AMENDMENTS TO RESERVES POLICY

Donald Eckert, Director of Finance & Administration
LONG-TERM BENEFITS TO RATEPAYERS

- Reserves protect against emergencies and other contingencies
- Reserves are a strong credit positive, leading to lower borrowing costs and better leverage in power supply negotiations
- Reserves help reduce the probability of rate shocks and market disruptions
RATING AGENCIES

- Strong liquidity (Reserves) and debt service coverage
- Board willingness to set rates to maintain financial strength
- Diverse power supply mix
- Cost competitiveness
- Customer retention
AMENDED POLICY

- Clearly Outlines:
  - Purpose
  - Target levels (min – target – max)
  - Source of funding
  - Conditions for use of reserves
  - Procedure for replenishment or excess
  - Review of target
  - Reporting
PROJECTED UNDESIGNATED CASH RESERVES

<table>
<thead>
<tr>
<th></th>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 Cash Balance</td>
<td>50,000</td>
</tr>
<tr>
<td>FY18 Budget</td>
<td>100,000</td>
</tr>
<tr>
<td>FY19 Projection</td>
<td>150,000</td>
</tr>
<tr>
<td>FY20 Projection</td>
<td>200,000</td>
</tr>
</tbody>
</table>

- Cash from Operations
- Line of Credit
- Target

Amendments to Reserves Policy - Finance and Administration Committee
RECOMMENDATION

• Staff recommends Finance and Administration Committee approval of amendments to Reserve Policy

• Consent item at the June 13th Board of Directors meeting
THANK YOU
BUILDING FACILITY OPTIONS

May 30, 2018 SVCE Finance and Administration Committee
Budget Priorities – Board Feedback

• At the May Board meeting, during discussion of the Budget Priorities item, the Board encouraged staff to explore moving forward with leasing additional space to accommodate future growth.
Strategic Plan

• SVCE’s Board-adopted Strategic Plan identifies the following strategies under Workplace:
  
  • Build an environment that encourages creativity and innovation
  
  • Ensure that staff has the tools necessary to effectively do the job
Problem Statement

• Current facility set up during SVCE’s start-up phase

• Move to normal operations:
  • Need space to accommodate expected growth and changing needs:
    • Projected growth: 25 FTE’s plus contractors, part-time & interns
    • Programs development
    • Collaborative work areas
    • Increasing committee meetings
Option #1
Take No Action (Max Space for 29)

- No Additional Costs
- Ease of Team Communication

- Tight Fit for Projected Staffing
- Inadequate Meeting Space
- Rental and Administrative Costs for Offsite Meetings
- Lack of Collaborative Space for Employees & Contractors
- Lack of Offices
- No Storage
- Small Break Area
Option #2a
Build Large Conference Room in Current Suite (Max Space for 27)

- Additional & Larger Conference Room
- Less Offsite Meetings
- Ease of Team Communication

- Additional Build-out and Furniture Costs
- Additional IT/AV Costs
- Eliminates 2 Cubicles
- Tight Fit for Projected Staffing
- Lack of Collaborative Space for Employees & Contractors
- Lack of Offices
- No Storage
- Small Break Area
Option #2b
Build Additional Private Offices in Current Suite (Max Space for 27)

- 3 Additional Private Offices
- Ease of Team Communication
- Additional Build-out, Furniture, and IT Costs
- Eliminates 3 Cubicles and 2 Intern Workstations
- Tight Fit for Projected Staffing
- No Additional Conference Rooms
- Rental and Administrative Costs for Offsite Meetings
- Lack of Collaborative Space for Employees & Contractors
- No Storage
- Small Break Area

Facility Options - Finance and Administration Committee

Silicon Valley Clean Energy
Option #3
Expand SVCE Office by Leasing Adjacent Suite
(Max Space for 40)

- More Space for Additional & Current Employees
- Additional & Larger Conference Room
- Less Offsite Meetings
- More Customizable Space
- Possible Additional Offices
- Storage Space
- Larger Break Area

- Additional Build-out and Furniture Costs
- Additional Rent
- Additional IT/AV Costs
- Additional Printer Cost
- Possible Strain on Communication for Some Staff; “Out-of-Sight, Out-of-Mind”
## CCA Comparison

<table>
<thead>
<tr>
<th>CCA</th>
<th>Square Footage</th>
<th>Current Headcount</th>
<th>Proposed Headcount</th>
<th>SF/FTE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCE</td>
<td>5,938</td>
<td>15</td>
<td>23</td>
<td>258.2 SF/1 FTE</td>
</tr>
<tr>
<td>MCE</td>
<td>20,448</td>
<td>62</td>
<td>72</td>
<td>284.0 SF/1 FTE</td>
</tr>
<tr>
<td>MBCP</td>
<td>11,190</td>
<td>20</td>
<td>24</td>
<td>466.3 SF/1 FTE</td>
</tr>
<tr>
<td>SVCE (Current)</td>
<td>5,080</td>
<td>18</td>
<td>25</td>
<td>203.2 SF/1 FTE</td>
</tr>
<tr>
<td>SVCE (+2,000 sf)</td>
<td>7,080</td>
<td>18</td>
<td>25</td>
<td>283.2 SF/1 FTE</td>
</tr>
</tbody>
</table>
## Estimated Fiscal Impact

