SILICON VALLEY CLEAN ENERGY

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

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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

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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

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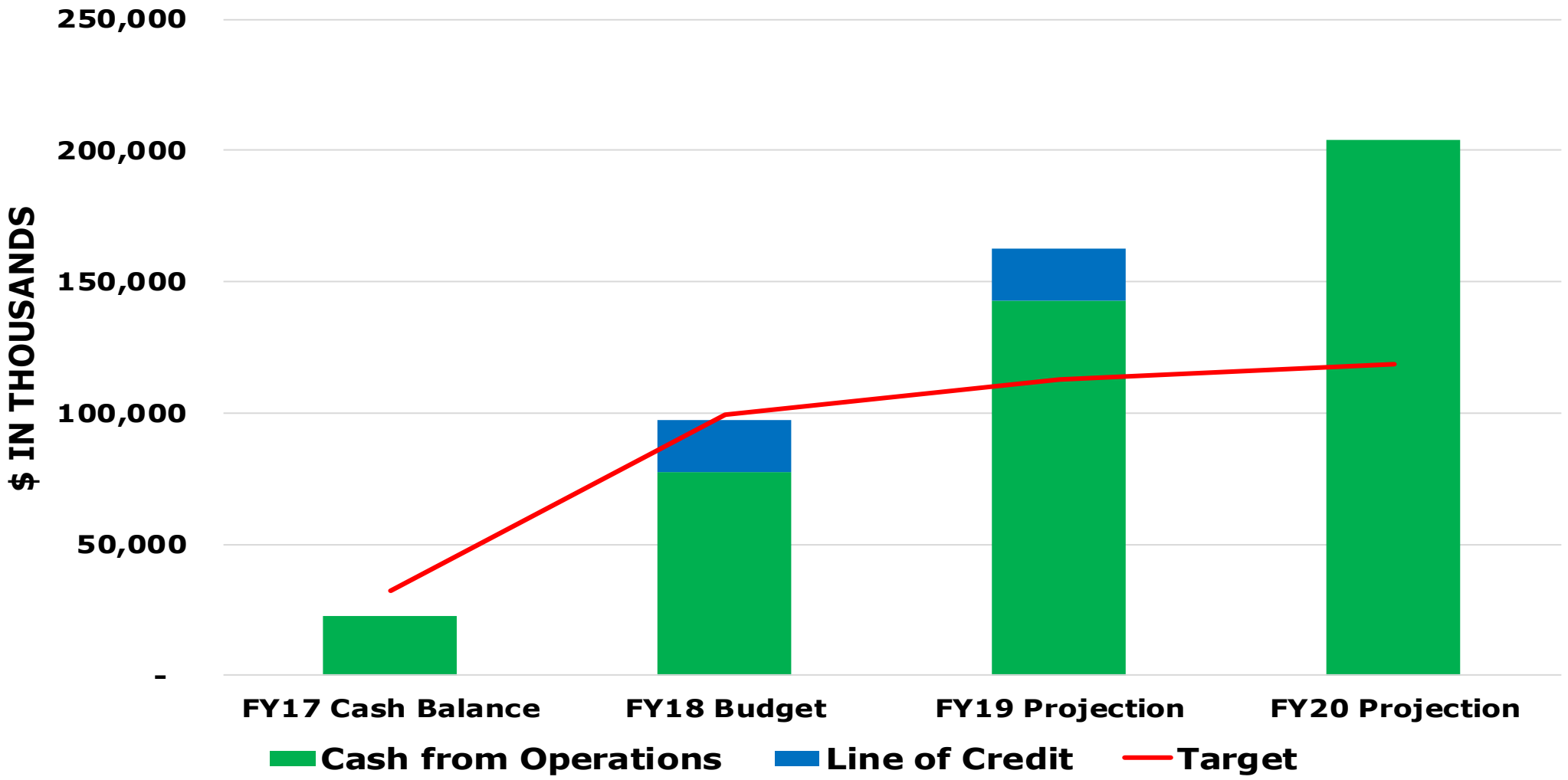
PROJECTED UNDESIGNATED CASH RESERVES



