

A G E N D A

**MIDDLE FORK PROJECT
FINANCE AUTHORITY**

**Thursday, April 25, 2013
10:00 a.m., Adjourned Meeting**

Placer County Water Agency
Business Center
144 Ferguson Road
Auburn, California

Members of the Board of Directors:

PLACER COUNTY WATER AGENCY

Alex Ferreira, District 2
Mike Lee, District 4, Vice-Chair

COUNTY OF PLACER

Robert Weygandt, District 2
Jim Holmes, District 3, Chair

A. Call to Order

1. Roll call
2. Pledge of Allegiance

B. Public Comment: Any member of the public may address the Authority Board on any matter within the jurisdictional authority of the Authority Board, or on any item of this agenda before or during the Authority Board's consideration of that item. Public comment is limited to three minutes per person or spokesperson of any group or such other time limit as may be imposed by the Chair in order to enable the Authority Board to complete its agenda within a reasonable period of time.

C. Agenda Review and Changes

Pg. 1 D. General Items

Pg. 3 1. Consider and **Adopt Resolution 13-__ approving the Middle Fork Project Finance Authority (MFPFA) General Administrative Policies.**

Pg. 9 2. Consider and Adopt **Resolution 13-__ approving the MFPFA General Financial Policies.**

Pg. 29 3. Consider and Adopt **Resolution 13-__ approving the MFPFA Project Operations Protection Policies.**

Pg. 35 4. Rescind **Resolution 06-01** and adopt **Resolution 13-__ approving a new MFPFA regular Board meeting schedule.**

Pg. 37 5. Review and approve a Planning and Scheduling Protocol for the Middle Fork Project

- E. Reports by Directors: In accordance with Government Code § 54954.2(a), Directors may make brief announcements or brief reports on their own activities. They may ask questions for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda.
- F. Reports by Legal Counsel
- G. Reports by Secretary
- H. Reports by Executive Director
- I. Adjournment

THE NEXT RESOLUTION NUMBER IS 13-03

The administrative affairs of the MFP Finance Authority are managed by PCWA. Inquiries regarding the MFP Finance Authority should be directed to the PCWA General Manager's office (530) 823-4860 for reply.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact PCWA at (530) 823-4860. Notification by Friday noon preceding the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.102-35.104 ADA Title II]

In accordance with Government Code Sec. 54954.2(a) this notice and agenda were posted in the Agency's outdoor bulletin board at the Placer County Water Agency Business Center at 144 Ferguson Road, Auburn, California, on or before April 19, 2013.

Any writing that is a public record under the Public Records Act that relates to an agenda item for an open session of the Board meeting that is distributed less than 72 hours prior to the meeting will be made available for public inspection at the time the writing is distributed to any Board members. Also, any such writing will be available for public inspection at the Agency's office located at 144 Ferguson Road, Auburn, California, during normal business hours.

Tentative Schedule of Upcoming Middle Fork Project Finance Authority Board Meetings

- **Thursday, May 16, 2013, 10:00 a.m.** – Regular Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.



COUNTY OF PLACER
Community Development/Resource Agency

Michael J. Johnson, AICP
Agency Director

**PLANNING
SERVICES DIVISION**

Paul Thompson, Deputy Director

D.

MEMORANDUM

TO: Middle Fork Finance Authority Board

FROM: Brett Storey, Senior Management Analyst

DATE: April 18, 2013

SUBJECT: MIDDLE FORK PROJECT FINANCE AUTHORITY POLICIES

Recommendation

Consider and adopt the following three Middle Fork Project Finance Authority resolutions:

1. Resolution 13-__ approving the General Administrative Policies
2. Resolution 13-__ approving the General Financial Policies
3. Resolution 13-__ approving the Project Operations Protection Policies

Background

Placer County and Placer County Water Agency (PCWA) staffs have jointly finalized three policy documents for consideration by the MFPFA. The General Administrative, General Financial and Project Operations Protection policies are necessary to formalize several important procedures related to the administration of the MFPFA.

Staff will provide an overview of the three policies at the April 25, 2013 Board meeting.

