MCE

MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA
OAKLEY | PINOLE | PITTSBURG | RICHMOND | SAN PABLO | SAN RAMON | WALNUT CREEK

Executive Committee Meeting
Friday, March 1, 2019
12:00 P.M.

Charles F. McGlashan Board Room, 1125 Tamalpais Avenue, San Rafael, CA 94901
Mt. Diablo Room, 2300 Clayton Road, Suite 1150, Concord, CA 94920

1. Roll Call/Quorum

2. Board Announcements (Discussion)

3. Public Open Time (Discussion)

4. Report from Chief Executive Officer (Discussion)

5. Consent Calendar (Discussion/Action)
- C.1 Approval of 2.1.19 Meeting Minutes
- C.2 Eleventh Agreement with Maher Accountancy
- C.3 Seventh Agreement with Braun Blaising Smith Wynne
- C.4 Ninth Agreement with Niemela Pappas & Associates

6. Fiscal Year 2019/20 Budget (Discussion/Action)

7. New Board Member Additions to Committees (Discussion/Action)

8. Resolution No. 2019-01 Regarding LAIF Investments (Discussion/Action)

9. Amendment to MCE Investment Policy 014 (Discussion/Action)

10. Appointment of Chief Operating Officer as MCE Treasurer (Discussion/Action)

11. Review Draft 3.21.19 Board Agenda (Discussion)

12. Committee Matters & Staff Matters (Discussion)

13. Adjourn

Agenda material can be inspected at 1125 Tamalpais Avenue, San Rafael, CA 94901 on the Mission Avenue side of the building and at One Concord Center, 2300 Clayton Road, Concord, CA 94520 at the Clayton Road entrance. The meeting facilities are in accessible locations. If you are a person with a disability and require this document in an alternate format (example: Braille, Large Print, Audiotape, CD-ROM), you may request it by using the contact information below. If you require accommodation (example: ASL Interpreter, reader, note taker) to participate in any MCE program, service or activity, you may request an accommodation by calling (415) 464-6032 (voice) or 711 for the California Relay Service or by e-mail at djackson@mceCleanEnergy.org not less than **four work days** in advance of the event.

March 1, 2019

TO: MCE Executive Committee

FROM: Garth Salisbury, Director of Finance
Maira Strauss, Senior Finance Analyst

RE: Eleventh Agreement with Maher Accountancy (Agenda Item #05 – C.2)

ATTACHMENT: Proposed Eleventh Tenth Agreement with Maher Accountancy

Dear Executive Committee Members:

SUMMARY:

On March 4, 2010 Maher Accountancy began providing MCE with general accounting services. Maher Accountancy continues to provide general accounting services, budget tracking, invoice processing, as well as employee payroll and employee benefit and accruals accounting services for MCE.

The proposed Eleventh Agreement would allow for Maher Accountancy to continue providing accounting services between April 1, 2019 and March 31, 2021. The proposed new contract would be for a two-year term, amount not to exceed $244,000 for Year One, and $244,000 plus an increase for Consumer Price Index adjustment in Year Two with additional negotiated amounts if MCE's growth in customer accounts or employees exceeds 15% in the second year of the contract.

The proposed cost of services is based on MCE's overall growth, which has required a dramatic increase in demand for accounting services of various types from the Contractor. For example, Maher Accountancy has and will need to continue to be involved in Customer Programs activities, including the rollout of both existing and new programs, the development of a Customer Programs Management Platform that interfaces with the Contractor's accounting system, as well as assisting with reporting for the multiyear Building Efficiency Optimization grant from the California Energy Commission.

MCE increased service territory in 2018/19 has also created a higher demand for accounting services: the growing customer base has increased complexity in revenue recognition; additional towns require extra tax compliance reporting; increased Net Energy Metering requires increases in reconciliation and cash out activities; and increases in staffing at MCE has increased transaction activities. Lastly, MCE's switch to becoming its own Scheduling Coordinator has required more accounting support from the contractor.

Fiscal Impacts: Costs related to the referenced agreement are included in the proposed FY 2019/20 Operating Fund Budget.

Recommendation: Approve the proposed Eleventh Agreement with Maher Accountancy.

MARIN CLEAN ENERGY
STANDARD SHORT FORM CONTRACT

ELEVENTH AGREEMENT
BY AND BETWEEN
MARIN CLEAN ENERGY AND MAHER ACCOUNTANCY

THIS ELEVENTH AGREEMENT ("Agreement") is made and entered into this day **March 1, 2019** by and between MARIN CLEAN ENERGY, hereinafter referred to as "MCE" and MAHER ACCOUNTANCY, hereinafter referred to as "Contractor."

RECITALS:

WHEREAS, MCE desires to retain a person or firm to provide the following services: accounting, transactional, and budgeting support, financial controls and reporting, and payroll coordination and processing as requested by MCE staff;

WHEREAS, Contractor warrants that it is qualified and competent to render the aforesaid services;

NOW, THEREFORE, for and in consideration of the agreement made, and the payments to be made by MCE, the parties agree to the following:

1. <u>SCOPE OF SERVICES</u>:
Contractor agrees to provide all of the services described in **Exhibit A** attached hereto and by this reference made a part hereof.

2. <u>FURNISHED SERVICES</u>:
MCE agrees to make available all pertinent data and records for review, subject to MCE Policy 001 - Confidentiality.

3. <u>FEES AND PAYMENT SCHEDULE; INVOICING</u>:
The fees and payment schedule for furnishing services under this Agreement shall be based on the rate schedule which is attached hereto as **Exhibit B** and by this reference incorporated herein. Said fees shall remain in effect for the entire term of the Agreement. Contractor shall provide MCE with his/her/its Federal Tax I.D. number prior to submitting the first invoice. Contractor is responsible for billing MCE in a timely and accurate manner. Contractor shall email invoices to MCE on a monthly basis for any services rendered or expenses incurred hereunder. Fees and expenses invoiced beyond 90 days will not be reimbursable. The final invoice must be submitted within 30 days of completion of the stated scope of services or termination of this Agreement.

4. <u>MAXIMUM COST TO MCE</u>:
In no event will the cost to MCE for the services to be provided herein exceed the maximum sum of **$500,500**.

5. <u>TIME OF AGREEMENT</u>:
This Agreement shall commence on **April 1, 2019**, and shall terminate on **March 31, 2021**. Certificate(s) of Insurance must be current on the day the Agreement commences and if scheduled to lapse prior to termination date, must be automatically updated before final payment may be made to Contractor.

6. <u>INSURANCE AND SAFETY</u>:
All required insurance coverages shall be substantiated with a certificate of insurance and must be signed by the insurer or its representative evidencing such insurance to MCE. The general liability policy shall be endorsed naming Marin Clean Energy and its employees, officers and agents as additional insureds. The certificate(s) of insurance and required endorsement shall be furnished to MCE prior to commencement of work. Each certificate shall provide for thirty (30) days advance written notice to MCE of any cancellation or reduction in coverage. Said policies shall remain in force through the life of this Agreement and shall be payable on a per occurrence basis only, except those required by paragraph 6.4 which may be provided on a claims-made basis consistent with the criteria noted therein.

