A G E N D A

MIDDLE FORK PROJECT
FINANCE AUTHORITY

Thursday, January 17, 2019
10:00 a.m., Regular Meeting

American River Room
Placer County Water Agency
144 Ferguson Road
Auburn, California

Members of the Board of Directors:

PLACER COUNTY WATER AGENCY
Primo Santini, District 2, Vice-Chair
Mike Lee, District 3

COUNTY OF PLACER
Jim Holmes, District 3, Chair
Robert Weygandt, District 2

A. Call to Order:
   1. Roll call
   2. Pledge of Allegiance
   3. Election of Chair and Vice-Chair for 2019

B. Public Comment: This is the time for any member of the public to address the Board of Directors on any matter not on the agenda that is within the subject matter jurisdiction of the Agency. Members of the public are requested to come to the podium and use the microphone.

C. Agenda Review and Changes

D. Consent Calendar: All items listed under the consent calendar are considered to be routine and may be approved by one motion.

Pg. 1 1. Consider approving October 3 and 4, 2018, minutes.

Pg. 9 2. Consider adopting Resolution 19-__ adopting the Authority’s Investment Policy.

Pg. 31 3. Receive and file Check Register 19-01 expenses disbursed.
4. Receive and file Treasurer’s Investment Reports for months ended September 30, October 31, November 30, and December 31, 2018.

E. General Items:

1. Receive report on the Hell Hole Dam Core Raise Project.

2. Receive hydrology and energy marketing reports.


4. Consider approving contract with Davis Farr LLP to provide financial statement auditing services for the year ending December 31, 2018.

5. Adopt Resolution 19-__ approving a revised Energy Marketing Oversight Policy.


7. Consider adopting Resolution 19-__ providing for moving the date of the October 17, 2019, 2:00 p.m., regular Board meeting to October 10, 2019, 8:30 a.m.

F. 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.

G. Reports by Legal Counsel

H. Reports by Secretary

I. Reports by Executive Director

J. Adjournment

THE NEXT RESOLUTION NUMBER IS 19-01

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 January 11, 2019.

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, April 18, 2019, 10:00 a.m.** – Regular Board of Directors’ meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California
MIDDLE FORK PROJECT
FINANCE AUTHORITY

Special Meeting

Wednesday, October 3, 2018, 8:00 a.m.
and
Thursday, October 4, 2018, 8:00 a.m.

Board Members Present: Chairman Jim Holmes, Vice-Chair Primo Santini, Mike Lee and Robert Weygandt

Board Members Absent: None

Agency Personnel Present: Einar Maisch, Executive Director; Ryan Cline, Director of Energy Marketing; Andy Fecko, Director of Strategic Affairs; Shelley Langan, Human Resource Manager; Jay L’Estrange, Director of Power Generation; Scott Morris, General Counsel; Joe Parker, Director of Financial Services; Ben Ransom, Senior Environmental Scientist; Cheri Sprunck, Clerk; Lori Young, Deputy Clerk

County Personnel Present: Todd Leopold, County Executive Officer and MFP Finance Authority Secretary; Dave Defanti, Deputy County Executive Officer; Shanti Landon, District 2 Director for Supervisor Robert Weygandt; Elise Nelson, Deputy County Counsel; Beverly Roberts, District 3 Director for Supervisor Jim Holmes; Rob Sandman, County Counsel; Brett Storey, Senior Management Analyst

A. Call to Order; 8:00 a.m. at Placer County Water Agency

1. Roll call

Chairman Holmes called the special meeting of the Middle Fork Project (MFP) Finance Authority Board of Directors to order at 8:05 a.m. in the American River Room, Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

The Clerk conducted roll call.

2. Pledge of Allegiance

Led by Chair Holmes.

B. Public Comment:

The Chair invited the public to comment. None was given.
C. **Agenda Review and Changes**

There were none.

D. **Consent Calendar:**


2. Receive and file Check Register 18-04 expenses disbursed.

3. Receive and file Treasurer’s Investment Reports for months ended July 31 and August 31, 2018.

Motion by Director Lee adopting Consent Calendar items 1, 2, and 3; motion seconded by Director Weygandt and adopted by unanimous vote of Directors present.

E. **General Items:**

1. **Receive status report on Hell Hole Dam Core Raise Project.**

   Jay L’Estrange gave a PowerPoint presentation showing original as-built drawings of dam. He explained the original spill gates as required by the Federal Energy Regulatory Commission (FERC). The gates are for environmental use but the type of gate can cause lost generation. The FERC and the Department of Safety of Dams (DOSD) are the regulatory agencies. DOSD required the Agency to check the dam with the as-built design. The core was 5 to 8 feet lower than the as-built design so the dam is going to be raised. Black and Veatch is doing the engineering work. As the work started, it was found the fine and coarse filter material was incorrect. So now the fine filter has to be raised as well as the dam. Test pits were dug and the results were inconclusive. Incline boring was done and the lowest point was 26.28 feet. Options were discussed and alternatives and analysis done. He went over the alternatives. The test pits have been backfilled and the dam crest winterized. The clay pit excavation is completed and stockpiled for next year’s construction. A final design will be selected and submit to FERC and DOSD for approval in 2019. The plan is to complete the core and fine filter raise in 2019. The dam is safe to operate.

2. Consider approving a budget amendment in the amount of $5,000,000 from the Capital Reserve for the Hell Hole Core Raise Project.

   Jay L’Estrange reported the budget on this project was used up this summer. A lot of standby time was paid. Until there is a final design, there is not a good construction estimate of what project will cost. The money that is currently in the budget for unallocated funds will be applied and staff is requesting a budget amendment for $5 million for 2018 from capital reserves to pay for the project. Staff expects to have an idea in early 2019 of the final design and engineer construction estimate.
Joe Parker said $1.5 million of the existing project money will be transferred to this project. The contract indicated this project will cost close to $10 million. Money needs to be available to execute the initial contract once the design is figured out to ensure Kiewit is available to do the work.

Motion by Director Weygandt adopting General item 2; motion seconded by Director Santini and adopted by unanimous vote of Directors present.

3. Consider adopting Resolution 18-04 approving a contract between Pioneer Community Energy (Pioneer) and Placer County Water Agency for sale of Renewable Energy Credits (REC).

Ryan Cline reported the purpose of the proposed resolution is to allow PCWA to enter into a two-year (2019 and 2020) contract with Pioneer for REC. All the REC over the next two years will be transferred to Pioneer. Last year’s contract with Pioneer was for one year. Prices are going up and are $17.50 per megawatt hour (MWhr). The project produces an average of 70,000 MWhrs annually.

Motion by Director Lee adopting Resolution 18-04 approving a contract between Pioneer Community Energy and Placer County Water Agency for sale of Renewable Energy Credits; motion seconded by Director Weygandt and adopted by unanimous roll call vote of Directors present.


Joe Parker reported to make the agenda deadline, the actual cutoff date was September 21. Joe Parker reported on the following: Power sales, expenditures, PCWA Power Division Operating, when reserves are funded, and money available for projects.

5. Consider approving the proposed 2019 Middle Fork Project Finance Authority Budget.

Joe Parker showed the five year budget schedule. Power sales are budgeted to be a little less because water is going to be run in 2018 and it is 80% of average; staff is projecting the 2019 amount is a little less revenue. He explained why the PCWA Power Operating is up $6 million. The budget is proposing to utilize reserves in 2019.

The General Manager noted Legal Counsel advised it is appropriate to negotiate a change order for revisions to the work on Hell Hole Dam, so we will not need to go back out and rebid the project, which will save a lot of time and effort.

Motion by Director Santini adopting General Item 4; motion seconded by Director Weygandt and adopted by unanimous roll call vote of Directors present.
F. MIDDLE FORK AMERICAN RIVER PROJECT TOUR – OCTOBER 10 & 11:

Approximately 9:00 a.m. begin driving tour to MFP facilities with overnight stay at Placer County Water Agency’s dormitory at Hell Hole Reservoir.

The Chair recessed the meeting at 8:36 a.m. to travel to the facilities to be toured.

The Chair reconvened the meeting at 10:19 a.m. for a tour of the Duncan Peak Lookout.

Andy Fecko and Brett Story reported on steps being taken to prevent forest fires on the Middle Fork American River Project.

The Chair recessed the meeting at 10:34 a.m. to travel to the American River Conservancy’s Forest Stewardship Project/French Meadows Forest Restoration Project area.

The meeting reconvened at 10:53 a.m.

The Board saw masticated areas of forest, large mechanical equipment moving logs, and shredding them into chips.

The Chair recessed the meeting at 12:41 p.m.

G. RECONVENE AND CALL TO ORDER, October 3, 2018, 1:30 p.m. (approximate), at Hell Hole Dormitory:

1. Board workshop to discuss strategic planning initiatives for the next year.

The Chair reconvened the meeting at 2:22 p.m. at 20900 Soda Springs Road, Foresthill, California.

Relicensing Update:

Ben Ransom reported on the history of the relicensing process. Since the final license application filed in 2011, the yellow legged frog has been listed as an endangered species. The Agency received notice the MFP will not affect the frog as long as certain conditions are followed.

PCWA filed an original request for water quality certification July 2011 and submitted a draft water quality certificate to the State Water Resources Control Board for review; PCWA completed CEQA and filed a Notice of Determination May 2013 and are awaiting 401 certifications. Each year the Agency has to rescind and resubmit its water quality application. A final is anticipated being received April 2019.

He gave a recap of project operational changes. The Agency has dramatically different minimum flow requirements. It has pulse flows that are new to the MFP. In the spring, the reservoirs will be
required to release higher flows for the environment. The whitewater flows are now a license requirement. Spill down ramping is new to the license and there will be specific flow ramp down time. New infrastructure includes Hell Hole Seasonal Storage Improvement, small diversion modifications, outlet works modifications, and streamflow gage installation. He went over recreation requirements and issues that will be addressed; new environmental requirements under the new license; a timeline of when regulatory requirements need to be met; and a summary of implementation and costs of infrastructure, recreation, and environmental.

**Auburn Ravine:**

Ben Ransom reported the Agency took over operation of canals on the Auburn Ravine. The Pleasant Grove canal has a new fish screen. Steelhead are protected and it is critical habitat for them. Regulatory agencies are watching that area closely. The New Moore Dam and diversion canal are presently not screened. At some point the Agency may be required to have a fish screen and has applied for a grant from State Fish and Wildlife for that facility. Department of Water Resources has a fish passage program where they look for areas in the State to help fish migrate. They are looking at how facilities on the Auburn Ravine may be help the fish. Two facilities DWR looked at closely were the Nelson Lane Dam and the Moore Diversion Dam. We met with DWR to talk about some concepts. The Auburn Ravine does not have a minimum stream flow requirement. As part of the Drum Spaulding relicensing, there may be a minimum instream flow requirement for most months of the year, except a period in the fall during the PG&E outage.

Einar Maisch noted this year the Agency and County had a cooperative agreement to help with funding in order to see that the farmers remain economically viable. A lot of things are in flux. We are trying to get permits. It would be easy for State Fish and Wildlife to throw down a bunch of conditions that made it so economically upside-down to operate the system that we would just abandon the deliveries. No one wants to see that happen. Staff has done a great job of communicating with Fish and Wildlife so they understand what is at risk.

The Chair recessed for a break at 3:08 p.m. and reconvened 3:14 p.m.

**French Meadows Watershed Health Project Overview:**

Brett Storey pointed out the project goals are to reduce risk of high-intensity wildfire, improve forest health, wildlife habitat and their resilience, protect water quality, improve water security, improve science connecting management and hydrology, and an innovative approach to project management and fundraising. He went over the timeline including the environmental review process, studies, when agreements finalized, and contractors hired. He named all the partners and what each will achieve on the project. Emphasis of the project is to reduce fire risk, which includes mechanical thinning, hand thinning, mastication, and prescribed burning. Fire modeling is key to environmental and operations decisions. He showed three alternative fire models. He went over the NEPA/CEQA plan including funding, timing of studies and surveys, release of project scoping, and timing of the Phase II final NEPA/CEQA process. The 2018 implementation includes a Master Stewardship Agreement with the Tahoe National Forest Service, tree markings and prep work, doing
Request for Qualifications, hiring contractors, and doing Requests for Proposal for each year of operations. He went over 2019-2022 and 2023-2028 implementation plans. Implementation highlights include operations beginning around campgrounds, biomass removal to energy facilities, operations to protect owls, 8-10 years prescribed fires, 8 million board feet removed and utilized, turning 10,000+ bone dry tons of biomass to energy. Biomass removal helps avoid air pollutants and provides greenhouse gas benefits. The project supports another 10,000 acres of private checkerboard land undergoing thinning operations. He went over approximate costs.

Andy Fecko said staff is looking at how much water is getting hung up in the canopy and what happens to water as it moves down through the soil column. There are paired watershed studies—we are doing parallel sub-watersheds that are tributary to French Meadows and Hell Hole and different treatments and controls on each one.

Energy Market Update:

Ryan Cline reviewed the 2018 revenue forecast, 2018 revenue forecast guidance as of October 2018, variables: precipitation between now and end of calendar year. There is 165,000 acre feet of water in storage and 35,000 acre feet to move. Natural gas prices have gone up and he doesn’t anticipate energy prices dropping this year. He went over last summer’s energy prices and the 2019 revenue forecast.

Forward marketing:

Andy Fecko said forward markets are like an inter-commodity mark; they are load serving entities. Approximately 50 Community Choice Aggregates are looking for price certainty in forward months so they aren’t exposed later. They want a fixed price in part of their portfolio. We have a program that allows us to access that market in a safe and prudent way and look for entities to sell fixed energy prices. Part of the design is that we want our generators still available for summer. He gave an example. The entities are ensuring against their uncertainty and we are selling the product and exploring avenues to sell product.

Long-term Budget:

Joseph Parker provided a handout about the Middle Fork Project ten year revenue, expenditures, and reserve schedules. Over the next five years, we will be dipping into reserves. We have a $43 million, 5-year capital program. There are a lot of front loading capital projects which means withdrawals from reserves each year through 2023. Then in 2024 through 2026, revenues will be going to refill the reserves that have been utilized. Our operating reserve is $20 million. The emergency reserve is $2 million. Staff is anticipating revenues increasing. He reported on precipitation at Spaulding and volatility of hydrology, showing a Monte Carlo model example.

Einar Maisch explained the assumptions of using 80% of the average hydrology every year.
Strategic Plan:

Brett Storey noted history and major milestones of the MFP Finance Authority, market characterization statistics, challenges, opportunities, goals, objectives, and strategies – business functions within the MFP: planning, operations, finance, environmental, marketing, regulatory, and administration. For each business function challenges and opportunities were identified; each challenge and opportunity lead to development of goals, objectives, and strategies to address or manage issues. The SMART (Significant, Measurable, Achievable, Relevant, Timely) principle was applied. He noted the functions of the various teams: operations, finance, environmental, and marketing. He noted administrative issues to focus on and process and timeline of next strategic plan steps.

H. RECESS

The Chair recessed the meeting at 5:02 p.m.

I. RECONVENE AND CALL TO ORDER, October 4, 2018, 8:00 a.m. (approximate), at Hell Hole Dormitory

The Chair reconvened the meeting at 8:07 a.m.

1. Board workshop to discuss strategic planning initiatives for the next year.

The Board toured the Hell Hole Dam Core Raise Project

J. Adjournment

The Chair adjourned the meeting at 8:35 a.m.

ATTEST:

_________________________________ ______________________________
Cheri Sprunck, Clerk to the Board Date
Middle Fork Project Finance Authority
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MEMORANDUM

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Joseph H. Parker, CPA, Treasurer
DATE: January 4, 2019
RE: Approve the Authority’s revised Investment Policy for use during 2019

Recommendation:
Approve Resolution 19-01 adopting the Authority’s revised Investment Policy.

Discussion:
In accordance with California Government Code, the Authority’s Investment Policy is required to be reviewed and approved by the Board of Directors during the first quarter of each year for use during that year.

In 2014, the Authority’s investment policy was revised and updated to reflect certain changes to government code, reporting requirements and other regulations, since then the Policy has been annually approved by the Board without revision.

The existing Authority Investment Policy (adopted January 18, 2018) has been reviewed by the Finance team noting the need for certain revisions as follows:

**Investment Objectives (c) Rate of Return** - the overall average maturity of the portfolio has been extended from 2 ½ years to 3 ½ years to allow for more investment flexibility.

** Authorized Institutions, Financial Brokers/Dealers and Investment Advisors** - has been revised to separate the Depositories and Broker/Dealer/Advisors regarding as their annual financial condition requirements are different. In the Investment Advisors subsection (c) add the sentence “An investment advisor may provide investment services, which may include facilitating trade executions, at the specific direction of the Authority’s Treasurer or designee.”
**Authorized and Permitted Investments**
Used the Placer County Water Agency’s Investment Policy matrix for Authorized and Permitted Investments, as presented, which added the columns for Maximum Percentage per Issuer and Minimum Rating, as well as reordering the listing. This information was included in the descriptions.

