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November 12, 2014

TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Finance Committee Meeting Minutes of November 12, 2014, 10 a.m.

Finance Committee Attendees:

Committee Members

| | | |
|--------------|-------------|---------|
| Gary Plass | Healdsburg | Call-in |
| Bob Orbeta | Alameda | Call-in |
| Jordan Ayers | Lodi | Call-in |
| Monty Hanks | Roseville | Absent |
| Jan Pepper | Santa Clara | Call-in |

NCPA Staff

Donna Stevener

Consultants

| | |
|------------------|-------------|
| Will Frymann | PFM |
| Mike Berwanger | PFM |
| Gene Carron | Orrick |
| Marc Bauer | Orrick |
| Ruth Ann Ziegler | Meyers Nave |
| Michael Dean | Meyers Nave |

Public

None

1. & 2. Call Meeting to Order and Roll Call

Chairman Gary Plass called the meeting to order at 10:02 a.m. and roll call was conducted as listed above.

3. Approve Minutes of October 27, 2014

Minutes for the October 27, 2014 meeting were approved as presented.

1st Jordan Ayers

2nd Jan Pepper

| <i>Representative</i> | <i>Member Org</i> | <i>Vote</i> |
|-----------------------|-------------------|-------------|
| Gary Plass, Chairman | Healdsburg | Yes |
| Bob Orbeta | Alameda | Yes |
| Jordan Ayers | Lodi | Yes |
| Monty Hanks | Roseville | Absent |
| Jan Pepper | Santa Clara | Yes |

Voting Results: 4 Ayes, 0 Noes, 0 Abstain 1 Absent

PUBLIC FORUM

Mr. Plass 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. Annual Review of NCPA Investment Policy and Guidelines – Policy 200-100**

Ms. Stevener told the Committee that a comprehensive review of the administrative policies was conducted in 2013 and in December 2013 a major revision of the NCPA Investment Policy was approved. The revised Policy requires an annual review and staff has conducted such a review and recommends no changes to the policy. Staff requests that the Finance Committee recommend to the Commission that no changes be made to the NCPA Investment Policy (200-100) at this time.

Motion: Recommend that the NCPA Commission concur with staff recommendation that no changes be made to the NCPA Investment Policy and Guidelines – Policy 200-100 as part of the annual review process.

1st Jan Pepper

2nd Bob Orbeta

| <i>Representative</i> | <i>Member Org</i> | <i>Vote</i> |
|-----------------------|-------------------|-------------|
| Gary Plass, Chairman | Healdsburg | Yes |
| Bob Orbeta | Alameda | Yes |
| Jordan Ayers | Lodi | Yes |
| Monty Hanks | Roseville | Absent |
| Jan Pepper | Santa Clara | Yes |

Voting Results: 4 Ayes, 0 Noes, 0 Abstain 1 Absent

5. Review and Approve Finance Committee Meeting Calendar for 2015

Ms. Stevener reminded the Finance Committee that a regular meeting calendar was established with regular meetings to be held on the 2nd Wednesday of February, May, August and November each year beginning at 10:00 a.m. A conflict for November 2015 exists with the Veterans Day holiday; staff recommends changing that meeting date to Tuesday, November 10th to avoid the conflict with the holiday and approving the draft 2015 meeting calendar as presented.

Motion: The 2015 Finance Committee meeting calendar was approved as presented.

1st Jan Pepper

2nd Bob Orbeta

| <i>Representative</i> | <i>Member Org</i> | <i>Vote</i> |
|-----------------------|-------------------|-------------|
| Gary Plass, Chairman | Healdsburg | Yes |
| Bob Orbeta | Alameda | Yes |
| Jordan Ayers | Lodi | Yes |
| Monty Hanks | Roseville | Absent |
| Jan Pepper | Santa Clara | Yes |

Voting Results: 4 Ayes, 0 Noes, 0 Abstain 1 Absent

6. Report on Current Financial Market Conditions or Issues

Mr. Frymann, PFM, indicated that municipal bond interest rates hit an all-time low in mid-October on both the short and long term end of the yield curve. This was from a combination of low rates in general and the fact that munis were performing very well. A retreat in rates occurred at the end of October and the MMD (municipal bond index) has been creeping up slowly since. An increase in rates due to the end of the Quantitative Easing program by the Feds was expected, however, the Fed rates are still expected to remain low over the next year.

Ms. Stevener gave an update on the Standard & Poor's rating review of NCPA bonds. NCPA made a presentation to S & P in early May and we have been waiting for word on a possible upgrade to the Geothermal project bonds. Because Lodi Electric is the lowest rated major participant in the project, the Lodi rating is the maximum rating NCPA could achieve under the S&P formula. Lodi Electric underwent a review on their rating and in October was told their rating would be affirmed, not upgraded. NCPA was then informed that NCPA's ratings would also just be affirmed, not upgraded. This was disappointing news, however, we will continue to press and tell them our story to try to convince them for a better rating.

Ms. Stevener asked if the Committee would like a presentation on Green bonds, a new product that PFM had mentioned. Mr. Frymann provided a brief overview of this new product. It was requested that this topic be added to the next Finance Committee meeting agenda and that the PFM presentation be distributed.

7. Report on Appointment of new Treasurer-Controller

Ms. Stevener provided the Committee with an update on the recruitment efforts for the Treasurer-Controller position. After 30 years of service, Kevin Wallace is retiring in December. After a national recruitment, NCPA has found a very qualified candidate for the position. Although it isn't yet public who the successful candidate is, the Commission will make a formal appointment at the December 4, 2014 meeting.

CLOSED SESSION

8. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (b) of Government Code section 54956.9: One case. The Committee retired into closed session to discuss the above matter.

OPEN SESSION

General Counsel Michael Dean reported there was no reportable action taken on item 8.

NEW BUSINESS

9. Other Items of Interest to the Finance Committee

No items were discussed.

10. Next Finance Committee Meeting

The next meeting is scheduled for February 11, 2015 at 10:00 a.m.

ADJOURNMENT

Meeting was adjourned at approximately 10:53 am.

cc: Jim Pope