Nothing herein shall be construed as a limitation on Contractor's obligations under paragraph 16 of this Agreement to indemnify, defend and hold MCE harmless from any and all liabilities arising from the Contractor's negligence, recklessness or willful misconduct in the performance of this Agreement. MCE agrees to timely notify the Contractor of any negligence claim.

Failure to provide and maintain the insurance required by this Agreement will constitute a material breach of the agreement. In addition to any other available remedies, MCE may suspend payment to the Contractor for any services provided during any time that insurance was not in effect and until such time as the Contractor provides adequate evidence that Contractor has obtained the required coverage.

6.1 GENERAL LIABILITY
The Contractor shall maintain a commercial general liability insurance policy in an amount of no less than one million dollars ($1,000,000) with a two million dollar ($2,000,000) aggregate limit. MCE shall be named as an additional insured on the commercial general liability policy and the Certificate of Insurance shall include an additional endorsement page. (see sample form: ISO - CG 20 10 11 85).

6.2 AUTO LIABILITY
Where the services to be provided under this Agreement involve or require the use of any type of vehicle by Contractor in order to perform said services, Contractor shall also provide comprehensive business or commercial automobile liability coverage including non-owned and hired automobile liability in the amount of one million dollars combined single limit ($1,000,000.00).

6.3 WORKERS' COMPENSATION
The Contractor acknowledges the State of California requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of the Labor Code. If Contractor has employees, a copy of the certificate evidencing such insurance or a copy of the Certificate of Consent to Self-Insure shall be provided to MCE prior to commencement of work.

6.4 PROFESSIONAL LIABILITY INSURANCE *(REQUIRED IF CHECKED ☒)*
Coverages required by this paragraph may be provided on a claims-made basis with a "Retroactive Date" either prior to the date of the Agreement or the beginning of the contract work. If the policy is on a claims-made basis, coverage must extend to a minimum of twelve (12) months beyond completion of contract work. If coverage is cancelled or non-renewed, and not replaced with another claims made policy form with a "retroactive date" prior to the Agreement effective date, the contractor must purchase "extended reporting" coverage for a minimum of twelve (12) months after completion of contract work. Contractor shall maintain a policy limit of not less than $1,000,000 per incident. If the deductible or self-insured retention amount exceeds $100,000, MCE may ask for evidence that contractor has segregated amounts in a special insurance reserve fund or contractor's general insurance reserves are adequate to provide the necessary coverage and MCE may conclusively rely thereon.

Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Agreement. Contractor shall monitor the safety of the job site(s) during the project to comply with all applicable federal, state, and local laws, and to follow safe work practices.

7. <u>NONDISCRIMINATORY EMPLOYMENT</u>:
Contractor and/or any permitted subcontractor, shall not unlawfully discriminate against any individual based on race, color, religion, nationality, sex, sexual orientation, age or condition of disability. Contractor and/or any permitted subcontractor understands and agrees that Contractor and/or any permitted subcontractor is bound by and will comply with the nondiscrimination mandates of all federal, state and local statutes, regulations and ordinances.

8. <u>SUBCONTRACTING</u>:
The Contractor shall not subcontract nor assign any portion of the work required by this Agreement without prior written approval of MCE except for any subcontract work identified herein. If Contractor hires a subcontractor under this Agreement, Contractor shall require subcontractor to provide and maintain insurance coverage(s) identical to what is required of Contractor under this Agreement and shall require subcontractor to name Contractor as additional insured under this Agreement. It shall be Contractor's responsibility to collect and maintain current evidence of insurance provided by its subcontractors and shall forward to MCE evidence of same. Nothing contained in this Agreement or otherwise stated between the parties shall create any legal or contractual relationship between MCE and any subcontractor, and no subcontract shall relieve Contractor of any of its duties or obligations under this Agreement. Contractor shall be solely responsible for ensuring its subcontractors' compliance with the terms and conditions of this Agreement. Contractor's obligation to pay its subcontractors is an independent obligation from MCE's obligation to make payments to Contractor. As a result, MCE shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

9. <u>ASSIGNMENT</u>:
The rights, responsibilities and duties under this Agreement are personal to the Contractor and may not be transferred or assigned without the express prior written consent of MCE.

10. <u>RETENTION OF RECORDS AND AUDIT PROVISION</u>:
Contractor and any subcontractors authorized by the terms of this Agreement shall keep and maintain on a current basis full and complete documentation and accounting records, employees' time sheets, and correspondence pertaining to this Agreement. Such records shall include, but not be limited to, documents supporting all income and all expenditures. MCE shall have the right, during regular business hours, to review and audit all records relating to this Agreement during the Contract period and for at least five (5) years from the date of the completion or termination of this Agreement. Any review or audit may be conducted on Contractor's premises or, at MCE's option,

Contractor shall provide all records within a maximum of fifteen (15) days upon receipt of written notice from MCE. Contractor shall refund any monies erroneously charged. Contractor shall have an opportunity to review and respond to or refute any report or summary of audit findings, and shall promptly refund any overpayments made by MCE based on undisputed audit findings.

11. WORK PRODUCT:
All finished and unfinished reports, plans, studies, documents and other writings prepared by and for Contractor, its officers, employees and agents in the course of implementing this Agreement shall become the sole property of MCE upon payment to Contractor for such work. MCE shall have the exclusive right to use such materials in its sole discretion without further compensation to Contractor or to any other party. Contractor shall, at MCE's expense, provide such reports, plans, studies, documents and writings to MCE or any party MCE may designate, upon written request. Contractor may keep file reference copies of all documents prepared for MCE.

12. TERMINATION:

A. If the Contractor fails to provide in any manner the services required under this Agreement or otherwise fails to comply with the terms of this Agreement or violates any ordinance, regulation or other law which applies to its performance herein, MCE may terminate this Agreement by giving five business days' written notice to the party involved.
B. The Contractor shall be excused for failure to perform services herein if such services are prevented by acts of God, strikes, labor disputes or other forces over which the Contractor has no control.
C. Either party hereto may terminate this Agreement for any reason by giving 30 calendar days' written notice to the other party. Notice of termination shall be by written notice to the other parties and be sent by registered mail or by email to the email address listed in Section 19 Invoices; Notices.
D. In the event of termination not the fault of the Contractor, the Contractor shall be paid for services performed to the date of termination in accordance with the terms of this Agreement so long as proof of required insurance is provided for the periods covered in the Agreement or Amendment(s).
E. MCE may terminate this Agreement if funding for this Agreement is reduced or eliminated by a third-party funding source.

13. AMENDMENT:
This Agreement may be amended or modified only by written agreement of all parties.

14. ASSIGNMENT OF PERSONNEL:
The Contractor shall not substitute any personnel for those specifically named in its proposal unless personnel with substantially equal or better qualifications and experience are provided, acceptable to MCE, as is evidenced in writing.

15. JURISDICTION AND VENUE:
This Agreement shall be construed in accordance with the laws of the State of California and the parties hereto agree that venue shall be in Marin County, California.

