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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: May 12, 2020 Finance Committee Meeting Minutes

1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:34am.

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: Greg Scharff (Palo Alto), Melissa Price (Lodi), Ann Hatcher (Santa Clara), Robert Orbeta (Alameda) and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Randy Howard, Jane Luckhardt, Tarun Narayn from Palo Alto, and Mike Berwanger and James Carbone of PFM. 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.

REPORTS AND COMMITTEE ACTION ITEMS

2. Approve Minutes from the February 11 and February 25, 2020 Meetings

A motion was made by Greg Scharff and seconded by Eric Campbell recommending approval of the February 11 and February 25, 2020 Finance Committee Meetings. A vote was taken by roll call: YES = Robert Orbeta (Alameda), Melissa Price (Lodi), Eric Campbell (Roseville), Greg Scharff (Palo Alto). The motion passed.

3. Report of Current Financial Market Conditions or Issues

Michael Berwanger of PFM provided a presentation on the current financial market conditions. The AAA MMD rate since March 1, 2020 moved as much as 50 points on certain days, where normal is about 2 basis points. Markets were shutdown in March and opened back up April when things settled down. The 30-year Treasury market is under 150 basis points. In an effort to avoid a crisis, the Feds put a program in place when the markets seized in March and put rates back to zero. PFM, however, remains concerned that the volatility is not going away. SOFR dropped to zero in March and has remained at zero since then. The AAA MMD yield curve is currently back to a normal range – it is near bottom levels but rates are still attractive.

New issuance volume was down by 14.89% year over year in April, while the year-to-date

new issuance volume was 8.96% higher than the 2019 issuance through April. The municipal market started seeing positive fund flows during the week of April 15th after six consecutive weeks of net flows.

According to effective Fed funds futures, the market expects the overnight lending rate to be maintained at its current target of 0% to 0.25% through the end of the year.

The Hydroelectric 2008 A bonds have continued to reset better than SIFMA. The 2008A bonds are hedged with an interest rate swap and backed by a direct-pay letter of credit with Bank of America.

On April 9, 2020 the Fed announced the creation of the Municipal Liquidity Facility (MLF). Nobody has taken advantage of this new program yet, but it did help calm the markets down.

4. Hydroelectric Refunding Opportunity

At the last Finance Committee meeting, staff received direction to move forward with the refunding of the 2012 Hydroelectric bonds. Since then, the effects of the global pandemic as a result of COVID-19 caused the Feds to drop rates to zero. Monty Hanks feels that these rates will not change anytime soon, therefore he would recommend hitting the pause button on this refunding. If things change, a forward swap can proceed relatively quickly if the Committee prefers to get moving on this again.

With the current volatility of rates, a forward swap refunding of the 2012A Bonds could be economically advantageous, but NCPA still has the option to advance refund these bonds on a taxable basis. Current lobbying efforts could also allow for a return of tax-exempt advance refundings. Rates will most likely stay low so this refunding could be a good option for the coming year. It might be a good idea to wait and see if the tax-exempt opportunity comes available. The consensus of the Committee is to put a pause on this refunding. Staff and PFM will continue to monitor the market and if things change this will be brought back the Finance Committee for further discussion.

5. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for August 11, 2020.

ADJOURNMENT

The meeting was adjourned at 11:10am.