<table>
<thead>
<tr>
<th></th>
<th>OPTION 1 Take No Action</th>
<th>OPTION 2a Build Conference Room</th>
<th>OPTION 2b Build Private Offices</th>
<th>OPTION 3 Expand Office Space</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Infrastructure</td>
<td>$0</td>
<td>$3,000</td>
<td>$0</td>
<td>$15,000</td>
</tr>
<tr>
<td>Audio/Visual</td>
<td>$0</td>
<td>$15,000</td>
<td>$0</td>
<td>$30,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>$0</td>
<td>$15,000</td>
<td>$8,000</td>
<td>$54,000</td>
</tr>
<tr>
<td>Construction</td>
<td>$0</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>No Impact</strong></td>
<td><strong>$33,000</strong></td>
<td><strong>$8,000</strong></td>
<td><strong>$99,000</strong></td>
</tr>
</tbody>
</table>

| **Annual Costs**  |                          |                                  |                                  |                               |
| Additional Rent   | $0                       | $0                               | $0                               | $123,360*                     |
| Additional Printer| $0                       | $0                               | $0                               | $6,500                        |
| **TOTAL:**        | **No Impact**            | **No Impact**                    | **No Impact**                    | **$129,860**                  |

*Rent estimated to increase ~10% per year
Recommendation

• Staff recommends Option #3

• Begin negotiations with Biagini Properties to lease expansion into adjoining suite

• Bring to Board for approval through the budget process
BENEFITS & COMPENSATION

Donald Eckert, Director of Finance & Administration
GOALS & OBJECTIVES

Competitive Pay
Review or redesign of compensation strategy

Contribute
Engagement of employees

Retention
Competing with other CCA’s
Costly to replace

Recognize
Recognition of high potentials
KEY COMPONENTS

PAY
- Base Pay
- Overtime Pay
- Performance
- Short Term Incentives
- Long Term Incentives
- "In Lieu Of"
- PTO Cash Out

BENEFITS
- Health
- Retirement
- Paid Time Off
- Work/Life Balance
- Administrative Leave
- Income Protection
- Death Benefits
- Other benefit policies

CAREERS
- Skills enhancements
- Leadership Development
- Nature of Work
- Recognition
- Tuition Assistance
ACTIONS

- Compensation Study
  - Will have results mid-June
  - Compare not just to other CCA’s but Member Agencies
    - Include value of CalPERs and OPEB
    - Propose a “Silicon Valley” adjustment
  - Public Agency limitations on pay
    - Emphasis on benefits to attract and retain
• Public transportation stipend
  • $300 per eligible employee

• “In Lieu Of” compensation for opting out of benefits plans
  • $500/employee
  • $500/employee savings to SVCE
ACTION

- Education Assistance
  - 100% reimbursed based on criteria being met
- COLA Policy
  - Tie to Bay Area CPI Index
  - Cap at 4% without Board approval
- EV Charging at SVCE office building
- Flexible Spending Account
  - No cost to SVCE
RECRUITMENT

• Authorize CEO to offer up to $15,000 per recruitment
  • For a $150,000 position, that is 10% to get the right person

• Provides flexibility to “move the needle”
PROPOSALS

- Work/Life Balance
  - Instead of 9/80 work schedules (26 days off)
  - Close office down holiday week and mid-year (preferable July 4th) = 8 days
  - Authorize CEO to offer 7 additional days if certain agency metrics are met
  - Or....develop an administrative leave policy
PROPOSALS

• Other Benefits
  • Add budget line item for Employee Goodwill expenses (picnics, instant recognition, celebrations etc.)
  • Health club membership
  • Partial cash-out of unused PTO
  • Telecommuting
PROPOSALS

• Other Benefits (cont.)
  • Job sharing and ½ time positions
    • Tap into under-utilized labor
  • Purchase assistance for EV’s
  • Review Health Care benefits
    • Cap moves with inflation
    • Include dependents
  • Pay-for-performance
    • Develop a formal review process
SUMMARY

• Employees are SVCE’s #1 asset
• We are in a competitive market
• Support the strategic plan of “best place to work”
NEXT STEPS

• Staff recommends Committee meeting in late June before July’s Board meeting:
  • Review compensation survey
  • Benefits to present at July’s Board meeting
  • Proposed FY 2018-19 Operating Budget
June Board Meeting