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RESOLUTION NO. 13 - ____
OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
GENERAL ADMINISTRATIVE POLICIES

WHEREAS, Placer County Water Agency (“Agency”) is the owner of the Middle Fork American River Project (“Project”) which produces hydroelectric power; and

WHEREAS, the County of Placer (“County”) is a financial partner in the energy sale output of the Middle Fork Project; and

WHEREAS, the County and the Agency have formed the Middle Fork Project Authority (“Finance Authority”), a joint powers authority, to manage the financial relationship between the two; and

WHEREAS, as a joint powers authority, the Finance Authority is accountable to both the County and the Agency, as parties to the Joint Exercise of Powers Agreement, the County Treasurer, and to the public for the use of public funds; and

WHEREAS, three specific operations; Administrative Procedures, Grants and Loans, and Public Reporting are administrative obligations of the MFPFA and as such should be transparent to the public.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project Finance Authority that:

1. The Middle Fork Project Finance Authority General Administrative Policies are approved; and,
2. The Secretary and Executive Director of the Authority, or their designated staff, are directed to implement the policies as written.

The foregoing Resolution was duly passed at an adjourned meeting of the Board of Directors of the Middle Fork Project Finance Authority held on the 25th day of April, 2013, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 25st day of April, 2013.

Chair, Board of Directors
Middle Fork Project Finance Authority

ATTEST:

Clerk, Board of Directors
Middle Fork Project Finance Authority

MIDDLE FORK PROJECT FINANCE AUTHORITY

General Administrative Policies

Adopted: April __, 2013

1.0 PURPOSE:

The purpose of the General Administrative Policies is to establish basic administrative policies for Authority operations, providing guidance for the effective discharge of its responsibilities. The policies address three operational areas: Administrative Procedures, Grants and Loans, and Public Reporting.

2.0 ADMINISTRATIVE PROCEDURES POLICY:

The purpose of the Administrative Procedures Policy is to assist the effective administration of the MFPFA.

2.1 All administrative procedures for MFPFA personnel, consultants, and independent contractors will be governed by the MFPFA's adopted rules. While the MFPFA is authorized by its formation documents to hire its own employees, consultants, and independent contractors, current staffs supporting the operation of the MFPFA are either employees of PCWA or the County and as such subject to PCWA or County rules, policies, procedures, and memorandums of understanding. Should the MFPFA Board chose to hire its own employees, consultants, or independent contractors, it will adopt and implement such administrative rules and compensation plans as it deems appropriate.

2.2 The MFP is operated by PCWA. PCWA uses its own employees, consultants, and independent contractors to operate the MFP.

3.0 GRANTS AND LOANS POLICY:

Within the MFPFA JPA, one of the specific powers is the ability to apply for, accept, receive, and disburse grants, loans, and other aids from any agency of the United States of America or of the State of California. The purpose of this policy is to assist the MFPFA with any conditions that warrant the procedure of implementing any grants, loans, or other aids for the purpose of improving the MFPFA.

3.1 The MFPFA has the ability to apply for, accept, receive, and disburse grants, loans, and other aids from any agency of the United States of America or of the State of California if consistent with the purpose of the JPA.

3.2 Any participation in a grant or other aid program shall be authorized by the MFPFA Board before a commitment is finalized.

4.0 PUBLIC REPORTING POLICY:

The purpose of this public reporting policy is to ensure that all relevant data, information, reports, and announcements are presented in a consistent, concise, and easy to understand manner.

4.1 The MFPFA will establish and maintain a public website for the purpose of informing the public. All public meetings, notices, and agendas will be posted on the website. In addition, reports and documents that are available to the public for review will also be posted as they become approved or adopted by all federal and state agencies that have jurisdiction over the MFP.

4.2 Recreation related information and messaging will be posted on a MFPFA and/or PCWA MFP website as the information becomes available.

4.3 The MFPFA will not issue public communications during emergency conditions. All messaging during emergency conditions will be managed by PCWA and will be issued in a manner approved by PCWA as the project owner. Emergency messaging may be posted on a MFPFA and/or PCWA MFP website.

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RESOLUTION NO. 13-____
OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
GENERAL FINANCIAL POLICIES

WHEREAS, Placer County Water Agency (“Agency”) is the owner of the Middle Fork American River Project (“Project”) which produces hydroelectric power; and

WHEREAS, the County of Placer (“County”) is a financial partner in the energy sale output of the Project; and

WHEREAS, the County and the Agency have formed the Middle Fork Project Authority (“Finance Authority”), a joint powers authority, to manage the financial relationship between the two; and

WHEREAS, as a joint powers authority, the Finance Authority is accountable to both the County and the Agency, as the parties to the Joint Exercise of Powers Agreement, the County Treasurer, and to the public for the use of public funds; and

WHEREAS, The Finance Authority has requested that staff prepare a General Financial Policies to provide a framework to guide the Finance Authority's decision-making with respect to financial activities and planning.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project Finance Authority that:

1. The Middle Fork Project Finance Authority General Financial Policies are approved; and,
2. The Secretary and Executive Director of the Authority, or their designated staff, are directed to implement the policies as written.

