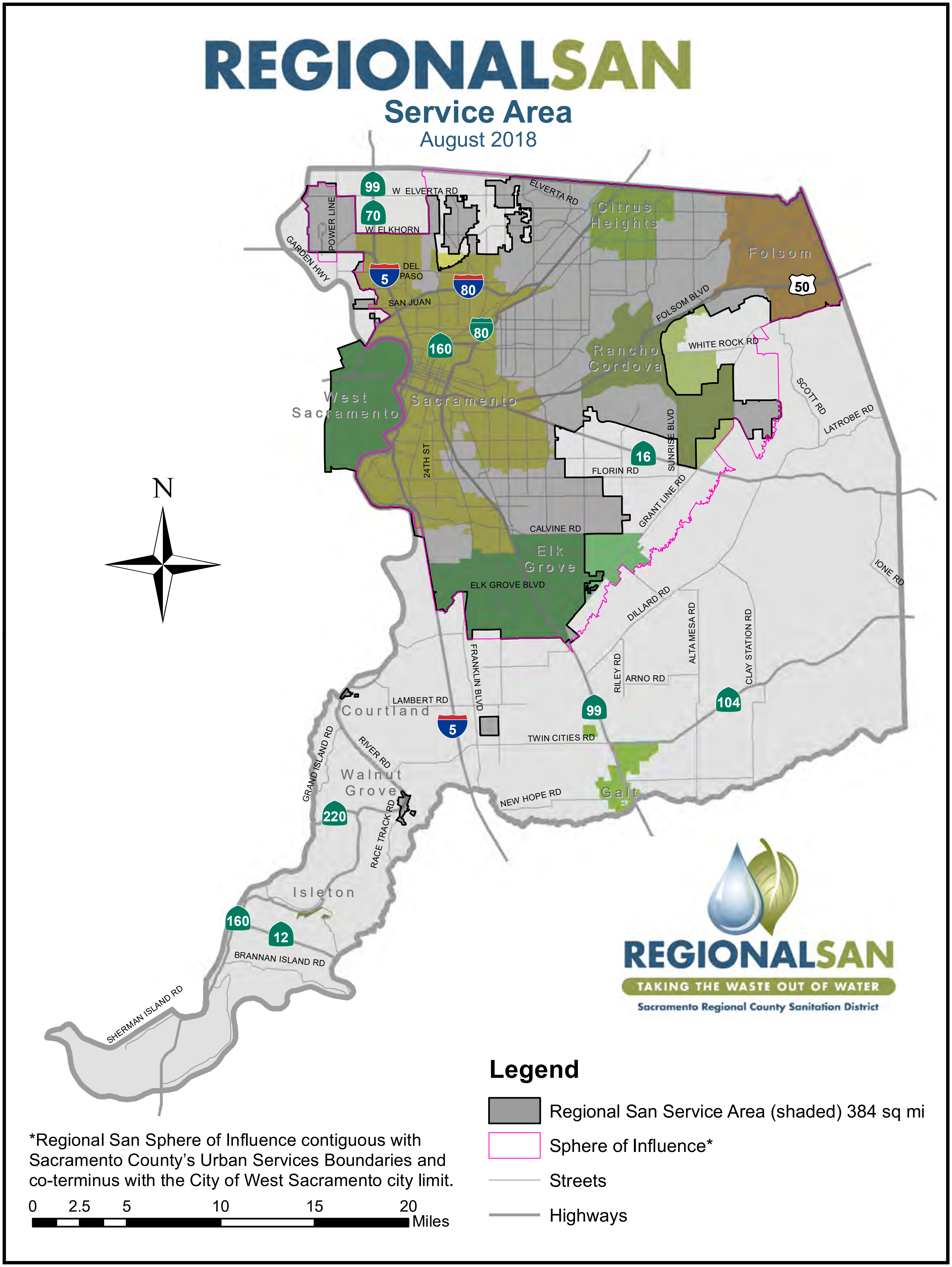
Exhibit A



*Regional San Sphere of Influence contiguous with Sacramento County's Urban Services Boundaries and co-terminus with the City of West Sacramento city limit.

Exhibit B

ORGANIZATIONAL CHART
SANITATION DISTRICTS AGENCY (SDA)
OCTOBER 2020

ADMINISTRATOR OF SANITATION DISTRICTS AGENCY
Prabhakar Somavarapu
(a.k.a. District Engineer)

Total Agency FTE = Perm 770 / LT 6

SDA OFFICE OF FINANCE
3028600000 Perm 8 / LT 0

- 1 – CHIEF FINANCIAL ADMINISTRATIVE OFFICER — *Joe Maestretti*
- 1 – SR ADMINISTRATIVE ANALYST RANGE B — *Becky Shaffer*
- 1 - SR ACCOUNTING MANAGER — *Glen Iwamura*
- 1 - ACCOUNTING MANAGER — *Randy Wolff*
- 2 - SENIOR ACCOUNTANT — *Cynthia Benson*, *Vlad Grechko*
- 1 - ACCOUNTANT — *Vacant*
- 1 – ADMINISTRATIVE SERVICES OFFICER I — *Kim Ford*

OFFICE OF PUBLIC AFFAIRS
3028670000 Perm 6 / LT 0

- 1 – SANITATION DISTRICT PUBLIC AFRS MGR — *Nicole Coleman*
- 2 - COMMUNICATIONS & MEDIA OFFICER 2 — *Paige Bedegrew*, *Sharon Nichols-Sargeant*
- 2 - COMMUNICATIONS & MEDIA OFFICER 1 — *Peter Castles*, *LeAnn Salerno*
- 1 – SR OFFICE ASSISTANT — *Sherrie Lowery*

DEPARTMENT OF SASD OPERATIONS
FTE = Perm 323 / LT 1

DIRECTOR OF SASD OPERATIONS
Rosemary Clark
SASD Operations Org Chart

DEPARTMENT OF REGIONAL SAN OPERATIONS
FTE = Perm 310 / LT 4

DIRECTOR OF REGIONAL SAN OPERATIONS
Glenn Bielefelt
REGIONAL SAN Operations Org Chart

DEPARTMENT OF SANITATION DISTRICTS INTERNAL SERVICES
FTE = Perm 81 / LT 1

DIRECTOR OF INTERNAL SERVICES
Matt Doyle
Internal Services Org Chart

DEPARTMENT OF POLICY & PLANNING
FTE = Perm 41 / LT 0

DIRECTOR OF POLICY & PLANNING
Christoph Dobson
Policy & Planning Org Chart

Exhibit C

SACRAMENTO AREA SEWER DISTRICT
SERVING YOU 24/7

Sacramento Regional County Sanitation District
Sacramento Area Sewer District
Sanitation Districts Agency

Regional San and SASD Purchasing Procedure

Category	☐ Policy ☒ Procedure ☐ Guideline ☐ Process ☐ Agreements ☐ Supplemental Materials
Purpose	Direction to Regional San and SASD staff on the procedures associated with purchasing.
Revision Cycle	36 months
Approved Date	As indicated below by approving signature
Effective Date	As indicated below by approving signature
Original Effective Date	June 9, 2016
Key Stakeholders	Regional San and SASD
Author	Sanitation Districts Purchasing Manager
Owner	Sanitation Districts Purchasing Manager
Sponsor	Director of Internal Services
Approving Authority	Prabhakar Somavarapu, District Engineer
File Name and Location	Policies and procedures web page for Regional San and SASD

APPROVED:

Prabhakar Somavarapu 5/16/2019

Prabhakar Somavarapu
SASD District Engineer
Regional San District Engineer

Date

REGIONALSAN
TAKING THE WASTE OUT OF WATER

SACRAMENTO AREA
SEWER DISTRICT
SERVING YOU 24/7

Regional San and SASD Purchasing Procedure

Purpose	The purpose of this document is to highlight the policies and authorities associated with purchasing, provide procedures for contracts and agreements related to purchasing, and identify related forms and procedures.
Subject	Regional San and SASD Purchasing
Scope	The scope for this document is to provide clear instructions to Regional San and Sacramento Area Sewer District employees who may be involved in the purchase of goods.
Definitions	For the purposes of this procedure the following definitions are provided. ***Annual Contract:*** An agreement for the purchase of goods or services, typically based on a maximum five-year duration. ***Best Value:*** Determination of the best value may include consideration of factors such as cost, qualification, quality, performance, and availability. ***Capital Improvement Project:*** Construction, expansion, or renovation of a facility or asset that exceeds $100,000 in cost. ***Competitive Process:*** Request for bid, request for proposal and request for quote are used for the purpose of obtaining competitive pricing and quality goods and services. ***Consultants and Experts:*** A person or business that provides professional services in a specialized area such as engineering, finance, testing, or other consulting services.

	Contract: A written agreement for the purchase of goods or services that sets forth terms, conditions, and the statement of work or services to be performed or goods that will be provided. ***Contractor:*** A person or firm that provides labor and materials to perform a service or to do a job, such as providing construction labor and materials. ***Designated Manager:*** Directors, manager of the Finance Office, and manager of the Public Affairs Office. ***Districts Purchasing Manager (Purchasing Manager):*** The person designated by the District Engineer who oversees the purchasing activities for the District. ***Emergency:*** An occasion when there is at present or anticipated a public calamity, including an extraordinary fire, flood, storm, or any other disaster that poses a threat to the continued operations of the wastewater collection systems and facilities owned by the District. Emergency events include those events in which actions are required for the preservation or protection of life, health, property, or safety. ***Force Account:*** Work done by District staff where time and materials are documented. ***Formal Bid:*** A written bid, completed in conformance with a prescribed format, submitted in a sealed envelope to be opened at a specified date and time. ***Immediate-Need Purchase Requests***: Purchase requests that are for goods or services such as: • urgent service needs (i.e., sewer overflow), • minor parts that are unexpectedly required for a current job when returning to the warehouse would be extremely inefficient, and • sprinkler heads, fence boards, or plants to repair simple, or minimal damage done to a customer's property. ***Incidental Upgrade:*** Replacement of a system component such as equipment or pipe with a new, similar component that is an upgrade from the existing item. ***Informal Bid or Proposal:*** A quote, estimate, or other unsealed bid document submitted by letter, fax, or email in response to an invitation to bid. Verbal quotes that are documented in writing by District staff are considered to be informal bids and proposals.

	Lowest Responsible Bidder: Bidder who has the lowest bid and who has demonstrated the attributes of trustworthiness, quality, capability, capacity and experience to perform in a satisfactory and timely manner. ***Maintenance and Repair:*** Activities related to routine or special maintenance and repair that are performed on existing District assets. These activities may include labor, materials, and equipment. Examples of maintenance and repair activities include the following; • changes that don't substantially alter a system's or component's function or purpose, • work performed to keep, operate, or maintain systems or facilities, • repainting / recoating of tanks or structures, • replacement of a roof due to age or damage, • replacement or repair of a defective mechanical component, • equipment replacement or modification that is required to complete a repair, or • improvements related to or incidental to rehabilitation or repair (such as replacement of pumps or valves associated with rehabilitation). ***Non-Sewer Maintenance or Repair:*** Applies to existing equipment, systems or facilities that are not used for the conveyance, handling, treatment, or disposal of sewage or industrial waste, or the associated operation and controls. Examples of nonsewer maintenance and repair activities include those performed on walls, floors, and roofs of administrative buildings, electrical substations, laboratories, administrative facilities, yard lighting conduits, and roads. ***Sewer Maintenance or Repair:*** Applies to existing equipment, systems, or facilities that are used for the conveyance, handling, treatment, or disposal of sewage or industrial waste. This includes systems associated with the operation or control of the sewer system. Examples include: electrical switchgear maintenance, sewer pump control system maintenance, lateral cleaning and process equipment repair or replacement. ***Open Item Contract:*** A contract that is used for the periodic purchase of goods or services on an "as needed" basis ***Procurement Card (P-Card):*** A District credit card. ***PCC:*** California Public Contract Code. ***Request for Quote (RFQ):*** A purchasing method generally used for small orders under $35,000.00. A request is sent to suppliers along with a description of commodity or services needed and the supplier is asked to respond with price and other information by a pre-determined date. Evaluation and recommendation for award should be based on the quotation

that best meets price, quality, delivery, service, past performance and reliability.

Sole Source: The requirement of a unique product or a specific manufacturer or vendor. See section titled Sole Source Criteria.

Total Aggregate Contract Cost: The cost of the original contract plus amendments.

Verbal Quote: An informal bid given verbally by a vendor or service provider. The recipient of the verbal quote must document this type of quote in writing.

Works of Improvement: The construction, reconstruction, or significant modification or alteration of facilities, structures, and equipment; also the reconstruction or modification of similar items. This includes the furnishing of labor and materials for such works. Examples of works of improvement include the following:

- construction of a new facility or system,
- construction of a new trunk or interceptor,
- planned upsizing of mechanical systems, or
- replacement of a complete system or facility that includes modifications to substantially alter system capacity or function.

Applicability	This procedure applies to all Regional San and SASD employees who must adhere to the provisions of this document when purchasing goods or services.
Background	On October 11, 2017, the SASD and Regional San boards of directors adopted Resolutions SD-0267 and SR-2900, respectively, which authorized the District Engineer to designate a District Purchasing Manager (Purchasing Manager). The duties of the Purchasing Manager include overseeing the daily purchasing activities for the Districts with the required purchasing authority to implement the provisions of the Resolutions. The Resolutions further allow the District Engineer and the Purchasing Manager to delegate purchasing authority to appropriate staff and to develop guidelines as required for implementation. The District Purchasing Manager has authorized certain designees who may approve purchases, contracts, and related documents for departments within the Districts. All authorized individuals are listed on the following documents, which are updated periodically and are located on the District intranet pages: 1. SDA Purchasing Authority List. 2. SASD Purchasing / Encumbrance Authority Limits 3. SDA Authorized Signature List 4. SRWTP Purchase Request System Embedded Authorizations.
Updates	In addition to updated formatting, the principal update is to increase the dollar threshold from $100,000 to $150,000 per Regional San Authority, SR-2900, and SASD Resolution SD-0267, Authority 1.
Roles & Responsibilities	All employees are responsible for following the purchasing procedures. The Internal Services Director and the Purchasing Section are responsible for making sure that these procedures are followed.
Policy or Procedure	This purchasing procedure outlines the requirements that are necessary to procure goods and services for both Regional San and SASD. Policies and procedures related to purchasing and procurement of items described in this document must comply with the board-delegated authorities approved by the Board of Directors. Regional San and SASD use policies and procedures that comply with law and in some instances are more stringent than statutory requirements. This includes the application of bidding guidance included in Public Contract Code 20783 and the requirements of Government Code 4526, where applicable.

	The Purchasing Manager and approved designees are authorized to make purchases on contracts and purchase orders for departments within the Districts. The Purchasing Manager and designees are responsible for the administration of all the requirements in this document and all other Regional San and SASD policies and procedures related to purchasing and contracts. A copy of authorized signature lists associated with payments of contracts and agreements described in this document will be maintained on file with the County of Sacramento Department of Finance. **Process and Procedures** ***A. New Contracts or Agreements*** The Purchasing and Contracts Office will coordinate the required or necessary review of contracts and agreements with Legal Counsel and Risk Management. This may include a review of items such as new contracts and agreements, non-standard contracts and agreements, requested changes to a standard template, and a review of insurance and indemnification language. The bid solicitation or proposal solicitation document for formal and informal bids and proposals must state whether the contract will be awarded based on lowest cost, best value, or other determining factor. Attachment 1, entitled "SUMMARY: MINIMUM BID AND PROPOSAL REQUIREMENTS FOR PURCHASES AND AGREEMENTS" provides requirements for contracts and agreements. ***B. Goods and Services, Annual Contracts for Goods and Services, Sewer Maintenance and Repair*** Goods and services may be procured separately, through annual contracts, or through open-item contracts. Contracts for general use goods are primarily for the purchase and procurement of tangible items. However, there may be a minor component of labor associated with these contracts. Examples of goods include consumables, warehouse goods, immediate needs purchases, IT items. Service contracts typically contain a significant labor component, but may also include a minor component for deliverable materials or other tangible items. Examples of services are landscaping, IT support, and maintenance (or annual maintenance) activities that may include incidental upgrades. Contracts for sewer maintenance and repair are typically service contracts and apply to equipment, systems, or facilities that are used for the conveyance, handling, treatment, or disposal of sewage or industrial waste. Goods may also be purchased for sewer maintenance and repair. Examples of

	maintenance and repair activities are included in the definitions section of this document. Information Technology (IT) purchases for goods and services include those related to computer hardware and software, video equipment, cell phones and similar or related items. Some IT purchases require analysis and approval by the ISD Information Technology section in collaboration with the Section Manager(s). There are separate District procedures related to IT purchases. ***C. Bid, Proposal, and Award Requirements*** Bids are typically used for purchases of goods. Proposals are typically used for service contracts. The criteria for bids, proposals, and award of contracts depends on the type of purchase and the total cost. The following minimum requirements typically apply: • Informal bids or proposals must be documented in writing and must be transmitted to Purchasing. • A competitive process shall be used for formal bids and formal proposals. • Award of contracts that receive proposals will be based on the best value as described in the solicitation document. • Award of contracts that receive bids will be based on the lowest responsible and responsive bid cost. The District Engineer or his designee are authorized to award all contracts and agreements in this section. However, contracts for sewer maintenance and repair that exceed $5,000,000 are submitted to the Board for approval. ***D. Works of Improvement and Non-Sewer Maintenance and Repair*** Works of Improvement include the construction, reconstruction, or significant modification, or alteration of facilities, structures, and equipment, including the furnishing of labor and materials for such works. Examples of Works of Improvement are included in the Definitions section of this document. Non-sewer maintenance and repair applies to items and facilities that are not directly related to the sewer system. Examples of maintenance and repair activities are included in the Definitions section of this document. ***E. Bid, Proposal, and Award Requirements*** Work totaling $5,000 or less may be performed by District staff on a force account basis. RE Informal bids or proposals must be documented in writing and must be transmitted to Purchasing.

Projects exceeding $35,000 will be based on formal bids and will be awarded based on the lowest cost from a responsible bidder. Public Contracts Code section 20783 details the required publication or posting of notices at least 10 days before bid opening if costs exceed $35,000 for contracts or agreements related to construction, acquisition, disposition, or operation of any property of works.

Once project plans are approved by the Board and the bidding process is complete, under certain conditions the District Engineer or designee are authorized to award contracts and agreements up to a value of $5,000,000. The process and forms for the use of that authority are located in the document "Process for Award of Contracts Up to $5million."

F. Consultants and Experts
The selection process for Consultants and Experts is described in the document "Consultant and Expert Services Request for Proposals Policy and Procedures."

G. Emergency Purchases
Emergency events include occasions where there is a present or anticipated public calamity including a fire, flood, storm, or other disaster that poses a threat to the continued operation of Regional San or SASD facilities.

H. Bid, Proposal, and Award Requirements
Agreements related to goods and services during an emergency event must be approved by the District Engineer, or in his absence by designated directors, without a limitation related to expenditures. The Board of Directors must be advised of all emergency purchases and contracts as required in Public Contracts Code sections 20783 and 22050, _and as included in the Board delegated authorities.

Agreements related to emergencies for goods or services may be performed without formal or informal bid and proposal requirements.

I. Existing Contracts and Agreements
A purchase order is always required prior to making a purchase or securing a service even if there is an existing contract. Purchasing should be contacted to issue a purchase order or confirm that a purchase order exists, and to ensure that insurance is current and on file for service providers and vendors.

J. Bid, Proposal, and Award Requirements
The requirements for purchases made from existing contracts are summarized in attachment 1, entitled "SUMMARY: MINIMUM BID AND PROPOSAL REQUIREMENTS FOR PURCHASES AND AGREEMENTS."

	K. Sole Source and Exceptions to Bid Staff requesting an exception to the competitive bidding process, including a purchase that typically requires a formal bid or proposal process, must submit a justification to the Purchasing Manager for approval. The Exception to Bid Form and process may also be used for sole source purchases for both SASD and Regional San. ***L. Exceptions and Conditions*** Items purchased from the Regional San Standardized Equipment List are exempt from the standard justification and approval process.
Discussion	The rationale for this document is to implement purchasing controls for the operation of the Regional San and SASD purchasing process.
Reference Documents	Public Contract Code 1100-1101, 3400-3410, 20102, 2019020192, 20800-20806, 20783, 22050. Government Code 4526.
Additional Information/ Supplemental Materials	SDA Procurement Card Procedure, dated 8-13-2018 SDA Surplus Procedure, dated 9-17-2018

(ATTACHMENT 1)

SUMMARY: MINIMUM BID AND PROPOSAL REQUIREMENTS FOR PURCHASES AND AGREEMENTS

	New Purchasing Contracts and Agreements					Existing Contracts and Agreements		
	Estimated Cost					Estimated Cost		
Type of Contract or Agreement	**$0 to $5000**	**$5001 to $35,000**	**$35,001 to $150,000**	**Over $150,001 to $5,000,000 (1)**	**Over $5,000,000**	**$0 to $5000**	**$5001 to $100,000**	**Over $100,000 (1)**
Goods and Services	One verbal or written quote.	Informal bid or proposal- three written quotes.	Formal bid or proposal.	Formal bid or proposal. (1)	Formal bid or proposal. (1)	One verbal or written quote.	One to three written quotes, depending on the number of vendors.	One to three formal proposals or detailed quotes, depending on the number of vendors.
Annual Contract for Goods and Services	One verbal or written quote.	Informal bid or proposal- three written quotes.	Formal bid or proposal.	Formal bid or proposal. (1)	Formal bid or proposal. (1)	N/A	N/A	N/A
Sewer Maintenance and Repair	One verbal or written quote.	Informal bid or proposal-three written quotes	Formal bid or proposal. (3)	Formal bid. (3)	Formal bid. (2), (3)	One verbal or written quote (4), (5)	One written quote. (4), (5)	Formal proposal. (4), (5)
Non-Sewer Maintenance and Repair	One verbal or written quote.	Informal bid- three written quotes.	Formal bid. (3)	Formal bid. (2), (3)	Formal bid. (2), (3)	One verbal or written quote (4), (5)	One written quote. (4), (5)	Formal bid proposal, otherwise use the process for new contracts. (5)
Works of Improvement	One verbal or written quote.	Informal bid- three written quotes.	Formal bid. (3)	Formal bid. (2), (3)	Formal bid. (2), (3)	One verbal or written quote (4), (5)	One written quote. (4), (5)	Formal proposal. (5)
Emergency Purchases and Contracts	No formal or informal bid requirements. See Section D Emergency Purchases. Submit documents related to contracts and agreements for goods or services within 1 working day of the purchase.							
Consultants and Experts	One written quote or proposal.	Three written quotes or proposals. (7)	Request for Proposal and /or Request for Qualifications.(7)	Request for Proposal and /or Request for Qualifications. (2)	Request for Proposal and /or Request for Qualifications. (2)	One written quote. (6)	One written quote. (6)	N/A

(1) Requisitions for purchases of goods, services, or other contacts over $150,000 require approval from the District Engineer unless stated otherwise.

(2) Contract requires Board approval.

(3) Requires advertising and noticing requirements included in PCC 20783.

(4) For non-Board-approved contracts, changes or amendments may be approved by the District Engineer or the Purchasing Manager, up to the limits of their delegated authority.

(5) For Board-approved construction contracts, the District Engineer has the authority to approve change orders up to $100,000 total for each contract This note does not apply to contracts with change order allowances.

(6) If the total aggregate contract cost exceeds $150,000, the contract change or amendment requires Board approval.

(7) Requirement may be waived by the District Engineer.

(ATTACHMENT 2)

PROCEDURES AND FORMS

Various forms and procedures are utilized for contracts and agreements. Electronic request forms must contain all required information including the description of the item(s), the vendor, amount or quantity of item(s), and the proper coding (cost center, general ledger GL, etc.).

Procedures, Forms, and Links for both SASD and Regional San

Form or Procedure	Uses	Title/Link
Consultant & Expert Services Request for Proposals Policy Procedures	Contracts for Consultants and Experts	<Consultant-Expert Policy, Procedure>
Forms, Flowcharts, Checklists, Sample Letters	Agreements that require approval by the Board of Directors	<Templates for Board Items>
District Engineer Delegation of Authority for Real Property Interests	Real Property Acquisition and Relocation Management of Real Property Interests	<District Engineer Delegated Authorities Memos>

SASD-Only Procedures, Forms, and Links

Form or Procedure	Uses	Title/Link
Purchase Request Form	General Goods and Services Warehouse Goods Sewer Maintenance and Repair up to $5 million Non-Sewer Maintenance/Repair up to $100K Works of Improvement up to $100K Emergency purchasing and contracts	SASD Forms and Requests
Contract Service Request	Sewer Agreements Agreements approved by Board, District Engineer, or designees Agreements with Experts and Consultants	
SDA P-Card Procedure and Form	Credit Card Purchases for SASD and Regional San	Regional San or SASD procedures and policies website
Regional San or SASD Request for Exception to Competitive	For purchases over $5,000 and that have no competition	Regional San or SASD Forms website

Bidding Process		

Regional San-Only Procedures, Forms, and Links

Form or Procedure	Uses	Title/Link
Purchase Request System Form	General Goods and Services Warehouse Goods Sewer Maintenance and Repair up to $5 million Non-Sewer Maintenance/Repair up to $100K Works of Improvement up to $100K Emergency purchasing and contracts	<Regional San PRS>
PRS Order Procedures	Instructions related to PRS Orders	<PRS Order Procedure>
Contract Service Request	Agreements approved by Board, District Engineer, or designees Agreements with Experts and Consultants	<Regional San Procedures and Forms>
SDA Procurement Card Procedures	Credit Card Purchases	<SDA p-Card Policy>
Regional San Request for Exception to Competitive Bidding Process	Request for exception to bidding procedure	<Regional San Exception to Bidding Request>
Regional San Standardized Equipment List	Use of standardized equipment approved without bidding.	<Regional San Standardized Equipment List>

Information Technology Procedures, Forms and Links

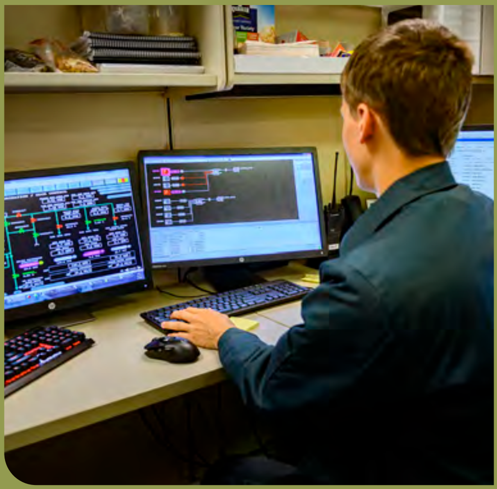
Form or Procedure	Uses	Title/Link
Regional San and SASD IT BCE Policy	Information Technology purchases and agreements, and related business case evaluations.	Reg San and SASD Forms Policies Procedures
SASD IT Purchasing Procedure	Use of the SASD IT Purchasing System	<SASD IT Purchasing System Procedure>
Regional San IT Request Policy	Computer Service Request and Level or Effort Policy and Procedure for software, hardware, IT solutions.	<Regional San IT Request Policy>

2019
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Exhibit D



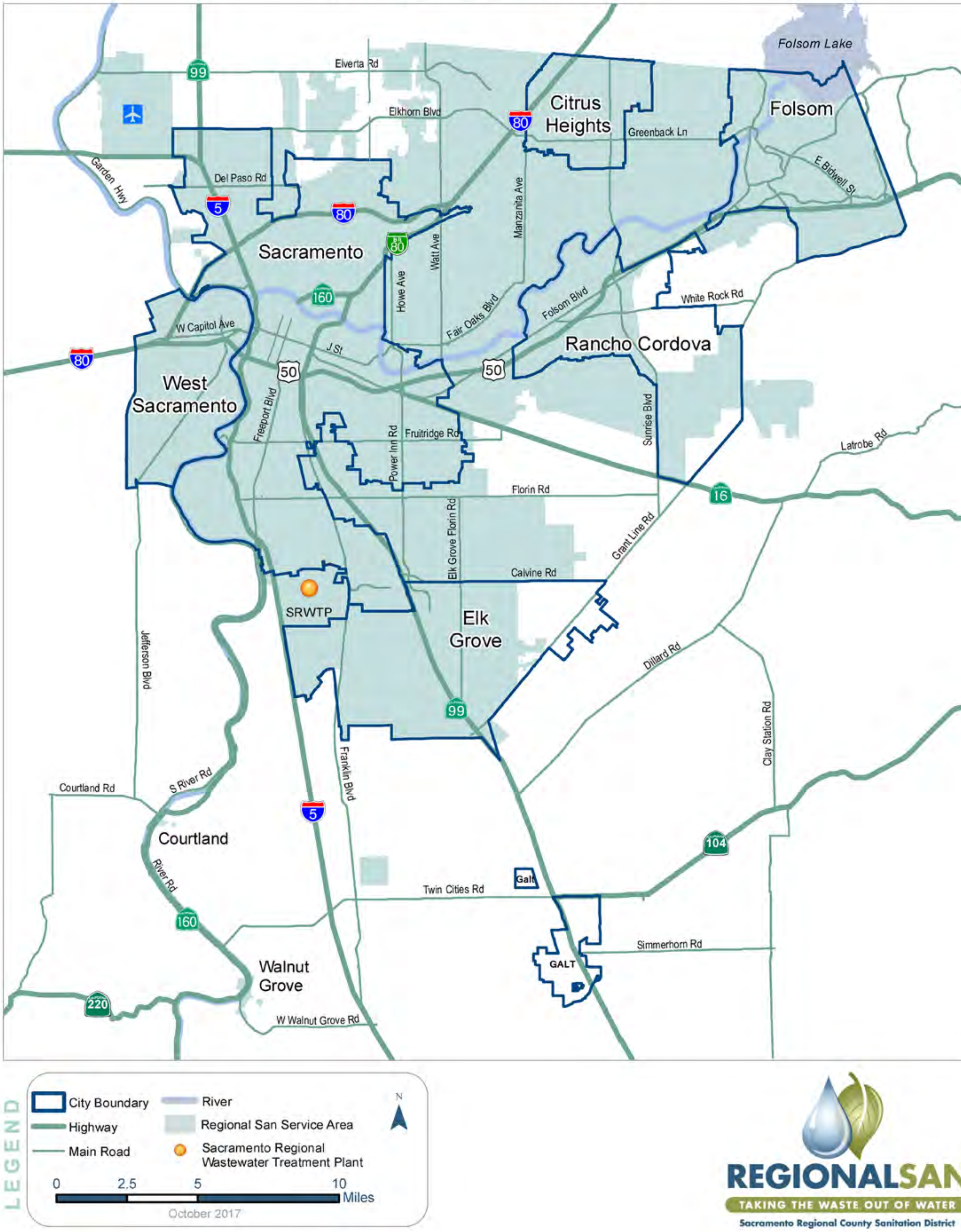
REGIONALSAN

Sacramento Regional County Sanitation District

Sacramento, California

REGIONAL SAN SERVICE AREA

REGIONALSAN
SERVICE AREA



REGIONALSAN
TAKING THE WASTE OUT OF WATER
Sacramento Regional County Sanitation District

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2019 and 2018

Prepared by:

Prabhakar Somavarapu
District Engineer

Joseph T. Maestretti
District Chief Financial Officer

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FINANCIAL SECTION

STATISTICAL SECTION

BOND DISCLOSURE SECTION

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INTRODUCTORY SECTION

REGIONALSAN
TAKING THE WASTE OUT OF WATER
Sacramento Regional County Sanitation District

Main Office
10060 Goethe Road
Sacramento, CA 95827-3553
Tel: 916.876.6000
Fax: 916.876.6160

Treatment Plant
8521 Laguna Station Road
Elk Grove, CA 95758-9550
Tel: 916.875.9000
Fax: 916.875.9068

December 19, 2019

Honorable Board of Directors
Sacramento Regional County Sanitation District

The Sacramento Regional County Sanitation District (Regional San) hereby submits the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended on June 30, 2019. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Regional San. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported to fairly present the financial position and changes in financial position for Regional San. All disclosures necessary to enable the reader to gain an understanding of Regional San's financial activities have been included.

The CAFR is divided into four sections: introductory, financial, statistical, and bond disclosure. The introductory section includes this transmittal letter, a listing of Regional San's Board of Directors, a listing of officials, an organization chart, and a Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), and audited financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The bond disclosure section includes disclosures required by Securities and Exchange Commission Rule 15c2-12(b)(5) for any municipal bond issue closing after July 1, 1995.

An independent auditor audits Regional San's financial statements each year. The firm Macias Gini & O'Connell LLP, was selected to perform the independent audit for the fiscal year ended on June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that Regional San's basic financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that Regional San's basic financial statements for the fiscal year ended on June 30, 2019 is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP).

The independent audit of Regional San's financial statements is designed to be part of a broader, federally mandated "single audit" at the level that meets the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on Regional San's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The single audit report is issued separately from the CAFR. The single audit was last prepared for the fiscal year ended on June 30, 2017.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Regional San's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF REGIONAL SAN

Regional San is an independent special district created in 1973 under the California Health and Safety Code to provide a consolidated response to the scientific and environmental challenges of wastewater conveyance, treatment, and disposal. In November 1974, the Master Interagency Agreement (MIA) was executed by Regional San, Sacramento County, and the three contributing agencies: City of Folsom, City of Sacramento, and Sacramento Area Sewer District (formerly CSD-1). The MIA, updated most recently in 1996, governs the relationship between Regional San and the contributing agencies and establishes the monthly service charges and sewer impact fees to be collected by the contributing agencies at no cost to Regional San. Regional San's treatment facilities went online in November 1982 and continue to operate reliably and in conformance with State of California discharge requirements. In April 2004, the City of West Sacramento was annexed into Regional San's service area. Services are provided through a Wastewater Services Agreement. However, the MIA has not yet been updated to make the City of West Sacramento a signatory to the MIA.

The governing body of Regional San includes the Sacramento County Board of Supervisors; a member from the Yolo County Board of Supervisors; and one or more members of the city councils of the cities of Sacramento, Folsom, Citrus Heights, Rancho Cordova, Elk Grove, and West Sacramento. Regional San's Board currently has 17 members, and is based on the population within each jurisdiction.

Regional San's service area currently encompasses approximately 383-square miles and includes four contributing agencies: the cities of Sacramento, Folsom, West Sacramento, and the Sacramento Area Sewer District. Service is provided to a population of approximately 1.4 million. The region's wastewater travels through 169 miles of interceptor pipelines, which include 58 miles of force mains (pressurized pipes), and 11 pump stations before it reaches the Sacramento Regional Wastewater Treatment Plant (SRWTP) near Elk Grove where it is treated and safely discharged to the Sacramento River. Up to 181 million gallons of wastewater can be treated daily. SRWTP is the largest inland wastewater treatment plant in California.

Regional San is staffed by Sacramento County employees (per the existing Master Interagency Agreement) in the Sanitation Districts Agency (SDA). Employees of Regional San's Operations Department operate and maintain the facilities at the Sacramento Regional Wastewater Treatment Plant and interceptor system. That staff is responsible for planning, design, and construction of the EchoWater and other capital projects. Additional supporting services for Regional San are provided by the Policy and Planning Department, the Internal Services Department, the Office of Finance, and the Public Affairs Office. Oversight of personnel matters is provided through the Sacramento County Board of Supervisors and the County Executive's Office.

FACTORS AFFECTING THE FINANCIAL CONDITION OF REGIONAL SAN

Regional, state, national, and global economies and financial markets have an impact on the Regional San financial condition. Market interest rates also have an impact on Regional San's financial condition. Market interest rates have gone from all-time highs in the 1980s to all-time lows in early 2013 and have remained at historically low levels. Low interest rates have both positive and negative effects on Regional San's financial outlook. On the positive side, low interest rates reflect the low inflation rates in the economy, which help control operating costs. On the negative side, Regional San is unable to earn a good return on invested cash balances. Regional San's cash reserves of over $439 million are invested in the Sacramento County Pooled Investment Fund (Pool). The Pool is limited by State law and local policy to investing in securities with maturities of five years or less. Because of this short-term nature of the Pool, the returns that Regional San receives may be below the rate of inflation which may result in a loss of value over time.

Because Regional San is an integral part of the Sacramento regional economy, economic conditions and trends here have an impact on Regional San's financial condition and outlook. The regional economy and population growth fuels Regional San's customer growth (new connections), which fuels revenue growth by adding new permanent ratepayers. In addition, new customers pay impact fees to cover the cost of added infrastructure necessary to support growth. Although population growth in the Sacramento region has remained steady throughout the past decade, development growth has been volatile.

This recent slow growth in new connections has not had a negative impact on Regional San's financial condition because monthly rates have been at sufficient levels to cover costs while maintaining cash reserves.

INTERNAL CONTROLS

The Regional San management is responsible for establishing and maintaining internal controls designed to ensure that Regional San's assets are protected from loss, theft, or misuse and to ensure that accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. The internal controls are designed to provide a reasonable, but not absolute, assurance that these objectives will be met with the following considerations: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

Regional San prepares operational and capital budgets that are presented to the Board of Directors for its review and approval. Those budgets, as approved by the Board, provide the financial basis for Regional San's operations. The budget document provides additional information for the Board, customers, regulators, and employees. The final budget is prepared and presented to the Board of Directors for approval in late May or early June and becomes effective on July 1st of the corresponding fiscal year. The final budget for fiscal year 2019-20 was approved by Regional San's Board of Directors on May 22, 2019.

Regional San and County level controls require the use of requisitions, purchase orders, contracts, and specific approval and verification procedures to verify expenses and ensure budgeted amounts are not exceeded. Monthly comparison of actual-to-budgeted revenues and expenses identify significant variances that may require Regional San to take corrective action.

CRITICAL ISSUES AFFECTING REGIONAL SAN

While Regional San has maintained a financially stable position there are critical issues that have occurred or could occur over the next several years that could impact Regional San.

- EchoWater Project—On December 9, 2010, the State of California Central Valley Regional Water Quality Control Board (Regional Water Board) issued a stringent discharge permit to Regional San. This permit required Regional San to make significant upgrades to the current wastewater treatment plant. This major upgrade, called the “EchoWater Project”, involves the implementation of more than 20 interrelated construction projects with an estimated cost of $1.75 billion. Regional San initiated planning for the EchoWater Project in 2011 and moved into planning and design shortly thereafter. Construction started in 2015 and is expected to be completed by 2023.

- Other regulatory requirement changes—Future changes to the regulatory requirements that govern Regional San’s operations could cause significant increases to the operational and capital costs. Potential additional treatment requirements and the associated costs are unknown at this time.

- Aging Infrastructure—Another critical issue is the age of the SRWTP. Programs are being implemented to address the condition of the treatment plant and conveyance system assets through condition assessment inspections, repairs, rehabilitations, and replacements to ensure reliable and sustainable wastewater treatment systems are maintained.

- Legal Challenges—Lawsuits and other legal challenges have had financial impacts on Regional San. There have been several bid protests and legal challenges related to the EchoWater Project contract bidding. While all of these have been resolved in Regional San’s favor, future protests and legal challenges could potentially cause project delays and could result in additional regulatory, construction, and legal costs.

LONG-TERM PLANNING

Regional San’s staff prepares a number of long-term planning documents to assist in achieving its vision and goals while carrying out its mission. Some of these planning documents include the following:

- Comprehensive Long-Term Financial Plan (CLTFP)—The CLTFP is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, a 10-year Capital Funding Projection that serves as the strategic document to estimate Regional San’s funding needs. The CLTFP is updated annually, and the last update was presented to Regional San’s Board of Directors in June 2018.

- Interceptor Sequencing Study (ISS)—The ISS is a planning document prepared to forecast Regional San’s long-term interceptor pipeline needs in order to provide sanitary sewer conveyance to a growing Sacramento region. Interceptor construction is not likely to be needed for at least ten years due to current development trends and water conservation efforts.

- Water Recycling Opportunities Study—This Study evaluated local recycled water opportunities to use Regional San’s highly treated wastewater to provide drought-tolerant water supplies for agricultural and landscape irrigation and commercial use, improve regional water supply sustainability, and enhance the environment.

- SRWTP's Solids Management Plan—This plan was developed to evaluate biosolids handling, storage, reuse, and disposal methods to identify the long-term need and timing of additional biosolids management facilities to meet future demand.

- SRWTP's Facilities Plan—This plan was developed as part of the EchoWater Project, defining the new treatment facilities required to meet permit requirements issued in 2010.

DEBT ADMINISTRATION

As discussed in the Management's Discussion and Analysis section of this report, Regional San has approximately $2.1 billion in total long-term debt obligation, including $617 million in Clean Water State Revolving Fund (CWSRF) loan proceeds received as of June 30, 2019.

On April 7, 2015, the State Water Resources Control Board approved CWSRF loans of up to $1.57 billion for the EchoWater Project with an interest rate of 1.6 to 1.7 percent. The master loan is divided into eight separate loans—one for each of the eight major projects. Each loan, after completion of its project, will amortize separately over a 30-year period. The table below shows the loan amounts for the eight projects:

As of 6/30/2019	Loan Start Fiscal Year	Amended/ Maximum Loan Amount	Interest Rate %	Annual Debt Service (estimated)
CWSRF Loan 1 – Site Preparation (Final)	2017-18	$43,949,856	1.6%	$1,773,695
CWSRF Loan 2 – Flow Equalization	2019-20	$138,672,372	1.6%	$5,893,775
CWSRF Loan 3 – Main Electric Substation Expansion (Final)	2017-18	$3,439,831	1.6%	$121,051
CWSRF Loan 4 – Disinfection Chemical Storage	2018-19	$21,465,759	1.6%	$906,661
CWSRF Loan 5 – Nitrifying Sidestream Treatment	2019-20	$53,490,845	1.6%	$2,260,130
CWSRF Loan 6 – Biological Nutrient Removal Facility	2021-22	$533,142,603	1.7%	$22,834,105
CWSRF Loan 7 – Return Activated Sludge Pumping Station	2020-21	$35,696,952	1.7%	$1,528,874
CWSRF Loan 8 – Tertiary Treatment Facility	2023-24	$564,657,506	1.7%	$24,183,865
Total EchoWater CWSRF Loan		$1,394,515,724		$59,502,156

On July 2, 2018, the Direct Purchase agreement with Wells Fargo, N.A., for the Subordinate Lien Variable Rate Revenue Bonds, Series 2012A bonds was renewed for an additional three-year term to July 2, 2021. The renewed direct purchase agreement allows for early termination flexibility and reduces the cost by $100,000 per year.

On April 4, 2019, the Direct Purchase agreement with Bank of America, N.A., for the Subordinate Lien Variable Rate Revenue Bonds, Series 2013C and 2013D bonds were renewed for an additional three-year term to April 4, 2022. The renewed direct purchase agreement allows for early termination flexibility and reduces the cost by $200,000 per year.

