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Minutes

To: NCPA Finance Committee

From: Trisha Zimmer

Subject: October 9, 2018 Special Finance Committee Meeting Minutes

1. Call Meeting to Order

The meeting was called to order by Committee Chair David Hagele at 10:01am.

2. Roll Call

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: David Hagele (Healdsburg), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Bob Orbeta (Alameda); NCPA Staff: Monty Hanks, Randy Howard, Sondra Ainsworth, Trisha Zimmer, as well as John Wang (PFM), and Russ Hissom (Baker Tilly). A quorum of the Committee was established.

PUBLIC FORUM

Mr. Hagele 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. Review of the June 30, 2018 Audited Financial Statements and Related Reports

Russ Hissom of Baker Tilly Virchow Krause provided a presentation including the FY2018 NCPA financial audit overview as well as required governing body communications. Mr. Hissom took a moment to thank NCPA staff for their hard work, cooperation and responsiveness during the audit process. Mr. Hissom reported that the NCPA audit was performed in accordance with generally accepted auditing standards and that the financial statements of NCPA received an unmodified opinion. Baker Tilly found no material weaknesses or significant deficiencies in controls. Baker Tilly agrees with NCPA's accounting policies and disclosures. No adjustments were made to the financial statements. There were no other audit findings or concerns. The Committee had no comments or concerns for Baker Tilly.

Sondra Ainsworth thanked the staff at Baker Tilly for their work on this year's audit. The Statement of Net Position was reviewed. NCPA's assets decreased \$34.3 million, liabilities

decreased \$35.5 million and the net position had an increase of \$4.0 million. The Statement of Revenue, Expenses, and Changes in Net Position revealed operating revenues increased by \$94.1 and operating expenses increased \$90.8 million.

Ms. Ainsworth reported that the Agency applies GASB 62 for regulatory accounting. This allows regulated entities to defer revenue and expenses and better match those with the timing of revenue collections, smoothing impacts to members/participants/customers and requires Committee approval. The 2018 audited financial statements include accounting for regulatory assets and liabilities. The following regulatory assets are included: net change in swaps valuation, net pension and OPEB liabilities (deferred outflows), and the difference between annual depreciation and debt service. Additionally, the following regulatory liabilities are included in the financial statements: pre-paid insurance, funds received in 2003 Hydro refunding, and MID construction advances.

Staff is recommending the Committee recommend Commission acceptance of the 2018 Audited Financial Statements as well as confirm authorization for regulatory accounting. Motion: A motion was made by Ann Hatcher (Santa Clara) and seconded by David Hagele (Healdsburg) recommending that the Commission accept the 2018 Audited Financial Statements as well as the authorization of regulatory accounting as listed above. A vote was taken by roll call: YES = Healdsburg, Santa Clara, Lodi, and Alameda. ABSENT = Roseville. The motion passed.

NEW BUSINESS

5. Other items of Interest to the Finance Committee

Monty Hanks informed the group that a Request for Proposal was issued on September 14, 2018 for Underwriting or Direct Purchase Services for the Hydroelectric Power Project Number One Revenue Bonds, 2010 Refunding Series A. The proposal deadline was October 5. NCPA received 9 underwriting proposals and 2 direct purchase proposals. Staff, along with PFM are currently reviewing the proposals and will bring the results to the Committee at the next regular meeting on November 13.

6. Next Finance Committee Meeting

The next Finance Committee meeting is scheduled for November 13th at 10am.

ADJOURNMENT

Meeting was adjourned at 10:25am.