Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Wednesday, October 5, 2022
2:30 pm

Teleconference Meeting
Webinar:
https://svcleanenergy-org.zoom.us/j/85624025895

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 856 2402 5895

This meeting will be conducted in accordance with California Government Code Section 54953(e), in consideration of the Coronavirus (COVID-19). All members of the Silicon Valley Clean Energy Finance and Administration Committee and staff will participate in this meeting by teleconference.

Members of the public may observe this meeting electronically by accessing the meeting via instructions above. Public Comments can be sent in advance of the meeting to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Finance and Administration Committee. The public will also have an opportunity to provide comments during the meeting. Members of the public using Zoom may comment during public comment or the applicable agenda item by using the Raise Hand feature and you will be recognized by the Chair. Those using the telephone (audio only) feature should press star 9 on your phones to initiate the "Raise Hand" function in Zoom. You will then be announced, unmuted, and your time to speak will begin.

The public may provide comments on any matter listed on the Agenda. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org prior to the meeting for assistance.

AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

svcleanenergy.org

333 W El Camino Real
Suite 330
Sunnyvale, CA 94087

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Clerk for the Authority at (408) 721-5301 x1005. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.105 ADA Title II).

Liz Gibbons, Chair
City of Campbell

George Tyson, Vice Chair
Town of Los Altos Hills

Jon Willey
City of Cupertino

Zach Hilton
City of Gilroy

Neysa Fligor
City of Los Altos

Rob Rennie
Town of Los Gatos

Evelyn Chua
City of Milpitas

Javed Ellahie
City of Monte Sereno

Yvonne Martinez Beltran
City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Tina Walia
City of Saratoga

Larry Klein
City of Sunnyvale

Otto Lee
County of Santa Clara

The public may provide comments on any matter not listed on the Agenda provided that it is within the subject matter jurisdiction of SVCE. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

Consent Calendar (Action)

1) Approve Minutes of the August 1, 2022 Finance and Administration Committee Meeting

Regular Calendar

2) CEO Update

3) Recommend the SVCE Board of Directors Approve Updated SVCE Investment Policy and Direct PFM Asset Management to Implement Full Scope of Work as SVCE's Investment Advisor (Action)

4) Recommend the SVCE Board of Directors Authorize the CEO to Execute Agreements with Firms Providing Services to Initiate SVCE to Execute its Second Prepay (Action)

Committee/Staff Remarks

Adjourn

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Sunnyvale, CA 94087

Silicon Valley Clean Energy
Finance and Administration Committee Meeting
Monday, August 1, 2022
2:00 p.m.

Pursuant to State of California Gov't Code Section 54953 (e) the meeting was conducted via teleconference.

DRAFT MINUTES

Call to Order

Chair Rennie called the meeting to order at 2:01 p.m.

Roll Call

Present:
Chair Rob Rennie, Town of Los Gatos
Vice Chair Hung Wei, City of Cupertino
Director Liz Gibbons, City of Campbell
Alternate Director Bryan Mekechuk, City of Monte Sereno
Director Margaret Abe-Koga, City of Mountain View
Director Larry Klein, City of Sunnyvale

Absent:
None.

All present committee members participated via teleconference.

Public Comment on Matters Not Listed on the Agenda
No speakers.

Consent Calendar

MOTION: Alternate Director Mekechuk moved and Director Gibbons seconded the motion to approve the Consent Calendar.

Chair Rennie opened public comment.
No speakers.
Chair Rennie closed public comment.

The motion carried unanimously by verbal roll call vote.

1) Approve Minutes of the May 26, 2022 Finance and Administration Committee Meeting

Regular Calendar

2) Recommend Approval of the FY 2022-23 Proposed Operating Budget and Approve the Updated Reserves Policy (Action)

Amrit Singh, CFO and Director of Administrative Services, presented a PowerPoint presentation on SVCE's FY 22-23 Budget, with a request of the Finance and Administration Committee to recommend the Board of Directors approve the 2022-2023 proposed budget and revised reserves policy with new reserve targets. The presentation included: a summary of the proposed budget; revenue modeling; an update to reserve targets; a target customer discount rate of 3% and funding for programs; power supply costs; and other cost drivers including increased staffing and proposed benefit improvements.

CFO and Director of Administrative Services Singh responded to committee member questions.

Committee members provided comments which included: the use of the term "variance" in the budget and a suggestion to amend the language; a request to be mindful of tax consequences of benefits; suggestion of an analysis of the cash in lieu being offered; attracting and retaining of employees; the cost-of-living adjustment relative to the Bay Area CPI for employees; discount rate of other CCAs; comparing SVCE's financial results to other CCAs; communications and noticing projections; and a request to include a chart on how the organization has grown from a staffing perspective. Committee members provided suggestions on the presentation for the Board of Directors.