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RECOMMENDATION

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

- Consent item at the June 13th Board of Directors meeting

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THANK YOU

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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

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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

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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

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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

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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

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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”

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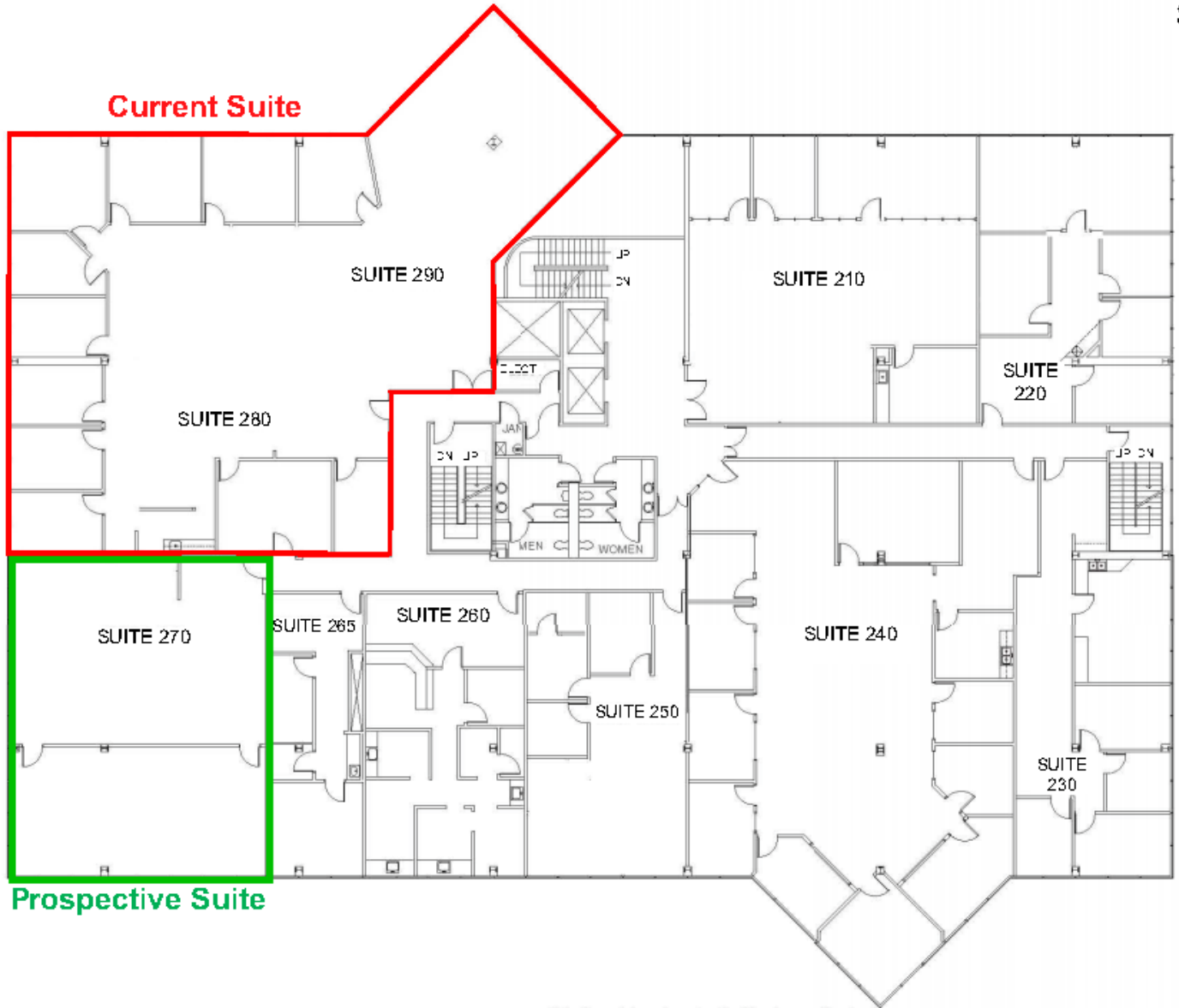
Sunnyvale Financial Plaza