The foregoing Resolution was duly passed at an adjourned meeting of the Board of Directors of the Middle Fork Project Finance Authority held on the 25th day of April, 2013, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 25th day of April, 2013

Chair, Board of Directors
Middle Fork Project Finance Authority

ATTEST:

Clerk, Board of Directors
Middle Fork Project Finance Authority

MIDDLE FORK PROJECT FINANCE AUTHORITY

General Financial Policies

Adopted: April __, 2013

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1.0 PURPOSE

These General Financial Policies provide a framework to guide the Middle Fork Project Finance Authority's (MFPFA or Authority) decision-making with respect to financial activities and financial planning. They address budget, capital planning, reserves, net revenue distribution and other related financial policies for the Authority.

2.0 GENERAL POLICIES

2.1 The Authority will manage its financial assets in a sound and prudent manner, according to Policies adopted by the Authority Board of Directors.

2.2 The Authority will maintain sound financial practices in accordance with generally accepted accounting principles, legal documents (JPA and debt agreements) State and Federal laws and regulations. Should there be a conflict, State and Federal laws and regulations these authoritative sources will be followed.

3.0 BUDGET POLICY:

3.1 Authority to Produce Budgets

3.1.1 Article 6 of the Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority (JPA) sets forth a number of requirements related to budgeting and expenses. In the event of a conflict between these policies and the JPA, the JPA shall dictate.

3.2 General Conditions

- 3.2.1 The Middle Fork Project Finance Authority shall appropriate sufficient funds to provide for the efficient operation of the MFP through the adoption of an Annual Budget.
- 3.2.2 The Annual Budget shall incorporate planned expenses for the basic operation and maintenance of the MFP (Operational Budget), additions and betterment projects (Capital Budget), designation to and from reserves, changes in debt, and distributions to the Agency and the County.
- 3.2.3 The Annual Budget shall identify amounts encumbered for consulting and construction contracts that span more than one fiscal year.
- 3.2.4 Budgetary Control: The Authority's budgetary control for the Operational Budget will be maintained at the Budget total and for the Capital Budget will be maintained at the project level. Budget Amendments that require an increase to either budget's total expenditure shall be authorized by the Authority Board prior to incurring the expense. The Authority Board may consider amendments to the Annual Budget at any time.
- 3.2.5 The Authority Treasurer shall request authorization jointly from the Authority's Executive Director and Secretary to transfer up to ten percent of a project budget between authorized expenditures for projects if such request does not increase total expenditures. The Authority Board shall be notified of any such budgetary transfers.
- 3.2.6 Once the Authority Board approves the Annual Budget, funds shall be appropriated and encumbered for the budgeted purposes and the expenditure of those funds shall be deemed authorized.
- 3.2.7 Failure to approve the annual budget:
 - (1) Authority: Section 6.04 (c) of the JPA provides:

If the Authority fails to approve the Annual Budget by November 30 each year the matter shall be referred for dispute resolution as provided in Section 2.09.

While the dispute is pending resolution the Authority shall continue to fully appropriate and encumber funds for the basic operation and maintenance of the MFP, debt service, and to ensure the completion of any authorized consulting or construction contracts that will extend beyond the end of the current fiscal year as submitted as if the budget had been approved. However, if there is any dispute concerning any amount in the Annual Budget for additions and betterments, the amount in dispute shall be sequestered and shall not be distributed to the parties until the dispute has been resolved.

3.2.8 Reporting: The Authority Treasurer shall submit quarterly budget reports to the Authority Board.

- (1) The report will include the annual budget and actual amounts to date for revenue and expense, and a summary of variances with explanations.
- (2) The report will include a statement of the reserve accounts including beginning balances, targets, activity and current balances.

3.3 Budget Timeline

3.3.1 General: The Finance Authority's fiscal year is the calendar year (January 1 - December 31). The regularly scheduled meetings of the Finance Authority Board of Directors are scheduled on the third Thursdays of January, April, July & October.

3.3.2 Annual Budget Timeline:

- (1) Draft Budget: On or before August 1st PCWA will prepare a draft Annual Budget for the ensuing year and in consultation with the

County, will work together to develop the Proposed Annual Budget to submit to the Authority Board on or before October 1 of each year.