On May 22, 2019, the Direct Purchase agreement with Wells Fargo, N.A., for the Subordinate Lien Variable Rate Revenue Bonds, Series 2013B bonds was renewed for an additional two-year term to May 22, 2022. The renewed direct purchase agreement allows for early termination flexibility and reduces the cost by $100,000 per year.

Bond ratings are an underlying indicator of financial strength and performance. Regional San's uninsured bond ratings were Aa3, AA, and AA- by Moody's, Standard & Poor's (S&P), and Fitch, respectively, all with stable outlooks.

AWARDS AND ACKNOWLEDGEMENTS

Regional San's Comprehensive Annual Financial Report for the fiscal year ended on June 30, 2018 was awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. Regional San continues to conform to the Certificate of Achievement program requirements, and we will be submitting our current year CAFR to the GFOA for Certificate of Achievement.

I would like to thank Glen Iwamura and supporting staff for their conscientious and timely work in preparing this CAFR. This internally generated CAFR represents an important accomplishment for Regional San, and we expect to continue to improve upon the award-winning CAFRs that Regional San has presented in past years.

Regional San would also like to recognize the unwavering support of our Board of Directors. The tangible result of this support is inherent in the high standard of professionalism and fiscal management outlined in this document.

Respectfully submitted,

Joseph T. Maestretti, CPA
Sacramento Regional County Sanitation District Chief Financial Officer

Sacramento Regional County Sanitation District

Board of Directors

Vacant	City of Sacramento
Vacant	City of Sacramento
Jeannie Bruins	City of Citrus Heights
Larry Carr	City of Sacramento
Sue Frost	County of Sacramento, Vice Chair
Jeff Harris	City of Sacramento
Kerri Howell	City of Folsom
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Susan Peters	County of Sacramento
Phil Serna	County of Sacramento
Oscar Villegas	County of Yolo
Allen Warren	City of Sacramento

Regional San Officials

Prabhakar Somavarapu
District Engineer

Christoph Dobson
Director of Policy and Planning

Ruben Robles
Director of Operations

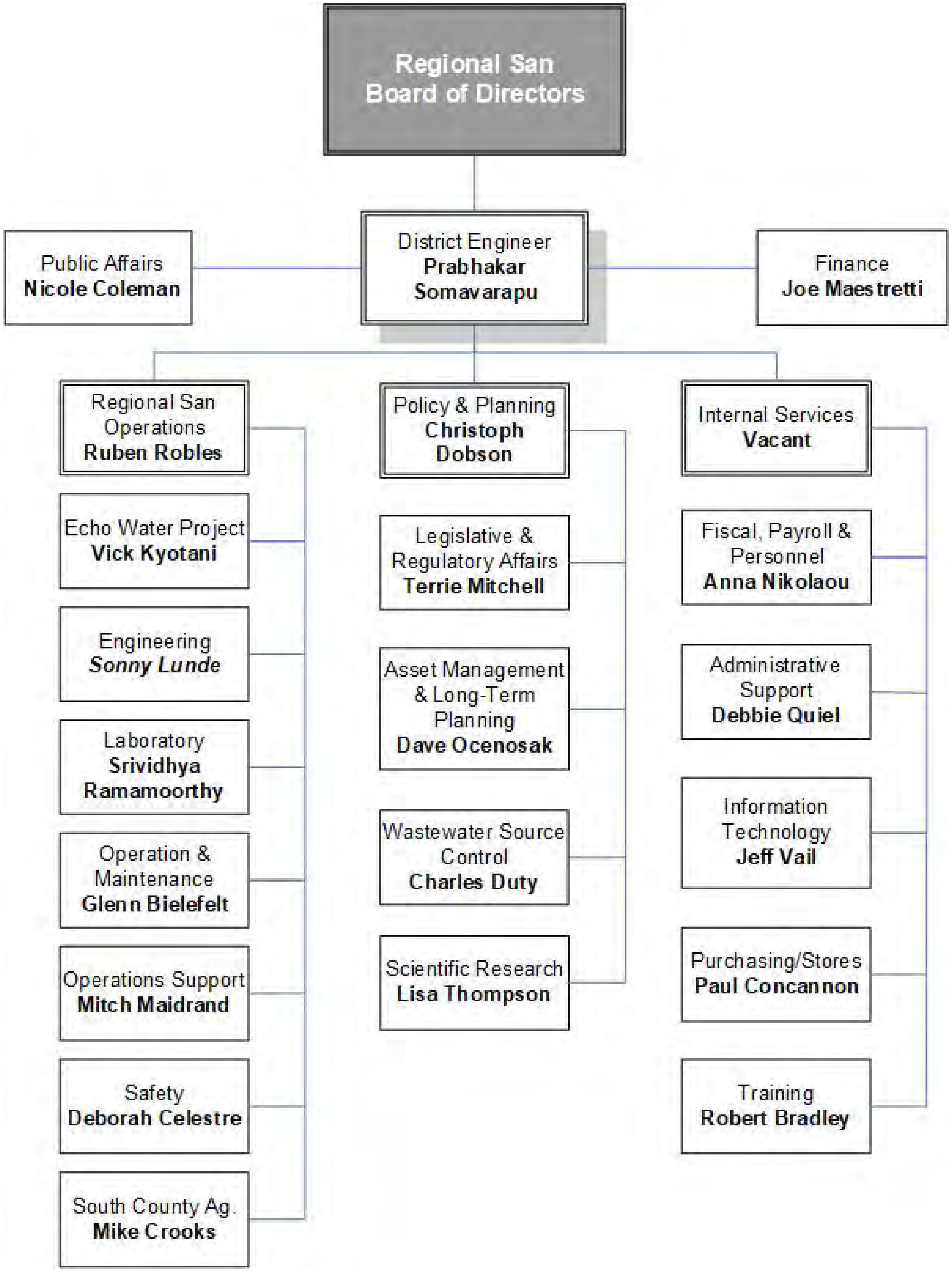
Joseph T. Maestretti, CPA
Chief Financial Officer

Vacant
Director of Internal Services

Nicole Coleman
Public Affairs Manager

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

ORGANIZATIONAL CHART



SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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Presented to

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For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

MGO Certified Public Accountants

Independent Auditor's Report

Board of Directors
Sacramento Regional County Sanitation District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Sacramento Regional County District (Regional San), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Regional San's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional San as of June 30, 2019, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

Other Matters

Prior Period Financial Statements

The financial statements of Regional San as of and for the fiscal year ended June 30, 2018 were audited by other auditors, whose report dated November 28, 2018, expressed an unmodified opinion on those 2018 financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Regional San's proportionate share of the County's net OPEB liability, the schedule of Regional San's proportionate share of the County's net pension liability, and the schedule of Regional San's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Regional San's basic financial statements. The introductory section, statistical section, and bond disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of Regional San's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional San's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Sacramento, California
December 19, 2019

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

This section of the Sacramento Regional County Sanitation District's (Regional San) Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of Regional San's financial performance during the fiscal years ended June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and Regional San's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, the assets and deferred outflows of resources of Regional San exceeded liabilities and deferred inflows of resources by $1.396 billion (*net position*). Of this amount, $361 million was unrestricted, $28 million was legally restricted for debt service, $12 million was restricted for landfill closure, $18 million was restricted for capital construction and $977 million was for net investment in capital assets. At June 30, 2018, the assets and deferred outflows of resources of Regional San exceeded liabilities and deferred inflows of resources by $1.306 billion (*net position*). Of this amount, $342 million was unrestricted, $45 million was legally restricted for debt service, $11 million was restricted for landfill closure, $13 million was restricted for capital construction and $894 million was for net investment in capital assets.
- Regional San's change in net position increased by $90.0 million during 2018-19 and increased $96.5 million during 2017-18. The majority of these increases were the result of Regional San's normal operations and the change in investment in capital assets for the fiscal years 2018-19 and 2017-18.
- Regional San's long-term debt obligations increased by approximately $131.7 million during the 2018-19 fiscal year. These changes were the result of new debt, scheduled debt service payments and early payoff of bonds. Regional San's long-term debt obligations increased by approximately $178.3 million during the 2017-18 fiscal year. These changes were the result of new debt and scheduled debt service payments.
- In April 2015, the State Water Resources Control Board approved a financing program for Regional San's EchoWater Project of $1.4 billion for eight component projects. Interest rates on the component projects range from 1.6 to 1.7 percent. The starting dates of the projects range from March 2015 to January 2018 with completion dates from August 2016 to March 2022. Repayment for each component project will begin one year after completion of construction. As of June 30, 2019, the outstanding balance was $670.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Regional San's basic financial statements. Regional San's basic financial statements are comprised of two components: the basic financial statements and notes to the basic financial statements.

Regional San has one blended component unit. Regional San entered into a Joint Exercise of Powers Agreement with the Sacramento Area Sewer District (SASD) to form the Sacramento County Sanitation Districts Financing Authority (Authority) which is determined to be a blended component unit of Regional San.

Basic Financial Statements (page 12) are designed to provide readers with a broad overview of Regional San's finances.

The *Statements of Net Position* present information on all Regional San assets, deferred outflow of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Regional San is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges).

The *Statements of Cash Flows* present information about the cash receipts and cash payments of Regional San during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess Regional San's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on Regional San's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

Notes to the basic Financial Statements (starting on page 16) provide additional information that is essential to a full understanding of the data provided in Regional San's basic financial statements. The notes are included immediately following the basic financial statements within this report.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of Regional San's financial position. As of June 30, 2019 and 2018, total assets and deferred outflows exceeded total liabilities and deferred inflows by $1.396 billion and $1.306 billion, respectively. During the fiscal year ended June 30, 2019 and 2018, the change in net position increased by approximately $90.0 million and $96.5 million, respectively.

The following table summarizes the changes between assets, deferred outflows of resources, liabilities and deferred inflows of resources, and net position as of June 30, 2019, 2018, and 2017:

Condensed Statements of Net Position
(Amounts Expressed in Thousands)

	2019	% Change	2018	% Change	2017
Assets:					
Current Assets	$ 523,522	6.3%	$ 492,305	12.6%	$ 437,240
Restricted and other noncurrent assets	231,275	-5.7%	245,170	-4.8%	257,579
Capital assets, net	2,894,812	8.1%	2,676,906	10.1%	2,432,285
Total assets	3,649,609	6.9%	3,414,381	9.2%	3,127,104
Deferred Outflows of Resources	164,911	13.2%	145,665	-17.5%	176,610
Liabilities:					
Current liabilities	111,214	0.7%	110,391	12.2%	98,352
Long-term obligations	1,902,862	7.4%	1,771,184	11.2%	1,592,867
Other noncurrent liabilities	396,435	8.0%	367,122	-6.7%	393,353
Total liabilities	2,410,511	7.2%	2,248,697	7.9%	2,084,572
Deferred Inflows of Resources	8,170	48.1%	5,515	-14.5%	6,447
Net position:					
Net investment in capital assets	976,789	9.3%	893,810	6.5%	839,106
Restricted for capital construction	18,568	40.3%	13,234	81.2%	7,305
Restricted for debt service	27,773	-39.0%	45,505	-27.2%	62,505
Restricted for landfill closure	11,964	6.6%	11,225	0.0%	11,225
Unrestricted	360,745	5.5%	342,060	16.8%	292,755
Total net position	$ 1,395,839	6.9%	$ 1,305,834	7.7%	$ 1,212,896

As of June 30, 2019, the current assets increased by approximately $31.2 million. Of those current assets, cash and investments increased by $10.7 million, due from other local governments increased by $20.2 million, mainly due to reimbursements received from the State Revolving Fund Loan. In the fiscal year ended June 30, 2018, the current assets increased by approximately $55.1 million. Of those current assets, cash and investments increased by $37.5 million, due from other local governments – other increased by $14.2 million, mainly due to reimbursements received from the State Revolving Fund Loan.

In the fiscal year ended June 30, 2019, restricted and other noncurrent assets decreased by $13.9 million. The majority of the balance in restricted and other noncurrent assets is restricted cash and investments ($55.6 million) and long term portion due from Finance Authority ($169.3 million). This was mainly due to a decrease in restricted cash and investments. During the year, $10.8 million was drawn from restricted cash and investments for the redemption of the 2006 Series Bond. In the fiscal year ended June 30, 2018, restricted and other noncurrent assets decreased by $12.6 million. The decrease was mainly due to the drawdown of bond proceeds.

In fiscal year ended 2019 and 2018, deferred outflows of resources increased by $19.2 million and decreased by $30.9 million, respectively, due to the change in valuation of the derivative instruments, change in deferred outflows relating to pension and OPEB, and a decrease of the deferred outflows on loan refunding due to the amortization of the costs.

In fiscal year ended June 30, 2019, the current liabilities increased by $823 thousand based on the normal operations of the District. In fiscal year ended June 30, 2018, the current liabilities increased by $12.0 million mainly due to the increase in capital projects relating to the Echo Water Project and normal operations.

In fiscal year ended 2019, other noncurrent liabilities decreased by $29.3 million. These changes are due primarily to the increase in fair value on derivative instruments of $36.9 million, offset by net pension liability decrease of $6.3. The majority of the balance in other noncurrent liabilities is long-term obligations – Finance Authority ($169.3 million), Derivative instruments – fair value ($146.4 million) and net pension liabilitiy ($53.1 million). In fiscal year ended 2018, other noncurrent liabilities decreased by $26.2 million. These changes are due primarily to the decrease in fair value on derivative instruments of $37.4 million, offset by net pension liability increase of $8.2 million and OPEB liability increase of $6.1 million as a result of the implementation of GASB 75.

For 2019, long-term obligations increased by $131.7 million primarily due to $197.7 million funds being drawn from the State Revolving Fund Loan offset by $58.8 million in debt payments. For 2018, long-term obligations increased by $178.3 million primarily due to funds being drawn from the State Revolving Fund Loan.

The largest portion of Regional San's net position (70% and 68% at June 30, 2019 and 2018, respectively) reflects its investment in capital assets (e.g., land, easement, software, structure and improvements, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. Regional San uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although Regional San's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Regional San's net position are assets restricted for debt service (2% and 4% at June 30, 2019 and 2018, respectively), restricted for capital construction (1% and 1% at June 30, 2019 and 2018, respectively) and restricted for landfill closure (1% and 1% at June 30, 2019 and 2018, respectively) that represent resources subject to external restrictions on how they may be used. The remaining amount (26% and 26% at June 30, 2019 and 2018 respectively) is unrestricted and may be used to meet Regional San's ongoing obligations to customers and creditors.

The following table summarizes the changes in net position for the fiscal years ended June 30, 2019, 2018, and 2017:

Regional San's Changes in Net Position
(Amounts Expressed in Thousands)

	2019	% Change	2018	% Change	2017
Operating revenues:					
Sewer service fees	$ 282,338	3.9%	$ 271,617	4.0%	$ 261,073
Other	16,039	7.4%	14,932	-0.8%	15,060
Nonoperating revenues:					
Interest income	10,880	46.2%	7,442	63.8%	4,544
Derivative Investments - fair value	(8,188)	-225.1%	6,543	-48.4%	12,675
Interest revenue from - Financing Authority	9,062	-0.5%	9,112	-0.4%	9,152
Total revenues	310,131	0.2%	309,646	2.4%	302,504
Operating expenses:					
County labor - SDA	67,705	2.6%	66,015	5.2%	62,772
Depreciation and amortization	50,900	1.8%	50,021	1.1%	49,488
Electricity	12,926	5.9%	12,202	-6.2%	13,014
Other	48,670	16.9%	41,648	16.3%	35,799
Nonoperating expenses:					
Interest expense	58,741	0.0%	58,760	33.1%	44,155
Interest expense - Financing Authority	8,984	-0.6%	9,035	-0.4%	9,074
Other expenses	3,356	7.8%	3,113	14.5%	2,719
Total expenses	251,282	4.4%	240,794	11.0%	217,021
Income before capital contributions	58,849	-14.5%	68,852	-19.5%	85,483
Capital Contributions:					
Grant revenue	1,646	-100.0%	2,255	100.0%	-
Sewer impact fees	29,510	16.2%	25,385	15.7%	21,936
Total Capital Contributions	31,156	12.7%	27,640	26.0%	21,936
Change in net position	90,005	-6.7%	96,492	-10.2%	107,419
Net position, beginning of year *	1,305,834		1,209,342		1,105,477
Net position, end of year	$ 1,395,839	6.9%	$ 1,305,834	7.7%	$ 1,212,896

* In fiscal year 2018, beginning balance was restated due to adoption of GASB Statement No. 75. See Note 14 for further information.

Total operating revenues, which consist of sewer service fees and other revenues, increased approximately $11.8 million in FY 2018-19 increased approximately $10.4 million in FY 2017-18. In FY 2018-19, sewer service fees increased due to growth in the number of customers and a rate increase of $1.00 to $37.00 per month per ESD effective July 1, 2018. In FY 2017-18, sewer service fees increased due to growth in the number of customers and a rate increase of $1.00 to $36.00 per month per ESD effective July 1, 2017. Other operating revenues increased by approximately $1.1 million and decreased by $128 thousand for fiscal year 2018-19 and 2017-18 respectively. These changes are mainly attributable to the fluctuations in capital labor costs reimbursements from the Sacramento Area Sewer District to Regional San.

In fiscal years ended June 30, 2019 and 2018, nonoperating revenues decreased by approximately $11.3 million and increased by $3.3 respectively, mainly due to the change in fair value on derivative investments.

The tables below shows the Sewer Impact fees in effect for the 2018-19 and 2017-18 years.

Table 1. Sewer Impact Fees for Residential and Commercial Users

Area	Effective July 1, 2017	Effective July 1, 2018
Infill	$3,358	$3,358
New	$5,827	$6,146

Table 2. Sewer Impact Fees for Industrial Users

<table>
<tr><th>Area</th><th>Flow[a]</th><th>BOD[b]</th><th>TSS[b]</th><th>TKN[b]</th><th>Pathegen[c]</th><th>Effective Period</th></tr>
<tr><td>Infill</td><td>$59</td><td rowspan="2">$44,665</td><td rowspan="2">$14,409</td><td rowspan="2">$103,727</td><td rowspan="2">$22</td><td rowspan="2">Effective July 1, 2017</td></tr>
<tr><td>New</td><td>$116</td></tr>
<tr><td>Infill</td><td>$83</td><td rowspan="2">$46,296</td><td rowspan="2">$14,935</td><td rowspan="2">$103,727</td><td rowspan="2">$22</td><td rowspan="2">Effective July 1, 2018</td></tr>
<tr><td>New</td><td>$190</td></tr>
</table>

[a] Cost for flow is per 1,000 gallons per month

[b] Cost for BOD, TSS, and TKN is per 1,000 pounds per month

[c] Cost for Pathogens is per 1,000 gallons of domestic w astew ater flow per month

The fee structure for impact fees is tiered based on the location of new development within Regional San. Effective July 1, 2018 Sewer impact fees for new residential and new commercial users increased from $5,827 to $6,146 per ESD and fees for the "infill" tier remained at $3,358 per ESD. Sewer impact fee revenue increased by 16.2% and 15.7% in 2018-19 and 2017-18 respectively, due mostly to changes in construction activity and the increase in impact fees. These fees are generated by development and thus remain sensitive to construction trends.

Total expenses increased by approximately $10.5 million in 2018-19. The major factors were $1.7 million in increased labor costs, $1.2 million increase in utilities and $4.9 million in increased chemical costs. Total expenses increased by approximately $23.8 million in 2017-18. The major factors were $14.6 million in increased interest costs due to the SRF loan balance, $5.2 million increase in chemical costs as the District transitioned from gas to liquid chlorine in the treatment process, and an increase of $3.2 million for labor.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets, net of accumulated depreciation, totaled $2.9 billion and $2.7 billion at June 30, 2019 and 2018, respectively. This corresponded to an increase in total capital assets of $217.9 million and an increase of $244.6 million during those fiscal years, respectively. The following table summarizes the changes in capital assets for the fiscal years ended June 30, 2019, 2018, and 2017:

Regional San's Changes in Capital Assets
(Amounts Expressed in Thousands)

	2019	% Change	2018	% Change	2017
Land	$ 45,461	0.0%	$ 45,461	0.0%	$ 45,461
Permanent easements	1,341	-5.0%	1,412	10.8%	1,274
Software	6,621	0.0%	6,621	3.4%	6,404
Structures, improvements and equipment	2,855,137	1.6%	2,809,518	3.9%	2,705,005
Construction in Progress	932,410	31.0%	712,012	35.5%	525,470
Less accumulated depreciation	(946,158)	5.3%	(898,118)	5.5%	(851,330)
	$ 2,894,812	8.1%	$ 2,676,906	10.1%	$ 2,432,284

From July 1, 2018 to June 30, 2019, construction in progress increased by $220.4 million due to new construction projects started but not completed at year end. A majority of the increase in construction in progress is attributable to the EchoWater Project. The increase was offset by $45 million of completed projects that were transferred to Structures. From July 1, 2017 to June 30, 2018, construction in progress increased by $186.5 million.

For fiscal years ended June 30, 2019 and 2018, there was no change in land. Permanent easements decreased by $71 thousand and increased $138 thousand for the fiscal year ended June 30, 2019 and 2018, respectively.

Additional information on Regional San's capital assets can be found in Note 4 of the notes to the basic financial statements.

Long-term obligations totaled $2.1 and $2.0 billion at June 30, 2019 and 2018, respectively. These amounts were comprised of Regional San's revenue bonds, State Revolving Fund, loans with a contributing agency, capital leases, landfill closure and post closure liability, compensated absences, derivative borrowing and the Financing Authority's long term obligations. The following table summarizes the amount of long-term obligations for the fiscal years ended June 30, 2019, 2018, and 2017.

Regional San's Outstanding Long-term Obligations
(Amounts Expressed in Thousands)

	2019	2018	2017
Financing Authority Revenue Bonds, Net	$ 170,786	$ 172,161	$ 173,496
Regional San's Revenue Bonds, Net	1,271,659	1,329,916	1,365,527
State Revolving Loans	670,212	474,574	253,787
Loans	1,126	1,671	2,204
Capital Leases	7,391	8,617	9,805
Compensated Absences	7,115	6,821	6,699
Landfill Closure and postclosure liability	12,407	12,386	11,796
Derivative Borrowing	2,576	2,790	3,005
Total Long-term obligations	$ 2,143,272	$ 2,008,936	$ 1,826,319

Regional San's revenue bonds, loans, and capital leases have increased by approximately $134.3 and $182.6 million during the 2018-19 and 2017-18 fiscal year respectively. Most of Regional San's increase in long-term obligations relate to the State Revolving Fund. The increase was offset by scheduled debt service payments and the early payoff of the Series 2006 bonds.

With the implementation of GASB 61, it was determined that the Financing Authority is a blended component unit thus all of the Authority's long term obligations have been presented, including the long term obligations issued on the behalf of Sacramento Area Sewer District.

Additional information on Regional San's long-term debt obligations can be found in Note 5 of the notes to the basic financial statements.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of Regional San's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Joseph T. Maestretti, Chief Financial Officer; Sacramento Regional County Sanitation District, 10060 Goethe Road, Sacramento California 95827, or phone (916) 876-6116.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Basic Financial Statements

For the Fiscal Years Ended June 30, 2019 and 2018

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS:		
CURRENT ASSETS:		
Cash and investments	$ 439,301,580	$ 428,641,975
Sewer services fees receivable	36,129,776	35,301,521
Due from other local governments:		
Accrued interest receivable - Financing Authority	3,917,733	3,939,191
Current portion loan due - Financing Authority	1,430,155	1,375,155
Interest	5,566,789	3,079,478
State Water Resources Control Board	34,089,652	16,434,774
Other accounts receivable	128,738	372,877
Inventories	2,957,896	3,160,177
TOTAL CURRENT ASSETS	523,522,319	492,305,148
NONCURRENT ASSETS:		
Restricted cash and investments	55,595,989	67,790,283
Deposits with others	5,829,150	6,100,212
Long-term receivables:		
Long term portion loan due - Financing Authority	169,355,525	170,785,680
Due from other local governments	493,766	493,766
Capital assets:		
Permanent easements	1,340,620	1,411,683
Land	45,460,871	45,460,871
Construction in progress	932,409,862	712,012,071
Software	6,621,398	6,621,398
Equipment	147,649,974	147,274,049
Structures and improvements	2,707,486,785	2,662,244,179
Total capital assets	3,840,969,510	3,575,024,251
Less accumulated depreciation	(946,157,505)	(898,118,481)
Total capital assets, net of accumulated depreciation	2,894,812,005	2,676,905,770
TOTAL NONCURRENT ASSETS	3,126,086,435	2,922,075,711
TOTAL ASSETS	3,649,608,754	3,414,380,859
DEFERRED OUTFLOWS OF RESOURCES:		
Hedging Derivative Instruments	113,331,095	84,646,621
Deferred outflows related to pension	20,088,051	27,436,446
Deferred outflows related to OPEB	252,125	228,983
Deferred amounts on refunding	31,239,688	33,353,056
TOTAL DEFERRED OUTFLOWS OF RESOURCES	164,910,959	145,665,106
LIABILITIES:		
CURRENT LIABILITIES:		
Warrants payable	1,470,131	5,356,341
Accounts payable and accrued expenses	51,262,441	50,377,544
Accrued interest payable	4,311,912	4,509,415
Accrued interest payable - Financing Authority	3,917,733	3,939,191
Compensated absences	1,067,226	1,023,123
Current portion of long-term obligations - Financing Authority	1,430,155	1,375,155
Current portion of long-term obligations	47,526,453	43,594,051
Current portion of derivative borrowing	214,633	214,633
Current portion of accrued landfill closure and postclosure care costs	12,997	2,086
TOTAL CURRENT LIABILITIES	111,213,681	110,391,539
NONCURRENT LIABILITIES:		
Long-term obligations	1,902,861,665	1,771,183,721
Long-term obligations - Financing Authority	169,355,525	170,785,680
Derivative instruments - fair value	146,469,115	109,596,785
Compensated absences	6,047,614	5,797,697
Net Pension Liability	53,111,998	59,402,515
OPEB Liability	6,201,921	6,086,205
Derivative borrowing	2,360,971	2,575,604
Unearned revenue	493,766	493,766
Accrued landfill closure and postclosure care costs	12,394,280	12,384,119
TOTAL NONCURRENT LIABILITIES	2,299,296,855	2,138,306,092
TOTAL LIABILITIES	2,410,510,536	2,248,697,631
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts on refunding - Financing Authority	1,319,695	1,397,324
Deferred inflows related to pension	6,254,814	3,760,194
Deferred inflows related to OPEB	595,314	357,246
TOTAL DEFERRED INFLOWS OF RESOURCES:	8,169,823	5,514,764
NET POSITION:		
Net investment in capital assets	976,789,495	893,810,285
Restricted for capital construction	18,567,869	13,234,120
Restricted for debt service	27,773,197	45,504,646
Restricted for landfill closure	11,963,897	11,224,882
Unrestricted	360,744,896	342,059,637
TOTAL NET POSITION	$ 1,395,839,354	$ 1,305,833,570

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Sewer service fees	$ 282,337,704	$ 271,617,413
Other revenue	16,038,992	14,931,715
Total operating revenues	298,376,696	286,549,128
OPERATING EXPENSES:		
Office equipment	676,525	394,307
Depreciation and amortization	50,899,506	50,021,285
Data processing	3,550,235	3,266,886
Laboratory	481,040	423,002
County labor - SDA	67,705,494	66,015,300
Services and supplies	1,764,466	2,326,953
Consultants	8,171,261	7,086,144
County labor - other	164,162	165,220
Chemicals	18,985,657	14,074,988
Landfill closure and postclosure care	34,069	588,308
Insurance	1,085,764	747,355
Other utilities	6,131,475	4,939,625
Electricity	12,925,661	12,202,211
Plant and interceptor maintenance	7,626,102	7,634,695
Total operating expenses	180,201,417	169,886,279
Operating income	118,175,279	116,662,849
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	10,880,222	7,441,734
Interest revenue from - Financing Authority	9,061,695	9,112,204
Interest expense - Financing Authority	(8,984,067)	(9,034,575)
Interest expense	(58,740,098)	(58,760,283)
Sewer incentive program	(1,879,707)	(1,921,244)
Derivative instruments - fair value	(8,187,856)	6,543,193
Other expense	(1,476,008)	(1,192,077)
Total nonoperating revenues (expenses)	(59,325,819)	(47,811,048)
Income before capital contributions	58,849,460	68,851,801
CAPITAL CONTRIBUTIONS:		
Sewer impact fees	29,510,201	25,385,073
Grant revenue	1,646,123	2,255,049
Total Capital Contributions	31,156,324	27,640,122
Change in net position	90,005,784	96,491,923
Net position, beginning of year	1,305,833,570	1,209,341,647
Net position, end of year	$ 1,395,839,354	$ 1,305,833,570

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 281,753,588	$ 269,806,879
Receipts from others	16,038,992	14,931,715
Payments to County for labor force	(67,536,751)	(64,325,715)
Payments to suppliers for goods and services	(61,544,877)	(55,263,412)
Payments to others	(3,061,695)	(2,991,010)
Net cash provided by operating activities	165,649,257	162,158,457
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(265,536,414)	(279,411,846)
Principal received on loan due - SASD	1,030,000	999,000
Interest received on loan due - SASD	9,773,464	9,473,859
Proceeds from issuance of long-term obligations	171,888,997	207,773,664
Principal payments on long-term obligations	(37,737,335)	(35,175,023)
Interest payments on long-term obligations	(54,218,429)	(62,443,225)
Payment to escrow agent for refunded debt	(21,130,000)	-
Principal payments on loan due - SASD	(1,030,000)	(999,000)
Interest payments on loan due - SASD	(9,773,464)	(9,473,859)
Sewer impact fees collected	29,510,201	25,385,073
Cash receipts from grantors	1,646,123	2,255,049
Net cash (used by) capital and related financing activities	(175,576,857)	(141,616,308)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from redemption of GIC	10,828,885	-
Interest received	8,392,911	6,026,203
Net cash provided by investing activities	19,221,796	6,026,203
Net increase in cash and cash equivalents	9,294,196	26,568,352
Cash and cash equivalents, beginning of year	485,603,373	459,035,021
Cash and cash equivalents, end of year	$ 494,897,569	$ 485,603,373
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and investments	$ 439,301,580	428,641,975
Restricted cash and investments	55,595,989	67,790,283
Less long-term investments	-	(10,828,885)
Total cash and cash equivalents	$ 494,897,569	$ 485,603,373

See accompanying notes to the basic financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 118,175,279	$ 116,662,849
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	50,899,506	50,021,285
Payments for excess sewer capacity and incentive	(1,879,707)	(1,921,244)
Amortization of Pension Expense	3,552,498	4,712,457
Amortization of OPEB Expense	330,642	409,234
Other expense	(1,181,988)	(1,069,766)
Net effect of changes in:		
Sewer service fees receivable	(828,255)	(1,712,256)
Other accounts receivable	244,139	(98,278)
Inventories	202,281	(98,280)
Warrants payable	(3,886,210)	(5,337,938)
Accrued landfill closure and postclosure care costs	21,072	590,394
Net cash provided by operating activities	$ 165,649,257	$ 162,158,457
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets on account	$ 51,262,441	$ 50,377,544
Derivative borrowing amortization	214,633	214,633
Deposits applied to capital assets acquisition	-	6,100
Net increase (decrease) in fair value of derivative instruments	36,872,330	(37,397,732)
Net increase in due from State Water Resources Control Board	17,654,878	14,173,263
Capitalized Interest on SRF Loan	8,215,264	-

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying basic financial statements, with comparative information, of the Sacramento Regional County Sanitation District (Regional San) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Regional San's accounting policies are described below.

Regional San is a political subdivision of the State of California. Regional San is governed by a Board of Directors comprised of the five members of the Sacramento County (the County) Board of Supervisors. Five representatives from the Sacramento City Council, two representatives from Elk Grove and one representative each from Folsom, Citrus Heights, Rancho Cordova and West Sacramento City Councils, and a representative from the Board of Supervisors of Yolo County. Each city representative is selected by their respective city councils to serve on Regional San Board. The length of the appointment is subject to the discretion of each city council, but can be no longer than the individual's term of office.

Regional San has four Contributing Agencies: City of Folsom, City of Sacramento, Sacramento Area Sewer District (SASD) and City of West Sacramento. Each Contributing Agency is responsible for contributing wastewater from its local collection system to Regional San as well as for billing monthly service charges and sewer impact fees.

In October 1993, Regional San entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with the Sacramento Area Sewer District (SASD) to form the Sacramento County Sanitation Districts Financing Authority (Authority) for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for Regional San and SASD. The Board of Directors of Regional San serves as the Authority's governing board. For financial reporting purposes, the Authority and Regional San have a financial and operational relationship which requires that the Authority's financial statements to be blended into Regional San's financial statements. Separate financial statements for the Authority are available from Regional San at 10060 Goethe Road, Sacramento Ca, 95827, upon request.

In June 1992, Regional San's Board approved a Joint Powers Agreement with the Sacramento Municipal Utility District (SMUD), which formed the Central Valley Financing Authority (CV Authority). The CV Authority was formed for the purpose of obtaining financing for the SMUD cogeneration project at the Sacramento Regional Wastewater Treatment Plant (SRWTP). SMUD and the CV Authority are responsible for all project costs except for modifications within SRWTP facilities. The CV Authority governing board is composed of the seven members of SMUD's governing board and a non-voting representative of Regional San. The CV Authority has been excluded from Regional San's reporting entity, as there is no financial relationship between them. Regional San is staffed by the Sacramento County's Sanitation District Agency. The Sanitation District Agency operates and maintains Regional San's facilities as well as a large wastewater collection system in the County's unincorporated area operated by SASD.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Regional San uses the accounting principles applicable to enterprise funds. Regional San uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Regional San distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Regional San's operations. The principal operating revenues of Regional San are customer sanitation service charges. The principal operating expenses of Regional San are related to its labor force, depreciation, utilities, services and supplies and chemicals. Non-operating revenues and expenses consist of those revenues and expenses that are related to the Authority and SASD transactions related to long-term debt related activities and financing and investing activities and result from non-exchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is Regional San's policy to use restricted resources first.

Budgetary Process

Regional San prepares an annual operating and capital budget, which is approved and adopted by Regional San's Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California state law does not require formal adoption of appropriated budgets for enterprise funds.

Cash Equivalents and Investments

For purposes of the statement of cash flows, Regional San considers all short-term highly liquid investments with an original maturity of three months or less, including restricted cash, to be cash equivalents. Investments held in the County Treasurer's pool are available on demand to individual entities; thus, they are considered highly liquid and cash equivalents for purposes of the statements of cash flows.

Investments are presented at fair value based on quoted market information obtained from fiscal agents or other sources, except for the guaranteed investments contracts which are presented at cost.

Receivables

Contributing Agencies bill sewer service fees to customers and are responsible for remitting to Regional San on a monthly basis the full amount of billed sewer service fees. Since the Contributing Agencies have agreed to absorb any uncollectible accounts and the administrative costs attributable to the collection of such fees, Regional San has no allowance for uncollectible accounts. At June 30, 2019 and 2018, there was $36,129,776 and $35,301,521, respectively, in sewer service fee receivables from Contributing Agencies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Grants

Federal and state grant funding is accounted for on a reimbursement basis whereby costs are incurred prior to actual cash receipt of the grant. Federal and state grants receivable on the statement of net position represent claims to various federal and state granting agencies for costs incurred but not reimbursed at year-end under various programs. Claims are filed with the appropriate agencies.

Regional San is required by the grant agreements made with federal and state governmental agencies to maintain books, records, documents, other evidence, and accounting procedures and practices sufficient to reflect properly all costs incurred and claimed. These records are subject to audit by the appropriate government agency and 2 CFR 200 (Uniform Guidance). Any amounts disallowed will reduce future claims or be directly recovered from Regional San, which are not expected to be material to the Financial Statements. For the fiscal year ending June 30, 2019, there was no federal grant funding.

Inventories

Inventories are maintained to meet the operating and maintenance requirements of Regional San and are valued at cost, which approximates fair value, using the weighted average method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Regional San reports deferred outflows related to pensions, OPEB, hedging derivative instruments and deferred amounts on refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Regional San reports deferred inflows related to pensions, OPEB and deferred amounts on refunding.

Capital Assets

Capital assets are stated at historical cost. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the basic financial statements. Any resulting gain or loss from the retirement or disposal of an asset is reflected in the statement of revenues, expenses and changes in net position for the period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and amortization are provided on each asset using the straight-line method over the following estimated useful lives:

Software	5 years
Equipment	5 to 40 years
Structures and improvements	15 to 100 years

Regional San's policy is to capitalize all land and permanent easements; Computer hardware and light vehicles with a value equal to or greater than $20,000; other equipment with a value equal to or greater than $35,000; and computer software, structures and improvements with a value equal to or greater than $100,000, and a useful life of more than one year.

Maintenance and repairs are charged to expense as incurred. Significant renewals or betterments are capitalized and depreciated or amortized over their estimated useful lives. Costs incurred for major improvements or construction of capital assets are carried in construction in progress until the project is completed at which time costs related to the project are capitalized as treatment plant and equipment.

The Master Interagency Agreement provided that Contributing Agencies transfer property, plant and equipment to Regional San. In return, Regional San would assume certain long-term debt of the Contributing Agencies. For financial statement purposes, the assets acquired by Regional San from the Contributing Agencies have been valued based upon the consideration given, which approximated the acquisition value that consisted of the long-term debt assumed. These assets have been included in capital assets. Contributed capital received is recorded at acquisition value.

Compensated Absences

Regional San's labor force are employees of the County. Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to following years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees have the option of receiving payment for one half of accrued sick leave with the balance included in the calculation of retirement benefits.

It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated absences for the fiscal years ended June 30, 2019 and 2018 was $7,114,840 and $6,820,820 respectively, (see Note 5).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of Interest

For the year ended June 30, 2018, the Regional San implemented GASB Statement No. 89. The statement requires interest costs relating to construction to be expensed during the current period. Prior to implementation, interest costs relating to a financed construction project were capitalized.

Risk Management

Regional San participates in the County's self-insurance program. Annual premiums are based primarily on claims experience and are charged to expense when paid. During the past three fiscal years, there were no instances of settlements which exceeded insurance coverage and no significant reductions in insurance coverage. The following is a summary of Regional San's coverages:

- General and automobile liability - $25 million limit - per occurrence
- Workers' Compensation and Employer's Liability - $5 million
- Property (All Risk) - $1.7 billion limit – per occurrence
- Property (Flood) - $1.5 billion limit – per occurrence
- Earthquake - $25 million limit - per occurrence
- Boiler and machinery - $100 million limit - per occurrence
- Pollution liability - $10 million limit - per occurrence
- Crime/Dishonesty/Forgery - $15 million limit - per occurrence
- Cyber Liability - $5 million limit - per occurrence

Pensions

Regional San participates in the County of Sacramento's cost-sharing defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from the SCERS's fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This statement did not have a material effect on the financial statements.

GASB Statement No. 88 - In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has implemented this standard for fiscal year ending June 30, 2019.

2. CASH AND INVESTMENTS

Regional San maintains specific cash deposits and investments with the County and participates in the Sacramento County Pooled Investment Fund, which is not rated by credit rating agencies. At June 30, 2019 and 2018, the carrying amount of Regional San's cash held by the Sacramento County Pooled Investment Fund was $439,301,580 and $428,641,975, respectively. The weighted average maturity of the Treasurer's cash and investments' pool was 321 and 309 days at June 30, 2019 and 2018 respectively. The interagency agreement requires Regional San to invest funds with the County and follow County policy.

The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. The pool is not registered with the SEC as an investment company.

2. CASH AND INVESTMENTS (Continued)

Government Code Section 53601 and the County Investment Policy lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, supranational notes, treasury notes, or bonds of the State of California; registered treasury notes or bonds of any of the other 49 states in addition to California; bonds, notes, warrants or other forms of indebtedness of any local agency (Teeter Notes and Local Agency Investment Fund-LAIF) within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States, government sponsored enterprise; money market mutual funds (not to exceed 20 percent of the total portfolio); bankers acceptances (not over 180 days maturity, not to exceed 40 percent of the total portfolio); commercial paper (not to exceed 40 percent or total portfolio) of “prime quality” (the highest ranking provided by either Moody’s investor services or Standard and Poor’s Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated “A” or better by a nationally recognized rating service, not to exceed 30 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20 percent of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an “Annual Investment Policy for the Pooled Investment Fund” (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with the above cited Government Code sections. The District does not have a separate deposit or investment policy that addresses a specific type of risk. Investments held in the County’s investment pool are available on demand and are reported at amortized cost, which approximates fair value.

The County, acting in a fiduciary capacity, segregates and invests Regional San’s bond proceeds issued through the Authority in accordance with long-term obligation covenants. The segregated bond funds include funds for servicing debt during the construction/acquisition of plant and equipment. Bond reserves are held by outside fiscal agents in the name of the Authority, for Regional San as required by the bond indentures.

2. CASH AND INVESTMENTS (Continued)

At June 30, 2019 and 2018, all cash held by fiscal agents was covered by federal depository insurance or by collateral held by the County Treasurer's financial institutions in the County's name.

Restricted cash and investments consisted of the following at June 30, 2019 and 2018:

	2019	2018
Cash at banks (held for retentions)	$ 19,949,729	$ 13,234,120
Restricted proceeds from debt issues held by:		
Cash held by County Treasurer (as Treasury Pool)	34,887,874	36,646,990
Investments held by County Fiscal Agent	758,386	7,080,288
Investment held by Financial Institution as Bond Trustee	-	10,828,885
Total Restricted Investments Held by Trustees	758,386	17,909,173
Total Restricted Cash and Investments	$ 55,595,989	$ 67,790,283

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government code or Regional San's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
U.S. Dollar denominated deposits accounts, federal funds and bankers' acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Fund	None	None	None
Municipal Obligations	None	None	None
County of Sacramento Pooled Investment Fund	None	None	None
Investment Agreements	None	None	None

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Regional San's investments held by bond trustees are monitored for interest rate risk by measuring the weighted average maturity.

Investment Type	Amount at June 30, 2019	Weighted Average Maturity (in years)	Amount at June 30, 2018	Weighted Average Maturity (in years)
County Treasurer's cash and investment pool	$ 34,887,874	0.88	$ 36,646,990	0.85
Held by Fiscal Agent/Bond Trustee:				
Government Securities	756,404	0.90	7,079,629	0.11
Money Market Mutual Funds	1,982	0.08	659	0.75
Guaranteed Investments Contracts	-	N/A	10,828,885	18.44
Total Held by Fiscal Agent/Bond Trustee	758,386		17,909,173	
Total	$ 35,646,260		$ 54,556,163	

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. Regional San and the Authority are permitted to hold investments purchased with bond proceeds of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be at least A-1 and P-1 and the long-term rating must be at least A and A2, respectively, by Standard & Poor's and Moody's rating agencies. In addition, Regional San and the Authority are permitted to invest in the State's Local Agency Investment Fund, guaranteed investment contracts, collateralized certificate of deposits and notes issued by the County that are not rated.