16. INDEMNIFICATION:
Contractor agrees to indemnify, defend, and hold MCE, its employees, officers, and agents, harmless from any and all liabilities including, but not limited to, litigation costs and attorney's fees arising from any and all claims and losses to anyone who may be injured or damaged by reason of Contractor's negligence, recklessness or willful misconduct in the performance of this Agreement.

17. NO RECOURSE AGAINST CONSTITUENT MEMBERS OF MCE:
MCE is organized as a Joint Powers Authority in accordance with the Joint Exercise of Powers Act of the State of California (Government Code Section 6500, et seq.) pursuant to the Joint Powers Agreement and is a public entity separate from its constituent members. MCE shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. Contractor shall have no rights and shall not make any claims, take any actions or assert any remedies against any of MCE's constituent members in connection with this Agreement.

18. COMPLIANCE WITH APPLICABLE LAWS:
The Contractor shall comply with any and all applicable federal, state and local laws and resolutions (including, but not limited to the County of Marin Nuclear Free Zone, Living Wage Ordinance, and Resolution #2005-97 of the Marin County Board of Supervisors prohibiting the off-shoring of professional services involving employee/retiree medical and financial data) affecting services covered by this Agreement.

19. INVOICES; NOTICES

This Agreement shall be managed and administered on MCE's behalf by the Contract Manager named below. All invoices shall be submitted by email to:

Email Address:	invoices@mcecleanenergy.org

All other notices shall be given to MCE at the following location:

Contract Manager:	Troy Nordquist
MCE Address:	1125 Tamalpais Avenue
	San Rafael, CA 94901
Email Address:	contracts@mcecleanenergy.org
Telephone No.:	(415) 464-6027

Notices shall be given to Contractor at the following address:

Contractor:	John Maher
Address:	1101 Fifth Avenue, Suite 200
	San Rafael, CA 94901
Email Address:	jmaher@mahercpa.com
Telephone No.:	(415) 459-1249 ext. 1

20. ACKNOWLEDGEMENT OF EXHIBITS

In the event of a conflict between the Terms of this Agreement and the terms in any of the following Exhibits, the terms in this Agreement will govern.

	☒	***Check applicable Exhibits***	**CONTRACTOR'S INITIALS**
EXHIBIT A.	☒	**Scope of Services**	
EXHIBIT B.	☒	**Fees and Payment**	

21. SEVERABILITY

Should any provision of this Agreement be held invalid or unenforceable by a court of competent jurisdiction, such invalidity will not invalidate the whole of this Agreement, but rather, the remainder of the Agreement which can be given effect without the invalid provision, will continue in full force and effect and will in no way be impaired or invalidated.

22. COMPLETE AGREEMENT

This Agreement along with any attached Exhibits constitutes the entire Agreement between the parties. No modification or amendment shall be valid unless made in writing and signed by each party. Failure of either party to enforce any provision or provisions of this Agreement will not waive any enforcement of any continuing breach of the same provision or provisions or any breach of any provision or provisions of this Agreement.

23. COUNTERPARTS

This Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which shall be deemed one and the same Agreement.

24. **PERFORMANCE AND PAYMENT BOND** (*REQUIRED IF CHECKED* ☐)
Contractor shall furnish, concurrently with signing the contract, a Performance & Payment Bond for a sum not less than 100 percent (100%) of the total amount of the contract. The bond shall be in the form of a bond and not a deposit in lieu of a bond. The bond shall be executed by an admitted surety insurer. The bond shall guarantee payment by Contractor of all materials, provisions, provender, supplies, and equipment used in, upon, for, or about the performance of said construction, and protect MCE from any liability, losses, or damages arising therefrom.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

APPROVED BY
Marin Clean Energy:

By:_________________________________
CEO
Date:_________________

By:_________________________________
Chairperson
Date:_________________

CONTRACTOR:

By:_________________________________

Name:_______________________________

Date:_______________________________

MODIFICATIONS TO STANDARD SHORT FORM

☐ **Standard Short Form Content Has Been Modified**

List sections affected: ____

____

Approved by MCE Counsel: ____ **Date:** _______________

EXHIBIT A
SCOPE OF SERVICES (required)

Contractor will provide the following services as requested and directed by MCE staff, up to the maximum time/fees allowed under this Agreement:

Accounting and Transactional Support

1. Maintain the general ledger by:
   a. Posting:
      i. Accounts receivable and accounts payable;
      ii. Accrued revenue and expenses;
      iii. Cash receipts and cash disbursements;
      iv. Payroll.
   b. Preparing or maintaining the following monthly analysis regarding general ledger account balances:
      i. Reconciled cash activity and balances with statements from Authority's financial institution (i.e. bank statements);
      ii. Reconciled customer data manager reports of customer activity and accounts receivable;
      iii. Estimated customer revenue earned but not billed as of the end of the reporting period;
      iv. Estimated electricity costs incurred but not yet billed as of the end of the reporting period;
      v. Schedule of depreciation of capital assets;
      vi. Aged schedule of accounts payable;
      vii. Aged schedule of accounts receivable;
      viii. Schedules of details regarding all remaining balance sheet accounts.
2. Manage accounts payable:
   a. Contractor will utilize a cloud-based accounts payable document management system (bill.com) to provide documentation for management review, proper segregation of duties, and access to source data;
   b. Contractor will ensure that required authorization is documented and that account coding is correct.
      i. MCE staff will authorize approval of invoices and the release of payment by an independent payment service in order to provide an additional safeguard.
3. Maintain segregated account structure to enable regulatory accounting for Energy Efficiency program, maintenance of incentive payments, and budget reporting.
   a. Provide monthly custom report tool in Microsoft Excel for Customer Programs team to map and budget expenses;
   b. Assist with data and software migration relating to Customer Programs Project Management Platform tools, and allow for integration with accounting records.
4. Manage compliance with fiscal provisions of vendor contracts: Before submitting vendor invoices for management approval, Contractor will verify that a vendor invoice agrees with contract provisions regarding time periods, rates, and financial limits.
5. Process payroll and maintain compensated absence accounting records:
   a. Submit and review of payroll data to ADP, or other payroll program equivalent that MCE may use.
   b. Submit and review of retirement contributions to retirement plan administrator.
   c. Submit and review of FSA plan and related contributions to plan administrator.

Budgeting

6. Assist in development of entity budgets in collaboration with management and technical consultants.
7. Assist with budget compliance. Contractor will monitor budget available and will make timely suggestions for any necessary budget amendments.
8. Provide assistance with the development and maintenance of departmental budget management processes as needed.

Financial Reporting

9. Prepare timely and accurate monthly financial reporting including:
   a. Operating, Energy Efficiency, Local Renewable Energy Development and Renewable Energy Reserve Fund Budgetary Comparison Schedules (4);
   b. MCE Monthly Compiled Financial Statements including an investment summary as required by MCE's Investment Policy;
   c. MCE Monthly Financial Statements in Microsoft Excel;
   d. Monthly YTD expenditure detail for each Department as needed.
10. File annual information returns such as form 1099/1096s.
11. File various compliance reports for state and local agencies, such as user taxes, energy surcharges, and state controller reports.

Annual Audit

12. Prepare annual financial statements and coordinate with independent auditor.
    a. Prepare Note Disclosures and Management Discussion and Analysis Section.
    b. Host independent auditors at Maher offices during testing period.
    c. Act as liaison between auditors and MCE.

