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April 16, 2014

TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Finance Committee Meeting Minutes of April 9, 2014, 10 a.m.

Finance Committee Attendees:

Committee Members

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

NCPA Staff

Donna Stevener
Kevin Wallace

Consultants

Will Frymann	PFM
Mike Berwanger	PFM
Larry Sobel	Orrick
Gene Carron	Orrick
Marc Bauer	Orrick

Public

None

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

Chairman Gary Plass called the meeting to order at 10:06 a.m. and roll call was conducted as listed above. Ms. Stevener welcomed the newest appointee to the Committee, Monty Hanks from Roseville.

3. Approve Minutes of February 19, 2014

Minutes for the February 19, 2014 meeting were approved as presented.

1st Bob Orbeta

2nd Jordan Ayers

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

Voting Results: 5 Ayes, 0 Noes, 0 Abstain 0 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. Evaluate Proposals and Recommend Selection for the Renewal of Letter of Credit (LOC) for 2008 A & B Hydroelectric Bonds

Ms. Stevener reminded the Committee that the Letter of Credit (LOC) supporting the 2008 A & B Hydroelectric Bonds expires in September and that at the last Finance Committee meeting the Committee directed staff to issue a Request for Offers (RFO) for Renewal of the Letter of Credit (LOC). Ms. Stevener turned the presentation over to PFM to provide details on the RFO process. Mr. Frymann indicated that the credit market is now more robust with more banks entering the market, including expansion of Japanese and Canadian banks. The RFO was sent to 25 different banks and we received 8 responses to the RFO. Responses were received from the following:

Bank of Tokyo
Bank of Montreal (BMO)
Bank of America
Citibank (current provider)
JP Morgan
RBC Markets
US Bank
Wells Fargo

Two banks (Barclays and Bank of the West) declined to bid. Mr. Frymann discussed the range of bid results received. Bids ranged from 29 basis points to 88 basis points for varying terms. The current reference point is 50 basis point for the LOC with Citi. Mr. Berwanger added that pricing was very aggressive compared to other RFO processes he has been involved with recently. The Committee discussed the pro and cons of 2, 3 and 5 year LOC commitments.

Mr. Hanks asked about terms for early termination and if they were standard. Mr. Frymann indicated that we would negotiate with the banks to include no termination fee if the bank was downgraded or if the bonds were refinanced (although this scenario is very unlikely). Mr. Carron pointed out that terms included payment of fees if we don't close the LOC. Mr. Berwanger indicated that this was also negotiable. Mr. Carron recommended that negotiations begin with the current Citibank LOC agreement as the starting point. After discussion and analyzing proposed terms, the Committee made the following motion:

Motion: Recommend that staff move forward with negotiations with the lowest bidder and negotiate terms as discussed during the meeting. Contract will be brought back at the next regular Committee meeting in May.

1st Jan Pepper

2nd Jordan Ayers

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

Voting Results: 5 Ayes, 0 Noes, 0 Abstain 0 Absent

5. Adoption of Regular Meeting Calendar (Date and Time) for the Finance Committee

Ms. Stevener reported that the General Counsel for NCPA recommends that each NCPA standing committee select a regular meeting schedule of at least one meeting per year. Ms. Stevener discussed various options for a calendar schedule. Mr. Plass recommended quarterly meetings be scheduled and cancelled if they are not needed. After discussion of possible dates, the following motion was made:

Motion: The Finance Committee regular meeting calendar is established with regular meetings to be held on the 2nd Wednesday of February, May, August and November each year beginning at 10:00 a.m. Special meetings will be scheduled as needed for Committee business.

1st Jordan Ayers

2nd Bob Orbeta

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

Voting Results: 5 Ayes, 0 Noes, 0 Abstain 0 Absent

6. Report on Current Financial Market Conditions or Issues

Mr. Frymann, PFM, reviewed a PowerPoint on current market conditions. He indicated that not a lot has changed in the market since the February Committee meeting. Current rates remain well below long-term averages. The short end of the yield curve remains at all-time lows, while the longer end is down slightly from February yields.

The FOMC is continuing to keep short-term rates at very low levels, although they are no longer focusing on reducing the unemployment rate as the target.

NEW BUSINESS

7. Other Items of Interest to the Finance Committee

No items were discussed.

8. Next Finance Committee Meeting

The next meeting is scheduled for May 14, 2014 at 10:00 a.m.

ADJOURNMENT

Meeting was adjourned at approximately 11:00 a.m.

cc: Jim Pope