

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF
UNION SANITARY DISTRICT
September 26, 2016**

CALL TO ORDER

President Handley called the meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT: Tom Handley, President
Pat Kite, Vice President
Anjali Lathi, Secretary
Manny Fernandez, Director
Jennifer Toy, Director

STAFF: Paul Eldredge, General Manager
Karen Murphy, District Counsel
Sami Ghossain, Technical Services Manager
James Schofield, Collection Services Manager
Armando Lopez, Treatment and Disposal Services Manager
Pamela Arends-King, Business Services Manager/CFO
Shawn Nesgis, Collection Services Coach
Regina McEvoy, Assistant to the General Manager/Board Secretary

VISITORS: James Fabian, Financial Advisor, Fieldman, Rolapp and Associates
John Knox, Bond Counsel, Orrick and the Public Finance Group
Bob Williams, Underwriter, Royal Bank of Canada

APPROVAL OF THE MINUTES OF THE MEETING OF SEPTEMBER 12, 2016

It was moved by Director Fernandez, seconded by Director Toy, to approve the Minutes of the Meeting of September 12, 2016. Motion carried unanimously.

MONTHLY OPERATIONS REPORT FOR AUGUST 2016

This item was reviewed by the Legal/Community Affairs and Budget & Finance Committees. General Manager Eldredge reported the following:

- Odor Complaints: There was one odor complaint received during the month of August from a Fremont resident. Staff inspected the USD manholes in front of the home and an odor was detected. Staff then cleaned the structures in front of the home, and no odors were detected. District staff will continue to monitor the structures to see if this was an isolated incident.

- Hours Worked – It was noted that the at-work hours per employee per week was below the target of 34 for the Collections Services workgroup due to an employee out on extended medical leave.

Business Services Manager/CFO Arends-King reported the following:

- Revenues:
 - Received \$610,000 from Summerhill Homes for its mixed use project in Fremont
 - Received \$297,000 from the Cedar Town Homes Project in Newark
 - Received \$127,000 from Overton Moore Properties for the Eureka Landing Project
- The District received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for Fiscal Year 2015. Business Services Manager/CFO Arends-King credited Principle Financial Analyst Buckley with completing and submitting the information for this award.
- It was noted that while the quarterly retiree medical fund report shows a negative balance, the report does not reflect the most recent payment which brought the fund up to date.

General Manager Eldredge stated the Monthly Operations Reports for each work group were included in the Board meeting packet.

WRITTEN COMMUNICATIONS

There were no written communications.

ORAL COMMUNICATIONS

There were no oral communications.

ISSUANCE OF UNION SANITARY DISTRICT WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016

This item was reviewed by the Budget & Finance Committee. General Manager Eldredge stated the District and its consultants identified an opportunity to refinance existing State Revolving Fund (SRF) loans. Refinancing the District's existing SRF loans can reduce annual debt service payments by up to \$100,000 per year. The proposed Bonds would pay off existing debt scheduled to mature in 2036. General Manager Eldredge introduced bond team members Financial Advisor James Fabian, Bond Counsel John Knox, and Underwriter Bob Williams.

Financial Advisor James Fabian provided a presentation which included an overview of the District's current SRF loans, estimated cost of issuance for the proposed Bonds, legal structure of the Bonds, legal documents associated with the bonds, and the financing schedule.

President Handley stated a discussion had occurred at the Budget & Finance Committee meeting regarding the General Manager's authority to make changes, and it was clarified the General Manager would only be able to approve minor changes in consultation with Bond Counsel and General Counsel.

Bond Counsel John Knox spoke regarding the contractual agreement with Royal Bank of Canada following the pricing of the Bonds.

Staff recommended the Board adopt a resolution authorizing the issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, series 2016, approve the forms authorizing the execution and delivery of an Indenture, a Bond Purchase Agreement, and an Official Statement in connection therewith, and authorizing certain other actions related thereto.

It was moved by Secretary Lathi, seconded by Director Fernandez, to Adopt Resolution No. 2789, Authorizing the Issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016, and Approving the Forms of and Authorizing the Execution and Delivery of an Indenture, a Bond Purchase Agreement, and an Official Statement in Connection Therewith and Authorizing Certain Other Actions Related Thereto. Motion carried unanimously.

