

APPROVED

Date: 6/20/24

MARIN CLEAN ENERGY**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 60% of projected energy and operating expenses for the current 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 2022, 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 maintenance and potential improvement in MCE's stand-alone credit ratings.

Adequate Reserves will enable MCE to satisfy working capital requirements, procure energy at competitive rates, adhere to loan or bond 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 240 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 x 365 / (operating expenses + cost of energy, each for the current fiscal year)