Chair Rennie opened public comment.
No speakers.
Chair Rennie closed public comment.

MOTION: Director Gibbons moved and Alternate Director Mekechuk seconded the motion to recommend the SVCE Board of Directors approve the fiscal year (FY) 2022-23 Proposed Operating Budget.

Prior to the roll call vote, Board Clerk Andrea Pizano confirmed the motion also included a recommendation to the SVCE Board of Directors to approve the updated Reserves Policy; Director Gibbons and Alternate Director Mekechuk concurred with the clarification.

AMENDED MOTION: Director Gibbons moved and Alternate Director Mekechuk seconded the motion to recommend the SVCE Board of Directors approve the fiscal year (FY) 2022-23 Proposed Operating Budget and approve the updated Reserves Policy.

The motion carried unanimously by verbal roll call vote.

3) SVCE Investment Policy Update (Discussion)

Director Abe-Koga left the meeting during Item 3.

Amrit Singh, CFO and Director of Administrative Services, introduced the item and reintroduced Monique Spyke of PFM Asset Management LLC who presented a PowerPoint presentation on the development of an investment strategy and amendments to SVCE's investment policy.

Ms. Spyke responded to committee member questions.

Chair Rennie opened public comment.
No speakers.
Chair Rennie closed public comment.

Committee/Staff Remarks
None.

Adjournment
Chair Rennie adjourned the meeting at 3:25 p.m.

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Staff Report – Item 2

Item 2:	**CEO Update**
From:	Girish Balachandran, CEO
Prepared by:	Andrea Pizano, Board Clerk/Executive Assistant
Date:	10/5/2022

This item will be addressed in the form of an oral report to the Finance and Administration Committee.

Staff Report – Item 3

Item 3:	**Recommend the SVCE Board of Directors Approve Updated SVCE Investment Policy and Direct PFM Asset Management to Implement Full Scope of Work as SVCE's Investment Advisor**
From:	Girish Balachandran, CEO
Prepared by:	Amrit Singh, CFO and Director of Administrative Services
Date:	10/5/2022

RECOMMENDATION

Staff is requesting the Finance and Administration Committee to recommend that the Board of Directors:

1. Adopt the proposed revised SVCE investment policy (Attachment 1)
2. Direct PFM Asset Management (PFMAM), per the agreement executed earlier, to implement the full scope of work as SVCE's Investment Advisor (Attachment 2)
3. Adopt a resolution to join as a Shareholder of the California Asset Management Trust
4. Adopt a resolution to join the State's Local Agency Investment Fund (LAIF)

BACKGROUND

SVCE's current Investment Policy is much narrower than what is allowed by the California Government Code. SVCE currently keeps all its funds on deposit with River City Bank, approximately $165 million as of September 27, 2022, where funds in the money market account currently earn a low annual return of about 0.35%. Late last year, Staff began exploring opportunities to improve the return on investment and reduce risk by holding a more diversified investment portfolio. To help with this effort, staff worked with Management Partners, a local government consulting firm, to update SVCE's Investment Policy and explore options for managing the investment portfolio. With support from Management Partners, staff issued a Request for Proposals for investment management services consistent with the California Society of Municipal Finance Officers guidelines.

After reviewing two finalists, Staff and Management Partners discussed the objectives of the RFP and the process with this Committee and recommended selecting PFMAM. With the Committee's concurrence, the CEO executed an agreement with PFMAM for Investment Advisory Services. The initial scope of the agreement is limited to preparatory work leading to the Board's adoption of the revised investment policy. PFMAM is not compensated for this work. Payments for PFMAM will only be for assets under management (see the fee schedule in the next section) if the Board approves the revised investment policy and directs Staff to engage PFMAM for the full scope of the work as SVCE's Investment Advisor per the agreement in Attachment 2.

Since earlier this year, Staff and Management Partners have been working with PFMAM to analyze SVCE's cash liquidity needs, update SVCE's Investment Policy, and evaluate different investment strategies.

At the Finance and Administration Committee meetings in May and August of 2022, PFMAM provided updates on their engagement, including discussing investment policy changes, cash flow analysis, and investment strategies with illustrative portfolios, along with discussions on relevant credit, market, liquidity, and cyber risks. Since August, staff, PFMAM, and Management Partners have continued to review and analyze the options for the most appropriate investment policy and investment strategy for SVCE's reserves, including how much should be invested and how much should be immediately available.

ANALYSIS & DISCUSSION

The proposed revised policy enables SVCE to expand the band of investment products to those allowed under the California Government Code (refer to Attachment 3). Management Partners independently reviewed the investment policy and concurs that the proposed investment policy is consistent with best practices for California local governments and concluded that with proper ongoing review and oversight by SVCE staff, updating the Investment Policy and using PFMAM's investment advisory services is a prudent undertaking for SVCE.