Investment Type	Amount at June 30, 2019	Ratings as of June 30, 2019	Amount at June 30, 2018	Ratings as of June 30, 2018
County Treasurer's cash and investment pool	$ 34,887,874	Not Rated	$ 36,646,990	Not Rated
Held by Fiscal Agent/Bond Trustee:				
Government Securities	756,404	Aaa/AA+	7,079,629	P-1/A-1+
Money Market Mutual Funds	1,982	Aaa/AAA	659	Aaa/AAA
Guaranteed Investments Contracts	-	N/A	10,828,885	Not Rated
Total Held by Fiscal Agent/Bond Truste	758,386		17,909,173	
Total	$ 35,646,260		$ 54,556,163	

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2019, Regional San does not have investments in any one issuer that represent five percent of total investments. As of June 30, 2018 the following investments represent five percent or more of total investments:

Issuer	Investment Type	Amount at June 30, 2018
FHLB Discount Note	Government Securities	$ 7,079,629
FSA	Guaranteed Investment Contract	10,828,885

Mutual funds are excluded from this disclosure.

Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, Regional San would not be able to recover the value of its deposits and investments. As of June 30, 2019 and 2018, one hundred percent of Regional Sans investments are held in the County's name. Regional San does not have a policy for custodial credit risk.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application,* sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Regional San has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Regional Sans' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Regional San's own data.

2. CASH AND INVESTMENTS (Continued)

The asset's level with in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methods and assumptions used by Regional San to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2019. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Regional San management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Regional San's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. Regional San's Level 2 investments primarily consist of investments in the U.S. government that did not trade on the Regional San's fiscal year end date. These investments are valued on the basis of prices provided by SunGard pricing services. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

Regional San has investments that are not subject to the fair value hierarchy which includes funds with the County of Sacramento’s treasury pool, guaranteed investment contracts and money market mutual funds.

Regional San does not have any level 3 investments. The inputs or methodology used for valuing those assets are not necessarily an indication of the risks associated with investing in those assets. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

2. CASH AND INVESTMENTS (Continued)

Regional San has the following recurring fair value measurements as of June 30, 2019 and 2018.

Investments by Fair Value Level	Balance at June 30, 2019	Fair Value Measurements on a Recurring Basis Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FHLB Discount Note	$ 756,404	$ -	$ 756,404	$ -
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy				
Cash and Investments held by County Treasury	474,189,454			
Money Market Mutual Funds	1,982			
Total Investments	$ 474,947,840			

Investments by Fair Value Level	Balance at June 30, 2018	Fair Value Measurements on a Recurring Basis Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FHLB Discount Note	$ 7,079,629	$ -	$ 7,079,629	$ -
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy				
Cash and Investments held by County Treasury	465,288,965			
Guaranteed Investment Contract	10,828,885			
Money Market Mutual Funds	659			
Total Investments	$ 483,198,138			

Refer to Note 3 for hedging derivative instruments valuations.

Investment Derivative Instruments

Regional San is a party to contracts for various investment derivative instruments related to its bond issuance, as discussed in the following table and in Note 3.

2. CASH AND INVESTMENTS (Continued)

The following table displays Regional San's investment derivative instruments outstanding at June 30, 2019 and 2018, reported in the Derivative instruments – fair value balance on the statement of net position, along with the credit rating of the associated counterparty:

Type	Notional Amount	Fair Value	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Year ended June 30, 2019						
Series 2008A (2013 B) Pay-fixed interest rate swap	$50,000,000	($16,569,010)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Series 2008C (2012 A) Pay-fixed interest rate swap	$50,000,000	($16,569,010)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A+ (S&P) Aa3 (Moody's)
Total Investment Derivative Instruments		($33,138,020)				
Year ended June 30, 2018						
Series 2008A (2013 B) Pay-fixed interest rate swap	$50,000,000	($12,475,082)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A (S&P) Aa3 (Moody's)
Series 2008C (2012 A) Pay-fixed interest rate swap	$50,000,000	($12,475,082)	12/1/2008	12/1/2036	Pay 3.75%; receive 63.61% of five year USD-ICE Swap Index	A (S&P) Aa3 (Moody's)
Total Investment Derivative Instruments		($24,950,164)				

FAIR VALUE: Investment derivative instruments are categorized as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipates future spot interest rates (London Inter-Bank Offered Rate (LIBOR) or Securities Industry and Financial Markets Association (SIFMA)). The payments are then discounted using the spot rates (LIBOR or SIFMA) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

2008 Series A (2013 B) and 2008 Series C (2012 A) Variable Rate Revenue Bonds Interest Rate Swap

OBJECTIVE OF THE INTEREST RATE SWAP: To reduce its interest rate risk, Regional San entered into interest rate swaps effective December 1, 2008 in connection with its $51,305,000 Series 2008 A Variable Rate Revenue Bonds (refunded by 2013 B Variable Rate Revenue Bonds) and with its $50,000,000 Series 2008 C Variable Rate Revenue Bonds (refunded by 2012 A Variable Rate Revenue Bonds). Regional San pays the counterparty a fixed payment of 3.750% and Regional San receives a variable payment computed at 63.61% of the USD-ICE 5 year swap rate, which effectively changes Regional San's variable rate on the 2012 A and 2013 B bonds to a synthetic fixed rate of 4.76% and 4.76%, respectively.

2. CASH AND INVESTMENTS (Continued)

This swap is not deemed an effective hedge derivative; therefore the changes in fair value are recorded in the Statement of Revenues, Expenses and Changes in Net Position.

INTEREST RATE RISK: The Series 2008 A (Series 2013 B Bonds) mature on December 1, 2036 and the Series 2008 C (Series 2012 A Bonds) matures on December 1, 2038 and the related swaps mature on December 1, 2036. The swaps each have a notional amount of $50,000,000. Under the terms of the swaps, Regional San pays the counterparty a fixed payment of 3.750% and receives a variable payment computed at 63.61% of the USD-ICE 5 year swap.

The Series 2013 B (previously the Series 2008 A) bonds' variable coupons are based on 1 month LIBOR times 70% plus .45% basis points. At June 30, 2019 the actual rate was 2.13%.

The Series 2012 A (previously the Series 2008 C) bonds' variable coupons are based on 1 month LIBOR times 70% plus .45% basis points. At June 30, 2019 the actual rate was 2.13%.

Schedule of Outstanding Notional Amounts

2020 - 2036	$ 100,000,000
December 1, 2036	Termination Date

CREDIT RISK: As of June 30, 2019 and 2018, Regional San was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swap's become positive, Regional San would be exposed to a credit risk in the amount of the derivative's fair value if there was an early termination. The swap counterparty was rated A+ by Standard & Poor's and Aa3 by Moody's Investors Services as of June 30, 2019 and A by Standard & Poor's and Aa3 by Moody's Investors Services as of June 30, 2018.

At June 30, 2019, the maturity of Regional San's 2008A and 2008C Interest Rate Swaps were as follows:

		Investment Maturities (in years)	
Investment Derivative Instruments	Fair Value	Less than one year	More than 10 years
Pay-fixed interest rate swap	$ (33,138,020)	$ -	$ (33,138,020)

3. DERIVATIVES – INTEREST RATE SWAPS

Derivative instruments classified by type, with the notional amounts, changes in fair value, and fair value balances set forth by level, within the fair value hierarchy of derivative instruments outstanding at June 30, 2019 and 2018 and for the fiscal year then ended as reported in the June 30, 2019 and 2018 financial statements on the following page (debit (credit)) (see note #2):

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

Derivative Instruments at June 30, 2019

				Fair Value	
	Notional Amount	Classification	Changes in Fair Value	Classi-fication	Level 2
Cash Flow Hedges:					
Series 2000C Swap					
Pay-fixed interest rate swap-Hybrid	$100,000,000	Deferred outflow	$ (5,267,759)	Debt	$ (23,344,067)
Series 2007B Swap					
Pay-fixed interest rate swap	$353,450,000	Deferred outflow	$(23,416,715)	Debt	$ (89,987,028)
Total change in fair value - deferred outflow			$(28,684,474)	*Total*	$(113,331,095)
Investment Derivatives:					
Series 2008A Swap (2013 B)					
Pay-fixed interest rate swap	$50,000,000	Investment income	$ (4,093,928)	Investment	$ (16,569,010)
Series 2008C Swap (2012 A)					
Pay-fixed interest rate swap	$50,000,000	Investment income	$ (4,093,928)	Investment	$ (16,569,010)
Total change in fair value - investment income			$ (8,187,856)	*Total*	$ (33,138,020)
				Total Fair Value	$(146,469,115)

Derivative Instruments at June 30, 2018

				Fair Value	
	Notional Amount	Classification	Changes in Fair Value	Classi-fication	Level 2
Cash Flow Hedges:					
Series 2000C Swap					
Pay-fixed interest rate swap-Hybrid	$100,000,000	Deferred outflow	$ 5,492,179	Debt	$ (18,076,308)
Series 2007B Swap					
Pay-fixed interest rate swap	$353,450,000	Deferred outflow	$ 23,419,500	Debt	$ (66,570,313)
Series 2008B Swap (2013 C)					
Pay-fixed interest rate swap	$50,000,000	Deferred outflow	$ 605,739	Debt	$ -
Series 2008D Swap (2013 D)					
Pay-fixed interest rate swap	$50,000,000	Deferred outflow	$ 605,739	Debt	$ -
Total change in fair value - deferred outflow			$ 30,123,157	*Total*	$ (84,646,621)
Investment Derivatives:					
Series 2008A Swap (2013 B)					
Pay-fixed interest rate swap	$50,000,000	Investment income	$ 2,968,727	Investment	$ (12,475,082)
Series 2008C Swap (2012 A)					
Pay-fixed interest rate swap	$50,000,000	Investment income	$ 2,968,727	Investment	$ (12,475,082)
Series 2008E Swap (2013 A)					
Pay-fixed interest rate swap	$50,000,000	Investment income	$ 605,739	Investment	$ -
Total change in fair value - investment income			$ 6,543,193	*Total*	$ (24,950,164)
				Total Fair Value	$(109,596,785)

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

Objectives and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of Regional San's cash flow hedging derivative instruments outstanding at June 30, 2019, along with the credit rating of the associated counterparty:

Series 2000C Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2000C bonds	$100,000,000	1/2/2003	12/1/2030	Pay 3.74%; receive 65% of 1 Mo. USD-LIBOR	A+ (S&P) Aa2 (Moody's)
Series 2007B Pay-fixed interest rate swap	Hedge of variable rate risk on the 2007B bonds	$353,450,000	3/1/2007	12/1/2035	Pay 4.152%; receive Lesser of (67% of 3 Mo. USD-LIBOR plus 53 bps) or 12%	A+ (S&P) Aa2 (Moody's)

FAIR VALUE: Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payment, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates (LIBOR). The payments are then discounted using the spot rates (LIBOR) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

DETAILED DISCUSSION ON EACH SWAP TRANSACTION

2000 Series C Subordinate Lien Variable Rate Revenue Bonds Interest Rate Swap

OBJECTIVE OF THE INTEREST RATE SWAP: To hedge the risk of overall changes in cash flows associated with the variable rate bonds, and obtain up-front value to fund future programs, Regional San entered into an interest rate swap effective January 2003 in connection with its $100 million Series 2000 C Subordinate Lien Variable Rate Revenue Bonds.

Under GASB 53, a swap transaction that has an issuer receive an upfront payment can be considered a hybrid instrument comprising of an instrument valued at the upfront amount received, and an at-market swap, which would be a swap that Regional San would have entered into without this one-time premium. The fair value of the at-market swap which would exclude the fair value of the instrument was ($23,344,067) and ($18,076,308) for June 30, 2019 and 2018, respectively. The intention of the swap was to effectively change Regional San's variable interest rate on the bonds to a synthetic fixed rate of 3.75%. The ($23,344,067) derivative is recorded as a swap liability, and since the swap qualifies for hedge accounting, a corresponding deferred outflow of this amount is also recorded. The up-front payment was accounted for separately as derivative borrowing under noncurrent liabilities.

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

TERMS: The bonds and the related swap agreement mature on December 1, 2030, and the swap's notional amount of $100 million matches the $100 million variable-rate bonds. Starting in fiscal year 2027-28, the notional value of the swap and the principal amount of the associated debt begins to decline. Under the swap, Regional San pays the counterparty a fixed payment of 3.75% and receives a variable payment computed at 65% of the 1-month London Interbank Offered Rate (LIBOR). The bond's variable rates are based on the Weekly Rate.

Before July 2015, the counterparty had the option of ending the swap arrangement on the first day of June and December of each year. If the counterparty had exercised this option, no termination payment would have been due by either counterparty. In July 2015, Regional San terminated the counterparty's option of ending the swap termination arrangement by paying $1.465 million.

CREDIT RISK: As of June 30, 2019 and 2018, Regional San was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, Regional San would be exposed to credit risk in the amount of the derivative's fair value if there was an early termination. The swap counterparty was rated A+ by Standard & Poor's and Aa2 by Moody's Investors Services as of June 30, 2019 and A+ by Standard & Poor's and Aa3 by Moody's Investors Services as of June 30, 2018.

BASIS RISK: The basis risk is the difference between the Weekly Rate paid on the variable rate bonds and the floating amount received from the interest rate swap of 65% of 1-month LIBOR. As of June 30, 2019, the rate set by Bank of America Securities LLC according to market trends was 1.44%, whereas the weekly reset of 65% of 1-month LIBOR was 1.56%, a difference of 0.12%. As of June 30, 2019, the effect of this difference decreases the intended synthetic fixed rate of 3.75% to a rate of 3.62%.

INTEREST RATE RISK: Regional San is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR, the bond floating rate swap index, or the SIFMA swap index decreases, Regional San's net payment on the swaps increases.

TERMINATION RISK: Regional San or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap were terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. If the swap were terminated and at the time of termination the swap has a negative fair value, Regional San would be liable to the counterparty for a payment equal to the swap's fair value.

UP-FRONT PAYMENT: As part of the swap agreement, Regional San received an up-front payment from the counterparty equal to the negative value of the swap agreement on January 2, 2003, totaling $9,087,000, which was restricted for funding certain future specific programs. Regional San has recorded this amount as a noncurrent liability and amortized it over the term of the agreement. At June 30, 2019 and 2018 the unamortized up-front payment totaled $2,575,604 and $2,790,237, respectively, and is accounted for as a liability in the Statements of Net Position as a portion of the derivative borrowing.

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

Assuming current interest rates remain the same for their term, as described, debt service requirements of the Series 2000 C variable rate debt and the net swap payments, are as shown in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year. Interest rate swap schedules are based on interest rates effective on June 30, 2019.

Fiscal Years Ending June 30:	Variable Rate Debt Principal	Variable Rate Debt Interest	Interest Rate Swaps, Net	Total Interest
2020	$ -	$ 1,440,000	$ 2,181,300	$ 3,621,300
2021	-	1,440,000	2,181,300	3,621,300
2022	-	1,440,000	2,181,300	3,621,300
2023	-	1,440,000	2,181,300	3,621,300
2024	-	1,440,000	2,181,300	3,621,300
2025-2029	46,200,000	6,563,520	9,942,365	16,505,885
2030-2031	53,800,000	783,360	1,186,627	1,969,987
	$ 100,000,000	$ 14,546,880	$ 22,035,493	$ 36,582,373

2007 Series B Refunding Bonds Interest Rate Swap

OBJECTIVE OF THE INTEREST RATE SWAP: To reduce its interest rate risk, Regional San entered into an interest rate swap effective March 1, 2007 in connection with its $353,450,000 Series 2007 B Refunding Bonds. The swap changes Regional San's variable interest rate on the bonds to a synthetic fixed rate of 4.152%. Under GASB 53, this swap is deemed a hedging instrument and therefore the changes in fair value are recorded as a deferred outflow of resources on the Statements of Net Position.

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

SIGNIFICANT TERMS: The bonds and related swap mature on December 1, 2035. The swaps notional amount is $353,450,000. Starting in fiscal year 2023-24, the notional amount of the swap will decline each December 1 as follows:

Schedule of Outstanding Notional Amounts

2020-2024	$ 353,450,000
2025	339,665,000
2026	325,285,000
2027	310,300,000
2028	295,015,000
2029	279,895,000
2030	264,395,000
2031	248,460,000
2032	202,810,000
2033	155,220,000
2034	105,610,000
2035	53,900,000
December 1, 2035	Termination Date

Under the terms of the swap, Regional San pays the counterparty a fixed payment of 4.152% and receives a variable payment computed at the lesser of (A) 67% of 3-month LIBOR plus 0.53% or (B) 12% on the notional amount.

CREDIT RISK: As of June 30, 2019 and 2018, Regional San was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, Regional San would be exposed to a credit risk in the amount of the derivative's fair value if there was an early termination. The swap counterparty was rated A+ by Standard & Poor's and Aa2 by Moody's Investors Services as of June 30, 2019. The swap counterparty was rated A+ by Standard & Poor's and Aa3 by Moody's Investors Services as of June 30, 2018.

BASIS RISK: Regional San has no basis risk because the rate paid on the variable rate bonds and the floating amount received from the interest rate swap are identical: The lesser of 67% of the 3-Month LIBOR plus 0.53%, provided the resulting interest rate never exceed 12%. As of June 30, 2019 and 2018, the variable interest rate was 2.08% and 1.40%, respectively.

INTEREST RATE RISK: Regional San is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR, or the bond floating rate swap index, Regional San's net payment on the swaps increases.

3. DERIVATIVES – INTEREST RATE SWAPS (Continued)

TERMINATION RISK: Regional San or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination the swap has a negative fair value, Regional San would be liable to the counterparty for a payment equal to the swap's fair value.

DERIVATIVE INSTRUMENT PAYMENTS: Assuming current interest rates remain the same for their term, as described, debt service requirements of the 2007 Series B variable rate debt and the net swap payments, are as shown in the following table. As rates vary, variable rate bond interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year. Interest rate swap schedules are based on interest rates effective June 30, 2019.

Fiscal Years Ending June 30:	Variable Rate Debt Principal	Variable Rate Debt Interest	Interest Rate Swaps, Net	Total Interest
2020	$ -	$ 7,367,075	$ 7,308,169	$ 14,675,244
2021	-	7,367,075	7,308,169	14,675,244
2022	-	7,367,075	7,308,169	14,675,244
2023	-	7,367,075	7,308,169	14,675,244
2024	13,785,000	7,223,412	7,165,655	14,389,067
2025-2029	75,270,000	31,526,058	31,273,980	62,800,038
2030-2034	210,495,000	18,159,699	18,014,497	36,174,196
2035	53,900,000	561,728	557,236	1,118,964
	$ 353,450,000	$ 86,939,197	$ 86,244,044	$ 173,183,241

4. CAPITAL ASSETS

Capital assets activity for the fiscal years ended June 30, 2019 and 2018 were as follows:

	July 1, 2018	Increase	Decrease	June 30, 2019
Capital assets not being depreciated:				
Permanent easement	$ 1,411,683	$ -	$ (71,063)	$ 1,340,620
Land	45,460,871	-	-	45,460,871
Construction in progress	712,012,071	265,961,188	(45,563,397)	932,409,862
Total capital assets not being depreciated	758,884,625	265,961,188	(45,634,460)	979,211,353
Capital assets being depreciated:				
Software	6,621,398	-	-	6,621,398
Equipment	147,274,049	982,723	(606,798)	147,649,974
Structures and improvements	2,662,244,179	45,242,606	-	2,707,486,785
Total capital assets being depreciated	2,816,139,626	46,225,329	(606,798)	2,861,758,157
Less accumulated depreciation:				
Software	(4,899,535)	(763,050)	-	(5,662,585)
Equipment	(146,258,363)	(216,405)	482,152	(145,992,616)
Structures and improvements	(746,960,583)	(47,541,721)	-	(794,502,304)
Total accumulated depreciation	(898,118,481)	(48,521,176)	482,152	(946,157,505)
Total capital assets, being depreciated, net	1,918,021,145	(2,295,847)	(124,646)	1,915,600,652
Net capital assets	$ 2,676,905,770	$ 263,665,341	$ (45,759,106)	$ 2,894,812,005

	July 1, 2017	Increase	Decrease	June 30, 2018
Capital assets not being depreciated:				
Permanent easement	$ 1,274,143	$ 137,540	$ -	$ 1,411,683
Land	45,460,871	-	-	45,460,871
Construction in progress	525,469,989	291,034,115	(104,492,033)	712,012,071
Total capital assets not being depreciated	572,205,003	291,171,655	(104,492,033)	758,884,625
Capital assets being depreciated:				
Software	6,403,743	217,655	-	6,621,398
Equipment	147,196,813	465,348	(388,112)	147,274,049
Structures and improvements	2,557,809,471	104,434,708	-	2,662,244,179
Total capital assets being depreciated	2,711,410,027	105,117,711	(388,112)	2,816,139,626
Less accumulated depreciation:				
Software	(4,018,749)	(880,786)	-	(4,899,535)
Equipment	(146,440,224)	(204,005)	385,866	(146,258,363)
Structures and improvements	(700,871,179)	(46,089,404)	-	(746,960,583)
Total accumulated depreciation	(851,330,152)	(47,174,195)	385,866	(898,118,481)
Total capital assets, being depreciated, net	1,860,079,875	57,943,516	(2,246)	1,918,021,145
Net capital assets	$ 2,432,284,878	$ 349,115,171	$ (104,494,279)	$ 2,676,905,770

4. CAPITAL ASSETS (Continued)

Depreciation expense included in the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2019 and 2018 totaled $48,521,176 and $47,174,195, respectively.

5. LONG-TERM DEBT

Long-term debt at June 30, 2019 and 2018 consisted of the following:

	2019	2018
District's Revenue Bonds		
2014B Series Taxable Refunding Bonds	$ 48,635,000	$ 58,460,000
2014A Series Refunding Bonds	402,132,231	411,991,547
2011A Series Refunding Bonds	81,976,534	82,509,482
2007A/B Series Refunding Bonds	419,402,454	429,920,178
2006 Series Revenue Bonds	-	21,691,713
2001 Series Refunding Bonds	19,512,800	25,342,556
2000 Series C Subordinate Lien Revenue Bonds	100,000,000	100,000,000
Direct Purchase Arrangements		
2013D Series Subordinate Refunding Bonds	50,000,000	50,000,000
2013C Series Subordinate Refunding Bonds	50,000,000	50,000,000
2013B Series Subordinate Refunding Bonds	50,000,000	50,000,000
2012A Series Subordinate Refunding Bonds	50,000,000	50,000,000
Clean Water State Revolving Fund Loan	670,212,103	474,574,145
Loan with Contributing Agency (Note 8)	1,125,920	1,670,770
Capital Lease Obligation (Note 9)	7,391,076	8,617,381
District's Total long-term debt	1,950,388,118	1,814,777,772
Less District's current portion	(47,526,453)	(43,594,051)
District's Long-term portion	1,902,861,665	1,771,183,721
Financing Authority Revenue Bonds:		
2010A/B Series Revenue Bonds	120,136,769	121,205,223
2015 Series Revenue Bonds	50,648,911	50,955,612
Total long-term debt - Financing Authority	170,785,680	172,160,835
Less current portion	(1,430,155)	(1,375,155)
Long-term portion - Financing Authority	169,355,525	170,785,680
Total Long-term portion	$ 2,072,217,190	$ 1,941,969,401

5. LONG-TERM DEBT (Continued)

Letter of Credit

The Series 2000 C Subordinate Lien Variable Rate Revenue Bonds (the Series 2000C Bonds") are secured by an irrevocable direct pay Letter of Credit (LOC). The current LOC provider for the Series 2000C Bonds is Bank of America, N.A. The LOC is drawn down by the amount necessary to pay the bondholders the principal and interest due on each interest and principal payment date. The funds received by the Trustee from Regional San are used to reimburse Bank of America for the amount of the LOC draw plus the draw fee of $250.00 per draw. The LOC current value committed remains constant at $100,000,000. On February 21, 2018, Regional San extended the expiration date of the letter of credit from March 25, 2018 to March 25, 2021.

Direct Purchase Arrangements

The $50 million Series 2013 C and $50 million Series 2013 D Subordinate Lien Variable Rate Refunding Revenue Bonds (the “Series 2013 C and D Bonds”) refunded the Series 2008 B and D Variable Rate Revenue Bonds on November 14, 2013. The Series 2008 B and D Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2013 C and D Bonds were purchased directly by Banc of America Preferred Funding Corporation (BofA). Pursuant to its direct purchase of the Series 2013 C and D Bonds, BofA will hold the Sacramento County Sanitation Districts Financing Authority (Authority) Bonds. The original agreement was for three years ending in November of 2016. The direct purchase agreement was renewed at that time for an additional three-year term ending in November 2019. On April 4, 2019, the agreement was renewed until April 4, 2022. BofA cannot put the bonds back to the Authority or Regional San during the term of the agreement. This eliminates the need for a bank liquidity facility such as a LOC; and eliminates bank risks, remarketing risks and remarketing costs for the duration of the agreement. The renewed direct purchase agreements reduces the cost by $12,500 per year for each series and changes the index used to calculate the variable rate from SIFMA to 70% of 1 month LIBOR plus 50 bps.

The $50 million Series 2012 A Subordinate Lien Variable Rate Refunding Revenue Bonds (the “Series 2012 A Bonds”) refunded the Series 2008 C Variable Rate Revenue Bonds in July 2012. The 2008 C Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2012 A Bonds were purchased directly by Wells Fargo Bank (WFB). Under the current direct purchase agreement with the Series 2012 A Bonds dated July 2, 2018, WFB will hold the Bonds for three years through July 2, 2021.

WFB cannot put the bonds back to the Authority or Regional San during the term of the agreement. This eliminates the need for a bank liquidity facility such as a LOC; and eliminates bank risks, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 80% of one-month LIBOR plus .45 BPS per annum for the duration of the agreement.

5. LONG-TERM DEBT (Continued)

The $50 million Series 2013 B Subordinate Lien Variable Rate Refunding Revenue Bonds (the "Series 2013 B Bonds") refunded the 2008 A Variable Rate Revenue Bonds on May 30, 2013. The Series 2008 A Variable Rate Revenue Bonds were previously secured by an irrevocable direct pay LOC. The Series 2013 B Bonds were purchased directly by Wells Fargo Bank (WFB). Under the current direct purchase agreement with the Series 2013 B Bonds dated July 2, 2018, WFB will hold the Bonds for three years through July 2, 2021.

WFB cannot put the bonds back to the Authority or Regional San during the term of the agreement. This eliminates the need for a bank liquidity facility such as a LOC; and eliminates bank risks, remarketing risks and remarketing costs for the three year term of the agreement. Per the direct purchase agreement, the rate is 80% of one-month LIBOR plus .45 BPS per annum for the duration of the agreement.

2014B Series Refunding Bonds

In November 2014, the Sacramento County Sanitation Districts Financing Authority (Authority) issued the 2014 B Series Taxable Refunding Bonds senior lien bonds in the amount of $61,895,000 with interest rates ranging from 0.5% to 3.2%, principal payments ranging from $1,105,000 to $10,830,000 with the first payment starting in 2015 and ending in 2023. Proceeds from this debt issue were used to advance refund $58,730,000 of the tax-exempt Series 2005 Revenue Bonds. Regional San completed the advance refunding to reduce its future total debt service payments by approximately $4.3 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $3.8 million. Unamortized deferred amount on refunding was $3,322,823 and $3,987,388 at June 30, 2019 and 2018, respectively.

2014A Series Revenue Bonds

In July 2014, Regional San (through the Authority) issued the 2014 A Series Revenue Bonds in the amount of $378,510,000 with interest rates ranging from 3.0% to 5.0%, principal payments ranging from $7,400,000 to $36,250,000 with the first payment starting in 2016 and ending in 2044, net of premium of $55,778,814. Proceeds from this debt issue were used to advance refund $260,600,000 of the Series 2006 Revenue Bonds and to pay certain costs of preliminary planning design, construction and related activities in connection with the implementation of facilities and upgrades to the Sanitation System. Regional San completed the advance refunding to reduce its future total debt service payments by approximately $29.9 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $21.6 million. Unamortized premium was $46,782,231 and deferred amount on refunding was $14,230,364 at June 30, 2019. Unamortized premium was $48,581,547 and deferred amount on refunding was $14,777,686 at June 30, 2018.

5. LONG-TERM DEBT (Continued)

2013D Series Refunding Bonds

In November 2013, Regional San (through the Authority) refunded $50,000,000 of the Subordinate Lien Variable Rate 2008 D Bonds by issuing $50,000,000 Series 2013 D Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 D Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 70% of 1 month LIBOR plus 50 basis points. Unamortized deferred amount on refunding was $310,338 and $324,444 at June 30, 2019 and 2018, respectively. Proceeds on the Series 2013 D Bonds were used for the refunding of the 2008 A Series Bonds.

2013C Series Refunding Bonds

In November 2013, Regional San (through the Authority) refunded $50,000,000 of the Subordinate Lien Variable Rate 2008 B Bonds by issuing $50,000,000 Series 2013 C Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 C Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 70% of 1 month LIBOR plus 50 basis points. Unamortized deferred amount on refunding was $310,338 and $324,444 at June 30, 2019 and 2018, respectively. Proceeds on the Series 2013 C Bonds were used for the refunding of the 2008 B Series Bonds.

2013B Series Refunding Bonds

In May 2013, Regional San (through the Authority) refunded $50,000,000 of the Subordinate Lien Variable Rate 2008 A Bonds by issuing $50,000,000 Series 2013 B Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2013 B Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 70% of 1 month LIBOR plus 45 basis points. Unamortized deferred amount on refunding was $310,338 and $324,444 at June 30, 2019 and 2018, respectively. Proceeds on the Series 2013 B Bonds were used for the refunding of the 2008 A Series Bonds.

2012A Series Refunding Bonds

In July 2012, Regional San (through the Authority) refunded $50,000,000 of the Subordinate Lien Variable Rate 2008 C Bonds by issuing $50,000,000 Series 2012 A Subordinate Lien Variable Rate Tax Exempt Revenue Bonds. The Series 2012 A Subordinate Lien Variable Rate Tax Exempt Revenue Bonds carry a variable interest rate of 70% of 1 month LIBOR plus 45 basis points. Unamortized deferred amount on refunding was $310,338 and $324,444 at June 30, 2019 and 2018, respectively. Proceeds on the Series 2012 A Bonds were used for the refunding of the 2008 C Series Bonds.

5. LONG-TERM DEBT (Continued)

2011A Series Refunding Bonds

In August 2011, Regional San (through the Authority) refunded approximately $85,420,000 of the 2001 Bonds by issuing $77,180,000 Series 2011 A Refunding Bonds. The Series 2011 A Refunding Bonds carry a fixed interest rate ranging from 4.000% to 5.000% and mature serially commencing in fiscal year 2022 through 2027. Proceeds of these bonds were used to partially refund the Series 2001 Refunding Bonds. Unamortized premium was $4,796,534 and $5,329,482 and deferred amount on refunding was $1,590,552 and $1,767,280 at June 30, 2019 and 2018, respectively.

2007A and 2007B Series Refunding Bonds

In February 2007, Regional San (through the Authority) issued Series 2007 A Refunding Bonds in the amount of $89,915,000 and Series 2007 B Refunding Bonds in the amount of $353,450,000. The Series 2007 A Refunding Bonds carry fixed interest rates ranging from 4.00% to 5.25%. The Series 2007 B Refunding Bonds bear interest at a variable interest rate which is established at each quarterly interest payment date based on 67% of the Three-Month LIBOR Rate plus a per annum spread of 0.53%, providing the resulting interest rate never exceed 12%. The variable rate at June 30, 2019 was 2.084%. Concurrently with the issuance of the bonds, Regional San entered into an interest rate swap in the notional amount of the Series 2007 B Refunding Bonds whereby Regional San pays the swap counterparty the fixed rate of 4.152% and receives a floating amount equal to the debt service requirements (see Note 3). The Series 2007 A Refunding Bonds mature serially commencing in fiscal year 2017 through 2036. The 2007 B Series Refunding Bonds mature serially commencing in fiscal year 2025 through 2036. Proceeds of the Series 2007 A and B Refunding Bonds were used to: i) advance refund $456,865,000 of the outstanding principal of Series 2004 A Revenue Bonds (the refunded bonds); ii) pay certain bond issuance costs; and iii) fund the reserve requirements for the bonds.

The bonds were issued at a premium and $485,933,906 of the proceeds, including reserve fund and available debt service monies related to the refunded bonds, was deposited in an irrevocable trust to retire the Series 2004 A refunded bonds as they come due in fiscal year 2016 through 2036; $445,770,000 and $454,765,000 of such defeased bonds were outstanding as of June 30, 2019 and 2018, respectively. Unamortized premium related to the Series 2007 A and B Refunding Bonds was $6,562,454 and $6,960,178 at June 30, 2019 and 2018 respectively; unamortized deferred amount on refunding was $10,647,203 and $11,292,488 at June 30, 2019 and 2018, respectively.

5. LONG-TERM DEBT (Continued)

2006 Series Revenue Bonds

In July 2006, Regional San (through the Authority) issued Series 2006 Revenue Bonds in the amount of $338,960,000. Interest rates range from 4.00% to 5.00%. The bonds mature serially from December 2007 through December 2031. Proceeds of these bonds were to be used to: i) finance improvements to the wastewater conveyance, treatment and disposal system; ii) pay certain bond issuance costs; and iii) fund the reserve requirements for the bonds. The bonds were issued at a premium. Unamortized premium was $0 and $561,713 at June 30, 2019 and 2018, respectively.

In July 2018, the 2006 Series Revenue Bonds were redeemed early. The bonds were scheduled to mature in 2036 and became callable on June 1, 2016. The funds used to redeem the bonds were paid from the associated reserve fund and a cash contribution from the Regional San. The early payoff of the 2006 Series Bond had a net present value savings to Regional San of $1,911,209.

2001 Series Refunding Revenue Bonds

In June 2001, Regional San (through the Authority) issued the Series 2001 Refunding Revenue bonds. These bonds funded an escrow sufficient to solely provide for the payment of interest on the Series 2001 Refunding Bonds as it became due on and prior to December 1, 2005 (also known as the “Crossover Date”) and a portion of the principal of the Series 2000 A Revenue Bonds. Principal payments are due serially commencing on December 1, 2006 through 2027 with interest rates ranging from 4.00% to 5.50%. On the Crossover Date, the escrow deposit of $121,953,020 was used to refund $120,145,000 of Series 2000 A Revenue Bonds.

In August 2011, Regional San (through the Authority) refunded approximately $85,420,000 of the 2001 bonds by issuing $77,180,000 Series 2011A Tax Exempt Revenue Bonds. Proceeds were used for a current refunding, as a result a portion of the 2001 bonds are considered to be refunded and the liability for those bonds has been removed from Regional San’s financial statements. Unamortized discount was $92,200 and $102,444 and unamortized deferred amount on refunding was $207,393 and $230,437, at June 30, 2019 and 2018, respectively.

2000 Series Revenue Bonds

In June 2000, Regional San (through the Authority) issued the Series 2000 C Subordinate Lien Variable Rate Revenue Bonds in the amount of $100,000,000. Interest rates for the Series 2000 C rates are set by Bank of America Securities LLC on a weekly basis according to market trends. The variable rate was 2.129% and 1.230% at June 30, 2019 and 2018, respectively.

Proceeds from these debt issues were used to finance the acquisition and construction of new facilities. The Series 2000 C Variable Rate Revenue Bonds are secured by a pledge of and lien on the net revenues of Regional San subordinate to the claims of any additional parity revenue bonds subsequently issued by Regional San.

5. LONG-TERM DEBT (Continued)

In June 2000, Regional San (through the Authority) issued the Series 2000 A Revenue Bonds in the amount of $390,563,095 and the Series 2000 B Refunding bonds in the amount of $12,973,543. Proceeds from these debt issues were used to; i) advance refund all of the outstanding amounts of the Series 1993 and Series 1995 Revenue Bonds; and ii) finance the acquisition and construction of new facilities.

Final payment on the Series 2000 B Revenue bonds was made in December of 2003. The Series 2000A was refunded in 2010 with the issuance of the 2010 A and 2010 B Series Revenue Bonds

The portion of the proceeds of the Series 2000 A and Series 2000 B Revenue Bonds used to refund the Series 1993 and Series 1995 Revenue Bonds were irrevocably deposited with an escrow agent and applied to purchase certain investments permitted by the escrow agreement. The principal and interest on which will be sufficient to pay principal, interest and redemption premium, if any, when due with respect to the Series 1993 and Series 1995 Revenue Bonds. As a result, the Series 1993 and Series 1995 Revenue Bonds are considered to be in-substance defeased and the liability for those bonds has been removed from Regional San's financial statements. In December 2017, the final payment of the 1995 defeased Revenue Bonds were paid. As of June 30, 2019 and 2018, $35,815,000 and $42,495,000, respectively, of the Series 1993 defeased Revenue Bonds remain outstanding.

In November 2014, Regional San (through the Authority) executed an escrow liquidation of the Series 1993 defeased Revenue Bonds. The amount of the early liquidation was $8,375,000 saving approximately $4.8 million. There was a second early escrow liquidation of the Series 1993 defeased Revenue Bonds on January 6, 2016 in the amount of $23,670,000, saving approximately $3.9 million.

5. LONG-TERM DEBT (Continued)

Maturity Schedule

Future debt service requirements on Regional San revenue bonds, State Revolving Fund Loan, and City of Sacramento loan at June 30, 2019 are as follows:

Year Ending	Bonds			Direct Borrowings Notes, SRF and City of Sacramento Loan		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 35,330,000	$ 44,578,851	$ 79,908,851	$ 8,210,363	$ 10,774,848	$ 18,985,211
2021	36,910,000	42,976,823	79,886,823	8,351,013	10,649,390	19,000,403
2022	38,610,000	41,266,423	79,876,423	17,179,627	16,617,796	33,797,423
2023	39,220,000	39,497,539	78,717,539	17,462,490	16,334,933	33,797,423
2024	41,055,000	37,638,770	78,693,770	18,505,138	16,544,382	35,049,520
2025-2029	240,490,000	158,263,332	398,753,332	97,204,905	78,042,694	175,247,599
2030-2034	305,045,000	102,525,142	407,570,142	105,490,239	69,757,360	175,247,599
2035-2039	142,200,000	42,117,949	184,317,949	264,079,218	53,866,024	317,945,242
2040-2044	98,500,000	26,424,750	124,924,750	172,160,356	20,211,191	192,371,546
2045-2049	36,250,000	902,300	37,152,300	127,901,772	9,294,011	137,195,783
2050-2053	-	-	-	34,792,903	972,731	35,765,634
	1,013,610,000	536,191,879	1,549,801,879	871,338,023	303,065,360	1,174,403,383
Plus net unamortized discounts and premiums	58,049,019	-	58,049,019	-	-	-
	$ 1,071,659,019	$ 536,191,879	$ 1,607,850,898	$ 871,338,023	$ 303,065,360	$ 1,174,403,383

The interest requirements, for the purpose of the maturity schedule above, for Regional San's Variable rate debt, related to the Series 2000 C Subordinate Lien Variable Rate Revenue Bonds are based on the estimated rate of 3.62%, the Series 2007 B Variable Rate Refunding Bonds are based on a rate of 4.15%, the Series 2013 C Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 2.18%, the Series 2013 D Subordinate Lien Variable Rate Refunding Revenue Bonds are based on the estimated rate of 2.18%, and the Series 2012A and 2013B Subordinate Lien Variable Rate Refunding Bonds are based on the estimated rate of 4.76% and 4.76%.

Financing Authority 2015 Series Revenue Bonds

In May 2015, the Sacramento County Sanitation Districts Financing Authority (Authority) issued $45,435,000 2015 Series Revenue Bonds on behalf of the Sacramento Area Sewer District (SASD). The bonds proceeds were placed in an irrevocable trust to completely defease the 2005 Series Revenue Bonds. The bonds mature serially from August 2025 through August 2035. Interest rates for the Series 2015 range from 3.00% to 5.00%, principal payments range from $3,260,000 to $5,115,000 with the first payment starting in August 2025 and ending in August 2035. SASD paid $70.3 million toward the refunding. The refunding resulted in an economic gain of $6.2 million. Unamortized premium was $5,213,911 and $5,520,612 as of June 30, 2019 and 2018, respectively. Deferred amount on refunding was $1,319,695 and $1,397,324 at June 30, 2019 and 2018, respectively.

5. LONG-TERM DEBT (Continued)

Financing Authority 2010A/B Series Revenue Bonds

In August 2010, the Authority issued $110,690,000 Revenue Bonds, Series 2010A Federally Taxable Direct Subsidy Build America Bonds and $15,930,000 Revenue Bonds, Series 2010B. The bond proceeds were then loaned to SASD. The bonds mature serially from August 2011 through August 2040. Interest rates for the Series A Bonds range from 6.125% to 6.325%, principal payments ranging from $1,440,000 to $16,175,000 with the first payment starting in 2026 and ending in 2040. Interest rates for the Series B Bonds range from 2.5% to 5.0%, principal payments ranging from $820,000 to $1,180,000 with the first payment starting in 2011 and ending in 2021. The proceeds were used to finance improvements to the collection system to reduce or eliminate potential sewer overflows, serve new growth, and to purchase capital improvements completed by Regional San.

Financing Authority Maturity Schedule

Future debt service requirements on Financing Authority bonds as of June 30, 2019 are as follows:

Fiscal years ending June 30:	Principal	Interest	Total
2020	$ 1,085,000	$ 9,380,859	$ 10,465,859
2021	1,130,000	9,330,909	10,460,909
2022	1,180,000	9,279,059	10,459,059
2023	1,230,000	9,230,859	10,460,859
2024	1,275,000	9,180,759	10,455,759
2025-2029	21,285,000	43,597,455	64,882,455
2030-2034	40,930,000	36,094,798	77,024,798
2035-2039	64,935,000	20,846,344	85,781,344
2040-2041	31,695,000	2,025,423	33,720,423
	164,745,000	148,966,465	313,711,465
Plus net unamortized discounts, and premiums	6,040,680	-	6,040,680
	$ 170,785,680	$ 148,966,465	$ 319,752,145

5. LONG-TERM DEBT (Continued)

Bond Covenants

Pursuant to various agreements and resolutions entered into by Regional San and Financing Authority related to its Revenue Bonds, Regional San is required to abide the following provisions:

- Punctual payment of interest and principal will be made when due.
- Proceeds of the Revenue Bonds will be used by Regional San to pay the costs of financing or refinancing the acquisition and construction (together with the incidental costs and expenses related thereto) of the Projects approved by the Board of Directors.
- Rates, fees, and charges will be fixed and collected at an amount sufficient to yield adjusted annual net revenues, as defined, equal to at least the amount required by the coverage requirement, as defined by the Master Installment Purchase Contract, for the fiscal year.

