



651 Commerce Drive
Roseville, CA 95678

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

Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: May 7, 2019 Finance Committee Meeting Minutes

1. Call Meeting to Order

The meeting was called to order by Committee Chair David Hagele at 3:02pm.

2. Roll Call

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Melissa Price (Lodi) and Robert Orbeta (Alameda); NCPA Staff: Monty Hanks, Randy Howard, Sondra Ainsworth, and Jane Luckhardt, as well as Michael Berwanger (PFM), Joanna Cucci (Roseville), Tarun Narayan (Palo Alto) and Brad Walker (Bank of America). Finance Committee member Eric Campbell was absent. A quorum of the Committee was established.

3. Approve Minutes from the February 12, 2019 Finance Committee Meeting

A motion was made by Robert Orbeta and seconded by David Hagele recommending approval of the February 12, 2019 Finance Committee meeting minutes. A vote was taken by roll call: YES: David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Robert Orbeta (Alameda) and Melissa Price (Lodi). 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. Rates are down since the last Finance Committee meeting. AAA MMD is near the bottom of historical averages for long-term rates. Municipal bond issuance was down 7.02% in March and is up 14.57% year-to-date through the end of March. Market participants continue to expect a gradual increase in interest rates over the next year, with the exception of the Fed Funds Target Rate. Although rates are moving up, not everyone agrees that the Fed will

move. SIFMA rates jumped in April during tax season. Some thoughts are that the driver of that increase was a mass filing of taxes at the same time. Rates are starting to drop back down as investors put more money into this market.

5. Update on Recent Bond Activity Transactions

PFM provided an overview of the most recent bond activity and transactions. With rates dropping, savings have been locked in on the 2010 refunding. The total NPV savings is estimated to be 6.84%. There was good demand on the transaction with several maturities being oversubscribed.

6. Approval of the Substitution of Credit Facilities and Related Cost of Issuance Funding for the 2008 Series A Hydroelectric Refunding Bonds (Variable Rate Demand Obligations)

Staff is seeking a recommendation to approve agreements with Bank of America N.A. and related documents for a Letter of Credit (LOC) replacement for the 2008 Series A Hydroelectric Bonds (Variable Rate Demand Bonds). Staff also recommends funding the cost of issuance for the LOC replacement using Reserve Funds released from the 2010 Series B Hydroelectric bond defeasance. Citi made the 2008 Series B Hydroelectric Swap termination payment last week and those funds will be used along with funds currently on hand with Trustee US Bank to payoff the 2008B bonds. Next step is to replace the Letter of Credit on the 2008A bonds.

Motion: A motion was made by Melissa Price (Lodi) and seconded by Ann Hatcher (Santa Clara) recommending the approval of the substitution of Credit Facilities and Related Cost of Issuance Funding for the 2008 Series A Hydroelectric Refunding Bonds. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Robert Orbeta (Alameda) and Melissa Price (Lodi). The motion passed.

7. Capital Facilities Bonds, Series 2010A (refunding) Request for Proposals

PFM reported that the bonds are callable in February 2020 and can be sold this November. The bond refunding NPV savings is estimated to be approximately 7%. Staff is seeking direction and support from the Finance Committee to move forward with issuing Request for Proposals for Underwriting Services and Direct Placement offers in connection with the Capital Facilities Bonds. The Committee members present support staff's recommendation to move forward with the RFPs.

8. Biennial Review of Debt and Interest Rate Management Policy.

Staff is seeking a recommendation from the Finance Committee for Commission approval of the changes made to the Debt and Interest Rate Management Policy following staff's biennial review. Sondra Ainsworth provided an overview of the biennial review and recommended changes to the NCPA Debt and Interest Rate Management Policy. A new section related to Securities and Exchange Commission (SEC) Rule 15c2-12 Continuing Disclosure requirements was added to the Policy, including 16 event notices. SEC changes are intended to improve transparency and are applicable to debt issuance greater than \$1 million. Definitions for the Electronic Municipal Market Access (EMMA) System and Financial Obligations were also added to the glossary in the Policy.

Motion: A motion was made by Robert Orbeta (Alameda) and seconded by David Hagele (Healdsburg) recommending the approval of the changes made to the NCPA Debt and Interest Rate Management Policy. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), Robert Orbeta (Alameda) and Melissa Price (Lodi). The motion passed.

NEW BUSINESS

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

Sondra Ainsworth provided an annual update of the Long-Term funding plan for the NCPA Pension Program. She reminded the group that the goal is to obtain a minimum of 80% funding level and continued 100% funding of required employer contribution as well as shorten the amortization of unfunded liability from 30 years to 15 years beginning FY2018. As of fiscal year ending June 30, 2017, the plan's funded status is at 58.5%.; up from 54% the prior year. Some of the drivers that contributed to this net increase were net investment return, contributions that outpaced distributions, and re-amortization under a new discount rate of 7.25%.

Staff asked the Committee to re-affirm the 100% funding of required employer contribution as well as affirm the accelerated 15 year UAL for fiscal year 2020. The Committee members present affirmed staff's recommended continued goals. Staff will provide an update to the Commission at their next regular meeting.

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 August 13, 2019.

ADJOURNMENT

Meeting was adjourned at 3:46pm.