meals incurred while traveling, but only up to three times the maximum meal rate provided for in the IRS Publications. If the District pre-pays the cost of one or more meals with a meeting, function or conference registration, a Director must attend the prepaid meals. If a Director fails to attend a pre-paid meal, a Director may not submit a claim for reimbursement for an alternative meal taken in lieu of the pre-paid meal.
- d. **Incidental Allowance.-** Tips for meals will be reimbursed up to a maximum of 15% of the cost of the reimbursable portion of any meal in accordance with the tip shown on the receipt attached to an expense reporting form.

The District will reimburse a Director for tips actually given to cabbies, baggage porters, bellhops and hotel housekeepers that are reasonable and customary for the area. A Director may be reimbursed for toll charges and parking fees up to the actual amount expended.

- e. Common Carrier Travel. When personal vehicle use for District business is impractical due to time and/or distance, a Director may use regularly-scheduled commercial carriers for travel. Consistent with scheduling needs and the most-direct route, a Director traveling by plane, train, rental vehicle, bus, or taxi will travel by the least-expensive fare actually available for the date and time of the travel. When possible, travel should be planned in advance to permit use of advance fares. Long-term parking must be used at airports for travel exceeding 24 hours. The District will reimburse the Director for the actual amount of the fare and related, necessary expenses (e.g., baggage fees), if properly reported in accordance with article 300.30.
- f. Telephone/Fax/Cellular/Internet. A Director will be reimbursed for actual telephone, fax and reasonable internet expenses incurred for District business. Telephone bills should identify which calls were made for District business. For cellular calls when the Director has a particular number of minutes included in the Director's plan, the Director can identify the percentage of calls made for District business.

### **300.30 Types of Expenses for Which Reimbursement Will Not be Provided**

**Director expenses that are not deemed to be reimbursable business expenses may include, but are not limited to:**

- a. Barber and/or beauty shop charges**
- b. Fines for traffic or parking violations**
- c. Expenses of any person accompanying a Director on a District-approved trip or event**
- d. Personal telephone calls**
- e. Fitness/Health Facility or Massages**
- f. Alcoholic beverages**
- f.g. Tobacco Products**
- g.h. Entertainment expenses (movies, sporting events, etc.)**
- h.i. Non-Mileage vehicle expenses**
- i.j. Charitable contributions**

### **300.40 Expense Reporting Procedures**

In order to be reimbursed for any expense authorized under this Policy, ~~within 3060 days of incurring the expense,~~ a Director must fill out and sign a District-provided expense report form available from the Finance ~~Director~~ Department ~~no later than the fifth day following the end of the month (quarter?) in which the expense was~~

incurred. The expense report form is designed to ensure that Directors' expense reimbursements comply with the requirements of Government Code section 53232.3 and the IRS Publications. Accordingly, the General Manager will review each expense report form, and sign it to indicate compliance with the requirements of this policy. In all cases when a Director seeks reimbursement for expenses incurred while attending a conference, seminar or other meeting, a copy of the conference registration form must either be attached to his or her expense report or on file at the District (e.g. copy attached to check request or purchasing card paperwork). In addition, a Director will be required to attach the following documentation to his or her expense reimbursement report as a condition of receiving reimbursement for an appropriately-incurred business expense:

- a. Personal Vehicle Mileage.- To verify mileage, the General Manager or designee will document personal vehicle mileage, using tools such as Google or MapQuest or by using the District's Mileage Log (Form Fin 009), which will be attached to the Director's expense report.
- b. Lodging Expenses.- If a Director wishes to be reimbursed for lodging expenses, he or she must attach to the expense report an itemized bill issued by the hotel ~~and a copy of the credit card receipt~~ or other proof of the Director's payment having sufficient detail of the expenses incurred. Except when attending a conference, seminar or other meeting and using the available group rate booked for the event, the District will reimburse a Director only for the actual amount of the hotel expenses incurred up to a maximum amount equal to three times the applicable per diem rate shown in the IRS Publications.
- c. Meal Expenses.- If a Director wishes to be reimbursed for meal expenses at the IRS per diem rate, he or she may fill out the expense report form and claim the expense without further documentation. If a Director pays for meals with his or her own funds, he or she must attach to the expense report an itemized bill, ~~copy of a credit card receipt~~ or other proof of the Director's payment having sufficient detail of the items purchased. In such cases, the District will reimburse a Director only for the actual amount of the meal expense incurred up to a maximum amount of three times the applicable per diem rate shown in the IRS Publications.
- d. Common Carrier Travel. A Director must attach to his or her expense report the fare, coupon, or itemized bill from a travel agency, airline, rental vehicle, bus or train showing the actual amount expended for such travel. A boarding pass, conference badge, business receipt from the destination or other documentation indicating the travel occurred must be attached to the Director's expense report.
- e. Incidental Expenses. Whenever possible, a Director should obtain a receipt for incidental expenses such as tolls and parking fees. For incidental

expenses where no receipt is available, such as tips and parking meter costs, a reimbursement request for such expenses may be claimed on the District approved expense report. Certification that such expenses were related to District business, reasonable, appropriate, and actually incurred by the Director is made when signing the District approved expense report form.

In all cases, the Director will remain responsible for filing an expense report and attaching the appropriate documentation obtained by the Director in conformance with paragraphs a. through e. above. Flat-rate advances or payments of expenses are prohibited under Government Code section 53232.2, except for per diem payments authorized in accordance with the IRS Publications.

A Director must substantiate all expenses on an expense report with the appropriate documentation attached ~~within 3060 days of~~ by the fifth day of the month (quarter?) following the incurring or paying the expense. An expense report submitted after the ~~3060 days~~ fifth day of the month (quarter?) following incursion of the expense will only be paid if approved by the Board at a regular meeting. Any mis- or late-reported expenses incurred by a Director will not meet the requirements of the IRS Publications and will be considered income to the affected Director. To comply with the applicable tax laws, the District will issue to a Director a Form W-2 including all mis- or late-reported expenses as income.