For the year ended June 30, 2019 and 2018, Regional San was in compliance with the preceding covenants.

The debt issued by the Financing Authority are not secured by a legal or equitable pledge, or charge or lien upon, any property of the Financing Authority or any of its income or receipts except the Financing Authority's revenues. Neither the payment of the interest on or principal of or redemption premiums, if any constitutes a debt, liability or obligation of the Financing Authority or any member of the Financing Authority (including Regional San) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. The estimated amount payable to the U.S. Treasury for excess investment income related to Regional San's long-term obligations was $0 for the year ending June 30, 2019 and 2018. The ultimate liability to be paid to the U.S. Treasury will fluctuate based upon the timing of construction draw-downs and changing investment yields.

5. LONG-TERM DEBT (Continued)

Changes in Long-Term Obligations

Changes in long-term obligations for the fiscal years ended June 30, 2019 and 2018 were as follows:

	July 1, 2018	Increase	Decrease	June 30, 2019	Due Within One year
Revenue Bonds - Financing Authority	$ 165,775,000	$ -	$ (1,030,000)	$ 164,745,000	$ 1,085,000
Plus premium	6,385,835	-	(345,155)	6,040,680	345,155
Total - Financing Authority	172,160,835	-	(1,375,155)	170,785,680	1,430,155
Regional San's - Revenue bonds	1,068,585,000	-	(54,975,000)	1,013,610,000	35,330,000
Regional San's - Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	61,330,476	-	(3,281,457)	58,049,019	2,719,745
State revolving loan	474,574,145	197,729,575	(2,091,617)	670,212,103	7,653,527
Loan with contributing agency	1,670,769	-	(544,849)	1,125,920	556,836
Capital lease	8,617,381	-	(1,226,305)	7,391,076	1,266,345
Derivative borrowing	2,790,239	-	(214,634)	2,575,605	214,633
Compensated Absences	6,820,820	1,317,143	(1,023,123)	7,114,840	1,067,226
Landfill closure and postclosure liability	12,386,205	229,627	(208,555)	12,407,277	12,997
Total - Regional San's	1,836,775,035	199,276,345	(63,565,540)	1,972,485,840	48,821,309
Total	$ 2,008,935,870	$ 199,276,345	$ (64,940,695)	$ 2,143,271,520	$ 50,251,464

	July 1, 2017	Increase	Decrease	June 30, 2018	Due Within One year
Revenue Bonds - Financing Authority	$ 166,765,000	$ -	$ (990,000)	$ 165,775,000	$ 1,030,000
Plus premium	6,730,990	-	(345,155)	6,385,835	345,155
Total - Financing Authority	173,495,990	-	(1,335,155)	172,160,835	1,375,155
Regional San's - Revenue bonds	1,100,880,000	-	(32,295,000)	1,068,585,000	33,845,000
Regional San's - Notes from direct borrowings	200,000,000	-	-	200,000,000	-
Plus (less):					
Premium (discounts)	64,648,630	-	(3,318,154)	61,330,476	2,749,309
State revolving loan	253,786,588	221,946,927	(1,159,370)	474,574,145	5,228,587
Loan with contributing agency	2,203,890	-	(533,121)	1,670,769	544,849
Capital lease	9,804,914	-	(1,187,533)	8,617,381	1,226,306
Derivative borrowing	3,004,872	-	(214,633)	2,790,239	214,633
Compensated Absences	6,698,509	1,127,087	(1,004,776)	6,820,820	1,023,123
Landfill closure and postclosure liability	11,795,811	1,036,800	(446,406)	12,386,205	2,086
Total - Regional San's	1,652,823,214	224,110,814	(40,158,993)	1,836,775,035	44,833,893
Total	$ 1,826,319,204	$ 224,110,814	$ (41,494,148)	$ 2,008,935,870	$ 46,209,048

Premiums and discounts, which are recorded as part of long-term obligation, are amortized over the life of the related debt, using the straight-line method.

The District's outstanding notes from direct borrowings, revenue bonds and the state revolving loan contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment. The District's outstanding notes from direct borrowings, bonds and the state revolving loan are secured by a pledge of and charge and lien of the District's revenues.

5. LONG-TERM DEBT (Continued)

State Water Resources Control Board Division of Financial Assistance

In April 2015, the State Water Board approved the Clean Water State Revolving Fund (CWSRF) program financing to the Sacramento Regional County Sanitation District (District) for the EchoWater Project. The EchoWater Project is estimated to be in eight construction phases and is estimated to take place over the next several years, starting in March 2015 and ending in February 2022. The total cost of the project is estimated at approximately $1.6 billion. Pursuant to CWSRF Policy, the interest rate for a construction financing agreement is established by the earlier of the date that the Division of Financial Assistance (Division) initiates preparation of the financing agreement or the date the financing is approve by the State Water Board.

Repayment of an associated financing agreement begins one year after completion of construction of each phase as established in the associated financing agreement for each phase of construction. The combined financing agreements of approximately $1.4 billion with thirty year terms and rates estimated to be from 1.6 percent to 1.7 percent. The interest rate for the associated financing agreements for each component would be the rate otherwise in effect at the time that each financing agreement is approved. These component projects vary in their start dates from March 2015 to January 2018 and completion dates from August 2016 to March 2022.

The amount of existing debt will be on parity with the CWSRF debt and the Master Installment Purchase Contract because it provides adequate security for financing. It allows parity debt if the net revenues equal at least 1.2 times the total debt service. A separate reserve fund shall be maintained for the full term of the financing agreements equal to one year's debt service on all associated financing agreements by completion of construction. The State Water Board reserves the right to add new or modify existing conditions to the commitment in the future, as required by state or federal law or agreements. All eight components of the EchoWater Project have been approved for financing at an interest rate ranging from 1.6% to 1.7% over a 30 year life. As of June 30, 2019, a total of $650,967,712 in draws have been processed relating to the different components of the EchoWater Project. This amount does not reflect the capitalized interest that has been added to the loan balances for projects that have not been completed.

In November 2015, the California State Water Resources Control Board approved construction financing for the phased construction of a transmission pipeline that will provide recycled water to the southern portions of the City of Sacramento. The pipeline will convey recycled water from the existing Sacramento Regional Wastewater Treatment Plant Water Reclamation Facility to the Sacramento Power Authority Cogeneration Facility for use at its cooling towers.

5. LONG-TERM DEBT (Continued)

The table below shows the estimated costs and maximum loan amounts, interest rate and loan balance at June 30, 2019 related to each of the eight EchoWater Projects components and the Water Recycling Pipeline Project.

Component	CWSRF Number	Estimated Cost/Maximum Loan Amount	Loan balance at 6/30/2019	Interest rate	Construction Start Date
EchoWater Project					
Site Preparation	C-06-8025-110	$ 43,949,856	$ 39,777,946	1.6%	Mar-15
Flow Equalization	C-06-8025-120	138,672,372	129,750,167	1.6%	Mar-15
Main Electrical Substation					
Expansion	C-06-0825-130	3,439,831	2,714,763	1.6%	Aug-15
Disinfection Chemical Storage	C-06-8025-140	21,465,759	21,490,033	1.6%	Sep-15
Nitrifying Sidestream Treatment	C-06-8025-150	53,490,845	52,441,967	1.6%	Jan-16
Biological Nutrient Removal Facility	C-06-8025-160	533,142,603	359,068,146	1.7%	Apr-16
RAS Pumping Station	C-06-8025-170	35,696,952	28,752,029	1.7%	Jul-16
Tertiary Treatment Facility	C-06-8025-180	564,657,506	29,234,606	1.7%	Jun-18
Total EchoWater		1,394,515,724	663,229,657		
Water Recycling Pipeline Project					
Phase 1B	C-06-8082-110	8,182,200	6,982,446	1.0%	Oct-16
Total CWSRF Loan		$ 1,402,697,924	$ 670,212,103		

6. LINE OF CREDIT

On December 27, 2016, Wells Fargo Bank, N.A. issued an Irrevocable Standby Letter of Credit to Regional San for $505,770, with an expiration date of June 15, 2018. The letter of credit was established for the benefit of the Department of Fish and Wildlife for environmental mitigation on the South River Pump Station Flood Protection Project. On September 14, 2017, the Letter of Credit was extended to January 1, 2023 and the credit balance limit reduced to $32,370. The reduction was due to the project being nearly complete at the time of the amendment. As of June 30, 2019, the District has a zero balance outstanding on the line of credit

7. CONDENSED COMPONENT UNIT INFORMATION

Presented is condensed component unit information for the Sacramento County Sanitation Districts Financing Authority (Authority), for the fiscal year ended 2019 and 2018. The Authority is a blended component unit of Regional San.

Condensed Statements of Net Position

ASSETS	2019	2018
Current assets		
Loan receivable - Regional San [1]	$ 50,011,056	$ 46,326,185
Loan and interest receivable - Authority	5,347,888	5,314,346
TOTAL CURRENT ASSETS	55,358,944	51,640,531
Noncurrent assets		
Long term loan - Regional San [1]	1,896,167,850	1,762,666,725
Long term loan - Authority	169,355,525	170,785,680
TOTAL NONCURRENT ASSETS	2,065,523,375	1,933,452,405
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding - Regional San	31,239,688	33,353,053
LIABILITIES		
Current liabilities		
Current liabilities - Regional San	50,011,056	46,326,185
Current liabilities - Authority	5,347,888	5,314,346
TOTAL CURRENT LIABILITIES	55,358,944	51,640,531
Noncurrent liabilities		
Long term obligation - Regional San	1,896,167,850	1,762,666,725
Long term obligation - Authority	169,355,525	170,785,680
TOTAL NONCURRENT LIABILITIES	2,065,523,375	1,933,452,405
TOTAL LIABILITIES	2,120,882,319	1,985,092,936
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on refunding - Authority	1,319,695	1,397,324
NET POSITION		
Unrestricted for Regional San debt service	31,239,688	33,353,053
Unrestricted - Authority	(1,319,695)	(1,397,324)
TOTAL NET POSITION	$ 29,919,993	$ 31,955,729

(1) The loan receivable between Regional San and the Financing Authority is eliminated for financial reporting.

7. CONDENSED COMPONENT UNIT INFORMATION (Continued)

Condensed Statement of Revenue, Expenses, and Change in Net Position

NONOPERATING REVENUES (EXPENSES)	2019	2018
Base payments - Regional San	$ 35,211,930	$ 35,525,515
Nonoperating expenses - Regional San	(37,325,295)	(38,113,853)
Base payments - Authority	9,061,695	9,112,204
Nonoperating expenses - Authority	(8,984,066)	(9,034,575)
TOTAL NONOPERATING REVENUES	(2,035,736)	(2,510,709)
Change in net position	(2,035,736)	(2,510,709)
NET POSITION, Beginning of year	31,955,729	34,466,438
NET POSITION, End of year	$ 29,919,993	$ 31,955,729

Condensed Statement of Cash Flows

NET CASH PROVIDED (USED) BY:	2019	2018
Operating activities - Regional San	$ (101,974,067)	$ (149,500,690)
Non-capital financing activities - Regional San	101,974,067	149,500,690
Operating activities - Authority	10,380,679	10,041,074
Non-capital financing activities - Authority	(10,380,679)	(10,041,074)
Net increase (decrease) in cash and cash equivalents	-	-
CASH AND CASH EQUIVLAENTS, beginning of year	-	-
CASH AND CASH EQUIVLAENTS, end of year	$ -	$ -

8. RELATED PARTY TRANSACTIONS

Under the terms of a cost-sharing agreement with the City of Sacramento, a Contributing Agency of Regional San, Regional San agreed to reimburse the City for certain improvements made to the City's and Regional San's sewer delivery network (Sump 2A). During fiscal year 2001-02, Regional San paid a lump-sum amount of $1,504,934 to the City and incurred a long-term obligation of $9,093,532 under this agreement. These amounts were capitalized in deferred charges and are amortized over the twenty year useful life of the underlying improvement (Sump 2A). At June 30, 2019 and 2018, respectively, deferred charges related to this asset were $5,829,150 and $6,094,112, which are net of accumulated amortization of $4,769,316 and $4,504,354 and is included in deposits with others on the Statement of Net Position.

The long-term obligation incurred to finance the contribution is being repaid in an amount of $581,606 per year over the twenty-year period ending in fiscal year 2020-21. At June 30, 2019 and 2018 respectively, the outstanding balance was $1,125,920 and $1,670,770.

8. RELATED PARTY TRANSACTIONS (Continued)

Regional San employees are County employees and Regional San is contractually obligated to reimburse the County for all employee costs. Regional San has contracted with the City of Sacramento and the County of Sacramento to manage and operate wastewater treatment facilities. In addition, Regional San authorized the various departments within the County of Sacramento to provide administrative, management and engineering services for the wastewater treatment construction program. Regional San also obtains various services, such as computer support, from the County. In fiscal years 2018-19 and 2017-18, Regional San paid approximately $73.7 and $72.5 million respectively, for these services. These amounts have been charged to operating expenses.

9. CAPITAL LEASE OBLIGATION

In July 2002, Regional San entered into a service contract agreement for the design, construction, financing, and operation of Regional San's Biosolids Facility (Facility) with Synagro-WWT, Inc. Regional San leased the site to Synagro for $1 per year to use the facility site to construct the Facility. The Facility was completed in January 2005. Regional San paid a service fee to Synagro at an imputed interest rate of 5.71% from July 2002 through December 2014. In December 2014 Synagro refinanced the debt related to the Facility which adjusted the imputed interest rate to 3.265% saving Regional San approximately $2 million over the balance of the 20 year agreement. At the end of the 20 year contract term, Synagro will surrender the Facility to Regional San and ownership of the Facility will revert to Regional San at no cost to Regional San.

The assets acquired through this capital lease were as follows at June 30, 2019 and 2018:

	2019	2018
Structures and improvements	$ 20,080,339	$ 20,080,339
Less accumulated depreciation	(14,558,246)	(13,554,229)
Total	$ 5,522,093	$ 6,526,110

The future minimum lease obligations as of June 30, 2019 are as follows:

Year Ending June 30	Present Value of Minimum Lease Payments	Imputed Interest	Total Lease Payments
2020	$ 1,266,345	$ 241,319	$ 1,507,664
2021	1,307,690	199,972	1,507,662
2022	1,350,387	157,276	1,507,663
2023	1,394,477	113,186	1,507,663
2024	1,440,007	67,657	1,507,664
2025	632,170	20,640	652,810
Future minimum lease obligations	$ 7,391,076	$ 800,050	$ 8,191,126

10. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations place specific requirements on Regional San regarding closure and post closure maintenance and monitoring functions for its grit and screening landfill site, solid storage basins (SSBs) and dedicated land disposal sites (DLDs) for 30 years after closure. The California Regional Water Quality Control Board has oversight responsibility for Regional San's adherence to the laws and regulations. Although closure and post closure care costs will be paid only near or after the date that the site is closed, Regional San reports a portion of these closure and post closure care costs as an operating expense in each period.

The entire amount of the estimated liability for the grit and screening landfill site was recognized June 30, 1994, as it reached its capacity and was closed. The engineers report for SSBs and DLDs was updated in 2008 for recognizing closure and post closure care costs, these costs will be amortized over estimated useful lives of 50 years for both the SSBs and DLDs. The SSB's will accept waste through the year 2041 and the DLDs through the year 2053. The prior engineers report had a useful life for the amortization of 15 years for the SSBs and 60 years for the DLDs.

Regional San has reported the following as its closure and post closure care liability at June 30, 2019 and 2018:

	2019	2018
Landfill	$ 56,365	$ 69,362
SSBs and DLDs	12,350,912	12,316,843
	$ 12,407,277	$ 12,386,205

Regional San will recognize estimated costs for closure and post closure care of $12,350,912 over the remaining useful life of up to 22 years of the SSBs and 34 years for DLDs. This amount is based on the estimated cost to perform all closure and post closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. As of June 30, 2019, the percentage of landfill capacity used to date for SSBs was 54% and DLDs was 30%. As of June 30, 2018, the percentage of landfill capacity used to date for SSBs was 52% and DLDs was 28%.

Regional San is required by state and federal laws and regulations to provide financial assurance that appropriate resources will be available to finance closure and post closure costs in the future. This amount will be increased each year as Regional San approaches closure of the SSBs and DLDs. Regional San was in compliance with applicable laws and regulations. Regional San expects that any changes to future closure and post closure costs (e.g. due to changes in technology or applicable laws or regulations) will be paid from charges to future users or from future tax revenues.

11. COMMITMENTS AND CONTINGENCIES

Regional San has entered into contracts for the construction of certain projects and other operational activities. At June 30, 2019 and 2018, the unexpended balance of the contract commitments was $355,472,880 and $534,962,327, respectively. The decrease is mainly due to the EchoWater project.

Regional San is a defendant in various matters of litigation. Of these matters, management and Regional San's legal counsel do not anticipate any material effect on the June 30, 2019 and 2018 financial statements.

12. NET POSITION

Net Position is the excess of all Regional San's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three captions as described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of Regional San's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which Regional San cannot unilaterally alter. Restrictions include a reserve for debt service, which represents the portion of net position legally restricted for debt service payments as required by the related debt convents offset by any bond proceeds used to finance debt service reserve requirements. Restrictions include retentions that are held for capital construction projects. Restrictions also include a reserve for facility closure mandated by the state to finance closure costs of solid storage basins (SSB) and dedicated land disposal sites (DLD).

Unrestricted describes the portion of Net Position which is not restricted to use and includes designations which are described below.

Designations of unrestricted net positions are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

12. NET POSITION (Continued)

At June 30, 2019 and 2018, the details of designations of unrestricted net position are for the following:

	2019	2018
General reserve	$ 29,792,557	$ 29,248,256
Rate stabilization	23,200,000	23,200,000
Equipment replacement	1,103,813	1,076,891
Industrial incentive program	-	3,500,000
SLRAP	-	6,505,000
Expansion	20,908,124	20,908,124
Replacement	82,747,278	80,729,052
Bufferland	-	1,000,000
Confluence program	10,000,000	-
Debt service stabilization	4,000,000	4,000,000
Undesignated	188,993,124	171,892,314
Total Unrestricted Net Position	$ 360,744,896	$ 342,059,637

(a) General Reserve
Designated for general reserve is established to provide for unexpected expenses not covered or foreseen in the annual budget. The target amount of this reserve is equal to 25 percent of Regional San's total operating budget based net of depreciation on industry practices and historical standards of Regional San.

(b) Rate Stabilization
Designated for rate stabilization represents the amount set aside for the unlikely event Regional San is unable to achieve the specified amount of "coverage" that the bond documents require. If this event occurs, rate stabilization funds will be transferred to revenue accounts to achieve the required 120% coverage.

(c) Equipment Replacement
Designated for equipment replacement represents the amount set aside to purchase equipment.

(d) Industrial Incentive Program
Designated for incentive program is established in the event that sufficient non-service charge revenues are not received to fund the program in a specific year. For the 2018-19 year, the reserve was moved to the Confluence Program.

(e) SLRAP
Designated for SLRAP (Sewer Lifeline Rate Assistance Program) serves as an endowment to generate interest revenue to fund a portion of the credit given to qualified customers. For the 2018-19 year, the reserve was moved to the Confluence Program.

12. NET POSITION (Continued)

(f) Expansion

Designated for expansion was established to fund expansions to Regional San's system beyond the original Wastewater Management Program. This reserve will be used to cover any shortfalls in budgeted sewer impact fees due to a slowdown in growth.

(g) Replacement

Designated for replacement are maintained to pay for a portion of Regional Sans future rehabilitation and replacement costs of existing treatment and conveyance system facilities. The goal is to smooth and minimize the monthly service charge adjustments required to fund significant future costs.

(h) Bufferland

Designated for the rehabilitation of historical properties located in the Bufferlands that surround the treatment plant.

(i) Confluence Program

Designated to supports programs for economic incentives, educational programs, the Sewer Lifeline Rate Assistance Program, and other community partnership programs. These programs are supported by non-rate/non-fee activity. For the 2018-19 year, the Industrial Incentive Program and the SLRAP reserve balances have been moved into the Confluence Program

(j) Debt Service Stabilization

Designated for debt service stabilization has been established to provide for fluctuations in the amount of interest due on Regional San's variable rate bonds. This will prevent monthly service charges from suddenly increasing to pay for increased debt service. Any difference between the budgeted debt service and actual debt service for variable rate bonds will either be added to or subtracted from this on an annual basis.

(k) Undesignated

The remaining balance in the unrestricted net position is undesignated by the Board of Directors.

13. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

Regional San's labor force are employees of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a Retiree Healthcare Plan (HC Plan), and participates in a single-employer plan and it does not issue a publicly available report. In September 2018 and September 2017, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2019 and 2018, respectively.

13. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. For financial reporting purposes, Regional San reports a proportionate share of the County's collective total OPEB liability, OPEB expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for Regional San as a cost sharing participant.

Benefits Provided

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by Regional San during the year ended June 30, 2019 and 2018 is $252,125 and $228,983 respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Regional San reported a liability of $6,201,921 and $6,086,205 for its proportionate share of the total OPEB liability as of June 30, 2019 and 2018, respectively. At June 30, 2019, the total OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of the same date. Regional San's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of Regional San relative to the total FTEs of the County. At June 30, 2019 and 2018, Regional San's proportion was 3.88 and 4.02 percent respectively.

For the year ended June 30, 2019 and 2018, Regional San recognized OPEB expense of $330,642 and $409,234, respectively.

At June 30, 2019, Regional San reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 411,623
Changes in proportion	-	183,691
Contributions subsequent to the measurement date	252,125	-
Total	$ 252,125	$ 595,314

13. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

At June 30, 2018, Regional San reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Amount paid for OPEB subsequent to measurement date	$ 228,983	$ -
Changes in assumptions	-	(357,246)
Total	$ 228,983	$ (357,246)

For the year ending June 30, 2019, $252,125 was reported as deferred outflows of resources related to OPEB resulting from amounts paid by Regional San subsequent to the measurement date will be recognized as a reduction of the total OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2020	$ 90,150
2021	90,150
2022	90,150
2023	90,150
2024	90,150
2025 - 2026	144,564
Total	$ 595,314

13. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Valuation Date	June 30, 2018 and 2017
Discount Rate	3.87% at June 30, 2018 (Bond Buyer 20-Bond GO Index) 3.58% at June 30, 2017 (Bond Buyer 20-Bond GO Index)
Inflation	2.75%
Medical Trend	7.50%, decreasing to an ultimate rate of 4.00%
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Salary Increase	3%
Healthcare Participation	45%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 and 3.58 percent for the June 30, 2018 and 2017 valuation date, respectively and was based on the Bond Buyer 20-Bond GO Index

Sensitivity of Regional San's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2019, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 6,671,843	$ 6,201,921	$5,756,940

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2018, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 6,545,579	$ 6,086,246	$5,648,866

13. OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

Sensitivity of Regional San's Proportionate Share of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2019, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3.0% in 2076)	Discount Rate (7.5% decreasing to 4.0% in 2076)	1% Increase (8.5% decreasing to 5.0% in 2076)
Total OPEB Liability	$ 5,488,951	$ 6,201,921	$ 7,038,937

The following presents Regional San's proportionate share of the total OPEB liability as of June 30, 2018, as well as what Regional San's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3.0% in 2076)	Discount Rate (7.5% decreasing to 4.0% in 2076)	1% Increase (8.5% decreasing to 5.0% in 2076)
Total OPEB Liability	$ 5,420,767	$ 6,086,246	$ 6,864,587

14. NET PENSION LIABILITY

Plan Descriptions

Employees of Regional San participate in the County of Sacramento's (County) cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the Sacramento County Employees Retirement System (SCERS). The Plan is governed by the Sacramento Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of Sacramento Board of Supervisors and/or the SCERS Board. SCERS issues a stand-alone financial report, which may be obtained by contacting Sacramento County Employees' Retirement System, 980 9th Street, Suite 1900 Sacramento, CA 95814.

14. NET PENSION LIABILITY (Continued)

Benefits Provided

SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting districts become members of SCERS upon employment. There are separate retirement cost pools for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including Regional San's employees, are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981 are included in Tier 1. Those hired after that date but prior to January 1, 2012 are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after that date but prior to January 1, 2013 are included in Tier 4. New members hired on or after January 1, 2013 are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

14. NET PENSION LIABILITY (Continued)

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area, is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

Contributions

Participating employers and active members (i.e County), including Regional San, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The Plan's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the Plan is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers. The average contribution rate was 17.49% of covered payroll for the year ending June 30, 2019 and 15.03% of covered payroll for the year ending June 30, 2018. Regional San's proportionate share of the County's contribution to the Plan was $6,894,244 and $5,783,687 for the year ended June 30, 2019 and June 30, 2018, respectively.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Regional San reported a liability of $53,111,998 and $59,402,515 for its proportionate share of the County's net pension liability at June 30, 2019 and June 30, 2018 respectively. The net pension liability was measured as of June 30, 2018 and June 30, 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. Regional San's proportion of the County's net pension liability was based on Regional San's fiscal year 2018 and 2017 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2018, Regional San's proportion was 2.71%, which was a decrease of 0.12% from its proportionate share measured as of June 30, 2017. At June 30, 2017, Regional San's proportion was 2.83%.

Regional San recognized pension expense for the year ended June 30, 2019 and June 30, 2018 in the amount of $10,454,493 and $10,428,251 respectively.

14. NET PENSION LIABILITY (Continued)

At June 30, 2019, Regional San reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 11,726	$ 1,173,555
Changes in assumptions	13,089,433	-
Net differences between projected and actual earnings on plan investments	-	3,608,408
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,648	1,472,851
Employer contributions paid by Regional San to County subsequent to the measurement date	6,894,244	-
Total	$ 20,088,051	$ 6,254,814

The $6,894,244 reported as deferred outflows of resources related to pension, resulting from Regional San's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Regional San's proportion of the County's pension plan will be recognized in pension expense as follows:

Year ended June 30	
2020	$ 2,050,340
2021	2,050,340
2022	2,050,340
2023	1,804,299
Total	$ 7,955,319

14. NET PENSION LIABILITY (Continued)

At June 30, 2018, Regional San reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 2,500,986
Changes in assumptions	18,394,651	317,023
Net differences between projected and actual earnings on plan investments	3,040,645	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,463	942,185
Employer contributions paid by Regional San to County subsequent to the measurement date	5,783,687	-
Total	$ 27,436,446	$ 3,760,194

Actuarial Assumptions

Regional San's proportion of the County's total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied in the measurement:

June 30, 2019	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.00%
Projected Salary increases	Miscellaneous: 4.50% to 10.75%.
Cost of Living Adjustments	See below

June 30, 2018	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry-Age actuarial cost method
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.00%
Projected Salary increases	Miscellaneous: 4.50% to 10.75%.
Cost of Living Adjustments	See below

Cost of living adjustments for Miscellaneous Tier 1 benefits are assumed to increase at 3.00% per year, Miscellaneous Tier 3, Tier 4, and Tier 5 benefits are assumed to increase at 2% per year and Miscellaneous Tier 2 receives no COLA increase for the actuarial valuation dated June 30, 2019 and 2018.

14. NET PENSION LIABILITY (Continued)

Mortality rates used in the actuarial valuation dated June 30, 2018 are based on Headcount-Weighted RP-2014 with the two-dimensional scale MP-2016. For healthy Miscellaneous members, the ages are set forward one year for males and no age adjustment for females. For Miscellaneous members that are disabled, the ages are set forward seven years for males and set forward eight years for females. Mortality rates used in the actuarial valuation dated June 30, 2016 are based on the RP-2000 Combined Healthy mortality table projected with Scale BB to 2022. For healthy Miscellaneous members, no adjustments are made. For Miscellaneous members that are disabled, the ages are set forward three years for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2010 through June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018 are summarized in the table below:

14. NET PENSION LIABILITY (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Large Cap Equity	17.00%	5.61%
U.S. Small Cap Equity	4.00%	6.37%
International Developed Equity	16.00%	6.96%
Emerging Markets Equity	4.00%	9.28%
High Yield Bonds	1.00%	3.65%
Bank Loans	1.00%	2.96%
Growth Oriented Abs. Return	3.00%	4.97%
Private Equity	9.00%	8.70%
Private Credit/Private Debt	4.00%	5.10%
Core/Core Plus Bonds	10.00%	1.06%
Global Bonds	3.00%	0.07%
U.S. Treasury	5.00%	0.16%
Diversifying Abs. Return	7.00%	3.04%
Private Real Estate	7.00%	4.37%
Private Assets	7.00%	7.74%
Commodities	2.00%	3.76%
Total	100.00%	

Change of Assumptions

For the measurement period ended June 30, 2017, the discount rate was reduced from 7.5 percent to 7.0 percent.

Discount Rate

The discount rates used to measure the Total Pension Liability (TPL) was 7.00% for the measurement period ending June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2018 and June 30, 2017.

14. NET PENSION LIABILITY (Continued)

Sensitivity of Regional San's Proportionate Share of the County's Net Pension Liability to Changes in the Discount Rate

The following table presents Regional San's proportionate share of the County's net pension liability calculated using the discount rate of 7.00% for the year ending June 30, 2019 and 2018, as well as what Regional San's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage –point lower or 1-precentage-point higher than the current rate at June 30, 2019 and 2018.

Regional San's proportionate share of the County's net pension liability

Year Ending June 30	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
2019	$95,620,506	$53,111,998	$18,389,187
2018	$102,307,899	$59,402,515	$24,384,355

Pension Plan Fiduciary Net Position

Detailed information about the County's collective net pension liability is available in the County's separately issued Comprehensive Annual Financial Report (CAFR). The County of Sacramento's financial statements may be obtained on the internet at http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx.

Detailed information about the SCERS's fiduciary net position is available in a separately issued SCERS comprehensive annual financial report. That report may be obtained on the Internet at www.retirement.saccounty.net/Pages/FinancialInformation.aspx.

15. FUTURE GASB PRONOUCEMENTS

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Regional San is currently evaluating the effect of this standard on the financial statements.

15. FUTURE GASB PRONOUCEMENTS (Continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Regional San is currently evaluating the effect of this standard on the financial statements.

GASB Statement No 90 – In August 2018, GASB issued Statement No. 90*, Majority Equity Interest – An Amendment of GASB Statement no. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Regional San is currently evaluating the effect of this standard on the financial statements.

GASB Statement No 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Regional San is currently evaluating the effect of this standard on the financial statements.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Required Supplementary Information

For the Fiscal Years Ended June 30, 2019 and 2018

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Schedule of Regional San's Proportionate Share of the County's Net OPEB Liability

Last Ten Years (1)

	Fiscal Year 2019	Fiscal Year 2018
Regional San's proportion of the County's OPEB liability	3.88%	4.02%
Regional San's proportionate share of the County's OPEB liability	$ 6,201,921	$ 6,086,246
Regional San's covered payroll	$ 39,330,009	$ 38,885,860
Regional San's proportionate share of the OPEB liability as a percentage of its covered employee payroll	15.77%	15.65%
Measurement date	6/30/2018	6/30/2017

Notes to Schedule:

(1) Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Schedule of Regional San's Proportionate Share of the County's Net Pension Liability

Last Ten Years [1, 2]

	Fiscal Year				
	2019	**2018**	**2017**	**2016**	**2015**
Regional San's proportion of the County's net pension liability	2.71%	2.83%	3.16%	2.97%	2.68%
Regional San's proportionate share of the County's net pension liability	$ 53,111,998	$ 59,402,515	$ 51,209,450	$ 31,876,088	$ 19,434,740
Regional San's covered payroll	38,474,050	38,255,528	36,769,665	35,980,289	34,753,345
Regional San's proportionate share of the net pension liability as a percentage of its covered payroll	138.05%	155.28%	139.27%	88.59%	55.92%
Plan's fiduciary net position as a percentage of the total pension liability	82.51%	80.37%	81.40%	87.26%	91.02%
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only five years are shown.

(2) Changes in assumptions: In the measurement period ended June 30, 2017, the discount rate changed from 7.5% to 7.0%

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Schedule of Regional San's Contributions - Pension

Last Ten Years [(1)]

	Fiscal Year 2019	2018	2017	2016	2015
Actuarially determined contributions	$ 6,894,244	$ 5,783,687	$ 6,080,054	$ 6,469,853	$ 7,541,083
Contributions in relation to the actuarially determined contribution	(6,894,244)	(5,783,687)	(6,080,054)	(6,469,853)	(7,541,083)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Regional San's covered payroll	$ 39,415,257	$ 38,474,050	$ 38,255,528	$ 36,769,665	$ 35,980,289
Contributions as a percentage of covered payroll	17.49%	15.03%	15.89%	17.60%	20.96%

Notes to Schedule:

(1) Fiscal year 2015 was the first year of implementation; therefore, only five years are shown.

STATISTICAL SECTION

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Statistical Section

For the Fiscal Years Ended June 30, 2019 and 2018

Index to Statistical Section

This part of the Sacramento Regional County Sanitation District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about Regional San's overall financial health.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how Regional San's financial performance has changed over time:
- Net Position by Component – Fiscal Years 2009-10 through 2018-19
- Changes in Net Position - Fiscal Years 2009-10 through 2018-19
- Operating Revenues by Source - Fiscal Years 2009-10 through 2018-19
- Operating Expenses - Fiscal Years 2009-10 through 2018-19
- Nonoperating Revenues and Expenses - Fiscal Years 2009-10 through 2018-19

Revenue Capacity
These schedules contain information to help the reader assess the factors affecting Regional San's ability to generate its sewer service fees:
- Wastewater Treated - Fiscal Years 2009-10 through 2018-19
- Number of Customers by Type - Fiscal Years 2009-10 through 2018-19
- Ten Largest Customers – Fiscal Years 2019 and 2010
- Sewer Rates - Fiscal Years 2009-10 through 2018-19

Debt Capacity
These schedules present information to help the reader assess the affordability of Regional San's current level of outstanding debt and its ability to issue additional debt in the future:
- Net Ratios of Outstanding Debt by Type - Fiscal Years 2009-10 through 2018-19
- Pledged Revenue Coverage - Fiscal Years 2009-10 through 2018-19

Demographic and Economic Information
These schedules present demographic and economic indicators to help the reader understand the environment within which Regional San's financial activities take place:
- Demographic and Economic Statistics - Fiscal Years 2009-10 through 2018-19
- Private Sector Principal Employers – Fiscal Years 2019 and 2010

Operating Information
These schedules contain service and infrastructure information to help the reader understand how the information in Regional San's financial report relates to the services Regional San provides and the activities it performs:
- Number of Employees by Identifiable Activity - Fiscal Years 2009-10 through 2018-19
- Operating and Capital Indicators - Fiscal Years 2009-10 through 2018-19

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Net Position by Component

Fiscal Years 2009-2010 through 2018-2019
Schedule 1

Fiscal Year	Net investment in capital assets	Restricted: Capital Construction	Restricted: Financing Authority Debt Service	Restricted: Debt Service	Restricted: Facility Closure	Unrestricted	Total Net Position
2019	$ 976,789,495	$ 18,567,869	$ -	$ 27,773,197	$ 11,963,897	$ 360,744,896	$ 1,395,839,354
2018 [3]	893,810,285	13,234,120	-	45,504,646	11,224,882	342,059,637	1,305,833,570
2017	839,106,137	7,304,756	-	62,505,045	11,224,882	292,755,351	1,212,896,171
2016	801,739,262	-	-	77,229,103	10,857,424	215,651,098	1,105,476,887
2015	679,594,579	-	-	96,859,933	10,543,592	270,611,532	1,057,609,636
2014	753,174,791	-	3,350,093	35,081,214	10,543,592	255,887,708	1,058,037,398
2013	725,776,658	-	3,547,157	40,224,910	10,543,592	274,593,780	1,054,686,097
2012 [1,2]	701,153,220	-	3,744,221	32,059,832	10,312,554	289,890,877	1,037,160,704
2011 [1,2]	715,564,275	-	3,941,285	61,971,937	10,312,554	272,130,515	1,063,920,566
2010	802,186,894	-	-	33,401,521	10,192,868	253,822,423	1,099,603,706

Note [1]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation guidance in GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.* Prior years have not been restated as permitted by the standard.

Note [2]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation GASB Statement No. 61 T*he Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 39. Prior years have not been restated.*

Note [3]: Fiscal year 2018 have been revised in accordance with the implementation GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Changes in Net Position

Fiscal Years 2009-2010 through 2018-2019
Schedule 2

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-operating Revenues (Expenses)	Capital Contributions	Change in Net Position	Beginning Net Position	Ending Net Position
2019	$ 298,376,696	$(180,201,417)	$ 118,175,279	$ (59,325,819)	$ 31,156,324	$ 90,005,784	$1,305,833,570	$1,395,839,354
2018 [4]	286,549,128	(169,886,279)	116,662,849	(47,811,048)	27,640,122	96,491,923	1,209,341,647	1,305,833,570
2017	276,132,785	(161,076,897)	115,055,888	(29,576,402)	21,935,800	107,415,286	1,105,476,887	1,212,896,171
2016	252,415,620	(153,042,081)	99,373,539	(67,303,498)	15,797,210	47,867,251	1,057,609,636	1,105,476,887
2015 [3]	231,361,832	(149,908,566)	81,453,266	(55,368,627)	10,739,885	36,824,524	1,020,785,112	1,057,609,636
2014	202,454,271	(147,926,717)	54,527,554	(58,583,851)	7,404,598	3,348,301	1,054,689,097	1,058,037,398
2013	185,855,640	(143,295,992)	42,559,648	(37,293,142)	12,261,887	17,528,393	1,037,160,704	1,054,689,097
2012 [1,2]	167,526,350	(131,889,180)	35,637,170	(74,078,031)	11,680,999	(26,759,862)	1,063,920,566	1,037,160,704
2011 [1,2]	152,939,158	(124,230,758)	28,708,400	(68,597,018)	8,162,111	(31,726,507)	1,095,647,073	1,063,920,566
2010	154,282,934	(114,004,217)	40,278,717	(14,573,945)	8,303,093	34,007,865	1,065,595,841	1,099,603,706

Note [1]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation guidance in GASB Statemtent No. 65 *Items Previously Reported as Assets and Liabilities.* Prior years have not been restated as permitted by the standard.

Note [2]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation GASB Statement No. 61 T*he Financial Reporting Entity: Omnibus - an amendment of of GASB Statement No. 14 and No. 39. Prior years have not been restated.*

Note [3]: Fiscal year 2015 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 68 F*inancial Reporting for Pensions.* Prior years have not been restated as permitted by the standard.

Note [4]: Fiscal year 2018 beginning net position has been revised in accordance with the implementation guidance in GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Prior years have not been restated as permitted by the standard.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Revenues by Source

Fiscal Years 2009-2010 through 2018-2019
Schedule 3

Fiscal Year	Sewer Service Fees	Other Revenue	Total Operating Revenues
2019	$ 282,337,704	$ 16,038,992	$ 298,376,696
2018	271,617,413	14,931,715	286,549,128
2017	261,072,833	15,059,952	276,132,785
2016	237,034,177	15,381,443	252,415,620
2015	216,875,848	14,485,984	231,361,832
2014	191,127,721	11,326,550	202,454,271
2013	176,390,036	9,465,604	185,855,640
2012 [1]	158,312,082	9,214,268	167,526,350
2011 [1]	147,066,928	5,872,230	152,939,158
2010	146,696,150	7,586,784	154,282,934

Note [1]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation of GASB Statement No. 61 *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 39. Prior years have not been restated.*

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Expenses

Fiscal Years 2009-2010 through 2018-2019
Schedule 4

Fiscal Year	County Labor			Depreciation and	Utilities			Services and
	SDA	Other	Total	Amortization	Electricity	Other	Total	Supplies
2019	$ 67,705,494	$ 164,162	$ 67,869,656	$ 50,899,506	$ 12,925,661	$ 6,131,475	$ 19,057,136	$ 1,764,466
2018	66,015,300	165,220	66,180,520	50,021,285	12,202,211	4,939,625	17,141,836	2,326,953
2017	62,772,157	195,307	62,967,464	49,488,494	13,013,548	5,514,619	18,528,167	2,131,884
2016	54,850,665	239,908	55,090,573	49,211,734	11,728,932	5,528,863	17,257,795	1,603,874
2015	52,844,294	215,324	53,059,618	48,847,967	11,487,675	5,150,124	16,637,799	1,675,281
2014	54,218,370	333,013	54,551,383	47,323,205	11,801,544	5,307,767	17,109,311	2,103,032
2013	52,733,714	397,005	53,130,719	46,890,586	10,789,203	4,444,100	15,233,303	1,215,686
2012 [2,3]	52,001,289	323,737	52,325,026	35,453,426	10,446,816	4,292,375	14,739,191	1,410,617
2011 [3]	48,829,735	356,259	49,185,994	33,596,284	9,819,786	4,469,969	14,289,755	1,718,277
2010 [1]	46,693,516	438,038	47,131,554	27,862,959	9,826,145	4,872,004	14,698,149	1,689,650

Note [1]: The District transferred duties from County MIS to the District MIS staff in fiscal year 2009-10.

Note [2]: Fiscal year 2012 has been revised in accordance with the implementation guidance in GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities. Prior years* have not been restated as permitted by the standard.

