1125 Tamalpais Avenue
San Rafael, CA 94901

1 (888) 632-3674
mceCleanEnergy.org

Marin Clean Energy
Executive Committee Meeting
Wednesday, May, 6 2015
10:00 A.M.

Barbara George Conference Room
1125 Tamalpais Avenue, San Rafael, CA 94901

Agenda Page 1 of 1

1. Board Announcements (Discussion)
2. Public Open Time (Discussion)
3. Report from Chief Executive Officer (Discussion)
4. Approval of 3.18.15 Meeting Minutes (Discussion/Action)
5. Update from Mainstreet Moms (Discussion)
6. Collateral Posting for Power Supply Purchases (Discussion)
7. Potential MCE Battery Partners Pilot Program (Discussion/Action)
8. Potential Adjustments to MCE Employee Retirement Account Management (Discussion/Action)
9. MCE Staff Positions Adjustments (Discussion/Action)
10. Review 5.21.15 Draft Board Agenda (Discussion)
11. Board Member & Staff Matters (Discussion)
12. Adjourn

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MARIN CLEAN ENERGY
EXECUTIVE COMMITTEE MEETING
WEDNESDAY, March 18, 2015
10:00 A.M.
SAN RAFAEL CORPORATE CENTER, BORO ROOM
750 LINDARO STREET, SAN RAFAEL, CA 94901

Roll Call

Present: Kate Sears, County of Marin
Gayle McLaughlin (Alternate), City of Richmond
Sloan Bailey, Town of Corte Madera
Bob McCaskill, City of Belvedere
Denise Athas, City of Novato

Absent: Ford Greene, Town of San Anselmo
Kevin Haroff, City of Larkspur

Staff: Dawn Weisz, Chief Executive Officer
Jennifer Dowdell, Deputy Director
Kirby Dusel, Technical Consultant
Brian Goldstein, Technical Consultant

Agenda Item #4 – Approval of 2.18.15 Meeting Minutes. (Discussion/Action)

M/s Bailey/McCaskill (passed 5-2) the approval of 2.18.15 Meeting Minutes. Directors Greene and Haroff were absent.

Agenda Item #5 – Repayment of River City Bank Term Loans (Discussion/Action)

M/s McCaskill/Bailey (passed 5-2) the recommendation of Repayment of River City Bank Term Loans subject to Board Approval. Directors Greene and Haroff were absent.

Agenda Item #6 – MCE Staff Positions

M/s Athas/Bailey (passed 5-2) the recommendation that the Board approve a salary range of $106,000 - $148,303 for the Director of Power Resources. Directors Greene and Haroff were absent.

Kate Sears, MCE Board Chair

ATTEST:

Dawn Weisz, Chief Executive Officer

MCE Clean Energy
My community. My choice.

