

MCE Executive Committee Meeting
Wednesday, June 5, 2024
12:00 P.M.

Public comments may be made in person or remotely via the details below.

1125 Tamalpais Avenue, San Rafael, CA 94901 (MCE)
2300 Clayton Road, Suite 1150, Concord, CA 94920 (MCE)

Remote Meeting Participation for Members of the Public

Video Conference: <https://t.ly/DnY7U>

Phone: Dial (669) 900-9128, Meeting ID 861 2234 3784, Passcode 415565

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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 5.1.24 Meeting Minutes
 - C.2 Proposed Amendment to MCE Policy 013: Reserve Policy
6. Proposed Fiscal Year 2023/24 Deferral to MCE's Operating Reserve Fund (Discussion/Action)
7. 2024 Youth Outreach Campaign Update (Discussion)
8. Draft 6.20.24 Board Agenda (Discussion)
9. Board & Staff Matters (Discussion)
10. Adjourn

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The Board may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

DISABLED ACCOMMODATION: If you are a person with a disability who requires an accommodation or an alternative format, please contact MCE at (888) 632-3674 or ada-coordinator@mcecleanenergy.org at least 72 hours before the meeting start time to ensure arrangements are made.

DRAFT

MCE EXECUTIVE COMMITTEE MEETING MINUTES

Wednesday, May 1, 2024

12:00 P.M.

Present: Sally Wilkinson, City of Belvedere
Eli Beckman, Town of Corte Madera
David Fong, Town of Danville
Gabriel Quinto, City of El Cerrito
Max Perrey, City of Mill Valley
Eduardo Martinez, City of Richmond, joined at 12:19 pm
Maika Llorens Gulati, City of San Rafael

Absent: Devin Murphy, City of Pinole
Shanelle Scales-Preston, City of Pittsburg
Holli Thier, Town of Tiburon
Cindy Darling, City of Walnut Creek

**Staff
& Others:** Jesica Brooks, Board Clerk and Executive Assistant to the COO
Darlene Jackson, Board Clerk and Executive Assistant to the CEO
Vicken Kasarjian, Chief Operating Officer
Tanya Lomas, Internal Operations Assistant
Catalina Murphy, General Counsel
Ashley Muth, Internal Operations Assistant
Justine Parmelee, Director of Internal Operations
Daniel Settlemyer, Internal Operations Coordinator
Jenna Tenney, Manager of Communications & Community
Engagement
Jamie Tuckey, Chief of Staff
Dawn Weisz, Chief Executive Officer

1. **Roll Call**

Chair Perrey called the regular Executive Committee meeting to order at 12:02 p.m. with quorum established by roll call.

2. **Board Announcements (Discussion)**

There were no comments.

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

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

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

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CEO Dawn Weisz introduced this item and addressed questions from Committee members.

5. Consent Calendar (Discussion/Action)

- C.1 Approval of 4.3.24 Meeting Minutes
- C.2 Proposed First Agreement with Alternative Energy Systems Consulting, Inc.
- C.3 Proposed Fourth Agreement with EV.Energy Corp.

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

Action: It was M/S/C (Beckman/Gulati) to **approve Consent Calendar items C.1 - C.3.** Motion carried by unanimous roll call vote. (Absent: Directors Murphy, Scales-Preston, Darling, and Thier).

6. Overview of Community Power Coalition (Discussion)

Jenna Tenney, Manager of Communications and Community Engagement, presented this item and addressed questions from Committee members.

Chair Perrey opened the public comment period and there were comments from Members of the Public Ken Strong and Dan Segedin.

Action: No action required.

7. Pathways Initiative for Western Affordability and Renewables (Discussion)

CEO Dawn Weisz and COO Vicken Kasarjian presented this item and addressed questions from Committee members.

Chair Perrey opened the public comment period and there was a comment from Member of the Public, Ken Strong.

Action: No action required.

8. Review Draft 5.16.24 Board Agenda (Discussion)

Chief of Staff Jamie Tuckey presented this item.

9. Committee & Staff Matters (Discussion)

There were no comments.

