



651 Commerce Drive
Roseville, CA 95678

phone (916) 781-3636
fax (916) 783-7693
web www.ncpa.com

Minutes

Date: February 16, 2018
To: NCPA Finance Committee
From: Trisha Zimmer
Subject: February 13, 2018 NCPA Finance Committee Meeting Minutes

- 1. Call Meeting to Order and Roll Call** – The meeting was called to order by Committee Chair David Hagele at 10:03am. The meeting attendees either present or participating remotely were as follows: Finance Committee representatives: David Hagele (Healdsburg), Bob Orbeta (Alameda), Melissa Price (Lodi), Philip McAvoy (Roseville), and Ann Hatcher (Santa Clara). All other attendees were as follows: NCPA - Monty Hanks, Randy Howard, Sondra Ainsworth, Jane Luckhardt, and Trisha Zimmer, as well as Mike Berwanger and Jim Carbone (PFM), Larry Sobel (Orrick), Monica Padilla and Tarun Narayan (Palo Alto). A quorum of the Committee was established.

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.

- 2. Approve Minutes from the November 8th and December 13th Finance Committee Meeting** – A motion was made by Bob Orbeta (Alameda) and seconded by David Hagele (Healdsburg) recommending approval of the November 8th and December 13th Finance Committee meeting minutes. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Bob Orbeta (Alameda) and Philip McAvoy (Roseville). The motion passed unanimously.

REPORTS AND COMMITTEE ACTION ITEMS

- 4. Report on Current Financial Market Conditions or Issues** – Michael Berwanger of PFM provided a presentation on the current market conditions. Mr. Berwanger reported that the yield curve continued to flatten as interest rates moved higher since the last Fed meeting in November. Mr. Berwanger also stated that there is 100% analyst consensus the Fed will raise interest rates at their March meeting and possibly two or three more rate increases in 2018.

After record issuance in December in response to the tax reform, supply in January was approximately 53% lower than the previous year. Municipal bond-funds reported net cash inflows in January. As a result of the increase in short term rates, NCPA's Hydro 2008 A&B bonds have been resetting higher, however they continue to trade well versus benchmarks and are hedged with interest rate swaps.

5. **Report on NCPA's Debt Portfolio** - PFM provided an update on Standards and Poor's proposed methodology change. The methodology was mostly unchanged, except for one change in how S&P calculates coverage. For the fixed cost and imputed charge coverage, S&P asserts that they are currently including a portion of all PPAs, regardless of whether the contracts are take or pay (must pay regardless of plant operating) or take and pay (pay only if gas or power is received). This would include S&P allocating 50% of all PPAs as a fixed charge for purposes of calculating fixed cost and imputed charge coverage in cases where the utility is unable to quantify actual fixed charge components of a PPA. The proposed change could be implemented in the next few months after comments are reviewed.
6. **Long-Term Funding Plan for the NCPA Pension Program** – Staff reviewed the approved funding plan elements - which shortened the amortization of the Agency's unfunded liability from 30-years to 15-years beginning in FY2018. The Plan requires that Staff review the unfunded liability annually, and the Finance Committee Chair is required to provide a report of the progress of reducing the unfunded liability and recommend plan updates as needed to the Commission. The Agency first implemented the 15-year accelerated funding for FY2018. The FY2019 15-year amortization funding requirement increased \$600,000 primarily driven by a reduction in the CalPERS discount rate from 7.5% to 7.375%. The CalPERS actuarial valuations lag behind two years, and the FY 2019 liability figure does not reflect the accelerated FY2018 contributions. With this lag, it is difficult to estimate the required liability funding figures for FY2020 and FY2021 due to CalPERS' two planned additional discount rate reductions and the Agency's continued accelerated funding of the unfunded liability.

Staff requested the Finance Committee's affirmation of 100% required employer contribution and a minimum actuarial accrued liability funding level of 80% and recommended Commission affirmation as well. The Committee also recommended the accelerated Unfunded Accrued Liability (UAL) payment for fiscal year 2019. An update on the UAL funding status will be provided to the Commission at their next meeting. All Committee members present affirmed staff's recommendations with no questions or objections.

7. **Review of the December 31, 2017 Debt and Interest Rate Management Report** – Monty Hanks presented the December 31, 2017 Debt and Interest Rate Management Report. He discussed the key highlights, debt overview by Project, fixed rate debt overview, variable rate debt overview and interest rate swaps overview. Staff will be seeking Commission acceptance at the February 22, 2017 Commission meeting. There were no objections from the Finance Committee members.
8. **Review of NCPA's Investment Strategy** – Staff provided a presentation regarding the review of NCPA's Investment Strategy plan (aka: The Playbook). After approval of the Investment Policy update at the August 2017 Finance Committee meeting, Committee members requested that staff return with an overview of the Playbook. Sondra Ainsworth explained how certain funds have various metrics applied to each fund and each have their own unique liquidity (based on historical and future cash flow projections); duration and asset diversification and allocation. The Finance Committee had no objections to the playbook parameters presented and confirmed the strategy. Staff will review performance monthly, identify trends, rebalance as necessary, and review annually the portfolio suitability benchmark.

- 9. 2008 Hydroelectric Series C Bond Refunding** – Staff presented the information regarding the recommendation for the Commission to approve the issuance of up to \$80 million Hydro Project Number One Revenue Bonds, Series 2018 Refunding Series A (tax-exempt) and \$4 million Hydro Project Number One Revenue Bonds, 2018 taxable refunding Series B. Staff, as well as PFM, presented and discussed the background and details related to the Hydro Bond Refunding. Staff is estimating approximately \$1.3 million annual savings. The goal will be to price the bonds in March and depending on the timing of the issuance, staff will attempt to roll the savings into the FY19 budget.

Motion: A motion was made by Philip McAvoy (Roseville) and seconded by Melissa Price (Lodi) recommending that the Commission approve the issuance of the Hydro Bond Series A and B as presented and described. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Bob Orbeta (Alameda) and Philip McAvoy (Roseville). The motion passed unanimously.

NEW BUSINESS

10. Other Items of Interest to the Finance Committee

No items were discussed.

11. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for Tuesday, May 8, 2018 at 10:00am.

ADJOURNMENT

Meeting was adjourned at 11:37am.