### **300.50 Disclosure**

To comply with reporting requirements of Government Code section 53232.3, the District will prepare a list of the meetings attended by each Director for which the District provided compensation, and a list of the amount and purpose of each expense reimbursement paid by the District to each Director. This information will be included with the agenda materials for each regular monthly (quarterly?) Board of Directors meeting. At the next regular Board meeting, Directors also must provide either an oral or written report of meetings and other authorized events attended for which they were compensated by the District. If multiple officials attended the same event, a joint report may be made.

All expenses are subject to verification that they comply with this Policy.- Directors should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws.- All District expenditures are public records subject to disclosure under the Public Records Act, except that the District will ensure that no Director personal information, such as credit card numbers and home addresses, is provided to the public in the event of a request for such records.

### **300.60 Penalties**

Government Code Section 53232.4 defines the penalties for falsifying or misusing public funds. The penalties include: (1) loss of the violator's reimbursement privileges; (2) restitution of misused District funds; (3) civil penalties of up to \$1,000

per day for each day of violation and three times the value of the public resources misused; and (4) criminal prosecution and lifetime bar from holding public office. The Board will report any violation of this Policy to the appropriate authorities.

**400.00 Policy Review**

This Policy shall be reviewed at least biennially.

# **EXHIBIT 2**



Sacramento Suburban Water District  
Board of Directors Meetings Attended (1)  
Pay Rate per Diem is \$100.00  
September 2016

Director Locke:

09/01/2016 Facilities and Operations Committee  
09/19/2016 SSWD Regular Board Meeting  
09/21/2016 CSDA – CEQA Training  
09/30/2016 Facilities and Operations Committee

Director Schild:

09/01/2016 Facilities and Operations Committee  
09/12/2016 Meeting with Dan York/Budget (no pay)  
09/13/2016 Attend Dedication FRO2035  
09/14/2016 Tour SSWD Facilities/Main Replacement  
09/14/2016 San Juan Water District Board Mtg (no pay)  
09/16/2016 SSWD Budget Workshop  
09/19/2016 SSWD Regular Board Meeting  
09/21/2016 ACWA Federal Affairs Committee Mtg  
09/24/2016 Carmichael Founders Day  
09/29/2016 Tour of McClellan Park (no pay)  
09/30/2016 Facilities and Operations Committee

Director Wichert:

Meetings Attended Reported Verbally

Director Gayle:

09/15/2016 McClellan Restoration Meeting  
09/16/2016 SSWD Budget Workshop  
09/19/2016 SSWD Regular Board Meeting

Director Thomas:

09/06/2016 Meeting with Dan York  
09/07/2016 Brown Bag Conference – Drought  
09/08/2016 RWA Meeting  
09/16/2016 SSWD Budget Workshop  
09/19/2016 Meeting with Dan Bills  
09/21/2016 Aeroject CAG Meeting  
09/22/2016 Meeting with Dan York  
09/24/2016 Carmichael Founders Day

(1) Meetings during the current month reported by individual directors.

This report meets the reporting requirements of Government Code section 53065.5. This information will be included with the agenda materials for each regular monthly Board of Directors meeting.

Directors Expense Report  
 Calendar Year 2016  
Current Month

Event/Purpose	Gayle	Wichert	Locke	Thomas	Schild	Total
2016 Meeting Mileage						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
	-	-	-	-	-	-

Directors Expense Report  
2016 Year to Date

Event/Purpose	Gayle	Wichert	Locke	Thomas	Schild	Total
2016 Meeting Mileage					120.11	120.11
ACWA Spring Conference				266.54	1,592.51	1,859.05
CRWA-APR 2016			108.54			108.54
Cap to Cap	829.99					829.99
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
	829.99	-	108.54	266.54	1,712.62	2,917.69

This report meets the reporting requirements of Government Code sections 53065.5 and 53232.3 and is in conformance with District Policy. This information will be included with the agenda materials for each regular monthly Board of Directors meeting.

# **EXHIBIT 3**

**Sacramento Suburban Water District  
Directors Meetings Attended  
November 2016  
Due By December 5, 2016**

<u>DATE</u>	<u>Description of Meeting Attended</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**By my signature I certify I attended the meeting(s) on the above date(s) and this timesheet are in conformance with District Policy PL-BOD 003 regarding Director Compensation and Expenses.**

**Fax: 972-7639**

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_ Approval: \_\_\_\_\_  
General Manager

Sacramento Suburban Water District  
Board of Directors Meetings Attended (1)  
Pay Rate per Diem is \$100.00  
September 2016

**Compensated Meetings**

Director Gayle:

09/15/2016 McClellan Restoration Meeting  
09/16/2016 SSWD Budget Workshop  
09/19/2016 SSWD Regular Board Meeting

Director Locke:

09/01/2016 Facilities and Operations Committee  
09/19/2016 SSWD Regular Board Meeting  
09/21/2016 CSDA – CEQA Training  
09/30/2016 Facilities and Operations Committee

Director Schild:

09/01/2016 Facilities and Operations Committee  
09/13/2016 Attend Dedication FRO2035  
09/14/2016 Tour SSWD Facilities/Main Replacement  
09/16/2016 SSWD Budget Workshop  
09/19/2016 SSWD Regular Board Meeting  
09/21/2016 ACWA Federal Affairs Committee Mtg  
09/24/2016 Carmichael Founders Day  
09/30/2016 Facilities and Operations Committee

Director Thomas:

09/06/2016 Meeting with Dan York  
09/07/2016 Brown Bag Conference – Drought  
09/08/2016 RWA Meeting  
09/16/2016 SSWD Budget Workshop  
09/19/2016 Meeting with Dan Bills  
09/21/2016 Aeroject CAG Meeting  
09/22/2016 Meeting with Dan York  
09/24/2016 Carmichael Founders Day

**Non-Compensated Meetings**

09/12/2016 Meeting with Dan York/Budget (no pay)  
09/14/2016 SJWD Board Meeting (no pay)  
09/29/2016 Tour of McClellan Park (no pay)

(1) Meetings during the current month reported by individual directors.

