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Minutes

Date: August 11, 2017
To: NCPA Finance Committee
From: Trisha Hubbard, Administrative Assistant
Subject: August 9, 2017 Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

Madeline Deaton, Chair	Alameda	attended
Ann Hatcher	Santa Clara	absent
Melissa Price	Lodi	call-in
Matt Michealis	Gridley	call-in
Philip McAvoy	Roseville	attended

Member Staff

David Hagele	Healdsburg	call-in until 10:30
Taran Narayan	Palo Alto	call-in

Attended:

Consultants in attendance-call in:

Mike Berwanger	PFM
Rian Irani	PFM
Gene Carron	Orrick
Mark Bauer	Orrick
Tyler Old	PFM
Jack Medall	PFM

NCPA Staff in attendance:

Monty Hanks
Sondra Ainsworth
Randy Howard
Jane Luckhardt
Trisha Hubbard

1. Call Meeting to Order

Madeline Deaton called the meeting to order at 10:07 a.m.

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

3. Approve the May 10, 2017 Meeting Minutes

Motion: a motion was made by Philip McAvoy and seconded by Melissa Price recommending approval of the May 10, 2017 Finance Committee meeting minutes. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Melissa Price (Lodi), Matt Michaelis (Gridley), and Philip McAvoy (Roseville). The motion passed.

PUBLIC FORUM

Ms. Deaton 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 have dropped since his report during the May 10th Finance Committee meeting. After record issuance in 2016, year-to-date issuance has fallen approximately 13%, with supply in July approximately 19% lower; municipal bond funds have continued to report net cash inflows. Lack of supply is keeping rates low. Rates continue to be in a good position for NCPA's borrowing needs and financing opportunities. SIFMA and LIBOR have remained relatively flat throughout July. NCPA's variable rate portfolio continues to benefit from these low rates. Wall Street expects one more rate hike this year. Melissa Price requested a chart showing the trend in past interest rates from quarter to quarter. Mr. Berwanger will follow up with the committee with a chart as requested. The UK Financial Conduct Authority (FCA) recently announced its intention to phase out LIBOR by the end of 2021; however, there is currently no strategy to transition to a replacement index. There are unanswered questions regarding whether the change will impact existing debt or only new debt. More information will be forthcoming as developments occur. No action is necessary at this time.

Based on the time it takes to prepare for a refunding, the committee asked PFM to discuss in more detail NCPA's refunding opportunities. The Hydro Project No. 1 Revenue Bonds, 2008 Refunding Series C is callable on July 1, 2018. A current refunding can be executed as early as April 3, 2018. Committee members recommended that staff move forward with looking into this Hydro refunding opportunity and directed staff to begin the underwriter RFP process. Staff will provide an update to the Commission at the August 24th Commission meeting.

5. Debt and Interest Rate Management Report

Monty Hanks reported on the Debt and Interest Rate Management Report for period ending June 30, 2017. Key highlights that were presented and discussed with the committee are as follows:

Fixed Rate Debt: No new fixed rate debt has been issued. Staff continues to receive refunding opportunities for the Hydro Project No. One Revenue Bonds, 2008 Refunding Series C. Staff plans to continue monitoring the savings and will most likely explore a refunding. The bond insurer for the 1992 Hydro bonds, National Public Finance Guarantee, was downgraded by S&P. However, the debt issue is not subject to Rule 15c2-12 because of their issuance date prior to the effective date of such provisions.

Variable Rate Debt: The Agency has a total of \$86.7 million of outstanding variable rate debt. The reset rates continue to trade at or better than SIFMA for the Series A bonds (tax-exempt) and one month LIBOR for Series B bonds (taxable) despite the recent Moody's downgrade of the BMO on May 10th.

Interest Rate Swaps: As of June 30, 2017, NCPA had \$86.7 million of outstanding swaps, all related to the Hydro Project bonds which act as a hedge against the variable rate debt. The total fair value of the interest rate swaps was a net liability of \$15.2 million. This amount has improved from the June 30, 2016 net liability of \$22.3 million due to a rise in interest rates and time value.

Motion: A motion was made by Madeline Deaton and seconded by Matt Michaelis recommending that the Commission accept the Debt and Interest Rate Management Report for period ending June 30, 2017. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Melissa Price (Lodi), Matt Michaelis (Gridley), and Philip McAvoy (Roseville). The motion passed.