Financial Controls

13. Assist with creating and maintaining a system of financial controls including recommendations for segregation of duties and other control measures as needed.

Online Portal

14. Create and manage online portal for expense management. Provides centralized place to manage high level contract details, document actual vendor spending, provide department budget reporting with sub-budget tracking within the classification limits of the accounting system.

EXHIBIT B
FEES AND PAYMENT SCHEDULE

For services provided under this Agreement, MCE shall pay Contractor in accordance with the amount(s) and the payment schedule as specified below:

Fiscal Year 2019/2020 Fees: $244,000

- General accounting services and payroll processing will be performed for $228,000. Payment will be made in monthly installments of $19,000, on or about the 15th of each month.
- Assistance with the annual audit will be performed for $16,000 and will be payable at the conclusion of the audit.

Fiscal Year 2020/2021 Fees: $244,000 plus CPI adjustments (adjustment not to exceed $12,500)

- General accounting services and payroll processing will be performed for $228,000 plus an increase for a CPI adjustment. Payment will be made in twelve equal monthly installments on or about the 15th of each month.
- Assistance with the annual audit will be performed for $16,000 plus an increase for a CPI adjustment and will be payable at the conclusion of the audit.
- Contractor and MCE understand that the increase to Fiscal Year 2020/2021 Fees shall be limited to a CPI adjustment. The CPI adjustment shall be defined as the average of most recent December-October CPI, San Francisco Area as determined by the U.S. Bureau of Labor Statistics.

Subject to the Events Triggering Fee Adjustment, (see below), the total cost to MCE for the services provided herein shall not exceed the maximum sum of **$500,500** for the term of this Agreement.

<u>Events Triggering Fee Adjustment</u>:
Contractor and MCE understand that should any of the following events occur in Fiscal Year 2020/2021, the fees for general accounting and payroll processing, as well as assistance with the annual audit, shall be renegotiated by mutual agreement of the parties:

- MCE increases its service area equivalent to 15% of its current size (as of 3/31/19);
- MCE increases its staff count by 15% of its current size (as of 3/31/19);
- An extenuating circumstance mutually agreed upon by MCE and Contractor to warrant an increase in fees.

March 1, 2019

TO: MCE Executive Committee

FROM: Garth Salisbury, Director of Finance
Maira Strauss, Senior Financial Analyst

RE: Fiscal Year 2019/20 Budget (Agenda Item #06)

ATTACHMENT: Proposed FY 2019/20 Operating Fund, Energy Efficiency Program Fund and Local Renewable Energy Development Fund Budgets

Dear Executive Committee Members:

SUMMARY:

Before the end of every fiscal year (FY), MCE's staff presents Budgets to the Board for consideration for MCE's Operating Fund, Energy Efficiency (EE) Program Fund and Local Renewable Energy Development Fund for the upcoming FY. These Budgets authorize staff to:

1. Spend funds within the limits set forth in each budget line item;
2. Fund MCE's Local Renewable Energy Development Fund, Electric Vehicle and other customer programs; and
3. Add to MCE's Operating Fund balances and reserves.

The attached proposed Budgets reflect MCE's projected revenue, expenditures and contingencies for FY 2019/20 and are anticipated to allow MCE to continue delivering a minimum of 60% renewable energy and a further goal of 90% greenhouse gas (GHG)-free energy to our customers. The proposed FY 2019/20 Operating Fund Budget is projected to result in an increase of $10,771,000 to MCE's net position at the end of the fiscal year assuming continuation of the current rate schedule.

Staff requests that the Executive Committee review and approve the proposed Budgets at its March 1, 2019 meeting and recommend to the full Board for approval at its March 21, 2019 meeting.

<u>OPERATING FUND BUDGET HIGHLIGHTS</u>

Attached is the Proposed FY 2019/20 Operating Fund Budget. For comparison purposes, FY 2019/20 is shown alongside the FY 2018/19 Approved Budget and the Projected FY 2018/19 Actuals (April – December 2018 actuals and projections for January – March 2019). Proposed FY 2019/20 Budget comparisons (+/-) are made against the Projected FY 2018/19 Actuals.

Revenue – electricity (+ $823,000, 0.23% increase): Sales of electricity are projected to be basically flat compared to the projected current fiscal year at $355.55 million, reflective of no expansion of MCE's service area and nominal new customer accounts/opt-ins in the existing service area. Electricity revenues also include revenues associated with MCE's Deep Green program, wholesale sales of energy to third parties and an allowance for uncollectable accounts.

Cost of energy (+$19,279,000, 6.5% increase): Cost of energy includes expenses associated with the purchase of energy, charges by the California Independent Systems Operator (CAISO) for scheduled load, services performed by the CAISO, Resource Adequacy (RA) costs and other regulatory requirements necessary to meet the energy needs of our customers. Energy costs are anticipated to increase related to increases in prices for unhedged system energy, RA and the rolling off of attractively priced hedges executed in previous years.

Personnel (+$896,000, 11% increase): Increased budgeted personnel costs result from the full year impact of staff added during FY 2018/19 pursuant to the Board-approved FY 2018/19 Operating Fund Budget, the application of Cost of Living Adjustments (COLA) effective January 1st of each year, and performance-based increases to current staff salaries consistent with MCE's Board-approved Employee Handbook. Personnel costs are net of a $764,000 allocation of MCE staff time to Energy Efficiency Program administration.

Legal and regulatory services (+$342,000, 48% increase): Legal counsel expenses support MCE's contracting and regulatory activities including market restructuring issues. Legal counsel expenses are expected to increase to offset reductions in in-house counsel staff, support increased regulatory activity and support/advise MCE's staff on issues related to employment law and the PG&E bankruptcy.

Communications and related services (+$389,000, 33% increase): Communications and related services include the costs associated with print, online, and other advertising; printing and mailing customer notices; maintaining the website; community outreach and sponsorships; and special events. Expenditures in the current fiscal year are projected to be under budget by approximately $700,000 due to previously proposed campaigns put on hold during new department director transition, 2018 focus on new community enrollments and planned leave by key marketing staff. Customer outreach and engagement is expected to increase in FY 2019/20 compared to FY 2018/19 actual expense but will still be less than FY 2018/19 original budget.

Other services (-$395,000, 25% decrease): Other services encompass expenses which are not captured in other budget categories, including information technology and other professional services. Decreases in cost are primarily related to the transfer of accounting, auditing and other finance related costs, which are now funded in the newly created Finance and Contingency line item.

General and administration (+$361,000, 28% increase): General and administration costs include office supplies, data, travel, dues and subscriptions, support for California Community Choice Association (CalCCA), and other related expenses. Increased costs are associated with an increased number of employees and additional software for information security and human resources platforms.

Occupancy (+$276,000, 37% increase): Occupancy costs include the costs of leasing MCE's offices, utilities, and building maintenance. Increased occupancy costs result from the full year effects of leasing MCE's Concord office.