The table below summarizes the proposed investment policies expansion of investment types:

	California Code Allowed Investments	SVCE Approved 2017 Policy	2022 PFMAM Recommendations
Overnight	Money Market Funds	Not permitted	Allow
	Local Government Investment Pools	Not permitted	Allow
Government	U.S. Treasuries	Not permitted	Allow
	Federal Agencies	Not permitted	Allow
	Municipal Obligations	Not permitted	5% per issuer
	Supranational Obligations	Not permitted	5 years, "AA" rated, 30% of portfolio, 5% per issuer
Credit	Commercial Paper	Not permitted	270 days, A-1 rated, 40% of portfolio, 5% per issuer
	Negotiable Certificates of Deposit	Not permitted	30% of portfolio, 5% per issuer
	Asset-Backed Securities	Not permitted	5 years, "AA" rated, 20% of portfolio, 5% per issuer
	Medium Term Notes	Not permitted	5 years, "A" rated, 30% of portfolio, 5% per issuer

Please refer to Attachment 4 for a glossary that defines these investment products and other key investment terms and concepts.

Given significant volatility in our commodity business, we are proposing an initial investment maturity range of 0-to-3 years; in other words, the securities pay back the principal within three years. The funds held in reserves are primarily to manage adverse risk events; therefore, the investment horizon should be reasonable, and staff can better model cashflows over this time horizon.

To determine SVCE's liquidity needs, staff developed a cashflow model that evaluates the timing of cash inflows and outflows under normal operating business conditions and various scenarios, including stress test conditions where:

- Revenues drop significantly
- Cost of energy procurement increases significantly due to increases in energy market prices
- Extreme heat events in summer months trigger large CAISO collateral postings
- Severe drop in market prices trigger large collateral calls from counterparties

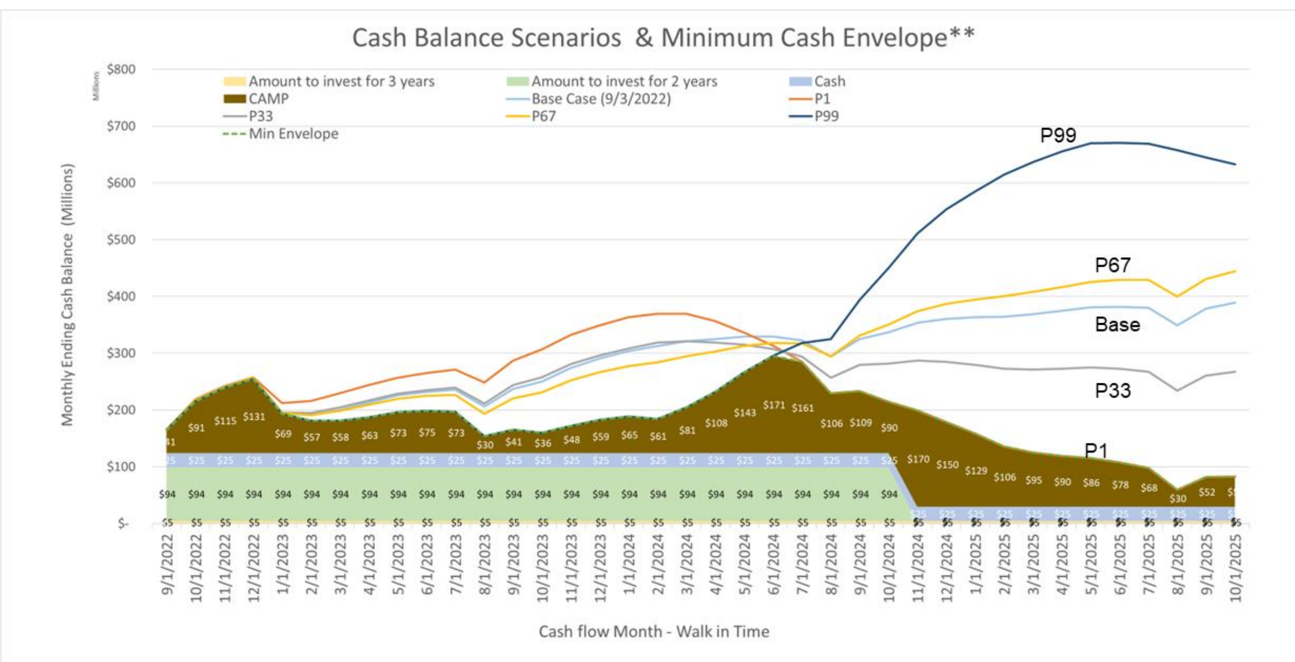
Staff determined that $25 million is sufficient to hold as cash for normal operations. There's also a need to keep an additional $30 million in highly liquid investments where funds could be available overnight, such as the California Asset Management Program (CAMP), which has a reasonably attractive return (yield as of

September 23 was 2.61%). The $30 million in highly liquid assets will enable SVCE to respond to volatility, such as the recently experienced record-breaking heat event that drew ~$23 million in collateral calls from the CAISO within a week. Once staff has gained experience with the new cash management approach and further refines the cashflow model, the funds in the highly liquid pool could be reduced.

