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# Minutes

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**To:** NCPA Finance Committee  
**From:** Trisha Zimmer  
**Subject:** August 10, 2021 Finance Committee Meeting Minutes

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## 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 are as follows: Finance Committee representatives: Robert Orbeta (Alameda), Melissa Price (Lodi), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Randall Kramer, Catalina Sanchez, Randy Howard, Jane Luckhardt, as well as Tarun Narayn from Palo Alto. Committee member Greg Scharff (Palo Alto) was absent. 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 May 11, 2021 Finance Committee Meeting.

A motion was made by Robert Orbeta and seconded by Melissa Price recommending approval of the May 11, 2021 Finance Committee meeting minutes. A vote was taken by roll call: YES = Robert Orbeta (Alameda), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). Palo Alto was absent. The motion passed.

## REPORTS AND COMMITTEE ACTION ITEMS

### 3. Report of Current Financial Market Conditions or Issues – NCPA Assistant General Manager, Monty Hanks provided a presentation of the current financial market conditions. Rates remain at all-time record lows. New issuance volume was down by 33% year-over-year in July while the year-to-date new issuance volume was 2% higher than 2020 through July. According to the effective Fed funds futures, the market expects no rate action in Q3. For the past year SOFR, SIFMA and 1-M LIBOR have all remained below 0.20%. Currently, SIFMA and SOFR are less than 80% of 1-M LIBOR at 0.02% and 0.05% respectively. For the past two months 2008A Hydro bonds have reset at or below 0.03% consistently at or better than SIFMA. The 2008A bonds are hedged with an interest rate swap and backed by a direct-pay letter of credit agreement with Bank of America, N.A.

NCPA could advance refund the 2012A Bonds on a taxable basis to achieve about a \$13.3 million of NPV savings – should new legislation allow for a tax-exempt advance refunding of the 2012A Bonds, NCPA could achieve over \$17 million in NPV savings. Monty will be looking to kick-off the refunding in the next couple of months. Staff will be providing a schedule/timeline to Hydro participants. The goal will be to close by April 2022.

4. **Debt and Interest Rate Management Report** –. Monty Hanks provided a detailed presentation on the Debt and Interest Rate Management Report for the period ending June 30, 2021. There have been no changes to the Agency's outstanding, fixed rate debt since the last report six months ago. The Agency had a total of \$81.48 million of outstanding variable rate debt. The Agency's variable rate debt is structured with a Letter of Credit with Bank of America. On average, the reset rates continue to trade at or better than the Securities Industry and Financial Markets Association (SIFMA) for the Series A bonds. As of June 30, 2021, NCPA had \$81.48 million of an outstanding swap, all related to the Hydroelectric Project bonds, which act as a hedge against the variable rate debt. The total market value of the interest rate swaps was a net liability of \$17.3 million (negative). This amount improved from the December 31, 2020 net liability of \$20.2 million (negative) due to an increase in the London Inter-bank Offered Rate (LIBOR) swap curve rate. No new swaps or defaults have occurred in the last six months. There were no rating changes since the last report, however, Fitch affirmed an 'A' rating with 'stable' outlook on the Lodi Energy Center Revenue Bonds, Issue One.

Motion: a motion was made by Ann Hatcher and seconded by Eric Campbell recommending Commission accept and file the Debt and Interest Rate Management Report for period ending June 30, 2021. A vote was taken by roll call: YES = Bob Orbeta (Alameda), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). Palo Alto was absent. The motion passed.

5. **Review and Approval of the Long-Term Funding Plan for NCPA Pension Plan** - At the last Finance Committee meeting, Monty Hanks provided an update on the status of the OPEB unfunded liability and reported that the trust is now superfunded due to additional contributions the Agency has been making following the approved 15 year amortization schedule. The investment returns during 2021 were also very high contributing to that position. The Finance Committee approved a recommendation to seek a \$2 million reimbursement from the OPEB trust and make an additional contribution to the CalPERS pension prior to June 30, 2021. Staff is recommending transferring approximately \$128,000 of the monthly FY2022 OPEB collections and deposit to PERS pension during the fiscal year. This action increases PERS UAL contribution to \$8,223,000 aligning with 10 year updated amortization schedule. Staff also recommends amending the Resolution 17-04 so that the UAL funding to be based on PERS 10 year amortization schedule dependent on OPEB Trust remaining fully funded.

Staff and Committee members discussed the recommendations. Alameda does not support moving to the 10 year plan. Santa Clara believes this should be part of an overall budget discussion, not just a look at two budget line items. Roseville does not see a problem with the year-to-year approach. Staff plans to report back to the Executive Committee and will convey the Finance Committee's thoughts and feedback.

Motion: A motion was made by Ann Hatcher and seconded by Melissa Price recommending that staff set the OPEB funding to the normal cost and discuss the balance/difference and it's impact on the entire budget. Also, during the next budget process staff can revisit the 10 year amortization vs. the 15 amortization discussion/recommendation. A vote was taken by

roll call: YES = Bob Orbeta (Alameda), Melissa Price (Lodi), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville). Palo Alto was absent. The motion passed.

### **NEW BUSINESS**

6. **Discuss Modification to Investment Policy** – As a result of the recommendations made at the last Finance Committee meeting, Sondra Ainsworth attended Socially Responsible Training which aims to incorporate Environmental, Social and Governance factors. Sondra provided a presentation with an overview of Socially Responsible principles. She discussed the benefits and challenges to adding sustainability analysis to a portfolio. Examples of how NCPA's members have incorporated tenets into their investment policies were provided as well. The Committee suggested that staff be prepared to discuss their findings with the Santa Clara Commissioner as to what measures the Agency is taking. Staff will continue to gain knowledge on responsible investing. No action recommended at this time.
7. **NCPA FY2021 Audit** – The FY2021 Annual Audit is currently underway. Within the next two weeks the fieldwork being performed by our Auditors, Baker Tilly, will be complete. Staff and the auditors will be working over the next several weeks to finalize the audit. Baker Tilly will present the Financial Statements and their findings that the October 12<sup>th</sup> Finance Committee meeting.
8. **Other Items of Interest** – No other items were discussed.
9. **Next Finance Committee Meeting** - The next regular Finance Committee meeting is scheduled for October 12, 2021 at 10:30am.

### **ADJOURNMENT**

The meeting was adjourned at 12:33pm.