Finance and contingency (new budget line designation): As MCE's finances become more complicated and specialized, staff has designated a new departmental area with two full-time employees and a segregated budget. Finance will be focused on enhancing MCE's credit ratings and liquidity, maximizing investment earnings/returns and managing credit risk across our platform with our renewable energy providers and numerous contractual counterparties and service providers. Finance will also be evaluating ways to reduce the cost of energy through third party credit intermediaries, prepayments of energy and other recourse and non-recourse transactions.

Additionally, improved budgetary accuracy, discipline and accountability will be a primary function of Finance. In the past a contingency of approximately 8-10% was added to each functional budget line item given the continued growth of the organization and the consequent difficultly in accurately budgeting costs. In FY 2019/20, staff is proposing that contingency be reduced to approximately 4% of the Operating Budget ($850,000) and that it be managed/allocated in Finance based upon actual outcomes and needs within the group budgets throughout the fiscal year.

Local Pilot Programs (+$1,342,000, 195% increase): Actual expenditures in the current fiscal year are expected to be 46% of budget with expenditures expected to increase dramatically in the next fiscal year. Increased costs are intended to fund MCE's electric vehicle program (MCEv) which promotes EV adoption through rebates for charging infrastructure at work places and multifamily dwellings, vehicle rebates for low income customers, and regional planning and permitting support. MCEv started in 2018 and is expected to accelerate in FY 2019/20.

Low income solar programs (+$115,000, 153% increase): Low income solar programs support residential rooftop solar installations for low income participants. MCE is increasing activity in this area and is currently evaluating proposals to determine specific program elements. $75,000 is anticipated to be spent this fiscal year and the budget for FY 2019/20 is the same as this year at $190,000.

Grant and other income (+$1,200,000, 218% increase): MCE receives grants from government and non-profit organizations to support certain activities connected to MCE's mission. Included are:

1) MCE's Building Energy Optimization project, in part funded by the California Energy Commission. This project includes, among other things, a focus on optimizing Distributed Energy Resources in the CCA marketplace;
2) Fire Rebuild Program, in part funded by the Bay Area Air Quality Management District. This program provides incentives for property owners who are rebuilding properties lost in the October 2017 and 2018 wildfires; and
3) Green & Healthy Homes Initiative (GHHI Marin) funded in part by the Marin Community Foundation. GHHI is a partnership of local nonprofits, governments, and utilities that deliver services and education to create healthy, safe and energy efficient homes.

Interest income (+$350,000, 33% increase): Increased interest income is expected to result from a comprehensive reallocation of investments in accordance with the Investment Policy and higher balances in MCE's accounts.

Capital outlay (-$659,000, 72% decrease): Expenditures associated with capital outlay include various leasehold improvements to MCE's facilities and furniture and equipment purchases. The decrease from the current fiscal year relates to the near completion of construction of a solar canopy and electric vehicle chargers in MCE's San Rafael parking lot as well as leasehold improvements to MCE's Concord office.

ENERGY EFFICIENCY PROGRAM FUND

The Energy Efficiency Program Fund uses funding authorized by the California Public Utilities Commission (CPUC) to support multifamily, commercial, agricultural, industrial, single family and workforce development sub-programs. The Energy Efficiency Program Fund supports the activities of the Energy Efficiency Program and the Low Income Families and Tenants (LIFT) Pilot Program. Both programs involve the reimbursement of eligible expenses by the CPUC and accordingly, revenues and expenses for these programs offset each other.

Energy Efficiency Program

Energy efficiency has always been an integral component of the MCE vision. In July 2012, MCE submitted an application for funding under the 2013-2014 Energy Efficiency Funding Cycle (A. 12-11-007). The application was based on the initial Energy Efficiency Plan, and included the following proposed sub-programs:

1. Multifamily
2. Single family utility demand reduction pilot program
3. Small commercial
4. Financing pilot programs

This application was approved in November 2012, allocating over $4 million to MCE for the implementation of energy efficiency programs. In November 2014, the CPUC voted to extend the funding at annual levels through 2025, or until the CPUC moves otherwise.

In May 2016, the CPUC authorized an additional $366,090 per year to support the September 2016 inclusion of new communities in MCE's service area. MCE used these funds to support existing rebate programs and initially target east bay communities of San Pablo, El Cerrito, and Benicia. The CPUC authorized additional funding to support Evaluation, Monitoring, and Verification (EM&V) for the purposes of conducting studies on the efficacy of CPUC-funded program process and program impacts (i.e. did the lightbulb reduce energy savings as expected).

In June 2018, the CPUC voted to approve MCE's Energy Efficiency Business Plan, which requested an increase in annual budget ranging from $8-$12 million per year in the years 2018-2025. CPUC decision D. 18-05-041 also authorized an expansion of MCE's portfolio into sectors that it had not previously had programs to serve, namely, large commercial, industrial, and agriculture customers, and gave MCE a budget specifically allocated to do workforce development activities.

MCE's 2019 energy savings programs will provide technical assistance, including site assessments and verification, and cash incentives to commercial, agricultural, and industrial property and business owners as well as multifamily property owners and managers. In the single family sector, MCE will pilot a pay for performance program using advanced metering infrastructure (AMI) data to quantify and pay for energy savings. MCE will also continue the deployment of its Seasonal Savings program, which remotely modifies set points on heating, ventilation, and air conditioning (HVAC) equipment to achieve savings on heating and cooling energy usage. MCE's Multifamily Energy Savings Program is blending funds and services with the Low Income Families and Tenants (LIFT) Pilot to provide income-qualified properties and residents with additional funds to achieve greater in-unit savings and utility bill reductions while addressing the split incentive issue (tenants pay utility bills but landlords control energy efficiency improvement decisions). MCE is currently in the design phase for its agricultural and industrial programs and will be soliciting ideas from the community for workforce development opportunities in the second quarter of 2019.

Energy Efficiency Sub Program Budget Detail

Programs ($)	FY 2018/19 Budget	FY 2019/20 Budget	Variation
Residential	1,642,000	4,668,978	3,026,978
Commercial	696,000	1,712,525	1,585,294
Financing	27,000	0	(27,000)
Industrial	0	838,716	838,716
Agriculture	0	888,152	888,152
Workforce Development	0	206,667	206,667
Program Subtotal	**2,365,000**	8,315,038	**5,950,038**
Evaluation Measurement and Verification (EM&V)	18,000	138,584	120,584
Total	**2,383,000**	**8,453,622**	**6,070,622**

Low Income Families and Tenants (LIFT) Pilot Program

In November 2016, the CPUC authorized MCE to administer $3.5 million in low income program funding over a two-year period in support of its proposed Low Income Families and Tenants (LIFT) Pilot Program (Decision 16-11-022.). This Pilot provides funding to deepen the impact of MCE's multifamily energy efficiency program for income-qualified properties, specifically by providing full cost coverage for improvements that directly benefit tenants (for example, in-unit upgrades and common area measures that provide services to tenants, such as central hot water systems). The Pilot also tests the implementation of heat pumps – high efficiency electric heating equipment – which can facilitate switching a building off of carbon-based fuels and enabling deeper greenhouse gas reductions. MCE will also test the ability of working with local community based organizations to engage community members who are not participating in the program due to real or perceived barriers.

