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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: February 13, 2024 Finance Committee Meeting Minutes

1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:32am.

The meeting attendees either present or participating remotely were as follows: Finance Committee representatives: Katie Edgar (Healdsburg), Mikey Hothi (Lodi), and Eric Campbell (Roseville) and DeAnna Hilbrants (Santa Clara); NCPA Staff: Monty Hanks, Sondra Ainsworth, Randy Howard, and Jane Luckhardt, as well as Michael Berwanger and Louise Houghton from PFM, Tarun Narayan and Shiva Swaminathan from Palo Alto, Melissa Price from Lodi, Teri Alderson from Alameda, Brad Wilkie from Lompoc, and Mitchell Rapaport from Nixon Peabody. A quorum of the Committee was established.

PUBLIC FORUM

No one from the public was present at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

2. Report on Current Financial Market Conditions or Issues

PFM provided an update on the current market conditions since that last report on November 14. The December CPI came out slightly above November, at 3.4% year-over-year. January non-farm payrolls came out at almost twice as much as estimates. At the January FOMC, the Fed rate held rates as expected, and Powell said that a March rate cut would be unlikely, noting that the Fed needs greater confidence that inflation is moving sustainably to 2%. Municipal funds experienced a surge in demand in January 2024. New issuance volume was up 17.7% year-over-year in January. Markets largely expect the Fed to hold rates through Q1 of 2024. SIFMA continues to fluctuate, hitting a new 12-month high of 4.55% in late January 2024. SOFR has largely held steady around 5.3% since the last rate hike in July, with wider fluctuation in early December and early January.

3. Approval to Explore the Merits and Risks of an Energy Prepayment Transaction -

PFM's, Mike Berwanger provided an overview of a prepayment transaction. The goal of this type of transaction is to reduce the cost of power purchases by 5-8% by leveraging use of tax-exempt bonding capacity to secure long-term supply. He discussed other entities who have completed a prepay transaction which includes several CCAs. The energy prepayment structure mechanics were explained.

Staff is recommending the Finance Committee recommend that the Commission authorize the General Manager to direct staff to explore the merits and risks of a prepayment bond transaction regarding the Geysers Power Purchase Agreement. With the Finance Committee's approval at today's meeting Monty Hanks plans to introduce this to the Commission at their next meeting and seek their approval to explore the merits, risks and mitigation measures. Also explore Bond Issuer options with Bond Counsel. Allow the PPA participants time to provide comments or questions as well as educate their councils if requested and discuss this opportunity with CEC staff. Then report back to the Commission in approximately 3 or 4 months, possibly the May Commission Meeting with a recommendation to continue moving forward..

Motion: A motion was made by Mikey Hothi (Lodi) and seconded by Eric Campbell (Roseville) recommending that the Commission authorize the General Manager to direct staff to explore the merits and risks of a prepayment bond transaction regarding the Geysers Power Purchase Agreement. A vote was taken by roll call: YES = Mikey Hothi (Lodi), Katie Edgar (Healdsburg), DeAnna Hilbrants (Santa Clara) and Eric Campbell (Roseville). The motion passed.

- 4. Debt and Interest Rate Management Report** – A presentation was provided by Monty Hanks detailing the status of all outstanding debt as of December 31, 2023 in accordance with the Debt and Interest Rate Management Policy. Since last report, there have been no material changes, no changes to any outstanding debt issues, one rating was upgraded while all others remained the same, and no defaults occurred on any NCPA's outstanding debt. Staff is recommending that the Debt and Interest Rate Management Report be accepted and filed at the February Commission meeting.

Motion: A motion was made by Eric Campbell (Roseville) and seconded by DeAnna Hilbrants (Santa Clara) recommending that the Commission accept and file the Debt and Interest Rate Management Report for the period ending December 31, 2023. A vote was taken by roll call: YES = Mikey Hothi (Lodi), Katie Edgar (Healdsburg), DeAnna Hilbrants (Santa Clara), and Eric Campbell (Roseville). The motion passed.

- 5. Discussion and Recommendation for Appointment to the NCPA Finance Committee** – Monty Hanks reported that Robert Orbeta retired from Alameda Municipal Power (AMP) late last year which created a vacancy on the Finance Committee. Teri Alderson has been nominated to fill the Committee's vacant position. Teri currently serves as the acting AGM of Administration for AMP and originally joined AMP as the Finance and Utility Billing Manager in 2022. Teri has over 30 years of public agency experience. Staff requests that the Finance Committee recommend Teri Alderson be appointed by the Commission Chair as a member of the Finance Committee and approved by the Commission.

Motion: A motion was made by Mikey Hothi (Lodi) and seconded by DeAnna Hilbrants (Santa Clara) recommending that Teri Alderson be appointed as a member to the Finance Committee by the Commission Chair. A vote was taken by roll call: YES = Mikey Hothi (Lodi), Katie Edgar (Healdsburg), DeAnna Hilbrants (Santa Clara), and Eric Campbell (Roseville). The motion passed

NEW BUSINESS

- 6. Other Items of Interest to the Finance Committee** – The Committee members were reminded and encouraged to attend the combined Finance and Facilities Committee meeting where staff will present and discuss in detail the proposed FY2025 NCPA Annual Budget.

7. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for May 7, 2024 at 10:30am.

ADJOURNMENT

The meeting was adjourned at 12:01pm.

DRAFT