MCE | My community. My choice.

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BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA | OAKLEY | PINOLE
PITTSBURG | RICHMOND | SAN PABLO | SAN RAMON | WALNUT CREEK

Board of Directors Meeting
Thursday, March 19, 2020
7:00 PM Pacific Time

Dial: 1-669-900-9128
Meeting ID: 512 244 551

For Viewing Access Join Zoom Meeting:
https://zoom.us/j/512244551

Agenda Page 1 of 2

CLOSED SESSION MATTERS

Note: Closed Session will not be available using the dial-in information above.
Separate dial-in information will be available to Board members for the Closed Session

Conference with Legal Counsel – Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9) Name of Case: PG&E Bankruptcy Petition #: 19-30089, MCE as an Interested Party and Creditor

OPEN SESSION

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 11.21.19 Meeting Minutes
   - C.2 Approved Contracts Update
   - C.3 Resolution 2020-01 Amending MCE's Conflict of Interest Code

6. Charles F. McGlashan Advocacy Awards 2019 (Discussion/Action)

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.

7. Addition of Board Members to Committees (Discussion/Action)

8. Resolution No. 2020-02 Appointing Director of Finance as Treasurer (Discussion/Action)

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

10. Budget for Fiscal Year 2020/21 (Discussion/Action)

11. Dynamic Rates for Upcoming Solano Inclusion (Discussion/Action)

12. Steps and Considerations for MCE to Access the Tax-Exempt Capital Markets (Discussion/Action)

13. Board Matters & Staff Matters (Discussion)

14. Adjourn

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MCE BOARD MEETING MINUTES
Thursday, November 21, 2019
7:00 P.M.

Mt. Diablo Room
2300 Clayton Road, Suite 1150
Concord, CA 94520

Charles F. McGlashan Board Room
1125 Tamalpais Avenue
San Rafael, CA 94901

Called to Order: Chair Kate Sears called the regular meeting to order at 7:05 p.m.

Present:
Mike Anderson, City of Lafayette (*San Rafael*)
Sloan Bailey, Town of Corte Madera *(San Rafael)*
Tom Butt, City of Richmond *(San Rafael)*
Barbara Coler, Town of Fairfax *(San Rafael)*
John Gioia, Contra Costa County (*San Rafael*)
Ford Greene, Town of San Anselmo *(San Rafael)*
Kevin Haroff, City of Larkspur *(San Rafael)*
Sue Higgins, City of Oakley *(Concord)*
Greg Lyman, City of El Cerrito (*San Rafael*)
Bob McCaskill, City of Belvedere *(San Rafael)*
Andrew McCullough, City of San Rafael *(San Rafael)*
Elizabeth Pabon-Alvarado, City of San Pablo *(Concord)*
Elizabeth Patterson, City of Benicia *(Concord)*
Scott Perkins, City of San Ramon *(Concord)*
Rupert Russell, Town of Ross *(San Rafael)*
Vincent Salimi, City of Pinole *(Concord)*
Kate Sears, County of Marin *(San Rafael)*
Renata Sos, Town of Moraga (*Concord*)
Justin Wedel, City of Walnut Creek *(Concord)*
David Kulik Alternate, Town of Tiburon (*San Rafael*)

Absent:
Denise Athas, City of Novato
Lisa Blackwell, Town of Danville
Tim McGallian, City of Concord
Shanelle Scales-Preston, City of Pittsburg
Rob Schroder, City of Martinez
Brad Wagenknecht, County of Napa
John Vasquez, County of Solano
Ray Withy, City of Sausalito and City of Mill Valley

Staff & Others:
Jesica Brooks, Assistant Board Clerk *(San Rafael*)
Jenna Famular, Community Development Manager (*Concord*)
Alice Havenar-Daughton (*Concord*)

Darlene Jackson, Board Clerk (*Concord*)
Sam Kang, Resource Planning (*Concord*)
Vicken Kasarjian, Chief Operating Officer (*San Rafael*)
Catalina Murphy, Legal Counsel (*San Rafael*)
Garth Salisbury, Director of Finance (*San Rafael*)
Daniel Settlemyer, Regulatory & Legislative Policy Assistant (*San Rafael*)
Heather Shepard, Director of Public Affairs (*San Rafael*)
Shalini Swaroop, General Counsel (*San Rafael*)
Dawn Weisz, Chief Executive Officer (*Concord*)
Brett Wiley, Customer Programs Manager (*Concord)*
Sandra Zelaya, Public Affairs Assistant (*Concord*)

1. **Roll Call/Quorum**

   Director Kate Sears called the regular meeting to order at 7:05 p.m. with quorum established by roll call.

2. Public Open Time (Discussion)

   There were comments from member of the public Sam Sparrow in San Rafael.

CLOSED SESSION CONVENED AT 7:15 p.m.

3. **Conference with Legal Counsel – Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9**
   Name of Case: PG&E Bankruptcy Petition #: 19-30089, MCE as an Interested Party and Creditor

REGULAR SESSION RECONVENED AT 8:16 p.m.

4. **Roll Call/Quorum**

   Quorum was established by roll call.

5. **Board Announcements (Discussion)**

   There were none.

6. **Public Open Time (Discussion)**

   Chair Sears opened the public comment period and there were comments from member of the public Lori Grace in San Rafael.

7. **Report from Chief Executive Officer (Discussion)**

   CEO Dawn Weisz, reported the following:
   - County Reports are available at the dais.

- Net Energy Metering Incentives are being adjusted. More information will be provided at the December Technical Committee meeting.
- Ad Hoc Contracts Committee will be addressed later on the agenda.
- Reminder of the MCE Holiday Party on December 6th, 6pm at the Napa Valley Marriott.

8. Consent Calendar (Discussion/Action)

C.1 Approval of 6.20.19 Meeting Minutes
C.2 Approval of 9.18.19 Meeting Minutes
C.3 Approved Contracts Update

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Perkins/Higgins) to **approve Consent Calendar items: C.1-C.3.** The motion carried by unanimous vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez.)

9. Receive Applicant Analysis and Consider 1. Resolution 2019-05 of the Board of Directors of MCE approving the Cities of Vallejo and Pleasant Hill as Members of MCE; 2. Amendment 14 to the MCE JPA Agreement; and 3. Direction to Submit Amendment No. 7 to the MCE Implementation Plan and Statement of Intent (Discussion/Action)

Jenna Famular, Community Development Manager and Sam Kang Pacific Energy Advisors Consultants, presented this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Patterson/Haroff) to 1) **approve Resolution 2019-05 of the Board of Directors of MCE approving the Cities of Vallejo and Pleasant Hill as Members of MCE, 2) approve Amendment 14 to the MCE JPA Agreement and, 3) direct staff to submit Amendment No. 7 to the MCE Implementation Plan and Statement of Intent.** The motion carried by unanimous vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

10. Fiscal Year 2019/20 Operating Fund Budget Amendment (Discussion/Action)

Director of Finance, Garth Salisbury and Senior Finance Analyst, Maira Strauss presented this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Haroff/Greene) to **recommend that the MCE Board approve the proposed FY 2019/20 Operating Fund Budget Amendment to include the creation and initial funding of a Resiliency Reserve in the amount of $3,000,000.** The motion carried by unanimous vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

11. Resolution 2019-06 Establishing an Operating Reserve Fund (Discussion/Action)

Director of Finance, Garth Salisbury introduced this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Perkins/Coler) to **approve Resolution 2019-06 Establishing an Operating Reserve Fund**. The motion carried by unanimous roll call vote. Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

12. Amendments to MCE Policy 013: Reserve Policy (Discussion/Action)

Director of Finance, Garth Salisbury introduced this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Patterson/Coler) to **approve the proposed amendments to MCE Policy 013: Reserve Policy.** The motion carried by unanimous vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

13. Resolution 2019-07 Approving and Authorizing the Execution and Delivery of a Revolving Credit Agreement with JPMorgan Chase Bank, N.A. (Discussion)

Vicken Kasarjian, Chief Operating Officer introduced this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Haroff/Greene) to **Adopt Resolution 2019-07 Approving and Authorizing the Execution and Delivery of a Revolving Credit Facility Agreement with JPMorgan Chase Bank, N.A.** The motion carried by unanimous roll call vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

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

CEO Dawn Weisz, presented this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: It was M/S/C (Coler/Greene) to **add the following Board members to the following Committees: Executive Committee – Elizabeth Patterson; Technical Committee – John Gioia and Ford Greene; 2020 Ad Hoc Contracts Committee – Mike Anderson, Kevin Haroff, Scott Perkins and Vincent Salimi.** The motion carried by unanimous vote. (Absent: Directors Athas, Blackwell, McGallian, Scales-Preston, Schroder, Wagenknecht, Withy, and Vasquez).

15. Low Income Families and Tenants Application to the CPUC (Discussion)

Director of Customer Programs, Alice Havenar-Daughton presented this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: No action was required.

16. Overview of California Electric Vehicle Infrastructure Program (CALeVIP)

Brett Wiley, Customer Programs Manager presented this item and addressed questions from Board members.