333 West El Camino Real
Sunnyvale, CA 94087-1969

Second Floor Plan



Suite 210	2,043 Useable Square Feet
Suite 220	1,350 Useable Square Feet
Suite 230	1,374 Useable Square Feet
Suite 240	3,753 Useable Square Feet
Suite 250	1,115 Useable Square Feet
Suite 260	1,133 Useable Square Feet
Suite 265	650 Useable Square Feet
Suite 270	2,000 Useable Square Feet
Suite 280	3,271 Useable Square Feet
Suite 290	1,809 Useable Square Feet

BIAGINI PROPERTIES, INC
333 W. El Camino Real, Suite 240
Sunnyvale, CA 94087-1969
Phone (408) 331-2300
Fax (408) 331-2301

Rev. 03/16/2018 Site plan not to scale and subject to change without notice

CCA Comparison

CCA	Square Footage	Current Headcount	Proposed Headcount	SF/FTE Ratio
PCE	5,938	15	23	258.2 SF/1 FTE
MCE	20,448	62	72	284.0 SF/1 FTE
MBCP	11,190	20	24	466.3 SF/1 FTE
SVCE (Current)	5,080	18	25	203.2 SF/1 FTE
SVCE (+2,000 sf)	7,080	18	25	283.2 SF/1 FTE

Estimated Fiscal Impact

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

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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

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BENEFITS & COMPENSATION

Donald Eckert, Director of Finance & Administration

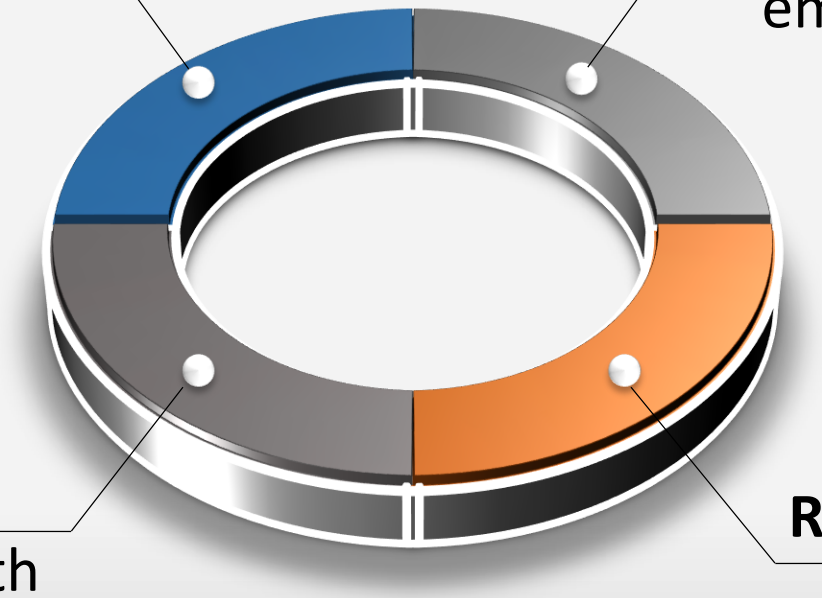
GOALS & OBJECTIVES

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

ACTION

- 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

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ACTION

- Public transportation stipend
  - $300 per eligible employee

- "In Lieu Of" compensation for opting out of benefits plans
  - $500/employee
  - $500/employee savings to SVCE

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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

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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”

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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

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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

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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

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SUMMARY

- Employees are SVCE's #1 asset
- We are in a competitive market
- Support the strategic plan of "best place to work"

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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