This report meets the reporting requirements of Government Code section 53065.5. Per Board Policy PL-BOD 003 Directors Compensation and Reimbursement Policy, a verbal or written report must accompany each of the above meetings.

# Sacramento Suburban Water District

FIN 007

Business or Travel Expense Reimbursement

**2016**

Attach Receipts

Date	Purpose of Business Expense	Transportation	Personal Vehicle		Hotel	Meals	Business Expense	Total	Account No.	Receipt #
			# Miles	\$ <sup>A</sup>			Amount			
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		
				\$0.00				\$0.00		

Total: \$0.00

Signature \_\_\_\_\_

Approval:

Print Name \_\_\_\_\_

\_\_\_\_\_  
Supervisor/Manager

<sup>A</sup> 2016 Mileage Rate is **\$.54/Mile.**

\_\_\_\_\_  
Date:

Directors Expense Report  
 Calendar Year 2016  
Current Month

Event/Purpose	Gayle	Locke	Schild	Thomas	Wichert	Total
Local Meeting Mileage						-
Reimbursed by District						-
Local Meeting Expenses						-
Reimbursed by District						-
Paid Directly by District						-
Conferences						-
Reimbursed by District						-
Paid Directly by District						-
<b>Total</b>	-	-	-	-	-	-

Directors Expense Report  
2016 Year to Date

Event/Purpose	Gayle	Locke	Schild	Thomas	Wichert	Total
Local Meeting Mileage						-
Reimbursed by District						-
Local Meeting Expenses						-
Reimbursed by District						-
Paid Directly by District						-
Conferences						-
Reimbursed by District						-
Paid Directly by District						-
<b>Total</b>	-	-	-	-	-	-

This report meets the reporting requirements of Government Code sections 53065.5 and 53232.3 and is in conformance with District Policy. This information will be included with the agenda materials for each regular monthly Board of Directors meeting.



## Agenda Item: 11

**Date:** November 9, 2016

**Subject:** Drayton Heights Paving Partnership with the County of Sacramento

**Staff Contact:** Mitchell S. Dion, Technical Services Director

**Recommended Board Action:**

Authorize the General Manager, upon completion of legal counsel review, to execute a Paving Partnership Agreement with the County of Sacramento for paving work on the District's 2016 Main Replacement Projects, Drayton Heights, for an estimated **\$433,896.00**, and not to exceed District amount of **\$450,000.00**

**Discussion:**

The 2016 Drayton Heights Water Main Replacement Project is a main replacement project nearing completion, consisting of over 30,000 feet of new main lines, over 450 new meter installations, and over 50 fire hydrant installations. The project area is shown on the attached location map (see Exhibit 1).

The District has been involved in discussions with the County's Department of Transportation concerning the final paving solution for the main replacement project. As required by the Encroachment Permit issued by the County, the District is required to slurry seal (where trenching took place) half of the minor roadway (residential streets), place a 4" temporary asphalt plug over the trench excavation, and complete a 2" grind and pave a section of roadway measuring 12' wide on El Camino Avenue where our pipeline was installed, all in accordance with the County's trench and street restoration requirements.

Similar to past projects, the County has offered to partner with the District to receive funds committed in various tasks as shown in the bid schedule of the Drayton Heights Main Replacement Project, (see Exhibit 2). The agreement provides the funds designated for trench and street restoration to the County for their pavement overlay project in the Drayton Heights Main Replacement Area.

The County estimate of \$528,000 was based upon a County trench detail substantially different than the one shown on the main replacement plans. The District disagreed and resulted in this proposal now submitted for approval.



The District has entered into paving partnership agreements with the County on six previous main replacement projects (Santa Anita, Barcelona, Fair Oaks Estates, North Highlands Phase 1 & 2, North Country Club Estates, and Arden Oaks). In each case, the District contributed the amount of funding that would have been used to provide and complete final paving tasks noted in the main replacement contracts related to the Encroachment Permit paving restoration requirements and the County provided funds for a full width, gutter to gutter, 2" asphalt paving overlay.

Based on the bid schedule for the Drayton Heights Main Replacement Project, (see Exhibit 3) the District's funds available for use by the County is \$433,896.00, as shown below and also on attached Table 1.

<b>Bid Schedule Item</b>	<b>District Paving Funds Available</b>
#43 4" Trench Cap	\$287,409.00
#45 2" Grind & Pave	\$ 54,480.00
#46 Type 2 Slurry	\$ 60,912.00
Soft Costs (Project Management)	\$ 21,095.00
(Contingency)	\$ 10,000.00
<b>Total</b>	<b>\$433,896.00</b>

As with all the District's main replacement projects, the Drayton Heights Project was bid with the assumption there would be no paving partnership offered. Therefore, all costs to meet the County's Encroachment Permit requirements are contained in the main replacement budget.