- Add three new investment instruments: 1) Bonds from other States, 2) Bonds of Supranationals, and 3) Repurchase Agreements.
- Split US Government Agencies into two categories and reduced the maximum holding percentage of US Government Agencies – Secondary to 50% from the combined 100%.
- Removed Collateralized CDs from the authorized listing.
- Changed the name of Passbook/Public Deposits to Collateralized Bank Deposits.
- Updated the descriptions, as needed, and verified and revised to meet California Government Code.

**Internal Control and Review**
Expanded this section by adding the various areas of internal controls to be addressed, but not limited to:

- Maintain third-party custodial safekeeping
- Obtain written confirmation of authorized trades from appropriate parties
- Separation of transaction authority from accounting and record keeping
- Monitor for legal compliance

**Reporting**
Changed the name of Treasurer’s Report to Treasurer’s Investment Report to match the document’s name. Clarified that the required monthly transaction report will be included in the Treasurer’s Investment Report.

This revised Investment Policy version dated January 2, 2019 is presented for the Board’s consideration with an associated resolution for review and approval for Authority use during 2019.
RESOLUTION NO. 19-____ OF THE BOARD OF DIRECTORS
OF THE MIDDLE FORK PROJECT FINANCE AUTHORITY ADOPTING
AN INVESTMENT POLICY

WHEREAS, Section 53646(a)(2) of the California Government Code requires the treasurer or
chief fiscal officer of the local California agency to annually submit to the legislative body of that
Authority a statement of investment policy for that body’s consideration; and

WHEREAS, the Authority’s chief fiscal officer, its Treasurer, has submitted such a statement
of investment policy to the Board, which this Board has considered; and

WHEREAS, this Board desires to incorporate this Authority’s investment policy, which is
based upon the material submitted to it by the Treasurer in the statement of investment policy;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Middle Fork Project
Finance Authority that this Board hereby adopts the investment policy for use in 2019 as set forth in
the attached.

The foregoing resolution was duly passed at a regular meeting of the Board of Directors of the
Middle Fork Project Finance Authority held on January 17, 2019, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 17th day of January 2019.

Chair, Board of Directors
MIDDLE FORK PROJECT FINANCE AUTHORITY

ATTEST:

Clerk
MIDDLE FORK PROJECT FINANCE AUTHORITY
Policy Statement

This Policy is intended to provide guidelines for the prudent investment of the Middle Fork Project Finance Authority’s (Authority) funds and outline the policies for maximizing the efficiency of the Authority’s cash management system. The ultimate goal is to enhance the economic status of the Authority consistent with the prudent protection of the Authority’s investments. This Investment Policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, et seq. The Authority is a Joint Exercise of Power organization established to serve mutual interest of the County of Placer and Placer County Water Agency, approve future electrical sales, maintain appropriated reserve funds and distribute net revenues.

Scope

This Policy covers all funds and investment activities of the Authority, including the proceeds of certain finance programs, which are invested in accordance with provisions of their specific indentures. These funds are defined and detailed in the Authority’s Annual Financial Statements and include any new funds created unless specifically excluded by Authority management and the Board of Directors.

Prudent Person Standard

The Authority operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the organization”.

Prepared by the Authority’s Treasurer
Middle Fork Project Finance Authority

Investment Policy

Investment Objectives

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the Authority’s funds, the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the Authority. The third objective is to achieve a market rate of return on invested funds. It is the policy of the Authority to invest public funds in a manner to maintain the maximum security and obtain the market rates of return over interest rate cycles.

(a) Safety of Principal

Safety of principal is the foremost objective of the Authority. Investment transactions shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, by ensuring losses are avoided whether they arise from security defaults, institution default, broker-dealer default, or erosion of market value of securities. The Authority shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks.

Credit risk is the risk of loss due to the failure of a security’s issuer or backer. Interest rate risk is the risk that the market value of the Authority’s portfolio will fall due to an increase in general interest rates.

1) Credit risk will be mitigated by:

   (a) Limiting investments to only the most creditworthy types of securities;
   (b) Pre-qualifying the financial institutions with which the Authority will do business; and
   (c) Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the Authority.

2) Interest rate risk will be mitigated by:

   (a) Structuring the Authority’s portfolio so that securities mature to meet the Authority’s cash requirements for ongoing obligations,
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thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and

(b) Managing the overall average maturity of the portfolio so as not to exceed 3 ½ years.

(b) Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained. An adequate percentage of the portfolio shall be maintained in liquid short-term investment pools or securities, which can be converted to cash as necessary to meet disbursement requirements. Since cash requirements cannot always be anticipated, sufficient investments in securities with active secondary or resale markets shall be utilized. These securities will have a low sensitivity to market risk. The Local Agency Investment Fund (LAIF) and/or County Pool may also be used as liquid investments. The cash management system of the Authority shall be designed to accurately monitor and forecast expenditures and revenues to insure the investment of monies to the fullest extent possible.

(c) Rates of Return

Only after the first two objectives of safety and liquidity have been met, the third objective is yield on investments. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the Authority’s risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

Delegation of Authority

The Board of Directors hereby delegates management authority and responsibility for implementing the Investment Policy to the Authority’s Treasurer who shall establish written procedures for the operation of the investment program consistent with this Investment Policy and the requirements of applicable laws. The responsibility to
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execute investment transactions may be further delegated under the direction of the Authority’s Treasurer. No person may engage in an investment transaction except as provided under the terms of this Policy established by the Board of Directors. The Authority’s Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the internal activities and that of any external investment advisors.

All participants in the investment process shall act, as custodians of the public trust and all investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. All investment related activity shall be done in conformance with this Policy and all applicable State and Federal laws and regulations.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any financial interest in financial institutions that conduct business with the Authority, and they shall further disclose any personal financial / investment positions that could be related to the performance of the Authority’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Authority, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence.

Authorized Institutions, Financial Brokers/Dealers and Investment Advisors

The Authority’s Treasurer shall establish and maintain a list of authorized financial institutions, brokers/dealers and investment advisors. Only those broker/dealers and investment advisors authorized by the Authority’s Treasurer shall provide services to the Authority.

For authorized financial institutions providing depository and investment services to the Authority, the Authority’s Treasurer or designee shall perform an annual review of the
financial condition and registrations of the authorized institutions including their annual audited financial statements.

For authorized brokers/dealers and investment advisors providing investment services to the Authority, annually, or as this Policy is updated, the Authority shall send a copy of its current investment policy to authorized broker/dealers and investment advisors requesting confirmation, in writing, that the Authority’s Investment Policy has been read and reviewed by the person(s) handling the Authority’s account and that they agree to comply with the Policy’s provisions when recommending, selling, advising or providing service on the Authority investments.

(a) Depositories

In selecting depositories (banks or savings & loans), the creditworthiness of institutions shall be considered and the Authority’s Treasurer shall conduct a comprehensive review of prospective depositories’ credit characteristics and financial history. Authority funds in excess of the FDIC insured amount shall be invested (deposits and/or certificates of deposit) only in commercial banks and savings & loans with a bank financial strength rating of “A” or better by Moody’s Investor Service or equivalent rating by another Nationally Recognized Statistical Rating Organization (NRSRO). Qualifications and minimum requirements for depositories shall be established by the Authority’s Treasurer and will be provided to any institution seeking to conduct business with the Authority.

Any institution meeting the Authority’s required criteria will be eligible for placement of public deposits by the Authority, subject to approval by the Authority’s Treasurer. A written depository contract is required with all institutions that will hold Authority deposits (Contract for Deposit of Moneys). As deemed necessary by the Authority’s Treasurer, reviews of unaudited quarterly financial data may be conducted for institutions on the Authority’s approved list. Any institution falling below the Authority’s established minimum criteria shall be removed from the approved list, no new deposits may be placed with that institution and all funds remaining shall be withdrawn as the deposits mature.
The financial institution providing the Authority with its primary banking services has additional qualifications and minimum requirements based on the Authority’s banking needs.

The Authority’s Treasurer has established the following minimum qualifications for a financial institution providing banking services, upon which additional qualifications may be required:

- Federal or State of California charter financial institution [Member of Federal Reserve].
- Qualified depository of public funds to ensure the collateralization requirements for governmental entities are met.
- Experienced with providing banking services to similar sized and type governmental agencies to ensure the Authority’s banking needs will be met and possesses familiarity with reporting and other banking requirements for governmental agencies.
- Sufficiently capitalized to accommodate the Authority’s cash needs including a minimum $1 million daylight overdraft facility.
- Electronic capabilities to meet the Authority’s current banking needs.
- Access to all Federal Reserve Bank services including direct clearing with the Federal Reserve Bank.
- Banking branch in local area.
- State of California depository.

(b) Brokers and Dealers

All brokers and dealers that desire to become authorized to do business with the Authority and qualified bidders for investment transactions for the Authority must complete and sign a “Broker/Dealer Questionnaire” and submit related documents relative to eligibility. This includes current audited financial statements, proof of State of California registration, proof of FINRA (Financial Industry Regulatory Authority) registration and a certification they have reviewed the Authority’s Investment Policy and agree to comply with its provisions. The Authority’s Treasurer may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider. The selection process for broker-dealers shall be open to both “primary dealers” and
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“secondary/regional dealers” that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider’s representative must be experienced in institutional trading practices and familiar with the California Government Code as it relates to investments by a public entity.

(c) Investment Advisors

The Authority’s Treasurer may engage the services of outside professionals for evaluation and advice regarding the Authority’s investment program. An authorized investment advisor may provide investment services, which may include facilitating trade executions, at the specific direction of the Authority’s Treasurer or designee. Advisors (service providers) shall be subject to the provisions of this Investment Policy and must act in the best interest of the Authority in the capacity of a fiduciary.

Authorized and Permitted Investments

The Authority is provided a broad spectrum of eligible investments under California Government Code Sections 53600–53609 (authorized investments), 53630-53686 (deposits and collateral) and 16429.1 (Local Agency Investment Fund). The Authority may choose to restrict its permitted investments to a smaller list of securities that more closely fits the Authority’s cash flow needs and requirements for liquidity. If a type of investment is added to the Government Code list, it shall not be added to the Authority’s Authorized Investment List until this Policy is amended and approved by the Board of Directors. If a type of investment permitted by the Authority should be removed from the Government Code list, it shall be deemed concurrently removed from the Authority’s Authorized Investment List, but existing holdings may be held until maturity.

One of the purposes of this Investment Policy is to define what investments are authorized and permitted for the Authority to purchase and hold. This Policy restricts the Authority’s investments to a subset of those eligible and allowable under California Government Code. Additionally, this Policy further restricts the maximum percentage by investment types over that allowable under California Government Code. If a type of security is not specifically authorized by this Policy, it is not an authorized and permitted investment.
This subset listing of authorized and permitted securities with specific limitations is determined to more closely fit the Authority's risk tolerance and requirements for liquidity. The following table lists the Authority’s authorized and permitted investments and certain limitations thereon provided by this Investment Policy:

### Authorized and Permitted Investments

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum % Holdings</th>
<th>Maximum % per Issuer*</th>
<th>Minimum Rating**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities of the U.S Government</td>
<td>5 year</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>Securities of the U.S. Government Agencies and Instrumentalities - Primary (FFCB, FHLB, FNMA and FHLMC )</td>
<td>5 year</td>
<td>100%</td>
<td>50%</td>
<td>N/A</td>
</tr>
<tr>
<td>Securities of the U.S. Government Agencies and Instrumentalities - Secondary</td>
<td>5 year</td>
<td>50%</td>
<td>30%</td>
<td>N/A</td>
</tr>
<tr>
<td>Registered State Warrants, Treasury Notes, or Bonds of the State of California</td>
<td>5 year</td>
<td>25%</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Registered Treasury Notes or Bonds of Other States in the United States</td>
<td>5 year</td>
<td>25%</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any Local Agency within the State of California</td>
<td>5 year</td>
<td>30%</td>
<td>10%</td>
<td>AA</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>5%</td>
<td>A-1/P-1 plus A long term</td>
</tr>
<tr>
<td>Corporate or Medium-Term Notes</td>
<td>5 year</td>
<td>30%</td>
<td>5%</td>
<td>Aa or AA</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A - 2(A)/7 Eligible</td>
<td>20%</td>
<td>5%</td>
<td>AAA/AAA</td>
</tr>
<tr>
<td>Bonds of Supranational</td>
<td>5 year</td>
<td>15%</td>
<td>5%</td>
<td>AA</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>1 year</td>
<td>20%</td>
<td>5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>15%</td>
<td>5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bankers’ Acceptance</td>
<td>180 days</td>
<td>25%</td>
<td>5%</td>
<td>A</td>
</tr>
<tr>
<td>Placer County Treasurer's Investment Pool</td>
<td>N/A</td>
<td>Max permitted by County Treasurer</td>
<td>Max permitted by County Treasurer</td>
<td>N/A</td>
</tr>
<tr>
<td>Local Agency Investment Fund</td>
<td>N/A</td>
<td>Max permitted by State Treasurer</td>
<td>Max permitted by State Treasurer</td>
<td>N/A</td>
</tr>
<tr>
<td>Collateralized Bank Deposits</td>
<td>5 year</td>
<td>100%</td>
<td>50%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Percentages will be in compliance if within limits at time of purchase.

**Rating category are inclusive of rating modifiers such as "+/−" or numbers from one NRSRO unless two ratings are noted.
Middle Fork Project Finance Authority  
Investment Policy

A description of the authorized and permitted investments, which for certain securities includes additional limitations as provided in the following:

(a)  **Securities of the U.S. Government**

Obligations issued by the United States Treasury and backed by the “full faith and credit” of the Federal government. These securities are in the form of U.S. Treasury notes, bills, certificates of indebtedness and bonds. (Legal Authority - Government Code Section 53601(b))

(b)  **Securities of the U.S. Government Agencies and Instrumentalities - Primary**

Obligations issued by the following four Federal Government agencies and Government Sponsored Enterprises (U.S. Instrumentalities): Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). Such securities are obligations of the Federal agencies or United States Government-Sponsored Enterprises. (Legal Authority – Government Code Section 53601(f)).

(c)  **Securities of the U.S. Government Agencies and Instrumentalities - Secondary**

Obligations issued by Federal Government agencies and Government Sponsored Enterprises (U.S. Instrumentalities), other than those four noted as Primary in the section above (b). Such securities are obligations of the Federal agencies or United States government-sponsored enterprises. (Legal Authority – Government Code Section 53601(f)).

(d)  **Registered State Warrants, Treasury Notes or Bonds of the State of California**

Registered State warrants, treasury notes or bonds issued by the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. (Legal Authority – Government Code Section 53601(c)).
Middle Fork Project Finance Authority
Investment Policy

(e) Registered Treasury Notes or Bonds of Other States in the United States

Registered treasury notes or bonds issued by any of the other 49 states in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. (Legal Authority – Government Code Section 53601(d)).

(f) Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any Local Agency within the State of California

Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a local agency, or by a department, board, agency or authority of the local agency. (Legal Authority - Government Code Section 53601(e)).

(g) Commercial Paper

Commercial paper issued by corporations to meet short term funding needs with a maturity date of less than 270 days from the issue date. Investments are restricted to only “prime” quality commercial paper with the highest ranking or of the highest letter and numerical rating as provided for by a NRSRO. (Legal Authority - Government Code Section 53601(h)). Per California Government Code Section 53601 (h), the entity that issues the commercial paper shall meet all of the following conditions in either A or B below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars ($500,000,000) and (3) have debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program
wide credit enhancements, including, but not limited to, over collateralization, letter of credit or surety bonds and (3) have commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

(h) **Corporate or Medium-Term Notes**

Corporate or medium-term notes are obligations of a domestic corporation or depository institution with a minimum credit rating of “Aa” by Moody’s Investor Service or equivalent rating by another NRSRO at the time of purchase. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Authority’s Treasurer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Authority’s Treasurer will apply the general objectives of safety, liquidity, yield and legality to make the decision. (Legal Authority-Government Code Section 53601(k)).

(i) **Money Market Mutual Funds**

Money market mutual funds qualifying for Authority investment must restrict their portfolios to issues approved by the same state investment statute that defines investment alternatives. In addition, these money market mutual funds must adhere to Federal statutes regarding the size of the money market mutual fund and its safety, must attain the highest ranking of two of the three highest ranking NRSRO and must retain an investment advisor registered with the Securities and Exchange Commission with not less than five years’ experience investing assets of at least five hundred million dollars. The money market mutual funds must invest solely in investments, which the Authority itself could legally purchase. (Legal Authority-Government Code Section 53601(l)).

(j) **Bonds of Supranationals**

Senior unsecured unsubordinated obligations (United States dollar denominated) issued by or unconditionally guaranteed by one of the three supranational banking groups: International Bank for Reconstruction and Development (World Bank or IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB). Supranational banks are formed by a
group of countries through an international treaty with specific objectives such as fighting poverty or promoting economic development and have been incorporated into U.S. Federal Law by Congressional Acts. Investments shall be rated “AA” or better by an NRSRO and have a remaining maturity of five years or less. (Legal Authority – Government Code Section 53601(q)).