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RESOLUTION NO. 2789

**A RESOLUTION OF THE BOARD OF DIRECTORS OF UNION SANITARY DISTRICT
AUTHORIZING THE ISSUANCE OF THE UNION SANITARY DISTRICT
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016, AND APPROVING
THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN
INDENTURE, A BOND PURCHASE AGREEMENT, AND AN OFFICIAL STATEMENT
IN CONNECTION THEREWITH AND AUTHORIZING CERTAIN OTHER ACTIONS
RELATED THERETO**

WHEREAS, the Union Sanitary District, a sanitary district duly organized and existing under and by virtue of the laws of the State of California (the "District"), has entered into certain prior agreements (collectively, the "Prior Agreements") with the California State Water Resources Control Board, as more particularly described in the Indenture hereinafter referred to, under which the District has agreed to make payments for the purpose of paying for the design, engineering, permitting and construction of certain additions, betterments, extensions and improvements to the District's wastewater system; and

WHEREAS, the District is authorized by law to issue refunding revenue bonds to refinance any obligations theretofore incurred by it; and

WHEREAS, the District has determined that it is in the best interests of the District and its customers and is necessary and proper for District purposes that the District issue its Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the "Bonds"), to refund its payment obligations under the Prior Agreements, pay costs of issuing the Bonds and pay costs of refunding its payment obligations under the Prior Agreements; and

WHEREAS, the District proposes to enter into an Indenture (the "Indenture") with a corporate trustee to be named therein, as trustee (the "Trustee"), pursuant to which the District will issue the Bonds to refund its payment obligations under the Prior Agreements, pay costs of issuing the Bonds and pay costs of refunding its payment obligations under the Prior Agreements; and

WHEREAS, the District proposes to enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with RBC Capital Markets, LLC (the "Underwriter"), pursuant to which the Bonds will be sold to the Underwriter; and

WHEREAS, there have been made available to the Board of Directors of the District (the "Board of Directors"), the following documents and agreements:

- (1) A proposed form of the Indenture;
- (2) A proposed form of the Bond Purchase Agreement; and

(3) A proposed form of preliminary official statement (the "Preliminary Official Statement") to be used by the Underwriter in connection with the offering and sale of the Bonds; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the refunding authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bonds for the purposes, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UNION SANITARY DISTRICT, AS FOLLOWS:

Section 1. The Board of Directors hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the District and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. The District is hereby authorized to issue its revenue refunding bonds designated as the "Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016" in an aggregate principal amount not to exceed forty-three million five hundred thousand dollars (\$43,500,000). The Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Indenture. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the General Manager/District Engineer of the District or the designee thereof (the "General Manager") or, if the General Manager's signature cannot be obtained for any reason, the manual or facsimile signature of the President or Vice President of the Board of Directors.

Section 3. The proposed form of Indenture, as made available to the Board of Directors, is hereby approved. The General Manager and the Business Services Manager/Chief Financial Officer of the District or the designee thereof (each an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and on behalf of the District, to execute and deliver the Indenture in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Trustee, dated date, maturity date or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed; provided, that the Bonds shall mature not later than the year 2035.

Section 4. The proposed form of Bond Purchase Agreement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver

the Bond Purchase Agreement in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the true interest cost with respect to the Bonds shall not exceed 2.5% and the Underwriter's discount (excluding any original issue discount) with respect to the Bonds shall not exceed 0.50% of the principal amount of the Bonds.

Section 5. The proposed form of Preliminary Official Statement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed to approve the distribution of the Preliminary Official Statement to potential purchasers of the Bonds and to certify on behalf of the District that the Preliminary Official Statement is "deemed final" as of its date by the District pursuant to Rule 15c2-12 of the Securities and Exchange Commission. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver a final Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes thereto as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement and Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of the Official Statement to all purchasers of the Bonds.

Section 6. The Bonds, when executed as provided in Section 2, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the District by any Authorized Officer, which any Authorized Officer is authorized and directed, for and on behalf of the District, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Underwriter, upon payment of the purchase price thereof.

Section 7. The firm of Fieldman, Rolapp & Associates is hereby appointed as financial advisor in connection with the issuance of the Bonds.

Section 8. The firm of RBC Capital Markets, LLC is hereby appointed underwriter of the Bonds.

Section 9. The firm of Quint & Thimmig LLP is hereby appointed as disclosure counsel in connection with the issuance of the Bonds.

Section 10. The firm of Orrick, Herrington & Sutcliffe LLP is hereby appointed as bond counsel in connection with the issuance of the Bonds.