The LIFT program launched in April 2017 and is funded the CPUC's Energy Savings Assistance Programs (ESAP) funds. Of the $3.5 million authorized by the CPUC over a two-year period, staff propose to budget revenues and expenditures equal to $2,198,738 in FY 2019/20.

Proposed revenues and expenditures for the Energy Efficiency Program Fund total $10,652,360, which is equal to an increase of $6,519,000 (260%) from the previous year.

LOCAL RENEWABLE ENERGY DEVELOPMENT FUND

The Local Renewable Energy Development Fund (LREDF) is financed by a transfer from the Operating Fund equal to 50% of the 1¢/kWh premium for Deep Green service. These resources are used to plan and develop local renewable energy projects. In FY 2014/15, FY 2015/16, FY 2016/17 and FY 2017/18, expenditures from the LREDF supported the development of MCE Solar One. In FY 2018/19, $150,000 was budgeted to support the development of solar carports at MCE's San Rafael office parking lot. No additional expenditures are currently budgeted in FY 2019/20. However, staff is looking for opportunities to develop local renewable projects and if opportunities arise, a proposal will be presented to the Board for approval of expenditures from the LREDF.

FISCAL IMPACT: The net impact of the Proposed Operating Fund Budget is a $10,771,000 contribution to MCE's net position during FY 2019/20 assuming no change to MCE's current rates. If approved, budgeted revenues will fund some of the expenditures in the Energy Efficiency Program Fund and Local Renewable Energy Development Fund.

ANTICIPATED FY 2019/20 BUDGET IMPACTS: A number of anticipated events could have a measurable effect on MCE's finances in the coming fiscal year. These include:

1) Power Cost Indifference Adjustment – the PCIA rate is expected to be determined on or after March 1, 2019 to be effective May 1;
2) PG&E's ERRA filing – the Energy Resource Recovery Account is PG&E's energy cost filing that affects their generation rates. PG&E bifurcated their filing with some information available now and the rest to come later in 2019. This is essentially on the same timeline as the PCIA;
3) Time of Use (TOU) Rates – PG&E's reform of its TOU rates will likely require corresponding changes to MCE rates. Staff expects a CPUC decision on implementation dates in the next few months; and
4) Customer energy usage – Staff has limited historical data on customer usage for the most recent phase of expansion and sales projections may change as additional data becomes available.

These unknowns may affect MCE's finances such that staff may be required to come back to the Board for Budget Amendments if revenue or cost impacts are significant.

RECOMMENDATION: Approve the proposed FY 2019/20 Operating Fund, Energy Efficiency Program Fund and Local Renewable Energy Development Fund Budgets.

Marin Clean Energy
Operating Fund
Proposed Budget FY 2019/2020
From April 1, 2019 through March 31, 2020

	FY 2018/19 Approved Budget	FY 2018/19 Projected Budget	FY 2019/20 Proposed Budget	Variance (Proposed, Projected)	Variance % (Proposed, Projected)	Expenses/ Budget
ENERGY REVENUE						
Revenue - Electricity (net of allowance)	$ 384,583,000	$ 354,727,000	355,550,000	823,000	0.23%	
ENERGY EXPENSE						
Cost of energy	303,259,000	297,840,000	317,119,000	19,279,000	6.47%	89.19%
Net Energy Revenue	**81,334,000**	**56,887,000**	**38,431,000**	**(18,456,000)**	-32.44%	
OPERATING EXPENSE						
Personnel	8,891,000	8,075,000	8,971,000	896,000	11.10%	2.52%
Data Manager, Calpine	7,005,000	6,576,000	6,270,000	(306,000)	-4.65%	1.76%
Technical and scheduling services	1,346,000	897,000	917,000	20,000	2.23%	0.26%
Service fees - PG&E	1,413,000	2,173,000	2,073,000	(100,000)	-4.60%	0.58%
Legal and Policy Services	834,000	718,000	1,060,000	342,000	47.63%	0.30%
Communication Services	1,881,000	1,184,000	1,573,000	389,000	32.85%	0.44%
Other Services	1,653,000	1,579,000	1,184,000	(395,000)	-25.02%	0.33%
General and Administration	1,309,000	1,303,000	1,664,000	361,000	27.71%	0.47%
Occupancy	873,000	738,000	1,014,000	276,000	37.40%	0.29%
Finance	-	-	1,370,000	1,370,000		0.39%
Local pilot programs	1,500,000	689,000	2,031,000	1,342,000	194.78%	0.57%
Low income solar programs	190,000	75,000	190,000	115,000	153.33%	0.05%
TOTAL OPERATING EXPENSES	**26,895,000**	**24,007,000**	**28,317,000**	**4,310,000**	17.95%	7.96%
OPERATING INCOME	**54,439,000**	**32,880,000**	**10,114,000**	**(22,766,000)**	-69.24%	2.84%
						100.00%
NONOPERATING REVENUES						
Grants	980,000	**550,000**	1,748,000	1,198,000	217.82%	
Interest income	743,000	1,050,000	1,400,000	350,000	33.33%	
TOTAL NONOPERATING REVENUES	**1,723,000**	**1,600,000**	**3,148,000**	**1,548,000**		
NONOPERATING EXPENSES				-		
Banking Fees and Financing Costs	243,000	167,500	253,000	85,500	51.04%	
Grant Expense			1,071,000	1,071,000		
Depreciation	180,000	180,000	-	(180,000)		
TOTAL NONOPERATING EXPENSES	**423,000**	**347,500**	**1,324,000**	**976,500**		
CHANGE IN NET POSITION	**55,739,000**	**34,132,500**	**11,938,000**	**(22,194,500)**		
Budgeted net position beginning of period	52,633,717	52,633,717	86,135,217	33,501,500		
Budgeted net position end of period	108,372,717	86,766,217	98,073,217	11,307,000	13.03%	
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				-		
Capital Outlay	947,000	919,000	259,000	(660,000)	-71.82%	
Depreciation	(180,000)	(180,000)		180,000		
Transfer to Local Renewable Energy Development Fund	428,000	428,000	846,000	418,000	97.66%	
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**1,195,000**	**1,167,000**	**1,105,000**	**(62,000)**		
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**54,544,000**	**32,965,500**	**10,833,000**	**(22,132,500)**		3.05%

Marin Clean Energy
Energy Efficiency Fund
Proposed Budget FY 2019/2020
From April 1, 2019 through March 31, 2020

		FY 2018/19 Approved Budget	FY 2019/20 Proposed Budget	Variance	Variance %
REVENUE AND OTHER SOURCES:					
Public purpose energy efficiency program	$	2,383,000	8,398,393	6,015,393	72%
Public purpose Low Income Family and Tenants pilot program		1,750,000	2,198,738	448,738	20%
TOTAL REVENUE AND OTHER SOURCES		4,133,000	10,597,131	6,464,131	61%
EXPENDITURES AND OTHER USES:					
Public purpose energy efficiency program	$	2,383,000	8,398,393	6,015,393	72%
Public purpose Low Income Family and Tenants pilot program		1,750,000	2,198,738	448,738	20%
TOTAL EXPENDITURES AND OTHER USES:		4,133,000	10,597,131	6,464,131	61%
Net increase (decrease) in fund balance					