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VOTE

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

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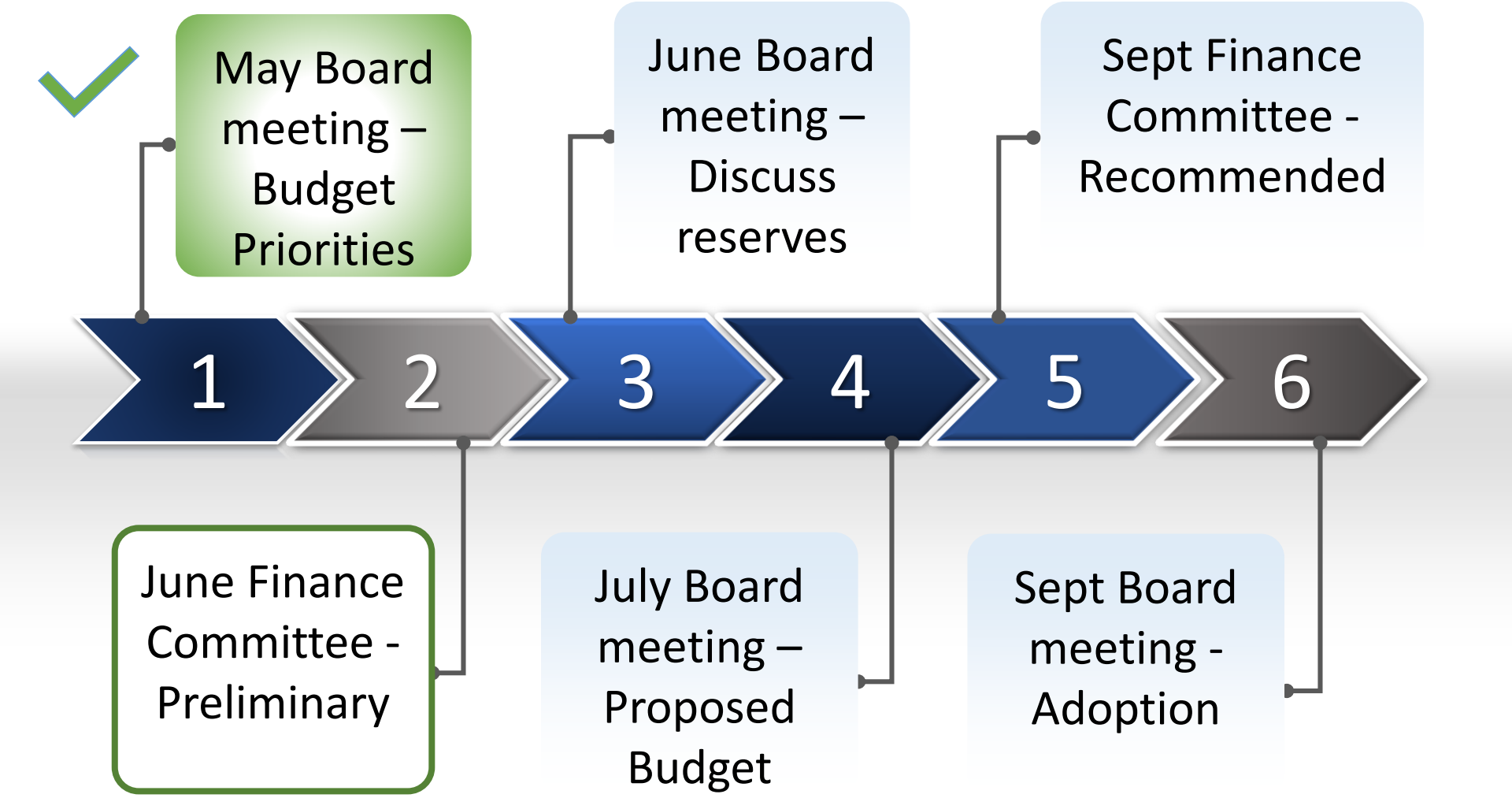
FY 2018-19 OPERATING BUDGET PREVIEW

Donald Eckert, Director of Finance & Administration

CALENDAR


May Board meeting – Budget Priorities
June Board meeting – Discuss reserves
Sept Finance Committee - Recommended
1
2
3
4
5
6
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.