As indicated above, the dollars available for the 2016 Drayton Heights Project's paving tasks associated with the District's Encroachment Permit is \$413,896.00. The District is also responsible for "soft" costs, (\$21,095.00) during paving operations associated with a paving partnership such as County Inspection, District Inspection, Project Management, and liability transfer from the District to the County that eliminates any District risk associated with the placement or maintenance of the final asphalt paving. The District retains the responsibility for a one year warranty on all work performed under our contract within the County Right of Way, but now would exclude the placement of asphalt. The contribution amount includes a very small contingency (\$10,000) over the amount to allow for some or unexpected costs. District staff requests Board authorization of \$450,000.00 to allow a small amount of negotiating flexibility with the country.

One of the uncertainties for the District noted in the Encroachment Permit is a requirement to replace pavement to a "suitable edge". Paving to a suitable edge is an unknown component of trench restoration. A suitable edge is a field call determination by the County's Inspector at time of paving and can vary widely. The County Inspector's past field calls to establish a "suitable edge" of pavement and therefore the limit of trench restoration may be beyond the limits identified in the County permit or the bid schedule of the contract. Increased limits of trench restoration have resulted in large change orders in the past that the District has had to pay.

Under the Paving Partnership the trench width is defined and does not change, eliminating the cost overrun risk to the District.

Previous experience with projects allowing a flexible definition of the suitable edge have increased paving related costs 10% or more. The approval of a paving agreement also relieves the District of liability regarding the placement and maintenance of the final paving.

The County has informed the District that they will not have a final Paving Partnership Agreement ready for signature until early spring 2017. The County has requested a budget from SSWD identifying the available funds in order to plan their budgets and obtain approvals. This is not an unusual request and has been met in the past.

An agreement similar to the previous agreements will be prepared and presented to the County Board of Supervisors for approval. A copy of the Draft Agreement is provided in Attachment 1. Staff requests authorization to execute this agreement, subject to legal counsel approval of the final, and subject to no material changes.

**Fiscal Impact:**

The cost of this work was included in previous approvals. There are minor costs associated with predictability and transfer of liabilities for long term maintenance of asphalt.

**Strategic Plan Alignment:**

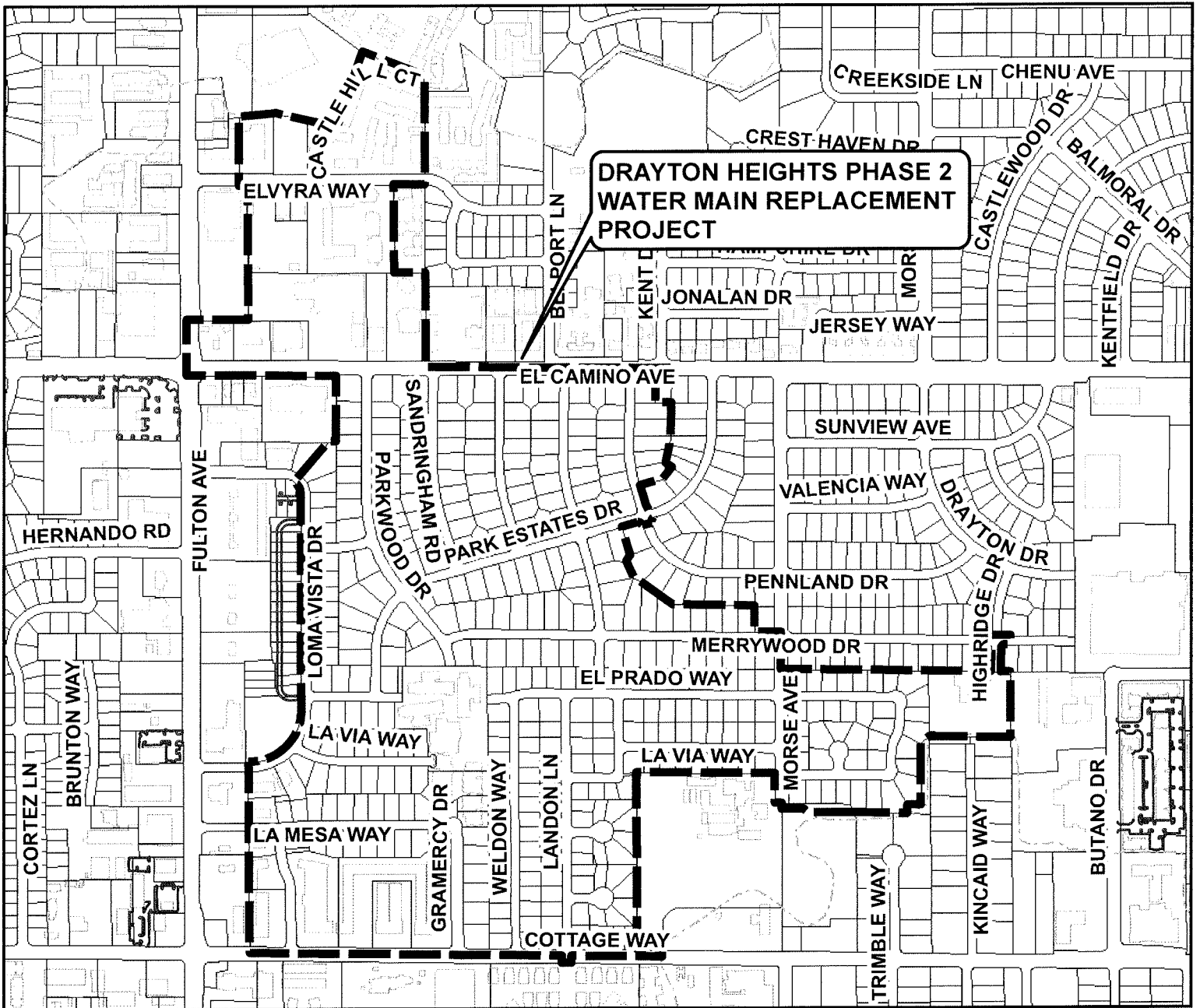
Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

Facilities and Operations – 2.D. Implement protective, preventative and predictive maintenance programs on all District assets to extend their life and reduce service interruptions.

