



651 Commerce Drive
Roseville, CA 95678

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

TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Special Finance Committee Meeting Minutes of July 12, 2016

Finance Committee Attendees:

Committee Members:

Gary Plass	Healdsburg
Bob Orbeta	Alameda
Jordan Ayers	Lodi
Monty Hanks	Roseville

Attended:

Call-in
Call-in
Call-in
Call-in

Consultants:

Harry Kightlinger	PFM
Mike Berwanger	PFM
Tyler Old	PFM
Gene Carron	Orrick
Larry Sobel	Orrick
Marc Bauer	Orrick
May Qiu	SVP

NCPA Staff:

Donna Stevener
Sondra Ainsworth
Trisha Hubbard
Michelle Schellentrager

1. & 2. Call Meeting to Order and Roll Call

Chairman Gary Plass called the meeting to order at 11:32 a.m. and roll call was conducted as listed above.

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. Evaluate and Recommend Selection of Banker for the Direct Purchase Request for Proposal (RFP)

Ms. Stevener reminded the Committee that at the last Finance Committee meeting a banking proposal had been presented regarding the refunding of some of the Hydroelectric bonds that was interesting to the Committee. At the meeting, the Committee decided to issue a Request for Proposal (RFP) for a Direct Purchase Loan to refinance portions of the Geothermal, Hydroelectric and Lodi Energy Center Bonds. Our Financial Advisor, PFM, prepared an RFP and distributed it to over 60 banks, with 10 responding by the due date of June 21st. PFM

and staff evaluated the RFP responses. Ms. Stevener then turned the presentation over to Mike Berwanger, PFM, to provide a recap of the responses and answer questions.

Mr. Berwanger indicated that since this was a Direct Purchase Refinancing, the list of banks was much broader than we typically use in a public sale scenario and the respondents were banks we don't usually see responses from, including Deutsche Bank, Captial One and others. In addition, Goldman Sachs, Wells Fargo, US Bank, and Bank of America also provided responses. The good news is that rates have dropped 25 basis points on the long end of the curve since our last Finance Committee meeting. This drop was primarily due to the United Kingdom voting to leave the European Union (Brexit). PFM prepared cost savings analyses on each submitted proposal using rates as of June 21st, therefore any expected savings could be better than shown due to the recent rate drop.

All of the proposed refundings apply to bonds that are refundable in the future (2018 and later) and some of the proposals are quite complex. PFM provided savings comparisons between the Direct Purchase, Private Placement and Public Sale structures and reviewed them with the Committee. Mr. Berwanger explained the differences between the various structures and the varying amount of public disclosure required for each type. A public sale would require a full official statement, a private placement (10 – 15 investors) a shorter official statement type document and a direct purchase has no disclosure since it is a direct loan with the bank.

PFM recommended that the Committee consider the proposed Geothermal refunding as the most attractive offer from the RFP responses. The question is which structure to use. A Direct Purchase would be the most streamlined process (6 – 8 weeks), no official statement required, and less market risk (proposal is a fixed rate established with a spread to an index), although slightly lower potential savings. The Private Placement and public sale structures require disclosure preparation by NCPA and the participants, higher cost of issuance, would take longer (3 – 4 months) to complete and bears full market risk. After discussion of the options, the Committee decided that the Direct Purchase option would be the best structure at this time and the following motion was made:

Motion:

Motion was made to accept the proposal for a fixed rate refunding by Bank of America N.A. for the Geothermal project and to recommend that the Commission authorize a direct loan with the Bank of America for a term of 8 years for the refinancing of the 2009A Geothermal Project bonds.

1st Jordan Ayers

2nd Monty Hanks

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Monty Hanks	Roseville	Yes

Voting Results: 4 Ayes, 0 Noes, 0 Abstain, 0 Absent

Mr. Plass left the meeting at 12:05 p.m.

The Committee then continued discussion of the Lodi Energy Center and Hydroelectric proposal responses. Most of the proposals for these projects were in the 5 – 6% range, barely above the minimum 5% present value savings criteria in our debt management policy. For the Lodi Energy Center, the call date is 10 years away and the efficiency of the transaction is really low. The Hydroelectric project had one proposal in the 7% range, however the proposal had some complicated tax issues that need further refinement to meet our bond counsel approval. After much discussion, the Committee indicated they were not interested in pursuing a refunding of these projects at this time and asked staff to continue to monitor the refunding opportunities and keep them apprised.

ADJOURNMENT

Meeting was adjourned at approximately 12:14 p.m.