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TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Special Finance Committee Meeting Minutes of March 11, 2016

**Finance Committee Attendees:**

**Committee**

**Members:**

Gary Plass	Healdsburg	Call-in
Bob Orbeta	Alameda	Absent
Jordan Ayers	Lodi	Call-in
Monty Hanks	Roseville	Call-in
Jan Pepper	Santa Clara	Call-in

**Attended:**

**Consultants:**

Rian Irani	PFM
Mike Berwanger	PFM
Tyler Olds	PFM
Gene Carron	Orrick

**NCPA Staff:**

Donna Stevener  
Randy Howard

**Member Staff:**

Barry Leska Alameda

**1. & 2. Call Meeting to Order and Roll Call**

Chairman Gary Plass called the meeting to order at 8:32 a.m. and roll call was conducted as listed above.

**3. Approve Minutes of February 10, 2016**

Minutes for the February 10, 2016 meeting were approved as presented.

1<sup>st</sup> Jan Pepper

2<sup>nd</sup> Gary Plass

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Absent
Jordan Ayers	Lodi	Abstain
Monty Hanks	Roseville	Yes
Jan Pepper	Santa Clara	Yes

Voting Results: 3 Ayes, 0 Noes, 1 Abstain, 1 Absent

## **PUBLIC FORUM**

Mr. Plass 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. Review and Discussion of June 30, 2015 Post Employment Benefits Other than Pensions Long-term Funding Plan**

Staff continued discussion of the proposed long-term funding plan for the NCPA Retiree Medical Plan. Ms. Stevener reminded the Committee that the bullets outlining a draft plan on page 9 of the PowerPoint had the concurrence of all the Finance Committee members with the exception of the shortened amortization period, which was still under debate. The Committee asked for additional time at the last meeting to consider the proposal and to discuss with their respective Utility Directors. Ms. Stevener indicated that the Utility Directors had been briefed at the February UD meeting. In addition, the analysis previously distributed titled "Impact per Member" was incorrect and was revised (page 7 & 8). Ms. Stevener explained the revised slides. The revised numbers are about half of the previous amounts. Mr. Howard told the Committee that discussions were happening in the Facilities Committee about the future of the CT projects and that the participants are planning to terminate several of the NCPA projects in the next 10 years. In addition, Shasta Lake is considering membership and has inquired about the financial health of NCPA and *is* seeking information on that subject to present to their City Council. Mr. Howard indicated that bringing in new members and *the* termination of projects makes this a critical issue.

***Mr. Hanks asked, "Will NCPA be looking at the CalPERS **pension** funding issue as well?"*** Mr. Howard indicated that NCPA plans to look into the CalPERS Pension issue next and would ***bring something back for the FY18 budget.***

The Finance Committee asked for further clarification on the strategy with labor contracts and Mr. Howard indicated that the unions had agreed to be a part of the team looking at strategies ***to address*** this issue. The next union contract begins in 2019.

Chairman Plass asked the Committee what they were comfortable with as far as a lower amortization ***period.*** Mr. Hanks (Roseville) proposed a 10 year amortization, but to delay implementation until FY18. Chairman Plass (Healdsburg) supported this proposal. Ms. Pepper (SVP) wants to see new revenues realized, as well as reduced costs and could support a 15 year amortization beginning in FY18. Mr. Leska spoke for Alameda and indicated they could support the 15 year, FY18 proposal. Mr. Ayers (Lodi) could support 10 or 15 year amortization, but prefers 15 starting in FY18. Mr. Howard asked the Committee, if NCPA brings in new revenue would they be comfortable applying funds to additional amortization earlier than FY18? Mr. Howard then presented an idea to enable funding beginning in FY 2017 by using budget FY16 savings. There was concern about automatic application of budget savings and not solving the funding problem before beginning extra collections. Mr. Howard indicated that staff could propose use of budget savings from FY 2016 during the final billing settlements process in January 2017 and at time report on the status of efforts with the unions to determine strategies for capping the liability in the future. There was support of this idea and the following motion as made:

Motion: Recommend that the NCPA Commission approve the Retiree Medical Long-term funding plan as outlined below:

- Establish plan to reduce retiree medical liability including:
  - Formalize plan with Commission approval
  - Negotiate health care premiums to cap exposure over the next several years
  - Shorten amortization of unfunded liability from 28 years to 15 years beginning FY18
    - ARC funding goes from \$2.3 million to \$2.7 million
  - Consider using budget savings from FY16 to fund FY17 additional contribution of \$395k after staff report update on negotiations with labor (January 2017)
  - Consider using new services revenues to offset a portion of the additional funding each year
- Plan to conduct new Actuarial Valuation in FY 2017 and adjust plan as necessary

1<sup>st</sup> Gary Plass

2<sup>nd</sup> Monty Hanks

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Absent
Jordan Ayers	Lodi	Yes
Monty Hanks	Roseville	Yes
Jan Pepper	Santa Clara	Yes

Voting Results: 4 Ayes, 0 Noes, 0 Abstain, 1 Absent

## 5. Discuss Financial Advisory Services Contract

PFM staff left the call during the following discussion. Ms. Stevener briefed members on the status of the financial advisory contract with PFM. There is one year left on the contract and it is at NCPA's option to extend for this last year. No proposed increase in fees, which is an annual retainer (fixed fee) plus expenses. Fees for individual bond deals are proposed separately. Staff is happy with the services. Committee members provided input and discussed alternatives. After discussion the following motion was made:

Motion: Motion to instruct staff to proceed with contract extension for one year with PFM for financial advisory services and plan to issue an RFP in 2017.

1<sup>st</sup> Jordan Ayers

2<sup>nd</sup> Jan Pepper

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Absent
Jordan Ayers	Lodi	Yes
Monty Hanks	Roseville	Yes
Jan Pepper	Santa Clara	Yes

Voting Results: 4 Ayes, 0 Noes, 0 Abstain, 1 Absent

## **6. Discussion and Possible Action Regarding Selection of Auditors to Perform FY 2015-16 Financial Audit**

Ms. Stevener discussed the status of the financial audit contract. As explained in the staff report sent out to the Committee, Moss Adams was selected in an RFP process in 2008. The contract was extended in 2011 and then again in 2014. During the 2014 extension discussion, the Committee asked that an annual review be conducted to consider the options. This would be the last year of the contract if we opt to stay with them for FY 2016. The other option is to issue an RFP and go through a formal selection process. Mr. Plass asked if auditors are doing a good job? Ms. Stevener said they provide excellent service and explained how staff and the review partner are changed every few years to have a fresh look at things.

After discussion, the following motion was made:

Motion: Instruct staff to stay with Moss Adams for the FY 2016 financial audit and go out for RFP next year for audit services.

1<sup>st</sup> Gary Plass

2<sup>nd</sup> Jordan Ayers

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Absent
Jordan Ayers	Lodi	Yes
Monty Hanks	Roseville	Yes
Jan Pepper	Santa Clara	Yes

Voting Results: 4 Ayes, 0 Noes, 0 Abstain, 1 Absent

## **NEW BUSINESS**

### **7. Next Finance Committee Meeting**

The next regularly scheduled meeting is May 11, 2016 at 10:00 a.m.

## **CLOSED SESSION**

### **8. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Chairman Plass and Mr. Dean took the Committee into closed session to discuss the initiation of litigation pursuant to paragraph (d) (4) of Govt. Code section 54956.9: One case.

## **OPEN SESSION**

General Counsel Michael Dean reported there was no reportable action taken on item 8.

## **ADJOURNMENT**

Meeting was adjourned at approximately 10:01 am.