Chair Sears opened the public comment period and there were no comments.

Action: No action was required.

17. Regulatory and Legislative Updates (Discussion)

Action: Informational only.

18. Board Matters & Staff Matters (Discussion)

There were no announcements.

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19. Adjournment

Chair Kate Sears adjourned the meeting at 10:30 p.m. to the next scheduled Board Meeting on December 19, 2019.

Kate Sears, Chair

Attest:

Dawn Weisz, Secretary

March 19, 2020

TO: MCE Board of Directors

FROM: Bill Pascoe, Power Procurement Manager

RE: Approved Contracts Update (Agenda Item #07-C.2)

ATTACHMENT:

Dear Board Members:

SUMMARY: This report summarizes agreements entered into by the Chief Executive Officer and if applicable, the Chair of the Technical Committee since the last regular Board meeting in November. This summary is provided to your Board for information purposes only, and no action is needed.

Review of Procurement Authorities

In March 2018, your Board adopted Resolution 2018-03 which included the following provisions:

> *The CEO and Technical Committee Chair, jointly, are hereby authorized, after consultation with the appropriate Committee of the Board of Directors, to approve and execute contracts for Energy Procurement for terms of less than or equal to five years. The CEO shall timely report to the Board of Directors all such executed contracts.*
>
> *The CEO is authorized to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board of Directors.*

The Chief Executive Officer is required to report all such contracts and agreements to the MCE Board of Directors on a regular basis.

Item Number	*Month of Execution*	*Purpose*	*Average Annual Contract Amount*	*Contract Term*
1	*August, 2019*	*Purchase of Resource Adequacy*	*$1,513,800*	*1-5 Years*
2	*August, 2019*	*Purchase of Resource Adequacy*	*$4,141,200*	*1-5 Years*
3	*November, 2019*	*Sale of Carbon Free Energy*	*($110,000)*	*Under 1 Year*
4	*November, 2019*	*Purchase of Bundled Renewable Energy*	*$5,701,621*	*1-5 Years*
5	*November, 2019*	*Sale of Resource Adequacy*	*($139,500)*	*1-5 Years*
6	*November, 2019*	*Sale of Resource Adequacy*	*($36,000)*	*Under 1 Year*
7	*November, 2019*	*Purchase of Resource Adequacy*	*$90,000*	*Under 1 Year*
8	*November, 2019*	*Sale of Resource Adequacy*	*($169,000)*	*Under 1 Year*
9	*November, 2019*	*Purchase of Bundled Renewable Energy*	*$3,186,240*	*1-5 Years*
10	*December, 2019*	*Sale of Resource Adequacy*	*($15,000)*	*Under 1 Year*
11	*December, 2019*	*Sale of Resource Adequacy*	*($720,000)*	*Under 1 Year*
12	*December, 2019*	*Sale of Resource Adequacy*	*($459,000)*	*Under 1 Year*
13	*December, 2019*	*Sale of Resource Adequacy*	*($21,000)*	*Under 1 Year*
14	*December, 2019*	*Purchase of Bundled Renewable Energy*	*$1,890,000*	*1-5 Years*
15	*December, 2019*	*Purchase of System Energy (Hedge)*	*$24,285,932*	*1-5 Years*
16	*January, 2020*	*Sale of Resource Adequacy*	*($187,500)*	*Under 1 Year*
17	*January, 2020*	*Sale of Resource Adequacy*	*($8,000)*	*Under 1 Year*
18	*January, 2020*	*Sale of Resource Adequacy*	*($19,125)*	*Under 1 Year*
19	*January, 2020*	*Purchase of Resource Adequacy*	*$257,400*	*1-5 Years*
20	*January, 2020*	*Purchase of Bundled Renewable Energy*	*$2,681,350*	*Over 5 Years*
21	*January, 2020*	*Sale of Resource Adequacy*	*($123,250)*	*Under 1 Year*

22	*February, 2020*	*Purchase of Resource Adequacy*	*$5,377,500*	*1-5 Years*
23	*February, 2020*	*Sale of Resource Adequacy*	*($48,375)*	*Under 1 Year*
24	*February, 2020*	*Purchase of Bundled Renewable Energy*	*$2,821,250*	*1-5 Years*
25	*February, 2020*	*Purchase of Resource Adequacy*	*$1,440,000*	*1-5 Years*
26	*February, 2020*	*Sale of Resource Adequacy*	*($1,000)*	*Under 1 Year*
27	*February, 2020*	*Sale of Resource Adequacy*	*($14,839)*	*Under 1 Year*
28	*February, 2020*	*Sale of Resource Adequacy*	*($28,750)*	*Under 1 Year*
29	*February, 2020*	*Purchase of Resource Adequacy*	*$5,842,200*	*1-5 Years*

Contract Approval Process: Energy procurement is governed by MCE's Energy Risk Management Policy as well as Board Resolutions 2018-03, 2018-04, and 2018-08. The Energy Risk Management Policy (Policy) has been developed to help ensure that MCE achieves its mission and adheres to its procurement policies established by the MCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations. The Board Resolutions direct the CEO to sign energy contracts up to and including 12 months in length.

The evaluation of every new energy contract is based upon how to best fill MCE's open position. Factors such as volume, notional value, type of product, price, term, collateral threshold and posting, and payment are all considered before execution of the agreement.

After evaluation and prior to finalizing any energy contract for execution, an approval matrix is implemented whereby the draft contract is routed to key support staff and consultants for review, input, and approval. Typically, contracts are routed for commercial, technical, legal and financial approval, and are then typically routed through the Chief Operating Officer for approval prior to execution. The table below is an example of MCE staff and consultants who may be assigned to review and consider approval prior to the execution of a new energy contract or agreement.

Review Owner	*Review Department*
Lindsay Saxby	Procurement / Commercial
John Dalessi/Brian Goldstein (PEA)	Technical Review
Steve Hall (Hall Energy Law)	Legal
Garth Salisbury	Credit/Financial
Vicken Kasarjian	COO

Fiscal Impacts: Expenses and revenue associated with these Contracts and Agreements that are expected to occur during FY 2019/20 are within the FY 2019/20 Operating Fund Budget. Expenses and revenue associated with future years will be incorporated into budget planning as appropriate.

Recommendation: Information only. No action required.

March 19, 2020

TO:	MCE Board of Directors
FROM:	Catalina Murphy, Legal Counsel
RE:	Resolution 2020-01 Amending MCE's Conflict of Interest Code (Agenda Item 07-C.3)
ATTACHMENTS:	A. Resolution 2020-01 Amending MCE's Conflict of Interest Code B. Written Description of Changes C. MCE Conflict of Interest Code in Strikeout/Underline Format

Dear Board Members:

SUMMARY:
The Political Reform Act ("the Act") (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and publish conflict of interest codes. The Conflict of Interest Code is intended to identify and disclose foreseeable disqualifying financial conflicts of interest for decision-makers within the agency and therefore provide transparency, as required by the Act. MCE's Conflict of Interest Code was last updated in June 2019. Pursuant to the Fair Political Practices Commission ("FPPC"), which has the primary responsibility to oversee the administration of the Political Reform Act, this Code must be regularly updated to reflect the current structure of the agency.

The updates to MCE's Conflict of Interest Code identify new positions created and title changes to previously designated positions that must file Statements of Economic Interests to disclose their potential financial conflicts.

MCE noticed the changes to its Conflict of Interest Code by distributing the proposed amendment and a Notice to Amend the Conflict of Interest Code to its employees.

Fiscal Impacts:
None.

Recommendation: Adopt Resolution 2020-01 Amending MCE's Conflict of Interest Code.

RESOLUTION 2020-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY AMENDING MCE'S CONFLICT OF INTEREST CODE

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, On March 5 2009, MCE (then, Marin Energy Authority) approved Resolution 2009-02, duly adopting a Conflict of Interest Code as required by the Political Reform Act (Government Code Section 81000, et seq.). MCE last amended its duly adopted Conflict of Interest Code on June 20, 2019, by approving Resolution 2019-03; and

WHEREAS, MCE wishes to amend Appendix A of its Conflict of Interest Code to update official employee designations by including recently added positions, updating titles for positions that require disclosure, and enumerate the appropriate disclosure categories to all designated positions listed.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of MCE:

A. The amended designated positions and assigned disclosure categories described in Appendix A are hereby incorporated into the MCE Conflict of Interest Code by reference.

B. All officials and employees required to submit a statement of economic interests pursuant to Appendix A shall file their statements with the Chief Executive Officer or his or her designee. The Chief Executive Officer shall make and retain a copy of all statements filed. All retained statements, original or copied, shall be available for public inspection and reproduction (Government Code Section 81008).

C. MCE hereby directs the General Counsel to coordinate the preparation of a revised Conflict of Interest Code in succeeding even-numbered years in accordance with the requirements of Government Code Sections 87306 and 87306.5. The revised Code should reflect any changes in official employee designations and/or disclosures. If no revisions to the Code are required, MCE shall submit a report to the California Fair Political Practices Commission no later than October 1st of the same year, stating that amendments to the Code are not required.