10. Adjournment

Chair Perrey adjourned the meeting at 2:16 p.m. to the next scheduled Executive Committee Meeting on June 5, 2024.

DRAFT

Max Perrey, Chair

Attest:

Dawn Weisz, Secretary



June 5, 2024

TO: MCE Executive Committee

FROM: Garth Salisbury, Chief Financial Officer & Treasurer

RE: Proposed Amendment to MCE Policy 013 Reserve Policy
(Agenda Item #05_C.2)

ATTACHMENT: Amendment to MCE Policy 013: Reserve Policy (Redline)

SUMMARY:

In November of 2019, your Board amended the MCE Reserve Policy to increase the Reserve target to 60% of budgeted total expenses (energy and operating expenses) and increased the Liquidity target to 240 days liquidity on hand. Adequate Reserves enable MCE to satisfy working capital requirements, procure energy at competitive rates, adhere to loan and debt covenants, cover unanticipated expenditures, support rate stability and have been cited by both Moody's, S&P and Fitch as one of MCE's primary credit strengths.

MCE's current credit ratings are as follows:

Moody's: "Baa1"	S&P: "A"	Fitch: "BBB+"
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Conversations with the rating agencies over the past few years have identified a discrepancy in the methodologies utilized to calculate days liquidity on hand.

Days liquidity on hand is generally defined as:

$$\text{Days Liquidity on Hand} = \frac{(\text{Total Available Unrestricted Cash} + \text{Investments}) \times 365}{\text{Total Operating Expenses}}$$

MCE's Investment Policy defines days liquidity on hand to include the available amount of any credit facility:

$$\text{Days Liquidity on Hand} = \frac{(\text{Total Available Unrestricted Cash} + \text{Investments} + \text{Unused Bank Lines of Credit}) \times 365}{\text{Total Operating Expenses}}$$

Moody's does not recognize the credit facility in their metrics when calculating days liquidity on hand and Fitch only recognizes the credit facility if it is called out or referred to as "adjusted days liquidity".

To align more generally with the rating agency's definition of Days Liquidity on Hand, Staff recommends removing the reference to unused bank lines of credit from the definition of Days Liquidity on Hand in the Reserve Policy (see attached amendment to MCE Policy 013: Reserve Policy).

After removing the reference to "unused bank lines of credit" from the definition of Days Liquidity on Hand, the table below represents the projected levels of Reserves and Liquidity for Fiscal Year 2023/24 and the current Fiscal Year 2024/25:

Reserve and Liquidity Projections

MCE Reserve & Liquidity Requirement Targets		FY 2023/24	FY 2024/25
Reserve Projections	Reserve Target (%)	60%	60%
	Reserve Target (\$)	421,183,800	439,560,000
	Projected Actual Reserves (\$) *	394,173,000	456,173,000
	Projected Actual Reserves (% of Target)	94%	104%
Liquidity Projections	Projected Unrestricted Cash and Investments (\$)	422,273,000	517,773,000
	Projected Unused Bank Line (\$)	0	0
	Deferred Income*	40,000,000	0
	Total Projected Liquidity (\$) *	462,273,000	517,773,000
	Projected Days Liquidity on Hand	240	258
	Target Days Liquidity on Hand	240	240
	Liquidity Target (\$)	461,571,000	481,710,000
Annual Expenses	Budgeted Annual Operating Expenses + Cost of Energy for the Current Fiscal Year (\$)	701,973,000	732,600,000

*Subject to Board approval of a \$40 million deferral into the Operating Reserve Fund.

It is currently projected that the addition to Net Position for Fiscal Year 2023/24 after a \$40 million deferral into the Operating Reserve Fund will result in reaching 93% of the Reserve target and 100% of the Liquidity target.

Fiscal Impacts: The proposed amendment to the Reserve Policy does not have a direct fiscal impact on MCE's annual budget and rate setting processes.

Recommendation: Recommend approval of the proposed amendment to MCE Policy 013: Reserve Policy to the full Board.