(k) **Negotiable Certificates of Deposit**

Negotiable certificates of deposit issued by a nationally or state-chartered bank or a federal association, a state or Federal credit union, or by a federally licensed or state licensed branch of a foreign bank. The term of negotiable certificates of deposit is restricted for a minimum of 7 days and a maximum of one year. (Legal Authority – Government Code Section 53601(i)).

(l) **Repurchase Agreements**

Investments in repurchase agreements or securities lending agreements Repurchase Agreement is the purchase of a security pursuant to an agreement by which the counter party will deliver the underlying security by book entry, physical delivery or by a third party custodial agreement. Repurchase Agreements may only be made with banks and primary dealers with which the Authority has entered into a Master Repurchase Agreement modeled after the Public Securities Associations’ Master Repurchase Agreement. (Legal Authority – Government Code Section 53601 (j)).

(m) **Bankers’ Acceptances**

Bankers’ acceptances are short-term debt instruments issued by a company that is guaranteed by a commercial bank. Bankers Acceptances limited to banks with a bank financial strength rating of “A” by Moody’s Investor Service or equivalent rating by another Nationally Recognized Statistical Rating Organization. (Legal Authority - Government Code Section 53601(g)).
(n) **Placer County Treasurer’s Investment Pool**

The Placer County Treasurer Investment Pool is governed pursuant to Government Code Sections 53600. In order to deposit investment funds into the Placer County Treasurer’s Investment Pool, the Authority would have to adopt a Resolution. The deposit of funds into the pool by voluntary agencies is strictly for long-term investments purposes, funds that would remain invested for an extended period of time. With a minimum of 24-hour notice, two to four withdrawals a month are allowed, with the Authority’s Treasurer having discretion over withdrawals. Withdrawals in excess of $200,000 may need additional notice. (Legal Authority-Pursuant to Resolution).

(o) **Local Agency Investment Fund (LAIF)**

The Local Agency Investment Fund (LAIF) is a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 *et seq.* Investments in LAIF are limited to the maximum amount as specified by LAIF. Principal amount withdrawal of $10 million or greater need 24 hour notice and less than $10 million may be withdrawn the same day. The fees charged by LAIF are limited by statute. (Legal Authority – Government Code Section 16429.1)

(p) **Collateralized Bank Deposits**

These are authorized by California Government Code Section 53637.

**Master Repurchase Agreements**

The Authority may invest in overnight and term repurchase agreements (Government Code Section 53601(j)) with Primary Dealers of the Federal Reserve Bank of New York or with nationally or state chartered bank with a significant relationship with the Authority. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name of the
Middle Fork Project Finance Authority

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Middle Fork Project Finance Authority. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and shall not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of five years. The right of substitution shall be granted, provided that permissible collateral is maintained.

In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government, U.S. Government Agencies or Government Sponsored Enterprises (U.S. Instrumentalities) securities as permitted under this Policy. The Authority will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party.

Investment Pools

An investigation of any investment pool or money market mutual fund is required prior to investing and on an annual basis. The investigation shall, at a minimum, obtain the following information:

- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are marked to market and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule, which also discloses when and how fees are assessed.
- Determining if the pool or fund is eligible for bond proceeds and/or will it accept such proceeds.
The purpose of this investigation is to determine the suitability of a pool or fund in relation to this Investment Policy and evaluate the risk of placing funds with that pool or fund.

Collateralization

A financial institution must provide coverage for at least 110 percent of all Authority deposits that are placed in the institution. Acceptable pooled collateral requirements are governed by California Government Code Section 53651. Although permitted by California Government Code (Section 53651(m)), real estate mortgages are not considered acceptable collateral for Authority deposits. All banks are required to provide the Authority with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

The market value of the collateral must not fall below 110 percent of the value of the deposit(s) at any time. The Authority will maintain a first perfected security interest in the securities pledged against the deposit and shall have a contractual right to liquidation of pledged securities upon the bankruptcy, insolvency or other default of the counter party.

As per section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of the depository institution.

Deposits that are within the Federal Deposit Insurance Corporation (FDIC) insured limit amounts are exempt from the Authority’s collateralization and minimum bank financial strength rating requirements.

Safekeeping and Custody

All securities owned by the Authority shall be held in safekeeping by a third party bank trust department acting as agent for the Authority under the terms of a custody agreement executed by the bank and the Authority. All securities shall be received and delivered using standard delivery versus payment (DVP) procedures. The third party bank trustee agreement must comply with Section 53608 of the California Government
Code. No outside broker/dealer or advisor may have access to Authority funds, accounts or investments and any transfer of funds must be approved by the Authority’s Treasurer or his designee. Investments in investment pools will be held by the Pool administrator.

**Diversification and Risk**

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. To minimize the Authority’s exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments and maturities. The Authority’s Treasurer shall minimize default risk by prudently selecting only instruments and institutions, which at the time of placement have been evaluated for their financial viability and compliance with this Policy. Risk shall also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by matching investments with cash flow requirements. In the event of a default by a specific issuer, the Authority’s Treasurer shall evaluate the liquidation of securities having comparable credit risks. Diversification strategies shall be established and reviewed quarterly by the Authority’s Treasurer.

No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio, therefore the overall portfolio limits by issuer have been established in the Authorized and Permitted Investments section of this Policy.

**Maximum Maturities**

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow needs will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement and approved by the Board of Directors, no investment may be made with maturity greater than 5 years. If greater than 5-year maturity investments are approved and allowable by the Board of Directors, purchases of the investment instruments exceeding the five-year maturity shall not be made until after said approval.
Middle Fork Project Finance Authority

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Internal Control and Review

The Authority’s Treasurer will maintain a system of internal controls to address the following and is not limited to these areas:

- Maintain third-party custodial safekeeping
- Obtain written confirmation of authorized trades from appropriate parties
- Separation of transaction authority from accounting and record keeping
- Monitor for legal compliance

In accordance with California Government Code, the Authority’s Treasurer shall annually submit this Investment Policy to the Board of Directors for its review and approval during the first quarter of each fiscal year.

This Investment Policy shall be reviewed periodically by the Authority’s Treasurer as necessary and any recommended revisions shall be submitted as needed to the Board of Directors in order to insure consistency and its relevance to current law, and financial conditions and economic trends.

In conjunction with the annual financial statement audit, the external auditors shall review the investments and general activities associated with the investment program to evaluate compliance with this Investment Policy.

Reporting

The Authority’s Treasurer shall submit monthly investment reports (Treasurer’s Investment Report) to the Authority’s Board of Directors at their regular quarterly Board meeting. The Treasurer’s Investment Report shall include information about the investment of all funds in the custody of the Authority. This report shall include all items listed in Section 53646(b) of the California Government Code.

These reports will also include the following information about the investment of all funds:

A. Statement of the portfolio’s compliance to the Authority’s adopted Investment Policy or manner in which the portfolio is not in compliance.
B. Statement regarding the ability to meet the Authority’s anticipated cash flows (scheduled expense requirements) for the next six months.

C. Portfolio summary by investment type and the percentage of each investment type’s book value in relation to the portfolio total.

D. A listing of all individual investments by type and issuer held at the end of the reporting period, including the par value, market value, book value and maturity date of each investment.

E. The source of the individual investment market values.

F. A listing of the dollar weighted yield to maturity of the Authority’s investments.

G. The Portfolio’s effective rate of return.

The Treasurer’s Investment Report shall include a monthly transaction report stating the investment transactions (purchases, deposits, redemptions or withdrawals) that occurred in the past calendar month, as required by Government Code Section 53607.
The Board of Directors of the Middle Fork Project Finance Authority as of this date 1/17/2019, do hereby receive and file the following check register listing for the period from 9/22/2018 to 1/4/2019 from the MFP Finance Authority Checking Account.

<table>
<thead>
<tr>
<th>Payee</th>
<th>Description</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PENGUIN'S CATERING</td>
<td>MEETING EXPENSE</td>
<td>Sep 28, 2018</td>
<td>1,635.46</td>
</tr>
<tr>
<td>PLACER COUNTY TREASURER</td>
<td>DEBT SERVICE</td>
<td>Sep 28, 2018</td>
<td>2,845,364.43</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Sep 28, 2018</td>
<td>728,392.12</td>
</tr>
<tr>
<td>UNION BANK</td>
<td>ADMINISTRATION FEES</td>
<td>Sep 28, 2018</td>
<td>875.00</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Oct 5, 2018</td>
<td>294,290.79</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Oct 12, 2018</td>
<td>821,247.50</td>
</tr>
<tr>
<td>KRONICK MOSKOVITZ</td>
<td>LEGAL SERVICES</td>
<td>Oct 19, 2018</td>
<td>264.00</td>
</tr>
<tr>
<td>PACIFIC GAS &amp; ELECTRIC COMPANY</td>
<td>POWER PURCHASE AGREEMENT</td>
<td>Oct 19, 2018</td>
<td>315.68</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Oct 19, 2018</td>
<td>1,025,559.13</td>
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<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Oct 26, 2018</td>
<td>688,482.13</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Nov 2, 2018</td>
<td>1,006,901.01</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Nov 9, 2018</td>
<td>696,317.50</td>
</tr>
<tr>
<td>UNION BANK</td>
<td>ADMINISTRATION FEES</td>
<td>Nov 9, 2018</td>
<td>875.00</td>
</tr>
<tr>
<td>KRONICK MOSKOVITZ</td>
<td>LEGAL SERVICES</td>
<td>Nov 16, 2018</td>
<td>132.00</td>
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<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Nov 16, 2018</td>
<td>475,931.59</td>
</tr>
<tr>
<td>ADVANTAGE PRINT MARKETING</td>
<td>PRINTING EXPENSE</td>
<td>Nov 21, 2018</td>
<td>187.69</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Nov 21, 2018</td>
<td>246,940.73</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Nov 30, 2018</td>
<td>203,839.54</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Dec 7, 2018</td>
<td>2,196,576.61</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Dec 14, 2018</td>
<td>483,766.70</td>
</tr>
<tr>
<td>KRONICK MOSKOVITZ</td>
<td>LEGAL SERVICES</td>
<td>Dec 21, 2018</td>
<td>5,247.00</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Dec 21, 2018</td>
<td>579,312.84</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Dec 28, 2018</td>
<td>279,648.45</td>
</tr>
<tr>
<td>PLACER COUNTY WATER AGENCY</td>
<td>MFP REIMBURSEMENT</td>
<td>Jan 4, 2019</td>
<td>674,899.12</td>
</tr>
</tbody>
</table>

CHECK REGISTER TOTAL $13,261,002.02
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# MFP Finance Authority
## Portfolio Management
### Portfolio Summary
#### September 30, 2018

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity/Call</th>
<th>YTM 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Funds</td>
<td>54,295,043.82</td>
<td>54,295,043.82</td>
<td>54,295,043.82</td>
<td>57.79</td>
<td>1</td>
<td>1</td>
<td>1.998</td>
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<tr>
<td>Checking Accounts</td>
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<td>3,020,121.46</td>
<td>3,020,121.46</td>
<td>3.21</td>
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<td>1</td>
<td>0.010</td>
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<tr>
<td>Medium Term Notes</td>
<td>5,775,000.00</td>
<td>5,747,332.00</td>
<td>5,770,315.25</td>
<td>6.14</td>
<td>839</td>
<td>554</td>
<td>2.252</td>
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<tr>
<td>Federal Agency Coupon Securities</td>
<td>18,000,000.00</td>
<td>17,735,990.00</td>
<td>17,897,587.87</td>
<td>19.05</td>
<td>803</td>
<td>434</td>
<td>1.761</td>
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<tr>
<td>Treasury Coupon Securities</td>
<td>13,000,000.00</td>
<td>12,915,410.00</td>
<td>12,870,293.25</td>
<td>13.81</td>
<td>528</td>
<td>264</td>
<td>1.520</td>
</tr>
</tbody>
</table>

**Investments**

<table>
<thead>
<tr>
<th>Cash and Accrued Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Interest at Purchase</td>
</tr>
<tr>
<td>Ending Accrued Interest</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
</tbody>
</table>

**Total Cash and Investments Value**

<table>
<thead>
<tr>
<th>Total Earnings</th>
<th>September 30</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>141,335.87</td>
<td>1,101,072.93</td>
<td></td>
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<tr>
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The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

**Joseph H. Parker, CPA**

Oct 9, 2018
# MFP Finance Authority
## Portfolio Management
### Portfolio Details - Investments
#### September 30, 2018

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<tr>
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Total: 18,173,890.87
Yield: 0.91

Run Date: 10/09/2018 - 13:21
Report Ver. 7.3.6.1
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Portfolio MFP
AC
PM (PRF_PM2) 7.3.0

Run Date: 10/09/2018 - 13:21
# MFP Finance Authority
## Portfolio Management
### Activity By Type
#### September 1, 2018 through September 30, 2018

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<th>Purchases or Deposits</th>
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Run Date: 10/09/2018 - 13:21
MFP Finance Authority
Portfolio Management
Portfolio Summary
October 31, 2018

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<th>Market Value</th>
<th>Book Value</th>
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<th>Term</th>
<th>Days to Mat/Call</th>
<th>YTM 365 Equiv.</th>
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<td><strong>147</strong></td>
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**Cash and Accrued Interest**

Accrued Interest at Purchase

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**Total Cash and Investments Value**

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**Total Earnings**

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<td>1.89%</td>
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The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

Joseph H. Parker, CPA

Reporting period 10/01/2018-10/31/2018
Run Date: 11/01/2018 - 13:32
### MFP Finance Authority
#### Portfolio Management

**Portfolio Details - Investments**
**October 31, 2018**

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Run Date: 11/01/2018 - 13:32

Report Ver. 1.3.6.1
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Run Date: 11/01/2018 - 13:32
### MFP Finance Authority
#### Portfolio Management
#### Portfolio Details - Cash
#### October 31, 2018

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| Subtotal | Total Cash and Investment Value | 93,472,579.29 | 91,003,360.81 | 90,868,207.53 | 91,111,376.69 | 282 | 147 | 1.988 |

Run Date: 11/01/2018 - 13:32
## MFP Finance Authority
### Portfolio Management
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Run Date: 11/01/2018 - 13:32

Portfolio MFP
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PM (PRF, PM) 7.3.0
Report Ver. 7.3.6.1
# MFP Finance Authority
## Portfolio Management
### Portfolio Summary
#### November 30, 2018

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Mat./Call</th>
<th>YTM 365 Equiv.</th>
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</thead>
<tbody>
<tr>
<td>Local Agency Investment Funds</td>
<td>52,214,437.86</td>
<td>52,214,437.86</td>
<td>52,214,437.86</td>
<td>66.07</td>
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<td>13.32</td>
<td>524</td>
<td>220</td>
<td>1.977</td>
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<td><strong>89,705,914.06</strong></td>
<td><strong>89,917,290.09</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>275</strong></td>
<td><strong>137</strong></td>
<td><strong>1.978</strong></td>
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### Cash and Accrued Interest

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Accrued Interest at Purchase</td>
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<tr>
<td>Ending Accrued Interest</td>
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<td><strong>Subtotal</strong></td>
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<td><strong>Total Cash and Investments Value</strong></td>
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### Total Earnings

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<th>Description</th>
<th>November 30</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
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<tr>
<td>Effective Rate of Return</td>
<td>1.99%</td>
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The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

Joseph H. Parker, CPA
### Local Agency Investment Funds

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term</th>
<th>YTM</th>
<th>Maturity</th>
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<td>52,214,437.86</td>
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Subtotal and Average: 54,486,104.53

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<th>Stated Rate</th>
<th>Days to Term</th>
<th>YTM</th>
<th>Maturity</th>
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Subtotal and Average: 769,195.06

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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term</th>
<th>YTM</th>
<th>Maturity</th>
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<tbody>
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term</th>
<th>YTM</th>
<th>Maturity</th>
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Subtotal and Average: 17,005,243.76

### Treasury Coupon Securities

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<th>Par Value</th>
<th>Market Value</th>
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<th>Stated Rate</th>
<th>Days to Term</th>
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Subtotal and Average: 12,542,545.50

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**Run Date: 12/05/2018 - 15:01**

This is the Portfolio Details - Investments report for November 30, 2018, generated by Portfolio MFP AC.
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<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
<th>YTM 365</th>
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<td>89,705,914.06</td>
<td>89,917,290.09</td>
<td>275</td>
<td>137</td>
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Run Date: 12/05/2018 - 15:01
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AC
PM (PRF_PM) 1.3.0
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Run Date: 12/05/2018 - 15:01
MFP Finance Authority  
Portfolio Management  
Activity By Type  
November 1, 2018 through November 30, 2018  

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<th>Stated Rate</th>
<th>Transaction Date</th>
<th>Purchases or Deposits</th>
<th>Redemptions or Withdrawals</th>
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<td>Local Agency Investment Funds (Monthly Summary)</td>
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<td>Checking Accounts (Monthly Summary)</td>
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<td>5616-OPERATIONS</td>
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<td>5,791,653.14</td>
<td>2,633,489.89</td>
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<td>Medium Term Notes</td>
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<td>775,000.00 **</td>
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<td>Federal Agency Coupon Securities</td>
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<td>11,977,614.58</td>
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<td>0.00</td>
<td>1,000,000.00</td>
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<tr>
<td></td>
<td>Total</td>
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<td>89,917,290.09</td>
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</tbody>
</table>