- Public Transportation Stipend
- In Lieu Of
- Educational Support
- Recruitment Budget
- Flexible Spending
- COLA Policy
- EV Charging

July - September

- Additional Leave
- PTO Cash Outs
- Pay for Performance
- Health care benefits
- Goodwill budget
- Health club
- Tele-commuting
- EV purchase assistance
- Job sharing – ½ time
THANK YOU
FY 2018-19 OPERATING BUDGET PREVIEW

Donald Eckert, Director of Finance & Administration
May Board meeting – Budget Priorities

June Board meeting – Discuss reserves

Sept Finance Committee - Recommended

June Finance Committee - Preliminary

July Board meeting – Proposed Budget

Sept Board meeting - Adoption
BUDGET PRIORITIES

• Staff presented budget priorities covering each segment of the agency
• Board feedback included:
  • Fund for retention and attraction of employees to maintain SVCE competitiveness
  • Review facility needs
  • Collaborate with other agencies in programs investments and pursue funding sources such as grants, etc.
OVERVIEW

• Preliminary Review of budget
  • Have not met internally to discuss “fixed” costs

• Full year of Milpitas

• First look at operating margin (revenues – power supply) shows a 27% return or $78 million to fund all other operating costs + reserves
REVENUES

4 Million MWh Sales

- Residential: 32%
- C&I: 66%
- Ag/SL/Other: 2%

4 Million MWh Sales

- Residential: 89%
- C&I: 10%
- Ag/SL/Other: 1%

Average of 257,000 Accounts

- Residential: 89%
- C&I: 10%
- Ag/SL/Other: 1%
REVENUES

- $285.7 million in projected revenues ($71.61/MWh)
  - Assuming no change in rates

- Significant unknowns with rates
  - Not certain of timing of release from PG&E
  - PCIA hearing currently in-progress

- Have to budget for rate volatility
POWER SUPPLY

• $207.7 million in projected power supply expenses

• Most power supply is hedged
  • RA is 100% hedged

• Risk is AB 1110
  • Budget assumes PCC1 for any PCC2 open positions
BREAK-EVEN

• Formula
  • $21.4 million fixed costs (current year) / 4 million of MWh sales + 52.05/MWh variable costs = $57.40/MWh break even rate for rates

• SVCE has 20% “wiggle” room on rates
Thank You
SECONd QUARTER FINANCIAL REVIEW

Donald Eckert, Director of Finance & Administration
## SILICON VALLEY CLEAN ENERGY
### BUDGETARY COMPARISON SCHEDULE
#### OCTOBER 1, 2017 through MARCH 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>TOTAL</th>
<th>BUDGET</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Sales</td>
<td>$55,274</td>
<td>$46,818</td>
<td>$102,092</td>
<td>$100,972</td>
<td>$1,119</td>
</tr>
<tr>
<td>Green Prime</td>
<td>158</td>
<td>185</td>
<td>343</td>
<td>313</td>
<td>30</td>
</tr>
<tr>
<td>Other Income</td>
<td>24</td>
<td>41</td>
<td>65</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td>Investment Income</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>55,457</strong></td>
<td><strong>47,047</strong></td>
<td><strong>102,503</strong></td>
<td><strong>101,321</strong></td>
<td><strong>1,182</strong></td>
</tr>
</tbody>
</table>

| **EXPENSES**   |           |           |            |            |          |
| Power Supply   | 44,089    | 42,169    | 86,259     | 83,152     | (3,106) |
| Billing        | 1,137     | 1,148     | 2,284      | 2,219      | (65)    |
| Other Operating| 1,069     | 1,339     | 2,408      | 2,850      | 442     |
| Programs       | 0         | 14        | 14         | 1,278      | 1,264   |
| Capital        | 9         | 11        | 20         | 20         | 1       |
| Debt Service   | 2,916     | 2,730     | 5,646      | 5,646      | 0       |
| **TOTAL EXPENSES** | **49,220** | **47,410** | **96,630** | **95,166** | **(1,464)** |

**NET**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>TOTAL</th>
<th>BUDGET</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,237</td>
<td>(364)</td>
<td>5,873</td>
<td>6,155</td>
<td>(282)</td>
</tr>
</tbody>
</table>
Current Ratio

- Target = 2.8

Net Margin

- Target = 20%

Return on Asset

- Target = 40%
FY OUTLOOK

• On target to end the year with $70 million in unrestricted cash
  • ~120 expense coverage days compared to 150 days recommended by Moody’s
• Rate competitiveness
  • PG&E and other CCA’s in region
• Maintaining 97% participation rate
  • Milpitas averaging less than 2% opt-out
• Milpitas online in 2 days
• Most likely will end year with low investment in programs
  • Programs Director on board next month
• Vacancies are in the process of being filled
• Low chance of fiscal impact from regulatory this year
• Power supply mostly hedged through end of fiscal year
• Debt free
Thank You