6. NCPA's Investment Policy and Guidelines

Staff is seeking a recommendation for the Committee to recommend that the Commission approve changes to the NCPA Investment Policy and Guidelines No. 200-100 as follows: 1)

minor language clean up 2) updates to the Permitted Investments attachment 3) changes to the Investment Fund Objectives attachment and 4) removal of the Authorized Financial Institutions attachments. Monty Hanks reported that the Investment Policy and Guidelines were last updated in November 2016. He is recommending further changes based on observations he has made since joining NCPA in February this year. The main objective with the recommended changes is to create an Investment Policy that more closely matches the State Code which will allow the Treasurer-Controller to create a balanced portfolio managing a modest amount of default risk through diversification, duration, and adequate liquidity while respecting the goals and constraints dictated by the Policy. Staff believes by implementing the recommended changes to the Investment Policy, there is a potential of adding approximately \$500,000 annually of additional interest income and member savings through a reduction of current liquidity and implementing a diversified portfolio of investments.

Motion: A motion was made by Philip McAvoy and seconded by Madeline Deaton recommending Commission approval of the changes to the NCPA Investment Policy No. 200-100 as follows: 1) minor language clean-up; 2) updates to the Permitted Investments attachment; 3) changes to the Investment Fund Objectives attachment; and 4) remove the Authorized Financial Institutions attachment. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Philip McAvoy (Roseville) Melissa Price (Lodi), and Matt Michaelis (Gridley). The motion passed.

The Committee directed staff to review, develop and bring forth a new investment strategy for the Committee's review at the next regular Finance Committee meeting in November.

7. Finance Committee Charter

Staff is seeking a recommendation for Commission approval of a Finance Committee Charter in order to better define the roles and responsibilities of the Finance Committee as described in the Agency Bylaws. In accordance with the Amended and Restated Commission Rules of Procedure (aka – NCPA Bylaws) the Finance Committee's role is to provide financial oversight for the Agency and is described as reviewing and reporting all financial, accounting, or auditing matters referred to it by the Commission, Executive Committee, the Chair, the Chief Financial Officer of the Agency, or by the General Manager. The purpose of the Finance Committee Charter is to better define the Finance Committee's purpose, responsibilities and duties, structure and operations, and frequency of meetings and requirements that will provide assistance to the Commission in fulfilling their responsibility in respect to the policies, practices and strategies that relate to the management of the financial affairs of the Agency.

The Committee members recommended further edits to the draft Charter including removal of the Nominating Committee statement, update the alternate language, add language stating that an alternate Committee Chair may be designated and call special meetings. Staff will make the recommended changes, distribute to the Committee and bring back to the next Finance Committee meeting for final review and approval. No action taken.

8. Finance Committee Chair Appointment

Staff is seeking a recommendation to approve and ratify the appointment of David Hagele, Council Member for the City of Healdsburg, as a member and Chairperson of the Finance Committee. Current Chair Madeline Deaton requested to end her term on the Finance Committee effective at the end of August 2017 due to her personal schedule. The Nominating Committee discussed David Hagele as a potential replacement for Madeline as he will bring a wealth of financial experience to the Finance Committee. However, the Nominating Committee didn't have an official recommendation for Madeline's replacement due to not knowing the timing of her stepping down as the Chair. The members of the

Finance Committee as well as NCPA staff thanked Madeline for her time, effort and contributions during her time with the committee.

Motion: A motion was made by Melissa Price and seconded by Philip McAvoy recommending that the Commission approve and ratify the appointment of David Hagele, Council Member for the City of Healdsburg, as a member and Chairperson of the Finance Committee. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Melissa Price (Lodi), Matt Michaelis (Gridley) and Philip McAvoy (Roseville). The motion passed.