MCE POLICY 013: Reserve Policy

Policy Statement

MCE will adopt budgets and establish rates that provide for a growing Reserve until target funding levels are met.

The Reserve will grow to and be maintained at a funding level equal to or exceeding 40% of projected energy and operating expenses for the upcoming fiscal year. The Reserve will be accounted for as the Net Position in MCE's financial statements.

The MCE Board will adopt budgets and establish rates for MCE with the goal of building and maintaining Reserves at or above the target level by March 2020, subject to MCE's ability to meet operational expenditures and maintain competitive rates.

Policy Purpose

MCE will prudently manage its operations in a manner that supports its long-term financial independence and stability while providing sufficient financial capacity to meet short term obligations. This Reserve Policy is important in meeting MCE's strategic objectives, securing favorable commercial terms from both third-party service providers and lenders and in the development of a future stand-alone MCE credit rating.

Adequate Reserves will enable MCE to satisfy working capital requirements, procure energy at competitive rates, adhere to loan covenants, cover unanticipated expenditures, and support rate stability.

Relationship to the Budget, Liquidity and Periodic Review

By setting rates and authorizing expenditures through approved Budgets, MCE determines targeted additions to Reserves. Staff will carefully monitor MCE's liquidity to ensure it meets the objectives of the organization with the goal of securing 140 days liquidity on hand¹. Staff will review the Reserve Policy annually to ensure it meets the needs of the agency. The future development of MCE may require the expansion of reserve requirements to support new activities such as major expansion of MCE activities or the acquisition of generating assets.

¹ Days liquidity on hand = (unrestricted cash and investments + unused bank lines of credit) x 365 / (operating expenses + cost of energy, each for the upcoming fiscal year)



June 5, 2024

TO: MCE Executive Committee

FROM: Garth Salisbury, Chief Financial Officer & Treasurer

RE: Proposed Fiscal Year 2023/24 Deferral to MCE's Operating Reserve Fund (Agenda Item #06)

ATTACHMENT: MCE Policy 016: Operating Reserve Fund ("ORF Policy")

Dear Executive Committee Members:

Summary:

Staff recommends a \$40 million deferral into the Operating Reserve Fund (ORF) for Fiscal Year 2023/24 to provide for rate stabilization and financial stability. This transfer would create an important cushion against future financial uncertainties and help maintain steady rates for MCE customers.

Background:

In November of 2019 the Board of Directors approved Resolution 2019-06 creating the Operating Reserve Fund ("ORF"). The ORF allows MCE to defer revenue in years when financial results are strong to be used in future years when financial results may not be as strong and operates as a rate stabilization fund. The ORF was created under Government Accounting Standard Board (GASB) Standard 62 which allows an accounting treatment where revenue is deferred into the future when it might be needed to satisfy covenants or other financial requirements. Revenue deferred from a fiscal year is not recognized in that year and reduces the net revenue and the addition to Net Position¹ in that year.

As required by Resolution 2019-06 and the ORF Policy, the MCE Board must approve the transfer of revenues to or from the ORF. Since the creation of the ORF in 2019, the Board has approved deferrals of revenues into the ORF three times totaling \$30 million.

¹ Net Position: Defined as the cumulative difference between annual revenues (operating and non-operating) and annual expenses (operating and non-operating).

As MCE's budget has grown, driven primarily by the increasing cost of power, and as availability of power supply has become more volatile and uncertain, the need to hedge against future risk is much higher than in previous years.

Possible Uses for the Operating Reserve Fund: The ORF is structured as a traditional rate stabilization fund and can be used in the future if there are sudden unanticipated costs or if MCE has financial obligations to maintain a certain amount of net revenue (e.g. a bond covenant to maintain debt service coverage). The ability to withdraw funds from the ORF during financial challenges helps maintain rate stability for MCE's customers. As an example, if there was a market condition (i.e. significant heat event) resulting in additional energy costs that would require MCE to increase rates to meet bond covenants or to achieve positive net revenues for the year your Board could approve a withdrawal from the ORF to reduce or avoid a rate increase.