- (2) Capital Plan: PCWA will develop a proposed capital project list with related costs and project expenditure schedule for inclusion with the draft Annual Budget.
- (3) Budget Approval: On or before October 1st PCWA shall submit the Proposed Annual Budget as developed above to the Finance Authority for approval at the October meeting preceding the fiscal year for which the budget is to take effect.
- (4) Mid-Year Review Budget: The Agency will prepare a budget update after the final snow survey and by June 21st of the current fiscal year. The budget update shall give consideration to an updated estimate of the revenues and expenditures using actual hydrologic conditions and current energy market conditions, and expenses. If warranted, budget revisions may be submitted to the Authority Board of Directors in July.
- (5) Final Year-end Budget Report: Year-end budget and actual amounts along with carryover amounts, if any, will be provided to the Authority Board of Directors in April.

3.4 Annual Budget

3.4.1 Revenue

- (1) Revenue will be forecast for the current budget year and each of the following four years thereafter.
- (2) Revenue in the Proposed Annual Budget: MFP revenue is subject to significant volatility due to variations in hydrology, energy markets and other factors, therefore energy sales revenues shall be based on 80% of the average generation for the past ten years.

3.4.2 Expenses

- (1) Expenses will be proposed for the current budget year and forecast for each of the following four years thereafter.
- (2) Expenditure of funds will be consistent with the priorities in the JPA Agreement, the 2006 Bond Purchase Contract, and any other obligations that the Board authorizes that affect expenditures.

3.5 Working Cash

3.5.1 The Authority Treasurer is authorized to expend and/or transfer funds from revenue received by the Authority consistent with the authorized Annual Budget expenditures as needed for MFP operations, maintenance, capital appropriation and other current obligations.

3.5.2 Working Cash shall be maintained in an amount sufficient to accommodate normal fluctuations in cash flow associated with MFP operations and other cash flow needs.

4.0 CAPITAL PLAN POLICY

4.1 General

The MFP has infrastructure assets that require upgrades and replacement of equipment and facilities. These capital projects typically require multi-year phases of planning, design and construction until completed. In the annual budgeting process, capital upgrades and replacements must be identified, planned, evaluated and prioritized. Capital projects will be funded from the Authority's Capital Reserve and/or additional debt and/or available current revenue. The funding for each capital project shall be identified in the Capital Plan and authorized by the Authority Board through the annual budget process. The Authority will follow the Agency's capitalization policies.

4.2 Capital Plan

As part of the annual budgeting process, the Capital Plan, the components of which are outlined herein, will be updated.

- 4.2.1 Capital Plan will be updated annually based on the capital requirements of the MFP.
- 4.2.2 Except under emergency conditions, capital projects costing more than one million dollars (\$1,000,000) must be introduced and authorized through the Capital Plan.
- 4.2.3 The Capital Plan will prioritize capital projects into three categories:
 - (1) Potential Projects: Projects under consideration, but not yet authorized.
 - (2) Planned Projects: Projects authorized by the Authority Board for allocation of funds, but not yet authorized for design and construction expenditure of funds.
 - (3) Authorized Projects: Projects authorized for design and construction by the Authority Board.
- 4.2.4 PCWA will provide Project descriptions, justification, estimated costs, and a proposed construction and expenditure schedule for each proposed project.

4.3 Capital Project Approvals

- 4.3.1 Through the Capital Plan, the Authority Board will designate projects as “Potential” “Planned” or “Authorized” Projects.
 - (1) For newly proposed Planned Projects, PCWA will provide the Authority Board with a preliminary funding plan that includes a recommendation of sources of funds. Authorization of the Planned Project shall include allocation of funds to the Capital Reserve.
 - (2) Budgeting of Authorized Projects shall be authorized by the Authority Board in two phases: 1) design, and 2) construction.

4.4 Emergency Expenditures

- 4.4.1 Emergency or catastrophic events are those that create an immediate need for expenditures in order for the MFP to recover and restore operational capability. Under emergency conditions, expenditures necessary to restore operational capability will not be required to go through the annual capital planning process. If an emergency accelerates a Planned Project, funds collected for this project in the Capital Reserve shall be used prior to other funding sources.

5.0 RESERVE POLICY

5.1 General

The Authority JPA requires the establishment and maintenance of prudent reserves. Reserves shall be established in the following three categories: Operating, Capital, and Emergency. As part of the annual budget process, a report of reserve account activity shall be presented to the Authority Board by the Authority Treasurer. The report shall include a summary of the use of reserves in the prior year and shall recommend annual and full funding levels. Reserve account funding allocations will be authorized through the annual budget process and may be revised by the Authority Board at any time.

