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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: August 8, 2023 Finance Committee Meeting Minutes

1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:32am.

The meeting attendees either present or participating remotely were as follows: Finance Committee representatives: Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), and Eric Campbell (Roseville) and DeAnna Hilbrants (Santa Clara); NCPA Staff: Monty Hanks, Sondra Ainsworth, Randy Howard and Jane Luckhardt, as well as Michael Berwanger and Louise Houghton 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.

DISCUSSION / ACTION ITEMS

2. Approve Meeting Minutes from the May 9, 2023 Finance Committee Meeting

Motion: A motion was made by Melissa Price (Lodi) and seconded by Bob Orbeta (Alameda) to approve the May 9, 2023 Finance Committee minutes. A vote was taken by roll call: YES = Bob Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), and Eric Campbell (Roseville). DeAnna Hilbrants was absent at the time of voting. The motion passed.

REPORTS AND COMMITTEE ACTION ITEMS

3. **Report on Current Financial Market Conditions or Issues** - PFM provided an update on the current market conditions. At the May FOMC, the Fed implemented another 25 bps rate hike as expected but, as anticipated, paused rate hikes at the June 14 meeting. As of August 1, 30-year AAA MMD was 3.54%. If NCPA were to do a borrowing in today's market, it would be at 4.00%-4.50% borrowing cost. On August 1, Fitch downgraded the US Treasury default rating to AA+ from AAA. The report cited expected fiscal deterioration over the next three years, a large debt burden and erosion of governance relative to similarly rated peers as a few reasons for the downgrade. The AAA MMD yield curve is up 70 bps from last year. This inverted curve strongly suggests a recession is coming. The month of July continued to see municipal fund inflows, for the most part. New issuance volume was down 8.2% year-over-year in July and year-to-date new issuance volume was 16.1% lower than 2022 issuance.

Market participants largely do not expect another rate hike this year. The Market appears to indicate that the Fed will take a pause, however, that's not what Powell has indicated. This has created a disconnect and causes volatility. SIFMA continues to fluctuate, reflecting the relatively smaller pool of investments the index is based off of. Meanwhile, SOFR growth slowed in June and increased by 25 bps at the end of July with the most recent Fed rate hike.

4. **Debt and Interest Rate Management Report** – A presentation was provided by Monty Hanks detailing the status of all outstanding debt as of June 30, 2023 in accordance with the Debt and Interest Rate Management Policy. Since last report, there have been no material changes, no changes to any outstanding debt issues, ratings on all Projects remained the same and no defaults occurred on any of the Agency's outstanding debt. Staff is recommending that this Debt and Interest Rate Management Report be accepted and filed at the August Commission meeting.

Motion: A motion was made by Robert Orbeta (Alameda) and seconded by Catalina Sanchez (Gridley) recommending that the Commission accept and file the Debt and Interest Rate Management Report for the period ending June 30, 2023. A vote was taken by roll call: YES: Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), DeAnna Hilbrants (Santa Clara), and Eric Campbell (Roseville). The motion passed.

NEW BUSINESS

5. **NCPA Member Report Card ending June 30, 2022** – Monty Hanks presented the draft NCPA Report Card for period ending June 30, 2022. The Member Report Card is part of the NCPA Strategic Plan. This report will be made available to all Members via NCPA Connect. Looking into the next Report Card, most Members will not have their Financials until November so the goal will be to update by the February 2024 Finance Committee meeting. Member feedback on this version of the Report Card included tightening of the numbers, match to member disclosures, and Gridley felt their numbers were not current. Updates will be made and a new version will be published to NCPA Connect.
6. **NCPA FY2025 Proposed Budget Review** – Randy Howard has been meeting with Members this year and some feedback he received is a request for an enhanced review of the Annual Budget. To address this request, staff will plan to hold a joint, special meeting between the Facilities and Finance Committee sometime in February where all Committee members will have an opportunity to participate in the proposed budget review and provide feedback and/or ask questions.
7. **Other Items of Interest to the Finance Committee** – Catalina Sanchez will be stepping down as Chair of the Finance Committee. Mikey Hothi (Lodi) has been nominated to replace Catalina as the new Finance Committee Chair. This will be effective at the October 6, 2023 Commission Meeting. When Mikey Hothi joins the Committee this will create an issue of having two Lodi members on the Finance Committee. Staff will agendize this topic at the next Finance Committee to discuss this issue in more detail.
8. **Next Finance Committee Meeting**
The next regular Finance Committee meeting is scheduled for October 17, 2023 at 10:30am.

ADJOURNMENT

The meeting was adjourned at 11:29am.