Power Purchase Collateral

John Dalessi

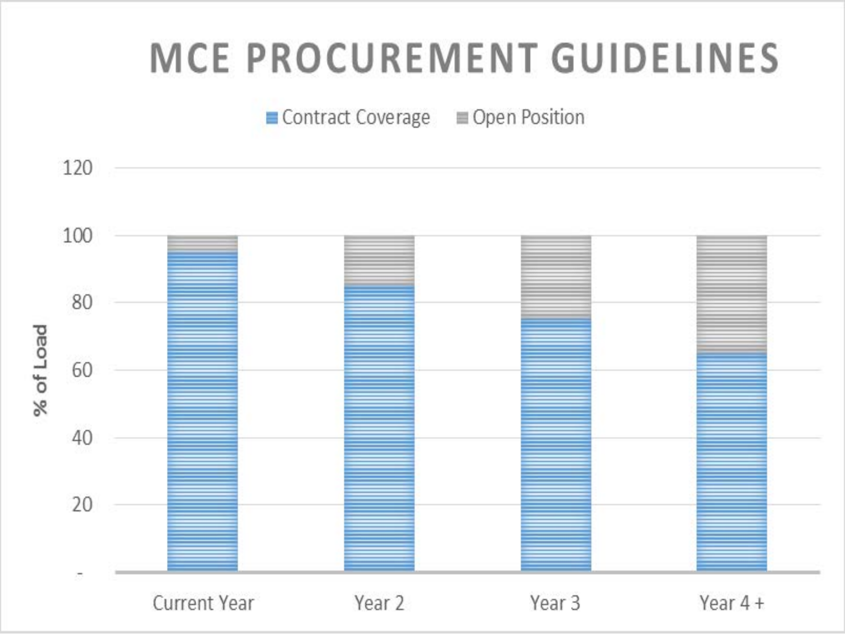
Pacific Energy Advisors

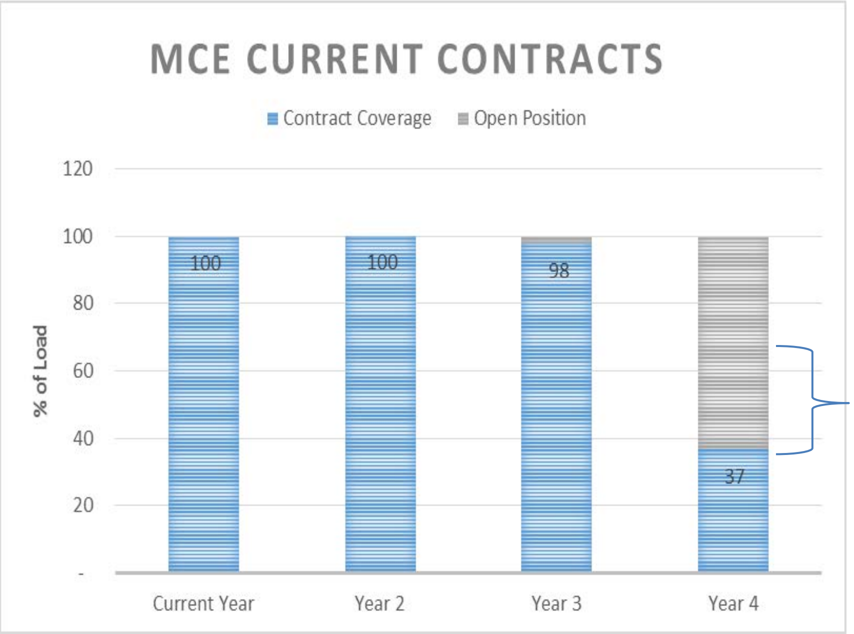
May 6, 2015

Conventional Power Purchases

- To date, most of MCE's conventional (non-renewable) power purchases have been made under the 2010 agreement with SENA
- Collateral supporting SENA purchases is addressed via grant of security interest in MCE revenue account ("Lockbox")
- SENA agreement expires December, 2017
- Forward conventional energy purchases outside of SENA agreement will typically require collateral in form of cash or standby letters of credit

Forward Energy Purchases





Anticipated 2015 forward purchases for 2018 and 2019 delivery.

Estimated Collateral Requirements

- Transition from lockbox structure to collateral postings to support conventional power purchasing program (CPPP)
- Collateral estimated at $5 to $10 million through 2016, increasing to $20 million once CPPP is fully implemented
- MCE will also maintain unencumbered reserves to maintain/enhance financial strength

Forms of Collateral

- Fixed collateral vs. variable collateral
- Exploring most efficient financing options
  - Standby letters of credit issued by commercial bank
  - Cash deposits via reserve fund and/or bank credit line
  - Multi-party lockbox?
- Exploring terms for potential credit line up to $10 million

Next Steps

- Determine preferred financing approach
- Negotiate financing terms
- Consider establishing MCE policy for treatment of reserves
  - Uses (e.g., rate stabilization, collateral)
  - Target balances
  - Treatment of excess funds
  - Investment

May 6, 2015

TO: Marin Clean Energy Executive Committee

FROM: Jennifer Dowdell, MCE Consultant

RE: Proposed Changes to the MCE Retirement Plans (Agenda Item #08).

Dear Board Members:

SUMMARY:

Management has identified several changes that will improve MCE's retirement plans. The changes will result in: 1) lower-cost investment options for employees; 2) reduced risk to MCE as the plan sponsor; and 3) a fairer allocation of plan costs between MCE and employees.

The proposed changes include:

- Customize the plans to offer lower cost investment options for employees
- Engage fiduciary and financial advisory support for MCE as plan sponsor
- Engage administrative compliance support for MCE as plan sponsor
- Have MCE as plan sponsor pay the administrative costs of between associated with plan accounting and reporting rather than deducting the costs from employee retirement accounts.

These changes require either: 1) selecting a new set of service providers; or 2) restructuring the arrangements with MCE's current provider, Nationwide Retirement Solutions (Nationwide). Each option has tradeoffs that impact service quality, cost and complexity. However, based on proposals from Nationwide and other providers, the proposed changes will not increase the overall cost of MCE's retirement plan, calculated as the sum of the total of Agency and participant costs. Some scenarios will result in no increase to MCE over MCE's current cost.

Management requests that the Board direct staff to provide retirement plan provider options and costs to Executive Committee for review. Staff may request delegation of approval authority by the Board of Directors.

