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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: February 12, 2019 Finance Committee Meeting Minutes

1. Call Meeting to Order

The meeting was called to order by Committee Chair David Hagele at 10:02am.

2. Roll Call

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: David Hagele (Healdsburg), Ann Hatcher (Santa Clara), and Philip McAvoy (Roseville); NCPA Staff: Monty Hanks, Randy Howard, Sondra Ainsworth, Jane Luckhardt, and Trisha Zimmer, as well as Michael Berwanger and Tyler Old (PFM), Eric Campbell (Roseville) and Tarun Narayan (Palo Alto). Finance Committee members Melissa Price and Bob Orbeta (Alameda) were absent. A quorum of the Committee was established.

3. Approve Minutes from the November 13, 2018 Finance Committee Meeting

A motion was made by Philip McAvoy and seconded by Ann Hatcher recommending approval of the November 13, 2018 Finance Committee meeting minutes. A vote was taken by roll call: YES: David Hagele (Healdsburg), Philip McAvoy (Roseville), and Ann Hatcher (Santa Clara). The motion passed.

PUBLIC FORUM

Mr. Hagele asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. No one from the public was present at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

4. Report of Current Financial Market Conditions or Issues

Michael Berwanger provided a presentation on the current financial market conditions. There is a continued trend of lowered rates and a continued flattening of the curve. In January, the municipal bonds issuance has increased by 3.9%. Market participants continue to expect a gradual increase in interest rates over the next year, with the exception of the Fed Funds Target Rate. PFM noted that SIFMA exhibited heightened volatility in

January as dealer inventories increased throughout the month. SOFR experienced a temporary spike above LIBOR at the end of December and at January 31. NCPA's Hydroelectric 2008 Series A and B Bonds continue to trade well versus benchmarks and are hedged with interest rate swaps.

5. Report on NCPA's Proposals for Letter of Credit Replacement

PFM provided an overview of the bank proposals received to replace the Letter of Credit with Bank of Montreal that is set to expire in September. NCPA received 13 distinct offers from a total of 9 banks. Bank of America Merrill Lynch's proposal provided NCPA with the most favorable terms for a 4 or 5 year Letter of Credit. In addition, BofA has a positive history working with NCPA and this will help with the ease of execution of the documents. PFM recommends going forward with Bank of America Merrill Lynch to replace Bank of Montreal as the Letter of Credit provider. The 2008B bonds are currently outstanding in the amount of \$910,000 with \$725,000 due on July 1, 2019 making it not worth renewing the Letter of Credit on the 2008 B bonds. The Agency has funds that can be used to pay off the 2008B and associated costs of implementing the new Letter of Credit on the 2008A bonds.

Motion: A motion was made by Ann Hatcher and seconded by Philip McAvoy recommending that staff move forward with the recommended replacement Letter of Credit, pay-off the 2008 taxable bonds, and terminate the taxable swap. A vote was taken by roll call: YES: David Hagele (Healdsburg), Philip McAvoy (Roseville), and Ann Hatcher (Santa Clara). The motion passed.

6. Finance Committee Member Appointment

Staff is seeking a recommendation to approve the appointment of Eric Campbell from the City of Roseville replacing Philip McAvoy on the Finance Committee. Philip McAvoy is requesting to end his term on the Finance Committee and has requested that Eric fill his vacancy. Eric Campbell is currently the Finance Administrator for the City of Roseville and has over 20 years experience in financial management, with special emphasis in strategic and operational planning, value added budgeting and forecasting, project management, performance measurement, process improvement and investment decision making. Eric has been the primary point of contact at City of Roseville during the recent Hydro Bond Refunding process. The Finance Committee members feel Eric will be a good fit on the Committee.

Motion: A motion was made by Philip McAvoy and seconded by David Hagele recommending the appointment of Eric Campbell replacing Philip McAvoy on the NCPA Finance Committee effective immediately. A vote was taken by roll call: YES = David Hagele (Healdsburg), Philip McAvoy (Roseville), and Ann Hatcher (Santa Clara). The motion passed.

7. Debt and Interest Rate Management Report

Monty Hanks provided the semi-annual Debt and Interest Rate Management Report for the period ending December 31, 2018. Mr. Hanks highlighted that no negative material changes to any fixed or variable rate debt or outstanding swap agreements occurred since the last report. Ratings on all the Projects have remained the same. No defaults under the swap agreements, fixed rate or variable rate debt have occurred. Counterparty rating remained the same, no collateral posting by the counterparty has been required and the counterparty remains highly rated. The MTM on the outstanding swaps changed from negative value of \$15.2 million on June 29, 2018 to a negative value of \$14.2 million on December 31, 2018. Mr. Hanks gave an overview of the Geothermal, Hydroelectric, Capital Facilities and Lodi Energy Center debt. No new debt has been issued in the last six months.

Motion: A motion was made by David Hagele and seconded by Ann Hatcher recommending that the Commission accept the Debt and Interest Rate Report for the period ending December 31, 2018. A vote was taken by roll call: YES = David Hagele (Healdsburg), Philip McAvoy (Roseville), and Ann Hatcher (Santa Clara). The motion passed.

8. Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series A (tax-exempt) and Hydroelectric Project Number One Revenue Bonds, 2019 Taxable Refunding Series B

Staff is asking the Finance Committee to recommend that the Commission authorize the issuance of the Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series A (tax-exempt) and Hydroelectric Project Number One Revenue Bonds, 2019 Taxable Refunding Series B. The 2010 Series A Bonds were originally issued in the amount of \$101 million for the purpose to refund 2002 Series A and B and 2003 Series A and B. Approximately \$53 million remains outstanding and is callable on July 1, 2019. An RFP was issued in September 2018 and the Agency received responses from 11 investment banks. During the November 2018 Finance Committee meeting, Committee members gave staff direction to move forward. A kick-off meeting was held last December and the first round of draft documents were reviewed on January 8th. During the month of January, the documents were reviewed and revised by key staff. Staff plans to finalize significant share participant related information and disclosures in preparation for a ratings call with Moody's and Fitch in late February. Staff will seek Commission approval at the February 21 Commission meeting. Bonds will be priced and the transaction should be closed sometime in late March or early April. The estimated savings of this refunding is expected to be about \$1.7 million per year with a total NPV savings of \$7.9 million.

Motion: A motion was made by Philip McAvoy and seconded by David Hagele recommending Commission approval of the issuance of up to \$58 million fixed rate Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series A (tax-exempt) and up to \$2.5 million fixed rate Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series B (taxable) delegating the General Manager and other NCPA officials the authority to execute related legal documents needed to issue these bonds. The Committee also recommends and use of reserve funds of \$1.7 million 2008B bonds to pay down the Letter of Credit fees. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), and Philip McAvoy (Roseville). The motion passed.

NEW BUSINESS

9. Long-Term Funding Plan for the NCPA Pension Program

This item was not covered due to time constraints. This will be addressed at the next regular Finance Committee meeting in May.

10. Other Items of Interest to the Finance Committee

No other topics discussed.

11. Next Finance Committee Meeting

The next Finance Committee meeting is scheduled for May 7th.

ADJOURNMENT

Meeting was adjourned at 11:02am.