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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

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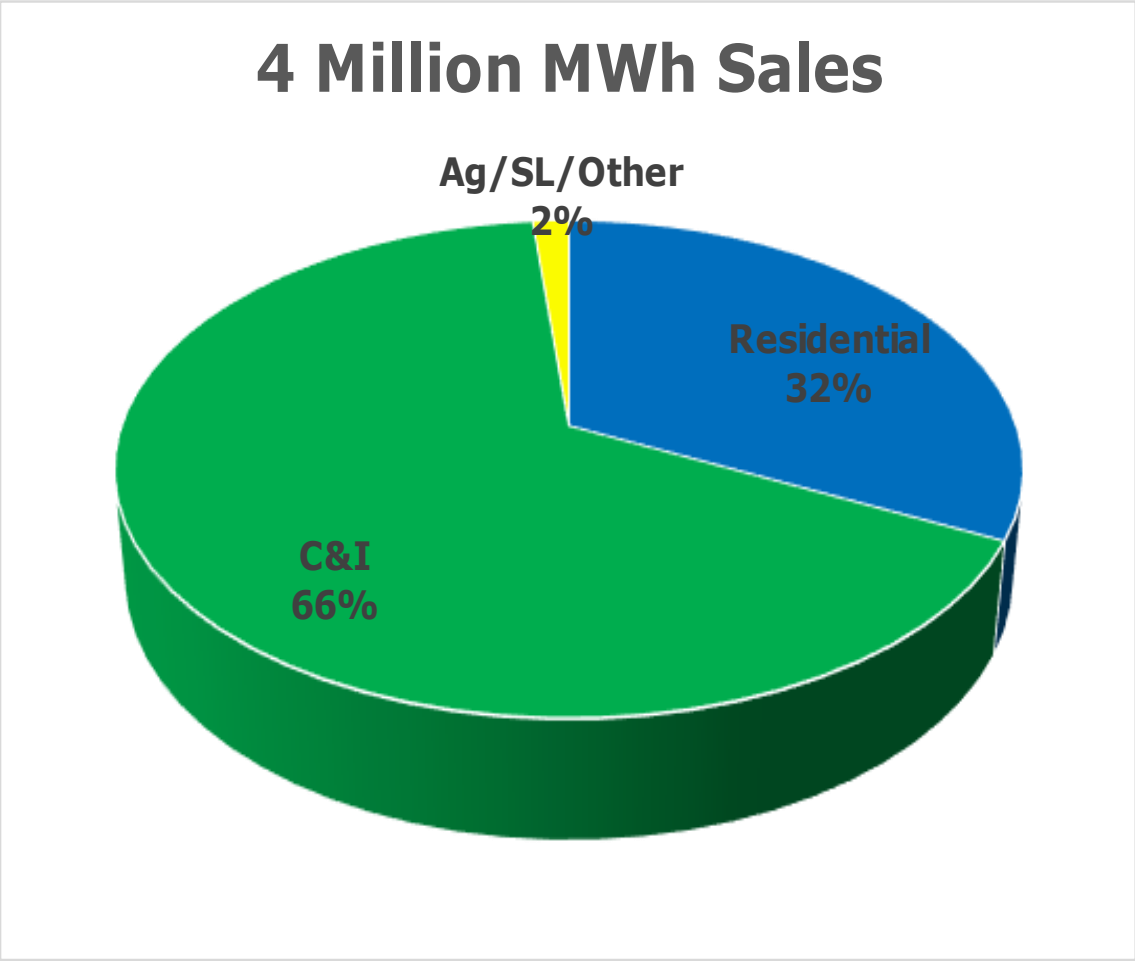
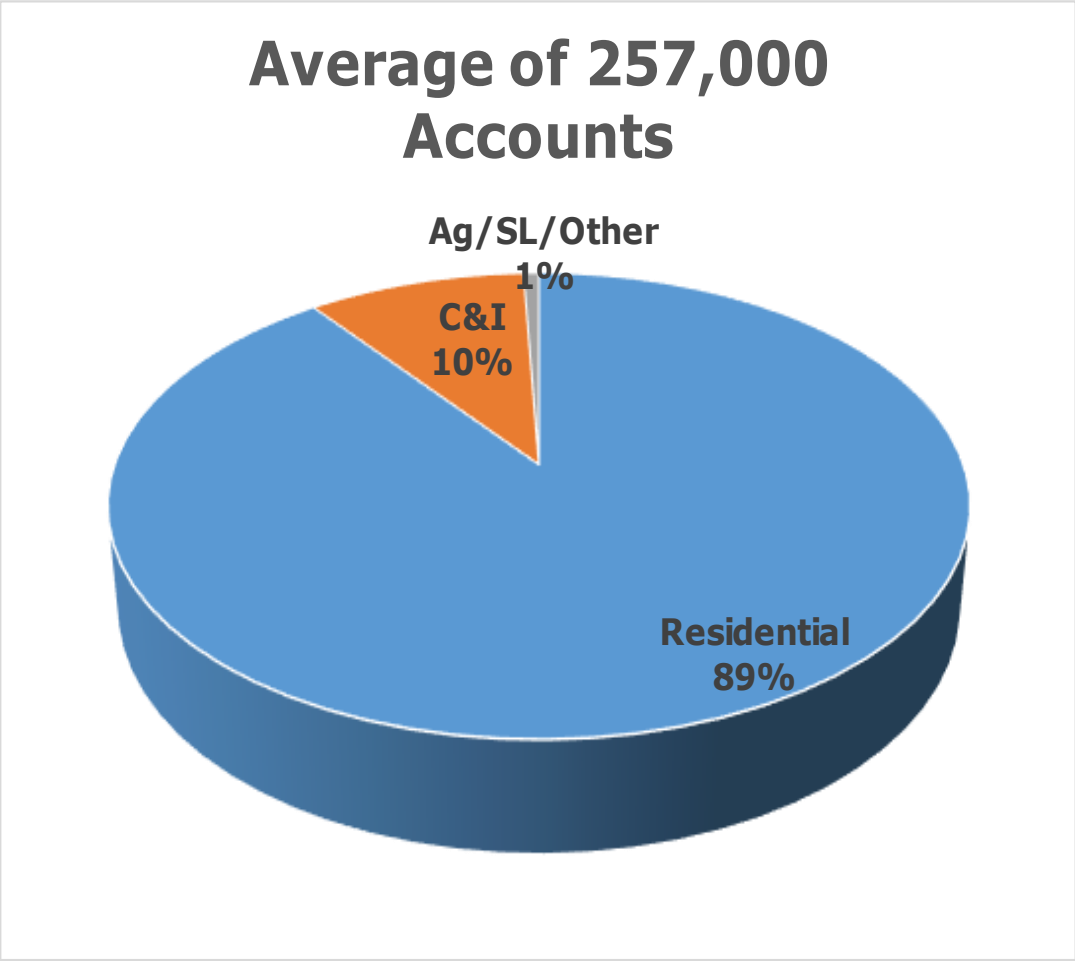
REVENUES


