



651 Commerce Drive
Roseville, CA 95678

phone (916) 781-3636
fax (916) 783-7693
web www.ncpa.com

Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: November 10, 2020 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 are as follows: Finance Committee representatives: Greg Scharff (Palo Alto), Melissa Price (Lodi), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Jane Luckhardt, Randy Howard as well as Tarun Narayn from Palo Alto, and Michael Berwanger from PFM. Committee member Robert Orbeta (Alameda) 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 August 11, September 2, and October 13, 2020 Finance Committee Meetings.

A motion was made by Melissa Price and seconded by Eric Campbell recommending approval of the August 11, September 2 and October 13, 2020 Finance Committee meeting minutes. A vote was taken by roll call: YES = Melissa Price (Lodi), Greg Scharff (Palo Alto), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). Alameda was absent. The motion passed.

REPORTS AND COMMITTEE ACTION ITEMS

3. Report of Current Financial Market Conditions or Issues

Michael Berwanger of PFM provided a presentation of the current financial market conditions. Rates went back up as a result of news from Pfizer regarding vaccine development. Rates, however, still remain at rock bottom lows. New issuance of the Municipal Market Supply was up by approximately 17% year-over-year in October, while the year-to-date new issuance volume was 24% higher than 2019 issuance through October. According to effective Fed funds futures, the market is not expecting any rate actions through January 2021. In late March, SIFMA spiked due to the impacts of COVID-19. Following the subsequent Fed economic relief programs, SIFMA stabilized and has

remained around 80% of LIBOR since early May, while the SOFR has remained below 80% of LIBOR since mid-March. NCPA Hydro bonds have reset at or below 0.12% and have consistently reset marginally better than SIFMA by a couple basis points since August of this year.

Mr. Berwanger led a detailed discussion regarding the LIBOR transition. NCPA currently has a LIBOR based swap and LIBOR is set to end and will be replaced by SOFR. Mr. Berwanger explained that in October, ISDA launched the LIBOR fallback supplement to the 2006 ISOA definitions and the ISDA 2020 LIBOR fallback protocol. Existing derivatives as of this date will incorporate the new fallback if both counterparties have adhered to the protocol or otherwise bilaterally agreed to include the new fallback in their controls. PFM recommends that NCPA adhere to the protocol. As a Single Reference Entity it can complete the fallback protocol on ISDA's website. Monty will seek Bond Counsel opinion and staff will need to decide if this requires Commission approval.

Motion: A motion was made by Melissa Price and seconded by Ann Hatcher supporting the recommendation to adhere to the fallback protocol regarding LIBOR swap on the Hydro Bonds. A vote was taken by roll call: YES: Melissa Price (Lodi), Greg Scharff (Palo Alto), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). Alameda was absent. The motion passed.

4. Delegation of Investment Duties to the Treasurer-Controller

Formal delegation of investment duties is required annually. This topic is usually brought to the Finance Committee each year along with review of recommended updates to the Investment Policy, however, there are several changes coming at the beginning of 2021 and staff would like to incorporate those changes first. Staff plans to present those changes at the next Finance Committee meeting in early February.

Staff recommends the Committee recommend that the Commission confirm delegation to the Treasurer-Controller the authority to establish proper safeguards, controls, and procedures to maintain NCPA funds in a lawful, rational and prudent manner including investment of such funds. With this delegation the Treasurer-Controller will assume full responsibility for investment transactions until the authority is revoked or expires.

Motion: a motion was made by Greg Scharff and seconded by Melissa Price recommending delegation of investment duties to the Treasurer-Controller. A vote was taken by roll call: YES: Melissa Price (Lodi), Greg Scharff (Palo Alto), Ann Hatcher (Santa Clara), and Eric Campbell (Roseville). Alameda was absent. The motion passed.

5. Other Post Employment Benefits (OPEB) Actuarial Valuation – Review 6/30/19 Results

The current program requires Committee affirmation of the Long-Term Funding Plan. The current approved funding plan is to obtain 80% funding level and confirm 100% funding of required employer contribution and shorten amortization to 15 years. Funding has improved from 60% in 2015 to 94.6% as of June 30, 2019. Staff recommends maintaining the minimum of 80% funding level with the accelerated 15 year amortization. A suggestion was made to change the goal for minimum funding to 95%. Staff would prefer keeping the 80% goal at least until the Strategic Plan is finalized.

Motion: A motion was made by Melissa Price and seconded by Ann Hatcher recommending NCPA maintain the minimum 80% funding level, 100% funding of actuarially determined contribution and the accelerated 15 year funding of Net OPEB. A vote was taken by roll call: YES = Melissa Price (Lodi), Greg Scharff (Palo Alto), Ann Hatcher (Santa Clara) and Eric Campbell (Roseville). Alameda was absent. The motion passed.

NEW BUSINESS

6. Development of a Pension Funding Policy

Monty Hanks provided a presentation with an overview of the development of a Pension Funding Policy. The funding ratios for OPEB and Pension were reviewed. The current funding for both are approximately 12 million. The goals for this funding policy include minimizing the risks associated with market volatility, controlling costs, budget stability, and achievement of full funding. Monty discussed the benefits and challenges of creating a 115 Trust fund. Monty's presentation also included details regarding timing, options to consider for required contributions, and the investment strategy. The Committee generally supports staff's recommendations and development approach. Staff will continue to move forward with the Pension Funding policy development. Staff hopes to have the policy ready for review and approval some time next year.

7. Other Items of Interest to the Finance Committee

No other items were discussed.

8. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for February 9, 2021 at 10:30am.

ADJOURNMENT

The meeting was adjourned at 12:08am.