PASSED AND ADOPTED at a regular meeting of the MCE Board of Directors on this 19th day of March, 2020, 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				

____
CHAIR, MCE

Attest:

____
SECRETARY, MCE

Proposed Amendment to MCE Conflict of Interest Code
Marin Clean Energy
Appendix A to the Conflict of Interest Code

Designated Positions

Designated Position	Assigned Disclosure Category
• Chief Operating Officer	1, 2, 3
o Manager of Administrative Services	1, 2, 3
o Director of Power Resources	1, 2, 3
▪ Manager of Power Resources	1, 2, 3
▪ Senior Power Procurement Manager	1, 2, 3
▪ Power Procurement Manager	1, 2, 3
o Director of Customer Programs	1, 2, 3
▪ Manager of Customer Programs	1
o Director of Finance	1, 2, 3
▪ Manager of Finance	1, 2, 3
o Manager of Technology and Analytics	1, 2, 3
• Director of Human Resources, Diversity, and Inclusion	1, 2, 3
o Manager of Human Resources	1
• General Counsel	1, 2, 3
o Legal Counsel	1, 2, 3
• Director of Policy	1, 2, 3
o Senior Policy Counsel	1, 2, 3
o Policy Counsel	1, 2, 3
o Senior Policy Analyst	1, 2, 3
o Policy Analyst	1, 2, 3
o Regulatory and Legislative Policy Manager	1, 2, 3
• Director of Public Affairs	1, 2, 3
o Manager of Customer Care and Analytics	1
o Manager of Community and Customer Engagement	1
o Manager of Marketing and Communications	1
• Director of Strategic Initiatives	1, 2, 3
• Consultants/New Positions	*

*Definition of Consultant and Note Regarding Disclosure Categories for Consultants/New positions:

This category of designated positions includes consultants who make (not just recommend) governmental decisions, such as whether to approve a rate, rule, or regulation involving electric generation, adopt or grant MCE approval to design, develop, construct, sell, purchase, or acquire facilities that generate electricity, or adopt or grant MCE approval of policies, standards, or guidelines for MCE. Such consultants shall disclose at the same level as the comparable designated position identified elsewhere in the Code.

This category also includes all new/future positions that make or participate in making decisions including positions that perform comparable, the same, or substantially all the same duties for MCE as those that are being performed by an individual holding a designated position in MCE's Conflict of Interest Code. Such new positions shall disclose at the same level as the comparable designated position identified elsewhere in the Code.

The following positions are NOT covered by the Conflict of Interest Code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only:

Members of the Board of Directors
Members of the Board of Directors (Alternates)
Chief Executive Officer

An individual holding one of the above listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.

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WRITTEN EXPLANATIONS FOR THE PROPOSED AMENDMENT TO MCE CONFLICT OF INTEREST CODE

Pursuant to the needs of MCE's business, the additions of new staff and the restructuring of existing staff by re-classifying their position titles were addressed in the proposed amendment to the Conflict of Interest Code. Upon review of existing positions and current disclosure regulations, MCE determined that disclosure categories needed revision and/or new and existing positions should be designated. Below is an explanation of new positions added, title changes to existing positions, and the applicable disclosure categories for the newly designated positions.

<u>Power Procurement Manager</u> – Previously listed as Power Supply Contracts Manager, was reclassified to Power Procurement Manager. Disclosure categories remain unchanged.

<u>Senior Power Procurement Manager</u> – This is a new position added to the MCE Team. This position discloses under categories 1, 2, and 3.

<u>Manager of Technology and Analytics</u> – This is a new position added to the MCE Team. This position discloses under categories 1, 2, and 3.

<u>Director of Strategic Initiatives</u> – This is a new position added to the MCE Team. This position discloses under categories 1, 2, and 3.

CONFLICT OF INTEREST CODE
FOR
MARIN CLEAN ENERGY

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices, designating positions and establishing disclosure categories, shall constitute the Conflict of Interest Code of **Marin Clean Energy** (**MCE**).

Individuals holding designated positions shall file their statements of economic interests with MCE, which will make the statements available for public inspection and reproduction. (Government Code Section 81008.) All statements will be retained by MCE.

Marin Clean Energy
Appendix A to the Conflict of Interest Code

Designated Positions

Designated Position	Assigned Disclosure Category
• Chief Operating Officer	1, 2, 3
○ Manager of Administrative Services	1, 2, 3
○ Director of Power Resources	1, 2, 3
▪ Manager of Power Resources	1, 2, 3
▪ Senior Power Procurement Manager	1, 2, 3
▪ Power ~~Supply Contracts~~Procurement Manager	1, 2, 3
○ Director of Customer Programs	1, 2, 3
▪ Manager of Customer Programs	1
○ Director of Finance	1, 2, 3
▪ Manager of Finance	1, 2, 3
○ Manager of Technology and Analytics	1, 2, 3
• Director of Human Resources, Diversity, and Inclusion	1, 2, 3
○ Manager of Human Resources	1
• General Counsel	1, 2, 3
○ Legal Counsel	1, 2, 3
• Director of Policy	1, 2, 3
○ Senior Policy Counsel	1, 2, 3
○ Policy Counsel	1, 2, 3
○ Senior Policy Analyst	1, 2, 3
○ Policy Analyst	1, 2, 3
○ Regulatory and Legislative Policy Manager	1, 2, 3
• Director of Public Affairs	1, 2, 3
○ Manager of Customer Care and Analytics	1
○ Manager of Community and Customer Engagement	1
○ Manager of Marketing and Communications	1
• Director of Strategic Initiatives	1, 2, 3
• Consultants/New Positions	*

*Definition of Consultant and Note Regarding Disclosure Categories for Consultants/New positions:

This category of designated positions includes consultants who make (not just recommend) governmental decisions, such as whether to approve a rate, rule, or regulation involving electric generation, adopt or grant MCE approval to design, develop, construct, sell, purchase, or acquire facilities that generate electricity, or adopt or grant MCE approval of policies, standards, or guidelines for MCE. Such consultants shall disclose at the same level as the comparable designated position identified elsewhere in the Code.

This category also includes all new/future positions that make or participate in making decisions including positions that perform comparable, the same, or substantially all the same duties for MCE as those that are being performed by an individual holding a designated position in MCE's Conflict of Interest Code. Such new positions shall disclose at the same level as the comparable designated position identified elsewhere in the Code.

The following positions are NOT covered by the Conflict of Interest Code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only:

Members of the Board of Directors
Members of the Board of Directors (Alternates)
Chief Executive Officer

An individual holding one of the above listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.

Marin Clean Energy
Appendix B to the Conflict of Interest Code

Disclosure Categories:

Category 1: Persons in this category shall disclose:

(a) Investments and business positions in business entities, and income, including receipt of loans, gifts, and travel payments, from sources that provide services, supplies, materials, machinery, or equipment of the type utilized by MCE.

(b) Interests in real property located within the jurisdiction of MCE or within two miles of the boundaries of the jurisdiction of MCE, or within two miles of any land owned or used by MCE.

Category 2: Persons in this category shall disclose investments and business positions in business entities, and income, including receipt of loans, gifts, and travel payments, from sources that engage in the design, development, construction, sale, or the acquisition of facilities that generate electricity, including, wind, solar, geothermal, hydroelectric, ocean, garbage, and biomass.

Category 3: Persons in this category shall disclose investments and business positions in business entities, and income, including receipt of loans, gifts, and travel payments, from sources that are energy or environmental consultants, research firms, or engineering firms, entities that design, build, manufacture, sell, distribute, or service equipment of the type that is utilized by electric power suppliers, including, wind, solar, geothermal, hydroelectric, ocean, garbage, and biomass, or any entity that is, or within the past 12 months has been, party to an MCE proceeding before any local, state, or regional regulatory or judicial entity.

March 19, 2020

TO: MCE Board of Directors

FROM: Justin Marquez, Community Equity Specialist

RE: Presentation of Charles F. McGlashan Advocacy Award (Agenda Item #08)

ATTACHMENT: Audio file of "Why MCE"

Dear Board Members:

SUMMARY:

On June 2, 2011, MCE's Board established the Charles F. McGlashan Advocacy Award to recognize individuals and organizations who have demonstrated passion, dedication, and leadership on behalf of MCE. The annual award also honors and commemorates the life and legacy of environmental leadership left behind by former founding MCE Chairman Charles F. McGlashan.

To date, this Advocacy Award has been awarded to:

- Barbara George of Women's Energy Matters (2011)
- The Mainstreet Moms (2012)
- Lea Dutton of the San Anselmo Quality of Life Commission (2013)
- Doria Robinson of Urban Tilth (2014)
- Constance Beutel of Benicia's Community Sustainability Commission (2015)
- Sustainable Napa County (2016)
- The El Cerrito Environmental Quality Committee (2017)
- Sustainable Lafayette (2018)
- Resilient Neighborhoods (2018), and
- Verna Causby-Smith with EAH Affordable Housing (2018).