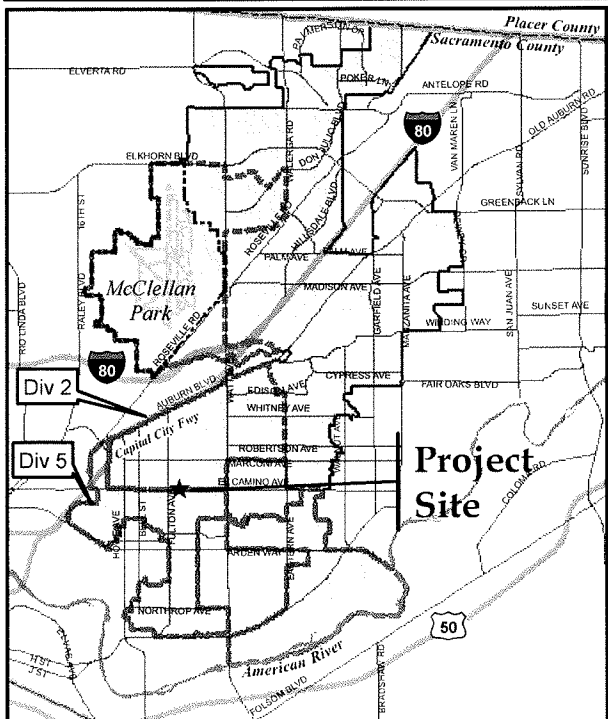
Customer Service – 3.D. Provide effective customer and community relations by communicating, educating, and providing information on the District and drinking water issues.

The upgrade of the existing water mains, hydrant and water services with new facilities will extend the life and reduce future maintenance of the distribution system. As part of the main replacement program, the District will upgrade and relocate existing water mains to the public right-of-ways, install new fire hydrants and water services with meters.

This agreement will also benefit the District’s customers as the paving overlay project will add completeness and improve optics for customers regarding the main replacement project.



**DRAYTON HEIGHTS PHASE 2  
WATER MAIN REPLACEMENT  
PROJECT**



MAP NOT TO SCALE



Portion of Sacramento Suburban Water District

**EXHIBIT 1**

**NOT FOR RECORDING**

**DRAYTON HEIGHTS PHASE 2  
WATER MAIN REPLACEMENT  
PROJECT**

**(Voting Division 2 & 5)**

Base Data: Sacramento County Gis Base Map  
 Projection: CA State Plane 2, NAD83  
 Scale: No Scale  
 Prepared by: DAV, SSWD  
 Sacramento, CA - August 2016  
 Drayton Heights 2\_Loc.mxd