9. Selection of Financial Advisor Firm and Award of Contract

(NOTE: Representatives from PFM as well as Orrick excused themselves from the call at 12:30)

Three firms were interviewed on August 3rd by a panel consisting of Monty Hanks, Sondra Ainsworth, Philip McAvoy, Ann Hatcher, and Madeline Deaton. Of the three firms, two were considered very qualified, however, PFM's overall pricing was the lowest. The interview panel felt that continuity was an important factor as well due to the impending Hydro debt refunding. Staff is recommending award of the contract to PFM; however, a meeting has been scheduled for August 16 to discuss and review terms and conditions. Following that meeting, staff will prepare the Financial Advisor Agreement and distribute to the committee for review. A Special Finance Committee meeting will be held early September to seek the committee's recommendation of Commission approval of the agreement. The Agreement will be taken to the September 29th Commission meeting for approval.

NEW BUSINESS

10. NCPA FY2017 Audit

Sondra Ainsworth reported that the NCPA FY2017 audit is underway. She reviewed a letter that Baker Tilly Virchow Krause (Baker Tilly) requested be provided to the Committee members for their review and acknowledgement. The letter covers Baker Tilly's auditing standards, requirements, and responsibilities as well as those of the committee. Sondra indicated that she could ask for an acknowledgement of the committee members' responsibilities related to the audit process during the September special meeting.

11. Other Items of Interest to the Finance Committee

No other items were discussed.

12. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for November 8, 2017 at 10am.

A Special Meeting will be held early September to address the Financial Advisor Agreement.

ADJOURNMENT

The meeting was adjourned at 12:57 p.m.



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Minutes

Date: September 22, 2017
To: NCPA Finance Committee
From: Trisha Zimmer, Administrative Assistant
Subject: September 18, 2017 Special Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

David Hagele, Chair	Healdsburg
Ann Hatcher	Santa Clara
Melissa Price	Lodi
Matt Michealis	Gridley
Philip McAvoy	Roseville

Member Staff

Tarun Narayan	Palo Alto
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Attended:

call-in
call-in
absent
absent
call-in

Consultants in attendance-call in:

Mark Bauer	Orrick
Charline Bothelo	PFM

NCPA Staff in attendance:

Monty Hanks
Sondra Ainsworth
Jane Luckhardt
Trisha Zimmer

1. Call Meeting to Order

David Hagele called the meeting to order at 2:07 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. Selection of Financial Advisor Firm and Award of Contract

Staff is seeking a recommendation to approve an award of contract and authorization to enter into a Multi-Task Consulting Services Agreement with PFM Financial Advisors LLC for ongoing financial structure and debt management tasks for a not-to-exceed amount of \$500,000 over three years; and a Multi-Task Consulting Services Agreement with PFM Swap Advisors LLC for swap advisory services for a not-to-exceed amount of \$150,000 over three years. Both agreements include the option of two, two-year renewals for a maximum term of seven years. The not-to-exceed amounts of both agreements allow for utilization of the vendor's services by NCPA Members as needed.

Motion: a motion was made by David Hagele and seconded by Philip McAvoy recommending approval of the Multi-Task Consulting Services Agreements with PFM Financial Advisors LLC as well as PFM Swap Advisors LLC. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), and Philip McAvoy (Roseville). The motion passed.

4. Finance Committee Charter

Staff is seeking a recommendation for Commission approval of a Finance Committee Charter in order to better define the roles and responsibilities of the Finance Committee as described in the Agency Bylaws. In accordance with the Amended and Restated Commission Rules of Procedure (aka – NCPA Bylaws) the Finance Committee's role is to provide financial oversight for the Agency and is described as reviewing and reporting all financial, accounting, or auditing matters referred to it by the Commission, Executive Committee, the Chair, the Chief Financial Officer of the Agency, or by the General Manager. The recommended modifications were made to the Charter as directed by Finance Committee members at the August 9th Finance Committee meeting. Staff presented the redlined version of the Charter as well as a draft final version.

Motion: a motion was made by Ann Hatcher and seconded by Philip McAvoy recommending approval of the Finance Committee Charter as presented. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), and Philip McAvoy (Roseville). The motion passed.

5. Banking Services Agreement

Staff is seeking a recommendation to approve an Agreement for Banking Services with U.S. Bank N.A. for a three-year term with an option of two, one-year renewals. This agreement includes fixed pricing for the term (up to five years). The Agency is currently operating under a Master Service Agreement and Deposit Account Agreement with U.S. Bank. A specific contract setting forth the pricing structure for depository services, wire transfers, ACH and related banking services did not exist. Following discussions with U.S. Bank, the bank has agreed to decrease the per item pricing of several services and increase the Earnings Credit Rate (ECR) from 0.22% to 0.60% for compensated balances in exchange for agreeing to a three-year term.