** Indicates incomplete recording of maturity redemption.
# MFP Finance Authority
## Portfolio Management
### Portfolio Summary
#### December 31, 2018

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Mat./Call</th>
<th>YTM 365 Equiv.</th>
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<tbody>
<tr>
<td>Local Agency Investment Funds</td>
<td>57,714,437.86</td>
<td>57,714,437.86</td>
<td>57,714,437.86</td>
<td>62.81</td>
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<td>Treasury Coupon Securities</td>
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<td><strong>Investments</strong></td>
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<td><strong>91,890,993.31</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>269</strong></td>
<td><strong>122</strong></td>
<td><strong>2.104</strong></td>
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<table>
<thead>
<tr>
<th>Cash and Accrued Interest</th>
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<tbody>
<tr>
<td>Accrued Interest at Purchase</td>
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<td>0.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Accrued Interest</td>
<td>448,916.99</td>
<td>448,916.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>448,916.99</strong></td>
<td><strong>448,916.99</strong></td>
<td><strong>448,916.99</strong></td>
<td><strong>448,916.99</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Total Cash and Investments Value</strong></td>
<td><strong>92,001,498.35</strong></td>
<td><strong>92,215,335.34</strong></td>
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<td><strong>269</strong></td>
<td><strong>122</strong></td>
<td><strong>2.104</strong></td>
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<table>
<thead>
<tr>
<th>Total Earnings</th>
<th>December 31</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
<th>Fiscal Year Ending</th>
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<td>Current Year</td>
<td>150,313.61</td>
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<tr>
<td>Effective Rate of Return</td>
<td>1.97%</td>
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</table>

The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

Joseph H. Parker, CPA

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**Portfolio MFP**
**AC**
**PM (PRF_PM1) 7.3.0**
**Report Ver. 7.3.6.1**

**Reporting period 12/01/2018-12/31/2018**

**Run Date: 01/04/2019 - 11:20**
# MFP Finance Authority
## Portfolio Management
### Portfolio Details - Investments
#### December 31, 2018

### Local Agency Investment Funds

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Fair Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
<th>YTM 365</th>
<th>Maturity Date</th>
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<tbody>
<tr>
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<td>Local Agency Investment Fund</td>
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<td>57,714,437.86</td>
<td>57,714,437.86</td>
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**Subtotal and Average:** 52,391,857.21

### Checking Accounts

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<th>Fair Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
<th>YTM 365</th>
<th>Maturity Date</th>
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<tbody>
<tr>
<td>5616-OPERATIONS</td>
<td>10000</td>
<td>Union Bank of California</td>
<td>3,708,053.11</td>
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**Subtotal and Average:** 3,708,053.11

### Medium Term Notes

<table>
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<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Fair Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
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<tr>
<td>037833AR1</td>
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</table>

**Subtotal and Average:** 3,995,548.41

### Federal Agency Coupon Securities

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<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Fair Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
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<tr>
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**Subtotal and Average:** 1,000,000.00

### Treasury Coupon Securities

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<th>Purchase Date</th>
<th>Fair Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term Mat./Call</th>
<th>YTM 365</th>
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**Subtotal and Average:** 3,000,000.00

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**Portfolio MFP**
**AC**
**PM (PRF_PM2) 1.3.0**

**Run Date:** 01/04/2019 - 11:20

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49
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Term</th>
<th>Mat./Call</th>
<th>YTM</th>
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</thead>
<tbody>
<tr>
<td>Total and Average</td>
<td>89,985,263.76</td>
<td>92,001,498.35</td>
<td>91,766,418.35</td>
<td>91,890,993.31</td>
<td>269</td>
<td>122</td>
<td>2.104</td>
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<td></td>
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</tbody>
</table>
MFP Finance Authority  
Portfolio Management  
Portfolio Details - Cash  
December 31, 2018

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>Days to Mat./Call</th>
<th>YTM 365</th>
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<tr>
<td></td>
<td></td>
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<tr>
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<td>Average Balance</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Ending Accrued Interest</td>
<td></td>
<td>448,916.99</td>
<td>448,916.99</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Subtotal</td>
<td></td>
<td>448,916.99</td>
<td>448,916.99</td>
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<td></td>
<td>Total Cash and Investment Value</td>
<td>89,985,263.76</td>
<td>92,001,498.35</td>
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<td>92,339,910.30</td>
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<td>269</td>
<td>122</td>
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Run Date: 01/04/2019 - 11:20

Portfolio MFP
AC
PM (PRF_PM2) 7.3.0
MFP Finance Authority
Portfolio Management
Activity By Type
December 1, 2018 through December 31, 2018

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<th>CUSIP</th>
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<th>Stated Rate</th>
<th>Transaction Date</th>
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<tr>
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<td></td>
<td>Local Agency Investment Funds (Monthly Summary)</td>
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<td>LAIF</td>
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<tr>
<td>5616-OPERATIONS</td>
<td>10000</td>
<td>Union Bank of California</td>
<td>0.010</td>
<td></td>
<td>5,511,596.41</td>
<td>9,046,622.12</td>
<td>287,060.49</td>
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<td></td>
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<td>Subtotal</td>
<td></td>
<td></td>
<td>5,511,596.41</td>
<td>9,046,622.12</td>
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<td>Medium Term Notes</td>
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</tr>
<tr>
<td></td>
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<td>Subtotal</td>
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<td></td>
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<td>3,995,619.18</td>
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<tr>
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<td>Subtotal</td>
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<td>Treasury Coupon Securities</td>
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<td>11,981,144.37</td>
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<tr>
<td></td>
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<td>Total</td>
<td></td>
<td></td>
<td>11,011,596.41</td>
<td>9,046,622.12</td>
<td>91,890,993.31</td>
</tr>
</tbody>
</table>

Run Date: 01/04/2019 - 11:20
MEMORANDUM

TO: Middle Fork Project Finance Authority
FROM: Jay L’Estrange, PCWA Director of Power Generation Services
DATE: January 7, 2019
RE: Hell Hole Dam Core Raise Status Report

RECOMMENDATION
Information item, no action necessary.

BACKGROUND
The PCWA Director of Power Generation will provide a status report on the Hell Hole Dam Core Raise Project.
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MEMORANDUM

TO: Middle Fork Project Finance Authority

FROM: Ryan Cline, Director of Energy Marketing, PCWA
       Darin Reintjes, Energy Marketing Manager, PCWA

DATE: January 17, 2019

RE: January 17, 2019 Hydrology and Energy Marketing Report

RECOMMENDATION

Information only, no action required.

BACKGROUND

Staff will provide a presentation to review 2018 Middle Fork Project energy market fundamentals and their associated impacts on 2018 revenue. This presentation will also report on early 2019 hydrology, as well as 2019 revenue forecast.
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Hydrology Update

January 17, 2019

WY 2019 Monthly Precipitation @ Lake Spaulding

Total Through January 6th
WY 2019 Cumulative Precipitation @ Lake Spaulding

Total Through January 6th = 18.5" (65% of Average)

American River Snow Sensor Index – Snow Water Equivalent

Average SWE Jan 6th = 10.6" 96% of Average
Middle Fork Project: Combined Storage

- **January 6th**: 129,930 AF
- 78% of Average
- 38% of Total Capacity

Lake Spaulding/Fordyce Combined Storage

- **January 6th**: 25,270 AF
- 57% of Average
- 20% of Total Capacity
Folsom Lake Storage

Total Capacity = 977,000 AF

January 6th = 308,590 AF
79% of Average
32% Total Capacity

THANK YOU
Energy Marketing Report

January 17, 2019

2018
Energy prices increased **18%** from 2017-2018.

![Energy prices chart](chart.png)

- 2018 dryer than 2017
- Extreme Hot Weather
- Early Cold Weather

![December 2018 Forward Contract Daily Chart](chart2.png)

- Futures Market
- Actual

---

62
50 Year Avg 28,027 25,594 39,018 51,888 79,842 43,101 10,043 1,709 1,116 3,054 11,422 22,171 316,986
2018 % of Average 104% 51% 161% 211% 54% 26% 16% 45% 68% 51% 70% 38% 92%
2018 Inflow 29,247 13,162 62,943 109,494 43,220 11,172 1,643 763 763 1,562 7,985 8,436 290,390

= Energy Sales

$46,000,000
To
$50,000,000
Total Revenue
2018 Revenue

Revenue Budget = $39.7M
Market Management added $2.97M or 6% to total revenue

2018 preliminary

$41,477 MWhrs
$5,735,000 RA / REC's & Carbon Free
$41,135,000 Energy Sales
$46,870,000 Total Revenue

2019
2019 Energy Contracts

Resource Adequacy (100% subscribed)
• $5,628,304

Renewable Energy Credits
• $1,575,000

Carbon Free Energy
• $800,000

Energy Contracts Total Revenue
• $8,003,304

25% increase year on year

2019 Revenue Forecast

$5.6M RA Capacity
$1.6M REC’s
$29.6M Energy Sales

$37,600,000 Total Revenue
Questions?
MEMORANDUM

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: January 7, 2019

RE: Preliminary 2018 Year-End Budget Report

Recommended Action:
Receive 2018 Budget and Preliminary Actual Schedules for the fiscal year-end December 31, 2018.

Quarter 4 Preliminary Report
The Authority’s fiscal year-end is December 31, however, as this memo is being compiled in early January and the fiscal year-end is still in the process of closing, the information presented herein is considered “Preliminary Actual” and will change with the year-end process. The Final Year-end Budget and Actual Report will be prepared and presented at the April 2019 Authority Board meeting pursuant to the Authority’s General Financial Policies, Section 3.3.2 (5). Based on the historical experience, the annual expenditures accrued in the closing process can vary up to $2 million of additional year-end expenses.

Overview – Preliminary 2018 Actual Results
2018 was an “average” hydrologic year with hydrology at 92% of average. Through the efforts of Energy Marketing coupled with drawing down reservoir storage by 30,000 acre feet at year end, the Power Sales revenue was favorable at $46.6 million. After adding the investment earnings, the preliminary revenue totals $47.7 million. The preliminary operating expenditures and capital project appropriations total $41.7 million yielding a preliminary revenue over expense of $6.0 million.

Based on these preliminary actual amounts, the reserves would increase $6.0 million, however, this would not be sufficient to fully fund the Capital Reserve to its target level.
**Revenue**

In January and February 2018, precipitation was low, however, this was overcome with almost double the average precipitation in March and April and by year-end the hydrology was at 92% of the 50 year average.

The year’s hydrology and associated generation, coupled with expected market prices, resulted in the 2018 preliminary actual Power Sales revenue of $46.6 million, which is $6.9 million, or 17% above the $39.7 million 2018 Power Sales budget, on generation of 838,000 MWh. For reference the 2017 generation totaled 1,421,000 MWh. In addition, interest income was $1.1 million for a favorable variance of $0.9 million above the budget amount. The total revenue variance is positive by $7.8 million, compared to the budget amount of $39.9 million.

**Expenditures**

Over the next month or so, the year-end closing process of recording the 2018 accruals will continue, thus these preliminary amounts will vary from the final audited amounts that will be presented at the April 2019 Board meeting.

**Operating**

The Authority’s preliminary 2018 departmental expenditures are favorable compared to the adjusted budget by $3.6 million. Expenditure savings came from various sources: 1. The continued delay of the FERC license postponed incurring implementation expenses; 2. Cost share agreement expenditures were less, primarily because the US Forest Service had a carryover of prior year unused funds that were applied in the current year; 3. Certain legal fees and consulting services were not utilized along with unspent routine capital funds.

**Capital Projects**

Overall the Power Division accomplished substantial work in 2018 projects with the significant 2018 capital project expenses (preliminary) as follows:

- Communications Upgrade $4.74 million
- Hell Hole Dam Core Raise $1.99 million
- French Meadows Powerhouse Road $1.57 million
- Sediment Removal $1.50 million
- Middle Fork Project PH Cooling Upgrade $0.75 million
- French Meadows Governor Upgrade $0.65 million
- Middle Fork PH Interbay Road Slope Stability $0.62 million
The Hell Hole Dam Core Raise Project requires further discussion for two reasons: 1. The project unexpectedly grew into a much larger project, and 2. Currently the estimated project costs are still being determined.

**Hell Hole Dam Core Raise Project** - On June 22, 2018, a stop work order on the Hell Hole Dam Core Raise project was issued by the State Division of Safety of Dams (DSOD) and FERC because of the discovery of not as-built conditions within the fine filter portion of the dam. Throughout the summer and fall months, PCWA’s design consultant, Black and Veatch, worked with DSOD and FERC with the hope to finalize a plan to restart construction. In addition, PCWA’s construction contractor, Kiewit Construction, performed exploratory work that was not within their contract in order to expedite the design; a variety of design alternatives were drafted and evaluated.

At year-end, this project’s available budget totaled about $5.9 million, including the October 2018 $5 million budget transfer from reserves. The 2019 Budget includes $500,000 of appropriations for this project. At the date of this memo, the estimated additional costs (appropriation needs) are not know, yet preliminary estimates are between $5 million and $10 million.

**Preliminary Year-End Reserve Analysis**
At the beginning of the year, the reserve balance totaled $44.6 million: The Operating and Emergency reserves were fully funded at $25.75 million and $2.0 million, respectively. The Capital Project reserve was substantially funded at $16.9 million, or $3.1 million below the $20 million target amount.

In October 2018, the Authority Board approved the use of the Capital Project reserve totaling $5.0 million for the Hell Hole Dam Core Raise Project. This reserve use reduced the balance to $39.6 million resulting in $8.1 million needed to fully fund the Capital Project reserve. Should the preliminary revenue over expenditure and capital projects of $6.0 million be added to the Capital Project reserve, an additional $2.1 million would be needed to fully fund the Capital Project reserve. Given these amounts are preliminary and will change based on the results of the year-end closing process, this will be further discussed at the April 2019 Board meeting with the final year-end results.

**2018 Quarter 4 Budget and Preliminary Actual Schedules**
Attached for the Board’s information are the 2018 Budget and Preliminary Actual schedules for the year-ended December 31, 2018. As discussed above, the Actual schedules are preliminary and the 2018 final amounts will be presented at the next Authority Board meeting in April 2019.
**MFP Finance Authority Budget Schedule** – This schedule summarizes the 2018 adjusted budgets, budget amendments and the adjusted December 31, 2018 year-to-date budget.

**MFP Finance Authority Budget and Preliminary Actual Schedule with Variances & Explanations** – This schedule summarizes the MFP Authority financial activity for the year-ended December 31, 2018 with the adjusted year-to-date budget and year-to-date actual activity noting the variances between the two amounts with referenced explanations.

**MFP Finance Authority Reserve Schedule** – This schedule summarizes the MFP Finance Authority reserve account activity through December 31, 2018 with the preliminary results presented herein.

**PCWA MFP Capital Projects** – This schedule summarizes the project-to-date budget and expenses through December 31, 2018. PCWA manages and administers these projects and are included here because they are funded by the MFP Finance Authority. As the scope of these activities is multi-year, the project-to-date budget and expense information is included.

**MFP Finance Authority Power Sales Revenue Chart** – This chart summarizes the revenue budget and the preliminary actual revenue by month through December 31, 2018.

**MFP Finance Authority Power Operating Expenses Chart** – This chart summarizes the expense budget and the preliminary actual expenses by month through December 31, 2018.
## MIDDLE FORK PROJECT FINANCE AUTHORITY
### Budget Schedule
#### For the Year Ended
#### December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>2018 Adopted Annual Budget</th>
<th>Approved Budget Adjustments (Note 4)</th>
<th>2018 Adjusted Annual Budget</th>
</tr>
</thead>
</table>

### Revenues and Other Financing Sources (Note 1):
- **Power Sales** $39,732,000 - $39,732,000
- **Interest Income** $200,000 - $200,000

**Total Revenues and Other Financing Sources** $39,932,000 - $39,932,000

### Expenditures:
#### Administration:
- **Operating Supplies/Services** $2,000 - $2,000
- **Administration** $70,000 - $70,000
- **Professional Services** $50,000 - $50,000

**Total Administration Expenditures** $122,000 - $122,000

#### PCWA Power Division - Operating:
- **Power Operations** $13,338,986 - $13,338,986
- **General and Administrative** $4,707,710 - $4,707,710
- **Natural Resources Management** $1,777,042 - $1,777,042
- **Power Resources Management** $1,642,425 - $1,642,425
- **Routine Capital** $810,000 - $810,000

**Total PCWA Power Division - Operating** $22,276,163 - $22,276,163

#### Debt Service
- **Current Year Capital Project Appropriation** $12,246,000 - $17,246,000

**Total Expenditures and Capital Projects** $40,334,893 - $45,334,893

#### Revenue over (under) Expenditures and Capital Projects
- **Revenue over (under) Expenditures and Capital Projects** ($402,893) - ($5,402,893)

### Reserve Funding or Use (Note 3):
- **Operating Reserve** - - -
- **Emergency Reserve** - - -
- **Capital Reserve** ($402,893) ($5,000,000) ($5,402,893)

**Total Reserve Funding / Use** ($402,893) ($5,000,000) ($5,402,893)

#### Net Revenue
- - -

### Distributions and Debt Payment Requirement:
- **County** - - -
- **PCWA** - - -
- **Additional Principal Payment** - - -

**Total Distributions and Debt Payment** - - -

#### Net
- $ - - -

See Note Reference discussion on the following page.
Note 1: Revenues and Other Financing Sources

The MFPFA Power Sales budget includes the resource adequacy (RA), carbon free and renewable energy credit (REC) sales amounts based on bi-lateral contracts and 80% of estimated energy production for the year. The power sales amounts have been determined by Energy Marketing projections based on anticipated sales of resource adequacy, carbon free and renewable energy credit sales and estimated energy sales for the timeframe January 1 to December 31, 2018.

