

**APPROVED**

Date: 11/19/2020

**MARIN CLEAN ENERGY**



## **POLICY 016: Operating Reserve Fund**

### **Policy Purpose**

The Operating Reserve Fund Policy will describe the situations in which staff will propose and the MCE Board of Directors will consider deposits into and withdrawals from the Operating Reserve Fund and establishes an Operating Reserve Fund Targeted Balance.

### **Policy Statement**

The financial strength of MCE is one of the necessary pillars of the Agency if it is to deliver on its mission to address climate change by providing competitively priced renewable and GHG free energy to its customers. MCE will adopt policies and procedures designed to strengthen its financial position to allow the Agency to achieve these environmental goals. The MCE Board of Directors will adopt budgets and establish and adjust rates as necessary each fiscal year to provide sufficient revenues to pay all operating expenses and all other financial obligations of the agency. While MCE strives to meet its Reserve Policy targets, rates will be set to provide an addition to MCE's Net Position whenever possible. MCE will also take the necessary steps to achieve and maintain strong investment grade credit ratings to minimize interest costs and counterparty collateral posting requirements.

To this end, in November of 2019 the MCE Board of Directors approved Resolution 2019-06 creating an Operating Reserve Fund and later approved the first deferral of revenue into the Operating Reserve Fund effective the end of the 2019-20 Fiscal Year. The Operating Reserve Fund has been established and will be maintained and utilized to strengthen MCE's financial position and to be a tool to assist in addressing variability in MCE's annual cashflows and expenses. The Operating Reserve Fund is not to be used to address specific expenses of the Agency, but rather as a tool that supports MCE's ability to meet its financial obligations each fiscal year.

To the extent there is any conflict with Resolution 2019-06 which authorized the creation of the Operating Reserve Fund and this Policy 016, which provides directives for deposits to and withdrawals from the Operating Reserve Fund, this Policy 016, and any amendments thereto, shall control once approved by the MCE Board of Directors.

### **Policy Directives**

**Deposits:** Staff will recommend and the Board will consider deferral of revenue into the Operating Reserve Fund in a fiscal year (1) when the projected addition to Net Position is greater than 5% of total operating and non-operating revenues or (2) once the Reserve Policy targets are met, from any excess net revenues after payment of any debt service or other financial obligations due in that fiscal year

**Operating Reserve Fund Targeted Balance:** Deposits can be made into the Operating Reserve Fund as allowed above until the balance equals 10% of the total operating and non-operating Revenues in the

then current fiscal year.

**Withdrawals:** Staff will recommend withdrawals of Revenues from the Operating Reserve Fund in a fiscal year where net revenues are projected to be negative or as necessary to satisfy any legal covenants, contractual obligations or to maintain investment grade credit ratings.