Section 11. The members of the Board of Directors, the Authorized Officers and other appropriate officers and agents of the District, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all

documents (including, but not limited to, a continuing disclosure certificate relating to the Bonds and a tax certificate relating to the Bonds) which they may deem necessary or desirable in order to effectuate the actions which the Board of Directors has approved in this resolution and to consummate by the District the transactions contemplated by the documents approved hereby; and all such actions heretofore taken by such officers and agents are hereby ratified, confirmed and approved.

Section 12. This resolution shall take effect immediately upon its passage.

On motion duly made and seconded, this resolution was adopted by the following vote on September 26, 2016:

AYES: Fernandez, Handley, Kite, Lathi, Toy

NOES: None

ABSENT: None

ABSTAIN: None



TOM HANDLEY
President, Board of Directors
UNION SANITARY DISTRICT

Attest:



ANJALI LATHI
Secretary, Board of Directors
UNION SANITARY DISTRICT



AUTHORIZE THE GENERAL MANAGER TO EXECUTE TASK ORDER NO. 2 WITH WEST YOST ASSOCIATES TO PROVIDE ENGINEERING SERVICES DURING CONSTRUCTION OF THE SLUDGE DEGRITTER SYSTEM PROJECT

This item was reviewed by the Engineering and Information Technology Committee. Technical Services Manager Ghossain stated the Board awarded the construction contract for the Sludge Degritter System Project to Kiewit Infrastructure West Co. on September 12, 2016, and construction management and inspection services will be performed by staff. The scope of services under Task Order No. 2 would include project management, submittals, and change order assistance. Staff recommended the Board authorize the General Manager to execute Task Order No. 2 with West Yost Associates in the amount of \$70,110 to provide engineering services during construction of the Sludge Degritter System Project.

It was moved by Vice President Kite, seconded by Secretary Lathi, to Authorize the General Manager to Execute Task Order No. 2 with West Yost Associates to Provide Engineering Services During Construction of the Sludge Degritter System Project. Motion carried unanimously.

INFORMATION ITEMS:

Check Register

All questions were answered to the Board's satisfaction.

Return on Investment for Expanding Trenchless Repair Capabilities

This item was reviewed by the Budget & Finance Committee. General Manager Eldredge stated that during the April 27th Operating Budget Workshop, staff proposed increasing the District's trenchless repair capabilities. Collection Services Coach Neskis stated the District is currently limited to trenchless repairs up to six feet in length. This limitation results in a backlog of repairs being transferred to the Capital Improvements Projects Team to coordinate with contractors at considerable time and expense to the District. Staff proposed increasing the Collection Services (CS) budget by \$180,000 for the equipment, materials, and training needed to enable CS staff to complete trenchless repairs up to 100 feet in length. Of the initial \$180,000 investment, \$111,520 was for equipment which will be added to the Vehicle Renewal and Replacement Schedule with an expected life span of approximately 10 years. It is estimated the initial cost will be recouped within the first six months of adopting the new process.

COMMITTEE MEETING REPORTS:

The Budget & Finance, Legal/Community Affairs, and Engineering and Information Technology Committees met.

General Manager Eldredge stated the Ad Hoc Subcommittee for Communications Strategy recently met and discussed the merits of various social media platforms which might be of beneficial use to the District. A draft Communications Strategy will be prepared and brought back to the Board for discussion and consideration.

GENERAL MANAGER'S REPORT:

General Manager Eldredge reported the following:

- The City of Union City Planning Commission recently reviewed the City's General Plan and recommended the City proceed with Option C which would keep most of the Horner Veasy area zoned for industrial use. District staff attended the Planning Commission meeting, and will also attend the City Council meeting when the item is considered on October 11, 2016.
- The replacement Cogen number one engine has been installed.

OTHER BUSINESS:

Vice President Kite requested the Board consider an item to discuss possibly changing Board officer title from "President" to Chairperson and "Vice-President" to "Vice-Chairperson". The Board agreed by consensus to discuss the item at a future meeting.

ADJOURNMENT:

The meeting was adjourned at 7:45 p.m. to a Special Meeting in the Alvarado Conference Room on Monday, October 3, 2016, at 6:00 p.m.

The Board will then adjourn to the next scheduled Regular Board Meeting to be held in the Boardroom on Monday, October 10, 2016, at 7:00 p.m.

SUBMITTED:


REGINA McEVOY
BOARD SECRETARY

ATTEST:


ANJALI LATHI
SECRETARY

APPROVED:


TOM HANDLEY
PRESIDENT

Adopted this 10th day of October, 2016