The table below describes the label used for each scenario in the graph below that illustrates the results of the cash flow analysis:

Scenario	Description
Base	The expected scenario using the current forward energy market prices.
P1	Energy prices starting Jan 1, 2023 and going forward, dropping to the one percentile level. This scenario models a significant revenue drop far exceeding the corresponding energy procurement cost decrease.
P33	Energy prices starting Jan 1, 2023 and going forward, dropping to the 33rd percentile level. This scenario models a moderate revenue drop exceeding the corresponding energy procurement cost reduction.
P67	Energy prices starting Jan 1, 2023 and going forward, increasing to the 67th percentile level. This scenario models a moderate increase in energy procurement costs with further increases in CAISO collateral calls.
P99	Energy prices starting Jan 1, 2023 and going forward, increasing to the 99th percentile level. This scenario models a significant increase in energy procurement costs with further increases in CAISO collateral calls.

All scenarios layer in a summer heat event like that experienced recently that drives liquidity needs by an additional ~$30 million.



The graph shows each scenario's cash balance over the modeled time horizon (Sept 2022 to October 2025). The dash-green line, labeled "Min Envelope," shows the minimum cash balance under all the scenarios over time. This line further indicates that the lowest cash balance occurs in August 2025, when we would only have $60 million. As a result, after holding $25 million for normal operations and an additional $30 million in overnight investments, $5 million is available to invest with a maturity term of 3 years. In other words, under the worst cash balance position of all scenarios, if we do not want to sell securities for operational cash needs at any point in time, then invest at most $5 million with securities that mature in 3 years and $94 million with securities that mature in 2 years.

Using the same methodology described above for the "Min Envelope" case, the table below shows the amount available to invest under all the modeled scenarios for 3-year investment maturities and then any additional amount available for 2-year investment maturities.

Scenario	3-year Investment Maturity ($million)	2-year Investment Maturity ($million)
Base	$110	$0
P1	$5	$106
P33	$111	$0
P67	$111	$0
P99	$99	$0

Staff does not recommend using the most extreme scenario but instead recommends the P33 scenario or $111 million (rounded to $110 million) with an investment maturity term of zero to three years. If the extreme scenario occurs, SVCE will still have access to all the funds invested. The consequence would be selling the securities at a time not desired from an investment management perspective where the agency could incur mark-to-mark loss (loss of some principal). As staff gains more operational experience from the new cash management approach, staff will continue to refine the methodology and the models. As cash balances grow, staff will direct more funds toward the investment portfolio; however, staff will continue to raise additional funds in an overnight investment vehicle, such as CAMP, for potentially large Provider-of-Last-Resort (POLR) posting requirements expected in early 2023. The Stress Test Analysis, discussed at the June Board Meeting, described the POLR posting requirements.

The funds allocated to an overnight investment vehicle will initially be allocated first to the CAMP Pool and secondarily to LAIF for additional flexibility. CAMP was created in 1989 when two public agencies formed the California Asset Management Trust (Trust) to meet local government investment needs at a reasonable cost. A Board of Trustees directs the Trust's activities, all of whom are finance officials of California public agencies. As a result, the Trust is accountable solely to its public agency shareholders.

The Trust's Cash Reserve Portfolio (Pool) is a short-term portfolio that, in order of priority, seeks to preserve principal, provide daily liquidity, and earn a high level of income. The Pool is a long-established short-term investment alternative for California public agencies. In conjunction with the Pool, the Trust offers a variety of cash management tools to assist public agencies in effectively managing their cash. As of July 31, 2022, the Pool has over $6 billion in public agency assets under management.

Some of the key benefits of the Pool are as follows:

- Safety: Standard and Poor's (S&P), a nationally recognized rating agency, reviews the Pool's assets each week. For the Pool to maintain the "AAAm" rating, the Pool must meet specific credit rating standards and not exceed the average maturity allowed by S&P. In addition, a third-party custodian holds all cash and securities.