BACKGROUND:

<u>Current Plan Overview</u>

MCE's retirement plans were established in August 2012 when the agency was just launching. Two types of retirement plans are currently offered.

1. A defined contribution, employer-funded 401(a) retirement plan; and
2. An employee-funded 457(b) retirement plan.

The plan assets are approximately $485,000 in the 401(a) retirement plan and $368,000 in the 457(b) retirement plan. The 401(a) plan has 27 participants, including past employees who have not rolled their funds into other plans.[1] The 457(b) plan has 22 participants reflecting all currently eligible MCE employees. Plan assets are invested over roughly 40 funds of the 400 funds Nationwide offers in the plans. The average total retirement account across combined 401(a) and 457(b) plans is $29,000. The average employee contribution his or her 457(b) plan is $350 per month.

Both plans are currently managed by Nationwide which keeps account of employee balances and reports asset balances and fund activity monthly. Nationwide also hosts an employee interface portal that facilitates selection of the mutual funds offered by Nationwide and a variety of leading broker dealers such as Oppenheimer, T Rowe Price, American Funds, and PIMCO.

The services Nationwide provides in managing the plan are "administrative" and "non-discretionary." This means that Nationwide performs accounting for fund activity, reporting to employees of account balances, overall reporting of fund performance, and required compliance filings, but does not take responsibility for plan compliance under IRS or Department of Labor rules. Under the current agreement Nationwide also does not provide "fiduciary services" as part of plan management. Fiduciary services include investment advice such as helping the plan sponsor select the most appropriate funds for its plan and consulting regularly with the plan sponsor best practices and any rule changes.

Active third-party fiduciary partners and to a lesser extent plan compliance support providers are important elements of a good risk management strategy because in most cases plan sponsors are not experts in investments or retirement account regulations. By engaging a fiduciary, the plan sponsors provide evidence of their due diligence and sound decision-making in the case of audit or legal action. Third-party fiduciaries typically maintain records of how decisions were made and stand with the plan sponsor if the plan is challenged or questions arise.

Currently MCE acts as both the plan sponsor and fiduciary for its retirement plans. This is not a best practice. As indicated previously, Nationwide as a "non-discretionary administrator" does

[1] Employees can transfer their 401(a) fund balances to 401(k) plans or individual retirement accounts when they change employers or leave government service but do not have to do so.

not take responsibility for the regulatory compliance of MCE's plan. In the event of plan audit, MCE would bear the full compliance risk[2] under its current contract with Nationwide.

Current Plan Cost:

The cost of the MCE's current retirement plans is paid through: 1) commission and fees for purchasing the funds ("loads"); and 2) custodial fees charged on the assets under management. Fund "loads" generally range from 1%-2%. The administrative fee is 0.8% of the assets in each employee account. This fee is deducted from employee retirement accounts and totals approximately $2,800-$3,800 annually per plan. Because it is a percent of assets rather than a flat charge, this fee will increase over time with the growth of plan assets and participants. Nationwide also offers optional paid investment advisory services[3] to MCE plan participants at a cost of 1% of account assets.

Under the current retirement plan structure, MCE employees bear all cost of the plans – fiduciary, administrative and mutual fund "loads." These costs can be significant relative to investments. For example a typical employee's cost of the 457(b) plan with load and administration is approximately $600 per year[4], significantly more than the average employee monthly contribution of $350.

We estimate that total MCE plan costs are approximately $15,000 per year. A breakdown of costs and allocation is shown below.

Service	**Rate**	**Cost Owner**	**Total Cost**
Fiduciary	N/A	N/A	$0
Administration	0.8%	Employee	$6,824
Average Fund Load[5]	1%	Employee	$8,530
Total MCE Retirement Plan Cost	1.8%	Employee	**$15,354**

Other Plan Options

A combination MCE's relatively small size in 2012,[6] and the limited number of providers who manage both 401(a) and 457(b) plans typical of public agencies, led to the selection of Nationwide who was willing to service a small public agency plan. Under MCE's current contract

[2] MCE's plans are not subject to ERISA but still have minimum Dept. of Labor filing requirements which must be met. The plans met all requirements when enacted in 2012, but good practice requires periodic evaluation against current IRS code and legislation to avoid any potential reputational damage to the Agency a minimum.

[3] This is a service where Nationwide selects and manages the retirement funds for the employee. Currently no MCE employees are using this service.

[4] This assumes $368,000 in assets, 11 employee accounts fund load of 1%, and administrative fee of 0.8%.