Operating Reserve Fund Policy Parameters: The ORF Policy allows a deferral of revenues into the ORF when the net revenues (addition to Net Position) are projected to exceed 5% of total revenues in a fiscal year. The ORF Policy has a targeted maximum balance of 10% of the total revenues in the current fiscal year.

Fiscal Year 2023/24 Recommended Deferral into the ORF: In Fiscal Year 2023/24 which ended on March 31, the total addition to Net Position is estimated to be approximately \$190 million*. This represents 24% of total revenues, which exceeds the Policy's minimum transfer threshold of 5%. Staff recommends a transfer of **\$40 million** to the ORF for Fiscal Year 2023/24 which would bring the ORF total to \$70 million, representing 8.75% of total revenues, approaching the targeted maximum balance of 10%.

MCE Reserve Policy Parameters: MCE's Reserve Policy sets a goal of achieving a Net Position of 60% of that year's budgeted energy and operating expenses. Staff currently projects that after a deferral of \$40 million into the ORF from Fiscal Year 2023/24 net revenues, that the reserve target will be achieved during the current fiscal year.

Fiscal Impacts: A deferral of \$40 million to the ORF for Fiscal Year 2023/24 will reduce the addition to Net Position from \$190 million* to approximately \$150 million and increase the balance in the ORF to \$70 million.

Recommendation: Recommend approval of a deferral of \$40 million in Fiscal Year 2023/24 revenues into the ORF to the full Board.

*Unaudited



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.



2024 Youth Campaign Update

June 2024

In this Presentation

- My Role at MCE
- Youth Education Toolkit
- Because of Youth 2024
- Looking Forward



About Me

- SEI Climate Corps Fellow
- Partnership Development Team, Strengthening Relationships with Community-Based Organizations



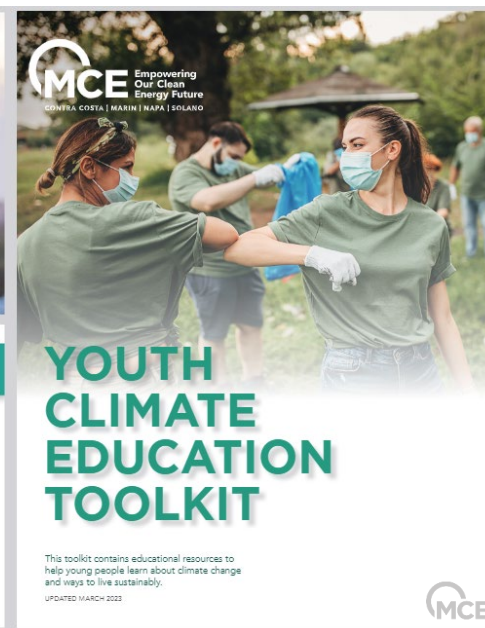
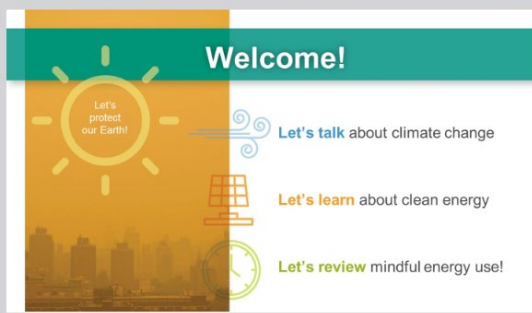
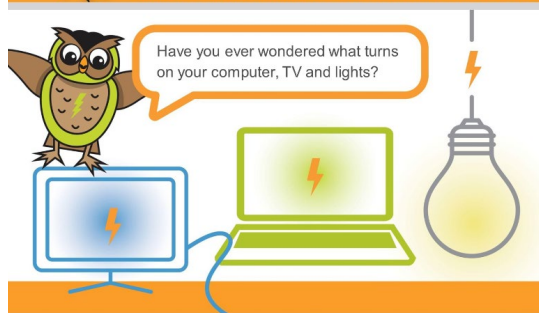
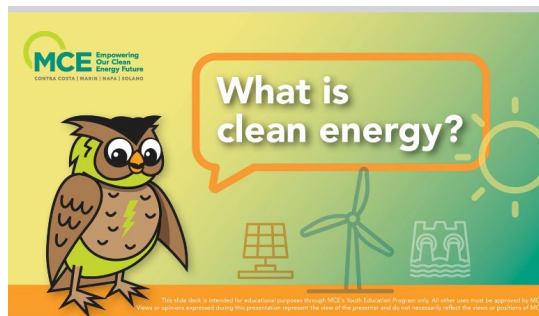