Note [3]: Fiscal year 2011, 2012 and 2013 have been revised in accordance with the implementation of GASB Statement No. 61 T*he Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 39. Prior years have not been restated.*

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating Expenses (Continued)

Fiscal Years 2009-2010 through 2018-2019
Schedule 4

Chemicals	Plant and Interceptor Maintenance	Consultants	Landfill Closure and Postclosure Care	Insurance	Data Processing	Laboratory	Office Equipment	Total Operating Expenses
$ 18,985,657	$ 7,626,102	$ 8,171,261	$ 34,069	$ 1,085,764	$ 3,550,235	$ 481,040	$ 676,525	$ 180,201,417
14,074,988	7,634,695	7,086,144	588,308	747,355	3,266,886	423,002	394,307	169,886,279
8,837,116	6,953,135	7,864,848	438,363	988,772	2,079,457	467,183	328,016	161,072,899
8,331,568	7,526,655	9,320,883	166,254	1,051,303	2,164,153	542,620	774,669	153,042,081
8,502,099	7,148,056	9,258,070	389,036	1,247,381	1,996,139	537,469	609,651	149,908,566
7,891,074	6,857,555	7,693,665	175,626	1,392,073	1,901,203	553,463	375,127	147,926,717
6,306,468	6,064,517	10,297,809	(345,301)	1,313,227	2,160,599	564,625	463,754	143,295,992
6,362,741	5,854,874	11,544,807	419,501	1,332,928	1,598,564	586,252	261,253	131,889,180
5,436,372	5,879,560	10,456,613	(118,859)	1,080,095	1,787,232	588,727	330,708	124,230,758
6,102,597	5,641,399	8,206,183	75,005	832,591	936,187	543,391	284,552	114,004,217

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Nonoperating Revenues and Expenses

Fiscal Years 2009-2010 through 2018-2019
Schedule 5

Fiscal Year	Interest Expense	Authority Interest Expense	SASD Base Payment	Authority Other Expense	Interest Revenue	Sewer Incentive Program [1]	Arbitrage Rebate Expense	Derivative Investments	Other Revenue (Expenses)	Total Non-operating Revenues (Expenses)
2019	$ (58,740,098)	$ (8,984,067)	$ 9,061,695	$ -	$ 10,880,222	$ (1,879,707)	$ -	$ (8,187,856)	$ (1,476,008)	$ (59,325,819)
2018	(58,760,283)	(9,034,575)	9,112,204	-	7,441,734	(1,921,244)	-	6,543,193	(1,192,077)	$ (47,811,048)
2017	(44,154,951)	(9,074,042)	9,151,671	-	4,544,181	(1,941,797)	-	12,674,697	(776,161)	$ (29,576,402)
2016	(51,147,853)	(9,101,995)	7,549,413	-	1,214,076	(1,352,945)	-	(17,805,522)	3,341,328	$ (67,303,498)
2015	(49,895,919)	(14,951,737)	14,951,737	(3,350,093)	1,552,401	(1,457,841)	-	(4,355,048)	2,137,873	$ (55,368,627)
2014	(54,181,398)	(14,254,750)	14,254,750	(197,064)	1,552,541	(1,441,252)	-	(188,802)	(4,127,876)	$ (58,583,851)
2013	(53,829,320)	(13,993,685)	13,993,685	(197,064)	4,497,542	(1,408,484)	90,394	16,825,504	1,996,242	$ (32,025,186)
2012 [2]	(53,829,320)	(14,190,666)	14,190,666	(197,064)	4,121,409	(1,321,063)	-	(21,619,786)	(1,232,207)	$ (74,078,031)
2011 [2]	(54,795,844)	(13,630,151)	13,630,151	(197,064)	4,362,767	(1,257,414)	502,838	1,888,837	(19,101,138)	$ (68,597,018)
2010	(13,664,571)	-	-	-	4,027,421	(1,677,806)	318,053	(721,931)	(2,855,111)	$ (14,573,945)

Note [1]: In Fiscal year 2012-13 name changed from Excess Sewer Capacity and Incentive to Sewer Incentive Program name was established to more correctly match current program.

Note [2]: Fiscal year 2011 and 2012 have been revised in accordance with the implementation GASB Statement No. 61 T*he Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 39. Prior years have not been restated.*

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Wastewater Treated

Fiscal Years 2009-2010 through 2018-2019
Schedule 6

Fiscal Year	Connected Equivalent Single-Family Dwellings (ESD)	Monthly Sewer Rate per ESD
2019	598,217	$37.00
2018	592,857	36.00
2017	588,054	35.00
2016	586,351	32.00
2015	586,519	29.00
2014	579,940	26.00
2013	580,568	24.00
2012	577,312	22.00
2011	573,425	20.00
2010	570,321	19.75

Source: ESD - Chief Financial Officer's Billing Report
District Sewer Rate Ordinances

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Number of Customers by Type

Fiscal Years 2009-2010 through 2018-2019
Schedule 7

Fiscal Year	Residential ESD's	Commercial [1] ESD's	Total ESD's [2]	Industrial Flow Customers	Total
2019	492,877	105,340	598,217	131	598,348
2018	485,263	107,593	592,857	130	592,987
2017	481,314	106,739	588,053	130	588,183
2016	490,140	96,211	586,351	127	586,478
2015	483,219	103,300	586,519	144	586,663
2014	479,189	100,751	579,940	155	580,095
2013	480,089	100,479	580,568	159	580,727
2012	477,299	100,013	577,312	146	577,458
2011	473,664	99,761	573,425	99	573,524
2010	570,321	-	570,321	103	570,424

Source: Customer billing records

Note 1: FY2006 - FY2010 Commercial is incorporated with the Residential totals as data is unavailable for these fiscal years

Note 2: Total ESD's for Residential and Commercial is not the total number of customers by type since many customers have multiple types of ESD's

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Ten Largest Customers

Current Year and Nine Years Ago
Schedule 8

Fiscal Year 2019

Customer	Amount [1]	%
Procter and Gamble Manufacturing	$ 2,651,407	0.94%
H.P. Hood, LLC	2,460,020	0.87%
Nor-Cal Beverage Company, Inc.	464,644	0.16%
Folsom State Prison	453,431	0.16%
The American Bottling Company	418,028	0.15%
Mission Linen Supply	413,589	0.15%
Huhtamaki, Inc.	406,981	0.14%
Sacramento County Airport System - SIA	321,975	0.11%
Aramark Uniform Services, Inc.	271,508	0.10%
Rio Cosumnes Correctional Center	241,509	0.09%
Subtotal (10 largest)	8,103,093	2.87%
Balance from other customers	274,234,611	97.13%
Grand totals	$ 282,337,704	100.00%

Fiscal Year 2010

Customer	Amount [1]	%
Proctor & Gamble Manufacturing	$ 1,526,327	1.07%
Campbell Soup Company	853,418	0.60%
Crystal Cream and Butter Co.	235,028	0.16%
Folsom State Prison	205,929	0.14%
Huhtamaki Food Services, Inc	202,050	0.14%
Pepsi-Cola Bottling Co	183,581	0.13%
Nor-Cal Beverage Co	181,437	0.13%
Mission Industries	130,616	0.09%
Bryte Bend Water Treatment Plant	121,881	0.09%
Aramark Services Inc.	120,088	0.08%
Subtotal (10 largest)	3,760,355	2.47%
Balance from other customers	142,935,795	97.53%
Grand totals	$ 146,696,150	100.00%

Source: Annual customer billing records from Wastewater Source Control

Note [1]: Amount includes base rate charges as well as multiple meters on various accounts.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sewer Rates

Fiscal Years 2010-2011 through 2019-2020
Schedule 9

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Residential Rates [1]:										
Operations and Maintenance	$12.00	$14.00	$13.00	$14.00	$13.54	$13.65	$12.90	$13.09	$12.55	$12.30
Capital Improvement Program	25.00	22.00	22.00	18.00	15.46	12.35	11.10	8.91	7.45	7.45
Total	$37.00	$36.00	$35.00	$32.00	$29.00	$26.00	$24.00	$22.00	$20.00	$19.75
Industrial Rates [3]:										
Per Million Gallons	$783.00	$783.00	$779.00	$741.00	$318.46	$318.46	$318.46	$318.46	$318.46	$318.46
Per Thousand Lbs BOD [2]	378.00	378.00	363.00	362.00	191.89	191.89	191.89	191.89	191.89	191.89
Per Thousand Lbs SS [2]	255.00	255.00	215.00	215.00	110.87	110.87	110.87	110.87	110.87	110.87
TKN	835.00	783.00	778.00	605.00	431.90	0.00	0.00	0.00	0.00	0.00
Pathogens	226.00	216.00	215.00	167.00	119.42	0.00	0.00	0.00	0.00	0.00

Source: Regional San Sewer Rate Ordinances

Note [1]: Monthly rate at June 30 per equivalent single-family dwelling (ESD).

Note [2]: BOD=Biochemical Oxygen Demand, SS=Suspended Solids.

Note [3]: Industrial rates are based on flow (millions of gallons) and per thousands of pounds of BOD and SS.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Net Ratios of Outstanding Debt by Type

Fiscal Years 2009-2010 through 2018-2019
Schedule 10

Fiscal Year	Outstanding Debt [1]: Authority Net Revenue Bonds [4,5]	State Revolving Loan	Regional San Net Revenue Bonds [4]	Capital Leases	City of Sacramento Loan	Regional San's Net Debt: District Amount Outstanding	Per Equivalent Single-Family Dwelling [2]	As a Share of Personal Income [3]
2019	$ 170,785,680	$670,212,103	$ 1,271,659,019	$ 7,391,076	$ 1,125,920	$ 1,950,388,117	$ 3,260	N/A
2018	172,160,835	474,574,145	1,329,915,477	8,617,381	1,670,769	1,814,777,772	3,061	2.4%
2017	173,495,990	253,786,588	1,365,528,630	9,804,914	2,203,890	1,631,324,022	2,774	2.2%
2016	174,791,145	57,868,521	1,399,806,784	10,954,900	2,725,534	1,471,355,739	2,509	2.1%
2015	176,056,300	-	1,483,189,938	12,068,526	3,235,949	1,498,494,413	2,555	2.3%
2014	267,480,272	-	1,341,262,496	13,222,403	3,735,377	1,358,220,277	2,342	2.1%
2013	272,529,262	-	1,365,911,779	14,125,541	4,224,054	1,384,261,374	2,384	2.3%
2012	277,403,251	-	1,385,542,654	14,979,895	4,702,212	1,405,224,761	2,380	2.6%
2011	282,102,240	-	1,376,434,789	15,788,101	5,170,077	1,397,392,967	2,445	2.6%
2010	153,910,022	-	1,396,637,253	16,639,424	5,627,869	1,418,904,546	2,495	2.7%

Source: Resources Restricted to Repaying Principal from trust statement

Note[1]: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

Note [2]: Equivalent single-family dwelling. Data is shown at schedule 6.

Note [3]: Per Capita income data is shown on Schedule 13. Not available until April 2019.

Note [4]: Revenue Bonds for the Authority (Regional San and SASD) presented Net of deferred items. See changes in long term obligations for detail.

Note [5]: Authority Net Revenue Bonds are not included in the ratio calculation as all debt payments relating to the Authority Revenue Bonds are paid by the Sacramento Area Sewer District.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Pledged–Revenue Coverage

Fiscal Years 2009-2010 through 2018-2019
Schedule 11
(Dollars in Thousands)

Fiscal Year	Sewer Service Fees	Sewer Impact Fees	Interest Grants and Other Operating Income	Gross Revenues	Less Operating Expenses (excluding depreciation and landfill)	Net Revenues	Revenue Bonds Debt Service			Coverage Ratio [2]
							Principal	Interest	Total	
2019	$ 282,338	$ 29,510	$ 28,565	$ 340,413	$ 129,267	$ 211,146	$ 54,975	$ 53,387	$ 108,362	1.95
2018	271,617	25,385	24,089	321,091	119,277	201,814	32,295	55,889	88,184	2.29
2017	261,073	21,936	19,604	302,613	111,146	191,467	30,960	57,336	88,296	2.17
2016	237,034	13,618	16,596	267,248	106,511	160,737	30,065	58,461	88,526	1.82
2015	216,876	10,740	16,038	243,654	104,838	138,816	23,090	59,972	83,062	1.67
2014	191,128	7,330	12,954	211,512	100,428	111,084	22,600	56,742	79,342	1.40
2013	176,390	11,056	15,170	202,616	96,612	106,004	17,960	61,233	79,193	1.34
2012 [1]	158,312	8,029	16,987	183,328	96,016	87,312	18,085	60,740	78,825	1.11
2011	147,067	8,162	10,235	165,464	91,820	73,644	13,235	61,292	74,527	0.99
2010 [3]	146,696	8,303	11,614	166,613	86,066	80,547	21,895	66,784	88,679	0.91

Note [1]: See Schedule 4. Fiscal year 2012 has been revised in accordance with the implementation guidance in GASB Statement N0. 65 *Items Previously Reported as Assets and Liabilities.* Prior years have not been restated as permitted by the standard.

Note [2]: This schedule presents all non–general obligation long-term debt backed by pledged revenues. The coverage ratio differs from those required by specific bond indentures.

Note [3]: Principal does not include $22,660,000 defeased in fiscal year 2009-10.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Demographic and Economic Statistics

Fiscal Years 2009-2010 through 2018-2019
Schedule 12

Fiscal Year	County Population	Personal Income *(in thousands)*	Per Capita Personal Income	County Unemployment Rate	School Enrollment	County Labor Force [1]
2019	1,540,975	NA	NA	3.8%	247,000	706,900
2018	1,530,615	$ 76,832,420	$ 50,197	4.6%	246,000	703,500
2017	1,514,460	72,878,458	48,122	5.4%	244,000	697,600
2016	1,501,335	69,870,482	46,539	6.0%	243,000	693,000
2015	1,482,000	65,126,187	43,944	7.3%	241,000	689,800
2014	1,462,000	63,512,541	43,438	8.8%	240,000	679,300
2013	1,450,000	60,668,975	41,837	10.5%	238,000	684,000
2012	1,436,000	54,861,602	38,202	12.1%	237,000	685,400
2011	1,422,000	53,612,730	37,700	12.6%	237,000	677,400
2010	1,409,000	52,377,247	37,184	11.3%	238,000	682,000

Note: NA = Not available until April 2019. Information will be updated next fiscal year.

Note 1: Data for Sacramento County has been changed to reflect only Sacramento County information.

Source: Sacramento County Comprehensive Annual Financial Report
County Labor Force from California Employment Department (amounts are for previous calendar year)

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Private Sector Principal Employers

Current Year and Nine Years Ago
Schedule 13

Employer	Number of Employees [a]	Percent of County Labor Force [1 c]
	2019	*2019*
UC Davis Health System	12,840	1.88%
Kaiser Permanente	11,005	1.61%
Sutter / California Health Services	8,177	1.20%
Dignity /Mercy Healthcare	7,000	1.02%
Intel Corporation	6,000	0.88%
Apple Inc.	5,000	0.73%
Raley's Inc. / Bel Air	3,374	0.49%
Health Net of California Inc.	3,000	0.44%
VSP Global	2,700	0.40%
Amazon - Sacramento Fulfillment Center	2,000	0.29%
	2010 [b]	*2010* [c]
Kaiser Permanente	10,081	1.65%
CHW / Mercy Health Care	8,279	1.36%
Sutter/California Health Services	7,314	1.20%
Intel Corporation	6,000	0.98%
Wells Fargo & Co.	3,690	0.61%
Raley's Inc./Bel Air	3,401	0.56%
PRIDE Industries	2,841	0.47%
HealthNet of CA	2,512	0.41%
Cash Creak Casino Resort	2,460	0.40%
Pacific Gas and Electric Co.	2,169	0.36%

Source [a]: Sacramento Business Journal Annual Book of Lists

Source [b]: Sacramento Area Commerce and Trade Organization

Source [c]: California Employment Development Department, Labor Market Information

Note [1]: County labor force is shown in schedule 12.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Number of Employees by Identifiable Activity

Fiscal Years 2009-2010 through 2018-2019
Schedule 14

	Full-time-Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012 [3]	2011	2010
Maintenance and Operations	244	247	245	259	239	241	231	231	221	221
Engineering [2]	89	85	85	88	90	89	80	63	73	76
Laboratory	30	29	28	29	29	29	30	32	33	33
Source Control	15	15	14	14	14	14	14	14	15	15
Administration [1]	97	100	108	108	108	109	102	114	80	80
Total Employees	475	476	480	498	480	482	457	454	422	425

Note: Regional San has no employees; the above reflects County employees working for Regional San.

Note [1]: Administration includes Material Support, Plant Administration, Communications & Media, MIS and Office of Finance.

Note [2]: In 2013 Bufferlands and Documentation were moved under Engineering.

Note [3]: In 2012 the Sanitation District Agency went through re-organization; 33 FTE positions were moved from Sacramento Area Sewer District to Sacramento Regional County Sanitation District.

Source: Sacramento Regional County Sanitation District budget documents

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Operating and Capital Indicators

Fiscal Years 2009-2010 through 2018-2019
Schedule 15

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012 [2]	2011	2010
Miles of sewers	169	169	169	169	169	172	177	177	147	147
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MG[1] per day)	181	181	181	181	181	181	181	181	181	181
Gallons treated annually (MG) [1]	45,990	42,340	40,545	40,383	40,515	42,351	44,983	45,990	56,940	52,560
Capacity utilized	70%	64%	61%	61%	61%	64%	68%	70%	86%	80%

Note [1]: MG = millions of gallons. Additional operating indicators can be found in Schedules 7-9.

Note [2]: Miles of sewers number changed in 2012 to include parallel force main pipes per the 2011 State of Regional San Report

Source: Wastewater Treatment Plant

BOND DISCLOSURE SECTION

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento, California

Bond Disclosure Section

For the Fiscal Years Ended June 30, 2019 and 2018

ANNUAL REPORT FOR THE SACRAMENTO COUNTY SANITATION DISTRICT FINANCING AUTHORITY AND SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

FOR THE FISCAL YEARS ENDING JUNE 30, 2019 AND 2018

On October 1, 1993, Regional San entered into a Joint Exercise of Powers Agreement with Sacramento Area Sewer District (SASD) to form the Sacramento County Sanitation Districts Financing Authority (the Authority) for the purpose of facilitating the financing of acquisition and/or construction of real and personal property in and for Regional San and SASD. The Board of Directors of Regional San serves as the Authority's governing board. The Financing Authority is a blended component unit of Regional San. For financial reporting purposes, the Master Installment Purchase Contract between Regional San and the Authority has been eliminated.

This section is provided in accordance with the requirements of the:

- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2015 (2015 Bonds)"
- Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2014 B (2014 B Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2014 A (2014 A Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Subordinate Lien Variable Rate Refunding Revenue Bonds, 2013B, 2013C and 2013D, (2013 B, 2013C and 2013 D Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Subordinate Lien Variable Rate Refunding Revenue Bonds, Series 2012A, (2012 Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Refunding Revenue Bonds, Series 2011A, (2011 Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Refunding Revenue Bonds, Series 2007A and Series 2007B (2007 Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds, Series 2006 (2006 Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts financing Authority of its Revenue Bonds, Refunding Series 2001 (2001 Bonds)"
- "Continuing Disclosure Certificate for the Sacramento County Sanitation Districts Financing Authority of its Revenue Bonds Series 2000C (2000 Series C Bonds)"

The material provided under the Certificates is intended to meet or exceed the requirements of Securities and Exchange Commission Rule 15c2-12(b) (5) (the Rule). The data tables provided herein apply equally to the 2000, 2001, 2006, 2007, 2010, 2011, 2012, 2013 B through 2013 D, 2014 A, 2014 B, and 2015 issues.

This Bond Disclosure Section included within Regional San's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the MSRB's Electronic Municipal Market Access (EMMA) which transmits it to the National Repositories. The CAFR may also be found at www.regionalsan.com.

ANNUAL REPORT FOR THE SACRAMENTO COUNTY SANITATION DISTRICT FINANCING AUTHORITY AND SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

FOR THE FISCAL YEARS ENDING JUNE 30, 2019 AND 2018

ANNUAL REPORT

As required by the Certificates, this annual report is incorporated into the CAFR and includes, by reference, the audited financial statements of Regional San for the prior fiscal year.

The annual report also contains the following five (5) sections that are required in the Certificates:

(1) A table setting forth the percentage of service charge revenues received from each of the Contributing Agencies for the immediately preceding five (5) fiscal years.
(2) A table indicating the number of residential/commercial customer accounts (by equivalent single family dwellings or other appropriate measure) and industrial customer accounts, and the percentage of service charge revenues by each of such customer classifications for the immediately preceding five (5) fiscal years.
(3) A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.
(4) A table providing a comparison of sewer service rates and impact fees for single-family residences for Regional San and the Contributing Agencies.
(5) A table showing the Revenues, Maintenance and Operation Costs, and Net Revenues (as these three terms are defined in the Installment Purchase Contract), debt service coverage, and certain fund balances of Regional San for the immediately preceding five (5) fiscal years.

REPORTING OF SIGNIFICANT EVENTS

No withdrawals were taken from the Rate Stabilization Fund in fiscal year 2018-19 or 2017-18 and Regional San does not project withdrawals will be made from the rate stabilization reserve for the next few years.

As of June 30, 2019, none of the Events listed in Section 5 of the Certificates have occurred for the outstanding bonds issued by the Financing Authority. As of June 30, 2019, there is no knowledge on the part of the Board of Directors, officers, or employees of the Sacramento Regional County Sanitation District of any impending Significant Event that would require disclosure under the provisions of the Certificate.

ADDITIONAL INFORMATION

In October 1993, Regional San entered into a Joint Exercise of Powers Agreement organized under Section 6500 et seq. of the California Government Code with the Sacramento Area Sewer District (SASD) to form the Sacramento County Sanitation Districts Financing Authority (Authority) for the purpose of facilitating the financing of acquisition and/or constructing of real and personal property in and for Regional San and SASD. The Board of Directors of Regional San serves as the Authority's governing board. For financial reporting purposes, the Authority and Regional San have a financial and operational relationship which requires that the Authority's financial statements be blended into Regional San's financial statements. Separate financial statements for the Authority are available from Regional San at 10060 Goethe Road, Sacramento Ca, 95827, upon request.

The table in section 5 represents only the Regional San portion of revenues, maintenance and operations costs, net revenues, debt service coverage, and certain fund balances of Regional San for the immediately preceding five fiscal years.

For all swaps Regional San pursues with respect to each transaction there are two main strategies which are, i) Mitigate fluctuations in variable interest rates and ii) Reduce interest expense resulting from the difference between short and long term rates.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swaps. Regional San pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which Regional San is fixed, the swap would result in a positive value to Regional San. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to Regional San. The value primarily depends on the overall level of interest rates on the reporting date compared to what Regional San pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where Regional San pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps, therefore, the mark-to-market value is generally more negative to Regional San.

(ii) Reduce interest expense from expected benefit resulting from the difference between short and long term rates. This is the function of a swap where Regional San receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 5 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which Regional San pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, Regional San entered into swaps whose receipts on the receive floating leg are based on a longer term index that is expected to outperform the payments on Regional Sans variable debt.

Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to Regional San, therefore, the higher the mark-to-market value of the swap. Regional San pays a fixed rate on this swap transaction, therefore the other part of the value of the swap is determined by the prevailing level of interest rates compared to when Regional San entered into the swap transaction.

Since interest rates have trended lower since inception, the mark-to-market value will be more negative to Regional San, even though Regional San may be receiving a net benefit from the receipts based on the 5 Year CMS Index. Since the long term index is expected to out-perform the short-term variable rate, the tests under GASB 53 deem the transactions investment instruments.

Section (1) **A table setting forth the percentage of service charge revenues received from each of the Contributing Agencies for the immediately preceding five (5) fiscal years.**

Percentage of Service Charge Revenues by Contributing Agencies

Fiscal Year Ended June 30,	SASD	City of Sacramento	City of Folsom	City of West Sacramento
2015	72%	20%	5%	3%
2016	72%	20%	5%	3%
2017	72%	20%	5%	3%
2018	72%	20%	5%	3%
2019	72%	20%	5%	3%

Section (2) **A table indicating the number of residential/commercial customer accounts (by equivalent single-family dwelling) and industrial customer accounts and the percentage of service charge revenues by each of such customer classifications for the immediately preceding five (5) fiscal years.**

Number of Accounts and Revenues by Customer Class for the Fiscal Years Ended June 30

	Residential/Commercial	
Fiscal Year Ended June 30,	**Number of Equivalent Single-family Dwelling**	**Percentage of Service Charge Revenues**
2015	586,519	96.2%
2016	586,351	96.7%
2017	588,054	96.1%
2018	592,857	96.0%
2019	598,217	96.1%

	Industrial	
Fiscal Year Ended June 30,	**Number of Customer Accounts**	**Percentage of Service Charge Revenues**
2015	144	3.8%
2016	127	3.3%
2017	130	3.9%
2018	130	4.0%
2019	131	3.9%

Section (3) **A table listing the ten (10) largest industrial customers and the total service charge revenues received from each of such customers for the immediately preceding fiscal year.**

Largest Industrial Customers of the District
for the Fiscal Year Ended June 30, 2019

Largest Industrial Customers	Revenues Received
Procter and Gamble Manufacturing	$2,651,407
H.P. Hood, LLC	2,460,020
Nor-Cal Beverage Company, Inc.	464,644
Folsom State Prison	453,431
The American Bottling Company	418,028
Mission Linen Supply	413,589
Huhtamaki, Inc.	406,981
Sacramento County Airport System - SIA	321,975
Aramark Uniform Services, Inc.	271,508
Rio Cosumnes Correctional Center	241,509
	$ 8,103,093

Section (4) ***A table providing a comparison of sewer service rates and impact fees for a single-family residences for Regional San and the Contributing Agencies.***

Sewer Rates and Impact Fees
for the Fiscal Year Ended June 30, 2019

Monthly Service Charges	Regional San	Local	Total
Regional San & SASD	$37.00	$19.85	$56.85
Regional San & City of Folsom	37.00	16.15	53.15
Regional San & City of Sacramento	37.00	31.65	68.65
Regional San & City of West Sacramento	37.00	10.38	47.38
Sewer Impact Fees (a)	**Regional San**	**Local**	**Total**
Regional San & SASD (b)	$5,827	$2,957	$8,784
Regional San & City of Folsom	5,827	1,021	6,848
Regional San & City of Sacramento (c)	5,827	1,685	7,512
Regional San & City of West Sacramento	5,827	6,368	12,195

(a) Regional San impact fee is based on new area fee. Infill area impact fee is $3,358.
(b) SASD Fee is based on expansion area. Relief area impact fee is $661.
(c) Connection fee is based on 4” pipe at $168.53 per foot. Assumed 10 feet from residence to sewer pipe.

Section (5) ***A table showing Regional San's Revenues, Maintenance and Operations Costs, Net Revenues, Debt Service Coverage, and Certain Fund Balances of Regional San for the immediately preceding five (5) fiscal years.***

Revenues, Maintenance, and Operational Costs,
Net Revenues, Debt Service Coverage, and Certain Fund Balances of the Regional San [1]
for the Fiscal Years Ended June 30
(in thousands)

	2015	2016	2017	2018	2019
Revenue					
Operating					
Sewer Service fees	$ 216,876	$ 237,034	$ 261,073	$ 271,617	$ 282,338
Sewer Impact fees	10,740	13,618	21,936	25,385	29,510
	$ 227,616	$ 250,652	$ 283,009	$ 297,002	$ 311,848
Non-operating					
Interest income	1,552	1,214	4,544	7,442	10,880
Other revenue	14,486	15,381	15,060	14,932	16,039
	16,038	16,595	19,604	22,374	26,919
	$ 243,654	$ 267,247	$ 302,613	$ 319,376	$ 338,767
M&O expense					
Total Operating	$ 149,909	$ 153,042	$ 161,073	$ 169,886	$ 180,201
Less: Landfill Closure	(389)	(166)	(438)	(588)	(34)
Less: Depreciation and amortization	(48,848)	(49,212)	(49,489)	(50,021)	(50,900)
	$ 100,672	$ 103,664	$ 111,146	$ 119,277	$ 129,267
Net Revenue	$ 142,982	$ 163,583	$ 191,467	$ 200,099	$ 209,500
Addition/(Deduction) for Rate Stabilization Fund	$ -	$ -	$ -	$ -	$ -
Net Revenue for Coverage Test	$ 142,982	$ 163,583	$ 191,467	$ 200,099	$ 209,500
Senior lien debt service	$ 69,142	$ 77,237	$ 76,114	$ 77,787	$ 79,473
Total lien debt service	$ 80,974	$ 86,225	$ 83,770	$ 90,444	$ 88,848
Senior Coverage (1)	2.07	2.12	2.52	2.57	2.64
Total Coverage (1)	1.77	1.90	2.29	2.21	2.36
Reserves, end of year (2)	$ 174,172	$ 179,334	$ 180,701	$ 184,310	$ 192,566

(1) As defined in the Installment Purchase Contract which may or may not be on the same basis as Generally Accepted Accounting Principles.
(2) Reserve balance after planned addition/withdraw.

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ACKNOWLEDGEMENTS
This Comprehensive Annual Financial Report was prepared by the Regional San Finance Section.

Prabhakar Somavarapu
District Engineer
Regional San

Joseph T. Maestretti
Chief Financial Administrative Officer
Regional San

Glen Iwamura
Senior Accounting Manager
Regional San

REGIONALSAN

Sacramento Regional County Sanitation District

Sacramento, California

printed on recycled paper

Exhibit E

Harvest Water Program – Proposed Sphere of Influence Map

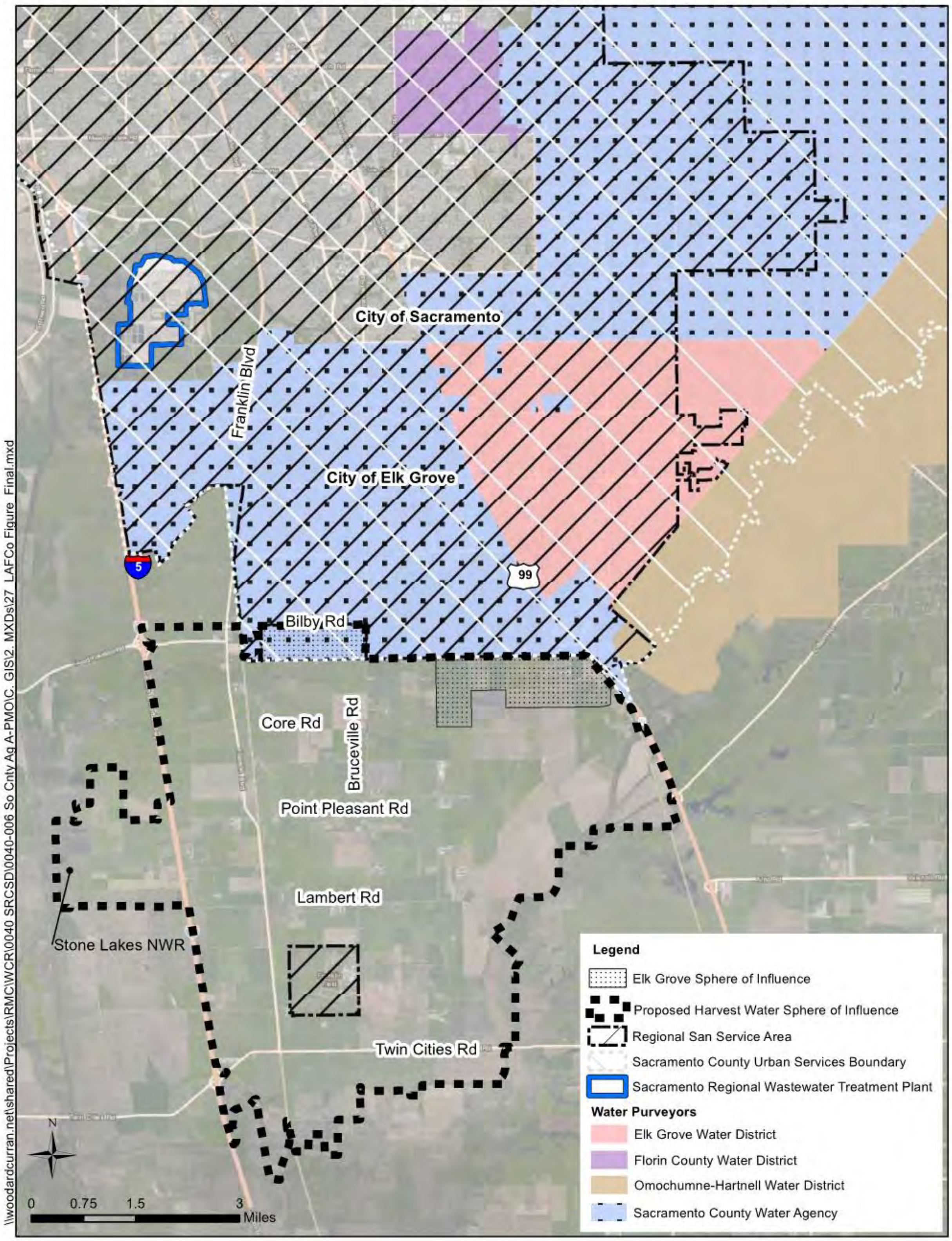

Exhibit F

REGIONALSAN
Maintained Facilites
January 2020

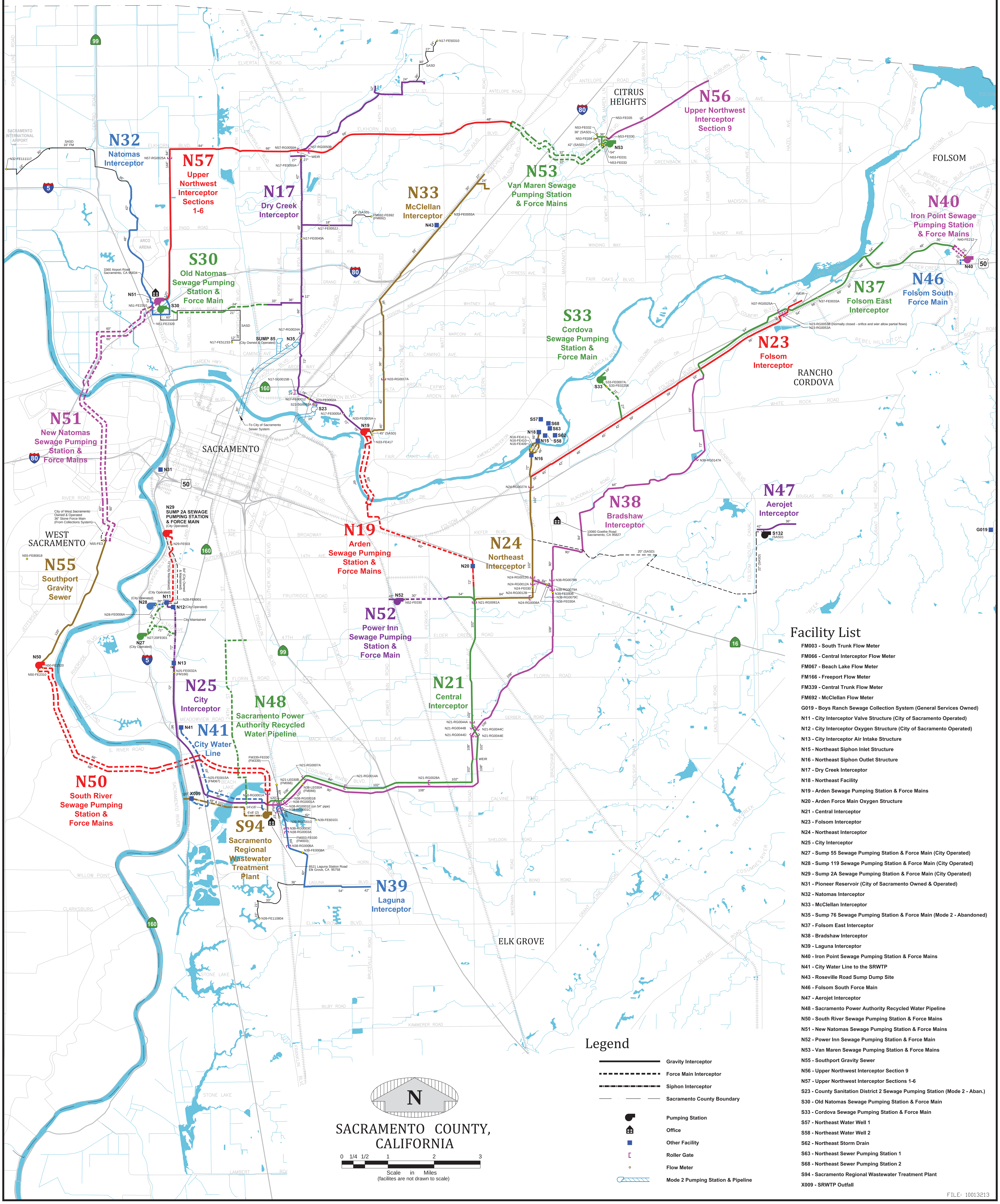

Exhibit G

Attachment A

Sacramento Regional County Sanitation District

Long-Term Financial Plan

2019 Update

REGIONALSAN
TAKING THE WASTE OUT OF WATER
Sacramento Regional County Sanitation District

Presented to the Board of Directors on November 13, 2019 by:

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Chief Financial Officer
Sacramento Regional County Sanitation District
Sacramento Area Sewer District
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Contents

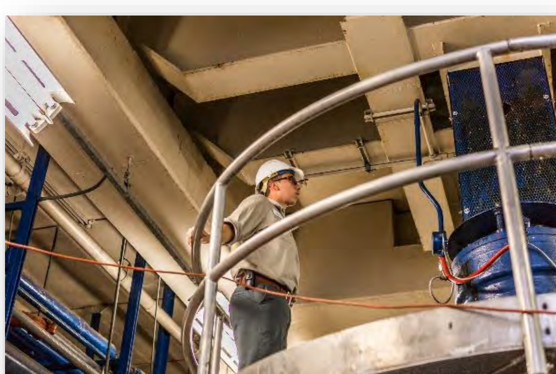
Introduction

Since 2011, the Sacramento Regional County Sanitation District's (Regional San) financial condition has been steadily improving, with growing cash balances and improving debt coverage ratios due to rising revenues from increased monthly service rates and operating cost containment.

The National Pollution Discharge Elimination System (NPDES) wastewater discharge permit for the Sacramento Regional Wastewater Treatment Plant (SRWTP) requires Regional San to construct and operate advanced wastewater treatment facilities (EchoWater Project). The EchoWater Project will add a nutrient removal process to remove ammonia and nitrates, and a new filtration and disinfection process, at the SRWTP. The permit requires these new facilities to be constructed and operational beginning in 2021 for ammonia and nitrate removal, and by early 2023 for the filtration process. The total capital cost for the EchoWater Project is currently estimated at $1.75 billion, with approximately $1 billion spent to-date. Additional information concerning the District's permit and the EchoWater Project can be found on the Regional San website at the following link: http://www.regionalsan.com/echowater-project

This new challenge came immediately following a decade of major capital projects totaling approximately $1.4 billion that expanded and improved the District's interceptor system. Approximately $1.058 billion of new bond debt financed these projects between 2004 and 2006.

Since 2011, the Regional San Board of Directors has approved annual rate increases totaling $17 per month, per equivalent single-family dwelling (ESD), mainly to fund the EchoWater Project. The monthly rate increased from $20 per ESD in 2011, to $37 per ESD on July 1, 2018. In April of 2017, the Board approved the final set of rate increases needed to support the EchoWater Project that took the monthly rate per ESD up to $37. In May of 2019, the Board approved an ordinance amendment that will freeze the monthly service rate per ESD at $37 through fiscal year 2020-21. A combination of increasing revenue from growth, operating cost containment, reduced capital spending projections, and low cost financing for the EchoWater Project have resulted in no need for increasing monthly service rates beyond the current $37 level over the next few years.



Highlights

- Regional San is in excellent financial condition and is expected to remain so throughout the 10-year forecast period.

- On April 7, 2015, the EchoWater Project was approved for Clean Water State Revolving Fund (CWSRF) loans of up to $1.576 billion (subsequent amendments have reduced the total maximum loan total to $1.39 billion). These 30-year loans have interest rates between 1.6% and 1.7%, which could save over $500 million when compared with the cost of traditional fixed rate bond financing. An updated debt-financing plan for the EchoWater Project is included in the Debt Management section of this document.

- The Board of Directors has demonstrated their commitment to funding the EchoWater Project while improving the financial position and sustainability of the District by approving timely rate increases. Those rate increases are now complete and monthly service rates are projected to remain level at $37 per month, per ESD, for the next several years.

- Reserves are increased for asset replacements, emergencies, and general operating cost fluctuations. The District currently has approximately $199 million in designated reserves and additional unreserved cash is available to build these reserves to higher levels without putting pressure on rates or fees.

- The District has approximately $1.21 billion in revenue bond debt outstanding as of June 30, 2019. Financing needs for the EchoWater Project will require the District to incur up to approximately $1.4 billion in new CWSRF debt over the next few years. The improving financial outlook may allow Regional San to retire a portion of higher cost bond debt early. This would reduce the need for rate increases in the future.

- Debt restructuring and replacements have generated over $100 million in total cash-flow savings since 2010. These restructurings reduced costs, risk, and complexity of the District's existing debt portfolio. In July of 2018, Regional San paid off the remaining outstanding Series 2006 Bonds about 18 years early, saving about $1 million per year in interest cost.

Purpose of the Long-Term Financial Plan

This Long-Term Financial Plan (LTFP) is designed to help focus resources on the issues influencing the District's financial position over the next 10 years, and better align its financial capacity with its mission. It identifies financial risks and opportunities facing the District over the next 10 years. It also outlines some strategies for meeting those challenges while maximizing opportunities for providing the most value for the District's ratepayers at the lowest possible cost.

The LTFP is a tool to assist policymakers in identifying the financial challenges and opportunities facing the District and determining the impact of various policies and decisions that might be implemented to meet them. It includes a set of well-reasoned assumptions that provide a foundation upon which a variety of policies and decisions can be formulated for the annual operating and capital budgets, debt-management program, reserves-management, and other ongoing financial processes.

The Planning Process – The LTFP process involves gathering information from District staff related to the long-term operating and capital needs of the District. The planning process includes reviews of various planning documents produced by Regional San, the Sacramento Area Sewer District, and other agencies. The LTFP does not repeat or replace other planning processes or documents but works in conjunction with them. The planning documents reviewed include the Regional San Business Plan, the Strategic Action Plan, the Capital Funding Projection, Condition Assessment Report, EchoWater Project plans, the annual budget, and other planning documents. Research and analysis of economic data and trends affecting the District are also included. The process involves discussions and collaborations with management, staff, legal counsel, and outside financial advisors to determine critical issues and opportunities that the District may face over the next 10 years. Finally, the process culminates in a presentation to the Board of Directors to receive public and board member input and guidance on what additional issues should be considered in the future.

The LTFP will be updated and brought back to the Board of Directors at least once each year. Any action items outlined in the plan will be brought back to the Board of Directors individually for approval at appropriate times in the future, as conditions and opportunities warrant.