4 Million MWh Sales
Ag/SL/Other
2%
Residential
32%
C&I
66%


Average of 257,000 Accounts
Ag/SL/Other
1%
C&I
10%
Residential
89%

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

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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

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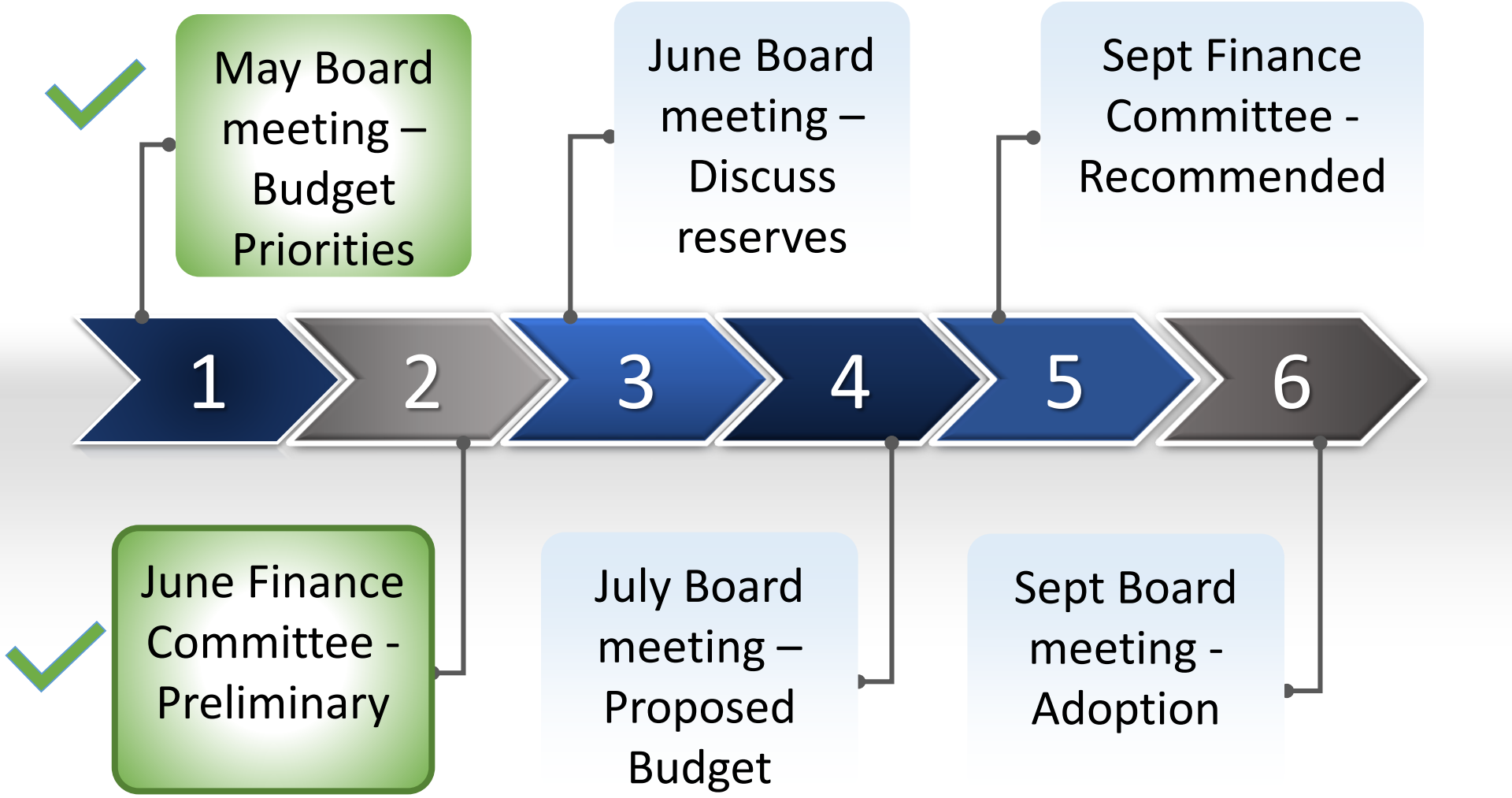
BREAK-EVEN

- 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

CALENDAR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Thank You

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SECOND QUARTER FINANCIAL REVIEW

Donald Eckert, Director of Finance & Administration

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BUDGETARY COMPARISON SCHEDULE
OCTOBER 1, 2017 through MARCH 31, 2018