My Story

2023-2024 Youth Engagement Focus

- The Partnership Development Team set a goal to strengthen MCE branding and sustainability knowledge among youth in priority communities
 - Support communications and marketing team to develop and distribute youth engagement toolkit
 - Attend community events centering youth engagement and youth education
 - Implement Because of Youth Campaign

Climate Action Toolkit



Because of Youth Blog Posts

- Five student stories highlighted
- Focus on students interested in environmental activism and community engagement
- Found on our website



What are some ideas you have to make our world greener and cleaner?

I love developing ideas with peers to help make the earth greener. One of my favorite ideas was an environmental project that I worked on with Earth Team and my science teacher. We developed a prototype for solar cells that could be attached to small vehicles, such as electric bikes and mopeds.

We envisioned adapting solar panels, which are typically used on home roofs, to a minimal design that can be attached to the rear end of a small vehicle. During the day, the vehicle absorbs energy and converts it into spare fuel for the car. In the early design stages, it would not be enough to fully power the motorized vehicle, but it could serve as a short-term backup source of fuel when gas is unavailable.

Because of Youth Video Content

- **One youth-based CBO from each county**
 - Marin Youth Leadership Institute
 - Solano County Youth Coalition
 - Sustainable Contra Costa
 - Napa Schools for Climate Action
- Conducted interviews in the community and at MCE's offices



Napa Schools for Climate Action



Successes and Learnings

Successes

- 4,000+ impressions
- Napa Schools for Environmental Action had the highest engagement & impressions with over 1,600 impressions!

Learnings

- Work more closely with partners to distribute on social media
- Find time to interview specific youth
- Work with local youth on an MCE Campaign



**NAPA
COUNTY
LIBRARY**

THANK YOU! Questions?

eseibert@mceCleanEnergy.org
www.mcecleanenergy.org/because-of-youth/

Because of Youth Video Interview Links

- Marin Youth Leadership Institute: <https://vimeo.com/943368401>
- Solano County Youth Coalition: <https://vimeo.com/943368478>
- Sustainable Contra Costa: <https://vimeo.com/943368456>
- Napa Schools for Climate Action: <https://vimeo.com/938806564>

DRAFT

**MCE Board of Directors Meeting
Thursday, June 20, 2024
6:30 P.M.**

Public comments may be made in person or remotely via the details below.

1125 Tamalpais Avenue, San Rafael, CA 94901 (MCE)
2300 Clayton Road, Suite 1150, Concord, CA 94920 (MCE)
11780 San Pablo Ave., Ste D, El Cerrito, CA 94530 (Contra Costa County)
955 School Street, Napa, CA 94559, City Hall Committee Room (City of Napa)
1000 Kentucky Street, Fairfield, CA 94533, Fairfield Community Center, Vista Conference Room (Fairfield)

Remote Public Meeting Participation

Video Conference: <https://zoomto.me/F6Ogt>
Phone: Dial (669) 900-9128, Meeting ID: 890 0487 7785, Passcode: 525690

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 5.16.24 Meeting Minutes
 - C.2 Approved Contracts for Energy Update
 - C.3 Proposed Amendment to MCE Policy 013: Reserve Policy
6. Board Member Additions to Committees (Discussion/Action)
7. Proposed Fiscal Year 2023/24 Deferral to MCE's Operating Reserve Fund (Discussion/Action)
8. Annual Energy Efficiency Report Out (Discussion)
9. External Funding Pursuits Review (Discussion)

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10. Board & Staff Matters (Discussion)

11. Adjourn

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