Award recipients are inscribed on the plaque displayed outside the Charles McGlashan Room at the MCE office in San Rafael, and are presented with the award at a regular meeting of the MCE Board of Directors. Recipients are also recognized in MCE's e-newsletter, online blog, and social media.

On December 6, 2019, the MCE Executive Committee unanimously approved a motion to present this award to all three 2019 Charles McGlashan Advocacy Award nominees.

2019 NOMINEES:

National Council for Jewish Women & Sustainable Rossmoor (Jointly)

Sustainable Rossmoor was founded in 2014 by 10 determined residents striving to inspire more solar adoption within their community. Today, their expanded mission covers climate change awareness, sustainability and electric vehicle adoption and promotion of renewable energy. They have been engaged members of the Community Power Coalition since 2017.

The National Council for Jewish Women (NCJW), Contra Costa Division, was started in 1984 with the mission of striving for social justice by improving the quality of life for women, children, and families and by safeguarding individual rights and freedoms.

This year, NCJW working together with Sustainable Rossmoor have been present at over 13 community meetings, including farmers markets, the Activities Council of Rossmoor, Democrats Club meetings, and the Rossmoor Newcomers club. They created their own Deep Green group tee shirts (seen in photo) and wrote and produced the song "Why MCE" calling out the attributes of 100% renewable energy. The group has inspired over 38 individuals to sign up for MCE Deep Green since mid-September 2019.

Gloria Castillo with Canal Alliance

Gloria Castillo has gone above and beyond her role as the Housing Project Coordinator with the Canal Alliance, a nonprofit organization that empowers immigrants, connecting them to resources in the Canal District of San Rafael. In her role, Gloria manages the Marin Villa Estates property in the Canal District and has worked to build support for MCE's programs, even coming along with MCE staff on a survey collection and income verification visit to the property so residents would feel more comfortable. Thanks to Gloria's assistance, Marin Villa Estates received a total of $55,228 in blended funding from the Multifamily Energy Savings Program, the Low Income Families and Tenants (LIFT) program, the Income-Qualified Multifamily Solar Rebate Program, and Green and Healthy Homes Initiative (GHHI) Marin.

These incentives funded electrical panel upgrades, structural upgrades to apartment decks, CO monitors, Title 24 compliant windows, LED light bulbs, low-flow faucets and showerheads, and a 32.26 kW solar system generating 49,598 kWh annually. These upgrades reduced fire hazards, increased structural safety, lowered utility bills, improved indoor air quality by addressing mold issues, and increased resident comfort. The energy efficiency measures are projected to save 3,386.5 kWh per year. The completion of these upgrades is credited to the work of Gloria and her stewardship of the residents she serves.

Fiscal Impacts: None

Recommendation: Honor the National Council for Jewish Women, Contra Costa Division, Sustainable Rossmoor, and Gloria Castillo with Canal Alliance as the recipients of the 2019 Charles F. McGlashan Advocacy Award.

MCE Board Offices and Committees

Proposed Update for March 19, 2020

Board Offices:
Kate Sears, Chair
Tom Butt, Vice Chair
Garth Salisbury, Treasurer
Vicken Kasarjian, Auditor/*Deputy Treasurer*
Dawn Weisz, Secretary

Executive Committee
1. Tom Butt, Chair
2. Denise Athas
3. Sloan Bailey
4. Lisa Blackwell
5. Barbara Coler
6. Ford Greene
7. Kevin Haroff
8. Bob McCaskill
9. Elizabeth Patterson
10. Kate Sears
11. Renata Sos
12. *Edi Birsan -Interested*

Technical Committee
1. Kate Sears, Chair
2. Kevin Haroff
3. Greg Lyman
4. Scott Perkins
5. Rob Schroder
6. Ray Withy
7. Justin Wedel
8. Ford Greene
9. John Gioia

Ad Hoc Contracts Committee – 2020
1. Mike Anderson
2. Kevin Haroff
3. Scott Perkins
4. Vincent Salimi

Ad Hoc Audit Committee - 2020
1. *Bob McCaskill - interested*
2.
3.

Ad Hoc Bonding Committee – 2020
1. Renata Sos - interested
2. Ford Greene – interested
3. Kevin Haroff – interested
4. Bob McCaskill – interested

(Updated 10.17.19)

MCE Ad Hoc Audit Committee Overview and Scope

Approved: June 20, 2019

2019 Members:	1. Bob McCaskill 2. Elizabeth Pabon-Alvarado 3. Kevin Haroff 4. Raymond Withy
Membership Process:	MCE strives to assemble an Ad Hoc Audit Committee comprised of at least one county representative and one city/town representative from each county in the MCE service area. Available seats on the Ad Hoc Audit Committee are therefore first offered to any interested and applicable Board member whose county is not yet represented by one county and one city member. Interested members can be added at a meeting of the Board when "New Committee Members" is on the Agenda. The Ad Hoc Audit Committee is typically formed by the Board in the spring in advance of the annual audit cycle that begins in May of each year.
Meeting Dates:	To be determined; typically in summer months

Scope

Each year MCE contracts with an independent auditing firm to audit MCE's annual financial statements. The Ad Hoc Audit Committee is responsible for appointing the independent auditor, meeting with the auditor on at least one occasion without staff present, reviewing financial issues or judgments, and investigating other matters pertaining to the audit as it deems necessary. The mandate of the Ad Hoc Audit Committee begins once the Board approves its creation, and will end with the presentation of the audited financial statements to the Board.

Authority of Ad Hoc Audit Committee

- Approve the selection of auditor and execute the contract for services with MCE's auditor
- Receive the findings of the auditor and meet with the auditor privately as needed
- Investigate other matters pertaining to the audit as it deems necessary
- Report to the governing body that the audit committee has discussed the financial statements with management, with the independent auditors in private, and privately among committee members and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations

MCE Ad Hoc Committee on Bonding: Overview and Scope

Current Members:	None
New Members:	MCE strives to assemble Committees comprised of at least one county representative and one city/town representative from each county in the MCE service area. Available seats on the Ad Hoc Bonding Committee are therefore first offered to any interested and applicable Board member whose county is not yet represented by one county and one city member
Proposed 2020 meeting dates:	Early May and early July and possibly another final meeting in September

Introduction and Scope

It may be more cost effective for MCE to directly own all or part of certain generation, storage or other resiliency assets to be utilized in our service area. Such ownership interest could be financed with equity (a portion of MCE's accumulated net position) and/or debt in the form of tax-exempt bonds sold to investors in the US financial markets. MCE would like to take the steps necessary to be able to issue tax-exempt bonds to pay for an asset if/when the opportunity presents itself.

The Ad Hoc Committee on Bonding would work with MCE staff and an outside Financial Advisors to formulate a formal Debt Policy. Through the review of other Debt Policies of other organizations and with the assistance of staff, MCE's Financial Advisor (FA) and Bond Counsel, the Ad Hoc Committee will have input into the Debt Policy as it is formulated to ensure involvement and understanding of terms and short and long term effects on MCE if/when it issues bonds.

Staff anticipates that once a Bond Counsel is selected, work will begin on formulating a Bond Indenture; the document that dictates the requirements of how bonds would be issued and incorporates the requirements and covenants that MCE would have to adhere to for as long as the bonds are outstanding. The Ad Hoc Committee on Bonding would work with staff, MCE's FA and Bond Counsel and have input into this important document.

Authority of Executive Committee

- Provide MCE Staff guidance on selecting a Financial Advisor, Bond Counsel and Investment Bank(s) to eventually underwrite any potential issuance of bonds.

- Provide input into and eventual approval of a comprehensive Debt Policy to be adopted by the MCE Board of Directors
- Provide input and eventual approval of the terms and important covenants in a Bond Indenture to be adopted by the MCE Board of Directors

March 19, 2020

TO: MCE Board of Directors

FROM: Vicken Kasarjian, COO

RE: Resolution No. 2020-02 Appointing Director of Finance as Treasurer (Agenda Item #10)

ATTACHMENT: Resolution No. 2020-02 Appointing Director of Finance as Treasurer

Dear Board Members:

SUMMARY:
MCE has relied on Vicken Kasarjian, COO, to serve as its Treasurer in accordance with Government Code 6505.5, since being appointed by your Board in March 2019. Pursuant to Government Code Section 53607 authority delegated to a treasurer may be delegated by your Board for a one-year period. At this time, MCE believes the Director of Finance, Garth Salisbury, who is currently serving as a Deputy Treasurer, 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 an annual independent audit pursuant to Government Code Section 6505.

3. Qualifications of Director of Finance

Garth Salisbury, MCE's Director of Finance, has over 35 years of municipal finance experience as a Public Finance Investment Banker, Municipal Advisor and Municipal Consultant. He has worked at Lehman Brothers (7 years) JPMorgan (17 years) and Royal Bank of Canada (7 years) and Sperry Capital (2 years). He has structured over $35 billion in bond issues and over $12 billion of investment portfolios and hedging contracts. He maintains FINRA Series 7, 24, 50, 53 and 63 Securities Licenses and is current on all continuing education. As MCE's Director of Finance, he oversees all of MCE's financial matters and is currently Deputy Treasurer.