- Daily liquidity: Shareholders may make withdrawals any time (the same day if CAMP is notified by 11:00 a.m. Pacific Time), and there is no limit on the number of transactions.
- Competitive yields
- Unlimited investments and withdrawals
- Interest earned daily and credited monthly
- Monthly statements
- For the proceeds of tax-exempt bonds, services to help ensure compliance with the arbitrage requirements of the Internal Revenue Code of the U.S. Department of Treasurys for bond proceeds, including arbitrage tracking, expenditure tests, annual estimates of rebate liability, and rebate calculations on Installment Computation Dates.

CAMP is governed by a seven-member board of highly respected California public finance officials. CAMP's Investment Adviser, PFM Asset Management LLC (PFMAM), provides day-to-day portfolio management and administrative services.

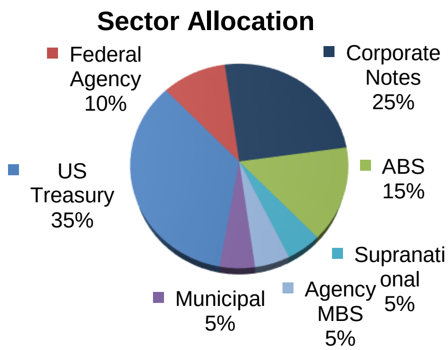
As with all money market funds, local government investment pools (LGIPs), and LAIF (the State of California's pooled investment fund), all expenses of the Trust are deducted from the Pool's yield. There are no out-of-pocket expenses for money invested in the Trust.

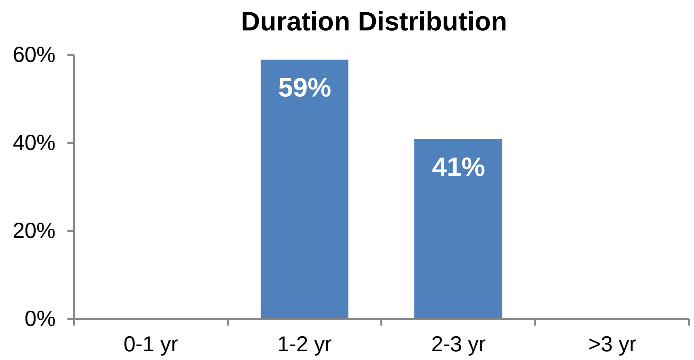
The Local Agency Investment Fund (LAIF)[1], a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts, and it continues today under the purview of the State Treasurer. It offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff. LAIF has grown from 293 participants and $468 million in 1977 to 2,387 participants and $30.9 billion at the end of August 2022.

The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The State Treasurer, as Chair, or her designated representative, appoints two members qualified by training and experience in the field of investment or finance and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of the state.

SVCE's funds allocated to maturities of 0- to 3- years under PFMAM's management will be invested in individual fixed-income securities with an initial recommended 1- to 3-year maturity structure. The portfolio will be of high credit quality and well diversified by sector, issuer, and maturity. It will comply with SVCE's adopted investment policy and the California Government Code. The charts below illustrate a sample target portfolio that PFMAM proposes to create and manage for SVCE.

[1] The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code. All securities are purchased under the authority of Government Code Section 16430 and 16480.4.





The portfolio's performance will be measured and presented quarterly relative to an agreed-upon market benchmark.

PFMAM, as SVCE's investment advisor, will never take control of SVCE's cash or investments. As recommended by the Government Finance Officers Association (GFOA) and industry best practices, SVCE will contract with a third-party bank to provide custody services for SVCE's investments. This separation of the safekeeping function from the investment function is one of the most important protections and controls against fraud.

SVCE will receive timely and comprehensive reporting from both the custody bank and PFMAM so that SVCE can review account information, transaction activity, and portfolio performance. PFMAM will also be available to meet with SVCE staff and present to the Finance and Administration Committee and Board of Directors as requested.

After the Board of Directors approves the investment policy and directs PFMAM to engage in the full scope of work as SVCEs investment advisor, PFMAM will manage the Authority's investment portfolio as the Authority's fiduciary pursuant to the specific investment objectives stated in the adopted investment policy. At the time PFMAM assumes management of SVCE's funds, with an initial portfolio of $110 million, SVCE will begin to pay a monthly fee to PFMAM based on the average daily assets under management per the annual fee schedule below:

- Initial $100 million: 8 basis points (0.08%)
- Next $100 million: 6 basis points (0.06%)
- Above $200 million: 5 basis points (0.05%)

The minimum annual fee is $25,000.

Based on a portfolio size of $110 million, the annual fee will be approximately 0.078% on assets under management, or $86,000 annually. In addition to paying fees to PFMAM for managing SVCE's funds, SVCE will also pay fees to a third-party custodian. SVCE has yet to sign an agreement with a bank to provide custody services; however, fees are estimated to range between $4,000 and $8,000 annually, or $20,000 to $40,000 for five years.