Note 2: The Capital Projects budget totaling $12,246,000 has been funded in the amount of $16,996,000 to date. One project has not been funded; Project Wide Standard Operating Plan and Procedures for $250,000 as the project is complete. Additional appropriations of $5,000,000 was approved by the Board of Directors on October 3, 2018 to fund the Hell Hole Dam Core Raise project.

Note 3: If funds are available, the Reserve Accounts are funded in accordance with the Authority’s General Financial Policies at year-end closing.

Note 4: There are no Budget Adjustments to report to the Board for the fourth quarter of 2018.
## Budget and Preliminary Actual Schedule

For the Year Ended

December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>2018 Adjusted Budget</th>
<th>Preliminary Actual</th>
<th>Variances</th>
<th>$</th>
<th>%</th>
<th>Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and Other Financing Sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Sales</td>
<td>$ 39,732,000</td>
<td>46,609,389</td>
<td>6,877,389</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>200,000</td>
<td>1,127,706</td>
<td>927,706</td>
<td>464%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues and Other Financing Sources</strong></td>
<td>39,932,000</td>
<td>47,737,095</td>
<td>7,805,095</td>
<td>20%</td>
<td>A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Expenditures:</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administration:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Supplies/Services</td>
<td>2,000</td>
<td>3,573</td>
<td>(1,573)</td>
<td>-79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>70,000</td>
<td>39,311</td>
<td>30,689</td>
<td>44%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td>50,000</td>
<td>14,912</td>
<td>35,088</td>
<td>70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>234,105</td>
<td>(234,105)</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Administration Expenditures</strong></td>
<td>122,000</td>
<td>291,901</td>
<td>(169,901)</td>
<td>-139%</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td><strong>PCWA Power Division - Operating:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Operations</td>
<td>13,338,986</td>
<td>11,832,815</td>
<td>1,506,171</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and Administrative</td>
<td>4,707,710</td>
<td>4,312,813</td>
<td>394,897</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Resources Management</td>
<td>1,777,042</td>
<td>814,479</td>
<td>962,563</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Resources Management</td>
<td>1,642,425</td>
<td>1,312,167</td>
<td>330,258</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Routine Capital</td>
<td>810,000</td>
<td>413,452</td>
<td>396,548</td>
<td>49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total PCWA Power Division - Operating</strong></td>
<td>22,276,163</td>
<td>18,685,726</td>
<td>3,590,437</td>
<td>16%</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>5,690,730</td>
<td>5,690,730</td>
<td>-</td>
<td>0%</td>
<td></td>
<td>D</td>
</tr>
<tr>
<td><strong>Capital Projects:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Year Capital Project Appropriation</td>
<td>17,246,000</td>
<td>16,996,000</td>
<td>250,000</td>
<td>1%</td>
<td></td>
<td>E</td>
</tr>
<tr>
<td><strong>Total Expenditures and Capital Projects</strong></td>
<td>45,334,893</td>
<td>41,664,357</td>
<td>3,670,536</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue over (under) Expenditures and Capital Projects</strong></td>
<td>$(5,402,893)</td>
<td>6,072,738</td>
<td>11,475,631</td>
<td>-212%</td>
<td>F</td>
<td></td>
</tr>
<tr>
<td><strong>Reserve Funding: (Funded at Year-end)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Reserve</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>(5,402,893)</td>
<td>6,072,738</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Replenish 2018 Capital Reserve Use</strong></td>
<td>-</td>
<td>(5,000,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Reserve Funding</strong></td>
<td>(5,402,893)</td>
<td>1,072,738</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Distributions and Debt Payment Requirement:** |                      |                    |           |    |    |     |
| County               | -                    | -                  |          |    |    |     |
| PCWA                 | -                    | -                  |          |    |    |     |
| Additional Principal Payment | - | - |          |    |    |     |
| **Total Distributions and Debt Payment** | -                 | -                  |          |    |    |     |
| **Net**              | $                    | -                  | -        |    |    |     |

**Note:** See Discussion of 2018 Budget to Preliminary Actual Variances on the following page.
MIDDLE FORK PROJECT FINANCE AUTHORITY
2018 Budget and Preliminary Actual Schedule
Discussion of 2018 Budget to Actual Variances
For the Year Ended December 31, 2018

Ref | Revenues and Other Financing Sources
--- | ---
A | **Power Sales Revenue** – In 2018, the MFP watershed received average precipitation, which provided fuel to generate 838,000 MWh of energy while sustained heat in the Western region resulted in higher energy demand and increased energy prices in late July and early August. The fifty year average power generation for the MFP is about 1 million MWh, with the energy sales revenue budget based on 80% of average generation. Although the year resulted in near average hydrology, the higher summer energy prices yielded preliminary Power Sales revenue to be $6.9 million, or 17% above budget at $46.6 million.

**Interest Income** – Interest income for the period ended December 31, 2018 is at 464% of budget.

| Expenditures |
--- | ---
B | **Administration** is over budget through the fourth quarter 2018. The “Other” category includes the mark-to-market adjustment on investments which is adjusted on a quarterly basis.
C | **PCWA Power Division** – Operations is under budget by 16% through the fourth quarter of the fiscal year due to savings in routine capital purchases, cost share agreement expenditures, consulting and legal services and a delay in the FERC license issuance previously anticipated in 2018.
D | **Debt Service** – Semi-annual debt service payments are recorded on April 1 and October 1.
E | **Capital Projects** – Based on current hydrological conditions and the Power Sales revenue projections, the appropriations for the 2018 Capital Projects have been mostly funded. As of December 31, 2018, $11,996,000 of the $12,246,000 adopted by the Board has been funded. $250,000 was approved for the Project Wide Standard Operating Plan and Procedures project that has been closed and will not be funded. Additional appropriations of $5,000,000 was approved by the Board of Directors on October 3, 2018 for the Hell Hole Dam Core Raise project to fund additional design costs.
F | **Reserve Funding** – The reserve accounts are funded in accordance with the Authority’s General Financial Policies at year-end before any distributions of Net Revenue. Therefore, the reserve accounts have not been funded based on these preliminary December 2018 amounts. The final year-end results will be provided to the Authority Board in April 2019.

The preliminary 2018 revenue over expenditures and capital projects is $6.0 million, which would not be sufficient enough to fully fund the Capital Reserve to its target level.
## Preliminary Reserve Schedule

For the Year Ended
December 31, 2018

<table>
<thead>
<tr>
<th>2018 Full Funding Target</th>
<th>2018 Balance Year-to-Date</th>
<th>Preliminary Year-to-Date Activity</th>
<th>Amount Based on Preliminary Activity</th>
<th>2018 Preliminary Ending Balance</th>
<th>Full Funding Needed Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
</tr>
<tr>
<td><strong>Operating Reserve</strong></td>
<td>$ 25,750,000</td>
<td>25,750,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Emergency Reserve</strong></td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital Reserve</strong></td>
<td>20,000,000</td>
<td>16,886,420</td>
<td>-</td>
<td>(5,000,000)</td>
<td>6,072,738</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td>$ 47,750,000</td>
<td>44,636,420</td>
<td>-</td>
<td>(5,000,000)</td>
<td>6,072,738</td>
</tr>
</tbody>
</table>

**Notes:**

General Note: This schedule summarizes the MFP Finance Authority reserve account activity through December 31, 2018 with the preliminary results presented herein. As the final accruals are still pending the year-end closing process, the Year-to-Date Interest amounts (Column C) and the Amount Based on Preliminary Activity (Column E) have not been finalized and will change. The Amount Based on Preliminary Activity (Column E) is shown for illustrative purposes and has not been funded to reserves. The amounts will be finalized and presented with the Final Year End Budget Report at the April 2019 Authority Board meeting.

Operating Reserve: The Operating Reserve is established by the Authority's General Financial Policies, which set a funding target minimum of one year of operating expenses currently set at $25.75 million. The Operating Reserve will provide readily available funds for the MFP operations and require prior approval of the Authority's Executive Director and Secretary, or Board before use.

Emergency Reserve: The Emergency Reserve is established by the Authority's General Financial Policies, which set a funding target amount that will be aligned with the needs under a severe outage contingency. The current $2 million reserve is intended to fund insurance deductibles and seed monies to commence any significant unforeseen capital expenses. Annually, the level of Emergency Reserve will be assessed to identify the trade-off between insurance (self-insurance and paid insurance), emergency reserve funds, and other financing, and propose recommended changes during the budget process.

Capital Reserve: The Capital Reserve is established by the Authority's General Financial Policies and has 2 components - a sinking fund for current and prior year appropriated projects and a reserve for future capital projects. The annual contributions are based on the five year Capital Plan with the intent that full funding for next year's capital projects is accomplished the year prior to anticipated use. Based on additional analysis, currently the long-term Capital Reserve target is $20 million.
### PLACER COUNTY WATER AGENCY

**MFP Capital Projects (Preliminary)**

As Funded by the Middle Project Finance Authority

For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Project No.</th>
<th>Project Description</th>
<th>Total Estimated Project Cost (Note 1)</th>
<th>2018 Adopted Budget (December 31, 2017)</th>
<th>2018 Budget Funded (Note 2)</th>
<th>Budget Adjustments Quarter 1-3</th>
<th>Project-to-Date Adjusted Budget (December 31, 2018)</th>
<th>Prior Years' Expenses</th>
<th>Project-to-Date Expenses</th>
<th>Outstanding Encumbrances</th>
<th>Project-to-Date Available Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E=A+B+C+D</td>
<td>F</td>
<td>G</td>
<td>H</td>
<td>I</td>
<td>J=E-H-I</td>
<td></td>
</tr>
<tr>
<td>MINOR PROJECTS - TOTAL</td>
<td></td>
<td>$1,027,223</td>
<td>925,000</td>
<td>925,000</td>
<td>(100,000)</td>
<td>1,852,223</td>
<td>26,387</td>
<td>8,908</td>
<td>35,295</td>
<td>15,318</td>
</tr>
<tr>
<td>MAJOR PROJECTS - AUTHORIZED</td>
<td></td>
<td>$38,890,691</td>
<td>9,521,000</td>
<td>9,521,000</td>
<td>94,500</td>
<td>53,772,319</td>
<td>16,897,338</td>
<td>12,078,868</td>
<td>28,976,206</td>
<td>8,521,555</td>
</tr>
</tbody>
</table>

**Note 1:**
For the powerhouse reliability projects is defined as "Ongoing" because underlying sub-projects will be added, completed and removed over time.
<table>
<thead>
<tr>
<th>Month</th>
<th>Revenue Budget</th>
<th>Actual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$4,006,001</td>
<td>$3,286,281</td>
</tr>
<tr>
<td>February</td>
<td>$7,565,094</td>
<td>$6,083,665</td>
</tr>
<tr>
<td>March</td>
<td>$9,849,264</td>
<td>$8,172,552</td>
</tr>
<tr>
<td>April</td>
<td>$11,880,311</td>
<td>$11,657,645</td>
</tr>
<tr>
<td>May</td>
<td>$14,058,181</td>
<td>$14,821,538</td>
</tr>
<tr>
<td>June</td>
<td>$18,232,977</td>
<td>$18,152,207</td>
</tr>
<tr>
<td>July</td>
<td>$22,696,786</td>
<td>$26,843,400</td>
</tr>
<tr>
<td>August</td>
<td>$27,827,744</td>
<td>$33,738,750</td>
</tr>
<tr>
<td>September</td>
<td>$31,619,022</td>
<td>$37,409,363</td>
</tr>
<tr>
<td>October</td>
<td>$31,728,216</td>
<td>$38,485,030</td>
</tr>
<tr>
<td>November</td>
<td>$35,215,923</td>
<td>$41,177,295</td>
</tr>
<tr>
<td>December</td>
<td>$39,732,000</td>
<td>$46,609,389</td>
</tr>
</tbody>
</table>
Middle Fork Project Finance Authority
Power Operating Expenses
Budget to Preliminary Actual 2018

Operating Expenses

<table>
<thead>
<tr>
<th>Month</th>
<th>Budget</th>
<th>Actual Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$1,300,928</td>
<td>$1,181,229</td>
</tr>
<tr>
<td>February</td>
<td>2,621,904</td>
<td>2,265,922</td>
</tr>
<tr>
<td>March</td>
<td>4,684,677</td>
<td>4,726,099</td>
</tr>
<tr>
<td>April</td>
<td>6,907,838</td>
<td>6,320,512</td>
</tr>
<tr>
<td>May</td>
<td>8,380,292</td>
<td>7,737,892</td>
</tr>
<tr>
<td>June</td>
<td>11,002,197</td>
<td>9,647,642</td>
</tr>
<tr>
<td>July</td>
<td>12,365,498</td>
<td>11,382,453</td>
</tr>
<tr>
<td>August</td>
<td>13,807,838</td>
<td>12,439,671</td>
</tr>
<tr>
<td>September</td>
<td>16,154,674</td>
<td>14,233,652</td>
</tr>
<tr>
<td>October</td>
<td>17,279,620</td>
<td>15,385,339</td>
</tr>
<tr>
<td>November</td>
<td>19,159,728</td>
<td>17,096,335</td>
</tr>
<tr>
<td>December</td>
<td>22,276,163</td>
<td>18,685,726</td>
</tr>
</tbody>
</table>

$5,000,000
$10,000,000
$15,000,000
$20,000,000
$25,000,000

January February March April May June July August September October November December
MEMORANDUM

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Joseph H. Parker, CPA, Treasurer
DATE: January 2, 2019
RE: Financial Statement Audit Services for the year ending December 31, 2018

Recommendation:
Approve contract with Davis Farr LLP to provide financial statement auditing services for the year ending December 31, 2018.

Discussion:
Attached herewith is the engagement letter (contract) from Davis Farr LLP dated November 9, 2018, to provide the Authority with financial statement auditing services for the year ending December 31, 2018.

In 2015, PCWA formally bid for audit services and Davis Farr LLP was selected to be the auditors for Placer County Water Agency. Because PCWA maintains the books and records of the Authority and the internal control environment is the same, the Authority’s Policy states that PCWA’s auditors will audit the Authority’s financial statements. The December 31, 2018 year-end financial statement audit will be the 4th year Davis Farr LLP has served as the Authority’s audit firm.

The engagement letter discusses more specifics regarding the scope of work Davis Farr will perform during their financial statement audit. Accompanying their engagement letter and as required by Government Auditing Standards, Davis Farr has provided the Authority with a copy of their most recent quality control review report for the year ended May 31, 2016.

We are anticipating the 2018 financial statement audit to commence in March 2019 with the conclusion of the auditing, reporting and financial statements in April 2019. The audited financial statements will be submitted to the Board once the audit is completed.

Fiscal Impact:
The attached engagement letter sets forth a fixed fee totaling $6,375 for the Authority’s 2018 audit.
November 9, 2018

Middle Fork Project Financing Authority
Attn: Joseph Parker, Treasurer
144 Ferguson Road
Auburn, California 95603

Dear Mr. Parker:

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide Middle Fork Project Financing Authority (the “Entity”).

**ENGAGEMENT OBJECTIVES**

We will audit the basic financial statements as of December 31, 2018 and for the year then ended, and the related notes to the financial statements.

Also, accounting principles generally accepted in the United States of America (“US GAAP”) provide for certain required supplementary information (“RSI”), such as management’s discussion and analysis (“MD&A”), to supplement the Entity’s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 Entity’s RSI in accordance with auditing standards generally accepted in the United States of America (“US GAAS”). 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 US GAAP and will be subjected to certain limited procedures, but will not be audited.

1. Management’s Discussion and Analysis

**OUR RESPONSIBILITIES**

The objective of our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with US GAAP and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole.

We will also provide a report, which does not include an opinion, on internal controls related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The reports on internal control and compliance will each include a paragraph that states the report is solely to describe the
scope and testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance and that the report is not suitable for any other purpose.