Fiscal Impacts:

None.

Recommendation:

Adopt Resolution No. 2020-02 Appointing Director of Finance as Treasurer.

RESOLUTION 2020-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY APPOINTING THE DIRECTOR OF FINANCE 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 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, Chief Operating Officer, is currently serving as Treasurer of MCE, as appointed by the Board in March 2019 under Resolution 2019-02, and has the authority to invest or reinvest funds of a local agency, or to sell or exchange securities so purchased. Pursuant to Government Code Section 53607, this authority my be delegated for a one-year period.

WHEREAS, Garth Salisbury, who currently serves as the Director of Finance 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 Director of Finance, Garth Salisbury, 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 19th day of March, 2020, 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				

CHAIR, MCE

Attest:

SECRETARY, MCE

March 19, 2020

TO: MCE Board of Directors

FROM: Garth Salisbury, Director of Finance

RE: Amendment to MCE Policy 014: Investment Policy (Agenda Item #11)

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

Dear Board Members:

SUMMARY:

MCE's Policy 014: Investment Policy was last amended and approved by your Board in March 2019 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.

Embedded in MCE's Policy 014 is a requirement for the Treasurer to review the policy annually. A recent change in law, effective January 1, 2020, permits public agencies to expand their portfolio of investing surplus funds. MCE conducted a review of the policy and the proposed amendment captures the change in law. This change increases the combined maximum portfolio exposure to deposits placed pursuant to FDIC insured Placement Service Deposits, defined as Insured Cash Sweep (ICS) and Certificate of Deposits Account Registry Service (CDARS), to 50 percent instead of 30 percent.

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:

Approve 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 Treasurer of 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.

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

Authorized Investments

The following types of investments are permitted:

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. 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;
ii. A credit rating of A-1 or better by a Nationally Recognized Statistical Rating Organization (NRSRO); and
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 rated "A-1" or its equivalent or better by at least one NRSRO. Not more that 30% 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, Insured Cash Sweep (ICS) and Certificate of D~~d~~eposit~~s~~ Account Registry Service (CDARS)~~and Negotiable Certificates of Deposits~~ is limited to ~~30~~ 50 percent and the maximum investment maturity will be restricted to five years, unless otherwise prescribed by law.

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 term to maturity of any funds invested shall not exceed 5 years 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 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 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 to the Director of Finance and the Ad Hoc Audit Committee.

Reports

Monthly: So long as the Board of 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, par and 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 19, 2020

TO: MCE Board of Directors

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

RE: Fiscal Year 2020/21 Budget (Agenda Item #12)

ATTACHMENTS: A. Proposed FY 2020/21 Operating Fund Budget
B. Proposed FY 2020/21 Local Renewable Energy and Program Development Fund Budget, Proposed FY 2020/21 Resiliency Fund Budget, and Proposed FY 2020/21 Energy Efficiency Program Fund Budget

Dear Board Members:

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

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

The attached proposed Budgets reflect MCE's projected revenue, expenditures and contingencies for FY 2020/21, 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 2020/21 Operating Fund Budget is projected to result in an increase of $48,000,000 to MCE's net position at the end of the fiscal year assuming continuation of the current rate schedule and market prices.

The Executive Committee reviewed and discussed the proposed Budgets at its March 6, 2020 meeting, and voted unanimously to recommended approval to the full Board.

Operating Fund Budget Highlights:

Attached is the Proposed FY 2020/21 Operating Fund Budget. For comparison purposes, FY 2020/21 is shown alongside the FY 2019/20 Amended Budget. Proposed FY 2020/21 Budget comparisons (+/-) are made against the FY 2019/20 Amended Budget.

Revenue – electricity (+ $28,800,000, 7% increase):

While sales volume (GWh) is projected to be flat due to the offsetting effects of the Solano County expansion and normal customer attrition, revenues from the sale of electricity are projected to increase by 7% to $445.6 million due to the effects of a full year of the rate increase that was implemented last July and from sales of excess Resource Adequacy (RA).

Cost of energy (+$36,543,000, 11% increase): Cost of energy includes expenses associated with the purchase of energy, charges by the California Independent System Operator (CAISO) for scheduled load, Grid Management Charge, Transmission Access Charge, Reliability Coordination, grid and market services performed by the CAISO, RA costs and other regulatory energy requirements necessary to meet the energy needs of our customers. Energy costs are anticipated to increase related to higher prices for system energy, RA and the effects of lower than expected hydro production and the need to purchase GHG free replacement energy to meet our targets.

Personnel (+$3,094,000, 35% increase): The anticipated increase in personnel costs is due to a number of factors:

1) Two Key Functional Areas - The creation of two new functional departments at MCE; Strategic Initiatives, and Technology and Analytics. The creation of these new departments at MCE is in response to the demands of MCE'S businesses as they continue to evolve and reflect a bringing "in-house" some functions previously performed by external vendors, and bolstering staff capacity to bring in and implement grants for resiliency and other local programs.
    a. Strategic Initiatives Department includes MCE's resiliency, environmental justice and equity efforts as we address our most vulnerable customers. The creation of this new department is in response to the Board's interest in addressing PSPS events in our service area with a special focus on equity and vulnerable customers. This department is also a direct result of the need to coordinate across a number of MCE functional areas, to efficiently execute on key time-sensitive initiatives with strategic value. Currently, a key focus is deploying MCE's Resiliency funding while leveraging other resources for maximum impact.
    b. Technology and Analytics is a progressive investment in managing, storing and mining the massive amount of data that MCE has been compiling over the years, and improving our ability to track and respond to customer needs. Through this department we expect to improve efficiencies in procurement, load management, storage technologies and customer centric services which will allow MCE to improve revenues, reduce costs and through specifically tailored programs, maintain and gain customer loyalty. The creation of this department is allowing some data management functions, previously performed by an offsite vendor, to be brought on-site, managed directly by

staff (see reduction in Data Management costs below).

(Estimated at 22% of the additional costs)

2) Addressing Staff Turnover - As the first CCA in the state, MCE has inadvertently been used as a place for the growing CCA industry to source new employees. In fact, in recent years, MCE has lost a total of nine full-time employees to other CCAs, four full-time employees to private companies that directly serve the CCA industry, and two full-time employees to the statewide CCA trade association. Of these fifteen employees, four were director-level, and twelve had highly specialized expertise. Each employee departure takes a toll on MCE's ability to continue ongoing work and implement strategy, and creates a cost in time and resources recruiting for and re-hiring for critical roles. As we continuously endeavor to refill these positions, we must increase salaries to attract employees with comparable skill sets.

   (Estimated at 12% of the additional costs).

Higher Level Positions - Also, as MCE has grown in size and complexity, and as the CCA regulatory and market environment has gotten more complex, the level of expertise needed in our employee team has grown in parallel. This has called for higher level positions, and higher compensation levels that match the skills required.

   (Estimated at 6% of the additional costs)

3) Full-year Impact of Staff Added in Prior Year - Increased budgeted personnel costs result from the full year impact of staff added during FY 2019/20, from four additional staff members pursuant to the new Departments referenced above and back-filling vacancies in various Departments totaling 7 additional full-time employees (FTEs). Additionally, the application of Cost of Living Adjustments (COLA) effective January 1st of each year, and performance-based increases added to current staff salaries consistent with MCE's Board-approved Employee Handbook added an additional 8% to projected costs. Once hired, a strong benefits package is a key to retention, maintaining stability in the staff team.

   (Estimated at 23% of the additional costs)

4) Benefits to Attract and Retain Employees - In an effort to ensure competitiveness in the employment market, MCE took a closer look at our total compensation package with a particular focus on employee benefits, to ensure we can attract and retain top talent within the agency. This included looking at the latest U.S. jobs report which states our economy has posted over 100 straight months of increased employment. In addition, there is predicted to be a shortage of 20 million highly skilled workers by the end of 2020. While attraction and retention of talent have always been important elements of the agency, our current job market makes talent attraction and retention more critical than ever. MCE needed to upgrade its total compensation and benefits package on myriad fronts to ensure our agency is

competitive to market, other CCAs/public agencies and is a desirable place to work. These changes included, for example, fully funding medical and dental coverage for employees and their families, and the creation of a personal development fund for outside education and support. MCE's comprehensive compensation structure is established using public agency, industry comparisons, and cost-of-living adjustments linked to Federal and California Bay Area benchmarks. MCE strengthened our benefits package to better position the agency to attract and retain top talent. Before these changes were implemented mid last year, MCE was on pace to lose over 35% of its employees. Since these compensation and benefits improvements have been implemented, attrition has dropped to within industry standards (< 15%) and MCE has been able to attract top tier talent for the two new departments and other open positions.

(Estimated at 37% of the additional costs)

Overall, personnel costs represent 2.7% of the total Operating Fund. Personnel costs are net of a $764,000 allocation of MCE staff time to Energy Efficiency Program administration.

Data Manager (-$540,000, 8.6% decrease): These savings are reflective of a renegotiated contract and better efficiencies in data management services. Staff anticipates that the creation of the Technology and Analytics Department will result in a number of Data Manager services to be brought in house to be performed by staff.

