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Minutes

To: NCPA Finance Committee
From: Trisha Zimmer
Subject: November 12, 2019 Finance Committee Meeting Minutes

1. Call Meeting to Order

The meeting was called to order by Committee Chair Greg Scharf at 10:32am.

2. Roll Call

The meeting attendees either present or participating remotely are as follows: Finance Committee representatives: Greg Scharf (Palo Alto), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Robert Orbeta (Alameda) and Eric Campbell (Roseville); NCPA Staff: Monty Hanks, Sondra Ainsworth, Jane Luckhardt, Randy Howard, Tarun Narayn from Palo Alto, and Mike Berwanger of PFM as well as Jim Carbone. A quorum of the Committee was established.

PUBLIC FORUM

Mr. Scharf 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

3. Approve Minutes from the August 13 and October 8, 2019 Finance Committee Meetings

A motion was made by Melissa Price and seconded by Robert Orbeta recommending approval of the August 13 and October 8, 2019 Finance Committee meeting minutes. A vote was taken by roll call: YES = Greg Scharf (Palo Alto), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Robert Orbeta (Alameda) and Eric Campbell (Roseville). The motion passed.

4. Report of Current Financial Market Conditions or Issues

Michael Berwanger of PFM provided a presentation on the current financial market conditions. The market is seeing all time record low interest rates. New issuance volume was up approximately 42% year over year in October and up 14% year to date over 2018 through October. The Fed cut rates by 25 basis points at the October 31, 2019 meeting, the third rate cut this year. Based on the effective Fed fund futures, the probability of a 25 basis point rate cut at December's Fed meeting is 11%. SIFMA dropped below 70% of 1-M LIBOR

on October 18th, after staying above 70% of 1-M LIBOR since mid-September. Since the last Committee meeting, NCPA's Hydroelectric 2008 Series A Bonds have continued to reset better than SIFMA by 14 to 37 basis points.

5. Hydroelectric Refunding Opportunity

PFM reported that the Hydroelectric Project No. 1 Revenue Bonds, 2012 Refunding Series A has outstanding par of approximately \$77 million, all of which is callable on July 2022. Due to the current low interest rate environment, the Agency has a couple options to lock in low interest rates to refunding the 2012A bonds – either a taxable advance refunding or a forward swap refunding. The taxable advance refunding would yield a possible NPV savings of \$7.2million and the forward swap refunding would be a possible \$13million NPV savings. These are somewhat creative opportunities that do come with their own set of risks. The risks with the forward swap is the swap can be structured using either a percentage of LIBOR or the SIFMA index. Swap rates and Municipal bond yields may not always track closely. The advantages of the swap include no upfront cash required, mitigates interest rate risk, low transactions cost if swap cash settled on effective date. The disadvantages of the swap include a basis risk, no ability to benefit if future decline in the interest rates on standard, non-callable swap, LIBOR discount risk, and this does not hedge NCPA's own credit spread. There is, however, no risk in waiting 3-6 months to decide. The next election could possibly be a game changer.

No action is requested from the Committee today, staff is simply looking for the Committee's opinion on these potential refunding opportunities. The risk associated with the forward swap is if NCPA's credit rating gets downgraded and we end up back in the market in two years with a lower credit rating. This is a real risk given the current struggles obtaining insurance coverage. There is interest from the Committee with the forward swap, however, the group prefers to re-assess this option in January or February. PFM, in the meantime, will continue to monitor and refine the numbers for Members to consider at the next Committee meeting. The Committee requested more scenarios are provided next time, not just "best-case" scenarios.

6. Capital Facilities Revenue Bonds, 2019 Refunding Series A

Staff is seeking a recommendation of Commission approval authorizing the issuance of the Capital Facilities Revenue Bonds, 2019 Refunding Series A. The 2010A bonds were originally issued in the aggregate principal amount of \$55.12 million for the purpose of providing funds to refund all of the 1999 bonds. \$25 million remains outstanding which is callable February 2020. The purpose of the refunding is to realize the debt service savings of approximately \$2.1 million or 8.43%. The estimated average annual debt service savings for a full bond year is approximately \$880k.

The remaining tasks for this refunding includes finalizing significant share participant related information and disclosures. Staff plans to take this refunding to the December Commission meeting for approval.

MOTION: A motion was made by Bob Orbeta and seconded by Melissa Price recommending that the Commission authorize approval of the issuance of up to \$28 million of fixed rate Capital Facilities Revenue Bonds, 2019 Refund Series A. A vote was taken by roll call: YES = Greg Scharf (Palo Alto), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Robert Orbeta (Alameda) and Eric Campbell (Roseville). The motion passed.

**7. Annual Review of NCPA Investment Policy and Guidelines – Policy 200-100
Delegation of Investment Duties to the Treasurer-Controller**

Review of NCPA's Investment Policy and Guidelines is required annually. Recommended changes are brought to the Finance Committee for review and approval and to recommend Commission approval. This year, however, after reviewing the Policy, staff recommends no changes. With that said, Sondra Ainsworth will be attending the State of California's Local Agency Investment Fund conference where she plans to speak with other professionals about our policy and ask for feedback. Staff will bring the policy back to the Committee if the conference results in any recommended changes.

Formal delegation to the Treasurer-Controller of investment duties is required annually. Staff is recommending the Committee recommend that the Commission delegate investment duties to the Agency's Treasurer-Controller, Sondra Ainsworth.

Motion: A motion was made by Greg Scharf and seconded by Ann Hatcher recommending no changes to the NCPA Investment Policy and Guidelines as well as confirming the delegation of investment duties to the Treasurer-Controller. A vote was taken by roll call: YES = Greg Scharf (Palo Alto), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Robert Orbeta (Alameda) and Eric Campbell (Roseville). The motion passed.

8. Acceptance of the 2020 Finance Committee Meeting Calendar

The 2020 Finance Committee meeting calendar was presented. Staff proposed continuing with the standard quarterly meeting as well as a meeting held in October to review and approve the annual financial audit. The Committee had no objections to the proposed calendar.

NEW BUSINESS

9. Next Finance Committee Meeting

The next Finance Committee meeting is scheduled for February 11, 2020.

ADJOURNMENT

Meeting was adjourned at 11:50am.