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Minutes

Date: May 18, 2017
To: NCPA Finance Committee
From: Trisha Hubbard, Administrative Assistant
Subject: May 10, 2017 Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

Madeline Deaton, Chair	Alameda	attended
Ann Hatcher	Santa Clara	call-in
Melissa Price	Lodi	call-in
Matt Michealis	Gridley	call-in
Philip McAvoy	Roseville	call-in

Member Staff

Jacquelyn Flickinger	Roseville	attended
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Consultants in attendance:

Mike Berwanger	PFM
Rian Irani	PFM
Larry Sobel	Orrick
Mark Bauer	Orrick

NCPA Staff in attendance:

Monty Hanks
Sondra Ainsworth
Jane Luckhardt
Trisha Hubbard

1. Call Meeting to Order

Madeline Deaton called the meeting to order at 10:02 a.m.

2. Roll call – Roll call was conducted as listed above. A quorum of the Committee was established.

3. Approve the February 8 and April 5, 2017 Meeting Minutes

Motion: a motion was made by Philip McAvoy and seconded by Melissa Price recommending approval of the February 8, 2017 as well as the April 5, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Melissa Price (Lodi), Matt Michaelis (Gridley), and Philip McAvoy (Roseville). The motion passed.

PUBLIC FORUM

Ms. Deaton asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. There were no requests for public comment at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

4. Report on Current Financial Market Conditions or Issues

Michael Berwanger of PFM reported that current interest rates are at or below all-time historical lows. Overall general volatility with intermediate and long-term yields increasing during the latter third of April reversing most of the decrease in interest rates during the first few weeks of the month. SIFMA and LIBOR have remained relatively flat in April, after having adjusted higher with the Fed's decision to raise rates in December 2016 and again in March 2017. After a record issuance in 2016 and a heavy January, volume in the Muni market supply and demand was down by 24% in February, March and April compared to 2016. Consensus is that interest rates are forecasted to continue to go up. There is a 100% probability of another rate hike by June. Resets on NCPA Hydro Project 2008 Series A and B continue to be favorable.

5. Report on NCPA's Debt Portfolio

Mr. Berwanger provided a presentation with a review of NCPA's debt portfolio. He reviewed how the Agency's bonds are structured and how Members' rating affect NCPA projects. The overall debt on NCPA Projects is relatively short, noting that the Geothermal debt will be paid off in 2024. The Hydro 2008 C bonds are up for refunding at the end of this year. PFM will be watching closely, as well as continuing to monitor the Hydro Series A and B bonds. Mr. Berwanger discussed how the Hydro bonds were structured and the reasons behind it. The Capital Facilities bonds all have a fixed rate and a large amount of the Lodi Energy Center bonds are Build America Bonds which are taxable.

6. Biennial Review of Debt and Interest Rate Management Policy

Biennial review of this policy is an Agency requirement. Since the last review, SB1029 passed in December 2016 which requires a debt policy to be in place and requires 30 day advance notice of any debt issuance. PFM assisted with adding language to the policy which addresses SB1029 requirements. The remainder of the policy was reviewed but remains unchanged. Melissa Price asked for more information related to the changes that were made in 2015. Staff will follow-up with that request.

Motion: A motion was made by Melissa Price and seconded by Ann Hatcher recommending Commission approval of the changes made to Debt and Interest Rate Management Policy addressing SB1029 requirements. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Ann Hatcher (Santa Clara), Melissa Price (Lodi), and Matt Michaelis (Gridley). Philip McAvoy was absent at the time a vote was conducted. The motion passed.

7. First Amendment to Consulting Services Agreement with Public Financial Management, Inc.

PFM staff in attendance excused themselves from the meeting at this time.

Sondra Ainsworth reported that the current Financial Advisor agreement expires May 31, 2017. Staff is recommending extending the agreement until September 1, 2017 in order for staff to conduct the Request for Proposal process more thoroughly. Staff is recommending approval of The First Amendment to the Consulting Services Agreement with Public Financial Management, Inc. for an amount not to exceed \$16,750 expiring on September 1, 2017.

Motion: A motion was made by Ann Hatcher and seconded by Matt Michaelis recommending Commission approval of the First Amendment to the Consulting Services Agreement with PFM, Inc. for an amount not to exceed \$16,750 expiring no later than September 1, 2017.

A vote was taken by roll call: YES = Madeline Deaton (Alameda), Ann Hatcher (Santa Clara), Melissa Price (Lodi), and Matt Michaelis (Gridley). Philip McAvoy was absent at the time the vote was conducted. The motion passed.

8. Selection of Audit Services Provider and Award of Contract

Sondra Ainsworth reported that the Moss Adams Audit Services agreement has expired with the firm having been our provider for the past nine years. A Request for Proposal (RFP) for audit services was issued in March seeking proposals for a 3 year term including 2 possible extensions for a total term not to exceed nine years. The RFP was distributed to 17 accounting firms and 6 proposals were received. Upon evaluation three firms were placed on a shortlist and interviews were conducted by a selection panel consisting of Sondra Ainsworth, Eric Siu, Jacquelyn Flickinger, Melissa Price and Robert Orbeta. Following the interview process, the selection panel unanimously found Baker Tilly Virchow Krause, LLP to be the lowest bidder as well as the overall most responsive bidder. Staff conducted reference checks and received stellar reviews from 4 of Baker Tilly's smaller clients. The Committee is recommending Commission approval to enter into a Multi-Task Consulting Services Agreement with Baker Tilly for a three-year term with two possible extensions.

Philip McAvoy added that Roseville also has prior experience working with Baker Tilly and has been very pleased with their performance. Madeline Deaton thanked the selection panel for their participation. Melissa Price commended Sondra Ainsworth and Eric Siu for their work and preparation throughout the selection process.

Motion: A motion was made by Melissa Price and seconded by Philip McAvoy recommending Commission approval to award the Audit Services Agreement to Baker Tilly Virchow Krause, LLP for an amount not to exceed \$300,000 over three years. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Matt Michaelis (Gridley) and Philip McAvoy (Roseville). The motion passed unanimously.

NEW BUSINESS

9. Other Items of Interest to the Finance Committee

Financial Advisor RFP - Staff will be working to distribute the Request for Proposal for financial advisors and arrange the selection panel.

Investment Policy – Monty Hanks may be seeking a recommendation to modify certain sections to better align with State Code and possibly improve on investment diversification opportunities.

10. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for August 9, 2017 at 10:00 a.m.

ADJOURNMENT

The meeting was adjourned at 11:15 a.m.