THIS MAP SHOWS THE LOCATION OF THE PUE AND IS NOT PART OF EASEMENT DOCUMENTS

# EXHIBIT 2

2016 DRAYTON HEIGHTS WATERLINE REPLACEMENT PROJECT PHASE 2					
BID SCHEDULE					
NO.	ITEM	ESTIMATED QUANTITY	UNIT	UNIT PRICE	CONTRACT TOTAL
1	Mobilization / Demobilization	1	LS	\$63,400	\$63,400.00
2	Administration Including SB854, Construction Staking, As-Builts	1	LS	\$93,600	\$93,600.00
3	Traffic Control	1	LS	\$178,500	\$178,500.00
4	Storm Water Pollution Prevention Plan Compliance	1	LS	\$19,700	\$19,700.00
5	Demolition & Abandonment	1	LS	\$57,700	\$57,700.00
6	Potholing (Minor Roads)	520	EA	\$260	\$135,200.00
7	Potholing (Major Roads)	125	EA	\$345	\$43,125.00
8	6-Inch Pipe Installation (Minor Roads)	466	LF	\$69	\$32,154.00
9	8-Inch Pipe Installation (Minor Roads)	14,409	LF	\$70	\$1,008,630.00
10	12-Inch Pipe Installation (Minor Roads)	6,225	LF	\$79	\$491,775.00
11	8-Inch Pipe Installation (Major Roads)	402	LF	\$82	\$32,964.00
12	12-Inch Pipe Installation (Major Roads)	4,028	LF	\$87	\$350,436.00
13	Deepend Trenches	8,680	LF/FT	\$13	\$108,500.00
14	4-Inch Gate Valve	2	EA	\$580	\$1,160.00
15	6-Inch Gate Valve	7	EA	\$600	\$4,200.00
16	8-Inch Gate Valve	50	EA	\$620	\$31,000.00
17	12-Inch Butterfly Valve	29	EA	\$650	\$18,850.00
18	New/Replace Fire Hydrant Assembly	62	EA	\$3,400	\$210,800.00
19	Abandon Existing Fire Hydrant Assembly	28	EA	\$1,000	\$28,000.00
20	2-Inch Permanent Blow-Off	3	EA	\$750	\$2,250.00
21	6-Inch Tie-In (Minor Roads)	1	EA	\$6,520	\$6,520.00
22	8-Inch Tie-In (Minor Roads)	10	EA	\$5,340	\$53,400.00
23	10-Inch Tie-In (Minor Roads)	1	EA	\$6,050	\$6,050.00
24	12-Inch Tie-In (Minor Roads)	4	EA	\$6,390	\$25,560.00
25	6-Inch Tie-In (Major Roads)	1	EA	\$10,170	\$10,170.00
26	8-Inch Tie-In (Major Roads)	2	EA	\$10,340	\$20,680.00
27	12-Inch Tie-In (Major Roads)	4	EA	\$9,720	\$38,880.00
28	6-Inch Straight Pipe Or Cap (Minor Roads)	2	EA	\$5,110	\$10,220.00
29	8-Inch Straight Pipe Or Cap (Minor Roads)	8	EA	\$5,360	\$42,880.00
30	12-Inch Straight Pipe Or Cap (Minor Roads)	2	EA	\$5,340	\$10,680.00
31	12-Inch Straight Pipe Or Cap (Major Roads)	1	EA	\$5,550	\$5,550.00
32	6-Inch FH Lateral Utility Conflict (2 Fittings)	40	EA	\$1,660	\$66,400.00
33	6-Inch Mainline Deflection (1 Fitting)	2	EA	\$830	\$1,660.00
34	6-Inch Mainline Utility Conflict (2 Fittings)	10	EA	\$1,660	\$16,600.00
35	8-Inch Mainline Deflection (1 Fitting)	48	EA	\$830	\$39,840.00
36	8-Inch Mainline Utility Conflict (2 Fittings)	115	EA	\$1,660	\$190,900.00
37	12-Inch Mainline Deflection (1 Fitting)	16	EA	\$830	\$13,280.00
38	12-Inch Mainline Utility Conflict (2 Fittings)	81	EA	\$1,660	\$134,460.00
39	Minor Concrete And Asphalt Repair	15	SF	\$40	\$600.00
40	Flush, Pressure Test & Disinfection	1	LS	\$76,000	\$76,000.00
41	Replace Traffic Loop	8	LS	\$1,800	\$14,400.00
42	Sewer Abandonment	1	EA	\$4,900	\$4,900.00
43	4-Inch Trench Cap - Minor Roads (Night & Day)	92,500	SF	\$4.90	\$453,250.00
44	6-Inch Trench Cap - Major Roads (Night & Day)	19,500	SF	\$8.24	\$160,680.00
45	2" Grind & Overlay	180,000	SF	\$2.27	\$408,600.00
46	Type 2 Slurry Seal	510,000	SF	\$0.27	\$137,700.00
47	4-Inch Metered Pipe Installation (Minor)	80	LF	\$94	\$7,520.00
48	6-Inch Metered Pipe Installation (Minor)	140	LF	\$110	\$15,400.00
50	6-Inch Metered Pipe Installation (Major)	40	LF	\$128	\$5,120.00
50	Raise Valve Box (Temporary)	87	EA	\$100	\$8,700.00
51	Lowering Of Main Line Valves (Including GPS)	87	EA	\$180	\$15,660.00
52	Final Raising Of Valves	87	EA	\$395	\$34,365.00
Total Base Bid:					\$4,948,569.00
<b>OPTIONAL BID ITEMS:</b>					
Note: The Contractor is made aware that these optional bid items may not be used and therefore there may ultimately be no payment for these items.					
NO.	ITEM	ESTIMATED QUANTITY	UNIT	UNIT PRICE	CONTRACT TOTAL
51	3 Man Crew Utility Work – Day	10	HR	\$340	\$3,400.00
52	3 Man Crew Utility Work – Night	10	HR	\$450	\$4,500.00
Total Optional Bid:					\$7,900.00
Project Total Bid (Total Base Bid + Total Optional Bid):					\$4,956,469.00

Table 1

Costs Associated with Drayton Paving Partnership

Drayton Bid Item # 46 Type 2 slurry 18,800 lineal feet 12' wide = 225,600 sf @ \$0.27/sf =	\$ 60,912.00
<b>Total funds available from bid item 46</b>	<b>\$ 60,912.00</b>
Drayton Bid Item #45 2" Grind El Camino Ave. 12' lane width 2000 lineal feet, 12' wide = 24,000 sf @ \$2.27/sf =	\$ 54,480.00
<b>Total funds available from bid item 45</b>	<b>\$ 54,480.00</b>
Drayton Bid Item # 43 4" Trench Cap Minor Roads 75,200 square feet @ \$4.90/sf. =	\$ 368,480.00
Change Order # 1 (Re-establish data points)	(\$ 8,698.00)
Change Order # 2 (Additional Trench Costs)	<u>(\$ 72,373.00)</u>
<b>Total funds available from bid item 43</b>	<b>\$ 287,409.00</b>
Soft Costs	
County Inspection (15 days @ 4hr/day = 600 hours @ \$135.00/hour)	\$ 8,100.00
In-house Inspection by contract (15 days @ 1.5 hr/day = 23 hrs @ \$80.00/hr)	\$ 1,840.00
Project Management (15 days @ 1 hr/day= 15 hrs @ \$77.00/hr)	\$ 1,155.00
Liability Transfer	<u>\$ 10,000.00</u>
<b>Total funds available from soft costs</b>	<b>\$ 21,095.00</b>
<b>Total funds available from Drayton Bid</b>	<b>\$ 423,896.00</b>

COUNTY OF SACRAMENTO  
DEPARTMENT OF TRANSPORTATION

**AGREEMENT FOR  
THE COST SHARE OF STREET AND TRENCH RESTORATION  
WITH THE SACRAMENTO SUBURBAN WATER DISTRICT  
(Drayton Heights)**

THIS AGREEMENT is made and entered into on \_\_\_\_\_, 2016, by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California, hereinafter referred to as "COUNTY," and the SACRAMENTO SUBURBAN WATER DISTRICT, a county water district created pursuant to California Water Code Sections 30000 et seq., hereinafter referred to as "WATER DISTRICT."