5.2 Specific Reserve Accounts

5.2.1 Operating Reserve

- (1) Purpose: The Operating Reserve account provides readily available cash to operate the MFP under conditions of significantly reduced revenue due to hydrology, energy prices and/or prolonged minor outages or unanticipated variations in expenses.
- (2) Full Funding Target: Operating reserve target amount is set at a minimum of one year of operating expenses.

- (3) Funding Source: Contributions to the Operating Reserve from current revenue shall be included and authorized through the Annual Budget process.
- (4) Authorization Needed for Use: The Operating Reserve account shall be used for the purposes noted above based on determination of need with the prior approval of the Authority's Executive Director and Secretary, or Board. The Authority Board shall be notified of any use of Operating Reserves.

5.2.2 Capital Reserve

- (1) Purpose: The Capital Reserve account is intended to work as a sinking fund to provide funding for capital projects when needed for Planning and Design, and Construction.
- (2) Funding Target: Annual contributions to the Capital Reserve account will be based on funding needs of Authorized and Planned Projects.
- (3) Funding Source: Contributions to the Capital Reserve from current revenue shall be included and authorized through the Annual Budget process.
- (4) Authorization Needed for Use: Use of the Capital Reserve account funds shall be approved by the Authority Board through the annual budgeting process and throughout the year as capital projects are Board approved.

5.2.3 Emergency Reserve

- (1) Purpose: The Emergency Reserve account provides funding for significant unforeseen needs or events.
- (2) Full Funding Target: PCWA will prepare a study to determine a total amount of emergency funds that would be required under a severe outage contingency, along with a proposed strategy of insurance, available lines of credit and Emergency Reserve

account funds that can respond to the emergency condition. This will define the target level of Emergency Reserve that would be required and, given its current level, an annual contribution needed to accomplish that target level. PCWA will annually assess the level of Emergency Reserve and propose recommended changes during the Annual Budget process.

- (3) Funding Source: Contributions to the Emergency Reserve from current revenue shall be included and authorized through the Annual Budget process.
- (4) Authorization Needed for Use: The Emergency Reserve account may be used for the purposes noted above based on determination of need with the prior approval of the Authority's Executive Director and Secretary, or Board. The Authority Board shall be notified of any use of Emergency Reserves.

5.3 Funding of Reserve Accounts

5.3.1 General

It is the Board's intention that reserves be fully funded over a three year period to their annual target amounts before net revenue is distributed.

Each of the reserve accounts will have identified annual and full funding targets. When resources are limited, the priority for funding reserves or restoring reserves to established levels after use shall be as follows:

- (1) First Priority: Operating Reserves. It is prudent to aggressively contribute to Operating Reserves until the account reaches its established target. The Operating Reserve shall be fully funded before any distributions of net revenues. Additionally, after the use of Operating Reserves, this reserve shall be restored to target levels prior to any distribution of net revenue.
- (2) Second Priority: Emergency Reserve. The Emergency Reserve must be funded to the adopted Annual Budget funding level each year before any distribution of net revenue.

- (3) Third Priority: Capital Reserves. The Capital Reserve must be funded to targeted amounts each year before any distribution of net revenue.

6.0 NET REVENUE DISTRIBUTION POLICY

6.1 General

- 6.1.1 Revenue distribution by the Authority is governed by two legal obligations: the Authority JPA Agreement between Placer County (County) and Placer County Water Agency (PCWA or the Agency), dated January 10, 2006, and the Bond Purchase Contract between the MFPFA and the Placer County Treasurer, dated March 29, 2006. Pursuant to these agreements, beginning on April 1, 2015 the Authority Board may consider distribution of net revenue to the Agency and the County.
- 6.1.2 Net Revenue is defined as revenue received from the sale of electric energy less expenses for the basic operation and maintenance of the MFP (including prior year expenses incurred but not paid), additions and betterment projects, designation to and from reserves, debt payments and replenishment of working cash.

6.2 Periodic Distributions

- 6.2.1 Beginning August 2015 after the Mid-Year Review, and annually thereafter, if the net revenue forecast supports distribution of Net Revenues to the County and Agency, the Authority Board may authorize the Distributions of up to 1/3 of the Budgeted Net Revenue, based on available funds, on the last business day of August.
- 6.2.2 Beginning November 2015, and annually thereafter, the Authority Board may authorize the Distributions of up to an additional 1/3 of the Budgeted Net Revenue, based on available funds, on the last business day of November.

6.3 Annual True-Up Distribution

- 6.3.1 Beginning in 2016 and on or before the last business day of March following each fiscal year the Authority Treasurer will distribute any remaining previous year's Net Revenue.