STRATEGIC PLAN

The recommendations support SVCE Strategic Plan Goal 13 – "Commit to maintaining a strong financial position."

ALTERNATIVE

The alternative to the recommendation would be to continue to hold a non-diversified investment portfolio with low yields and earnings.

FISCAL IMPACT

Pursuing the above strategy could increase potential earnings for SVCE with more investment portfolio diversification than the current investment practice. A precise estimate is not possible and would depend on the portfolio strategy and market conditions. Using the estimated yield as of September 23, 2022, of the illustrative portfolio with $110 million invested in 1- to 3-year maturity instruments, $25 million in cash earning 0.35%, and $30 million in CAMP using the current rate as of September 22, 2022, an approximate estimate of earnings net of fees paid to PFMAM would be approximately $4.5 million more annually than keeping funds as currently invested.

ATTACHMENTS

1. Attachment 1 – Redlined Changes to SVCE's Investment Policy
2. Attachment 2 – Contract with PFM Asset Management LLC for Investment Advisory Services
3. Attachment 3 – Investments allowed under California Government Code
4. Attachment 4 – Glossary of Investment Terms

FP8

Category: FINANCE

INVESTMENTS POLICY

~~1. Objectives~~

1. Policy

   Silicon Valley Clean Energy ("SVCE") shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment.

2. Scope

   This investment policy applies to all investment activities and financial assets of SVCE.

3. Objective

   The primary objectives, in priority order, of the investment activities of SVCE shall be:

   a. With respect to all investments:

      i. To be in compliance with all Federal, State and local laws as well as all SVCE policies and procedures.

      ii. All investments of SVCE shall be undertaken in a manner which seeks the preservation of principal.

      iii. To remain sufficiently liquid to enable SVCE to meet all operating requirements which might be reasonably anticipated.

      iv. To maximize ~~yield~~return consistent with risk limitations identified herein and prudent investment principles.

   b. With respect to short-term Cash Management objectives:

      i. To accelerate receipt of all funds due to SVCE.

      ii. To accurately monitor and forecast expenditures and revenues, thus enabling SVCE to invest funds to the fullest extent possible.

iii. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

~~2.~~4. Standard of Care

SVCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code 53600.3.1.

SILICON VALLEY CLEAN ENERGY

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Category: FINANCE

The "prudent investor" standard shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of SVCE are trustees and therefore fiduciaries subject to the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency".

~~3.~~5. Delegation of Authority

The following individuals are authorized to sign investment documents and/or execute cash transfers and make investments of SVCE's funds:

a. Chief Executive Officer
b. Director of Administration and Finance

SVCE may also delegate investment decision making and execution authority to an investment advisor. The advisor shall follow this Investment Policy and such other written instructions as are provided. Investment advisors must be approved by the SVCE Board prior to engaging with SVCE.

~~4.~~6. Ethics and Conflicts of Interest

The authorized employees who are responsible for the investment of SVCE funds shall refrain from personal business activity that could conflict with the proper execution of SVCE's investment program, or which could impair the ability to make impartial investment decisions.

Pursuant to SVCE's Conflict of Interest Code, employees shall disclose any financial interests and investment holdings that could affect the performance of SVCE's portfolio or the individual's judgement or decisions regarding SVCE's portfolio.

~~5.~~7. Authorized ~~Investments~~Financial Dealers and Institutions

~~The following types of investments are permitted;~~

The Director of Administration and Finance will maintain a list of approved financial institutions authorized to provide investment services to SVCE. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). A determination should be made to ensure that all approved broker/dealer firms, and individuals covering SVCE, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with SVCE. The firms, and individuals covering SVCE, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with SVCE must supply the Director of Administration and Finance with the following: audited financial statements, proof of NASD certification, trading resolution, proof of State of California registration, completed broker/dealer questionnaire, certification of having read the SVCE's investment policy and depository contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Director of Administration and Finance. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which SVCE invests.

If SVCE utilizes an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of SVCE.

8. Authorized and Suitable Investments

SVCE is authorized by California Government Code Section 53600 et seq. to invest in the types of securities listed below. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment.

Where this section specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this section ~~refers~~refer to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Director of Administration and Finance will perform a timely review and decide whether to sell or hold the investment.

U.S. Treasury Obligations; United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

U.S. Agency Obligations; Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government- sponsored enterprises.

Municipal Obligations; Registered state warrants or treasury notes or bonds of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of California.

Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue- producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

Bonds, notes, warrants or other evidence of indebtedness of a local agency within California, including bonds payable solely out of the revenues from a revenue- producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Bonds issued by SVCE, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by SVCE or by a department, board, agency, or authority of

SVCE.