**RECITALS**

WHEREAS, WATER DISTRICT applied for, and COUNTY issued, encroachment permits to WATER DISTRICT to construct a water supply improvement project referred to as Drayton Heights located north of Cottage Way, east of Fulton Avenue, south of El Camino Avenue and west of Butano Drive (hereinafter "Improvement Projects") and said encroachment permits require that the pavement on the affected half of the roadway receive a slurry seal treatment by WATER DISTRICT; and

WHEREAS, during construction of WATER DISTRICT'S Improvement Projects, COUNTY has determined that it would be beneficial to apply an overlay of asphalt concrete to the entire roadway surface on streets within the project areas; and

WHEREAS, WATER DISTRICT is nearing completion of the Improvement Projects and COUNTY will be approving the work permitted under the encroachment permit, subject to the execution of this Agreement; and

WHEREAS, if WATER DISTRICT restores Improvement Projects trenches in accordance with encroachment permit requirements, WATER DISTRICT's effort and costs will be substantially lost when COUNTY thereafter grinds affected pavement preparatory to the overlay with asphalt concrete; and

WHEREAS, it is in the best interests of the public and both COUNTY and WATER DISTRICT to consolidate the Improvement Projects trench restoration with the overlay of asphalt concrete to lessen inconvenience to the public and save both effort and cost; and

WHEREAS, State of California Streets and Highways Code sections 943 and 1462 provide authority for COUNTY to enter into this Agreement for the purposes stated herein; and

WHEREAS, COUNTY and WATER DISTRICT desire to enter into this Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, COUNTY and WATER DISTRICT agree as follows:

1. **TERM**

This Agreement shall be effective and commence as of the date first written above and shall remain in effect until December 31, 2017.

2. **NOTICE**

Any notice, demand, request, consent, or approval that either party hereto may or is required to give the other pursuant to this Agreement shall be in writing and shall be either personally delivered or sent by mail, addressed as follows:

To COUNTY:

Attn: Hardeep Sidhu, Project Manager  
Department of Transportation  
County of Sacramento  
4100 Traffic Way  
Sacramento, CA 95827

To WATER DISTRICT:

Attn: John Valdez  
Sacramento Suburban Water District  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5346

Either party may change the address or addressee to which subsequent notice and/or other communications can be sent by giving written notice designating a change of address and/or addressee to the other party, which shall be effective upon receipt.

3. **SCOPE OF AGREEMENT AND CONSIDERATION**

COUNTY issued Encroachment Permits No. ENUC2015-00350 to WATER DISTRICT for construction of WATER DISTRICT'S Drayton Heights Waterline Replacement Project Phase 2, specifically, for those streets identified in the map attached hereto as Exhibit A and incorporated herein by this reference. Under said encroachment permits, WATER DISTRICT was required to restore trenches in accordance with "Standard Requirements for Encroachment Projects – Attachment A," a copy of which is attached hereto as Exhibit B and incorporated herein as reference. During construction of WATER DISTRICT'S Improvement Projects, COUNTY determined those streets identified in Exhibit A are in need of repair with an overlay of asphalt concrete.

- A. WATER DISTRICT is completing its Improvement Project and in lieu of trench restoration in accordance with Exhibit B and partial slurry seal in accordance with encroachment permit requirements, WATER DISTRICT has, at the direction of COUNTY, installed 3 inches of temporary asphalt concrete.
- B. COUNTY shall not require WATER DISTRICT to restore trenches or slurry seal streets subject to this Agreement and shall not hold WATER DISTRICT liable for trench restoration warranty.
- C. WATER DISTRICT shall pay COUNTY the sum of \$423,896 to fund a portion of the estimated \$1,305,000 cost for trench restoration and overlay with asphalt concrete. WATER DISTRICT shall make such payment to COUNTY within THIRTY (30) days after execution of this Agreement. The foregoing sum shall represent the WATER DISTRICT'S sole and full liability of the costs for trench restoration and overlay of the identified streets with asphalt concrete, and COUNTY shall be solely liable for any additional costs incurred to perform the work under this Agreement.
- D. COUNTY shall utilize the \$423,896 payment from WATER DISTRICT solely toward construction costs for the trench restoration and asphalt concrete overlay of streets

identified in Exhibit A. COUNTY shall complete the construction of this work by no later than the expiration of the term set forth in Section 1 of this Agreement.

- E. COUNTY shall perform all trench restoration and asphalt concrete overlay work provided in this Agreement in accordance with applicable, federal, state and local laws, regulations and ordinances, and in a good and workman-like manner.

4. **GOVERNING LAWS AND JURISDICTION**

This Agreement shall be deemed to have been executed and to be performed within the State of California and shall be construed and governed by the internal laws of the State of California. Any legal proceedings arising out of or relating to this Agreement shall be brought in Sacramento County, California.

5. **INDEMNIFICATION**

- A. WATER DISTRICT shall defend, indemnify and hold harmless COUNTY, its Board of Supervisors, officers, directors, agents, employees and volunteers from and against all demands, claims, actions, liabilities, losses, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of WATER DISTRICT's obligations under this Agreement, caused in whole or in part by the negligent or intentional acts or omissions of WATER DISTRICT'S officers, directors, agents, employees, contractors, or subcontractors.
- B. COUNTY shall defend, indemnify, and hold harmless WATER DISTRICT, its officers, directors, agents, employees, and subcontractors from and against all demands, claims, actions, liabilities, losses, damages and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of COUNTY's obligations under this Agreement, caused in whole or in part by the negligent or intentional acts or omissions of COUNTY'S Board of Supervisors, officers, directors, agents, employees, contractors, or subcontractors.
- C. It is the intention of COUNTY and WATER DISTRICT that the provisions of this paragraph be interpreted to impose on each party responsibility to the other for the acts and omissions of their respective officers, directors, agents, employees, COUNTY'S Board of Supervisors, and each party's contractors and subcontractors. It is also the intention of COUNTY and WATER DISTRICT that, where comparative fault is determined to have been contributory, principles of comparative fault will be followed and each party shall bear the proportionate cost of any damage attributable to the fault of that party, its officers, directors, agents, employees, volunteers, COUNTY'S Board of Supervisors and the party's contractors and subcontractors.
- D. The provisions of this indemnity shall survive the expiration or termination of the Agreement.