7.0 AUDIT POLICY

7.1 General:

- 7.1.1 The Audit Policy is to assist the MFPFA Board of Directors and management in effectively discharging of their fiduciary and administrative responsibilities regarding the required annual financial statement audit. Should changes occur in Federal, state or local laws regarding the auditing of public funds creating a conflict, the Federal, state or local regulations will be followed.
- 7.1.2 Annually, the Authority Treasurer shall coordinate a year-end financial statement audit of the Authority's financial transactions.
- 7.1.3 The annual financial statement audit shall be conducted in accordance with generally accepted auditing standards in the United States and shall include tests of accounting records and other procedures necessary to express an opinion.
- 7.1.4 As the Authority's accounting and recordkeeping are performed by the Agency and the internal control environment is the same, the Authority shall use the same audit firm as the Agency.
- 7.1.5 The Authority Treasurer shall submit to the Authority Board the audited financial statements within 180 days after the close of each fiscal year.

8.0 INVESTMENT POLICY

8.1 General:

- 8.1.1 In conformance with California Government Code Sections 53600, *et seq*, the Authority Treasurer shall establish and maintain a statement of investment policy.
- 8.1.2 Annually, during the first quarter of each year, the Authority Treasurer shall submit to the Authority Board the statement of investment policy for authorized use during that year.
- 8.1.3 All funds held by the Authority are subject to this Investment Policy.

9.0 DEBT MANAGEMENT POLICY

9.1 General

The Authority's overriding goal in issuing debt is to provide for the needs of the Middle Fork Project. When the Authority issues debt instruments and makes debt service payments, it will act with prudence, diligence, and attention to prevailing economic conditions. The Authority will also seek to minimize borrowing costs by ensuring proper prioritization of Authority resources and taking advantage of favorable economic conditions. Timing debt issuance to accommodate market interest rates and investor sentiment is an important means of minimizing the cost of debt and the financial burden on the system users. To accomplish this, the Authority will seek input on market conditions from financial consultants who closely monitor the financial markets. The Authority will adhere to the following legal requirements for the issuance of debt:

- The Joint Powers Agreement, which establishes the powers of the Authority;
- State law, which authorizes the issuance of the debt;
- The Federal and state tax laws, which govern the eligibility of the debt for tax-exempt status;
- The Federal and state securities law, which govern disclosure, sale and trading of the debt. All proposed debt financings and re-financings shall be presented to and approved by the Authority Board. The Authority Treasurer will provide a preliminary proposal to the Board before final authorization is sought.

9.2 Financial Disclosure: The Authority Treasurer will meet ongoing disclosure requirements of nationally established and recognized municipal securities information repositories (NRMSIRs) and will maintain compliance with disclosure standards promulgated by state and national regulatory bodies. The Authority may also employ the services of firms that improve the availability of or supplement the Authority's NRMSIR filings.

9.3 Type of Debt: The Authority may finance acquisition or construction of projects and capital assets through the issuance and sale of municipal securities or other means. Authority long-term borrowing will primarily be for capital improvements or other projects with long-term benefit. The proceeds of debt obligations will be used for the cost of such acquisition or construction.

9.4 Investment of Bond Proceeds:

The proceeds of the bond sales will be invested until used for the intended project in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The Authority's investment policies and bond indentures should be referred to for more details on objectives and criteria for investment of bond proceeds. All bond proceeds will be invested by the Authority in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issue.

9.5 Term of Debt: Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current, future beneficiaries or users and the JPA document. Generally, borrowings by the Authority should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life.

9.6 Duties of the Authority Treasurer: The Authority Treasurer shall coordinate the administration and issuance of debt and is responsible for selecting the financing team and for the accuracy of disclosure and other bond related documents.

9.6.1 In addition to the Authority Treasurer, members of the management team and financial advisors may serve on the financing team, along with any other staff member(s). The Authority Treasurer will coordinate the issuance of all debt, including issuance size, debt structuring, pledging of repayment sources and method of sale. All borrowing requests or debt refunding proposals are to be communicated to and coordinated by the Authority Treasurer.

9.6.2 The Authority Treasurer working with the Authority Counsel will manage any legal activities that may arise with respect to issuance of the debt.