Audit

Our audit will be conducted in accordance with US GAAS and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion on the financial statements is other than unmodified, we will fully discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts (e.g., tests of the physical existence of inventories, direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions, etc.). We may also request written representations from the Entity’s attorneys as part of the engagement, and they may bill the Entity for responding to this inquiry.

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 assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or 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 controls, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with US GAAS. 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. We will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management and those charged with governance 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. 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.

Internal Control
Our audit will include obtaining an understanding of the Entity and its environment, including internal controls sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. 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. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. 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.

An audit is not designed to provide assurance on internal controls or to identify control deficiencies. However, we will inform management and those charged with governance of internal control matters that are required to be communicated under professional standards.

Compliance
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. 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.

The services described above do not relieve management or those charged with governance of their responsibilities.

THOSE CHARGED WITH GOVERNANCE
The preparation and presentation of the financial statements of the Entity are the responsibility of management with oversight from those charged with governance. Those charged with governance are also responsible for overseeing the strategic direction of the Entity and any obligations related to its accountability, resolving disagreements between management and us regarding financial reporting, appointing us to perform the services described above, and informing us about all known or suspected fraud involving the Entity. In turn, we will provide those charged with governance with any communications required by the professional standards described above.

MANAGEMENT'S RESPONSIBILITIES
Management is responsible for all management decisions and performing all management functions, and for designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee these services, any bookkeeping services, tax services, or other services we provide. Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for them.

Management is 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 (a) access to all information they are aware of that is relevant to the preparation and fair presentation of the financial statements, (b) additional information
that we may request for the purpose of this engagement, and (c) unrestricted access to persons within the Entity from whom we determine it necessary to obtain information.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, for the selection and application of accounting principles, for the safeguarding of assets, and for the preparation and fair presentation of the financial statements in conformity with US GAAP even though we may assist management with their preparation. Accordingly, management may be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that management has reviewed and approved the financial statements and related notes prior to their issuance and has accepted responsibility for them.

Management is responsible for adjusting the financial statements to correct material misstatements and for 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 Entity involving (a) management, (b) employees who have significant roles in internal controls, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of any known allegations of fraud or suspected fraud affecting the Entity received in communications from employees, former employees, regulators, or others. In addition, management is also responsible for identifying and ensuring that the Entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

During the course of our engagement, we will request information and explanations from management regarding the Entity. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Entity agrees to release our firm, its shareholders, and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the Entity’s management.

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 related studies. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. Management is responsible for providing its views on our current findings, conclusions, and recommendations, as well as management’s planned corrective actions, for the report, and for the timing and format for providing that information.
OTHER SERVICES
The Entity must obtain our written consent before including its financial statements and our report in an offering or other document, or otherwise distributing our report or referencing our Firm in connection with an offering. Management agrees to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Management will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter, and the specific terms of any such future services will be determined at the time the services are to be performed.

As a result of our prior or future services, we might be requested to provide information or documents to the Entity or a third party in a legal, administrative, or arbitration or similar proceeding in which we are not a party. If this occurs, our efforts in complying with such requests will be deemed billable to the Entity as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests, we will observe the confidentiality requirements of our profession and will notify management promptly of the request.

ENGAGEMENT FEES
Our fixed fees for the services previously outlined above are as follows:

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<tr>
<th>Service</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Financial Statements</td>
<td>$ 5,275</td>
</tr>
<tr>
<td>State Controller’s Report</td>
<td>$ 1,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 6,375</strong></td>
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Our fees are based upon the complexity of the work to be performed, timing of the engagement, experience level of the personnel required, and estimates of the professional time to complete the required services.

Additionally, our fees are dependent on the availability, quality, and completeness of the Entity’s records and, where applicable, upon the Entity’s personnel providing the level of assistance identified in the “prepared by client” request list distributed at the end of our planning work (e.g., Entity employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate as soon as reasonably practicable. In addition, fees for any related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fee referred to above and will be subject to separate arrangements.

We consider telephone calls and meetings on accounting and reporting matters to be an integral part of the engagement and no additional fees are charged for these services. If, however, there is a significant transaction or new accounting issue that requires us to spend a substantial amount of time that was not anticipated in our fees, there may be additional billings.

The fee estimate above assumes no adjustments will be necessary for routine accounting entries normally made before the beginning of the engagement. If, for any reason, we are
asked to assist in the preparation of these entries, before beginning this service, we will provide an estimate of the time required to perform such services and the additional fees to be billed.

Invoices will be submitted as the work progresses and a final invoice will be submitted upon completion of the services. Invoices are payable upon receipt. If our invoices for this, or any other engagements the Entity may have with us, are not paid within 30 days, we may suspend or terminate our services for this and any other engagements. In the event our work is suspended or terminated as a result of nonpayment, the Entity agrees we will not be responsible for any consequences.

**OTHER ENGAGEMENT MATTERS**

This letter sets forth the rights and responsibilities of the parties with respect to the services to be provided. This engagement is being undertaken solely for the benefit of the parties to this agreement and no other person shall be entitled to enforce the terms of this agreement.

Enclosed, as required by *Government Auditing Standards*, is a copy of the report on the most recent peer review of our firm.

The undersigned is the engagement partner responsible for supervising the engagement and signing the report.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement. Please sign the enclosed copy of this letter and return it to us.

Very truly yours,

Jennifer Farr, CPA
Davis Farr LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

**Middle Fork Project Financing Authority**

By_________________________________________  By_____________________________________

Treasurer  Chairman of the Board

Date____________________________________  Date____________________________________
DAVIS FARR LLP
Irvine, California;
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 Davis Farr LLP (the firm) in effect for the year ended May 31, 2016. 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 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.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and an examination of a service organization control (SOC) 1 Type 2.

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2016, 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. Davis Farr LLP has received a peer review rating of pass.

John Less, CPA
Stephen C. Williams, CPA
Joseph O. Romero, CPA

Gyl Decauwer LLP
Ontario, California
June 29, 2016
MEMORANDUM

TO: Board of Directors
FROM: Energy Marketing Oversight Working Group
DATE: January 4, 2019
RE: Energy Marketing Oversight Policy Proposed Revisions

RECOMMENDATION:
Adopt Resolution 19 - ___ of the Board of Directors of the Middle Fork Project Finance Authority approving the Middle Fork Project Finance Authority Energy Marketing Oversight Policy as revised.

DISCUSSION:
The Middle Fork Project Finance Authority Energy Marketing Oversight Policy (EMO Policy) was first adopted by the Board in October 2014. In July 2017, the Board adopted an updated EMO Policy to integrate best practices and other clarifications.

Attached is the revised EMO Policy, with redlined changes, which provides certain language clarifications and/or wording changes for conformance with revisions made in the PCWA Energy Risk Management Policy.
RESOLUTION NO. 19-____ OF THE BOARD OF DIRECTORS
OF THE MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
A REVISED ENERGY MARKETING OVERSIGHT POLICY
FOR THE MIDDLE FORK PROJECT

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

WHEREAS, the Agency holds license no. 2079, issued by the Federal Energy Regulatory
Commission (“FERC”) and has submitted to FERC an application seeking relicensing of the Project to
the Agency; and

WHEREAS, the Agency is authorized to operate and maintain the Project and to execute
contracts for the sale of electrical energy products produced by the Project, subject to the approval
of the County of Placer (“County”); and

WHEREAS, pursuant to Board of Supervisors Resolution 2006-13, adopted January 10, 2006,
the County has delegated to the Middle Fork Project Authority (“Finance Authority”), a joint powers
authority of which the County and the Agency are members, its authority to approve contracts for
sale of power from the Project; and

WHEREAS, pursuant to Resolution 06-01 of the Board of Directors of the Agency, the Agency
has delegated to the Finance Authority its authority to approve contracts for the sale of electric
energy from the Project; and

WHEREAS, the Finance Authority has previously approved an Energy Marketing Oversight
Policy (“Policy”) to direct staff-level coordination and information exchange regarding energy
markets generally, and Project participation in those markets specifically; and

WHEREAS, the Agency, as owner and operator of the Project, maintains an Energy Risk
Management Policy that authorized participation in energy markets with specified Project energy
products by designated Agency employees; and

WHEREAS, the Policy needs certain language clarifications and/or wording changes for
NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Finance Authority that

1. The revised Energy Marketing Oversight Policy for the Project, attached and made a part of
this Resolution, is hereby approved; and

2. The revised Policy meets the specific requirement of the Bond Purchase Contract, dated
March 29, 2006, between the Finance Authority and the Placer County Treasurer, Section 6
Representation, Warranties, Covenants and Agreements of the Authority, paragraph (t)
regarding “power sales policies”; and

3. The Finance Authority directs the Secretary and Executive Director of the Authority to
implement the Policy and continue to recommend policy updates as needed.

The foregoing resolution was duly passed at a regular meeting of the Board of Directors of the
Finance Authority held on January 17, 2019, by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 17th day of January 2019.

______________________________
Chair, Board of Directors
MIDDLE FORK PROJECT FINANCE AUTHORITY

ATTEST:

______________________________
Secretary
MIDDLE FORK PROJECT FINANCE AUTHORITY
Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

Adopted: October 16, 2014
Revised & Adopted: July 20, 2017
Redline Changes included herein January 4, 2019
OVERVIEW

The Middle Fork Project Finance Authority ("Finance Authority" or "MFPFA") was established on January 10, 2006, under a Joint Exercise of Powers Agreement (JPA) by and between the County of Placer (County) and the Placer County Water Agency (Agency). One of the primary responsibilities of the Finance Authority is the approval of electrical energy sales from the Middle Fork American River Hydroelectric Project (MFP).

The County and the Agency have adopted resolutions delegating their authority to approve contracts for sale of power from the Middle Fork Project to the MFPFA. All contracts for the sale of MFP energy and energy products must be reviewed and approved by the MFPFA as referenced by the Joint Exercise of Powers Agreement for the MFPFA, Article IV, Section 4.03. Through this policy, the MFPFA delegates certain authorities to the Agency to enter into and execute the contractual relationships necessary to sell MFP energy products, subject to the procedures defined herein. The Agency, through its Energy Risk Management ("ERM") Policy further delegates certain energy contracting authority, subject to specified thresholds, to Agency staff in order to facilitate energy product transactions.

The Agency owns and operates the MFP to dispatch water and generate electrical energy consistent with the following prioritized objectives:

1. Operating the MFP in a Safe and Prudent Manner - All operations of the MFP facilities will be conducted with safety of staff and the public as a paramount concern.

2. Meeting Regulatory Requirements - All operations of the MFP will be conducted in accordance with regulatory requirements.

3. Reliability and Asset Preservation – The MFP shall be operated and maintained in a manner that ensures a high level of reliability and long-term preservation of asset value.

4. Managing Water Supply for Placer County – Water management within the MFP shall ensure a reliable water supply to meet the consumptive needs of Placer County residents and businesses.

5. Energy Generation – Consistent with the above priority objectives and the guidance contained in this policy, the Agency shall market, at favorable times and
rates, the energy generation, ancillary services capabilities, and other energy attributes of the MFP with the goal of maximizing revenue.

PURPOSE

The purposes of this EMO Policy are to:

1. Provide a framework for cooperation between County and Agency staff to ensure that a high level of communication of information, strategies, opportunities, and perspectives on matters related to MFP energy marketing is maintained;

2. Ensure that the authority to engage in energy market transactions is provided and exercised in a manner consistent with the risk and revenue objectives of the Finance Authority as outlined in this and other Finance Authority policies;

3. Define an approach and the parameters for the marketing of MFP energy and energy related products that (a) reflects MFP’s contractual, regulatory, and operational constraints, (b) promotes transparency and competition, (c) provides a framework for managing market and counter-party risks, and (d) maximizes the value of MFP energy products; and

4. Provide a framework through which recommendations to the Finance Authority Board by the Executive Director and Secretary, related to MFP energy marketing, can be developed.

SCOPE

This EMO Policy applies to all employees or and authorized agents of the Agency and the County engaged in transacting directly or indirectly in the energy markets with regard to the MFP.

ENERGY MARKETING OVERSIGHT WORKING GROUP (EMOWG)

Responsibility and Membership:

Energy marketing oversight will be the responsibility of the Finance Authority’s Executive Director and Secretary. Together they will select staff from their respective organizations forming an Energy Marketing Oversight Working Group (“EMOWG”) to prepare all information related to joint energy marketing and to provide information to the Executive Director and Secretary, allowing them the opportunity to make recommendations to the
Energy Marketing Oversight Policy

Finance Authority Board as needed. The EMOWG will ensure that energy marketing strategies are consistent with this EMO Policy, all Finance Authority Policies, and Federal and state regulations.

The EMOWG shall be comprised of six staff members: three from the Agency and three from the County, appointed by the Finance Authority Executive Director and Secretary, respectively. The EMOWG shall meet at least quarterly with the Executive Director and Secretary in order to inform them on items of interest to the Finance Authority.

The purpose and responsibilities of the EMOWG are to:

1. Ensure the marketing of energy and energy related products from the MFP is in accordance with this EMO Policy;
2. Monitor market conditions, trends and opportunities;
3. Review the Agency’s compliance with its Energy Risk Management Policy;
4. Review the Agency’s Annual Operating Plan for MFP water management, storage and generation and associated revenue estimates;
5. Regularly update the Executive Director and Secretary on the near and long-term energy marketing and financial risk management strategies available to maximize the value of the MFP, while minimizing risk;
6. Participate in marketing strategy discussions with Agency’s energy marketing operations staff, and monitor performance;
7. Develop power sales performance metrics and reporting guidelines;
8. Create a Strategic Business Plan to provide guidance to Agency and County management and staff for near-term power marketing strategies, concepts, and operational needs. The Plan shall be updated every five years or as energy market conditions evolve; and
9. Facilitate communications between the Agency and the County related to power sales, water sales, regulatory actions, legislative affairs, and other processes or circumstances that affect the operation of the MFP.

In order to inform the Executive Director and Secretary of the current state of the energy market and the MFP’s participation in that market, the EMOWG shall develop and maintain the following products for review by the Executive Director and Secretary:
1. In accordance with the Finance Authority’s General Financial Policies Section 3.3.2 (1), the EMOWG shall work with the MFPFA Treasurer to develop the Proposed Annual Budget to be submitted to the Finance Authority Board annually at their October meeting.

2. Each year, when hydrological conditions are known, the EMOWG shall prepare an Annual Marketing Report for MFP energy-related products for the calendar year.
   a. The Annual Marketing Report will include information regarding the total projected MFP energy product and ancillary services sales, projected renewable attribute sales, projected energy product purchases to manage sales positions, and projected revenue or cost for each of these categories.
   b. The EMOWG will present the Annual Marketing Report to the Executive Director and Secretary as an informational item. If projected MFP revenues will not be sufficient to fund the annual budgeted appropriations, the Finance Authority Treasurer shall notify the MFPFA at the next regularly scheduled meeting.

INFORMATION EXCHANGE AND REVIEW

The Agency shall regularly provide the following to the EMOWG in order to ensure the most current information is available for review in relation to energy marketing strategy discussions:

1. An Annual Operating Plan that reflects MFP hydrology, market conditions, Agency water needs and regulatory requirements;
2. The projected market value of water stored within the MFP system available for production of energy and ancillary energy market products;

POWER SALES AND ENERGY MARKETING

The intent of this section is to meet the specific requirement of the Bond Purchase Contract, dated March 29, 2006, between the MFPFA and the Placer County Treasurer, Section 6 Representations, Warranties, Covenants and Agreements of the Authority, paragraph (t) regarding “power sales policies.”
Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

This power sales and energy marketing section establishes guidelines, for the periodic marketing to qualified counter-parties, necessary to promote the primary goal of maximizing revenue from MFP energy products and attributes. This policy will function in conjunction with or is complementary to the following Finance Authority and Agency policies:

- Finance Authority’s General Administrative Policies
- Finance Authority’s Operations Protection Policies
- Finance Authority’s General Financial Policies
- Agency’s Energy Risk Management Policy

The MFPFA recognizes that price volatility in energy market products and electric power, along with the amount of water and energy available each year from the MFP, are outside the control of the Agency. As such, the MFPFA also recognizes that the Agency is unable to (a) precisely forecast annual MFP revenue and (b) ensure, in any year, that MFP revenues will exceed the project’s operating costs or reserve funding requirements. Reflecting this, the primary goal of the Finance Authority, in its delegation of authority to enter into various energy related sales agreements through this policy, is to maximize revenue in each year, while also working to stabilize revenue in future years to the extent possible.

MFP Energy and Energy Related Marketing Solicitation Processes

The marketing of MFP energy and energy related products will be conducted in competitive and transparent solicitation processes, through qualified brokers or agents, and/or on liquid commodity exchanges.

The Agency is authorized to:

1. Participate in California Independent System Operator (“CAISO”) markets and/or on other exchange-traded platforms that offer liquidity, transparency, and adequate counter-party credit assurances.

2. Market MFP energy and energy related products with-to end-users on a term basis. The Agency will conduct public solicitation processes of sufficient scope to attract qualified counter-parties. The results of these solicitations shall be presented to the EMOWG for review, prior to recommending to the Executive Director and Secretary
that contracts be considered for approval by the MFPFA and award by the Agency Board.