Marin Clean Energy
Local Renewable Energy Development Fund
Proposed Budget FY 2019/2020
From April 1, 2019 through March 31, 2020

		FY 2018/19 Approved Budget	FY 2019/20 Proposed Budget	Variance	Variance %
REVENUE AND OTHER SOURCES:					
Transfer from Operating Fund	$	428,000	846,000	418,000	49%
EXPENDITURES AND OTHER USES:					
Capital outlay and other expenditures		150,000	-		
Fund balance at the beginning of period		124,033	402,033		
Net increase (decrease) in fund balance		402,033	1,248,033	846,000	68%

March 1, 2019

TO: MCE Executive Committee

FROM: Garth Salisbury, Director of Finance
Maira Strauss, Senior Financial Analyst

RE: Amendment to MCE Policy 014: Investment Policy (Agenda Item #09)

ATTACHMENT: Proposed Amended MCE Policy 014: Investment Policy in Strikeout/Underline Format

Dear Executive Committee Members:

SUMMARY:

In April 2018, your Board approved MCE Policy 014: Investment Policy to guide the investment of MCE's cash and investments. The objectives of the Investment Policy are to ensure the safety and liquidity of MCE funds while earning a market rate of return. MCE's current Investment Policy limits the investment of funds in commercial bank checking and savings accounts, certificates of deposit, the California State Treasury's Local Agency Investment Fund (LAIF), U.S. Treasury obligations, and Federal Deposit Insurance Corporation insured certificates of deposit with terms to maturity not exceeding five years.

The proposed amendments to MCE's Investment Policy expand eligible investments to include Federal Agency Securities, Bankers' Acceptances, Placement Service Deposits, Money Market Funds and Commercial Paper. It is also proposed to prohibit investment in any security that, if held to maturity, could result in a zero-interest accrual or less. The purpose of expanding eligible investments is to provide higher return options with little incremental risk. An annual report with information on all investment transactions will be provided to the Board.

The proposed amendments to MCE's Investment Policy also confirm that the Treasurer of MCE has the authority to invest or reinvest funds and to sell or exchange securities so purchased, as provided in California Government Code Section 53607, for the period of one year. Subject to review at the close of each fiscal year, the investment authority delegated to the Treasurer of MCE could be renewed. The MCE Treasurer would be authorized to appoint Deputy Treasurers as the Treasurer deems necessary and convenient for the prompt and faithful discharge of its duties to invest and reinvest the funds of MCE pursuant to Section 53607. The Investment Policy would be reviewed annually by the Treasurer. Any recommended Policy changes would be submitted to the Board for approval. The amended Policy would require annual reports of investments to the Board and monthly reports to the Board of investment transactions defined as purchases, reinvestments or sales of securities following the month in which they occur.

Fiscal Impacts: Interest rates vary on a daily basis, and the incremental return on investments arising from amendments to the Investment Policy cannot be determined with certainty.

Recommendation: Recommend to your Board for approval at its next meeting the proposed amended MCE Policy 014: Investment Policy.

POLICY 014: Investment Policy

This Investment Policy establishes guidelines for the management of cash, deposits and investments (together, "funds") at MCE. When managing funds, MCE's primary objectives, in order of importance, shall be to safeguard the principal of the funds, meet the liquidity needs of MCE, and achieve a return on investment on funds in MCE's control.

Safety: Safety of principal is the foremost objective of cash and investment management activities. The investment of funds shall be undertaken in a manner that seeks to ensure the preservation of principal.

Liquidity: The funds of the agency shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of funds in deposits or instruments available on demand is recommended.

Return on Investment: The deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described above.

Standard of Care

MCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code Section 53600.3.1[1]: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Pursuant to Section 53607, the responsibility to manage funds is delegated to the ~~Manager~~Treasurer of ~~Finance or in lieu thereof the Chief Executive Officer~~MCE. The Treasurer may appoint Deputy Treasurers as the Treasurer deems necessary and convenient for the prompt and faithful discharge of its duties to invest and reinvest the funds of MCE, pursuant to Section 53607.

Authorized Investments

The following types of investments are permitted:

[1] All further statutory references are to the California Government Code unless otherwise stated.

Deposits at Bank(s): Funds may be invested in non-interest bearing depository accounts to meet MCE's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five years.

Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code."

FDIC insurance coverage in the United States is $250,000 per Tax ID Number. As per Section 53652, banks must collateralize the deposits of public agencies. ~~in an amount equal to no less than 110% of~~ ~~as currently stated in~~ ~~the value of the deposits.~~~~statute.~~ The Treasurer, or a duly appointed Deputy Treasurer, will monitor the credit quality of eligible banks to ensure the safety of MCE deposits.

Local Agency Investment Fund (LAIF): Funds may be invested in the Local Agency Investment Fund. The LAIF was established by the California State Treasurer for the benefit of local agencies. Statutory requirements of the Local Agency Investment Fund include:

Section 16429.1

> a. There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.
>
> e. The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.
>
> j. Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.
>
> i. Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees…. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of 5 percent of the earnings of this fund and not to exceed the amount appropriated in the annual Budget Act for this function, shall be deducted from the earnings prior to distribution.

Section 16429.4

The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

US Treasury Obligations: Funds may be invested in United States Treasury obligations with a term to maturity not exceeding 5 years subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.

Federal Agency Securities: Funds may be invested in Federal Agency Securities with a term to maturity not exceeding 5 years subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.

Commercial Paper: Funds may be invested in commercial paper in accordance with the requirements of Section 53601 and subject to the following limitations:

i. No more than 25% of the total portfolio shall be invested in commercial paper;
ii. The term to maturity shall not exceed 270 days; and
iii. No more than 10% of outstanding commercial paper shall be from any single issuer.

The issuer of commercial paper must have the following:

i. Assets in excess of $500 million;
~~i.~~ii. A credit rating of A-1 or better; and
~~ii.~~iii. A senior debt rated at A or better.

Bankers' Acceptances: Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations fated "A-1" or its equivalent of better by at least one NRSRO. Not more that 40% of the portfolio may be invested in Bankers' Acceptances, and no more that 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.

Negotiable Certificates of Deposit: Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:

i. Issued by an entity as defined in Section 53601(i); and
ii. No more than 30% of funds invested pursuant to this Investment Policy may be invested in certificates of deposit.

Placement Service Deposits: Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to the deposits placed pursuant to this section, Certificate of deposits and Negotiable Certificates of Deposits is limited to 30 percent and the maximum investment maturity will be restricted to five years.

Money Market Funds: Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4).

Prohibited Investments

Pursuant to Section 53601.6, MCE shall not invest funds in any security that could result in a zero interest accrual, or less, if held to maturity. These prohibited investments include inverse floaters, range notes, or mortgage-derived interest-only strips.

Investment Portfolio Management

The ~~average~~ term to maturity of any funds invested shall not exceed ~~36 months.~~5 years and pursuant to Section 53601. The Treasurer, or a duly appointed Deputy Treasurer, will allocate funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Bids and Purchase of Securities

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. A competitive bid process, when practical, will be used to place all investment purchases and sales transactions.