Furthermore, after the bonds are issued, the Authority (acting through the Authority Treasurer) will be ultimately responsible for the following:

- Supervising, investing and administering the expenditure of bond proceeds;
- Collecting, or monitoring the collection of, revenues;
- Applying pledged revenues to pay operating expenses and debt service;
- Complying with all undertakings, covenants and agreements;
- Reviewing expenditures for any enterprise funded by the debt;
- Filing of any reports required with various governmental regulators, a bond insurer or other credit enhancement provider, if any, and the credit rating agencies;
- Addressing any problem that may arise with respect to the debt, such as a shortfall in revenues, a tax audit or a regulatory issue;
- Preparing, reviewing and filing Annual Reports and Listed Event Notices under SEC Rule 15c2-12.

9.7 Restructuring of Debt: The Authority may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Arbitrage Compliance: The Authority Treasurer shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the Federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the Federal government in a timely manner in order to preserve the tax-exempt status of the Authority's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

10.0 INSURANCE COVERAGE POLICY

- 10.1 Risk mitigation will balance strategies that blend insurance and reserve funding (self-insurance) to produce optimal protection of all assets. This balancing will take into account both the potential losses of power revenue, due to unplanned outages or catastrophic conditions, and variances on projected business operations due to hydrologic conditions or power market fluctuations. The Agency will identify appropriate insurance policies and levels of coverage, commensurate with regulatory requirements and prudent business practices, and will secure insurance for the MFP. The cost of the insurance will be budgeted in the Operational Budget.
- 10.2 Property insurance provides protection against risks to property, such as fire, theft or weather damage. This insurance will cover boilers and machinery as well as construction equipment.
- 10.3 General Liability insurance provides protection against risks that may include bodily injury or property damage caused by direct or indirect actions of the insured.
- 10.4 Business interruption insurance covers the loss of income, and the expenses incurred, after a covered peril interrupts normal business operations.
- 10.5 PCWA shall be required to provide a certificate of insurance and an additional insured endorsement for general liability and automobile liability policies, and it shall name the MFPFA, its directors, employees and volunteers as additional insureds.
- 10.6 For any claims related to the MFP, PCWA's insurance coverage shall be primary insurance as respects the MFPFA, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by MFPFA, its officers, officials, employees, or volunteers shall be excess of PCWA's insurance and shall not contribute with it.

11.0 PROCUREMENT POLICY

11.1 The MFPFA grants all purchasing authority to the Agency. All Authority purchases shall be in accordance with Placer County Water Agency's Purchasing Policy and Procedures.

**RESOLUTION NO. 13-____
OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
PROJECT OPERATIONS PROTECTION POLICIES**

WHEREAS, Placer County Water Agency (“Agency”) is the owner of the Middle Fork American River Project (“Project”) which produces hydroelectric power; and

WHEREAS, the County of Placer (“County”) is a financial partner in the energy sale output of the Project; and

WHEREAS, the County and the Agency have formed the Middle Fork Project Authority (“Finance Authority”), a joint powers authority, to manage the financial relationship between the two; and

WHEREAS, as a joint powers authority, the Finance Authority is accountable to both the County and the Agency, as the parties to the Joint Exercise of Powers Agreement, the County Treasurer, and to the public for the use of public funds; and

WHEREAS, the Finance Authority has a strong interest in supporting the Agency’s continued excellent record of Project maintenance and upkeep; and

WHEREAS, the purpose of the Project Operations Protection Policies are to assist the Finance Authority in understanding and supporting the financial investments necessary to keep the Project in good operating condition at all times.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project Finance Authority that:

1. The Middle Fork Project Finance Authority Project Operations Protection Policies are approved; and,
2. The Secretary and Executive Director of the Authority, or their designated staff, are directed to implement the policies as written.

The foregoing Resolution was duly passed at an adjourned meeting of the Board of Directors of the Middle Fork Project Finance Authority held on the 25th day of April, 2013, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 25th day of April, 2013.

Chair, Board of Directors
Middle Fork Project Finance Authority

ATTEST:

Clerk, Board of Directors
Middle Fork Project Finance Authority

MIDDLE FORK PROJECT FINANCE AUTHORITY

Project Operations Protection Polices

Adopted: April __, 2013

1.0 PURPOSE

The purpose of the Project Operations Protection Policies is to assist the Middle Fork Project Finance Authority (Authority or MFPFA), Board of Directors, and management by establishing basic equipment and operating protection policies for the Authority operation, thus providing guidance for the effective discharge of its responsibilities generally to Placer County Water Agency (PCWA). Two activities; physical asset management and project emergency operations are critical obligations of PCWA and as such should well-defined and reviewed annually.

2.0 PHYSICAL ASSET MANAGEMENT POLICY

The purpose of the Physical Asset Management policy is to assist the MFPFA Board of Directors and management with its support of PCWA for the operations and maintenance of and requisite investment into the MFP and its components. PCWA is the owner and operator of the Middle Fork Project and as such is responsible for the lifecycle health of its physical assets.