3. Retain the services of energy marketing professionals. For the solicitation of energy marketing agent professional services, the Agency will solicit written quotes from qualified agents or brokers, which shall be presented to the EMOWG for review, prior to recommending to the Executive Director and Secretary that service contracts be considered for approval by the MFPFA and award by the Agency Board. Physical and financial transactions made through energy marketing agents or brokers shall be subject to the Agency ERM policy.

4. Participate in solicitations proffered by entities that are in need of MFP energy related products or services. Offers shall be approved by the EMOWG before submittal to the proffering entity, and any resulting contract shall be presented for review by the EMOWG, prior to recommending to the Executive Director and Secretary it be considered for approval by the MFPFA and award by the Agency Board.

**Authorized Marketable MFP Energy Products, Term of Contract Commitments, & Price Structures**

Appendix A, which is included and made a part of this Energy Marketing Oversight Policy, summarizes the parameters under which Agency staff can market MFP energy and related products, specifically addressing:

a. The type and nature of energy and energy related products Agency staff can market;

b. The tenure or contract term and quantity under which Agency staff can commit MFP energy and energy related products; and

c. The types of price structures Agency staff can market MFP energy and energy related products.

The product marketing limitations described in Appendix A are intended to guide marketing efforts; the making of contracts for sale of MFP products is subject to the policies described in this section.

**Speculative Trading**

Speculative buying and selling of energy products is prohibited.
Speculation is defined as buying energy not needed to fill a contractual obligation, or selling energy or energy related products that exceeds MFP’s physical or expected output. In no event shall transactions be executed that speculate on market conditions.

Risk Oversight

In conjunction with energy marketing, the Agency will adopt and maintain an Energy Risk Management Policy, which will include an energy risk management governance and organization structure. The risk governance structure shall be appropriately segregated at the operational level so that sufficient and appropriate checks and balances between functions exist such that the reviewing, monitoring and reporting of energy transactions are independent of trading activities. Included in this Agency policy shall be the establishment of the following:

- **An Energy Risk Management Oversight Committee** to oversee risks associated with energy marketing activities, counter-party credit, market liquidity, and to ensure compliance with trading transacting authorities and guidelines and standards of conduct.

- **Consistent with industry practice**, the duties of execution of energy transactions, risk monitoring and settlement reporting shall be separated into the following three functional areas: Front Office, Middle Office and Back Office
Under most circumstances, it is anticipated that MFP energy and energy products will be marketed separately (i.e. on an unbundled basis); however, there is no prohibition on bundling products where value dictates that approach is appropriate.

Agency staff are authorized to market MFP energy and energy related products directly with counter-parties or through a marketing agent or broker, and to recommend contracts for MFPFA approval and execution by the Agency, subject to the following parameters:

A. **Authorized Marketable Energy Products**

Agency staff are authorized to market the following energy products:

1. Energy
2. Ancillary Services
3. Resource Adequacy
4. Renewable Energy Credits
5. Carbon Free Credits

B. **Approved MFP Energy Products Marketing Contract Term & Quantity Commitments**

*Maximum Contract Term Commitment:*

   a. MFP energy and energy products can be sold forward for a term of contract up to, but not exceeding, sixty (60) months.

*Maximum Aggregate Contract Quantity:*

   a. For a term from the then current date up to twelve (12) months forward: Agency Staff can market up to 100% of the estimated energy and energy products output of the MFP on a forward basis.

   b. For a term beginning thirteen (13) months to sixty (60) months forward from the then current date: Given unknown hydrological conditions, Agency staff **cannot** market aggregate quantities of MFP energy and energy related products
C. Approved Pricing Structures

Agency staff are authorized to sell MFP energy and energy related products using the following price structures:

1. Fixed price: involves the marketing and physical delivery or financial obligation of energy and/or energy-related products at a fixed price.

2. Index or “Market Price”: involves the marketing and physical delivery or financial obligation of energy and/or energy related products at prices that are indexed to a specific delivery point at reported market clearing prices.
MEMORANDUM

TO: Board of Directors

FROM: Joseph Parker, Finance Authority Treasurer
       Ryan Cline, PCWA Director of Energy Marketing

DATE: January 4, 2019

RE: Final Draft Revised PCWA Energy Risk Management Policy

RECOMMENDATION:
For informational purposes only.

DISCUSSION:
PCWA’s Energy Risk Management Policy (ERM Policy) was last updated and adopted on November 2, 2017. For the past six months, the ERM Policy has been under revision, with collaboration and communication between PCWA and Placer County Staff. This final draft has been revised to include the forward energy transaction products as well as detailing the responsibilities of the organizational structure, moving the approved energy transaction products and limits to appendices and adding an Energy Risk Management Organization Structure diagram to the last appendix.

In order to authorize forward energy transactions, PCWA’s ERM Policy requires updating in the areas noted above as well as the need to provide specific Energy Marketing Delegation to engage in bi-lateral forward energy transactions (buy & sell) as authorized by PCWA’s General Manager, which has been revised in Appendix B.

This revised policy is scheduled to be approved by the PCWA Board of Directors at their 2:00 p.m. meeting on January 17, 2019.
Placer County Water Agency

Energy Risk Management Policy

Revised and adopted November 2, 2017
Proposed for Consideration of Revisions January 17, 2019 Board Meeting
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</tbody>
</table>
OVERVIEW

Placer County Water Agency (Agency) is the owner and operator of the Middle Fork American River Hydroelectric Project (MFP, Middle Fork Project or Project) (FERC Project No. 2079), which has a rated capacity of 224 MW.

This Energy Risk Management Policy (ERM Policy) provides a framework for the prudent management of risks and delegation of authorities governing the Agency’s energy transaction activities in the CAISO, bilateral and forward energy markets.

This ERM Policy identifies energy market risks and corresponding risk management objectives, and details key organizational control structures and policy matters, providing prudent risk management processes based upon sound energy risk management principles.

AUTHORITY

This ERM Policy operates under the authority of the Agency’s Board of Directors and shall become effective upon approval of the Board.

Any amendments to this ERM Policy require the approval of the Agency’s Board.

SCOPE

This ERM Policy applies to all energy marketing activities, which includes the purchase and sale of physical energy products and related financial instruments. This ERM Policy applies to all Agency employees and authorized agents engaged directly or indirectly in transactions involving MFP energy products.

This ERM Policy summarizes the Agency’s risk management framework to consistently and comprehensively apply risk management and internal control practices to risks encountered in its business.

PURPOSE

The purpose of this ERM Policy is to formally establish an Energy Risk Management Program, and document the organizational structure utilized by the Agency to maximize energy product revenue in recognition of the risk inherent in California’s energy markets.
MFP ENERGY RISK MANAGEMENT OBJECTIVES

- Market Risk Management Objectives: Understand, prioritize and manage inherent California energy market risk factors:
  - Identify, evaluate and track risk factors;
  - Minimize uncertainty regarding operational reliability, internal coordination and water supply; and
  - Engage in energy product transactions via participation in authorized markets with authorized strategies.

- Control Objectives:
  - Mitigate operational risk through coordination and investment policies that seek to maximize generation availability and operational flexibility;
  - Mitigate transactional risk by monitoring compliance with the Agency’s Energy Risk Management Policy, Strategies and Procedures; and
  - Mitigate regulatory risk by monitoring all regulatory agencies for potential changes that may affect MFP performance, developing adaptation strategies, as needed.

GENERAL AND POTENTIAL RISKS

The energy risk management process involves the identification, evaluation, and management of energy marketing risks, and is comprised of six key energy risk elements: identification, measurement, monitoring, control, reporting and corrective action. Subsequent sections of this ERM Policy, coupled with associated energy marketing strategies and procedures, provide guidance for each aspect of the risk management process.

The effectiveness of this ERM Policy in managing energy risk will be systematically reviewed and, when appropriate, modified through the Board approval process.

Energy market risks addressed in this ERM Policy are: Energy Price Volatility and Liquidity, Counterparty Credit Exposure and Contractual Performance, MFP Operational Performance, and Regulatory, Legislative and Market Rule Changes.
Energy Risk Management Policy

Descriptions and management techniques for each element are as follows:

**Energy Price Volatility and Liquidity Risk**

- **Description:** The price of energy products in CAISO, bilateral and forward markets can be unpredictable and volatile. Extended periods of low energy prices can expose the Agency to outcomes inconsistent with the Agency’s financial objectives, while periods of elevated prices offer the opportunity to lock-in attractive value and revenue through bilateral and/or forward sales.

- **Risk Management Techniques:**
  - Invest in maximizing the physical generation capability, operational flexibility, and reliability of the MFP;
  - Invest in best practice hydrological and forecast information, optimizing the available fuel (i.e. water) supply;
  - Develop and implement an energy marketing strategy that leverages MFP generation, attributes and ancillary service capabilities;
  - Remain abreast of all market rules to maximize opportunities via appropriate bid strategies;
  - Develop and implement bilateral and/or forward energy market strategies that maximize MFP revenue, while adhering to prudent risk management techniques; and
  - Maintain high levels of coordination among MFP marketing, operations, and finance staff, enabling timely market responses to favorable energy prices and/or unanticipated outages.

- **Description:** Illiquidity and lack of price transparency in CAISO, bilateral and forward energy markets may lead to sub-optimal prices for MFP energy products.

- **Risk Management Techniques:**
  - Maintain capabilities to sell a range of MFP energy products in multiple markets;
  - Develop access to multiple counterparties;
  - Develop fundamental energy market outlooks; and
  - Access real-time product price data through third parties, energy trading platforms, price reports and/or other sources, as necessary, to assess market prices.
Placer County Water Agency

Energy Risk Management Policy

Counterparty Credit Exposure and Contractual Performance Risk

- Description: Exposure to economic loss resulting from counterparty non-performance or default on their financial obligations to the Agency.
  - Risk Management Techniques:
    - Establish and maintain credit criteria for all counterparties; and
    - Actively monitor Agency exposures to each counterparty, ensuring that aggregate Agency obligations and exposures are within pre-established limits.

MFP Operational Performance Risk

- Description: The risk the Agency defaults on its contractual obligations to a counterparty, potentially exposing the Agency to lost revenue and/or penalties.
  - Risk Management Techniques:
    - Manage the Agency’s financial exposure to performance risk using contractual tools (e.g. unit contingent obligations);
    - Require active engagement between Agency marketing and operations staff, ensuring timely communication and a mutual understanding of MFP operational capabilities and contractual obligations;
    - Access bilateral and forward markets to preserve options to quickly resolve outstanding obligations;
    - Invest in best practice hydrological and forecast information to optimally dispatch the available water supply; and
    - Have access to adequate financial reserves in order to manage the impact of performance interruptions.

Regulatory, Legislative and Market Rules Risk

- Description: The risk that regulatory and/or legislative actions adversely impact MFP operations and/or the marketing of MFP energy and energy related products.
  - Risk Management Techniques:
    - Monitor regulatory proceedings and legislative initiatives impacting the MFP;
    - Where appropriate, participate in regulatory or legislative proceedings to mitigate adverse impacts to the MFP, and to advance outcomes favorable to the Project;
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- Collaborate with similarly situated merchant power generators to mitigate the impacts of regulations and/or legislation adverse to the Project, and to promote and/or support regulations and legislation favorable to the MFP;
- Monitor and participate in CAISO Market Initiatives; and
- Undertake routine internal review of bidding and optimization strategies in light of dynamic regulatory and market conditions.

GOVERNANCE AND ORGANIZATION STRUCTURE

The risk governance structure follows a top-down approach whereby the Board of Directors considers and adopts an ERM Policy establishing objectives, organizational structure, authority and guidelines, implemented by the General Manager and his/her designated staff.

This ERM Policy sets forth distinct roles and responsibilities, and establishes controls and procedures to be implemented by designated staff to ensure the adequate functioning of the risk management control environment.

Appendix E provides an organizational chart summarizing structure and functionality within this Energy Risk Management Policy.

The principles of good risk management policy embodied herein shall be emphasized throughout all aspects of the Agency’s energy marketing business.

At the operational level, marketing activities and risk monitoring activities shall be separated to ensure sufficient and appropriate checks and balances between these functions, such that oversight of energy transactions is independent of marketing activities.

Formal delineation and delegation of authority are required and shall clearly define the permissions granted to employees and agents making decisions and taking actions on behalf of the Agency.

Board of Directors

The Board of Directors is responsible for considering and approving the ERM Policy.
The General Manager shall:

- Implement this ERM Policy, including enforcement of the risk management organizational structure outlined herein, and oversee the development of procedures for the administration of the energy risk management program;
- Authorize individuals (employees or agents) to execute energy marketing transactions on behalf of the Agency;
- Ensure there is a clear separation of duties and activities among and between (a) the Energy Risk Oversight Committee, (b) the Front Office, (c) the Middle Office and Back Office;
- Adopt or reject energy marketing strategy recommendations endorsed by the Energy Risk Oversight Committee;
- Review the effectiveness of this ERM Policy; and
- Undertake actions as necessary to resolve issues with ERM Policy compliance.

Front, Middle and Back Office Functions

Based on industry best practices, the responsibilities of the Front Office and Middle/Back Offices shall be separate business functions (i.e. transacting and monitoring/settlement functions). Appropriate segregation of duties should be established and maintained throughout the system of controls over financial and operational risks. However, based on the nature and volume of transaction activity, the Middle and Back Office functions may be performed by the same departmental personnel. Within the Agency, energy marketing and risk oversight shall be performed by departmental personnel as outlined below and further detailed in the Procedures documents.

- **Front Office** – The Front Office is primarily responsible for resource planning, market assessment, energy marketing, and revenue optimization, which includes identifying and developing energy marketing opportunities and strategies for consideration by the Energy Risk Oversight Committee and General Manager. The Front Office is also responsible for implementing approved strategies and advancing the Agency’s goal of maximizing MFP revenue, while transacting within the authorized limits.
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Energy Risk Management Policy

- **Middle Office** – The Middle Office institutes, supervises, and reviews all energy risk monitoring activities, is responsible for reporting to the GM and Energy Risk Oversight Committee on energy risk management issues, and provides recommendations when changes in policy or operating procedures are warranted.

- **Back Office** – The Back Office is responsible for invoice settlements, transaction recording, bookkeeping and accounting, and contract administration.

*Energy Risk Oversight Committee*

The Agency’s General Manager shall establish an Energy Risk Oversight Committee (“ROC”) to serve in an advisory capacity to the General Manager. The ROC shall be a management level committee tasked with assisting the General Manager in evaluating and monitoring energy risk management processes, controls, functions, implementation and compliance with this ERM Policy, as well as sharing knowledge and information.

ROC membership shall be comprised of the following four Agency staff:

- Director of Financial Services (Chairman)
- Director of Energy Marketing
- Director of Strategic Affairs
- Director of Power Generation Services

Outside advisors with specific expertise in energy risk or performance metrics, energy marketing best management practices, energy marketing strategies, forward markets and forward trading, or similar relevant expertise may be approved by the General Manager to participate in the ROC.

The ROC shall meet, at a minimum, each quarter or more often as opportunity or need dictates. The ROC has no authority to act independently. Its role is to monitor, investigate and report compliance with the ERM Policy. The ROC shall report to the General Manager.

In its function, the ROC shall:

- Review the Agency’s risk exposures.
- Review operational performance metrics and operational outlooks as they relate to energy marketing;
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- Review marketing strategies developed by the Agency’s energy marketing team and, where appropriate, recommend those strategies to the General Manager;

- Review risk exposure control, monitoring and reporting procedures and requirements;

- Review the internal control infrastructure supporting this ERM Policy and ensure it provides adequate risk oversight and compliance;

- Assess the adequacy and functioning of system controls supporting energy marketing risk assessment, measurement, and compliance regarding this ERM Policy;

- Receive and review risk management reports prepared by staff regarding the Agency’s compliance with the ERM Policy, including deviations, exclusions, exceptions and violations;

- Review the Agency’s ERM Policy annually and make recommendations to the General Manager;

- Ensure that energy marketing and risk management staff have the necessary training, skills, abilities, and experience to execute their duties;

- Review bilateral contract provisions (e.g. unit contingency, Force Majeure, payments, material adverse change, financial margining, etc...) for the sale of energy products and make recommendations to the General Manager;

- Review potential counterparties for bilateral transactions and make recommendations to the General Manager;

- Review and recommend credit limits for each counterparty to the General Manager; and

- Review the overall effectiveness of energy risk controls in accordance with this ERM Policy, recommending improvements, as appropriate, to the General Manager.