SVCE is prohibited from investing in any debt issued by member agencies of SVCE who are parties to the SVCE Joint Powers Agreement.

Deposits at Bank(s); ~~Funds may be invested in non-interest -bearing depository accounts to meet SVCE's operating and collateral needs and grant requirements. Funds not needed for these purposes will be invested in interest bearing depository accounts or certificates of deposit with maturities not to exceed twelve months.~~ FDIC insured or fully collateralized demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits ("TCDs") and other types of bank deposits in financial institutions located in California. The amount on deposit in any financial institution shall not exceed the shareholder's equity. To be eligible to receive SVCE's deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et seq. The Director of Administration and Finance, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. SVCE shall have a signed agreement with any depository accepting SVCE's funds per Government Code Section 53649. The maturity of TCDs may not exceed 5 years in maturity. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 50 percent of the portfolio may be invested in TCDs.

Banks eligible to receive deposits will be federally or state chartered and will conform to Government Code 53635.2.

Placement Service Deposits. Bank deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States. The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Deposits shall meet all of the requirements of Government Code Section 53601.8. Purchases of Placement Service CDs may not exceed 50% of SVCE's investment portfolio.

Local Agency Investment Fund (LAIF); Funds may be invested in the Local Agency Investment Fund. The LAIF was established by the California State Treasurer for the benefit of local agencies.

SILICON VALLEY CLEAN ENERGY

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Category: FINANCE

Commercial Paper; Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Purchases of eligible commercial paper shall not exceed 40% of SVCE's funds.

Medium Term Notes; Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or better by a nationally recognized statistical rating organization (NRSRO). Purchases of medium-term notes shall not exceed 30% of SVCE's funds.

Negotiable Certificates of Deposits; Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California State Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposits shall not exceed 30% of the SVCE's funds.

Mortgage Pass-Through and Asset-Backed Securities; A mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20% of SVCE's funds.

Supranational Obligations; United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or better by an NRSRO and shall not exceed 30% of SVCE's funds.

Joint Power Authority Pool; Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Government Code 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive, of Government Code 53601.

3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

Money Market Funds; Shares of beneficial interest issued by diversified management companies that are Money Market Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. These funds must either have attained the highest rating/ranking by at least two NRSROs or have retained an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

Investments in this category will not exceed 20% of SVCE's funds and no more than 10% may be invested in any one money market fund.

~~6.~~9. Hedging Program

Staff may examine and recommend to the Board an investment strategy that is consistent with this policy and which will hedge against revenue loss due to high PCIA or increased prices of natural gas commodity.

~~7.~~10. Reporting Requirements

The Director of Administration and Finance shall be responsible for preparing a monthly ~~investment~~ report of transactions for the Board of Directors, as required by California Government Code 53607. ~~The investment report shall include:~~

The Director of Administration and Finance may also prepare an investment report four times a year and the report shall include:

a. Type of Investment
b. Institution of Purchase
c. Date of purchase and maturity
d. Par and dollar amounts invested
e. Current market value
~~d.~~f. Interest rate
~~e.~~g. Target benchmark
h. State compliance of the portfolio in accordance with the Policy

11. Investment Pools/Mutual Funds

A thorough investigation of the pool/fund is required prior to investing, and on a regular basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

12. Collateralization

Collateralization will be required on certificates of deposit. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for Certificate of Deposits.

Collateral will always be held by an independent third party with whom SVCE has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

13. Safekeeping and Custody

All security transactions, entered into by SVCE shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian and evidenced by safekeeping receipts.

14. Diversification

SVCE will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, federal agencies, and authorized pools, no more than 5% of SVCE's total investment portfolio will be invested in a single security type or with a single financial institution

15. Maximum Maturities

To the extent possible, SVCE will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, SVCE will not directly invest in securities maturing more than 5 years from the date of purchase unless the Board of Directors has provided approval at least three months prior to the investment. For purposes of compliance with this section, an investment's term or remaining maturity shall be measured from the settlement date to final maturity. Reserve funds may be invested in securities exceeding 5 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

16. Internal Controls

The Director of Administration and Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of SVCE are protected from loss, theft, fraud or misuse.

Accordingly, the Director of Administration and Finance shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

17. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

SVCE shall establish an appropriate performance benchmark and compare the total return of its portfolio to the total return of the benchmark.

~~8.~~18. Annual Review

The Investment Policy will be reviewed annually. Any changes to the Investment Policy will be submitted to the Board of Directors for approval.

AGREEMENT BETWEEN THE SILICON VALLEY CLEAN ENERGY AUTHORITY AND PFM ASSET MANAGEMENT LLC FOR INVESTMENT ADVISORY SERVICES

THIS AGREEMENT ("Agreement") is entered into this 9th day of May, 2022, by and between the SILICON VALLEY CLEAN ENERGY THORITY, an independent public agency, ("Authority"), and PFM Asset Management LLC, a Delaware limited liability company with an office in San Francisco, California (hereinafter referred to as "Consultant") (collectively referred to as the "Parties" and individually as a "Party").

