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Minutes

Date: February 14, 2017
To: NCPA Finance Committee
From: Trisha Hubbard, Administrative Assistant
Subject: February 8, 2017 Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

Madeline Deaton, Chair	Alameda	Absent
Ann Hatcher	Santa Clara	Call-in
Melissa Price	Lodi	Attended
Matt Michealis	Gridley	Absent
Philip McAvoy	Roseville	Call-in

Member Staff

Tarun Narayan	Palo Alto	Call-in
Monty Hanks	Roseville	Call-in

Consultants

Mike Berwanger	PFM
Gene Carron	Orrick
Tyler Old	PFM

NCPA Staff

Randy Howard
Sondra Ainsworth
Bob Caracristi
Trisha Hubbard

1. Call Meeting to Order

Sondra Ainsworth called the meeting to order at 10:06 a.m.

2. Roll call – roll call was conducted as listed above. A quorum of the Committee was established.

3. Approve the November 9, 2016 and January 9, 2017 Meeting Minutes

Motion: a motion was made by Melissa Price and seconded by Ann Hatcher recommending approval of the November 9, 2016 as well as the January 9, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = Melissa Price (Lodi) and Ann Hatcher (Santa Clara). ABSTAIN = Philip McAvoy. The motion passed.

PUBLIC FORUM

Ms Ainsworth asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. There were no requests for public comment at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

4. Review of December 31, 2016 Debt and Interest Rate Management Report

Ms. Ainsworth reviewed the Debt and Interest Rate Management Report for December 31, 2016. Key highlights included:

- The Agency refunded \$15,705,000 of outstanding principal for Geothermal Project No. 3 Revenue Bonds. The refunding decreased project debt service by an estimated \$1.69 million over the next 8 years with an estimated net present value savings of \$1.03 million. No additional new issuances are planned at this time.
- No fixed or variable rate debt or interest rate swaps were refinanced or terminated in the last six months.
- The last six months included a reduction in the amount of reimbursement received from the Federal Government for Build America Bond (BAB) subsidies related to the LEC BAB issues. Total reduction for the December 1, 2016 debt service payment was 6.9% or \$230,851 due to sequestration of federal budget dollars.
- Fair value on remaining outstanding swaps changed from a negative value of \$25.2 million on June 30, 2016 to a negative value of \$18.7 million on December 31, 2016
- Interest rate swaps continue to perform better than expected, providing an advantageous hedge to increases in short-term variable rates.

5. Report on Current Financial Market Conditions or Issues

Michael Berwanger of PFM provided a presentation with updates on banking proposals, current financial market conditions and rating agency issues. Mr. Berwanger reported that intermediate and long-term yields are largely flat since the start of the year after increasing materially in the weeks following the election. Short-term yields have fallen so far in 2017.

Both SIFMA and LIBOR have stabilized since the Fed's decision to raise rates in December.

As a result of the increase in short-term rates, NCPA's Hydro 2008 Series A and B Bonds have also been resetting higher, however, these bonds have been hedged with interest rate swaps.

There are certain refunding candidates in NCPA's debt portfolio, primarily in the LEC 2010 Series A, that generate savings despite the long escrow periods to call dates and the relatively short amortization of the debt.

The Hydro Series C transaction is callable July 2018 but is estimated to be only 13% advance refundable. Given the size, a direct purchase would make an attractive option were NCPA to pursue an advance refunding. Doing so could result in a possible savings of \$700,000. The consensus of the group was that the savings fell below the threshold required to make refunding financially feasible, considering the cost of refunding activities. There was no real interest from the Committee members. PFM will continue to monitor this.

6. Long-Term Funding Plan for NCPA Pension Plan

Sondra Ainsworth reported that the Commission approved the proposed Long-Term Funding Plan for NCPA's Employee Pension Program in the FY2018 Budget subject to the Finance Committee's final review and approval. Staff is currently vetting the budget numbers working to stay within the Committee's given guidelines for the funding plan. Staff will schedule a Special Finance Committee meeting to review the budget results and the impact of the proposed 2018 budget funding of the plan.

NEW BUSINESS

7. Other Items of Interest to the Finance Committee

No other items brought to the Committee for discussion.

8. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for May 10, 2017 at 10:00 a.m. A Special Finance Committee meeting will be scheduled on April 5th at 2:00 to review the budget and the aforementioned Long-Term Funding Plan.

ADJOURNMENT

The meeting was adjourned at 10:57 a.m.