Motion: A motion was made by Philip McAvoy and seconded by David Hagele recommending that the Commission approve the Banking Services Agreement with U.S. Bank N.A.. A vote was taken by roll call: YES = David Hagele (Healdsburg), Ann Hatcher (Santa Clara), and Philip McAvoy (Roseville). The motion passed.

6. Baker Tilly Virchow Krause Audit Letter Acknowledgement

During the August 9, 2017 Finance Committee meeting, staff reviewed a letter from NCPA's auditing firm, Baker Tilly Virchow Krause (Baker Tilly) covering their auditing standards, requirements, and responsibilities as well as those of the Committee's. Staff requested that the Finance Committee members acknowledge that they have received, reviewed and understand their responsibilities as the oversight Committee for the NCPA FY17 audit. Finance Committee members David Hagele, Ann Hatcher, and Philip McAvoy acknowledged receipt of the letter and that they understand their responsibility.

7. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for November 8, 2017 at 3pm.

ADJOURNMENT

The meeting was adjourned at 2:46 p.m.



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Minutes

Date: October 19, 2017
To: NCPA Finance Committee
From: Trisha Zimmer, Administrative Assistant
Subject: October 17, 2017 Special Finance Committee Meeting Minutes

Finance Committee Attendees:

Committee Members

David Hagele, Chair	Healdsburg
Ann Hatcher	Santa Clara
Melissa Price	Lodi
Philip McAvoy	Roseville

Attended:

call-in
absent
call-in
call-in

Consultants in attendance-call in:

Mark Bauer	Orrick
Russ Hissom	Baker Tilly
Mike Berwanger	PFM

Member Staff

Tarun Narayan	Palo Alto	call-in
Bob Orbata	Alameda	call-in

NCPA Staff in attendance:

Randy Howard
Monty Hanks
Sondra Ainsworth
Jane Luckhardt
Trisha Zimmer

1. Call Meeting to Order

David Hagele called the meeting to order at 2:05 p.m.

2. Roll call – Roll call was conducted as listed above. Due to Brown Act posting requirements, a quorum of the Committee was not established.

REPORTS AND COMMITTEE ACTION ITEMS

3. Review of the June 30, 2017 Audited Financial Statements and Related Reports

Sondra Ainsworth provided a brief overview of June 30, 2017 financial statements including the Agency's combined statement of netposition and results of operation for the years ended June 30, 2017, 2016, and 2015. She then introduced Russ Hissom, partner from Baker Tilly Virchow Krause (Baker Tilly).

Mr. Hissom reviewed the firm's presentation with a report on NCPA's fiscal year 2017 financial audit. Mr. Hissom complimented NCPA staff on their preparedness and timely responses to all of Baker Tilly's audit inquiries. Mr. Hissom reported that the audit revealed no areas of concern and the financial statements are free from material misstatements. Baker Tilly gave NCPA and associated corporations financial statements an Unmodified Opinion.

A quorum of the Finance Committee was not established, however, the members present did not have any objections to staff's recommendations.

NEW BUSINESS

4. Other Items of Interest to Finance Committee

Monty Hanks informed the Committee that staff will seek approval of the appointment of Robert (Bob) Orbeta, AGM of Administration, Alameda Municipal Power, as a member of the Finance Committee. The appointment of Mr. Orbeta is due to a vacancy left by Matt Michaelis, who is no longer employed at the City of Gridley.

Mr. Hanks also informed the Committee that our financial advisors, PFM Financial, have drafted an RFP for prospective underwriters in preparation of the Hydroelectric 2008 Series C bonds. The RFP will also request that the underwriters look into the possibility of refunding the LEC and Geothermal bonds as well.

Mr. Hanks was also happy to report the recent Moody's credit rating upgrades to the Hydroelectric Revenue Bonds from A1 to Aa2 as well as the Indenture Group A (Issue One) LEC Revenue Bonds from A2 to A1.

7. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for November 8, 2017 at 3pm.

ADJOURNMENT

The meeting was adjourned at 2:34 p.m.