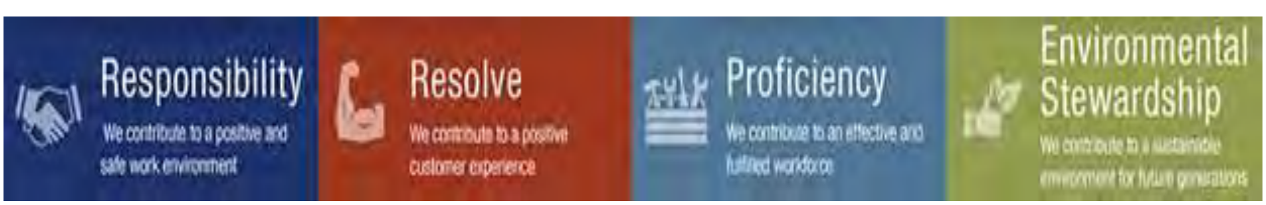
Mission, Vision, and Other Guiding Principles

The mission of Regional San is ***"To protect public health and the environment by conveying, treating, and recovering resources from wastewater responsibly and cost-effectively."*** The vision of Regional San is ***"Being a leader in environmental stewardship and a trusted partner in regional sustainability."***

The goal of the LTFP is to support the District's mission and provide a long-term sustainable financial foundation for achieving and sustaining the vision into the future. More specific financial principles, policies, and goals guiding this plan include:

1. Growth pays for growth over the long-term. Sewer impact fees will be set at a level necessary to assure that new connections finance capital costs associated with the additional burden of new customers on the sanitation system.
2. Monthly service rates should be smoothed to avoid spikes and minimize the total burden on ratepayers. Reserves may be used to smooth rates when prudent.
3. Prudent reserves are to be maintained to mitigate the negative effects of emergencies and fluctuations in revenues and expenditure levels. Additional prudent reserve levels will be maintained to fund asset replacements, meet debt management needs, and meet regulatory requirements.
4. Required annual maintenance and scheduled asset replacement should not be deferred to minimize current rates and fees at the expense of higher future rates and fees.
5. The District should maintain strong bond ratings to instill confidence in investors and ratepayers and to facilitate access to the municipal bond market at lower cost.
6. Use and cost of debt should be minimized to the extent possible. Debt service should be strategically planned to be as level as possible to minimize the burden on ratepayers and produce predictable rates that avoid significant spikes.
7. Capital projects should be financed on a pay-go (cash) basis to the extent possible, targeting at least 25 percent cash financing on projects for new facilities, and 100 percent cash financing on rehabilitation and replacement projects.
8. Excess funds due to higher than expected growth, unexpected one-time revenues, and operating surpluses should be used to pay off debt early.

Core Values



Recommended Action Items for 2019-20

Regional San regularly monitors and analyzes its outstanding debt to take advantage of opportunities to reduce costs and risks associated with the debt portfolio. This is of particular importance at this time as Regional San continues with the capital-spending program required for the EchoWater Project. Actions designed to reduce costs and risks in the debt portfolio should help to maintain or improve bond ratings and provide added confidence to investors to ensure successful transactions in the coming years. In addition, any actions that will reduce the cost of the existing debt will provide capacity for new debt or additional expenses without a corresponding increase in rates.

No debt transactions are planned for the next 12 months. As conditions change, specific transactions may be brought forward for consideration by the Board of Directors.

Status of Action Items from 2018

The LTFP update from 2018 included three action items. The table below summarizes the status of these action items:

Table 1

Action Item	Status	Comments
1. Pay off the $21.3 million outstanding Series 2006 Bonds early.	Completed in July 2018	Regional San was able to pay this debt off about 18 years early reducing debt service by about $1 million per year.
2. Defease the Series 2011 Bonds to 2021 Call Date. (late 2018-19)	Postponed to 2021 call date	It was determined that the cost of setting up a defeasance escrow for only two years was not a prudent use of cash and waiting to the call date has no downside risk if the debt is paid off.
3. Renew or replace the Direct Purchase Agreement for the Series 2013B Bonds. (June 2019)	Completed May 2019	Wells Fargo Bank was willing to renew this agreement for another three-year term allowing Regional San to avoid over $100,000 in reissuance costs.

Financial Environment

The Economy – Financial Markets & Trends

Regional, state, national, and global economies and financial markets have a significant impact on Regional San operations and, therefore, have a significant effect on financial strategies and decisions. Because Regional San is an integral part of the Sacramento regional economy, conditions and trends here have a significant influence over the District's financial outlook, particularly in the area of revenue projections.

Regional economic outlook has the most profound effect on the District's growth. Customer growth fuels revenue growth from rates by adding permanent ratepayers. In addition, new customers also pay impact fees to cover the cost of added infrastructure necessary to support growth. The table below shows the growth that the District has experienced over the past seven years as measured by average billed and collected ESD equivalents:

Table 2

Sacramento Regional County Sanitation District
Growth in Connected Equivalent Single-Family Dwellings (ESDs)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Estimated
Average ESDs	592,886	596,161	597,780	598,332	600,721	604,587	611,070
New ESDs	2,582	3,275	1,619	552	2,389	3,866	6,483
% Change	0.44%	0.55%	0.27%	0.09%	0.40%	0.64%	1.06%

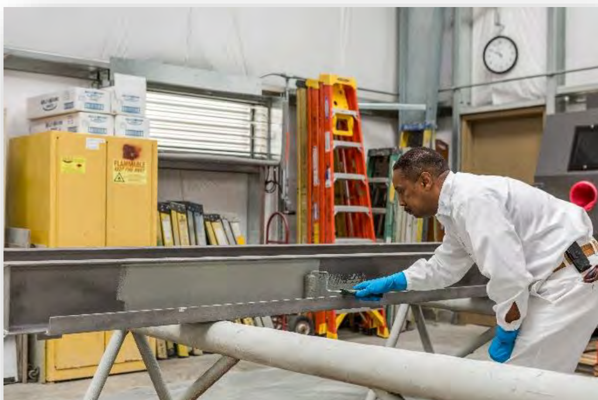
Regional San management does not believe the fundamentals are in place for customer growth rates experienced in the past decade to continue into the next decade. The real estate market and construction activities in the Sacramento area are continuing to improve. Even with the improvement, the District's current ESD growth is well below the average annual growth rate of 1.6% experienced between 2004 and 2013.

An economic forecast for the Sacramento region produced by University of the Pacific (UOP), Eberhardt School of Business projects an increase in residential construction activity (total housing starts) from 9,519 units in 2018, to 13,099 units in 2022; an average growth rate of about 8% each year over the next four years[1]. The Regional San service area is only a portion of the Sacramento region used in the UOP forecast.

[1] California & Metro Forecast-October 2018; University of the Pacific Eberhardt School of Business

Regional San takes a more conservative approach to forecasting growth in the regional construction market as uncertainty driven by slow wage growth and continuing challenges in the local economy does not appear to support growth assumptions above 1% per year. Eleven of the region's top 25 employers are government entities, including the top employer, the State of California with over 69,000 full-time employees in Sacramento County[2]. The fiscal constraints facing these governments will continue to weigh on the region's economic growth rate. Regional San assumes lack of robust employment growth, moderate wage growth, and tight lending will prevent a return to high growth rates for new construction in the service area over the next few years.

Interest Rates – Market interest rates have gone from all-time highs in the 1980s to all-time lows in early 2013 and stayed near this level. Global economic influence, coupled with recent inflation trends and government monetary policy, suggest low interest rates may continue throughout the ten-year forecast period.



Low interest rates have both good and bad effects on Regional San's financial outlook. On the positive side, low interest rates reflect the low inflation rates in the economy, which help control operating costs. Low interest rates also mean Regional San can refund (refinance) debt at a lower cost. This in turn reduces the cost of capital projects and reduces the impact of the capital program on Regional San rates and fees.

On the negative side, Regional San is unable to earn a good return on invested cash balances. Regional San is limited by State law and local policy to investing in securities with maturities of five years or less. Most of Regional San cash is invested in the Sacramento County Pooled Investment Fund that had a return rate of 2.263%, with a weighted average maturity of 336 days, for the quarter ended December 31, 2018. Although these rates have increased significantly over the past few years as the Federal Reserve has raised short-term rates, returns are historically low and still below the rate of inflation experienced by the District, which may result in a loss of value over time for cash balances held by Regional San. Rates are starting to trend lower again in 2019.

[2] Sacramento Business Journal, May 31, 2019.

Critical Issues – Risks and Opportunities

Regional San has developed and implemented a rate and fee structure that provides long-term financial stability. In the early 2000's, Regional San invested in the expansion of the interceptor system to accommodate expected growth and relieve capacity deficiencies in interceptors built in the 1970's and 1980's. The expanded interceptor system was financed with bond debt, which resulted in higher annual debt service costs. Rates and fees were adjusted to recover these costs from new customers. Regional San is incurring additional capital costs to construct the EchoWater Project. On-going operating costs will be needed to operate and maintain the new treatment facilities. Rates and fees have been adjusted to cover these new costs. The District maintains cash reserves to mitigate the potential negative impacts of these risks. Issues and risks that could have a significant impact on the financial position of Regional San and have the potential to occur in the next 10 years are as follows:

1. **EchoWater Project** – The EchoWater Project involves the implementation of over twenty interrelated construction projects. Several projects have been completed and several are currently under construction with areas that interface and overlap with each other requiring close coordination to minimize conflicts and contain costs. The Nitrifying Sidestream Treatment Project is in commissioning and is expected to be substantially complete by August 2019. The Flow Equalization Project is delayed due to problems with the basin wash-down system and is expected to be completed by the end of 2019. Construction of the Biological Nutrient Removal Project is progressing and concrete placement of the basins is complete. Work has accelerated for mechanical and electrical systems. The contractor is behind schedule for the intermediate milestones; however, his schedule still indicates that the system will be operational by the contractual end date. The Tertiary Treatment Facilities Project is on schedule.

   The current estimate of EchoWater Project capital costs is $1.75 billion. Additional ongoing operation and maintenance costs for the new facilities are estimated to be $42 million per year when fully operational by fiscal year 2022-23. These cost estimates will continue to be refined throughout the construction and commissioning phases over the next several years.

2. **Other regulatory requirement changes** – Regional San conducted a study to evaluate temperature effects of the Regional San effluent on the aquatic ecosystem of the Sacramento River as required by its 2010 NPDES permit. The 2016 NPDES permit retains thermal exceptions under which Regional San has operated for decades but included a requirement to evaluate compliance methodology used to determine temperature differentials in the river. The Regional Water Board approved Regional San's compliance methodology in a letter dated September 21, 2018. The EchoWater Flow Equalization Project includes provisions to cool effluent. The Regional and State Water Boards reconsider thermal exceptions with each 5-year NPDES permit, and renewal of each thermal exception is uncertain. The next permit renewal is due in April 2021. If Regional

San were required to further cool effluent, significant additional capital and operating costs would be incurred in the future.

3. **Legal challenges** – There have been several bid protests and legal challenges related to the EchoWater Project contract bidding. While all of these have been resolved in the District's favor, future protests and legal challenges could potentially cause project delays, and could result in additional regulatory, construction, and legal costs.

4. **Investment markets** – Rising interest rates can benefit the District by providing additional non-operating income from higher returns on invested cash balances. In addition to offsetting rising operational and capital costs for the benefit of all ratepayers, this type of income can provide resources for maintaining or expanding programs such as Sewer Lifeline Rate Assistance Program for low-income ratepayers that rely on non-rate/fee income for support. Rising interest rates can also have a negative impact on the District by increasing the cost of financing for capital projects or debt restructuring. Regional San would benefit from declining interest rates in the future by allowing restructuring of some existing debt to a lower interest cost. On the other hand, declining interest rates cause swap termination costs to rise making it more difficult to restructure variable rate debt to a lower cost.

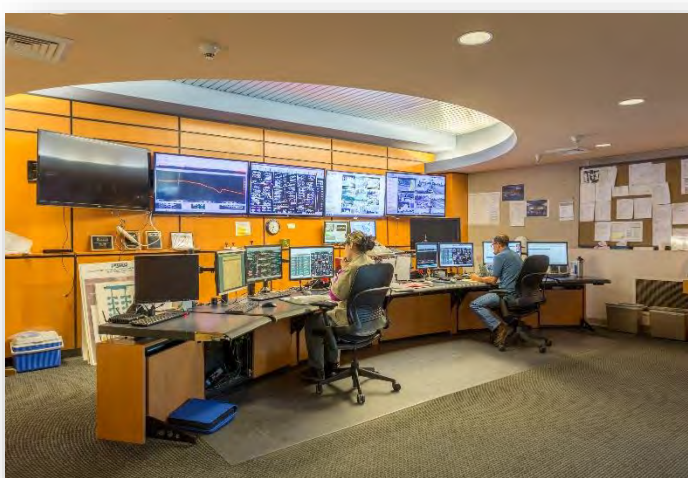
5. **Water Recycling** – Water resource protection and sustainability in the Sacramento region and the Sacramento-San Joaquin Delta continue to be critical economic and environmental concerns. Regional San continues to promote its environmental stewardship value through better use of the regional water resources by its commitment to expanding water recycling programs. With completion of the EchoWater Project, Regional San will be able to produce more high quality tertiary treated recycled water that can be used for regional benefits such as agriculture and landscape irrigation, industrial uses, and in-lieu groundwater recharge.

   Regional San recently completed construction of a $16.2 million capital project with the Sacramento Power Authority (SPA) and the City of Sacramento to provide recycled water for cooling of the SPA cogeneration plant in South Sacramento. The project is funded with State grants (Prop 50 and Prop 84) and a grant/low interest loan under the Prop 1 Water Bond 2014. The project will begin delivery of recycled water in 2020. The SPA project is sized to provide for future recycled water opportunities in the City of Sacramento when the EchoWater Project makes substantially more recycled water available. Future costs to expand the SPA project, as well as future revenues from the sale of recycled water, are unknown at this time.

   Regional San is moving into the design phase of the South County Ag Project to provide recycled water on a large scale to agricultural water users and conservation lands in southern Sacramento County. In 2013, using grant funds, Regional San completed a feasibility study that showed water-recycling projects can improve regional groundwater resource sustainability and provide environmental benefits to the Sacramento region. In July of 2018, Regional San was awarded $280.5 million in grant funding through the Water Storage Investment Program that is being administered by the California Water Commission. The funding is based on the value of public benefits such as ecosystem and water quality improvements that the project will provide. It is anticipated that this grant funding will cover most of Regional San's capital costs for this recycling project.

6. **Natural Disaster and Other Emergencies** – The potential for natural disasters such as earthquake or flood are issues the District considers in its emergency planning. The risk for earthquakes in the Sacramento Region is relatively small. However, the risk for flood in the region is significant. The District has taken, and will continue to take, measures to protect its critical infrastructure from flood damage. For example, the treatment plant in Elk Grove is surrounded by levees designed to protect infrastructure from major flood events. Regional San staff inspect these levees periodically and a report is submitted to the Army Corps of Engineers confirming their integrity. These levees protect the entire process area and critical infrastructure at the treatment plant. To mitigate impacts from natural disasters and other emergencies, the District maintains insurance coverage and cash reserves to cover additional costs that could be incurred to preserve or repair essential infrastructure in an emergency. Additionally, the Continuity of Operation Plan and Flood Response Manual were updated in 2017 and 2019, respectively. These documents provide response plans for natural disasters and other emergencies.

7. **Aging Infrastructure** – Regional San is implementing programs to address the condition of the treatment plant and conveyance system assets through condition assessment inspections, repairs, rehabilitations, and replacements to ensure reliable and sustainable wastewater treatment systems are maintained. These programs identify and prioritize projects and assign resources to cost effectively address-aging facilities and improve the reliability, efficiency, and effectiveness of operations. There is also a need to improve existing plant assets and systems to support the EchoWater Project. The current plan includes approximately $200 million of capital expenditures over the next ten years to repair and rehabilitate existing assets. Ongoing condition assessments may require additional expenditures.



Ten Year Financial Forecasts

Financial Performance Targets

One of the primary objectives of the Regional San Board and management is to maintain a financially sound and sustainable wastewater utility capable of delivering the highest quality service at the lowest long-term cost. Some financial benchmarks and performance targets are used to determine and maintain financial health. Those targets include cash balances, annual cash flow needs, and debt coverage ratios. The forecast model is designed to maintain total cash on hand of at least $300 million. Regional San had approximately 1,224 days of operating cash on hand at June 30, 2019, which is significantly above the industry median of 367 days[3]. Regional San maintains higher cash balances than the industry median because the District maintains higher debt loads than most of the industry, and a high percentage of that debt load is in a variable rate mode. In addition, the forecast model assumes designated reserve levels for specific types of reserves and that Regional San will maintain a positive unreserved cash balance. Another target of the forecast model is a senior debt coverage ratio of at least 1.30x, and total debt coverage of at least 1.20x. This is above the bond covenant requirements of 1.20x for senior coverage, and 1.10x for total debt coverage. Projected coverage is much higher than the covenant requirements and the targets.

Under the baseline forecast, that has an annual growth assumption that does not exceed 0.4% per year, Regional San can maintain monthly service rates at the current level of $37 per ESD throughout the forecast period. This forecast is dependent on the early retirement of some existing bonds and debt restructuring.

[3] Fitch Ratings 2019 Water and Sewer Medians, for large size districts with over 500,000 customers.

Forecast Tables

The following two pages contain the ten-year financial forecast tables for Regional San as of June 2019. The forecast includes two tables showing two prior actual years, the last budget year 2018-19, and ten years of projections to fiscal year 2028-29. Table 3 is a pro-forma statement of operations showing projected total revenues, operating expenditures, and debt coverage ratios. Table 4 shows all projected cash flows, including capital expenditures not included in the pro-forma statement. Table 4 also shows reserve projections.

These tables represent the District's financial forecast assuming the EchoWater Project facilities will be constructed and operational within the next few years. The latest estimates indicate that the total cost of the EchoWater Project will be about $1.75 billion, and includes approximately $1.5 billion in new CWSRF loans and bond financing. This has resulted in a monthly service rate of $37 per ESD for fiscal year 2018-19 and beyond. The forecast assumptions for both tables begin on page 19.

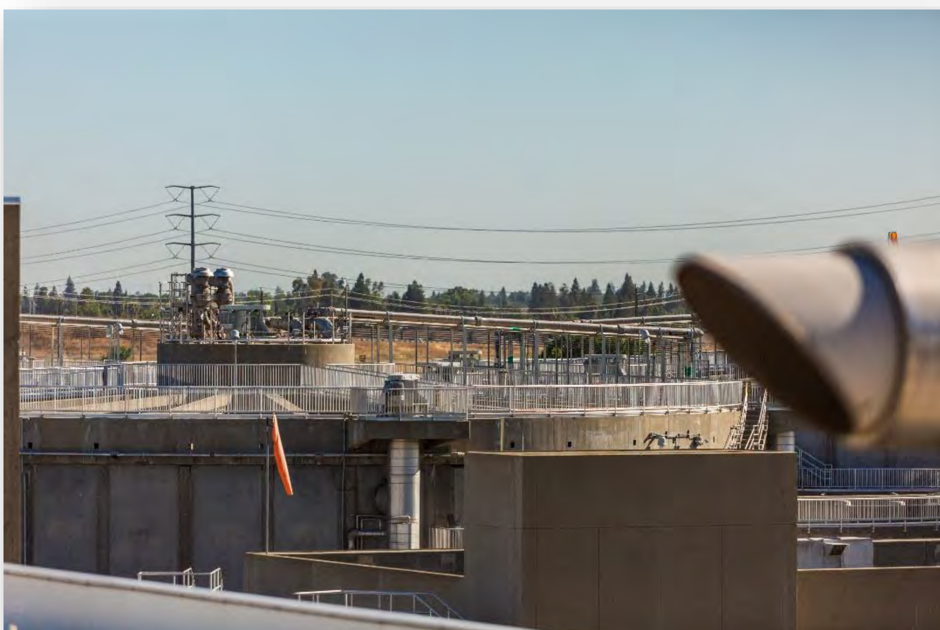


Table 3: Regional San Pro Forma - as of August 9, 2019

($000s unless noted otherwise)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Operating Revenues	Actual	Actual	Unaudited Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Total ESDs (adjusted for partials)	600,721	604,587	611,070	613,514	615,968	618,432	620,906	623,390	625,883	628,387	630,900	633,424	635,957
Monthly rate per ESD ($)	**$ 35.00**	**$ 36.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**	**$ 37.00**
Residential/commercial revenue	$ 252,303	$ 261,182	$ 271,316	$ 272,400	$ 273,490	$ 274,584	$ 275,682	$ 276,785	$ 277,892	$ 279,004	$ 280,120	$ 281,240	$ 282,365
Industrial revenue	8,770	10,436	11,022	11,022	11,022	11,022	11,022	11,022	11,022	11,022	11,022	11,022	11,022
Total revenue from service charges	261,073	271,617	282,338	283,423	284,512	285,606	286,704	287,807	288,914	290,026	291,142	292,262	293,387
Net New ESDs	**2,389**	**3,866**	**6,483**	**2,444**	**2,454**	**2,464**	**2,474**	**2,484**	**2,494**	**2,504**	**2,514**	**2,524**	**2,534**
ESD Growth Rate	**0.40%**	**0.64%**	**1.06%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**
Total Impact fee revenue	21,936	25,385	29,510	23,010	23,585	24,175	24,779	25,399	26,034	26,685	27,352	28,036	28,737
Subtotal operating revenue	283,009	297,002	311,848	306,433	308,098	309,781	311,484	313,206	314,948	316,711	318,494	320,298	322,124
Non-operating revenue (interest, misc rev)	19,604	22,373	26,901	24,211	21,790	22,225	22,670	23,123	23,586	24,057	24,539	25,029	25,530
Total revenue	302,613	319,376	338,749	330,643	329,887	332,007	334,154	336,329	338,534	340,768	343,032	345,327	347,654
Operating expense													
Salaries & Benefits	62,772	66,015	68,754	69,055	70,098	72,922	75,109	77,470	79,794	82,188	84,654	87,193	89,809
Services & Supplies	48,812	53,850	62,195	65,655	67,897	78,211	79,775	82,534	90,551	92,814	95,135	97,513	99,951
Depreciaton/Amortization	49,212	50,021	50,855	53,906	60,375	75,469	90,563	93,279	94,445	95,390	96,344	97,307	98,280
Less BRF Savings	(438)	(588)	(588)										
EchoWater incremental new operating costs				3,525	9,771		1,605	6,105					
Less depreciation/amortization/landfill	(49,212)	(50,021)	(50,855)	(53,906)	(60,375)	(75,469)	(90,563)	(93,279)	(94,445)	(95,390)	(96,344)	(97,307)	(98,280)
Total expense, net of depr. & amort.	111,146	119,277	130,361	138,235	147,766	151,133	156,490	166,109	170,345	175,003	179,789	184,707	189,760
Net revenue for coverage test	191,467	200,099	208,388	192,408	182,122	180,874	177,664	170,221	168,189	165,766	163,244	160,621	157,894
Debt Coverage													
Senior debt service	76,114	77,787	79,473	88,237	89,261	108,244	101,175	107,790	98,350	106,377	99,140	98,310	96,813
Total debt service	83,770	90,444	88,848	99,221	100,245	119,228	112,159	115,034	105,595	113,621	106,384	105,554	104,058
Senior revenue coverage (must be at least 1.20x)	2.52 x	2.57 x	2.62 x	2.18 x	2.04 x	1.67 x	1.76 x	1.58 x	1.71 x	1.56 x	1.65 x	1.63 x	1.63 x
Total revenue coverage (must be at least 1.10x)	2.29 x	2.21 x	2.35 x	1.94 x	1.82 x	1.52 x	1.58 x	1.48 x	1.59 x	1.46 x	1.53 x	1.52 x	1.52 x

Table 4: as of 8-9-2019

Regional San Cash Flow Projection

(Baseline Growth, 0.4%)

	Audited Actuals	Audited Actuals	Unaudited Actuals	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Beginning Unrestricted Cash	$306,957,396	$391,098,217	$428,641,975	$439,301,080	$526,927,917	$570,387,117	$520,291,771	$497,896,721	$401,699,078	$361,174,028	$370,914,179	$395,849,053	$433,751,124
Cash Inflow													
Impact Fees	21,935,800	25,385,073	29,510,201	23,010,201	23,585,456	24,175,092	24,779,470	25,398,956	26,033,930	26,684,779	27,351,898	28,035,696	28,736,588
Monthly Service Charges	261,072,896	271,617,409	282,337,704	283,422,532	284,512,134	285,606,093	286,704,429	287,807,158	288,914,298	290,025,866	291,141,881	292,262,360	293,387,320
Interest/Other	19,604,133	22,373,449	26,900,759	24,210,683	21,789,615	22,225,407	22,669,915	23,123,314	23,585,780	24,057,495	24,538,645	25,029,418	25,530,007
Water Recycling Grant/Loan Proceeds	1,521,234	7,243,875	953,773	500,000	64,000,000	65,000,000	85,000,000	58,000,000	8,000,000				
Bond/CWSRF Loan Proceeds	213,172,234	214,397,559	170,817,787	255,000,000	250,000,000	127,000,000	80,000,000	41,000,000	16,245,000				
Subtotal Cash In	*$517,306,297*	*$541,017,365*	*$510,520,224*	*$586,143,416*	*$643,887,204*	*$524,006,593*	*$499,153,814*	*$435,329,428*	*$362,779,008*	*$340,768,140*	*$343,032,424*	*$345,327,474*	*$347,653,915*
Cash Outflow													
Operating Expenses	111,146,042	119,276,686	130,361,015	138,235,423	147,765,660	151,132,922	156,490,022	166,108,757	170,344,945	175,002,540	179,788,544	184,706,526	189,760,156
Capital Costs (excludes EchoWater/SoCoAg)	24,034,223	25,942,187	22,855,153	40,336,036	33,256,273	19,725,667	20,874,667	28,836,110	45,668,000	42,404,000	31,925,000	17,165,000	8,960,000
Capital, EchoWater Project	**214,215,211**	**267,810,734**	**247,585,246**	**216,588,000**	**252,161,240**	**136,815,464**	**82,024,973**	**48,748,022**	**21,696,559**				
Capital, South County Ag Water Recycling				**4,136,000**	**67,000,000**	**70,000,000**	**90,000,000**	**60,000,000**	**10,000,000**				
Debt Service Costs (EchoWater Bonds)	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600	6,729,600
Debt Service Costs (EchoWater CWSRF Loans)		1,817,811	2,796,709	11,546,042	12,591,781	35,425,886	35,425,886	59,609,685	59,609,685	59,609,685	59,609,685	59,609,685	59,609,685
Debt Service Costs (SPA \Recycle Loan)			382,312	403,327	403,327	403,327	403,327	403,327	403,327	403,327	403,327	403,327	403,327
Debt Service Costs (Existing Bond Debt)	77,040,400	81,896,589	78,939,865	80,542,151	80,520,123	76,669,073	69,600,389	48,291,570	38,851,942	46,878,837	39,641,395	38,811,264	37,314,932
Early Pay-off of Bond Debt			10,211,219			77,200,000	60,000,000	112,800,000	50,000,000				
Subtotal Cash Out	*$433,165,476*	*$503,473,607*	*$499,861,119*	*$498,516,579*	*$600,428,004*	*$574,101,939*	*$521,548,864*	*$531,527,071*	*$403,304,058*	*$331,027,989*	*$318,097,551*	*$307,425,402*	*$302,777,700*
Ending Unrestricted Cash	$391,098,217	$428,641,975	$439,301,080	$526,927,917	$570,387,117	$520,291,771	$497,896,721	$401,699,078	$361,174,028	$370,914,179	$395,849,053	$433,751,124	$478,627,340
Unreserved Cash	$210,397,176	$244,931,925	$252,406,389	$327,499,329	$365,182,520	$288,081,353	$260,933,879	$135,749,276	$91,706,739	$97,762,591	$118,918,065	$152,943,171	$193,842,322
Designated Reserves													
General	28,200,000	29,248,256	29,792,557	34,558,856	36,941,415	37,783,231	39,122,505	41,527,189	42,586,236	43,750,635	44,947,136	46,176,631	47,440,039
Rate Stabilization	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000	23,200,000
CWSRF & SPA Loan Reserve	-	2,011,632	3,179,021	8,850,343	12,995,108	35,829,213	35,829,213	60,013,012	60,013,012	60,013,012	60,013,012	60,013,012	60,013,012
Bufferlands Reserve	1,000,000	1,000,000											
Facilities Closure	11,224,882	11,531,095	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897	11,963,897
Equipment Replacement	1,050,625	1,076,891	1,103,813	1,131,408	1,159,693	1,188,686	1,218,403	1,248,863	1,280,085	1,312,087	1,344,889	1,378,511	1,412,974
Confluence Program			10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Economic Incentive	3,500,000	3,500,000											
Rate Assistant Program	6,505,000	6,505,000											
Expansion	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124	20,908,124
Replacement & Rehabilitation	79,247,856	80,729,052	82,747,278	84,815,960	88,036,359	91,337,268	94,720,700	97,088,717	99,515,935	102,003,834	104,553,930	107,167,778	109,846,972
Debt Service Stabilization	5,864,554	4,000,000	4,000,000	4,000,000									
Total Designated Reserves	*$180,701,041*	*$183,710,050*	*$186,894,690*	*$199,428,588*	*$205,204,597*	*$232,210,419*	*$236,962,842*	*$265,949,803*	*$269,467,289*	*$273,151,588*	*$276,930,987*	*$280,807,953*	*$284,785,018*

Forecast Assumptions

The financial forecasts are designed to meet performance targets for debt coverage and total cash balances necessary to remain financially sound and maintain strong credit ratings. The target minimum levels for the debt coverage ratios are 1.30x for senior debt and 1.20x for subordinate debt. The target minimum level for total cash balances, excluding restricted bond proceeds, is $300 million. The $300 million cash level will include both reserved and unreserved cash, and the unreserved cash balance must remain positive. In addition, the forecasts include the following assumptions for each line item:

1. **Rate Revenue** – The monthly rates per ESD are projected to remain steady at $37/ESD/month throughout the forecast period. Rate revenues are based on ESD growth estimated to remain well below historical levels throughout the 10-year forecast period. New connection growth for fiscal year 2019-20 is estimated at 2,444 ESDs, or about 0.40%, and the growth rate is assumed to stay at this level throughout the forecast period.

2. **Impact-fee Revenue** – In 2013, impact-fees were restructured which resulted in decreases from $2,800 to $2,396 per ESD for infill, and from $7,450 to $4,032 per ESD for new communities. Under the new structure, impact fee levels will adjust each year by an inflation factor and estimated changes in capital spending. The impact fees in effect as of July 1, 2019, are $3,602 per ESD for infill areas, and $6,479 per ESD for new communities. Impact fees are assumed to increase at an inflationary rate of 2.5% per year. The level of impact fee revenue is difficult to predict because it can vary significantly even when net growth is estimated to be constant at 0.40%. Factors that can affect impact fee revenues include; fee increases, proportion of growth in infill versus new communities, new construction levels, level of impact fee credits used, proportion of commercial development versus residential development, and levels of redevelopment.

3. **Non-operating Revenue** – The main variable in this revenue category is interest income on invested cash balances. This revenue category has increased by about 14% in fiscal year 2017-18, and another 20% in fiscal year 2018-19, due to increases in market interest rates for short-term securities. In fiscal years 2019-20 and 2020-21, this category is expected to decline 10% each year due to expected declining interest rates. After fiscal year 2020-21, this revenue category is projected to increase by 2% each year.

4. **Salaries & Benefits** – This cost category is projected to increase between 3% and 4% annually throughout the forecast period. These increases reflect expected cost-of-living adjustments negotiated in labor agreements, and rising retirement and health benefit costs as well as a few additional staff in the early years of the forecast to operate the new EchoWater facilities.

5. **Services & Supplies** – This expenditure category experienced an increase of about 15% in fiscal year 2017-18, primarily due to the cost of converting from gaseous chlorine to liquid chlorine for the disinfection process. The rise in unit cost for chemicals and electricity has

continued to increase costs in this category through fiscal year 2018-19. In addition, about $3 million in new annual costs have been added for the Confluence Program beginning in fiscal year 2018-19. After fiscal year 2019-20, this expense category is assumed to increase by an inflation rate of 2% to 2.5% annually through the end of the forecast period. Additional new operating costs for Echo Water facilities are included in a separate line of the projections for both new employees and additional services and supplies incrementally beginning in fiscal year 2019-20 and concluding in fiscal year 2023-24 when all of the new processes are fully operational. Each subsequent year's services and supplies cost line includes the previous year's incremental increase from the EchoWater cost line.

6. **Capital Costs** – The cost estimates for capital-project expenditures are from the District's Capital Funding Projection detailed in Table 5. In the Cash Flow Forecast (Table 4), capital costs are shown on three separate lines, one for costs related to existing infrastructure, another for water recycling projects, and a third line for the EchoWater Project.

7. **Debt Service** – Debt service is based on current total outstanding bonded debt of approximately $1.21 billion as well as projected new CWSRF loan debt of up to approximately $1.4 billion by fiscal year 2023-24 for the EchoWater Project. Annual level debt service for existing bond debt is about $87 million per year through 2036, at which point it begins to decline rapidly. The projection assumes that up to $300 million of cash reserves would be used to pay off existing bond debt early; which would result in significantly less annual debt service after 2022 than the $87 million noted above for the bond debt. The CWSRF loan debt is projected to increase annual debt service by approximately $60 million annually by fiscal year 2023-24 (which could be partially offset by the early repayment of some of the old debt). Fixed interest rate cost for the new debt to support the EchoWater Project range from 1.6% to 1.7%. The loan for the SPA Water Recycling project began annual amortization of a $7.2 million, 20-year loan, beginning in fiscal year 2018-19, at an annual fixed interest rate of 1%.

8. **Designated Reserves** – in 2005, the Board of Directors approved a reserve policy that established the current reserves and the basis for their levels. New reserves have subsequently been added for Bufferlands Facilities and CWSRF Loan Reserves. For fiscal year 2019-20 these reserves were designated at a total of $199,428,588 and are projected into the future based on the following needs and assumptions:

   - **General Reserve** (**$34,558,856)** – Covers emergency costs and other unexpected expenditures or to offset temporary fluctuations in revenues. This reserve is currently at its designated target level of 25% of operating expenses net of depreciation. Prior to fiscal year 2013-14, this reserve was targeted at 10% of operating expenses. The new higher level provides more protection from rate increases that might otherwise result from short-term cost spikes from emergencies, regulatory changes, or legal settlements.

   - **Facilities Closure Reserve ($11,963,897)** – is mandated by the State of California to finance closure and post-closure costs of the solids storage basins and the dedicated lined disposal sites at the Sacramento Regional Wastewater Treatment Plant. This reserve is increased as needed to ensure sufficient funding will be available at the time of closure of the facilities as mandated by State law.

- **Equipment Replacement ($1,131,408)** – This reserve was created to replace existing heavy equipment (i.e., tractors, cranes) thereby eliminating the need for debt financing in years when heavy equipment is replaced. This reserve is increased by 2.5% each year to reflect inflation.

- **Economic Incentive Reserve ($0)** – The economic incentive program that provided a rate subsidy to the industrial community was phased out in fiscal year 2017-18. The $3.5 million that made up this reserve was combined with the Rate Assistance Program Reserve to fund the new Confluence Program Reserve.

- **Rate Assistance Program Reserve ($0)** – This reserve was created to support the Sewer Lifeline Rate Assistance Program. In fiscal year 2018-19, the $6.5 million remaining in this reserve was combined with the Economic Incentive Reserve to fund the new $10 million Confluence Program Reserve.

- **Confluence Program Reserve ($10,000,000) –** The Board of Directors established this reserve in fiscal year 2017-18 by combining the Economic Incentive Reserve and the Rate Assistance Program Reserve. This reserve supports programs for economic incentives, educational programs, the Sewer Lifeline Rate Assistance Program, and other community partnership programs. These programs are supported by non-rate/non-fee revenues and are now combined under one umbrella known as the Confluence Program.

- **Expansion Reserve ($20,908,124)** – This reserve was created to fund facility expansions required by customer growth. It is designed to be used when expansion projects are under construction but impact fees decline due to a sudden slowdown in growth. No changes to this reserve are envisioned for the forecast period.

- **Replacement Reserve ($84,815,960)** – This reserve funds future rehabilitation and replacement of existing facilities and major components when they reach the end of their useful lives. This reserve will be increased by 2.5% each year during the forecast period to offset the impacts of inflation. In addition, this reserve will increase by an additional $1.1 million each fiscal year from 2020-21 through 2023-24 for the added components of the EchoWater Project that will need to be replaced in the future. This reserve helps avoid issuing debt to replace existing assets.

- **Debt Service Stabilization Reserve ($4,000,000)** – This reserve is available to cover fluctuations in debt service for the District's variable rate bonds. This reserve would only be used to pay interest expense if a failed remarketing occurred causing a temporary spike in interest expense. Using this reserve at that time would give the

District time to restructure the debt. The need for this reserve is mitigated by the recent and continuing diversification of the types and tenor of variable rate debt in the portfolio to reduce remarketing and bank/credit provider risk. This reserve may not be needed after fiscal year 2023-24 if the Series 2000C variable rate debt that requires remarketing is paid off early as indicated in the debt retirement plan.

- **Rate Stabilization Reserve ($23,200,000)** – This reserve is available to ensure minimum debt coverage ratios as required by bond agreements are met when revenues decline or operating expenses increase unexpectedly, without requiring an immediate increase in rates. There is no projected need to change the level of this reserve throughout the forecast period.

- **CWSRF & SPA Loan Reserve ($8,850,343)** – This is a new reserve that began in fiscal year 2017-18 as required by the terms of the CWSRF loan that will finance the EchoWater Project and the Prop. 1 loan that financed a portion of the SPA water-recycling project. The reserve will be equal to the annual debt service required under the loan agreements beginning at $2,011,632 in 2017-18, and reaching an estimated maximum of approximately $60 million in fiscal year 2024-25.

- **Bufferland Reserve ($0)** – This reserve was established by the Board of Directors in fiscal year 2015-16 to fund the rehabilitation of historical properties located in the Bufferlands that surround the treatment plant in Elk Grove. The reserve will be consumed in 2018 and 2019 by expenditures for capital improvement to the historical buildings on Bufferlands property.

- **Unreserved Cash** – This is defined as all of the cash reserves not specifically designated by the Board of Directors, loan agreements, or laws and regulations. Unreserved cash provides a flexible source of funding to take advantage of opportunities to maximize long-term economic benefits for ratepayers, provide an additional cushion for unexpected expenses or revenue loss, and mitigate any negatives that might be noted by rating agencies. Unreserved cash also provides policymakers with the opportunity to consider the early repayment or restructuring of debt for savings, or financing of future capital project expenditures without the need for additional debt. In this long-term plan unreserved cash is built up by incremental rate increases and used to fund a portion of the capital cost of the EchoWater Project and pay off older high cost debt early.

Capital Funding Projection

Table 5, on the next page, lists all of the Regional San capital projects already in progress or projects that are expected to begin within the ten-year timeframe. The projects are shown in a summary format and have been updated to reflect the most current cost and timing information available. Approximately $1.348 billion in capital project costs are anticipated between Fiscal Years 2019-20 and 2028-29. At approximately $758 million, the EchoWater Project represents about 56% of all capital costs projected over this ten-year period.

The CWSRF loan program will finance approximately $1.4 billion of EchoWater capital costs. The Series 2014A Bonds that were issued in July of 2014 financed another $150 million of the project planning and design costs.

Most of the South County Agricultural Program's $301 million capital costs will be funded by a $280.5 million Water Storage Investment Program grant from the California Water Commission. In the future, water-recycling projects have the potential to generate revenue from water sales to recover some of the operating costs, but the current projections do not include any estimates for these revenue sources or operating expenses. All other projects will be funded with on-going rate and impact fee revenues and cash reserves.

Table 5: Regional San Ten-Year Capital Funding Projection 2019-20 to 2028-29											
Project # / Project Name	10-Year Totals	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29
1-EchoWater Program	758,034,258	216,588,000	252,161,240	136,815,464	82,024,973	48,748,022	21,696,559				
2-South County Ag Water Recycling	301,136,000	4,136,000	67,000,000	70,000,000	90,000,000	60,000,000	10,000,000				
3-Solids Storage Basin Battery IV	75,000,000			750,000	3,000,000	3,750,000	26,250,000	26,250,000	15,000,000		
4-RTP I/O Bus Controller Replacement	40,175,000	925,000	2,750,000	4,000,000	5,000,000	5,250,000	5,250,000	6,000,000	5,500,000	5,500,000	
5-ESB-D Liner Replacement	30,950,000	12,180,000	18,770,000								
6-Lined Dedicated Land Disposal Unit 1	26,825,000							1,850,000	8,325,000	8,325,000	8,325,00
7-Secondary Sediment Tanks Rehab	22,275,000		1,188,000	4,752,000	1,188,000	5,940,000	5,643,000	3,564,000			
8-SPA Water Recycling Phase 2	9,500,000			1,000,000	1,000,000	4,700,000	2,800,000				
9-Treatment Plant Small Projects	9,250,000	650,000	650,000	650,000	650,000	650,000	1,500,000	1,500,000	1,500,000	1,500,000	
10-Digester Rehabilitation	7,490,000	2,990,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,00
11-DAFT Rehab (1 thru 4)	6,750,000	250,000	2,000,000	1,500,000	1,500,000	1,500,000					
12-N19 Arden Pump St. Wet Well Rehab	6,355,000	5,185,000	1,170,000								
13-Small Interceptor Projects	5,750,000	350,000	350,000	350,000	350,000	350,000	1,000,000	1,000,000	1,000,000	1,000,000	
14-Boiler Room Rehab	5,202,000	210,000	312,000	2,080,000	2,600,000						
15-I/E Pump Rehab	5,200,000		52,000	208,000	260,000	1,820,000	1,820,000	1,040,000			
16-Folsom Interceptor Rehab	5,000,001		1,666,667	1,666,667	1,666,667						
17-Gas Management System	4,300,000	4,200,000	100,000								
18-Primary Deck Structural Rehab	4,261,000	2,961,000	1,300,000								
19-Heavy Equipment Purchases	4,055,000	1,575,000	250,000	500,000	270,000	240,000	145,000	500,000	100,000	340,000	135,00
20-IT Capital Projects	3,204,540	1,123,430	150,000		250,000	1,681,110					
21-Odor Control System Modifications	3,150,000		126,000	189,000	1,260,000	1,575,000					
22-Pavement Restoration Projects	2,600,000	100,000	500,000	500,000	500,000	500,000	500,000				
23-Gravity Belt Thickener #3	2,000,000	2,000,000									
24-SSB Mixer Replacements	1,300,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000			
25-Bufferlands Historical Improvements	1,300,000	1,300,000									
26-Pump Station VFD Replacements	1,280,000	440,000	240,000	180,000	180,000	180,000	60,000				
27-MSG Compressor Improvements	1,200,000		200,000	500,000	500,000						
28-Sump 2/2A Replacement Agreement	1,163,212	581,606	581,606								
29-Service Air System Split	750,000	750,000									
30-Influent Junction Structure Rehab	650,000	650,000									
31-SRWTP Landscape Conversion	460,000	460,000									
32-Water Storage Tank Interior Recoat	455,000	455,000									
33-Bar Screen Room Crane Replacement	450,000	450,000									
34-Gas Mgmt. Valve Replacement	400,000		200,000	200,000							
35-Bio-Assay Lab Renovation	310,000	310,000									
36-Utility Air Compressor Replacement	140,000	140,000									
Totals	1,348,321,011	261,060,036	352,417,513	226,541,131	192,899,640	137,584,132	77,364,559	42,404,000	31,925,000	17,165,000	8,960,00

Forecast Sensitivity Analysis

In prior updates, we compared various customer growth assumptions for impacts on Regional San financial conditions and monthly service rates. In these updates we found that customer growth rates of about 1% annually would delay the need for rate increases by one or two years. If the growth rate was less than forecast for two years due to recession rate increase would need to be accelerated by one or two years to maintain financial health targets.