Legal and Policy Services (+$240,000, 22% increase): Legal counsel expenses support MCE's contracting, financial and regulatory activities including market restructuring issues. Legal counsel expenses are expected to increase to support increased regulatory activity and to support/advise MCE's staff on issues related to employment law, financial matters and the PG&E bankruptcy.

Communications Services (+$792,000, 50% 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. In FY 2019/20 the approved amended budget included $1,573,000 in Communication Services expenses, but dropped to a projected actual $980,339 as some activity was deferred. These costs are anticipated to be up significantly as a result of printed notices that will need to be distributed for new community enrollments (Vallejo and Pleasant Hill ~75k accounts) in early 2021, increases in marketing and communications to support resiliency efforts along with new grants and programs, and increased outreach for disadvantaged communities/customers. MCE will also be increasing general advertising to market our strong product mix and value proposition as PG&E emerges from bankruptcy later this year.

Other services (+$681,000 58% increase): Other services encompass expenses which are not captured in other budget categories, including information technology, certain consultants and other professional services. These expenses include consulting services related to development and implementation of an in-house Customer Relationship

Management (CRM) software platform. In addition, the Power Resources Department has been managing a high number of contracts using manual and software-based solutions that are not integrated. An automated contract management platform will be implemented to create efficiencies while insuring greater rigor in tracking and oversight.

General and Administration (+$716,000, 43% 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, increased regulatory and legislative activities, and budgeting additional Software as a Service (SaaS) and CRM software purchases for use by our Public Affairs Department, Customer Programs Department, and Legal and Policy Department.

Finance and Contingency (-$170,000, 12% decrease): Finance continues to 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 pursuing reducing our renewable energy costs through tax-exempt prepayment transactions and evaluating ways to reduce the cost of energy through third party credit intermediaries and project ownership.

Additionally, improved budgetary accuracy, discipline and accountability will continue to be a primary function of the Finance Department. We project to be under budget for the current fiscal year in every budgetary line item except Personnel which is projected to be over budget by less than 2%. 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 2020/21, staff is proposing that contingency be reduced to approximately 3.8% ($1.2 million) of the Operating Budget and that it once again be managed/allocated in Finance based upon actual outcomes and needs within the group budgets throughout the fiscal year.

Grant income (-$89,000, 5% decrease): 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, funded by the California Energy Commission. This project includes, among other things, a focus on optimizing the deployment of Distributed Energy Resources in a CCA service area ($585,000)
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 ($200,000)
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 ($398,000)
4) Resiliency Initiative. MCE received a grant from the Marin Community

Foundation to support battery storage for social safety net non-profit organizations and affordable multifamily housing ($475,000)

Interest income (+$600,000, 43% increase): Increased interest income is expected to result from a continuation of a reallocation of investments into highly liquid FDIC insured accounts in accordance with the Investment Policy and higher balances in MCE's accounts.

Capital outlay (-$96,000, 37% 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 completion of construction of a solar canopy and electric vehicle chargers in MCE's San Rafael parking lot. Anticipated expenditures include upgrades to allow the solar canopy to serve the MCE San Rafael offices as well as the EV charging stations during outage events.

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. This program has been dramatically increasing activity since CPUC approval in 2018 of MCE's Energy Efficiency Application, along with CPUC approval of MCE's LIFT application. The funds awarded from the CPUC will grow from $4,133,000 in FY 2019/20 to $8,664,056 in FY 2020/21.

Local Renewable Energy and Program 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, plus $1,500,000 to support MCE's Electric Vehicle Program (MCEv). These resources are used to plan and develop local renewable energy projects and programs including:

- **MCEv:** The MCEv program 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.

- **Low Income Solar Program:** The low-income solar program provides rebates for low-income solar installations. Expenditures primarily target residential single-family and multi-family rooftop installations.

- **Regional Midstream Heat Pump Water Heater Program:** MCE is partnering with other Bay Area CCAs, and the Bay Area Regional Energy Network to co-fund a program aimed at engaging regional water heater contractors to increase the adoption rate of electric, grid-enabled heat pump water heaters.

Resiliency Fund

On November 21, 2019, your Board approved the creation of a Resiliency Fund with initial funding in the amount of $3,000,000. The creation of this fund was in large part a response to PG&E's Public Safety Power Shutoff (PSPS) events. These events significantly impact the safety, reliability, health and welfare of our customers, and disproportionately affect vulnerable populations. MCE is working to help strengthen our communities by piloting battery storage and small-scale microgrids to retain some essential power supply during PSPS events and other outages while minimizing the use of carbon-emitting generators and fossil-fuel technologies. MCE has already begun extensive outreach with Offices of Emergency Services, Public Health officials, and other community partners to identify the most critical sites and vulnerable communities to target for initial investments.

Staff anticipates that approximately $2,750,000 of this fund will be spent as of the end of the current fiscal year as early stage programs are implemented. The remainder of the initial funding amount could be expended very quickly on just two or three resiliency projects deemed critical to identified targeted areas. Staff recommends an additional $3,000,000 of funding for the 2020/21 Fiscal Year to bring the total funding to $6 million.

Fiscal Impacts: The net impact of the Proposed Operating Fund Budget is a projected $48,000,000 contribution to MCE's net position during FY 2020/21 assuming no change to MCE's current rates or market prices for any unhedged power supply.

POTENTIAL FY 2020/21 BUDGET IMPACTS: A number of anticipated events could have a measurable effect on MCE's finances in the coming fiscal year. These include:

1) MCE Rates – MCE rates remain below PG&E's rates in all rate classes. However, PG&E expects to finalize its ERRA Filing (energy rates) in the next few months which may result in lower PG&E energy rates;
2) Power Cost Indifference Adjustment – Staff expects PG&E to increase most vintages of the PCIA which could have a negative effect on customer behavior.
3) Time-of-Use Rate (voluntary and mandatory) implementation may result in lower peak time revenues;
4) Effects on the local economy due to the Corona Virus and the consequent effects on MCE's load and revenue;
5) Customer energy usage – While staff has two years of historical data on customer usage for the most recent phase of expansion, customer behavior and weather patterns can have a measurable effect on energy sales.

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 2020/21 Operating Fund, Local Renewable Energy and Program Development Fund, Resiliency Fund, and Energy Efficiency Program Fund Budgets.

Marin Clean Energy
Operating Fund
Proposed FY 2020/21 Budget
From April 1, 2020 through March 31, 2021

	FY 2019/20 Approved Amended Budget	FY 2020/21 Proposed Budget	Variance in $	Variance %
ENERGY REVENUE				
Revenue - Electricity (net of allowance)	$ 416,758,000	$ 445,609,000	$ 28,851,000	7%
ENERGY EXPENSE				
Cost of energy	333,094,000	369,638,000	36,544,000	11%
NET ENERGY REVENUE	**83,664,000**	**75,971,000**	**(7,693,000)**	**-9%**
OPERATING EXPENSE				
Personnel	8,791,000	11,885,000	3,094,000	35%
Data Manager	6,270,000	5,780,000	(490,000)	-8%
Technical and scheduling services	917,000	990,000	73,000	8%
Service fees - PG&E	2,073,000	2,126,000	53,000	3%
Legal and Policy Services	1,060,000	1,299,000	239,000	23%
Communication Services	1,573,000	2,365,000	792,000	50%
Other Services	1,184,000	1,865,000	681,000	58%
General and Administration	1,664,000	2,380,000	716,000	43%
Occupancy	1,014,000	1,008,000	(6,000)	-1%
Finance and Contingency	1,370,000	1,200,000	(170,000)	-12%
TOTAL OPERATING EXPENSES	**25,916,000**	**30,898,000**	**4,982,000**	**19%**
OPERATING INCOME	**57,748,000**	**45,073,000**	**(12,675,000)**	**-22%**
NONOPERATING REVENUES				
Grant Income	1,748,000	1,659,000	(89,000)	-5%
Other Income	0.00			
Interest income	1,400,000	2,000,000	600,000	43%
TOTAL NONOPERATING REVENUES	**3,148,000**	**3,659,000**	**511,000**	**16%**
NONOPERATING EXPENSES				
Banking Fees and Financing Costs	253,000	218,000	(35,000)	-14%
Grant related consultants - TerraVerde	1,071,000	537,000	(534,000)	-50%
Operating Reserve Fund	0	0	0	0
TOTAL NONOPERATING EXPENSES	1,324,000	**755,000**	**(569,000)**	**-43%**
CHANGE IN NET POSITION	**59,572,000**	**47,977,000**	**(11,595,000)**	**-19%**
Budgeted net position beginning of period	91,577,000	163,297,000	71,720,000	78%
Change in net position	59,572,000	47,977,000	(11,595,000)	-19%
Budgeted net position end of period	151,149,000	211,274,000	60,125,000	40%
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Capital outlay	**259,000**	**163,000**	**(96,000)**	**-37%**
Transfer to Resiliency Fund	3,000,000	3,000,000	-	0%
Transfer to LREPDF	846,000	2,430,000	1,584,000	187%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**4,105,000**	**5,593,000**	**1,488,000**	**36%**
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**55,467,000**	**42,384,000**	**(13,083,000)**	**-24%**

