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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: May 10, 2022 Finance Committee Meeting Minutes

1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:33am.

The meeting attendees either present or participating remotely were as follows: Finance Committee representatives: Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Eric Siu, Randy Howard, Jane Luckhardt, Jonathan Ashcraft, as well as Mike Berwanger and Louise Houghton from PFM, and Tarun Narayan from Palo Alto. A quorum of the Committee was established.

PUBLIC FORUM

No one from the public was present at the site or at any of the teleconference locations.

DISCUSSION / ACTION ITEMS

2. Approve minutes from the February 8, 2022 meeting.

A motion was made by Eric Campbell and seconded by Melissa Price recommending approval of the February 8, 2022 meeting minutes. A vote was taken by roll call: YES = Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). The motion passed.

REPORTS AND COMMITTEE ACTION ITEMS

3. Report of Current Financial Market Conditions or Issues

Michael Berwanger of PFM provided a presentation of the current financial market conditions. The first half of February saw rising AAA MMD and Treasury rates in continued response to inflation and multiple anticipated rate hikes. The market's tone changed in mid-February with Russia's invasion of Ukraine. The demand for safe-haven assets surged again following Russia's first attacks on February 24th. Moving into March, Treasuries continued to fluctuate in response to day-to-day developments in the Russia-Ukraine conflict, ongoing concerns regarding inflation, and comments from the Fed. The Fed hiked the federal funds rate by 25 bps at their March meeting. And another 50 bps rate hike at the May FOMC meeting. Since the 2022 Hydro Bonds were priced on March 10th both taxable and non-taxable rates have risen significantly. Treasuries have risen by 70-100 bps and

AAA MMD has risen 80 bps. The timing of the refunding could not have been better. Rates are still historically low on average. Muni bond funds have experienced outflows for 16 consecutive weeks, with outflows of \$2.9 billion for the week ending April 27th. New issues volume was down 7.5%.

The market currently anticipates interest rate hikes each quarter for the next year, including at least 3 rate hikes in the next quarter. SOFR and SIFMA maintained more consistent levels during much of April. Since the February Finance Committee meeting, 2008A bond resets have ranged from 0.09% to 0.45%. Variable rate resets have been better than SIFMA by 1 to 10 bps through March and April.

The 2022 Hydro Refunding Series A and B successfully closed on April 5th. The new issuance allowed NCPA to realize over \$12 million NPV savings for the refundings of 2012A bonds. NCPA was able to refund the 2008A bonds and terminate the associated swap at a cost under \$500,000.

4. Approve Modifications to the NCPA Investment Policy and Guidelines

Staff is recommending approval of the revisions to the Investment Policy to include portfolio rebalancing, performance benchmark, and zero or negative interest accrual during periods of negative interest rates language, additional attachment for List of Permitted Investments, updated Table of Permitted Investments to include applicable government section codes, revised investment titles, reduce maximum investment in commercial paper, and updated rating requirement and other language.

The proposed revisions were brought to the Commission for discussion and guidance. The Commission felt now is not the time to add ESG language and divest from fossil fuel companies. The Commission recommended revisiting this topic at a later date. The Commission did support adding Supranationals. The investment in Supranationals was added as a new investment type. The Finance Committee accepted the addition of Supranationals if the language was changed to limit the investment portfolio to no more than 15% of Supranationals with a 5% limit per entity.

Motion: A motion was made by Eric Campbell (Roseville) and seconded by Ann Hatcher (Santa Clara) recommending approval of the revisions to the Investment Policy and Guidelines as presented with the agreement that the Supranationals will not exceed more than 15% of the par value of the portfolio and not more than 5% of the par value for any one entity. A vote was taken by roll call: YES = Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). The motion passed.

NEW BUSINESS

5. Other Items of Interest to the Finance Committee

The group discussed the CAISO collateral levels and the Estimated Aggregate Liability (EAL). Bob Orbeta stated that the ISO collateral is not sustainable. Further discussion is necessary on this topic. This should be agendized at the next Finance Committee meeting for further discussion.

6. Next Finance Committee Meeting - The next regular Finance Committee meeting is scheduled for August 9, 2022 at 10:30am.

CLOSED SESSION

General Counsel Jane Luckhardt took the Finance Committee into closed session at 11:32am.

7. CONFERENCE WITH REAL PROPERTY NEGOTIATORS – pursuant to Government Code Section 54956.8.

RECONVENED TO OPEN SESSION

All meeting attendees rejoined the public meeting at 12:12pm.

REPORT FROM CLOSED SESSION

Closed Session Disclosure: General Counsel Jane Luckhardt reported there were no reportable action taken in closed session.

ADJOURNMENT

The meeting was adjourned at 12:15pm.