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Minutes

Date: December 15, 2017
To: NCPA Finance Committee
From: Trisha Zimmer, Administrative Assistant
Subject: December 13, 2017 Special Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

David Hagele, Chair	Healdsburg	call-in
Ann Hatcher	Santa Clara	call-in
Melissa Price	Lodi	call-in
Philip McAvoy	Roseville	call-in
Bob Orbeta	Alameda	call-in

Member Staff

Taran Narayan	Palo Alto	call-in
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Attended:

Consultants in attendance-call in:

Rian Irani	PFM
Tyler Old	PFM
Jack Medall	PFM
Marc Bauer	Orrick

NCPA Staff in attendance:

Monty Hanks
Sondra Ainsworth
Randy Howard
Jane Luckhardt
Trisha Zimmer

- 1. Call Meeting to Order**
David Hagele called the meeting to order at 4:04 p.m.
- 2. Roll call** – Roll call was conducted as listed above. 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. There were no requests for public comment at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

- 3. Approval of Issuance of Up to \$40 million Fixed Rate Lodi Energy Center Revenue Refunding Bonds, Issue One, 2017 Series A** – Staff provided information regarding the recommendation to approve the issuance of up to \$40 million of fixed rate Lodi Energy Center (LEC) Revenue Refunding Bonds, Issue One, 2017 Series A Bonds through direct purchase of the Bonds by Bank of America. Due to the tax bill eliminating the ability to do an

advanced refunding, staff was given direction to proceed with refunding the LEC Issue One Series A bonds as a Direct Purchase with Bank of America Merrill Lynch (BofAML). The estimated savings based on the bank's indicative interest rate of 2.15% was in excess of \$2 million and over 6% NPV savings. The estimated, average annual debt service savings is over \$300,000 per year to the participants. Savings are a net of the estimated cost of issuance which is approximately \$200,000 for bank fees, legal, financial advisory and other services. This recommendation was also reviewed by the LEC Project Participant Committee on December 11, 2017 and was approved.

Motion: a motion was made by David Hagele and seconded by Philip McAvoy recommending Commission approval of the Issuance of Up to \$40 million fixed rate Lodi Energy Center Revenue Refunding Bonds, Issue One, 2017 Series A Bonds. A vote was taken by roll call: YES = David Hagele (Healdsburg), Melissa Price (Lodi), Philip McAvoy (Roseville), Bob Orbeta (Alameda), and Ann Hatcher (Santa Clara) The motion passed.

NEW BUSINESS

4. Other Items of Interest to the Finance Committee

No other topics were discussed.

5. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for February 13, 2018 at 10am.

ADJOURNMENT

The meeting was adjourned at 4:18 p.m.



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Minutes

Date: November 10, 2017
To: NCPA Finance Committee
From: Trisha Zimmer, Administrative Assistant
Subject: November 8, 2017 Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

David Hagele, Chair	Healdsburg	call-in
Ann Hatcher	Santa Clara	call-in
Melissa Price	Lodi	call-in
Philip McAvoy	Roseville	call-in
Bob Orbeta	Alameda	call-in

Member Staff

Taran Narayan	Palo Alto	call-in
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Attended:

Consultants in attendance-call in:

Mike Berwanger	PFM
Rian Irani	PFM
Tyler Old	PFM
Larry Sobel	Orrick
Mark Bauer	Orrick

NCPA Staff in attendance:

Monty Hanks
Sondra Ainsworth
Randy Howard
Jane Luckhardt
Trisha Hubbard

1. Call Meeting to Order

David Hagele called the meeting to order at 3:01 p.m.

2. Roll call – Roll call was conducted as listed above. A quorum of the Committee was established.

3. Approve the August 9, September 18 and October 17, 2017 Meeting Minutes

Motion: a motion was made by David Hagele and seconded by Philip McAvoy recommending approval of the August 9, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = David Hagele (Healdsburg), Melissa Price (Lodi), and Philip McAvoy (Roseville); ABSTAIN = Bob Orbeta (Alameda). The motion passed.

Motion: Motion: a motion was made by David Hagele and seconded by Philip McAvoy recommending approval of the September 18, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = David Hagele (Healdsburg) and Philip McAvoy (Roseville); ABSTAIN = Melissa Price (Lodi) and Bob Orbeta (Alameda). The motion passed.

Motion: a motion was made by David Hagele and seconded by Philip McAvoy recommending approval of the October 17, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = David Hagele (Healdsburg), Melissa Price (Lodi), and Philip McAvoy (Roseville); ABSTAIN = Bob Orbeta (Alameda). The motion passed.

PUBLIC FORUM

Mr. Hagele asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. There were no requests for public comment at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

4. Report on Current Financial Market Conditions or Issues

Michael Berwanger of PFM reported that interest rates remained very low. The yield curve has flattened over the past few months. Interest rates on the short-end have increased while those on the intermediate and long-end have remained flat. There is expectation of a 25 basis point Fed hike in December 2017. The House has released their version of the Tax Reform Plan and PFM provided an overview of the proposed changes impacting state and local government bond financing and the bond financing activities of non-profit institutions. The most notable impact is the possible repeal of advance refunding bonds. The proposed legislation would keep the tax-exemption for interest on current refunding bonds, but eliminates the exemption for interest on advance refunding bonds. The latest reports as of today's date looks like this repeal will happen despite heavy lobbying against it. PFM notes that NCPA is in a unique position because a refunding is already in process so the likeliness to complete the refunding by the end of this year is high.

