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# Minutes

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**To:** NCPA Finance Committee  
**From:** Trisha Zimmer  
**Subject:** November 16, 2021 Finance Committee Meeting Minutes

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## 1. Call Meeting to Order and Roll Call

The meeting was called to order at 10:32am.

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, Jane Luckhardt, as well as Mike Berwanger, James Carbone and Louise Houghton from PFM, Suds Jain and Basil Wong from Santa Clara, and Tarun Narayan from Palo Alto. 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 10 and October 12, 2021 meetings

The October 12, 2021 meeting minutes were pulled from the agenda pending further discussion and requested changes. The minutes will be brought back for approval at the next regularly scheduled Finance Committee meeting.

A motion was made by Melissa Price and seconded by Eric Campbell recommending approval of the August 10, 2021 meeting minutes. 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.

## 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 remain relatively stable since last report. In the month following Fed Chair Powell's comments at the September FOMC meeting, which hinted at a tapering of bond purchases as well as several possible rate hikes, the market saw increases in both AAA MMD and Treasuries. However, late October and early November saw a drop in both Treasuries and AAA MMD, as the market responded to better-than-expected labor market data. Nevertheless, concerns about the economic outlook persist.

New issuance volume was down by 51.04% year-over-year in October, while year-to-date new issuance volume was 7.88% lower than 2020 issuance through October. According to effective Fed funds futures, the market expects no rate action in Q4 but anticipates rate action beginning in 2022. For the past year SOFR, SIFMA, and 1-M LIBOR have all remained below 0.20%. Currently, SIFMA and SOFR are below 80% of 1-M LIBOR at 0.04% and 0.05%, respectively.

#### **4. Delegation of Investment Duties to the Treasurer-Controller**

Staff is recommending delegation of authority to the Treasurer-Controller for investment duties in accordance with Government Code 53607. A formal delegation of investment duties to the Treasurer-Controller is required annually.

Motion: A motion was made by Ann Hatcher and seconded by Eric Campbell recommending delegation of investment duties to the Treasurer-Controller. 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.

There was a brief discussion about the possibility of exploring the use of an external investment manager. NCPA has not utilized this type of service before and didn't see value since the portfolio's duration must remain relatively short for liquidity purposes. In addition, the portfolio is well diversified with a combination of allowable investments per the government code. Investments in equities and/or mutual funds are not permitted by the policy. Palo Alto stated that their opinion is that there is not much value in using a money management firm when you have experienced staff in-house. Staff plans to discuss the Investment Policy during the next regular Finance Committee meeting in February.

#### **5. Hydroelectric Bonds Series 2021A Underwriter Request for Proposal**

PFM reports that on October 12, 2021 a short-form RFP for Underwriting Services was issued to a select group of banks in connection with the refunding of the Series 2012A Hydroelectric Bonds. The Agency received six responses where the bids ranged from \$1.25 per bond to \$2.00 per bond, averaging \$1.58 per bond. Staff is recommending using Citigroup for underwriting services. Citi's response demonstrated the team's familiarity with the project and addressed issues specific to the bonds. The response included a comprehensive discussion of credit, including ESG considerations. The Citi team has provided detailed and regular refunding updates for this project, for both the 2012A Bonds and 2008A VRDOs. PFM feels that this RFP process was very successful and produced highly competitive bids.

The proposed schedule going forward includes an official kick-off call in December, seeking a Finance Committee recommendation of Commission approval at the February Finance Committee meeting, posting the preliminary official statement the week of February 28<sup>th</sup> and pricing by the week of March 7<sup>th</sup>. The Agency anticipates closing will take place on April 5, 2022 and redemption on July 1, 2022.

Staff discussed with the Committee the possibility of terminating the swap along with this refunding. Citi's proposal estimated the termination cost at approximately \$500,000 but will remove other costs associated with the swap. Alameda, Lodi, Santa Clara, and Roseville all were in favor of exploring the termination of the swap. Staff will present actual costs and formal recommendation to terminate the swap at the next regular Finance Committee meeting in February 2022.

### **NEW BUSINESS**

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#### **~~6. Portfolio Performance Update~~**

Sondra Ainsworth provided a presentation with an investment portfolio update. The Agency's investment policy objectives include safeguarding the principal over which they have been granted stewardship, provide liquidity - assure there is sufficient cash to meet the needs of the entity, and earn a reasonable market rate of return on investments. Prior to 2017 the Agency's investment strategy and policy was very conservative.

Since 2017, the Agency has embraced a more balanced portfolio with a hybrid approach – which allowed for different investments but has remained relatively conservative. A breakdown of the Agency's current portfolio was illustrated along with the portfolio plan performance parameters. Actual performance of individual portfolios as of October 31, 2021 were reviewed and discussed including the operating fund, SCPA balancing account, Hydroelectric capital development reserve, Geothermal decommissioning reserve and the LEC operations and maintenance reserve. There were no questions or comments.

7. **Next Finance Committee Meeting** - The next regular Finance Committee meeting is scheduled for February 8, 2022 at 10:30am.

### **ADJOURNMENT**

The meeting was adjourned at 11:45am.