Director of Energy Marketing

The Director of Energy Marketing shall:

- Be responsible for managing Front Office activities;
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Energy Risk Management Policy

- Undertake the daily administration and management of marketing the Agency’s energy products in accordance with this ERM Policy;

- Develop and maintain a resource (hydrology) plan, summarizing projected monthly energy and energy-related attribute sales for the then current water year, and fundamental energy market outlooks;

- Identify and develop energy marketing strategies for consideration by the ROC and GM;

- Maintain regular communication with Operational staff, exchanging information regarding MFP operations and maintenance and the Agency’s energy market obligations;

- Maintain regular communication with the Middle Office regarding marketing activities (such as new transactions, new products, counterparty positions, credit and risk exposures, and updated price curves);

- Maintain regular communication with the Back Office regarding energy price settlements, invoice true-ups, and dispute resolution;

- Ensure all transactions are captured in the designated deal-entry system timely and accurately;

- Mitigate the Agency’s energy market financial exposures using contractual tools to minimize risk;

- Develop multiple counterparties for energy trades, and ensure new energy related contracts are reviewed by Risk Management, Finance and Legal;

- Report periodically to the ROC, General Manager or Board of Directors regarding energy marketing performance and strategies;

- Proactively disclose to the ROC any material issues that arise in the course of business that encroach on ERM Policy restrictions, or involve significant risk; and

- Monitor regulatory proceeding and legislative initiatives and engage legal counsel when appropriate. Collaborate with other power generators to mitigate the impacts of regulations, while monitoring and participating in CAISO Market Initiatives.
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Energy Risk Management Policy

**Director of Financial Services**

The Director of Financial Services shall:

- Manage Middle and Back Office activities;
- Administer and manage the energy risk management program;
- Serve as Chairman of the ROC;
- Acquire and implement an energy deal capture system (designated system), supporting deal entry and risk reporting to maintain a system of records of all energy transactions;
- Develop counterparty risk tolerances, and establish and maintain criteria for counterparties credit limits, including monitoring exposure;
- Establish and maintain an active financial review process for all counterparties;
- Review all energy contract vehicles (i.e. WSPP, EEI, ISDA, etc...) prior to execution;
- Maintain regular communication with the Front Office regarding energy trading activities;
- Provide reports to the ROC, General Manager and Board of Directors regarding adherence to this ERM Policy; and
- Proactively disclose to the ROC any material issues that arise in the course of business that encroach on the ERM Policy restrictions, or carry material implications for the effective administration of the energy risk management program.

**Director of Power Generation Services**

The Director of Power Generation Services shall:

- Manage operation and maintenance of the MFP generation assets;
- Maintain regular communication with the Front Office regarding MFP current and forthcoming operations, operational availability, and planned maintenance that could impact the Agency’s energy market obligations;
- Provide analysis of the MFP’s operational reliability as information for the ROC; and
• Provide recommendations for increasing the MFP’s operational capacity and reliability as it may impact energy marketing activities.

MARKETING AND TRANSACTING AUTHORITY AND GUIDELINES

Energy marketing activities shall be limited to the products, quantities, and term limits specified below and in Appendix C.

General Transacting Guidelines

Agency staff and authorized agents shall comply with this ERM Policy, all applicable CAISO tariff sections, protocols and procedures, applicable counterparty credit limits, and the provisions of bilateral contracts executed with counterparties for transactions in forward markets.

All bilateral transactions shall only be executed with approved counterparties using standard contract vehicles (i.e. WSPP, EEI, ISDA, etc...) with appropriate energy risk management provisions in favor of the Agency.

All energy marketing financial transactions shall conform to the terms and limits specified within this ERM Policy, and/or be in accordance with energy marketing strategies adopted by the General Manager.

Counterparty Credit Risk

Energy transactions shall only be executed with contractually enabled counterparties, within the credit limits established by the Director of Financial Services and approved by the General Manager.

Authorized Personnel

Only personnel/agents authorized by the General Manager pursuant to a written “Delegation of Authority Form” (Appendix B) can negotiate, transact and execute transactions on behalf of the Agency in wholesale energy markets.

When authorized, the General Manager’s Delegation of Authority Form shall be provided to the Director of Financial Services for appropriate monitoring.
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**Authorized Products and Limitations**

The Agency may only transact in the energy-market products listed in Appendix C.

**Permissible Financial Transaction Instruments and Limits**

Permissible instruments and limits (including quantity, dollar, and term) for forward marketing shall be specified in Forward Energy Marketing Strategy proposals presented to the ROC and General Manager.

**Term Limits for all products**

The term or duration of sale of authorized energy products per Appendix C of this ERM Policy, shall be in accordance with the limits detailed in Appendix D of this ERM Policy.

**Prohibited Products and Transactions**

The following transactions are prohibited:

- Any transaction prohibited by Federal and/or State laws and regulations;
- The sale or purchase of financial options not backed by physical generation;
- The sale of energy not backed by physical generation;
- Transactions with unapproved counterparties and with counterparties where approved credit limits have been or will be exceeded; and
- Transactions involving products, quantities and durations not specifically authorized by this ERM Policy

**REPORTING**

The General Manager shall establish standard reporting protocols to keep the Board of Directors, ROC and staff with responsibilities in energy risk management apprised.

**STANDARDS OF CONDUCT**

In accordance with this ERM Policy and California law, personnel involved in transacting and oversight of energy marketing, contract negotiation, and risk management, may not participate in decisions in which they have a financial conflict of interest. General Manager, Front Office Personnel, and ERMC members are required to complete, on an annual basis, the Form 700 Disclosure forms and submit these forms to the Agency Clerk to the Board. Each staff member engaged in energy transactions, risk management or energy operations has the sole
responsibility of identifying and reporting any potential conflict of interest, and ensuring that he or she does not participate in decisions when a financial conflict of interest exists. If the employee has a reportable interest, it is their responsibility to disclose the interest and inform their supervisor of the potential conflict. Supervisors should ensure employees are not involved in a decision-making capacity with respect to any of their reportable interest. Annually, employees involved in transacting and oversight of energy marketing, contract negotiation, and risk management shall complete the Compliance Statement (attached in Appendix A) acknowledging review of the ERM Policy and compliance with its processes, terms and limitations.
Appendix A – Compliance Statement

Compliance Statement

I, the undersigned employee hereby acknowledge receipt and review of Agency’s Energy Risk Management Policy dated ________________ (the “ERM Policy”).

I further acknowledge that this ERM Policy defines the process of Agency’s energy risk management efforts, I understand those processes and shall comply with those ERM Policy products, processes, terms and limits.

If I become aware of non-compliance or any potential non-compliant situation with the ERM Policy, either directly or indirectly, I will report such non-compliance or any potential non-compliance situation to any member of the ROC, other than my direct supervisor, and to the Director of Financial Services.

_____________________________________
Signature

_____________________________________
Type or Print Name

_____________________________________
Title

_____________________________________
Date

Annually, this form is required to be completed and submitted to the Director of Financial Services annually for regulatory filing.
Appendix B – Energy Marketing Delegation of Authority Memorandum

Energy Marketing Delegation of Authority Memorandum

By means of this memorandum, I, the General Manager of Placer County Water Agency (Agency), delegate authority, to the extent provided below, to negotiate, transact and execute on behalf of the Agency in wholesale energy markets.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
</table>

Effective date as of General Manager’s signature below, the aforementioned individual, while serving in said position is hereby authorized to negotiate, transact and execute on behalf of the Agency into the CAISO wholesale and bilateral energy markets:

<table>
<thead>
<tr>
<th>Buy Bilateral Forward Energy</th>
<th>Sell Bilateral Forward Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy Physical Day-Ahead Energy</td>
<td>Sell Physical Day-Ahead Energy</td>
</tr>
<tr>
<td>Buy Resource Adequacy Capacity</td>
<td>Sell Resource Adequacy Capacity</td>
</tr>
<tr>
<td>Schedule Ancillary Service Products</td>
<td>Sell Carbon Free Energy</td>
</tr>
<tr>
<td>Sell Renewable Energy Credits</td>
<td></td>
</tr>
</tbody>
</table>

Requisition Submitted:

Name [Requesting Official – Department Head] | Title

Acknowledged and agreed:

Name [Delegate] | Title

Approved:

General Manager Signature | Date

Upon execution, the authorized form shall be provided to the Director of Financial Services to preform Middle Office functions.
Appendix C – Approved Energy Transaction Products

- Resource Adequacy Capacity and other capacity attributes:
  
  This product is contracted on a term basis with qualified counterparties.

- Renewable Energy Credits:
  
  This product is contracted on a term basis with qualified counterparties.

- Carbon Free Credits:
  
  This product is contracted on a term basis with qualified counterparties.

- Physical Day-Ahead and Real-Time Energy Sales scheduled through the CAISO:
  
  Transaction quantities shall not exceed the transmission or operations constrained generation potential of each MFP generator that is separately bid into the CAISO wholesale energy market.

- Physical Day-Ahead and Real-Time Energy Purchases scheduled through the CAISO:
  
  For any given time hour, purchases shall be limited to the quantity of energy that has been awarded in the CAISO Day-ahead market, or that has been sold in a bilateral forward transaction.

- Ancillary Service Products scheduled through the CAISO:
  
  Any type and level of Ancillary Service product that is within the safe operating range of the generating unit and is consistent with the CAISO Tariff conditions and operating protocol.

- Bilateral Forward transactions:
  
  Shall be conducted in accordance with the forward energy marketing strategy adopted by the General Manager.
Appendix D – Energy Marketing Product Limits

The following matrices summarizes the authorized personnel and product limits:

<table>
<thead>
<tr>
<th>Title</th>
<th>Product</th>
<th>Deliver Lead Time</th>
<th>Term</th>
<th>MW Size</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Fork Project Finance Authority Board of Directors and PCWA Board of Directors</td>
<td>Resource Adequacy/Capacity</td>
<td>No Limit</td>
<td>No Limit</td>
<td>≤ MFP Capacity Rating</td>
<td>No Min/Max</td>
</tr>
<tr>
<td></td>
<td>Renewable Energy Credits</td>
<td>No Limit</td>
<td>No Limit</td>
<td>≤ MFP R.E.C. Rating</td>
<td>No Min/Max</td>
</tr>
<tr>
<td></td>
<td>Carbon Free Energy Certificates</td>
<td>No Limit</td>
<td>No Limit</td>
<td>≤ MFP Annual Carbon Free Output</td>
<td>No Min/Max</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Title</th>
<th>Product</th>
<th>Deliver Lead Time</th>
<th>Term</th>
<th>MW Size</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director of Energy Marketing</td>
<td>CAISO Day Ahead Energy Sales</td>
<td>As Required by CAISO</td>
<td>≥ 1 Hour</td>
<td>≤ Available MFP MWs</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>CAISO Day Ahead Energy Purchases</td>
<td>As Required by CAISO</td>
<td>≥ 1 Hour</td>
<td>≤ Bilateral Forward transaction</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>CAISO Day Ahead Ancillary Services</td>
<td>As Required by CAISO</td>
<td>≥ 1 Hour</td>
<td>≤ Available MFP Ancillary Service MWs</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>CAISO Real Time Energy Sales</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Available MFP MWs</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>CAISO Real Time Energy Purchases</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Day Ahead Energy Sales</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>CAISO Real Time Ancillary Services</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Available MFP Ancillary Service MWs</td>
<td>CAISO Price Cap</td>
</tr>
<tr>
<td></td>
<td>Resource Adequacy/Capacity</td>
<td>No Limit</td>
<td>≤ 365 days</td>
<td>≤ MFP Capacity Rating</td>
<td>No Min/Max</td>
</tr>
<tr>
<td></td>
<td>Renewable Energy Credits</td>
<td>No Limit</td>
<td>≤ 365 days</td>
<td>≤ MFP R.E.C. Rating</td>
<td>No Min/Max</td>
</tr>
<tr>
<td></td>
<td>Bilateral Forward transactions</td>
<td>No Limit</td>
<td>≤ 365 days</td>
<td>≤ MFP Capacity Rating</td>
<td>No Min/Max</td>
</tr>
<tr>
<td></td>
<td>Carbon Free Energy Certificates</td>
<td>No Limit</td>
<td>≤ 365 days</td>
<td>≤ MFP Annual Carbon Free Output</td>
<td>No Min/Max</td>
</tr>
</tbody>
</table>
## Energy Risk Management Policy

<table>
<thead>
<tr>
<th>Title</th>
<th>Product</th>
<th>Deliver Lead Time</th>
<th>Term</th>
<th>MW Size</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAISO Day Ahead Energy Sales</td>
<td>As Required by CAISO</td>
<td>≥ 1 Hour</td>
<td>≤ Available MFP MWs</td>
<td>CAISO Price Cap</td>
<td></td>
</tr>
<tr>
<td>CAISO Day Ahead Ancillary Services</td>
<td>As Required by CAISO</td>
<td>≥ 1 Hour</td>
<td>≤ Available MFP Ancillary Service MWs</td>
<td>CAISO Price Cap</td>
<td></td>
</tr>
<tr>
<td>CAISO Real Time Energy Sales</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Available MFP MWs</td>
<td>CAISO Price Cap</td>
<td></td>
</tr>
<tr>
<td>CAISO Real Time Energy Purchases</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Day Ahead Energy Sales</td>
<td>CAISO Price Cap</td>
<td></td>
</tr>
<tr>
<td>CAISO Real Time Ancillary Services</td>
<td>As Required by CAISO</td>
<td>≤ 1 Hour</td>
<td>≤ Available MFP Ancillary Service MWs</td>
<td>CAISO Price Cap</td>
<td></td>
</tr>
<tr>
<td>Resource Adequacy/Capacity</td>
<td>No Limit</td>
<td>≤ 90 days</td>
<td>≤ MFP Capacity Rating</td>
<td>≥ $1.25 kw/Month</td>
<td></td>
</tr>
<tr>
<td>Renewable Energy Credits</td>
<td>No Limit</td>
<td>≤ 90 days</td>
<td>≤ MFP R.E.C. Rating</td>
<td>≥ $10 Mw/Hour</td>
<td></td>
</tr>
<tr>
<td>Bilateral Forward transactions</td>
<td>No Limit</td>
<td>≤ 90 days</td>
<td>&lt; MFP Capacity Rating</td>
<td>No Min/Max</td>
<td></td>
</tr>
<tr>
<td>Carbon Free Energy Certificates</td>
<td>No Limit</td>
<td>≤ 90 days</td>
<td>&lt; MFP Annual Carbon Free Output</td>
<td>≥ $.50 Mw/Hour</td>
<td></td>
</tr>
</tbody>
</table>
Placer County Water Agency

Energy Risk Management Policy

Appendix E – PCWA Energy Risk Management Organizational Structure

PCWA Energy Risk Management ("ERM") Policy
Organizational Chart

PCWA Board
- Establishes ERM Policy

General Manager
- Implements Policy
- Ensures Compliance

Energy Risk Oversight Committee ("ROC")
- Controls, Monitors & Evaluates ERM Processes & Activities

Director of Energy Marketing
- Front Office
  - Fundamental Analysis
  - Marketing
  - Transaction Documentation
  - Scheduling (via NCPA)
  - CAISO Interface
  - Product Development
  - Water Resource Planning

Director of Financial Services
- Middle Office
  - Positions Monitoring
  - Policy Compliance
  - Risk Oversight & Control
  - Transaction Assessment, Monitoring & Reporting
  - Contract Administration
  - Counterparty Credit Risk Criteria and Compliance

- Back Office
  - Transaction Settlements
  - Billing
  - Accounting
MEMORANDUM

TO: Middle Fork Project Finance Authority Board of Directors

FROM: Einar Maisch, Executive Director

DATE: January 9, 2019

RE: Changing Regular October Board Meeting Date

RECOMMENDATION:

Adopt Resolution 19-__ moving the October 17, 2019, 10:00 p.m. regular Board meeting to October 10, 2019, 8:30 a.m.

BACKGROUND:

The Board of Directors adopted a resolution in 2013 that establishes regular Board meetings be held the third Thursdays of January, April, July, and October of each year at 10:00 a.m. at the Placer County Water Agency Business Center, American River Room, 144 Ferguson Road, Auburn, California. The Board is planning on going on their annual retreat on October 10, 2019. Staff recommends the Board consider their October 17, 2019, agenda items on October 10, 2019, to be more efficient by not having two meetings.
RESOLUTION 19-__ OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY PROVIDING FOR MOVING THE DATE OF THE
OCTOBER 17, 2019, REGULAR BOARD OF DIRECTORS’ MEETINGS

WHEREAS, Section 2.04 of the Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority requires the Board of Directors set a time and place for holding its regular meetings by resolution; and

WHEREAS, on April 25, 2013, the Board of Directors approved regular Board meetings be held on the third Thursdays of January, April, July, and October of each year at 10:00 a.m. at the Placer County Water Agency Business Center, American River Room, 144 Ferguson Road, Auburn, California; and

WHEREAS, the Board desires to move the October 17, 2019, regular meeting date to October 10, 2019, 8:30 a.m., in order to make efficient use of time.

BE IT RESOLVED by the Board of Directors of Placer County Water Agency that the regular Board meetings of October 17, 2019, be moved to October 10, 2019, 8:30 a.m.

This resolution was duly adopted at a meeting of the Board of Directors of the Middle Fork Project Finance Authority held on January 17, 2019, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Signed and approved by me after its adoption this 17th day of January 2019.

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Chair of the Board
Middle Fork Project Finance Authority

ATTEST:

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Cheri Sprunck
Clerk to the Board