6. **INSURANCE**

Each party, at its sole cost and expense, shall carry insurance, or self-insure, its activities in connection with this Agreement, and obtain, keep in force and maintain, insurance or equivalent programs of self-insurance, for general liability, workers compensation, and business automobile liability adequate to cover its potential liabilities hereunder. Each party agrees to provide the other thirty (30) days' advance written



notice of any cancellation, termination or lapse of any of the insurance or self-insurance coverages.

7. **AMENDMENT AND WAIVER**

Except as provided herein, no alteration, amendment, variation, or waiver of the terms of this Agreement shall be valid unless made in writing and signed by both parties. Waiver by either party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent, or any other right hereunder. No interpretation of any provision of this Agreement shall be binding upon COUNTY unless agreed in writing by COUNTY'S Director and counsel for COUNTY. No interpretation of any provision of this Agreement shall be binding upon WATER DISTRICT unless agreed in writing by WATER DISTRICT's General Manager and legal counsel.

8. **SUCCESSORS**

This Agreement shall bind the successors of COUNTY and WATER DISTRICT in the same manner as if they were expressly named.

9. **TIME**

Time is of the essence of this Agreement.

10. **INTERPRETATION**

This Agreement shall be deemed to have been prepared equally by both of the parties, and the Agreement and its individual provisions shall not be construed or interpreted more favorably for one party on the basis that the other party prepared it.

11. **DIRECTOR**

As used in this Agreement, "Director" shall mean the Director of the COUNTY'S Department of Transportation, or his/her designee.

12. **DISPUTES**

In the event of any dispute arising out of or relating to this Agreement, the parties shall attempt, in good faith, to promptly resolve the dispute mutually between themselves. If the dispute cannot be resolved within fifteen (15) calendar days of initiating such negotiations or such other time period as may be mutually agreed to by the parties in writing, either party may pursue its available legal and equitable remedies, pursuant to the laws of the State of California. Nothing in this Agreement or provision shall constitute a waiver of any of the government claim filing requirements set forth in Title 1, Division 3.6, of the California Government Code or as otherwise set forth in local, state and federal law.

13. **TERMINATION**

- A. The parties may terminate this Agreement by mutual written consent.
- B. Either party may terminate this Agreement for cause upon giving written notice to the other party stating the cause and giving a reasonable period to correct the failure, which period shall be stated in the notice.
- C. Upon termination of this Agreement under either A or B, above, WATER DISTRICT shall restore trenches as required under the encroachment permit for the Improvement Project and applicable County ordinances and the COUNTY shall refund to the WATER DISTRICT any monies paid by the WATER

DISTRICT to the COUNTY which have not been expended by the COUNTY to accomplish work as required pursuant to this Agreement. Remittance of the refund shall be made within sixty (60) days of the termination of this Agreement.

**14. PRIOR AGREEMENTS**

This Agreement constitutes the entire contract between COUNTY and WATER DISTRICT regarding the subject matter of this Agreement. Any prior agreements, whether oral or written, between COUNTY and WATER DISTRICT regarding the subject matter of this Agreement are hereby terminated effective immediately upon full execution of this Agreement.

**15. SEVERABILITY**

If any term or condition of this Agreement or the application thereof to any person(s) or circumstance is held invalid or unenforceable, such invalidity or unenforceability shall not affect other terms, conditions, or applications which can be given effect without the invalid term, condition, or application; to this end the terms and conditions of this Agreement are declared severable.

**16. FORCE MAJEURE**

Neither WATER DISTRICT nor COUNTY shall be liable or responsible for delays or failures in performance resulting from events beyond the reasonable control of such party and without fault or negligence of such party. Such events shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, acts of government, fire, power failures, nuclear accidents, earthquakes, unusually severe weather, acts of terrorism, or other disasters, whether or not similar to the foregoing, and acts or omissions or failure to cooperate of the other party or third parties (except as otherwise specifically provided herein).

**17. SURVIVAL OF TERMS**

The parties' performance of this Agreement is subject to all of the terms and conditions set forth herein, notwithstanding the expiration of the initial term of this Agreement or any extension thereof. Further, the terms and conditions contained in this Agreement that by their sense and context are intended to survive the completion of the performance, cancellation or termination of this Agreement shall so survive.

**18. AUTHORITY TO EXECUTE**

Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute and deliver this Agreement for or on behalf of the parties to this Agreement. Each party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such party's obligations hereunder have been duly authorized.

**19. COUNTERPARTS**

This Agreement may be executed in counterparts. The Agreement shall be deemed executed when it has been signed by both parties.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

COUNTY OF SACRAMENTO

SACRAMENTO SUBURBAN WATER DISTRICT

By: \_\_\_\_\_  
Michael J. Penrose, Director  
Department of Transportation

By: \_\_\_\_\_  
Robert S. Roscoe  
General Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Agreement approved by the Board of Supervisors with authority delegated to the Director to sign:

Agenda Date: \_\_\_\_\_

Item Number: \_\_\_\_\_

Resolution Number: \_\_\_\_\_

Reviewed and Approved by County Counsel

By: \_\_\_\_\_  
William Burke, Deputy County Counsel

Date: \_\_\_\_\_

Prepared by: \_\_\_\_\_  
Chalon Rogers, Senior Contract Services Officer  
Contract & Purchasing Services Division  
Department of General Services  
Phone: (916) 876-6287

Z:\Contract Services (CSS)\Agreements\Sacramento Suburban Water District\70720 Drayton Heights\70720 SSWD Agreement DRAFT.doc