3.09.2020

Marin Clean Energy
Local Renewable Energy & Program Development Fund
Proposed Budget FY 2020/2021
From April 1, 2020 to March 31, 2021

	FY 2019/2020 Approved Budget	FY 2020/2021 Proposed Budget
REVENUE AND OTHER SOURCES:		
Transfer from Operating Fund	$ -	$ 1,500,000
Transfer from Renewable Energy Reserve Fund	1,222,000	-
Deep Green Transfer	846,000	930,000
TOTAL REVENUE AND OTHER SOURCES:	**2,068,000**	**2,430,000**
EXPENDITURES AND OTHER USES:		
Local Pilot Programs	2,031,000	2,849,011
Low income solar programs	190,000	190,000
Regional Heat Pump Water Heater Program	-	300,000
TOTAL EXPENDITURES AND OTHER USES:	**2,221,000**	**3,339,011**
Net increase (decrease) in fund balance	$ (153,000)	$ (909,011)
Fund Balance at beginning of period	402,000	1,649,000 *
Fund Balance at end of period	**$ 249,000**	**$ 739,989**

* Beginning balance for FY 2020/21 difers from budgetted FY 2019/20 ending balance due to delays in actual fund spending.

Marin Clean Energy
Resiliency Fund
Proposed Budget FY 2020/2021
From April 1, 2020 to March 31, 2021

	FY 2019/2020 Approved Budget	FY 2020/2021 Proposed Budget
REVENUE AND OTHER SOURCES:		
Transfer from Operating Fund	$ 3,000,000	$ 3,000,000
TOTAL REVENUE AND OTHER SOURCES	**3,000,000**	**3,000,000**
EXPENDITURES AND OTHER USES:		
Resiliency Efforts	250,000	5,750,000
TOTAL EXPENDITURES AND OTHER USES	**250,000**	**5,750,000**
Net increase (decrease) in fund balance	2,750,000	-
Fund balance at beginning of period	3,000,000	2,750,000
Fund balance at end of period	**2,750,000**	**-**

Energy Efficiency Fund
Proposed Budget FY 2020/2021
From April 1, 2020 to March 31, 2021

	FY 2019/2020 Approved Budget	FY 2020/2021 Proposed Budget
REVENUE AND OTHER SOURCES:		
Public purpose energy efficiency program	$ 2,383,000	$ 6,908,519
Public purpose Low Income Families and Tenants Pilot Program	1,750,000	1,755,537
TOTAL REVENUE AND OTHER SOURCES:	**4,133,000**	**8,664,056**
EXPENDITURE AND OTHER USES:		
Public purpose energy efficiency program	2,383,000	6,908,519
Public purpose Low Income Families and Tenants Pilot Program	1,750,000	1,755,537
TOTAL EXPENDITURES AND OTHER USES	**4,133,000**	**8,664,056**
Net increase (decrease) in fund balance	$ -	-

3.09.2020

My community.
My choice.

March 19, 2020

TO: MCE Board of Directors

FROM: Justin Kudo, Strategic Analysis and Rates Manager

RE: Dynamic Rates for Upcoming Solano Inclusion (Agenda Item #13)

Dear Board Members:

SUMMARY:

Staff has examined potential rate scenarios during the inclusion period for unincorporated Solano County customers and identified the potential for PG&E rates to have multiple changes during the first year of service. To ensure that the cost differential for these new customers is closely aligned with enrollment notices and communications, staff recommends that the Board consider directing staff to create rates which allow these customers to have costs that are at or below PG&E customer costs for the first year of service in unincorporated Solano County.

MCE's rates for its other customers would be unaffected by this proposal, and potential changes to MCE's standard rates will be assessed at a future date when PG&E's rates and PCIA charges become known. The financial impacts to MCE of this proposal, discussed later in this report, are limited due to the relatively small number of affected customers.

The Executive Committee reviewed and discussed the proposed Dynamic Rates for upcoming Solano County inclusion at its March 6, 2020 meeting, and voted unanimously to recommended approval to the full Board.

Background

Due to delays in PG&E's 2019 and 2020 rate implementation, PG&E rate adjustments are expected to result in two (or more) off-cycle rate changes later in 2020. The impact and timing of these adjustments are still subject to change, but staff currently anticipates that PG&E's Power Charge Indifference Adjustment (PCIA) charges could increase and generation rates could decrease, which could push PG&E's customer's comparable costs below MCE's.

Much of the anticipated increase in PCIA for 2020 is due to a true-up for PG&E's under-recovery of PCIA costs during 2019. Since the Unincorporated Solano County customers were served by PG&E during 2019 and did not contribute to the under-collection, MCE believes these customers should not be subject to higher PCIA costs related to recovery of the under-collected 2019 PCIA costs.

Typically, MCE inclusion periods have occurred after MCE and PG&E's annual rate changes, facilitating clear forecasting and communication of near-term costs to pending customers. In this inclusion period, PG&E rate changes are likely to begin on May 1st, following the unincorporated Solano County inclusion month (April), making communication with customers on cost differences challenging. Current marketing language has therefore been general in describing MCE service as "cost competitive" with PG&E service.

To address these issues, staff examined the feasibility of setting dynamic rates for customers in the upcoming enrollment. Unlike current rates which are typically established once annually and then left unchanged, dynamic rates would be adjusted to mitigate the impacts of each change to PG&E rates, which would effectively provide bill protection to MCE's new customers for a period of one year. Dynamic rates could be applied for the first year of service (April, 2020 – March, 2021) in unincorporated Solano County, to allow clear customer communications about costs and avoid potential confusion.

Comparative Costs

One of the key ways that MCE communicates costs to customers is by their relative total MCE cost compared to what the total cost would otherwise be assessed by PG&E. MCE currently operates with a slight savings in cost for customers compared with PG&E, communicated on MCE's website, notifications, and marketing materials. These are updated with most PG&E rate changes, except those that do not affect MCE's comparative costs.

Comparisons between MCE and PG&E costs are calculated by comparing PG&E's and MCE's generation rate, plus applicable Power Charge Indifference Adjustment (PCIA) and Franchise Fee Surcharge (FFS) rates. Upcoming expected changes to PG&E generation and PCIA rates will directly impact comparative costs between MCE and PG&E service.

Projected PG&E Rate Changes

PG&E generation and PCIA rates will be affected to some degree by several pending or approved decisions at the California Public Utilities Commission:

- The Annual Electric True-Up for 2020, expected to result in a **1% generation rate increase** (PG&E AL-5661-E)
- The Tax Cuts and Jobs Act of 2017 reduced PG&E costs and therefore resulted in their rates being set too high; this correction will be refunded and result in an approximately **2% generation rate reduction** (D.19-08-023)
- An update to PG&E's fuel and purchased power cost forecast, resulting in an approximately **5% generation rate reduction and annual PCIA change** (A.19-16-001)
- Implementation of PG&E's 2020 General Rate Case Phase 1, resulting in an approximately **3% generation rate increase** (A. 18-12-009)
- Implementation of PG&E's 2020 General Rate Case Phase 2, resulting in an approximately **5% generation rate reduction** (A.16-06-013)
- The Annual Electric True-Up for 2021, expected to result in a **3% generation rate increase**.

Overall, these changes suggest that PG&E's generation rates should decrease, but subsequent market or regulatory changes could cause them to be either higher or lower than expected. The PCIA is expected to increase by about $0.005 to $0.006/kWh (about $2.75 on the typical household monthly bill), subject to the current cap on PCIA rate changes. The scope of these changes varies based on customer class (e.g. residential, small commercial, agricultural, etc.) and the year they moved to MCE service.

Staff also notes the potential for a second PCIA rate change in 2020 if any changes are made to the PCIA cap. It is currently unknown if PG&E would apply for such changes in the upcoming year, or how they would be resolved; figures in this report assume our current best estimates.

Dynamic Rate Structure

To protect Solano County customers from having volatile cost comparisons between MCE and PG&E during the first year of their upcoming enrollment, staff recommends adjusting applicable rates for these customers with each PG&E rate change. Staff could account for PG&E changes to the PCIA and generation rates, and set new rates which achieve a customer cost that is at or below the PG&E customer cost.

This proposal would apply to rates for Light Green service. Deep Green customers would also benefit from these rates, because Deep Green is a flat $0.01/kWh adder on the Light Green rate. Local Sol service is directly tied to resource costs and would remain at its normal rate.

Adjusting MCE rates typically takes between two and three weeks of development time. In the event that we are provided short notice on a PG&E rate change, Solano County customer rates would be updated as soon as possible given the lead time needed to calculate and implement an appropriate rate. This may result in brief gaps in adjustment to the dynamic rate, but should have minimal impact.

