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TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Finance Committee Meeting Minutes of May 11, 2016

Finance Committee Attendees:

Committee

Members:

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

Attended:

Call-in
Absent
Call-in
Call-in
Call-in

Consultants:

Rian Irani	PFM
Mike Berwanger	PFM
Tyler Old	PFM

Gene Carron	Orrick
Larry Sobel	Orrick
Marc Bauer	Orrick

NCPA Staff:

Donna Stevener
Randy Howard
Sondra Ainsworth

Michael Dean	Meyers Nave
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1. & 2. Call Meeting to Order and Roll Call

Chairman Gary Plass called the meeting to order at 10:04 a.m. and roll call was conducted as listed above.

3. Approve Minutes of March 11, 2016

Minutes for the March 11, 2016 meeting were approved as presented.

1st Jordan Ayers

2nd 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

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. Report on the Status of the Post Employment Benefits Other than Pensions Long-term Funding Plan

Ms. Stevener reported on the final decision of the NCPA Commission regarding the proposed long-term funding plan for the NCPA Retiree Medical Plan. On March 31, the Commission approved the plan in substantially the form recommended by the Finance Committee. The main components stayed the same: reducing amortization from 28 years to 15 years and negotiating with the labor unions to cap the medical premiums. The only item that changed was the timing of the implementation. The Commission chose to implement the increased funding in FY 17 versus FY 18 as recommended by the Finance Committee. Staff is meeting with City of Roseville staff next week to begin gathering information about possible strategies for capping the liability surrounding this program.

5. Report on Rating Agency Meetings

Ms. Stevener reported that last Thursday Randy Howard (General Manager), Carol Garcia (NCPA Chairperson) and Gary Plass (NCPA Finance Committee Chair), along with staff from PFM, made visits to Fitch and Standard & Poor's in San Francisco. A copy of the presentation book used in the meetings was distributed to the Committee for information purposes. Ms. Stevener indicated that Fitch is doing a formal review of the NCPA ratings as part of their normal two year review cycle. The presentation to Standard & Poor's was just a regular update, no formal review is anticipated in the near future. Moody's did a formal review of NCPA ratings in December so they were not included in these meetings.

Mr. Howard indicated that the rating agencies had a positive response to our update. In addition to information on NCPA project finances, we discussed new services for members and provided an update on the impact of the drought on the Hydro Project and the members. We also shared updates on current industry issues such as the CAISO EIM, new RPS standards and other items impacting both members and NCPA. Mr. Plass told the Committee that he had been involved in the last presentation to the rating agencies and this time the analysts seemed very interested in how the JPA members are working together and how NCPA is supporting their efforts. They were also interested to hear about the smooth transition from Jim Pope to Randy Howard as the new General Manager and in the new things Randy has been doing at the Agency. Mr. Plass said it was time well spent.

Mr. Berwanger said that from PFM's viewpoint, the rating agencies really appreciated the time NCPA took to discuss current industry issues and the sharing of our knowledge on these issues with them, especially the California issues.

Ms. Stevener indicated that Fitch would be taking their recommendation on our rating to the Fitch Rating Committee over the next few weeks.

6. Consideration of a Proposed Refunding of 2008C Hydroelectric Bonds

Ms. Stevener indicated that she had received a proposal from KeyBanc to refund (partial) the 2008C Hydroelectric with taxable bonds and then, when they become callable in 2019, take them out with tax exempt bonds. While the concept is good and the savings are also good, Ms. Stevener indicated that a review with Larry Sobel, Orrick, identified some tax issues with the current proposed structure. Mr. Sobel briefed the Committee on the issues and indicated he had suggested some possible alternatives that could work. KeyBanc will be further refining their idea based on the feedback from Orrick and present a different refunding structure in the near future.

7. Report on Current Financial Market Conditions or Issues

PFM provided the Committee with an update on current financial market conditions and possible refunding opportunities. On the market front, Mr. Berwanger indicated it is a "Tale of Two Markets", the short-term and the long-term markets are going in different directions. The long-term rates have dropped and are currently just 1 – 2 basis points above the all-time historic lows for long-term bonds (25 to 30 years). On the other hand, short-term rates have increased, causing a flattening of the yield curve. Global economic issues continue to impact rates overall, with the municipal market being impacted more by supply/demand imbalance. Very little supply is in the market over the last few months, while municipal bond fund demand has increased. If you are a AAA borrower you can borrow money for less than 2.5% for 30 years. Credit spreads are also down substantially and Mr. Berwanger provided some samples of bond deals for LADWP and Glendale with rates similar to the "good old days" of ten years ago before the fiscal crisis. It is a good time to refinance bonds if you are able to.

On the short-term side, taxable rates increased in December when the Feds raised rates, but munis didn't follow with increases until a few months later. Short-term rates in the future could be impacted by new money market fund reform rules, but the impact is unclear at this point. NCPA short-term variable rates have gone up with the market, but the spread to taxable rates is lower than normal, providing positive savings on the interest rate swap. NCPA bonds are outperforming SIFMA (the short-term tax exempt bond index).

Mr. Berwanger showed the Committee several possible refunding candidates for the Geothermal, LEC (tax exempt) and Hydro bonds. While the deals are small, the savings were above the 5% percentage target for refunding in our debt policy. After discussion the Committee recommended that the staff work with PFM to issue an RFP for direct placement refunding of these bonds due to the small size of the issues. A special Committee meeting will be scheduled in June to review the proposals and determine if we should recommend refundings to the Commission.

NEW BUSINESS

8. Next Finance Committee Meeting

The next regularly scheduled meeting is August 10, 2016 at 10:00 a.m. A special meeting may be scheduled in June or early July to consider RFP responses to the refunding RFP discussed in item 7.

CLOSED SESSION

9. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Mr. Dean indicated that there were no updates on the litigation and no need to hold the closed session.

ADJOURNMENT

Meeting was adjourned at approximately 10:47 a.m.