5. Debt and Interest Rate Management Report

Mr. Berwanger provided an overview of the Hydroelectric Debt Portfolio. The refunding of the Hydroelectric Project, 2008 Series C Bonds are expected to generate approximately \$9 million in present value savings. The next item provides more details on the Hydro Bond refunding and the progress to date.

6. Review of Underwriter RFP Results

With the assistance of PFM, NCPA solicited public sale and direct purchase proposals for the refunding of its Hydroelectric Project Number One, 2008 Series C Bonds. The Agency received responses from eleven qualified underwriters. NCPA and PFM reviewed and evaluated all responses and were in agreement that Citigroup Global Markets (Citi) and Goldman Sachs were the best. The direct purchase proposals are not recommended given the size of the potential transaction, the timing of the refunding and better pricing on public sale options. PFM is recommending pursuing the public sale option for this refunding. Staff is recommending using Citi as the lead underwriter and Goldman Sachs as the co-lead underwriter.

Motion: A motion was made by Bob Orbeta and seconded by David Hagele recommending using Citigroup Global Markets as lead underwriter and Goldman Sachs as the co-underwriter to refund the Hydroelectric Project Number One, 2008 Series C Bonds. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (SVP), Philip McAvoy (Roseville), Melissa Price (Lodi), and Bob Orbeta (Alameda). The motion passed.

A solicitation was also made for public sale and direct purchase proposals for the refunding of the Lodi Energy Center, Issue One, 2010 Series A Bonds. In addition to the underwriter responses, the agency received three - direct purchase offers from Bank of America Merrill Lynch (BoFAML), BBVA Compass Bank, and KeyBank. PFM reported that in the current market, a public sale would be more economic, however, due to other considerations at play such as ease of execution and timing a direct purchase is favored. Given that documents already exist with BoFAML from the December 2016 Geo refunding, a direct purchase would be substantially easier to execute and the transaction could be completed by year-end (possibly an important date if the new tax reform plan is passed). Also, a direct purchase would have lower issuance expenses given no underwriter's discount and rating agency fees.

PFM is estimating a December 22nd closing. The Agency does, however, have to opportunity to pull out of the transaction in the event that rates increase to the point that refinancing no longer makes sense.

Motion: A motion was made by Melissa Price and seconded by David Hagele recommending staff move forward with the direct purchase refunding of the Lodi Energy Center, Issue One, 2010 Series A Bonds. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (SVP), Philip McAvoy (Roseville), and Melissa Price (Lodi); ABSTAIN = Bob Orbeta (Alameda). The motion passed.

7. Delegation of Investment Duties to the Treasurer-Controller

Sondra Ainsworth reported that in accordance with Government Code 53607, the agency is required to delegate annually the authority to invest, or to reinvest funds of the Agency, or to sell or exchange securities so purchased for a period of one year. Staff is seeking a recommendation to approve the annual delegation of authority to the Treasurer-Controller of investment duties.

Motion: A motion was made by Bob Orbeta and seconded by Ann Hatcher recommending delegation of investment duties to the Treasurer-Controller. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (SVP), Philip McAvoy (Roseville), Melissa Price (Lodi) and Bob Orbeta (Alameda). The motion passed.

8. Approval of the 2018 Finance Committee Meeting Calendar

Staff is seeking approval of the 2018 Finance Committee Calendar. One slight change from previous years' meeting dates is that the 2018 quarterly meetings are proposed for Tuesdays.

Motion: A motion was made by Melissa Price and seconded by Ann Hatcher recommending approval of the 2018 Finance Committee meeting calendar. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (SVP), Philip McAvoy (Roseville), Melissa Price (Lodi) and Bob Orbeta (Alameda). The motion passed.

NEW BUSINESS

9. Other Items of Interest to the Finance Committee

Monty Hanks reported that staff has a meeting scheduled with Cantor Fitzgerald to develop a playbook for the agency's investment strategies. Results of that meeting will be reported at the next Finance Committee meeting.

Sondra Ainsworth reported that since the Agency made changes with US Bank (Agency's banking institution) with the creation of the Sweep and moving excess funds into overnight Commercial Paper account, the Agency has generated \$25,000 of new interest income; the annualized new interest income projection is \$100,000. The new income reduces the amount that will need to be recovered from members and non-member participants.

Randy Howard reported that the Services Agreement with Pioneer Community Choice Energy was recently executed. This will result in added revenue for the Agency.

10. Other Items of Interest to the Finance Committee

No other items were discussed.

11. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for February 13, 2017 at 10am.

A Special Meeting will be scheduled in December in regards to the bond refunding.

ADJOURNMENT

The meeting was adjourned at 4:05 p.m.

DRAFT