Brokers

Broker/dealers shall be selected by the Chief Executive Officer upon recommendation by the Treasurer, or a duly appointed Deputy Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Chief Executive Officer shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48-consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to any member of the MCE Board, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the Investment Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of the agency or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608. The Director of ~~Operations~~Finance or their designee shall review all transaction confirmations for conformity with the original transaction.

Conflict of Interest

In accordance with state law, staff shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom the MCE conducts business.

Audits

MCE's funds shall be subject to a process of independent review by its external auditors. MCE's external auditors shall review the investment portfolio in connection with the annual audit for compliance with the statement of investment policy pursuant to Section 27134. The results of the audit shall be reported Manager of Finance and the Ad Hoc Audit Committee.

Reports

Monthly: So long as the Board of ~~Finance and designated staff~~Directors' annual delegation of investment authority pursuant to Section 53607 to the Treasurer is effective, the Treasurer or a duly appointed Deputy Treasurer will perform a monthly review of the investment function and shall submit a monthly report of all investment transactions to the Board of Directors. Investment transactions are defined as the purchase, sale or exchange of securities.

Annually: The Treasurer, or a duly appointed Deputy Treasurer, will submit an annual report to the Board of Directors and Chief Executive Officer within 30 days of the end of a fiscal year providing the following:

i. A list identifying the type of investment, issuer, date of maturity ~~and yield of investments~~, par and ~~provide such reports to the Executive Committee.~~ dollar amount invested on all securities, the market value and source of the market value information;
ii. A statement that the portfolio is in compliance with the Investment Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
iii. A statement of MCE's ability to meet expenditure requirements for the upcoming 12 months.

Annual Review

The Investment Policy will be reviewed annually by the Treasurer, or a duly appointed Deputy Treasurer. Any changes to the Investment Policy will be submitted to the Board for approval.

March 1, 2019

TO: MCE Executive Committee

FROM: Dawn Weisz, CEO

RE: Appointment of Chief Operating Officer as MCE Treasurer (Agenda Item #10)

ATTACHMENT: Proposed Resolution 2019-02 Appointing Chief Operating Officer as Treasurer

Dear Executive Committee Members:

SUMMARY:

MCE has relied on Director Denise Athas to serve as its Treasurer, in accordance with Government Code 6505.5. In light of the increasing responsibilities this position is tasked with carrying out, it is in the best interest of MCE to appoint an in-house Treasurer. The current Chief Operating Officer (COO), Vicken Kasarjian, has the requisite qualifications and experience to serve as the MCE Treasurer.

1. **Responsibilities and Duties of Treasurer:**

Government Code Section 6505.5 identifies the duties of an agency treasurer:

a. Receive and receipt for all money of the agency or entity and place it in the treasury of the treasurer so designated to the credit of the agency or entity.

b. Be responsible, upon his or her official bond, for the safekeeping and disbursement of all agency or entity money so held by him or her.

c. Pay, when due, out of money of the agency or entity held by him or her, all sums payable on outstanding bonds and coupons of the agency or entity.

d. Pay any other sums due from the agency or entity from agency or entity money, or any portion thereof, only upon warrants of the public officer performing the functions of auditor or controller who has been designated by the agreement.

e. Verify and report in writing on the first day of July, October, January, and April of each year to the agency or entity and to the contracting parties to the agreement the amount of money he or she holds for the agency or entity, the amount of receipts since his or her last report, and the amount paid out since his or her last report.

2. **Authority to Appoint Officer**

Government Code Section 6505.6 and Section 4.13.3 of the MCE Joint Powers Agreement provide that MCE may appoint one of its own officers or staff to serve as its Treasurer. Following his or her appointment, the officer must contract with a certified public accountant to conduct and annual independent audit pursuant to Government Code Section 6505.

3. **Qualifications of Chief Operating Officer**

Current MCE COO, Vicken Kasarjian possesses a wide range of experience that qualifies him to carry out the functions and duties of the Treasurer as described above. Vicken Kasarjian has over 33 years of progressively complex experience in all facets of electric and water utility finance and operations. Vicken has worked on several multimillion-dollar debt refinancing, refinancing and repurposing of approved-for-construction extra high voltage transmission developments, preparing for sale and marketing tens of millions of dollars of bond issues, and the development, justification and management of $700 million per year in capitol and operations and maintenance budget. In addition, Vicken has experience assessing and implementing different financial models and approaches to construct large renewable energy sources, particularly for low-income customers and communities. Since 2003, Vicken has been involved in utilizing complex financial models and performance criteria to proactively perform risk assessments, market-to-market transaction reviews, including credit and collateral assessments in energy related transactions. Lastly, Vicken has significant background in all types of Federal Energy Regulatory Commission approved transactions in organized markets like the California Independent System Operator and the Pennsylvania-New Jersey-Maryland Interconnection.

Fiscal Impacts: None.

Recommendation: Recommend to your Board for approval at its next meeting to adopt proposed Resolution 2019-02 Appointing Chief Operating Officer as Treasurer of MCE.

RESOLUTION 2019-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY APPOINTING THE CHIEF OPERATING OFFICER AS TREASURER

WHEREAS, Marin Clean Energy (MCE) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act (Government Code Section 6500 et seq.); and

WHEREAS, MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the County of Solano, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, pursuant to Government Code Section 6505.6 and Section 4.13.3 of MCE's Joint Powers Agreement, as amended, dated December 19, 2008 (JPA), MCE may appoint one of its officers or employees to either or both of the positions of Treasurer or of Auditor-Controller, and such person or persons shall comply with the duties and responsibilities of the office or officers as set forth in subdivisions (a) to (e), inclusive, of Government Code Section 6505.5; and

WHEREAS, Vicken Kasarjian, who currently serves as the Chief Operating Officer of MCE, is qualified to serve as Treasurer and can perform the required functions and duties of Treasurer.

NOW, THEREFORE, BE IT RESOLVED, by the MCE Board of Directors, as authorized by Government Code 6505.6 and Section 4.13.3 of the MCE JPA, hereby appoints the Chief Operating Officer, Vicken Kasarjian, as Treasurer of MCE, effective immediately upon the passage and adoption of this resolution.

PASSED AND ADOPTED at a regular meeting of the MCE Board of Directors on this 21 day of March, 2019, by the following vote:

	AYES	NOES	ABSTAIN	ABSENT
County of Marin				
Contra Costa County				
County of Napa				

County of Solano				
City of American Canyon				
City of Belvedere				
City of Benicia				
City of Calistoga				
City of Concord				
Town of Corte Madera				
Town of Danville				
City of El Cerrito				
Town of Fairfax				
City of Lafayette				
City of Larkspur				
City of Martinez				
City of Mill Valley				
Town of Moraga				
City of Napa				
City of Novato				
City of Oakley				
City of Pinole				
City of Pittsburg				
City of San Ramon				
City of Richmond				
Town of Ross				
Town of San Anselmo				
City of San Pablo				
City of San Rafael				
City of Sausalito				
City of St. Helena				
Town of Tiburon				
City of Walnut Creek				
Town of Yountville				

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CHAIR, MCE

Attest:

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SECRETARY, MCE