[5] Assumes low end estimate of average 1% load for conservatism. Actual loads range from 0.6%-2.03%

[6] Most retirement fund managers like Fidelity or Schwab require each plan have assets of $1 million dollars or more in order to provide service.

Nationwide offers a fairly generic, bundled set of plan services. This choice represented the best available balance of service quality and cost at the time.[7]

With the growth of MCE's retirement plan and staff, other cost-effective options are available that are better suited to the current needs of the Agency and employees.

Going forward, Management recommends that the retirement plans:

- Be customized to offer lower cost investment options for employees
- Engage fiduciary and financial advisory support for MCE as plan sponsor
- Engage administrative compliance support for MCE as plan sponsor
- Have MCE as plan sponsor pay the administrative costs associated with plan accounting and reporting rather than deducting the costs from employee retirement accounts. This could increase the cost to MCE which currently pays nothing for plan administration.

Management believes these changes will result in: 1) lower-cost investment options for employees; 2) reduced risk to MCE as the plan sponsor; and 3) a fairer allocation of plan costs between MCE and its employees.

To this end, Management has reviewed the offerings of Nationwide and other possible plan providers to develop a greater understanding of the range of service quality and costs. MCE's current options range from upgrade a bundled plan package from its current provider to a customized plan built with a team of specialty providers.

The custom approach involves engaging two separate specialty firms—one for fiduciary services, and another for administration. The bundled and custom options each have tradeoffs with respect to cost, complexity and service quality.

Based on Management's review, the proposed changes will not increase the overall cost of MCE's retirement plan. Although the cost borne by MCE may increase under some scenarios due to the Agency taking on administrative costs for the plan and engaging an investment advisor, other options can achieve the recommended changes with no cost increase to MCE.

The range of options and cost is summarized in the table below

Plan Service s	**Total Costs**	
	New Changes	**Current Plan**
Fiduciary	$0-$10,000	$0
Administration	$0-$4,500	$6,824
Average Fund Load	$5,000-$8,500	$8,530
Total MCE Retirement Plan Cost	**$9,600- $19,500**	**$15,354**

[7] Nationwide is the plan provider for the County of Marin

Recommendation:
Management requests that the Board direct staff to provide retirement plan provider options and costs to Executive Committee for selection and approval, if such approval authority is delegated by the Board.

May 6, 2015

TO: Marin Clean Energy Executive Committee

FROM: Katie Gaier, Human Resources Coordinator

RE: Staff Positions- Salary Adjustments (Agenda Item #09)

SUMMARY:

Marin Clean Energy is recruiting for the position of Business Development Manager for the Public Affairs Team. During the recruitment process, it has been determined that the position of Community Development Manager should be reviewed and the job description revised to include more comprehensive duties, including supervisory responsibilities. In addition, because the two positions would be working at parallel levels, the Community Development Manager salary range needs to be adjusted accordingly.

If the recommendation to increase the salary range of the Community Development Manager is approved, there will be compaction between that position and the Manager of Account Services, which is a more senior position within the Public Affairs Team. As a result, the Manager of Account Services salary range should also be adjusted accordingly.

An internal comparison in level of responsibility and skill level can be made between the Manager of Account Services and the Senior Regulatory Analyst as both are advanced journey level positions with lead work and supervisory duties.

Recommendation

It is recommended that your committee recommend to the Board of Directors for approval at its May 21 meeting an increase in the salary range for the Community Development Manager from $68,290 – $89,302 to $77,833 - $96,657 and an increase in the salary range for Manager of Account Services from $77,833 - $96,657 to $90,032 - $100,744 with exact compensation for the incumbents to be determined by the Chief Executive Officer within the Board approved budget.

Marin Clean Energy
Board of Directors Meeting
Thursday, May 21, 2015
7:00 P.M.

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

Agenda Page 1 of 2

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1. Board Announcements (Discussion)

2. Public Open Time (Discussion)

3. Report from Executive Officer (Discussion)

4. Consent Calendar (Discussion/Action)
   C.1 4.2.15 Meeting Minutes
   C.2 Approved Contracts Update
   C.3 MCE Staff Position Adjustments

5. Monthly Budget Report (Discussion)

6. Adjustments to MCE Employee Retirement Plans (Discussion/Action)

7. Resolution 2015-XX Regarding PACE Programs (Discussion/Action)

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8. Proposed MCE Battery Partners Pilot Program (Discussion/Action)

9. Energy Efficiency Update (Discussion)

10. Regulatory and Legislative Updates (Discussion)

11. Board Member & Staff Matters (Discussion)

12. Adjourn