Since rates are new forecasted to remain steady for many years, this year we decided to measure the impact of an operating cost increase of 10%. The likelihood of this scenario may be remote, but it is possible due to regulatory changes, legal settlements, or other unforeseen events. For this analysis, we assume that operating costs increase by 10% in fiscal year 24-25 and becomes part of the base for projecting cost growth in the remaining years of the forecast.

Table 6 below summarizes the results from the baseline forecast from Tables 3 and 4 above. Table 7, on the next page, shows the same metrics that could result if Regional San experienced a 10% increase in operating costs beginning in fiscal year 2024-25.

Table 6: Baseline 0.4% Growth Metrics Summary

Fiscal Year	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29
ESD Growth Rate	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**
Service Rate Revenue	$283m	$285m	$286m	$287m	$288m	$289m	$290m	$291m	$292m	$293m
Impact Fees	$23m	$24m	$24m	$25m	$25m	$26m	$27m	$27m	$28m	$29m
Net Operating Costs	$138m	$148m	$151m	$156m	$166m	$170m	$175m	$180m	$185m	$190m
Total Debt Coverage	1.94x	1.82x	1.52x	1.58x	1.48x	1.59x	1.46x	1.53x	1.52x	1.52x
Monthly Rate/ESD	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**
Unreserved Cash Balance	$327m	$365m	$288m	$261m	$136m	$92m	$98m	$119m	$153m	$194m
Potential Early Debt Repayment			77.2m	$60m	$112.8m	$50m				

Table 7: Growth Metrics Summary with 10% Cost Increase in 2024-25

Fiscal Year	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29
ESD Growth Rate	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**	**0.40%**
Service Rate Revenue	$283m	$285m	$286m	$287m	$288m	$289m	$290m	$291m	$292m	$293m
Impact Fees	$23m	$24m	$24m	$25m	$25m	$26m	$27m	$27m	$28m	$29m
Net Operating Costs	$138m	$148m	$151m	$156m	$166m	**$187m**	**$193m**	**$198m**	**$203m**	**$209m**
Total Debt Coverage	1.94x	1.82x	1.52x	1.58x	1.48x	**1.43x**	**1.30x**	**1.37x**	**1.35x**	**1.34x**
Monthly Rate/ESD	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**	**$37**
Unreserved Cash Balance	$327m	$365m	$288m	$261m	$136m	**$70m**	**$59m**	**$61m**	**$77m**	**$99m**
Potential Early Debt Repayment			77.2m	$60m	$112.8m	$50m				

This table shows that a 10% increase in operating cost in fiscal year 2024-25, would result in lower debt coverage ratios and lower unreserved cash balances, but targets could still be met and monthly service rates would not need to increase. In addition, the early debt retirement plan would still be feasible. If cost increases were greater and occurred earlier in the forecast period then rates may need to be increased and/or the debt retirement plan might need to be scaled back.

Debt Management Plan

Debt Policies and Goals

The primary objectives of the debt management plan are to minimize financial risk, minimize debt service costs, maintain or improve credit ratings, and reduce the complexity and administrative cost associated with maintaining the portfolio. These policies and goals are designed to help the District maintain a sound and sustainable financial position.

Regional San has two main policy documents covering debt issuance, management, and administration. They are the debt policy and the master derivative policy. Key provisions of the debt management plan include:

- Debt will only be issued for projects included in the Board approved Capital Funding Projection. No activities that are operational in nature will be funded with debt.

- For major new capital projects, the District will target financing 75% or less, of the total costs with debt proceeds. The remaining 25%, or more, will be financed with cash from reserves and/or on-going revenues. Due to the low cost of financing for the EchoWater project the District plans to finance about 90% of EchoWater project capital costs. A portion of older higher cost debt may be retired early to offset the higher financing percentage for EchoWater to achieve an overall lower cost of debt for the District's portfolio. For capital projects that replace existing assets the District will aim to finance 100% with cash in the ten-year planning horizon.

- Assets financed by a debt issue will have an average useful life at least equal to the last maturity of a proposed debt issue.

- Outstanding debt issues should be fully amortized in 40 years or less.

- No more than 20% of outstanding debt, or $200,000,000, whichever is less, can be in a variable rate mode without a hedge or cap to mitigate interest-rate risk. Any variable rate debt above this limit must be hedged with derivatives (swaps) to synthetic fixed rates, or capped with interest rate caps.

- The total notional amount per swap counterparty is limited to $350 million or 25% of Regional San total outstanding bonds, whichever is greater.

- Excess revenues from higher than projected growth and operating surpluses will be dedicated to the early retirement of debt.

Existing Debt

Regional San has approximately $1.21 billion of bond debt outstanding as of June 2019. Approximately 46% of this debt is fixed rate, and 54% is in a variable rate mode. About 85% of the variable rate debt is hedged by derivatives (interest rate swaps) to create synthetic fixed rate debt. Senior lien debt totals $914 million, or 75%, while the remaining subordinate debt totals $300 million, or 25%. All of the fixed rate debt and the Series 2007B variable rate bonds are senior lien. The following two tables show the District's current outstanding bond debt distinguished as either fixed or variable:

TABLE 8 - Fixed Rate Debt

Series	Updated Termination /Call Feature*	6-30-19 Balance Outstanding	(19-20 Estimate) Current Annual Interest Costs	Average Interest Rate **	Final Maturity*
2001	None	19,605,000	908,325	5.5%	12-1-2021
2007A	None	59,390,000	2,838,019	5.25%	12-1-2023
2011	12-1-21 at par	77,180,000	3,840,650	5.0%	12-1-2027
2014A	12-1-24 at par	355,350,000	17,474,900	4.9%	12-1-2044
2014B	None	48,635,000	1,220,413	2.51%	12-1-2023
Total Fixed Rate Debt		560,160,000	26,282,307	4.69%	

* Call feature and final maturity relate to remaining outstanding bonds, which may differ from original issue.

** Average interest rates represent average coupon rates on outstanding bonds. Total average rate of 4.69% is calculated based on the 2019-20 interest as it relates to the bonds outstanding on 12-31-18.

TABLE 9 - Variable Rate Debt

Series	Updated Termination/ Call Feature	6-30-19 Balance Outstanding	(19-20 Estimate) Current Annual Interest Costs	Average Interest Rate	Final Maturity	Related Swap Rate	Swap Termination Date
2000C	any business day at par	100,000,000	4,190,000	4.19%	12-1-2030	3.740%	12-1-2030
2007B	6-1-2017 at par	353,450,000	14,675,244	4.15%	12-1-2035	4.152%	12-1-2035
2013B(2008A)	Bank owned to 5-22-22	50,000,000	2,093,000	4.19%	12-1-2036	3.750%	12-1-2036
2013C(2008B)	Bank owned to 4-4-22	50,000,000	1,089,300	2.18%	12-1-2037		12-1-2017
2012A(2008C)	Bank owned to 7-2-21	50,000,000	2,093,000	4.19%	12-1-2038	3.750%	12-1-2036
2013D(2008D)	Bank owned to 4-4-22	50,000,000	1,089,300	2.18%	12-1-2039		12-1-2017
Total Variable Rate Debt		653,450,000	25,229,844	3.86%			

In addition to the bond debt, the District has long-term capital leases and interagency debt of about $8.5 million as of June 30, 2019. Regional San also has Clean Water State Revolving Fund Loans outstanding of approximately $617 million, and total loan commitments of $1.392 billion as of June 30, 2019, which are detailed on pages 33-34.

Swaps

The District uses derivatives (swaps) to mitigate the interest rate risk associated with the variable-rate portion of the debt portfolio. Swaps effectively convert most of the variable-rate debt into synthetic fixed rates designed to provide an overall lower cost of financing than fixed-rate debt at original issuance. The following swaps are outstanding as of June 28, 2019:

Table 10

Related Bonds	Amount ($)	Type	Final Maturity	Counterparty
Series 2000C	100,000,000	65% 1 month LIBOR /3.74% fixed (variable to fixed)	12-1-2030	JP Morgan
Series 2007B	353,450,000	67% 3 month LIBOR+53 bps /4.152% fixed (variable to fixed)	12-1-2035	Bank of America
Series 2013B (formerly 2008A)	50,000,000	63.61% 5 year CMS /3.75% fixed (variable to fixed)	12-1-2036	BNP Paribas
Series 2012A (formerly 2008C)	50,000,000	63.61% 5 year CMS /3.75% fixed (variable to fixed)	12-1-2036	BNP Paribas
Total	**553,450,000**			

The Series 2013C ($50 million) and Series 2013D&A ($100 million) swaps expired on December 1, 2017. The $50 million 2013A bonds were paid off in 2016, but the other two bonds related to these expired swaps (2013C&D totaling $100 million) are not scheduled to mature before 2036. Therefore, $100 million of Regional San's outstanding variable rate debt is no longer hedged by swaps. This is within the limits of the District's debt policy. These variable rate bonds are indirectly hedged by the District's own cash balances, which are invested at similar short-term interest rates.

Strategies for Existing Bond Issues and Swaps

Series 2000C – This $100 million issue is subordinate variable rate debt converted to a synthetic fixed rate by an interest rate swap. These bonds, along with the Series 2000A&B bonds, were issued in 2000 to finance a portion of the District's interceptor system, and to expand the lab and land disposal sites at the treatment plant in Elk Grove. Costs for this debt include the 3.74% paid to the swap counterparty, JPMorgan, 0.375% paid to Bank of America for Letter of Credit (LOC) fees, and 0.075% paid to Merrill Lynch for remarketing. Thus, the current cost of servicing this debt is approximately 4.19% per year. The final maturity on the debt and the related swap is December 1, 2030. The LOC with Bank of America was renewed in February 2015 reducing the annual cost by $125,000. In January of 2018, this LOC was renewed again with the same bank at similar terms for another three years. As of June 28, 2019, the mark-to-market on the swap was negative $23.3 million. This means the District would have to pay an estimated $23.3 to the counterparty bank to terminate the swap now. In the 2015 LTFP, these bonds were identified as a candidate for early retirement based on the assumption that interest rates would rise and the swap termination cost would decline. In the past few years, the swap termination costs have not declined because interest rate continue to trend lower; therefore, the early termination of this debt has been moved to fiscal year 2022-23.

Series 2001 – The outstanding par amount of these fixed-rate senior lien revenue bonds is $25,445,000 with an average interest rate of 5.5%. These bonds were originally issued in 2001 at a total par amount of $124,010,000 to advance refund the Series 2000A bonds for savings. A portion of these bonds was subsequently refunded in 2011, again for ongoing debt service savings. The remaining Series 2001 bonds mature on December 1, 2021 and are not callable; therefore, no change is contemplated for this issue prior to its maturity.

Series 2007A – These fixed rate senior lien revenue bonds have an outstanding par of $59,390,000 and an effective interest cost of 4.9%. The Series 2007A&B bonds were issued in 2007 to advance refund and lower the cost of the Series 2004A bonds. The proceeds of the Series 2004A bonds were used to build various sanitation system infrastructure, including the District's interceptor system. The 2007A bonds have a final maturity of December 1, 2023, and are not callable. The early debt retirement plan is currently targeting the 2023 maturity of this debt issue for defeasance (because the debt is not callable) in fiscal year 2022-23. This would provide debt service savings in fiscal year 2023-24, when the first loan payment for the Tertiary Treatment Facility portion of the EchoWater Project financing becomes due.

Series 2007B – This series has an outstanding par value of $353,450,000. It is a senior-lien indexed-rate (variable-rate) issue that is perfectly matched with a swap using the same index (67% of 3 month LIBOR + 53 basis points) versus a fixed-rate of 4.152%. There are no LOC or remarketing fees with this series. Therefore, the effective cost of this debt is synthetically fixed at 4.152 %. Investors do not have any rights to "put" these bonds back to the District prior to maturity as they do on the District's other variable rate debt. The final maturity on the bonds and the related swap is December 1, 2035. As of June 28, 2019, the termination cost of the swap was about $90 million. The early debt retirement plan calls for some earlier maturities of this issue to be retired early and the later maturities to be restructured to provide lower level debt service in fiscal years 2024-25 through 2035-36. The 2007B bonds are strategically important for Regional San. They are the District's second largest bond issue with significant principal amortizations occurring in fiscal years 2024-25 through 2035-36, with almost $250 million in principal amortization in the last five years of that timeframe. They are the largest variable rate debt of Regional San and could be significantly affected by the transition away from LIBOR, anticipated to occur at the end of 2021.

Series 2008 (now 2012A and 2013A-D) – These bonds were variable rate subordinate lien bonds issued in five tranches, one for $51.305 million and four others for $50 million each, for a total par of $251,305,000. The Series 2008 bonds were issued in 2008 to refund all of the $250 million Series 2004B auction rate bonds that had to be replaced due to the collapse of that segment of the market in 2008. The Series 2004B bonds were issued to finance a portion of the District's interceptor system. The Series 2008 bonds were all refunded in 2012 and 2013 by variable rate bonds placed directly with three commercial banks.

- **Series 2013B (formerly 2008A)** – The Series 2008A bonds were refunded by the Series 2013B bonds that were directly purchased by Wells Fargo Bank (WFB) for three years to June 1, 2016, and have subsequently been extended twice to May 22, 2022. This $50 million issue is a subordinate lien variable rate debt converted to a synthetic fixed rate by a swap. Cost for this debt include the 3.75% paid to the swap counterparty, BNP Paribas, and the 0.42% spread paid to WFB, for a total effective cost of 4.17%. As of June 28, 2019, the termination cost of the swap was about $16.6 million making any change to the swap uneconomical at this time. No changes are planned for this issue until the current amended direct purchase agreement with WFB expires in 2022.

- **Series 2013C (formerly 2008B)** – The Series 2008B bonds were refunded by the 2013C bonds that were directly purchased by Bank of America for three years to November 14, 2016, and now extended to April 4, 2022. The final maturity on this $50 million subordinate lien debt is December 1, 2037. The swap that hedged this variable rate debt cost the District 2.919%, but this swap expired on December 1, 2017, therefore the district no longer incurs this cost. Regional San pays Bank of America a 0.45% spread over the index rate (variable rate) on the bonds. The total effective interest cost for this debt is currently about 2%, with an assumed long-term rate of 2.92% (which was the associated swap rate before it expired). Regional San plans to leave this variable rate debt in place without a hedging swap. The District will use its own cash to provide the hedge because the unreserved cash balance is large enough and earns a comparable short-term variable rate (if interest costs rise for this debt the District's interest earnings on cash balances will also rise, approximately offsetting this cost). At this time, no changes are contemplated for this issue in the near future.

- **Series 2012A (formerly 2008C)** – The 2008C bonds were refunded by the 2012A bonds that were purchased directly by WFB for three years to August 1, 2015. In May of 2015, WFB extended this direct purchase for three more years to July 12, 2018 and reduced the cost spread from 0.60% to 0.45% over the index rate for these bonds. The index rate is 70% of 1-month LIBOR. This saved Regional San $75,000 per year over those three years. The bank has agreed to extend this agreement for another three years to July 2021 with similar terms. This $50 million issue is a subordinate lien variable rate debt with a final maturity date of December 1, 2038. This series also has a hedging swap, with BNP Paribas as the counterparty, which costs the District a fixed rate of 3.75%. As of June 28, 2019, the swap had a termination cost of about $16.6. The total current effective cost of this debt is approximately 4.20%. The related swap has a maturity date of December 1, 2036. At this time, no changes are contemplated for this issue in the near future.

- **Series 2013D (formerly Series 2008D)** – The Series 2008D bonds were refunded by the 2013D bonds that were directly purchased by Bank of America for three years to November 14, 2016, and now extended until April 4, 2022. The final maturity on this $50 million subordinate lien debt is December 1, 2039. The swap that hedged this variable rate debt cost the District 2.919%, but this swap expired on December 1, 2017, therefore the district no longer incurs this cost. Regional San pays Bank of America a 0.45% spread over the index rate (variable rate) on the bonds. The total effective interest cost for this debt is currently about 2%, with an assumed long-term cost of 2.92%. Regional San plans to leave this variable rate debt in place without a hedging swap. The District will use its own cash to provide the hedge as it does with the 2013B series. At this time, no changes are contemplated for this issue in the near future.

Series 2011 – These bonds were issued in 2011 to refund a portion of the Series 2001 bonds for savings. The refunding produced $14.4 million in total cash savings and produces average annual debt service savings of $847,400 for 17 years. These fixed-rate senior-lien revenue-refunding bonds have an outstanding par of $77,180,000, an average fixed rate of 5% with a final maturity of December 1, 2027. These bonds are callable on December 1, 2021. These bonds are included in the early debt retirement plan for fiscal year 2021-22 at the call date. This early retirement would provide debt service savings from fiscal year 2022-23 through 2026-27.

Series 2014A – This debt series was issued in July 2014 to finance $150 million of the EchoWater Project costs and refund most of the Series 2006 Bonds for savings. The refunding produced about $21 million in net present value savings and average annual cost savings of approximately $1.5 million for 20 years. These fixed-rate senior-lien bonds have an outstanding par of $355,350,000, an average fixed rate of 4.9%, a final maturity of December 1, 2044, and a par call date of December 1, 2024. The early debt retirement plan calls for the 2025 through 2029 maturities of this issue to be paid off early in fiscal year 2024-25 on the call date. The forecast includes $50 million cash payment that can be used for this transaction.

Series 2014B – In November 2014, Regional San issued this debt to refund all of the Series 2005 outstanding bonds with the taxable Series 2014B Bonds for cash flow savings of $4.33 million and to allow for the liquidation of a portion of the Series 1993 Escrow to generate additional savings of $3.9 million. These fixed-rate senior-lien bonds have an outstanding par of $48,635,000, an average fixed rate of 2.43%, and a final maturity of December 1, 2023. Since these bonds are not callable, no change is planned for this issue in the near future.

Capital Lease – The District has a long-term capital lease with Synagro Inc. that finances the bio-solids recycling facility at the treatment plant in Elk Grove. The original agreement required Regional San to make an annual capital payment of $1.7 million through the year 2024. This payment represented debt service on long-term debt with a beginning principal amount of $20 million and an interest rate of 5.71%. In 2014, at the District's request, Synagro refinanced their bonds associated with this lease and lowered the District's capital payment to approximately $1.5 million per year. This lowered the interest rate to 4% and will save the District about $2 million over the remaining 10-year life of the lease. The principal balance of this lease was $7,391,076, as of June 30, 2019.

Sump 2A Loan from City of Sacramento – Pursuant to a 1999 agreement, in 2002 the City of Sacramento constructed Sump 2A for the District to convey sewage from the City of Sacramento into the District's interceptor system. The District agreed to reimburse the City for the financing costs related to its share of a State Revolving Fund loan that the City obtained to complete this and other related City projects. Regional San entered into this loan agreement based on an original principal share of $9,093,532, and an interest rate of 2.6% for twenty years. The District makes annual fixed payments of $581,606, and the final payment will be made in fiscal year 2020-21. The balance of the loan was $1,125,920 on June 30, 2019.

Recommended Debt Portfolio Action Items for 2019-20

There are no recommended action items related to the Regional San debt portfolio for fiscal year 2019-20. None of the direct purchase agreements with the banks for the variable rate bonds matures in the next year and the current bond market does not offer any compelling refunding transaction for any of the currently callable debt. None of Regional San's fixed rate bonds are callable before 2021.

Regional San believes that conserving cash is the most prudent strategy at this time. Cash provides flexibility to address potential debt defeasement, swap terminations, and restructuring. These transactions may be necessary to handle challenges and opportunities that may arise with the transition away from LIBOR, as an index for variable rate debt and swaps. The LIBOR index is expected to end on December 31, 2021. All of Regional San variable rate debt and related swaps are indexed to LIBOR. Developments related to the LIBOR phase out will continue to be monitored, but at this time Regional San does not expect any transition away from LIBOR to have a material adverse impact on financial condition.

EchoWater Project Financing Plan

The District issued $150 million of new revenue bond debt in July of 2014 to finance a portion of the EchoWater Project planning and design costs to be incurred through 2018. In 2015, the State Water Resources Control Board approved the District's EchoWater Project for up to $1.576 billion of CWSRF financing. The CWSRF financing will consist of eight separate loan agreements based on EchoWater Project construction components. As of February 2017, the District has entered into all eight loan agreements totaling about $1.394 billion. Subsequent amendments to these agreements has reduced the total loans to an estimated $1.392 billion as of June 30, 2019. The first five agreements totaling $259 million are at a fixed rate of 1.6% for thirty years, and the last three agreements totaling $1.133 billion are at 1.7% for thirty years.

Each of the loan agreements will provide for level annual payments. The loan agreements will be fully amortized in thirty years beginning one year after completion of construction. Because the District is not required to begin amortization of the CWSRF loans until construction is complete, and capital costs are reimbursed from loan proceeds on a monthly basis, there is no need for short-term financing during construction as would be typical in a bond-financed project of this size and duration.

Table 11 on the next page details the estimated debt issuance and status of the EchoWater Financing as of June 30, 2019.

Table 11
EchoWater Project Financing Plan

	Loan Start Fiscal Year	Loan / Bond Amount	Proceeds used as of 6-30-19	Annual Debt Service	Impact on Monthly Rate/ESD
Series 2014A Bonds Planning, Design, and Administration	14-15	$150,000,000	$150,000,000	$6,729,600	$1.10
CWSRF Loan 1 – Site Preparation (Final)	17-18	$41,828,976	$41,828,976	$1,773,695	$0.29
CWSRF Loan 2 – Flow Equalization	19-20	$139,557,612	$124,741,016	$5,960,321	$0.97
CWSRF Loan 3 – Main Electric Substation Expansion (Final)	17-18	$2,868,527	$2,868,527	$121,051	$0.02
CWSRF Loan 4 – Disinfection Chemical Storage (Final)	18-19	$21,468,655	$21,468,655	$919,145	$0.15
CWSRF Loan 5 – Nitrifying Side Stream Treatment	19-20	$53,490,845	$50,863,264	$2,288,696	$0.38
CWSRF Loan 6 – Biological Nutrient Removal Facility	21-22	$533,142,603	$319,829,769	$22,834,105	$3.71
CWSRF Loan 7 – Return Activated Sludge Pumping Station	19-20	$35,696,952	$27,375,956	$1,528,874	$0.25
CWSRF Loan 8 – Tertiary Treatment Facility	23-24	$564,657,506	$27,911,581	$24,183,799	$3.92
Totals		$1,542,711,676	$766,887,744	$66,339,286	$10.79

Early Debt Retirement Plan

Due to the prudent early rate increases implemented by the Board of Directors since 2011, and the CWSRF loan financing for the EchoWater Project, the District's unreserved cash balances are growing. Cash balance growth is expected to stop by 2024 when all of the repayments commence on the CWSRF loans. Regional San's accumulated unreserved cash can be used to retire a portion of the existing debt that is higher cost and/or higher risk. Regional San is using less pay-go financing for the EchoWater Project than the debt policy calls for because the low cost CWSRF financing was approved for most of the project's cost. Paying off some of the outstanding bond debt can mitigate the effect of the higher financing percentage for EchoWater and reduce the level and cost of all debt that the District will have at the end of the project compared with previous financing plans. By paying off some of the outstanding bond debt, and restructuring the remaining bond debt Regional San may be able to avoid rate increases for several years after the EchoWater project is completed and operational.

The following debt issues have already been retired early:

- **Series 2013A** – This $50 million variable rate debt that was scheduled to mature in 2041 was paid off in May of 2015. This eliminated a little over $1.7 million per year in debt service costs through fiscal year 2039-40 as well as a principal and interest payment of about $51 million in fiscal year 2040-41.

- **Series 2006** – This $21.1 million fixed rate debt that was scheduled to mature in 2037 was paid off in July of 2018. This eliminated a little over $1 million per year in interest payments through fiscal year 2035-36 as well as a principal and interest payment of about $22 million in fiscal year 2036-37.

Paying off these debts early has created valleys in the Regional San annual debt service profile. These valleys provide opportunities to restructure the principal repayment schedule of other debt to create lower overall level debt service. This can help keep monthly sewer service rates from rising in the future. The forecast for the next ten years includes $300 million in cash that can be used to pay off debt early and restructure remaining bond debt. The debt issues which are being considered for early retirement or restructuring in the future are as follows:

- **Series 2011** – This $77.18 million fixed rate debt can be called in 2021 at par. Paying this debt series off early, on or after the call date, can reduce principal payments in fiscal year 2021-22 through 2027-28 by about $96.5 million, as well as eliminating about $19.3 million in interest cost during those years.

- **Series 2007A** – The forecast makes $60 million in cash available in fiscal year 2022-23, a portion of which can be used to defease the last maturity of this issue totaling approximately $13.5 million one year early. This would provide annual debt service relief in fiscal year 2023-24, when Regional San begins making $24 million per year loan repayments on the final EchoWater loan component. If this component of the

EchoWater Project has its formal closing delayed this defeasement may become unnecessary.

- **Series 2007B** – The portion of the $60 million in cash allocated in the forecast for early debt repayment in fiscal year 2022-23 that is not used to defease a portion of the 2007A bonds can be used to pay off a portion of this series. The forecast relies on the first principal payment of this series totaling $13,785,000 to be paid off early. The remaining $32+ million in cash remaining can be used in a restructuring transaction to payoff other maturities of this series to provide additional debt service saving in fiscal years 2025-26 through 2036-37. The forecast does not include any debt service cost savings from the restructuring, other than the first principal payment noted above, because the amount of savings is unknown at this time.

  Since the Series 2007B is LIBOR-based variable rate debt with a hedging swap it may be significantly impacted by the upcoming transition away from LIBOR discussed earlier on pages 30-31. This may create opportunities to reduce debt service costs and eliminate variable rate exposure. Over the next two years, Regional San should preserve cash reserves and continue to monitor markets looking for restructuring transactions and strategies to maximize long-term benefit to ratepayers. Any restructuring of the 2007B series needs to be coordinated with restructuring of the 2014A series since many of their principal maturities overlap in fiscal years 2024-25 through 2035-36.

- **Series 2000C** – This $100 million variable rate debt matures in 2030, and is included in the projection for early retirement in fiscal year 2023-24. This series could be retired early with an estimated cash payment of $112.8 million assuming $12.8 million for the termination cost of the related swap. This transaction could reduce annual debt service by about $3.74 million annually from fiscal year 2023-24 through 2026-27, and between $24 and $28 million per year from fiscal year 2027-28 through 2030-31.

- **Series 2014A** – These fixed rate bonds are callable in 2024 and the forecast allocates $50 million of cash in fiscal year 2024-25 to be used to retire the 2025 through 2029 maturities of this issue totaling $63.14 million. A refunding transaction can be done at this time to restructure other maturities of this issue to provide lower debt service in fiscal years 2030-31 through 2035-36. Any restructuring of the 2014A series needs to be coordinated with restructuring of the 2007B series since many of their principal maturities overlap in fiscal years 2024-25 through 2035-36.

Portions of this debt retirement plan may only become viable with the passage of time and favorable market conditions. The specific debt issues and timing of debt pay-off, defeasance, and restructuring transactions will change and evolve over the next few years.

Investment Management

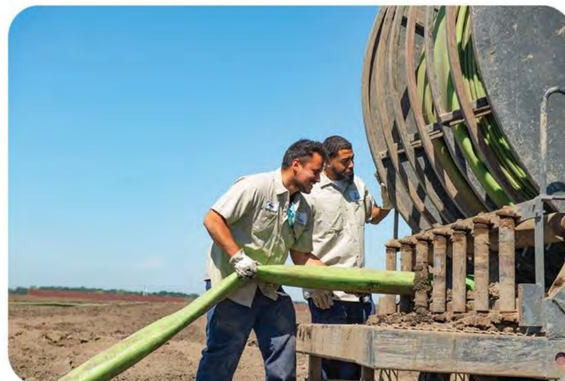
Regional San currently has about $439 million in cash and invested reserve balances as of June 30, 2019. Interest income earned on these balances is non-rate/fee income that can be used to support incentive and assistance programs. Interest income can also supplement rate and fee income to cover operating and capital costs, and offset debt service costs. The District's cash is deposited in the Sacramento County Treasury and is part of the Sacramento County Pooled Investment Fund (Pool). Annually the Regional San Board of Directors approves an investment policy. That policy mirrors the investment policy approved by the County Board of Supervisors for the Pool.

Regional San earned 2.48% on its reserve balances for the fiscal year ended June 30, 2019. This is the highest rate earned by the Pool over the past ten years, but rates are beginning to trend downward again. State law and the County Investment Policy limit the Pool to investments in securities with maturities of five years or less. Due to its need to preserve invested principal and provide liquidity for all participants in the Pool, it has a weighted average maturity of less than one year. As of June 2019, the weighted average maturity of the Pool was 320 days, which reflects the Pool's need for liquidity. Because the District's cash flow is relatively constant throughout the year, the need for liquidity is less important for the District than for the Pool as a whole. If Regional San invested in securities with an average maturity longer than the Pool, it could potentially earn higher interest income to help achieve its strategic objectives.

Regional San will continue to explore alternatives for managing cash reserves to earn higher interest income than can be achieved from the Pool.

Exhibit H

REGIONALSAN
TAKING THE WASTE OUT OF WATER



Final Budget
Fiscal Year 2020–21

Table of Contents

Message from the District Engineer

The Sacramento Regional County Sanitation District (Regional San) is proud to present its 2020-21 Budget. This budget book presents to our ratepayers, stakeholders, Board of Directors, and staff our fiscal plans for the upcoming year. This document is critical in guiding our expenditures and priorities as we continue to provide our customers in the Sacramento region with wastewater conveyance, treatment, and recycling services in a safe, efficient, and innovative manner.

Regional San's operating budget, less depreciation, has increased approximately $2.8 million, or less than 2 percent, over the current year budget. Staffing costs are projected to increase by approximately $1.6 million to pay for modest cost of living adjustments and increases in retirement contributions and health care premiums. The budget for electricity is expected to increase by over $2.6 million due to rate increases and anticipated higher demand due to startup of portions of the EchoWater Project. However, these increases have been offset by reductions in other areas to achieve a net increase of $2.8 million.

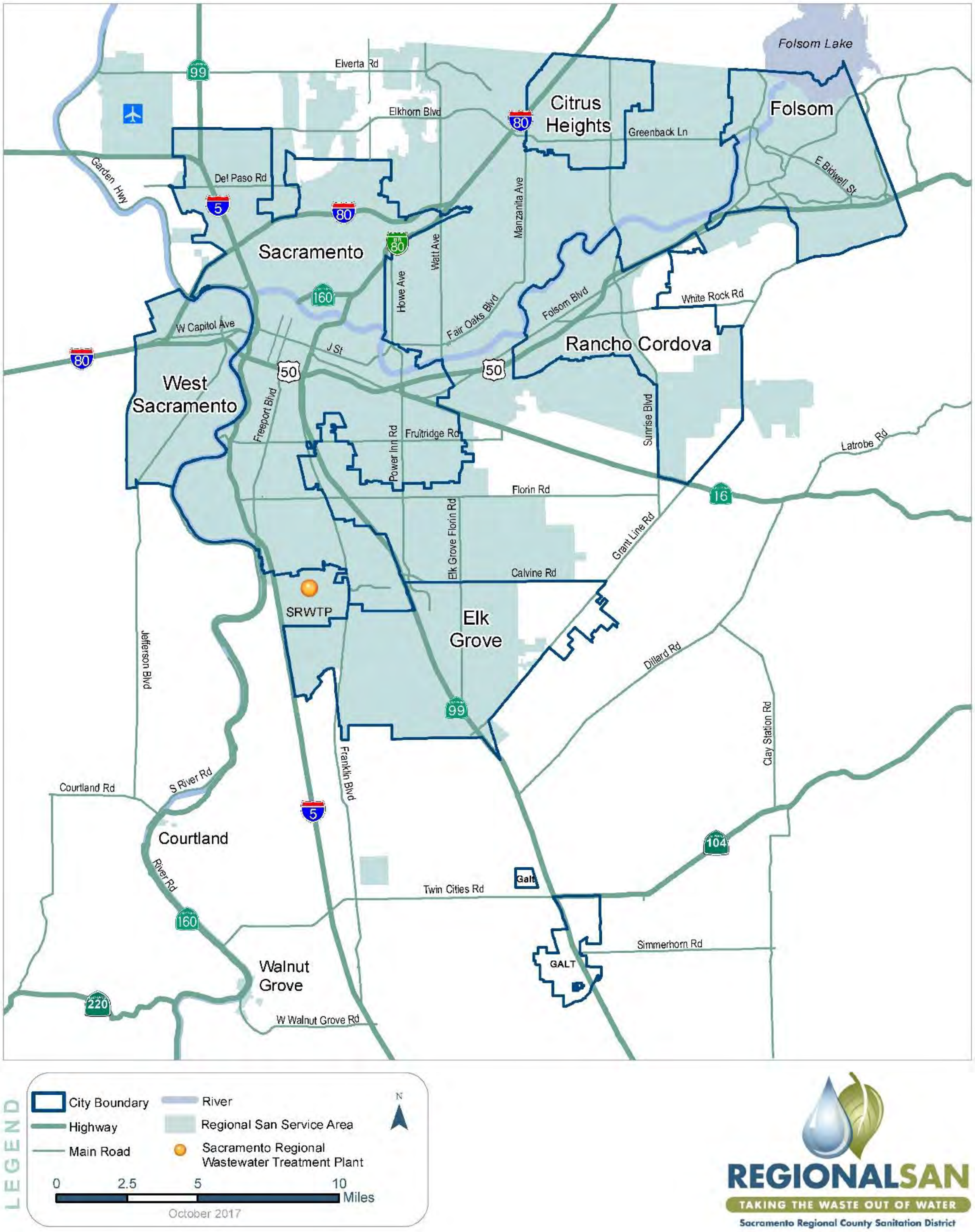
The requested budget increase can be absorbed without any increase in monthly service rates. In addition, Regional San is projecting that no rate increases will be needed for the next few years. However, we do not yet know how the Coronavirus pandemic will impact this year's budget or future revenues and expenditures. There could be a significant loss of revenue if business recovery is slow after the pandemic or if there is a reoccurrence of the pandemic in fall 2020 or spring 2021. There may be additional costs to manage operations in a prolonged pandemic-response mode. However, Regional San has healthy cash reserves to weather the effects of the pandemic in the near-term.

Effective July 1, 2020, Regional San is moving its interceptor system operation and maintenance staff to the Sacramento Area Sewer District (SASD) operations to provide for a more efficient operation of the interceptor system. Regional San will reimburse SASD for the maintenance and operations costs.

The EchoWater Project has been the main driver for capital budget increases in recent years. The EchoWater Project has made significant progress and is no longer at the peak of construction, which is reflected in a capital budget decrease of $55 million. Staff remains attentive to the need to take prudent fiscal and financial actions to ensure costs are closely managed and future expenditures minimized.

To learn more about Regional San, review previous budget books, and read about our activities and performance, please visit us at www.RegionalSan.com.

Regional San Service Area



REGIONALSAN
TAKING THE WASTE OUT OF WATER
Sacramento Regional County Sanitation District

Regional San Board of Directors

Sacramento County Board of Supervisors

Phil Serna
District 1

Patrick Kennedy
District 2

Susan Peters
District 3

Sue Frost
District 4

Don Nottoli
District 5

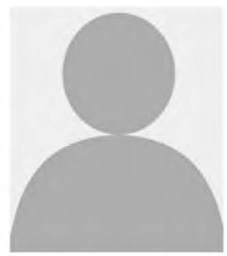
City of Sacramento

Larry Carr

Jeff Harris

Allen Warren

Vacant



Vacant

Other Jurisdictions

Jeannie Bruins
Citrus Heights

Steve Ly
Elk Grove

Pat Hume
Elk Grove

Kerri Howell
Folsom

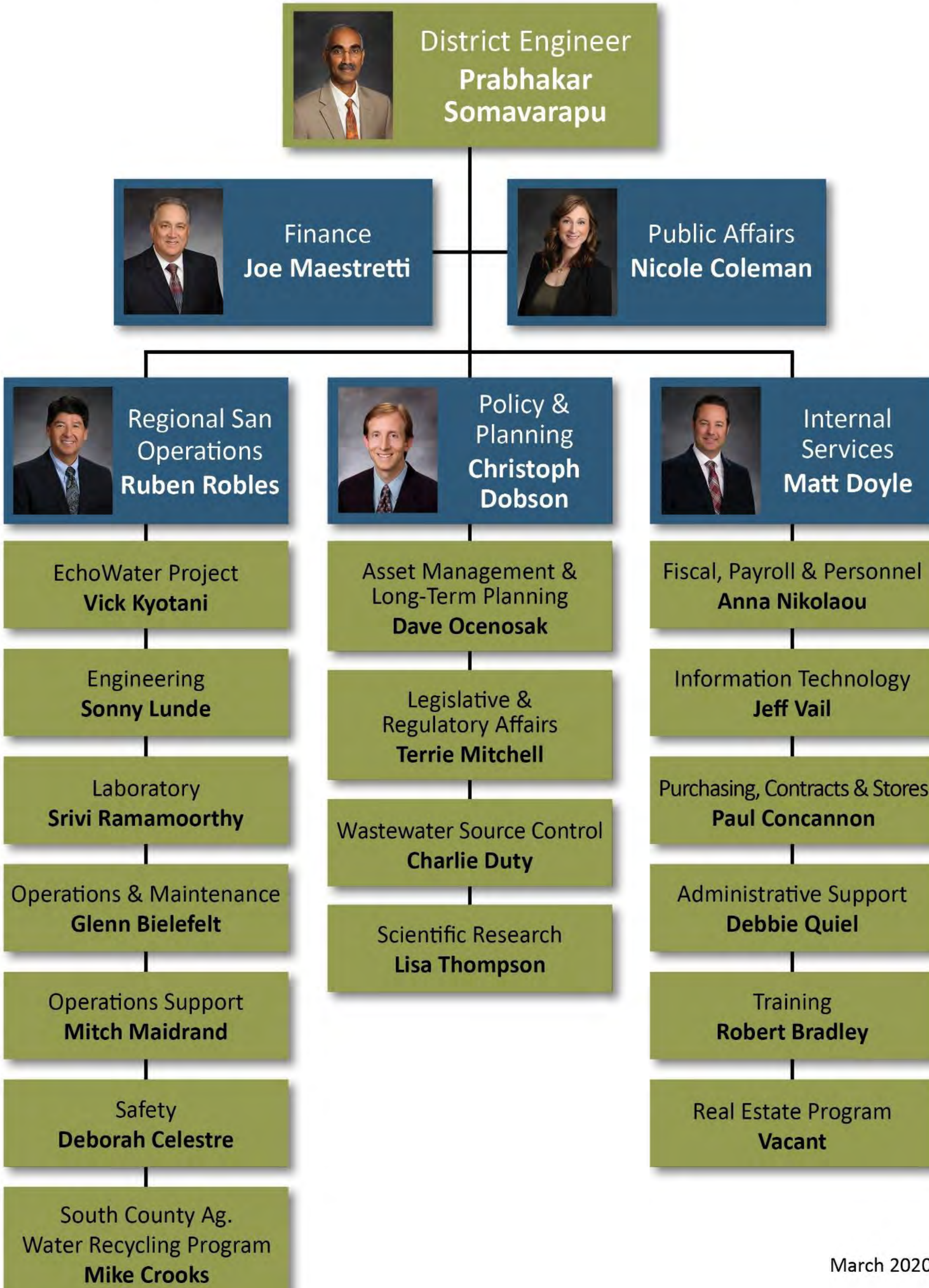
Robert McGarvey
Rancho Cordova

Quirina Orozco
West Sacramento

Oscar Villegas
Yolo County

Organization Chart

Executive Management Team



March 2020

Regional San Overview

The Sacramento Regional County Sanitation District (Regional San) is the wastewater conveyance and treatment utility for the greater Sacramento region. Regional San provides wastewater conveyance and treatment service to approximately 1.4 million people in the following service area:

- unicorporated Sacramento County
- cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and West Sacramento
- communities of Courtland and Walnut Grove

Regional San owns and operates 169 miles of interceptor pipes, 58 miles of force mains (pressurized pipes), 11 pump stations, and the Sacramento Regional Wastewater Treatment Plant (SRWTP), which is located near Elk Grove. In normal weather years, Regional San treats approximately 130 million gallons of wastewater each day.

Regional San is in the midst of the most significant upgrade to SRWTP since its original construction. Stringent, state-mandated regulations require facility updates and construction of additional major treatment facilities. These upgrades, known as the EchoWater Project, are expected to cost approximately $1.735 billion to design and construct. Once the EchoWater Project is operational, it will cost approximately $42 million per year in additional operation and maintenance costs.

Regional San is governed by a 17-member Board of Directors composed of the Sacramento County Board of Supervisors; representatives of the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and West Sacramento; and a representative of the Yolo County Board of Supervisors.

Operating Fund Budget Summary

The 2020-21 Operating Fund budget is $149,449,258, net of depreciation and amortization. This represents an increase of $2,824,874 or 1.9 percent, from the 2019-20 budget. Highlights of the budget are as follows

- Salaries and benefits decreased by $2,682,769 or 3.83 percent, from the 2019-20 budget, even after absorbing increases related to cost of living adjustments, retirement contributions and health care premiums. The reduction is primarily due to the transfer of 23 Regional San staff to SASD for the Interceptor Program.

- Services and supplies increased by $6,975,912 or 10 percent, from the 2019-20 budget. Mainly due to the increased cost and higher demand for electricity, and labor costs associated with the transfer of the Interceptor O & M team that will be charged to the water quality services budget.

- Contingency funding remains the same at $2,000,000 for the 2020-21 budget. Contingency funds may be used to accommodate an increase in operating costs due to weather or other abnormal conditions that are not included in routine budget requests. Use of contingency funds is authorized as needed by the District Engineer.

- Depreciation and amortization decreased by $155,000 to $49,700,000.

- Designated Operating Reserves will increase by $5,095,014 with the ending balance scheduled at $83,906,230.

- The undesignated cash reserves are an indication of short-term financial strength. The estimated ending balance for the 2019-20 fiscal year undesignated cash reserves is $91,633,455. The 2020-21 Operating Fund budget results in a decrease of $42,362,272 to an estimated balance of $49,271,183.

Funding for the Operating Fund budget is primarily derived from monthly sewer service charges and interest earnings on cash balances. The monthly service rate is $37.00 per month per ESD. A portion of the monthly service rate, $13.50 per month per ESD, is earmarked to specifically fund the EchoWater Project in the Capital Fund Budget. The cost of the Sewer Lifeline Rate Assistance Program (SLRAP), which credits $12.50 per month for qualifying customers, is also included in this budget. Funding for SLRAP is provided from non-rate and non-fee revenues. No rate increases are planned for several more years.