Fiscal Impacts

Staff analyzed costs based on unincorporated Solano County's 2018 usage, assuming an opt-out rate of 7% of total load and a wide range of possible PG&E rate changes. Setting dynamic rates for the 12-month period is expected to cost approximately $1,986,382, depending on the final PG&E rates and implementation timing. Additionally, development costs to implement rate changes are expected to total $12,000. These costs represent approximately 0.5% of MCE's projected revenues for FY 2020/21.

Several factors could reduce or increase these costs, including but not limited to: enrollment rate, PCIA cap removal, direct access enrollments, load changes, or PG&E actual rates.

Recommendations:

Direct staff to implement dynamic rates for new customers in Solano County by adjusting rates for these customers as necessary to maintain cost parity or cost savings compared to PG&E customer costs.

March 19, 2020

TO: MCE Board of Directors

FROM: Garth Salisbury, Director of Finance

RE: Steps and Considerations for MCE to Access the Tax-Exempt Capital Markets (Agenda Item #14)

ATTACHMENT: Timeline to Issuing Bonds

Dear Board Members:

SUMMARY: MCE has an opportunity to take the necessary early steps to prepare to issue tax-exempt municipal bonds to finance an ownership interest in a generating or storage asset if/when the opportunity presents itself. The following is a detailed summary of the steps that would need to be taken for MCE to issue debt and the important issues to be considered by the MCE Board of Directors before doing so. The Executive Committee reviewed and discussed the proposed Steps and Considerations for MCE to Access the Tax-Exempt Capital Markets at its March 6, 2020 meeting and voted unanimously to recommended approval to the full Board.

Rational for Preparing Now to Issue Bonds: MCE has taken many steps over the last year to strengthen our financial position including meeting our Reserve Policy/Liquidity goals and subsequently increasing them, setting up an Operating Fund Reserve, securing a second credit rating and a $40 million line of credit with J.P. Morgan Chase Bank and, most recently, embarking on a program to reduce the cost of our renewable energy through a tax-exempt prepayment program. As MCE matures as a leading provider of renewable and GHG free energy, we must avail ourselves of all of the available tools to reach our goals of providing 85% renewable energy and 99% GHG free energy by 2029. Additionally, our mandates continue to evolve within our service area as we invest in and promote energy efficiency, EV adoption, local solar generation, battery storage and most recently, system resiliency/microgrids.

A logical next step for MCE might be to purchase generation or storage assets outright and to be in a position to do so quickly if an opportunity develops. Owning assets would only be considered if it was a more cost-effective alternative to a standard power purchase agreement or if asset ownership afforded synergies between MCE's other objectives (e.g. resiliency, GHG free energy, etc.) or additional measurable advantages in terms of operational efficiency. Our ability to issue tax-exempt debt to finance an ownership interest in a facility is a distinct advantage MCE has over investor owned utilities and direct access providers.

While there are no specific assets purchases currently under serious consideration, MCE must take a number of important steps to be in a position to quickly access the capital markets through a tax-exempt debt offering. The attached timeline outlines an estimate of the time it would take–start to finish–to issue bonds. This 10-12 month timeline would put MCE at a significant disadvantage if we were asked to bid on an asset and close the transaction within 8-10 weeks. Consequently, Staff is asking that the MCE Board consider taking the initial steps to get ready and thus reduce the time to closing a bond issue to 2-3 months. It is these steps that we would like to outline for your consideration. Finally, we will discuss some important considerations before MCE would actually issue bonds and outline how MCE Management and the Board will need to work together before any such undertaking.

Steps to Issuing Tax-Exempt Bonds: The following is a short summary of the necessary steps that MCE would have to take before issuing bonds:

1) *Adopt a Debt Policy:* California law (SB 1029) now requires that any state and local government agency that intends to issue debt must formulate and adopt a Debt Policy. MCE falls under this requirement and the Board of Directors would be required to adopt a formal Debt Policy before any debt could be issued. This debt policy would articulate the situations and steps necessary for the issuance of debt, the types of debt that may be issued and how the debt fits into MCE's integrated resource plan, capital improvement program or strategic policy goals.
2) *Select a Municipal Financial Advisor:* Before MCE can issue debt, the Municipal Securities Rulemaking Board (MSRB) requires that MCE secure the services of a municipal financial advisor (MA or FA). An MA is an individual that is employed by a Municipal Advisory Firm and is licensed to advise municipal entities on financial matters including issuing bonds. The MA would assist MCE through the initial steps to get ready to issue debt and would assist in the negotiations with the underwriting team during the actual pricing of the bonds. An MA with specific experience advising public electric utilities would be selected through an RFP process.
3) *Select a Bond Counsel Firm:* MCE would need to select a law firm that specializes in municipal utility finance law in the State of California. Bond Counsel would draft the important documents (e.g. Bond Resolution or Indenture) that would dictate the terms of the bond issuance, the covenants that MCE would have to adhere to and the financial metrics that would have to be achieved and maintained to issue additional debt, etc. A nationally recognized Bond Counsel will also provide the critical tax opinion that the interest on the bonds is exempt from Federal and State of California Income Tax. Services of a Bond Counsel firm would likely be secured through an RFP process.
4) *Draft and Adopt a Bond Indenture:* The Bond Indenture dictates the requirements and conditions precedent before debt can be issued and the ongoing flow of funds, financial metrics and other operational requirements that MCE must maintain to protect bondholders and to ensure that the bonds are repaid (a.k.a. the "Bond Covenants"). Bond Counsel will draft the Indenture with input from MCE Staff, Board and MCE's MA. The Bond Indenture is a very important document that could have an impact on MCE's operations for as long as the bonds are outstanding. Some important standard Covenants include:
   a. *Pledge of Revenue:* Indicates the revenues, sources of revenue and priority of payments pledged to repay the bonds.
   b. *The Rate Covenant:* Requires that MCE produce in each year "net revenues"

(revenues – all operating expenses) = to Debt Service (principal and interest payments) + an additional margin to protect bondholders (Debt Service Coverage Ratio). The Rate Covenant requires that if MCE projects that net revenues *will not* produce the required debt service coverage, rates *will be increased* in an amount necessary to produce the required net revenues.

c. *Additional Bonds Test:* Sets historical and projected debt service coverage levels that must have been achieved historically and are projected to be achieved in the future before additional bonds can be issued.

5) Selection of Bond Underwriters: Once documentation is underway, MCE could issue an RFP for a team of qualified banks that would underwrite the bonds once we determined that we were ready to issue debt. Importantly, the underwriters would have suggestions about the bond covenants and other aspects of the financing to be able to access the markets with the most appropriate debt products to produce the lowest possible borrowing costs. MCE could decide to retain one underwriter or a number of underwriters depending upon their specific expertise or marketing strengths. Underwriters are paid from bond proceeds if/when bonds are issued.

Once MCE has completed these critical steps, the agency would only be about 8-10 weeks away from accessing the bond market, even if that opportunity were delayed many years in to the future.

<u>Important Considerations:</u> Staff and the Executive Committee suggest taking the initial steps to get ready to issue bonds and engage the Board in discussions about the Debt Policy and Bond Indenture. The Debt Policy and Bond Covenants would be critically important factors in managing the situations in which MCE issues debt and in the success of the bond issue. Accordingly, understanding the implications of the Debt Policy and the Bond Covenants to MCE's future operations, rate setting flexibility and financial health are paramount and should be discussed among the Staff and the Board of Directors. Staff and the Executive Committee suggest creating an Ad Hoc Committee of the Board on Bonding to allow the appropriate representatives from the Board of Directors to be engaged on formulating these two critical documents.

<u>Fiscal Impacts:</u> Staff estimates that taking the first steps as outlined above to get ready to issue bonds would cost approximately $125,000.

<u>Recommendations:</u>

1. Authorize staff to secure a Financial Advisor, Bond Counsel and potentially Underwriters to take the initial steps to get ready to access the tax-exempt capital markets.
2. Establish an Ad Hoc Committee on Bonding to assist in developing a Debt Policy and to be engaged to report back to the full Board as MCE staff and advisors develop a Bond Indenture for Board consideration.

MCE Debt Issuance Timeline

AI #14_Att: Timeline to Issuing Bonds

	ACTIVITIES	START	DUE
	Debt Issuance Timeline:	06/Mar	21/Dec
1	Introduce the Concept of Entering the Bond...	06/Mar	06/Mar
2	Development of a Debt Policy	09/Mar	16/Jun
3	RFP for and Secure Municipal Financial Advi...	09/Mar	20/Apr
4	RFP for and Secure Bond Counsel	30/Mar	29/May
5	Selection of Bond Underwriting Team	15/Apr	30/Jun
6	Creation of Bond Indenture and Other Bon...	01/Jun	31/Aug
7	Board Considers and Adopts Bond Indentur...	03/Sep	18/Sep
8	Prepare Disclosure Documentation (Prelim...	17/Aug	16/Oct
9	Apply for Ratings from Moodys and Fitch	21/Sep	31/Oct
10	Marketing of Bond Issue	02/Nov	30/Nov
11	Pricing of Bond Issue	01/Dec	18/Dec
12	Closing of Bond issue	21/Dec	21/Dec
13	Continuing Disclosure Obligation	21/Dec	21/Dec