			FYTD		VARIANCE	
	Q1	Q2	TOTAL	BUDGET	$	%
REVENUES						
Energy Sales	$55,274	$46,818	$102,092	$100,972	$1,119	1%
Green Prime	158	185	343	313	30	10%
Other Income	24	41	65	36	30	83%
Investment Income	0	3	3	0	3	0%
TOTAL REVENUES	**55,457**	**47,047**	**102,503**	**101,321**	**1,182**	**1%**
EXPENSES						
Power Supply	44,089	42,169	86,259	83,152	(3,106)	-4%
Billing	1,137	1,148	2,284	2,219	(65)	-3%
Other Operating	1,069	1,339	2,408	2,850	442	16%
Programs	0	14	14	1,278	1,264	99%
Capital	9	11	20	20	1	5%
Debt Service	2,916	2,730	5,646	5,646	0	0%
TOTAL EXPENSES	**49,220**	**47,410**	**96,630**	**95,166**	**(1,464)**	**-2%**
NET	**6,237**	**(364)**	**5,873**	**6,155**	**(282)**	**-5%**

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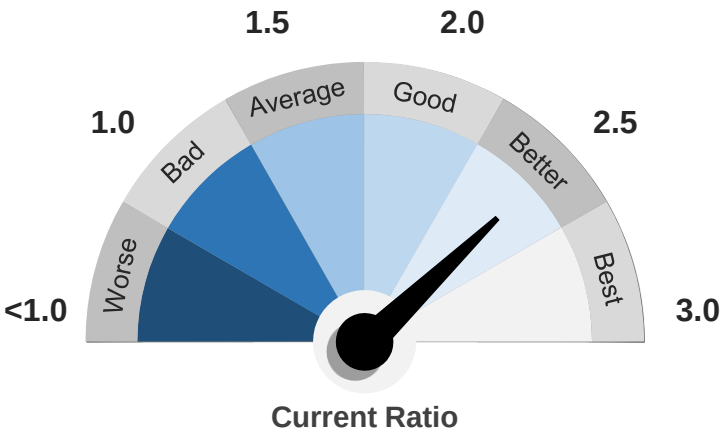
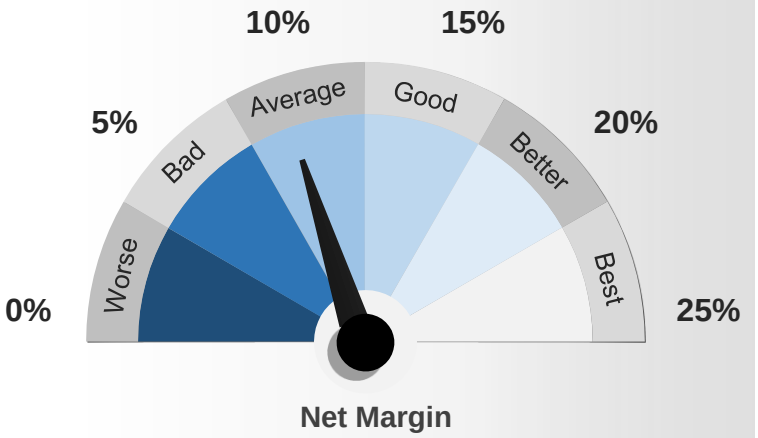
METRICS

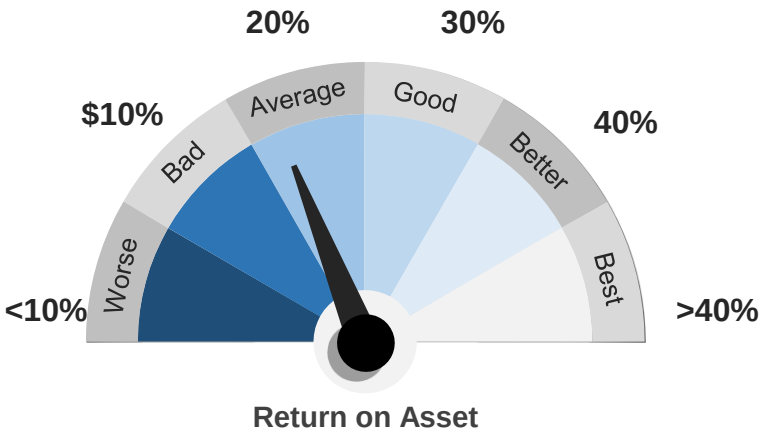
Target = 2.8



Target = 20%



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

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FY OUTLOOK

- 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

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