Official Operating Fund Budget Schedule

FISCAL YEAR 2020-21
FUND # 261A
OPERATING BUDGET 3028000

Operating Details	Actual 2018-19	Budget 2019-20	Estimated 2019-20	Requested & Recommended 2020-21
Revenues				
Monthly Service Charges	83,387,948	88,960,000	89,920,000	90,240,000
Capital Labor	8,501,398	8,876,000	7,779,561	10,031,550
SASD Labor	5,668,223	5,877,500	6,022,778	5,918,000
Other Revenue	2,209,907	3,684,200	4,132,655	3,783,450
Interest Income	5,110,448	3,000,000	3,857,143	2,209,000
Total Operating Revenues	**104,877,924**	**110,397,700**	**111,712,137**	**112,182,000**
Expenses				
Salaries & Benefits	63,960,169	70,054,268	66,567,534	67,371,499
Services & Supplies	62,915,937	68,406,388	67,175,950	75,382,300
Depreciation & Amortization	48,521,176	49,855,000	48,295,022	49,700,000
Other Charges	2,943,238	4,603,728	3,289,731	3,730,459
Fixed Assets				
Equipment	858,078	1,560,000	1,495,719	965,000
Contingency	0	2,000,000	2,000,000	2,000,000
Total Operating Expenses	**179,198,598**	**196,479,384**	**188,823,956**	**199,149,258**
Depreciation & Amortization Offset	(48,521,176)	(49,855,000)	(48,295,022)	(49,700,000)
Operating Fund Budget	**130,677,422**	**146,624,384**	**140,528,934**	**149,449,258**
SOURCE (USE) OF CASH RESERVES	**(25,799,498)**	**(36,226,684)**	**(28,816,797)**	**(37,267,258)**
Designated Reserve Contribution	(11,004,025)	(2,750,949)	(2,750,949)	(5,095,014)
Designated Reserve Release	10,005,000	0	0	0
Net Change Increase (Decrease)	(26,798,523)	(38,977,633)	(31,567,746)	(42,362,272)
Beginning Undesignated Cash Reserves	149,999,725	123,201,202	123,201,202	91,633,455
Ending Undesignated Cash Reserves	**123,201,202**	**84,223,569**	**91,633,455**	**49,271,183**

Top 10 Budgeted Expenditures

Depreciation and Amortization	**20-21** **19-20**	**$49,700,000** **$49,855,000**	Depreciation expense charged against Regional San assets reflects a decrease of $155,000. This is a non-cash account for asset accounting purposes, which includes amortization of intangible assets.
Salaries	**20-21** **19-20**	**$43,077,093** **$45,695,944**	Decrease of $2,618,851 primarily due to transfer of 20 Interceptor Program positions from Regional San to SASD.
Chemical Supplies	**20-21** **19-20**	**$19,562,201** **$22,010,971**	Projected chemical costs reflect a decrease of $2,448,770. This is due in part to a reduction in disinfection chemical use because of the nitrification process. In addition, treatment plant process conditions vary from year to year and can result in variations in costs.
Electricity	**20-21** **19-20**	**$16,701,200** **$14,037,656**	Projected electricity costs reflect an increase of $2,663,544 due to SMUD rate increases and EchoWater project demand increases. Electricity usage varies depending on the weather. Unexpected costs would be covered by contingency funds.
Retirement	**20-21** **19-20**	**$12,844,767** **$12,552,352**	Retirement contributions reflect an increase of $292,415 due to higher required employer contributions.
Group Ins - Employer Cost	**20-21** **19-20**	**$6,261,919** **$6,621,077**	Health, dental, life, and vision insurance costs have increased but the overall reduction of $359,158 is due to transfer of staff to SASD.
Sewage Disposal Services	**20-21** **19-20**	**$5,934,854** **$5,650,000**	Increase of $284,854 are for the Bio-solids Recycling Facility (BRF), which have increased due to an increased in CPI. Actual costs can vary slightly due to production quantities.
Water Quality Services	**20-21** **19-20**	**$4,823,866** **$686,810**	Water Quality Services has an increase of $4,137,056, in large part due to the Interceptor O & M Team transfer to SASD, with those labor costs being included in this budget.
Social Security & Medicare	**20-21** **19-20**	**$3,218,200** **$3,380,683**	Social Security and Medicare costs are anticipated to decrease $162,483 due to staff transfer to SASD.
Engineer And Consulting Contracts	**20-21** **19-20**	**$3,098,000** **$2,460,627**	Payments to engineering and consulting firms are anticipated to increase $637,373.

Regional San Budget Program Summary

Program	FY 2018-2019 Actual	FY 2019-2020 Budget	FY 2019-2020 Est Year End	FY 2020-2021 Recommended
Bufferlands	$1,290,046	$1,439,196	$1,415,851	$1,413,190
Engineering	$4,415,316	$5,516,331	$4,995,506	$4,993,712
Fiscal-Administration	$8,088,584	$8,932,888	$8,444,975	$8,632,174
Information Technology	$6,896,635	$7,848,444	$7,708,864	$8,236,176
Interceptor Operations and Maintenance	$6,627,021	$6,679,453	$7,117,451	$7,437,645
Laboratory	$4,120,530	$4,635,061	$4,542,982	$4,883,356
Office of Finance	$3,114,151	$3,492,726	$3,385,839	$3,814,525
Office of Operations Director	$1,600,993	$2,014,854	$1,675,097	$1,342,925
Office of Public Affairs	$1,153,745	$1,749,220	$1,152,661	$1,713,706
Operations and Maintenance Administration	$5,526,198	$6,463,865	$6,081,816	$7,087,084
Operations Support	$13,117,691	$13,586,145	$14,018,006	$14,355,363
Policy and Planning	$7,741,033	$8,747,844	$6,750,525	$8,588,885
Program Management Office	$1,598,257	$1,634,996	$1,657,751	$1,684,772
Purchasing and Stores	$2,012,257	$2,074,553	$1,956,211	$2,202,404
South County Agriculture Project	$0	$501,368	$138,432	$230,386
SRWTP Maintenance	$23,121,229	$25,158,200	$25,454,996	$25,353,716
SRWTP Operations	$38,341,637	$42,013,615	$39,725,942	$43,297,019
Wastewater Source Control	$2,126,733	$2,350,625	$2,306,030	$2,397,220
Contingency	$0	$2,000,000	$2,000,000	$2,000,000
Derivative Amortization (GASB 53)	($214,634)	($215,000)	$0	($215,000)
Depreciation & Amortization	$48,521,176	$49,855,000	$48,295,022	$49,700,000
Expenditure Total	**$179,198,598**	**$196,479,384**	**$188,823,957**	**$199,149,258**

Program Descriptions & Budgets

Bufferlands

Provides professional biological guidance and support to Regional San projects and operations that may impact sensitive environmental resources. Support includes review of project and program designs and specifications, negotiation of appropriate impact-mitigation measures, implementation, oversight, and monitoring of project mitigation, and tracking and coordination of projects by other entities that may impact Regional San natural resources. Other responsibilities include natural resource stewardship and property management on the Bufferlands and other Regional San properties through wildlife habitat restoration and conservation, landscaping, weed abatement, agricultural lease administration, grounds maintenance, security-related tasks, and participation in public outreach and education programs.

The 2019-20 estimated year-end is $23,345 under budget. Costs for landscape renovation work came in lower than anticipated. Equipment maintenance costs are also lower, partially attributable to not repairing a tractor that will instead be replaced due to age and mounting repair costs.

Salaries and benefits are 75 percent of the budget and include COLAs. Landscaping and equipment maintenance expenses for 2020-21 are expected to be similar to projected year end costs of 2019-20, resulting in overall slight budget reduction compared to the prior year's budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	1,038,432	1,048,471	1,059,889
Landscape	171,000	150,000	134,000
Weed Abatement	48,000	44,000	48,000
Real Estate Services	19,000	15,000	18,000
Other	162,764	158,380	153,301
GRAND TOTAL	***1,439,196***	***1,415,851***	***1,413,190***

Program Description & Budgets

Engineering

Provides engineering and project management support services for capital and non-capital projects. Project phases and tasks include planning, lifecycle-cost analysis, design, construction, start-up and commissioning, and overall project management. Larger capital projects generally involve the hiring and management of engineering consultants. Smaller capital projects are typically designed in-house and may utilize specialty consultants to supplement staff resources. Engineering provides some staff resources to the EchoWater Project, serving as Project Engineers, Project Managers, and other technical support.

The 2019-20 estimated year-end is $520,825 under budget. This is primarily due to fact that the Small Maintenance Projects budget will not be fully expended. The focus and efforts were spent on capital projects. In addition, some vacancies remained unfilled for the year.

Salaries and benefits are 81 percent of the budget and include COLAs. This year's budget is $420,119 lower than last year's budget. This is primarily due to a reduction in the budget for Small Maintenance Projects as the majority of work priorities in the coming fiscal year will continue to be on capital projects.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	4,235,396	4,052,260	4,029,839
Small Maintenance Projects	1,073,500	654,643	674,520
Personnel Services	38,935	74,455	44,551
Other	168,500	214,148	244,802
GRAND TOTAL	***5,516,331***	***4,995,506***	***4,993,712***

Program Description & Budgets

Fiscal-Administration

Includes the District Engineer and all fiscal and general administration staff for both Regional San and SASD. Responsible for program cost accounting; accounts payable and receivable; personnel and payroll; training; and all administrative support, along with assisting in budget development and monitoring.

The 2019-20 estimated year-end is $487,913 under budget. Decreased costs are primarily attributable to savings in salaries and benefits due to vacancies.

Salaries and benefits are 53 percent of the budget and include COLAs. The decrease is primarily due to lower allocated costs from the County of Sacramento (e.g., COMPASS, liability insurance, and overhead). Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	4,490,143	4,170,450	4,602,700
Property & Liability Insurance	1,105,651	1,105,651	968,204
Contributions	516,404	470,213	428,000
Memberships	244,143	249,883	265,998
Legal Services	212,000	232,634	250,000
COMPASS Costs	295,785	295,783	191,413
County Overhead	246,931	246,931	54,459
Other	1,821,831	1,673,431	1,871,400
GRAND TOTAL	***8,932,888***	***8,444,975***	***8,632,174***

Program Description & Budgets

Information Technology

Provides staffing for Regional San's help desk; IT troubleshooting; hardware and software configuration; systems administration; programming; intranet development and maintenance; network and server support; video conferencing and conference room audio-visual support; and IT project management.

The 2019-20 estimated year-end is $139,580 under budget. Decreased costs are primarily attributable to savings in salaries and benefits due to vacancies.

Salaries and benefits are 39 percent of the budget and include COLAs. The planned increase is primarily due to the backup system lease and application software maintenance/renewal costs. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	**FY 2019-2020 Approved Budget:**	**FY 2019-2020 Est Year End:**	**FY 2020-2021 Budget Request:**
Salaries & Benefits	3,406,193	3,189,284	3,206,382
Hardware & Software	1,113,606	981,000	1,656,510
DTech Support	1,461,460	1,461,457	1,597,818
Consulting Contracts	1,583,847	1,694,845	1,419,600
Other	283,338	382,277	355,866
GRAND TOTAL	***7,848,444***	***7,708,864***	***8,236,176***

Program Description & Budgets

Interceptor Operations and Maintenance

Effective July 1, 2020, the SASD Interceptor O&M team will be responsible for the operations and maintenance of the Regional San conveyance facilities, which includes eight pump stations and 169 miles of interceptor pipe. Major maintenance activities include preventive and corrective maintenance. Preventive maintenance includes testing equipment and systems, inspection, lubrication, adjustment, predictive-maintenance testing to evaluate equipment health, and cleaning and line flushing to prevent solids deposition. Corrective maintenance, while less frequent, includes repair of equipment and systems that are broken or have failed.

The 2019-20 estimated year-end is $437,998 over budget. This is primarily due to higher costs for electrical and mechanical maintenance services and supplies.

The requested Salaries & Benefits budget is zero because SASD will charge the Interceptor O&M team labor costs to Regional San in the District Support budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	3,038,190	2,901,904	0
District Support	10,000	180,698	3,811,937
Electricity	1,999,791	1,990,000	1,990,000
Sewage Disposal	650,000	650,000	650,000
Other	981,472	1,394,850	985,708
GRAND TOTAL	***6,679,453***	***7,117,451***	***7,437,645***

Program Description & Budgets

Laboratory

Responsible for providing environmental laboratory analytical services to Regional San and other public agencies, including the Sacramento County Water Agency, Kiefer Landfill, and the cities of Sacramento and Isleton. Laboratory functional units include the Chemistry, Biology, and Conventional Chemistry units. Laboratory Program Coordinators are responsible for the coordination of lab services with customers. Staff also provides sample collection services for assorted drinking water, groundwater, river water, and SRWTP process-control samples. Most testing is performed by laboratory staff except when the lab is not certified for a specific test, or the testing requires specialized capabilities of an outside lab.

The 2019-20 estimated year-end is $92,079 under budget. This is primarily due to savings in salaries and benefits due to vacancies.

Salaries and benefits are 79 percent of the budget and include COLAs. Most of the increase in the budget request is due to increase in labor and new equipment cost. The budget increase request also includes cost to cover for increased testing for new projects, such as for the new EchoWater Project facilities, river studies, and others.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	3,677,704	3,534,044	3,853,153
Lab Supplies	300,000	193,834	300,000
Lab Services	215,000	384,674	250,000
Regional Stores	130,000	164,074	150,000
Lab Equipment	125,000	50,000	120,000
Other	187,357	216,356	210,203
GRAND TOTAL	***4,635,061***	***4,542,982***	***4,883,356***

Program Description & Budgets

Office of Finance

Responsible for financial activities, including preparation of the Comprehensive Annual Financial Reports, grant reports, and other financial reports; debt issuance and management; investment management; long-term financial planning and revenue projections; development of financial policies and procedures; budget preparation and monitoring; the Sewer Lifeline Rate Assistance Program; and auditing of contributing agencies and internal financial activities.

The 2019-20 estimated year-end is $106,887 under budget. This consists mainly of the related expenses due to one position not being filled.

Salaries and benefits are 33 percent of the budget and include COLAs. The projected 2020-21 budget increase is due to the possible filling of a vacant position. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	1,228,005	1,126,267	1,266,111
Sewer Lifeline Rebate	2,020,000	2,040,446	2,120,000
Accounting Services	75,000	70,000	77,000
Consulting Contracts	3,100	3,100	3,100
Other	166,621	146,026	348,314
GRAND TOTAL	***3,492,726***	***3,385,839***	***3,814,525***

Program Description & Budgets

Office of Operations Director

Includes the Regional San Director of Operations and Safety Office staff. The Director is responsible for managing the operation and maintenance of the Sacramento Regional Wastewater Treatment Plant, and the planning, design, construction, and commissioning of the EchoWater Project. Effective July 1, 2020, management of the interceptor system will move to SASD. The Director's duties include oversight of the following workgroups in the Department: Engineering, Operations & Maintenance, Operations Support, Laboratory, EchoWater Project – Program Management Office, South County Ag. Recycled Water Project, and Safety. The Safety Office is responsible for all safety activities required to operate and maintain Regional San assets in a safe manner and to ensure a safe working environment for all staff.

The 2019-20 estimated year-end is $339,757 under budget. This is due to unfilled vacancies.

Salaries and benefits are 69 percent of the budget and include COLAs. The decrease in this year's budget is due to the security services budget being moved to the Operations Support Section because that group manages these services.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	938,373	790,823	921,124
Safety Services & Supplies	110,000	296,916	180,000
Security Services	625,000	413,775	0
Other	341,481	173,583	241,801
GRAND TOTAL	***2,014,854***	***1,675,097***	***1,342,925***

Program Description & Budgets

Office of Public Affairs

Provides internal and external communications and public affairs management. Responsible for education of and outreach to customers, stakeholders, and policymakers. Implements communication strategies for projects; produces print and internet-based communications; facilitates media relations; oversees Proposition 218 activities; and coordinates public meetings, communications training, event planning, and strategic communications.

The 2019-20 estimated year-end is $596,559 under budget. These savings are primarily attributable to reduction in professional services and advertising.

Salaries and benefits are 47 percent of the budget and include COLAs. Decreases in the requested budget are primarily due to mailing and postage costs. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	787,134	766,667	808,040
Mail & Postage Services	102,000	1,000	102,000
Public Relations Services	85,000	27,500	95,000
Other Professional Services	121,300	46,361	80,840
Advertising	15,000	6,400	12,500
Other	638,786	304,734	615,326
GRAND TOTAL	***1,749,220***	***1,152,661***	***1,713,706***

Program Description & Budgets

Operations and Maintenance Administration

Responsible for management and support of the Operations & Maintenance (O&M) Section. Activities include development of operations and maintenance policies and procedures; energy management; and continued implementation of asset-management activities. This program also includes the Documentation Team responsible for maintaining current and accurate records for all Regional San facilities, and the new Gas Management System Compliance Team responsible for the administration of the Risk Management Program/Process Safety Management Program.

The 2019-20 estimated year-end is $382,049 under budget. This is due to unfilled vacancies.

Salaries and benefits are 69 percent of the budget and include COLAs. The requested budget increase is due in part to higher costs for salaries and benefits, and additional expenses associated with the new Gas Management System Compliance Team.

Category Name	**FY 2019-2020 Approved Budget:**	**FY 2019-2020 Est Year End:**	**FY 2020-2021 Budget Request:**
Salaries & Benefits	4,933,077	4,246,115	4,876,070
Consulting Contracts	155,000	127,510	125,000
Personnel Services	49,836	95,316	58,110
Other	1,325,952	1,612,875	2,027,904
GRAND TOTAL	***6,463,865***	***6,081,816***	***7,087,084***

Program Description & Budgets

Operations Support

Responsible for process control/optimization and providing operations engineering support to various sections at SRWTP. Duties include process pilot studies; regulatory/permit compliance and reporting; support of SRWTP and interceptor operations and odor control; coordination of construction activities; security management; and support/technical assistance to the EchoWater Project Program Management Office.

The 2019-20 estimated year-end is $431,861 over budget. The majority of the additional costs were for the Outfall Conduit Repair Project, which was critical to allow continued discharge of SRWTP's effluent to the Sacramento River. There were also increased costs for permit fees.

Salaries and benefits are 24 percent of the budget and include COLAs. Increased costs are for security services, which was transferred from the Operations Director budget, caustic chemical costs and carbon purchase/disposal, transferred from the O&M budget. Additional costs are also budgeted for increases in permit fees, the Biosolids Recycling Facility, and consultant contracts needed for the ground water Corrective Action Program.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	3,686,770	3,526,923	3,414,500
Biosolids Recycling Facility	5,861,000	5,845,466	6,144,854
Chemicals	2,200,000	2,200,000	2,068,500
Permit Charges	780,000	850,000	935,000
Consulting Contracts	154,000	51,528	326,000
Construction Services and Supplies	150,000	671,000	240,000
Other	754,375	873,090	1,226,509
GRAND TOTAL	***13,586,145***	***14,018,006***	***14,355,363***

Program Description & Budgets

Policy and Planning

Responsible for monitoring and engaging in state and federal legislative and regulatory processes; long-range strategic planning to optimize wastewater conveyance and treatment; sustainability and "green" efforts; management of the Confluence Regional Partnership Program; watershed management programs; scientific research and technical support related to environmental and process needs; rates and fees development; and policies including development and oversight of ordinances and agreements with contributing and other agencies.

The 2019-20 estimated year-end is $1,997,319 under budget. This is due to decreased spending on legal and other professional services and less than expected utilization of the Confluence Program funding.

Salaries and benefits are 58 percent of the budget and include COLAs. This year's budget decreased from last year's budget, due to lower projections for legal and engineering consulting services. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	4,908,942	4,625,988	5,001,708
Consulting Contracts	1,585,627	1,266,000	1,980,000
Legal Services	300,000	173,028	250,000
Other Professional Services	181,000	69,000	156,000
Other	1,772,275	616,509	1,201,177
GRAND TOTAL	***8,747,844***	***6,750,525***	***8,588,885***

Program Description & Budgets

Program Management Office

The Program Management Office (PMO) manages the planning, design, construction, and commissioning of the EchoWater Project, which will provide the facilities required to meet the NPDES permit issued to SRWTP in December 2010. The PMO is led by Regional San staff, assisted by consultant expertise and resources, and integrated with substantial Regional San resources. Responsible for the overall management and coordination of the large number of EchoWater projects with their associated design consultants, construction managers, and contractors. The PMO is expected to provide program services at least until the new facilities are constructed and commissioned by May 2023.

The 2019-20 estimated year-end is $22,755 over budget.

Salaries and benefits are 96 percent of the budget and include COLAs. The increase reflects higher costs for salaries and benefits.

Category Name	**FY 2019-2020 Approved Budget:**	**FY 2019-2020 Est Year End:**	**FY 2020-2021 Budget Request:**
Salaries & Benefits	1,567,635	1,592,020	1,616,771
Telephone Services	17,324	18,379	20,000
Personnel Services	14,016	26,808	17,433
Other	36,021	20,544	30,568
GRAND TOTAL	***1,634,996***	***1,657,751***	***1,684,772***

Program Description & Budgets

Purchasing and Stores

Responsible for purchasing, contracting, and stores functions for both Regional San and SASD. In addition, the Purchasing and Stores section administers the procurement card and surplus property programs.

The 2019-20 estimated year-end is $118,342 under budget. Decreased costs are primarily attributable to savings in salaries and benefits due to vacancies.

Salaries and benefits are 89 percent of the budget and include COLAs. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	1,829,034	1,704,942	1,953,446
Personnel Services	26,475	50,631	34,866
Other	219,044	200,638	214,092
GRAND TOTAL	***2,074,553***	***1,956,211***	***2,202,404***

Program Description & Budgets

South County Agriculture Project

This program was established to manage the planning, design, construction and commissioning of the South County Ag Recycled Water Project. The team will be led by and include Regional San staff, and will be supported by program management consultant staff.

The 2019-20 estimated year-end is $362,936 under budget. The 2019-20 budget was largely under budget because the schedule for filling the District staff positions was delayed beyond the original expected schedule.

Salaries and benefits are 95 percent of the budget and include COLAs. The budget request for FY 2021 is about 50% less than the previous year. Two vacant positions will not be filled. Existing staff from other Sections with the Department will be moved to help manage the program.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries and Benefits	483,522	129,106	219,386
Other	17,846	9,326	11,000
GRAND TOTAL	***501,368***	***138,432***	***230,386***

Program Description & Budgets

SRWTP Maintenance

Responsible for maintenance of SRWTP facilities and equipment, including mechanical, electrical, control systems, and all buildings and structures. Electrical systems include 69-kilovolt (kV) service, 12kV distribution, and 4kV and 480 volt for process equipment. Control systems include security, fire alarm, public address, and process instrumentation. Mechanical equipment includes all treatment-process systems, oxygen-generation facilities, and buildings and structures. Major work activities include preventive maintenance, such as inspection, testing, cleaning, and lubrication, corrective maintenance, and other maintenance-related activities such as analyses of asset data and information.

The 2019-20 estimated year-end is $296,796 over budget. This is due to services and supplies to repair large influent and effluent pumps and other aging equipment.

Salaries and benefits are 70 percent of the budget and include COLAs. The requested budget increase is due to higher salaries and benefits costs and repair of large equipment.

Category Name	**FY 2019-2020 Approved Budget:**	**FY 2019-2020 Est Year End:**	**FY 2020-2021 Budget Request:**
Salaries & Benefits	17,909,792	17,048,791	17,716,162
Maintenance Service & Supplies	1,934,765	2,140,456	2,179,962
Regional Stores	1,431,808	1,991,817	2,035,760
Heavy Equipment Service & Supplies	850,150	877,894	884,403
Fuel & Lubricants	267,309	306,110	270,132
Personnel Services	185,329	354,421	223,538
Other	2,579,047	2,735,507	2,043,759
GRAND TOTAL	***25,158,200***	***25,454,996***	***25,353,716***

Program Description & Budgets

SRWTP Operations

Responsible for the 24/7 operation of SRWTP and staffed by five shifts of Operators (Day, Swing, Grave, Swing Relief, and Grave Relief). Staff includes State of California-certified wastewater treatment plant operators and supervisors. Operators use a centralized Plant Computer Control System and field activities to operate the treatment plant for the protection of the public and environment.

The 2019-20 estimated year-end is $2,287,673 under budget. This is due to reduced use of disinfection chemicals because of the new nitrification treatment process.

Salaries and benefits are 25 percent of the budget and include COLAs. The requested budget increase is due to salaries and benefits and electricity costs as a result of SMUD rate increase and new treatment processes coming online.

Category Name	FY 2019-2020 Approved Budget:	FY 2019-2020 Est Year End:	FY 2020-2021 Budget Request:
Salaries & Benefits	9,815,385	10,094,424	10,686,496
Chemicals	19,752,971	16,888,736	17,493,701
Electricity	11,711,365	11,870,000	14,380,000
Grit Hauling	227,363	198,230	214,302
Other	506,531	674,553	522,520
GRAND TOTAL	***42,013,615***	***39,725,942***	***43,297,019***

Program Description & Budgets

Wastewater Source Control

Provides regulatory oversight of industrial and commercial types of wastewater discharges into the sewer system. Responsible for protecting the conveyance system and SRWTP from harmful effects of non-residential discharges through the implementation of the federally-mandated pretreatment program and local permit programs regulating groundwater remediation dischargers, surface cleaners, dry cleaners, liquid waste haulers, and temporary dischargers. Conducts permitting; inspection; sampling; enforcement; source reduction; incident response; pollutant tracking and trending; and education and outreach.

The 2019-20 estimated year-end is $44,595 under budget.

Salaries and benefits are 89 percent of the budget and include COLAs. Staff time in support of SASD activities is reimbursed to Regional San by SASD. All service and supply costs for SASD activities are contained in the SASD budget.

Category Name	**FY 2019-2020 Approved Budget:**	**FY 2019-2020 Est Year End:**	**FY 2020-2021 Budget Request:**
Salaries & Benefits	2,080,541	2,019,054	2,139,722
Security Services	63,000	54,269	55,000
Goethe Building Cost Share	53,571	37,536	47,297
SASD Support	42,000	41,659	43,000
Other	111,513	153,511	112,201
GRAND TOTAL	***2,350,625***	***2,306,030***	***2,397,220***

Capital Fund Budget Summary

The Requested 2020-21 Capital Fund budget is $320,400,679, a decrease of $54,227,795 from the 2019-20 budget, mainly due to the EchoWater Project no longer being at the peak of construction for the fiscal year 2020-21.

Funding for the Capital Fund budget is derived from sewer impact fees charged to new users of Regional San facilities, a portion of the monthly service charge for projects benefiting existing users, cash, and interest earned on a cash balances and loan proceeds.

Notable elements of the 2020-21 capital budget are:

- Impact Fee Revenue - Budgeted at $30,000,000; reflects the increase in impact fees, effective July 1, 2020.

  - Impact fees from infill areas: $ 4,500,000
  - Impact fees from new areas: $25,500,000

- Debt service on outstanding bonds and State Revolving Fund loans: approximately $100 million.

- Designated Capital Reserves will increase by $2,319,425 with the ending balance scheduled at $120,893,852.

- The undesignated cash reserves are an indication of short-term financial strength. The estimated ending balance for the 2019-20 fiscal year undesignated cash reserves is $360,206,225. The 2020-21 Capital Fund budget results in an increase of $34,530,096 to undesignated cash reserves for an estimated balance of $394,736,321.

A complete list of the projects planned to be designed or constructed this fiscal year can be found on page 31.

Official Capital Fund Budget Schedule

FISCAL YEAR 2019-20
FUND # 262A
CAPITAL BUDGET 3030000

Capital Details	Actual 2018-19	Budget 2019-20	Estimated 2019-20	Requested & Recommended 2020-21
Revenues				
Monthly Service Charges	198,949,756	189,040,000	191,080,000	191,760,000
Impact Fees	29,510,201	22,000,000	28,000,000	30,000,000
Other Revenue	4,415,461	0	17,998	0
Interest Income	5,653,275	4,000,000	5,142,857	2,491,000
Total Capital Revenues	**238,528,693**	**215,040,000**	**224,240,855**	**224,251,000**
Expenses				
Services & Supplies	56,377,609	59,451,868	55,265,469	68,571,679
Depreciation & Amortization	2,378,330	3,340,000	3,340,000	2,400,000
Other Charges	581,606	836,606	1,018,265	3,768,000
Debt Service				
Principal	35,921,037	47,100,000	47,100,000	45,000,000
Interest	50,489,061	65,600,000	46,518,269	55,000,000
Fixed Assets				
Land	0	0	0	0
Improvements	205,831,227	201,640,000	205,363,246	148,061,000
Equipment	0	0	0	0
Contingency	0	0	0	0
Total Capital Expenses	**351,578,870**	**377,968,474**	**358,605,249**	**322,800,679**
Depreciation/Amortization Offset	(2,378,330)	(3,340,000)	(3,340,000)	(2,400,000)
Capital Fund Budget	**349,200,540**	**374,628,474**	**355,265,249**	**320,400,679**
Bond/Loan Proceeds	279,413,606	281,000,000	247,693,998	250,000,000
Debt Defeasance	0	0	(10,211,219)	(117,000,800)
SOURCE (USE) OF CASH RESERVES	**168,741,759**	**121,411,526**	**106,458,385**	**36,849,521**
Designated Reserve Contribution	(7,950,310)	(2,068,682)	(2,068,682)	(6,319,425)
Designated Reserve Release	1,000,000	0	0	4,000,000
Net Change Increase (Decrease)	161,791,449	119,342,844	104,389,703	34,530,096
Beginning Undesignated Cash Reserves	94,025,073	255,816,522	255,816,522	360,206,225
Ending Undesignated Cash Reserves	**255,816,522**	**375,159,366**	**360,206,225**	**394,736,321**

Capital Projects List

Project Name	Project Description *(and status)*	Total Project Budget	2020-21 Budget
Sump 2/2A Reimbursement to City of Sacramento	Annual payments to the City of Sacramento related to pump station improvements and pursuant to cost share Agreement No. 52085, Resolution SR-1657. (Reimbursement)	$11,632,120	**$581,606**
N19 Arden Pump Station Wet Well Rehabilitation	Rehabilitate the pump station wet well and related appurtenances to improve reliability and extend the facilities' useful life. (Construction)	$7,305,438	**$6,221,000**
Interceptor Pump Station VFD Replacement	Replace failed variable frequency drives at interceptor pump stations. VFDs will be replaced at Van Maren, Cordova, Iron Point, and Sump 2/2A Pump Stations. (Design/Construction)	$1,640,000	**$350,000**
Digester Rehabilitation	Multi-year repair and rehabilitation of active digesters. (Construction)	$25,885,252	**$930,000**
Digester Gas Management System Modifications	Rehabilitation and upgrades to existing gas management system (GMS) to improve performance and ensure regulatory compliance. (Design/Construction)	$5,880,000	**$3,700,000**
Secondary Sedimentation Tanks Rehabilitation	Rehabilitation plan for 4 secondary sedimentation tanks including miscellaneous metal repair, superstructure beam support replacement, and coating repairs. (Design/Construction)	$29,200,399	**$2,985,000**
PCCS Operating System Migration to Windows 7	Migrate Plant Computer Control System from Solaris to Windows 7. (Close-out)	$3,900,000	**$1,010,000**
Ethernet Input/Output Bus Converter Replacement	Replace existing obsolete Ethernet Input/Output bus controllers in areas 8 and 13. (Design)	$40,215,000	**$925,000**
Emergency Storage Basin-D Rehabilitation	Replacement of existing deteriorating membrane liner needed for treated water diversions. (Construction)	$31,850,000	**$16,630,000**

Capital Projects List (Continued)

Project Name	Project Description *(and status)*	Total Project Budget	2020-21 Budget
Primary Deck Structure Assessment and Rehabilitation	Implement repairs, and rehab of the primary process area deck where needed. (Construction)	$4,000,000	**$2,051,500**
Biogas Combined Heat and Power Facility	Design and construction of a Biogas (methane) Combined Heat and Power Facility at SRWTP. (Planning/Design)	$4,000,000	**$4,000,000**
Gravity Belt Thickener (GBT) #3 & #4 Installation	Install GBT to increase hydraulic capacity of sludge thickening process and restore equipment redundancy to reliably meet process needs. (Design/Construction)	$4,885,964	**$1,570,000**
Influent Junction Structure Rehabilitation	Repair and restore deteriorated concrete, mechanical, and electrical equipment at the SRWTP Influent Junction Structure. (Construction)	$1,000,000	**$100,000**
Bar Screen Room Bridge Crane Repair/Replacement	The bridge crane in the SRWTP bar screen room is a critical piece of equipment which is old and obsolete. Parts necessary to repair it are not readily available or do not exist. Replace with a new crane. (Construction)	$500,000	**$450,000**
Influent Pump Installation	Installation of new influent pump or rehabilitation of existing pumps to increase system redundancy and allow long-term overhaul of other older influent pumps. (Planning)	$5,200,000	**$250,000**
SSB Mixer Replacements	Replace failing mixers in the Solids Storage Basins. (Planning)	$1,400,000	**$100,000**
Sims Ranch and Nicolaus Dairy Improvements	Implement improvements needed to re-purpose historic properties at SRWTP. (Design/Construction)	$1,600,000	**$1,210,000**
Radio System Upgrades	Radio system upgrade to meet fire code communication requirements in existing and new plant areas. (Construction)	$1,420,000	**$910,000**

Capital Projects List (Continued)

Project Name	Project Description *(and status)*	Total Project Budget	2020-21 Budget
SRWTP & Interceptor Pavement Restoration	Reconstruct and repave roads and other paved surfaces at SRWTP and interceptor facilities. (Planning)	$2,600,000	**$100,000**
Allowance for Interceptor Small Projects	Provides for smaller interceptor capital projects. (Planning/Construction)	$5,000,000	**$2,600,000**
Allowance for SRWTP Small Projects	Provides for smaller SRWTP capital projects. (Planning/Construction)	$5,000,000	**$650,000**
South County Ag Project	Pump station and large diameter pipeline to deliver recycled water to agricultural interests in south Sacramento County for the purpose of reducing the use of groundwater for agricultural irrigation. (Preliminary Design)	$320,129,845	**$15,525,023**
EchoWater Project	Planning, design, and construction costs for upgrades required by the NPDES permit. (Planning/Design/Construction/Commissioning)	$1,607,806,697	**$143,010,071**
TOTAL CAPITAL PROJECTS		**$2,122,050,715**	**$205,859,200**

Designated Reserve Schedule

Reserve Name	Reserve Description	Reserves Balance 6/30/20	Adopted Decrease	Adopted Increase	Total Reserves For 6/30/21
Regional San - OPERATING FUND #261A					
General	For unexpected expenses not included in budget. Targeted at 25 percent of budget.	$32,482,000	$0	$4,459,415	$36,941,415
Rate Stabilization	Required by bond documents to ensure 120 percent coverage met.	$23,200,000	$0	$0	$23,200,000
Facilities Closure	State-mandated to finance closure costs of SSBs and DLDs and required corrective action.	$11,997,808	$0	$607,314	$12,605,122
Equipment Replacement	Replacement of existing heavy equipment.	$1,131,408	$0	$28,285	$1,159,693
Reserve for Confluence Program	To manage the non-rate and non-fee expenditure fluctuations to maintain a balance of $10 million.	$10,000,000	$0	$0	$10,000,000
TOTAL		**$78,811,216**	**0**	**$5,095,014**	**$83,906,230**
Regional San – CAPITAL OUTLAY #262A					
Expansion	Mitigate shortfalls in sewer impact fees due to growth slowdown.	$20,908,124	$0	$0	$20,908,124
Replacement	Portion of future rehabilitation and replacement of existing facilities.	$84,815,960	$0	$3,220,399	$88,036,359
CWSRF Loan	Required by State Water Resources Control Board for Echo Water Loan.	$8,850,343	$0	$3,099,026	$11,949,369
Debt Service Stabilization	Covers fluctuations in debt service for Regional San's variable rate bonds.	$4,000,000	$4,000,000	$0	$0
TOTAL		**$118,574,427**	**$4,000,000**	**$6,319,425**	**$120,893,852**
GRAND TOTAL		**$197,385,643**	**$4,000,000**	**$11,414,439**	**$204,800,082**

Appendix A

Summary of Positions

Following is a summary of the positions with class designations allocated to the Sacramento Regional County Sanitation District effective July 5, 2020. To meet operational needs some positions may have been reallocated to different positions. Other reallocations may occur for the same reason in this fiscal year. No new positions are being requested.

27539	Account Clerk Lv 2	2.0
27548	Accountant	1.0
27560	Accounting Mgr	1.0
27610	Accounting Technician	3.0
27603	Admin Svcs Officer 1	5.0
27604	Admin Svcs Officer 2	4.0
27605	Admin Svcs Officer 3	2.0
28912	Administrator Sanitation Districts Agency	1.0
27706	Assoc Civil Engineer	30.0
27914	Assoc Electrical Engineer	3.0
28141	Assoc Mechanical Engineer	2.0
27711	Asst Engineer - Civil Lv 2	14.0
28144	Asst Mechanical Engineer Lv 2	1.0
28159	Asst Mechanical Maint Technician	3.0
27636	Biologist	2.0
27640	Building Maintenance Wkr	1.0
27659	Carpenter	2.0
27719	Chemist	4.0
28901	Chief Financial Administrative Officer	1.0
29497	Chief Scientist	1.0
27790	Chief Storekeeper Rng B	2.0
27783	Clerical Supv 1	1.0
28990	Contract Services Officer Lv 2	2.0
29208	Contract Services Specialist Lv 2	3.0
29491	Dep Director Sac Reg Co San Dist Ops	1.0
29443	Dir of Internal Services	1.0
29410	Dir of Policy and Planning	1.0
29414	Dir of Sac Reg Co Sanitation Dist Ops	1.0
27932	Electrician	20.0
27961	Engineering Technician Lv 2	1.0
27930	Environmental Laboratory Analyst	10.0
28953	Environmental Program Manager 1	2.0
28954	Environmental Program Manager 2	1.0

Appendix A (continued)

Summary of Positions

28957	Environmental Specialist 3	6.0
28958	Environmental Specialist 4	4.0
28956	Environmental Specialist Lv 2	4.0
27953	Executive Secretary	1.0
27646	Facilities Manager	1.0
29611	Geographic Info System Analyst 3	1.0
28080	Industrial Waste Inspector Lv 2	1.0
29610	Information Tech Applications Analyst Lv 2	3.0
28918	Information Tech Business Systems Analyst 3	1.0
28919	Information Tech Business Systems Analyst Lv 2	2.0
29606	Information Tech Infrastructure Analyst Lv 2	3.0
27514	Information Technology Mgr	1.0
28172	Maintenance Wkr	7.0
28156	Mechanical Maintenance Mgr	1.0
28157	Mechanical Maintenance Supv	9.0
28158	Mechanical Maintenance Technician	11.0
28201	Natural Resource Specialist Lv 2	3.0
28199	Natural Resource Supv	1.0
28216	Office Specialist Lv 2 Conf	1.0
28229	Painter	4.0
27630	Permit & Env Reg Consultant Lv 2	1.0
27628	Permit & Env Reg Officer	1.0
28238	Principal Civil Engineer	2.0
28244	Principal Engineer/Architect	5.0
28245	Principal Engineering Technician	3.0
27515	Principal Information Tech Analyst	1.0
29017	Public Information Officer	2.0
28399	Safety Specialist	3.0
29435	Sanitation Dist Assoc Business Analyst	1.0
29434	Sanitation Dist Asst Business Analyst	1.0
29484	Sanitation Dist Data Mgt Tech Lv 2	4.0
29486	Sanitation Dist Prin Data Mgt Tech	3.0
29485	Sanitation Dist Sr Data Mgt Tech	5.0
29422	Sanitation Dist Sr RTPC Systems Analyst	3.0
28568	Sanitation District Lab Mgr	1.0

Appendix A (continued)

Summary of Positions

29403	Sanitation District Lab QA Officer	1.0
29603	Sanitation District Mechanic 3	3.0
29607	Sanitation District Mechanic Lv 2	4.0
29457	Sanitation District Public Affairs Mgr	1.0
29305	Sanitation District Purchasing Mgr	1.0
29601	Sanitation District Sr Mechanic	1.0
29495	Scientist Lv 2	1.0
28378	Secretary	4.0
27541	Sr Account Clerk	1.0
27545	Sr Accountant	2.0
27564	Sr Accounting Mgr	1.0
27526	Sr Administrative Analyst Rng B	1.0
27709	Sr Civil Engineer	17.0
28991	Sr Contract Services Officer	3.0
27915	Sr Electrical Engineer	2.0
27958	Sr Engineering Technician	1.0
27931	Sr Environmental Laboratory Analyst	8.0
27516	Sr Information Technology Analyst	8.0
28068	Sr Instr Cntrl System Engineer	1.0
28142	Sr Mechanical Engineer	1.0
29093	Sr Natural Resource Specialist	3.0
28203	Sr Office Assistant	15.0
28211	Sr Office Specialist Conf	2.0
29018	Sr Public Information Officer	2.0
29087	Sr Safety Specialist	1.0
28374	Sr Stationary Engineer	1.0
28966	Sr Training and Development Specialist	2.0
29201	Sr Wastewater Treatment Plant Operator	23.0
28567	Sr Water Quality Control System Tech	7.0
28376	Stationary Engineer 1	8.0
28377	Stationary Engineer 2	2.0
28364	Stock Clerk	2.0
28468	Storekeeper 1	4.0
28469	Storekeeper 2	2.0
27959	Supv Engineering Technician	1.0

Appendix A (continued)

Summary of Positions

29589	Supv Information Technology Analyst	4.0
28965	Training and Development Specialist Lv 2	4.0
28978	Treatment Plant Operations & Maint Mgr 1	3.0
28979	Treatment Plant Operations & Maint Mgr 2	1.0
28502	Treatment Plant Operator Lv 2	7.0
29200	Wastewater Treatment Plant Operator Lv 2	41.0
29202	Wastewater Treatment Plant Ops Supv	13.0
28565	Water Quality Control System Supv	1.0
28566	Water Quality Control System Technician	8.0
28569	Water Quality Laboratory Supv	3.0
	Total	**452.0**

Exhibit I

List of Regional San Fixed Assets

Description	Book value
Land-Proprietary	$45,460,871.51
Permanent Easement/Prop	$1,411,683.11
Buildings-Proprietary	$24,513,927.54
Structures-Proprietary	$1,840,119,357.11
Equipment/Proprietry	$2,899,182.95
AUC-Proprietary	$914,023,418.95
COMPUTER SOFTWARE	$365,794.62
Total	$2,828,794,235.79