



651 Commerce Drive  
Roseville, CA 95678

phone (916) 781-3636  
fax (916) 783-7693  
web [www.ncpa.com](http://www.ncpa.com)

# Minutes

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**To:** NCPA Finance Committee  
**From:** Trisha Zimmer  
**Subject:** October 12, 2021 Finance Committee Meeting Minutes

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## 1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:31am.

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Eric Siu, Randy Howard, Jane Luckhardt, as well as Mike Berwanger and Louise Houghton from PFM, Suds Jain from Santa Clara, Tarun Narayan from Palo Alto, and Bethany Ryers from Baker Tilly. 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. Review of the June 30, 2021 Audited Financial Statements and Related Reports

Staff is recommending the Committee accept the FY2021 Audited Financial Statements and confirm the authorization of regulatory accounting for items included in 2021. Treasurer-Controller, Sondra Ainsworth provided an overview of the FY2021 Financial Statement results. The Agency's assets decreased \$31.5 million or 2.8%, liabilities decreased \$18.8 million or 1.7% and the net position decreased \$12.8 million or 31.6%. The Statement of Revenue, Expenses, and Charges in Net Position revealed operating expenses increased \$203.2 million while operating revenues increased \$202.6 million. The Agency applies GASB 62 for regulatory accounting for regulatory assets and liabilities. This allows regulated entities to defer revenue and expenses to match those with timing of revenue collections, smoothing impacts to members, participants and customers and requires Committee acceptance. The regulatory assets include – net change in swaps valuation, net position and OPEB liabilities and the difference between annual depreciation and debt service as well as asset retirement obligation (ARO). The regulatory liabilities include – pre-paid insurance, MID/CDWR/NCPA LEC construction advances, inventory purchases, construction work in progress and funds advanced to AROs.

Bethany Ryers of Baker Tilly provided a presentation regarding NCPA's Audited Financial Statements for years ending June 30, 2021 and 2020. Ms. Ryers opening statements included gratitude to NCPA staff for their hard work, cooperation and responsiveness during the audit process. Ms. Ryers reported that there were no exceptions noted based on Baker Tilly's testing practices. She also reported that NCPA received an unmodified opinion and there were no material weaknesses or significant deficiencies in control. Baker Tilly agrees with the Agency's accounting policies and disclosures. There were no material adjustments to the financial statements.

Bob Orbeta asked if the encumbrances were included in the financials and it was confirmed by Sondra Ainsworth. Melissa Price asked about the draft annual settlements which reflected a net deficit of \$600k although Pass-Throughs and Interest Income allocations were still TBD. Plant operations showed deficits largely due to insurance premiums almost doubling from the prior year. Committee members commented that they haven't experienced a net deficit for annual settlements in the last 15 years or longer and asked if we could pause collection on the FY22 budgeted additional UAL OPEB payments to offset the deficits. Committee members then asked staff to report back on the OPEB UAL funding status prior to the end of FY22. At that time, the committee will discuss whether they should recommend to the Commission a refund of UAL excess collections through annual settlements or use the funds to make an additional payment against the CalPERS pension UAL.

Staff also commented that budgets have been trimmed closer to actuals leaving little room to absorb cost overruns. Melissa Price stated that we may want to consider recommending budget augmentations when there are cost overruns that will not be offset with other savings during the year. Staff commented that is one option to consider.

A motion was made by Ann Hatcher and seconded by Melissa Price recommending acceptance of the FY2021 Audited Financial Statements as well as confirm authorization of the regulatory accounting for the items included 2021. A vote was taken by roll call: YES = Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). The motion passed.

### **3. Acceptance of the 2022 Finance Committee Meeting Calendar**

Staff presented the planned Finance Committee meetings for the 2022 calendar year. All members present had no objections to the recommended regular meeting dates.

## **NEW BUSINESS**

### **4. Hydroelectric Bonds, Series 2012A (refunding) Request for Proposals**

Michael Berwanger of PFM reported that \$76,665,000 of NCPA's Hydroelectric Project Number One Revenue Bonds, Series 2012A, is outstanding and all of which is callable on July 1, 2022. At current rates, a tax-exempt current refunding would achieve NPV savings of approximately \$16.6 million or 21.61% of refunded par. Staff recommends issuing the underwriting Request for Proposal within the next week with the plan to select an underwriter by mid-November. This will allow for an early December kick-off meeting and seek approvals by the February Finance Committee and Commission meetings.

A motion was made by Ann Hatcher and seconded by Eric Campbell recommending the issuance of the underwriting Request for Proposal for the Hydroelectric Bonds, Series 2012A. A vote was taken by roll call: YES: Robert Orbeta (Alameda), Catalina Sanchez (Gridley), Melissa Price (Lodi), Eric Campbell (Roseville), and Ann Hatcher (Santa Clara). The motion passed.

- 5. Next Finance Committee Meeting** - The next regular Finance Committee meeting is scheduled for November 16, 2021 at 10:30am.

**ADJOURNMENT**

The meeting was adjourned at 11:26am.

DRAFT