2.1 PCWA shall provide the Finance Authority with annual updates on its physical asset and maintenance management planning to provide context for the Finance Authority's approval of the MFP operating and capital budgets.

3.0 PROJECT EMERGENCY OPERATIONS POLICY

The purpose of the Project Emergency Operations Policy is to assist the MFPFA Board of Directors and management to support PCWA in preparing for operations under emergency conditions. PCWA is the owner and operator of the MFP and is thereby responsible with an ongoing obligation to anticipate and prepare for emergency conditions. Operations under emergency conditions can be complicated and are generally conducted under stress. The MFPFA Board will support PCWA's efforts, through funding, administrative assistance, and all other means possible to ensure the protection of the assets of the MFP and residents of Placer County.

3.1 As owner and operator of the MFP, PCWA is charged with preparation for operations under emergency conditions, with an eye toward managing an emergency against the objectives of safety of the public and employees, protection of facilities and equipment for long term services and reliability, cost control and operational recovery with as minimal as practical downtime. PCWA must meet federal and state regulatory and statutory requirements, as well as North American Electric Reliability Corporation (NERC) requirements while preparing for, or

executing such operations. It is the MFPFA Board's policy to support PCWA's effort through funding and other activities that are available.

3.2 PCWA shall provide the MFPFA Board with copies, and updates as they are prepared, of all emergency action plans, procedures and protocols including but not limited to disaster recovery plans, emergency condition protocols and procurement plans that are required to meet PCWA's obligation to prepare for MFP operations under emergency conditions. An annual status of these conditions shall be provided to the Board.

3.3 PCWA shall provide initial public communications during a project emergency and implement the public notification process. Should the emergency rise to the level that involves Placer County emergency management agencies, PCWA will coordinate public notification with those agencies involved and the Incident Commander, should the Incident Command System have been initiated. Project Critical Energy Infrastructure Information (CEII), as deemed by FERC, will not be communicated to the public. The MFPFA may issue a public communication (with the exception of any CEII) via the MFPFA website following an emergency, but only after it has been fully apprised of causes and consequences of the event by PCWA staff and any other emergency agency coordination and information release regulations.

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M E M O R A N D U M

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Andrew Fecko, Director of Resource Development
DATE: April 17, 2013
RE: New MFPFA Regular Board Meeting Dates

RECOMMENDATION

Rescind Resolution No. 06-01 and adopt Resolution No. 13-___ approving new regular Middle Fork Project Finance Authority Board meeting dates.

BACKGROUND

In February 2006, the Board adopted Resolution No. 06-01 establishing regular meeting dates of the third Thursdays of February, May, August, and November of each year. However, to meet Agency and County budgeting and reporting deadlines, staff recommends moving the meetings to the third Thursdays of January, April, July, and October of each year. The time and location of the meetings would remain the same, 10:00 a.m. in the American River Room of Placer County Water Agency's Administrative Center, Auburn, CA.

RESOLUTION NO. 13 - ____
OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
NEW REGULAR BOARD MEETING DATES

WHEREAS, Section 2.04 of the Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority (JPA) requires this Board to set the date, hour and place of holding its regular meetings.

WHEREAS, on February 28, 2006, the JPA adopted Resolution 06-01 setting its regular meetings on the third Thursdays of February, May, August, and November of each year at 10:00 a.m. in the American River Room of Placer County Water Agency's Administrative Center at 144 Ferguson Road, Auburn, CA; and

WHEREAS, this Board hereby rescinds Resolution 06-01.

BE IT RESOLVED by the Board of Directors of the Middle Fork Project Finance Authority that its regular meetings shall now be held on the third Thursdays of January, April, July, and October of each year at 10:00 a.m. in the American River Room of Placer County Water Agency's Administrative Center at 144 Ferguson Road, Auburn, CA.

The foregoing Resolution was duly passed at an adjourned meeting of the Board of Directors of the Middle Fork Project Finance Authority held on the 25th day of April, 2013, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 25st day of April, 2013.

Chair, Board of Directors
Middle Fork Project Finance Authority

ATTEST:

Clerk, Board of Directors
Middle Fork Project Finance Authority



D.5.

M E M O R A N D U M

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Andrew Fecko, Director of Resource Development
DATE: April 17, 2013
RE: Interim Planning and Scheduling Protocol

Staff will provide the Interim Planning and Scheduling Protocol as a handout at the April 25, 2013 meeting.