RECITALS:

A. Authority is an independent public agency duly organized under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 *et seq*.) ("Act") with the power to conduct its business and enter into agreements.

B. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement pursuant to the terms and conditions described herein.

C. Authority and Consultant desire to enter into an agreement for investment advisory services upon the terms and conditions herein.

NOW, THEREFORE, the Parties mutually agree as follows:

1. TERM

The term of this Agreement shall commence upon execution of this Agreement, shall be for a three-year period and may be extended for an additional two-year period, unless terminated earlier as set forth herein.

2. SERVICES TO BE PERFORMED

A. Consultant shall perform each and every service set forth in Exhibit "A" which is attached hereto and incorporated herein by this reference.

B. Notwithstanding anything in this Agreement to the contrary, Consultant's services shall be limited to the completion of item 1 in Exhibit "A" until such time that the Authority Board of Directors: (i) approves an investment policy prepared by Consultant and (ii) directs Consultant to engage in the full scope of work set forth in Exhibit "A." At such time that the Authority Board of Directors takes such actions, Consultant shall commence services pursuant to the full scope of work set forth in Exhibit "A." Consultant acknowledges and agrees that Consultant is only paid for assets under management as described in Exhibit "B" and that Consultant shall not be compensated for the services provided pursuant to item 1 in Exhibit "A." In the event that the Authority Board of Directors does not: (i) approve an investment policy prepared by Consultant, and (ii) direct Consultant to engage in the full scope of work set forth in Exhibit "A," the Authority may immediately terminate this Agreement.

3. COMPENSATION TO CONSULTANT

Consultant shall be compensated for services performed pursuant to this Agreement based on the rates and terms set forth in Exhibit "B," which is attached hereto and incorporated herein by this reference.

4. TIME IS OF THE ESSENCE

Consultant and Authority agree that time is of the essence regarding the performance of this Agreement.

5. STANDARD OF CARE

Consultant agrees to perform all services required by this Agreement in a manner commensurate with the prevailing standards of specially trained professionals in the San Francisco Bay Area under similar circumstances and in a manner reasonably satisfactory to Authority and agrees that all services shall be performed by qualified and experienced personnel. Consultant shall be responsible to Authority for any errors or omissions in the performance of work pursuant to this Agreement. Should any errors caused by Consultant be found in such services or products, Consultant shall correct the errors at no additional charge to Authority by redoing the professional work and/or revising the work product(s) called for in the Scope of Services to eliminate the errors. Should Consultant fail to make such correction in a reasonably timely manner, such correction may be made by Authority, and the cost thereof shall be charged to Consultant. In addition to all other available remedies, Authority may deduct the cost of such correction from any retention amount held by Authority or may withhold payment otherwise owed Consultant under this Agreement up to the amount of the cost of correction.

6. INDEPENDENT PARTIES

Authority and Consultant intend that the relationship between them created by this Agreement is that of an independent contractor. The manner and means of conducting the work are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Consultant's services. None of the benefits provided by Authority to its employees, including but not limited to, unemployment insurance, workers' compensation plans, vacation and sick leave are available from Authority to Consultant, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any fees due Consultant. Payments of the above items, if required, are the responsibility of Consultant. Consultant shall indemnify and hold harmless Authority and its elected officials, officers, employees, servants, designated volunteers, and agents serving as independent contractors in the role of Authority officials, from any and all liability, damages, claims, costs and expenses of any nature to the extent arising from Consultant's personnel employment practices. Authority shall have the right to offset against the amount of any fees due to Consultant under this Agreement any amount due to Authority from Consultant as a result of Consultant's failure to promptly pay to Authority any reimbursement or indemnification arising under this section.

7. NO RECOURSE AGAINST CONSTITUENT MEMBERS OF AUTHORITY

Authority is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the

State of California (Government Code Section 6500 et seq.) pursuant to a Joint Powers Agreement dated March 31, 2016, and is a public entity separate from its constituent members. Authority shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. Consultant shall have no rights and shall not make any claims, take any actions or assert any remedies against any of Authority's constituent members in connection with this Agreement.

8. NON-DISCRIMINATION

In the performance of this Agreement, Consultant, and any subconsultant under the Consultant, shall not discriminate against any employee, subcontractor or applicant for employment because of race, color, religious creed, sex, gender, gender identity, gender expression, marital status, national origin, ancestry, age, physical disability, mental disability, medical condition, genetic information, sexual orientation, military or veteran status, or other basis prohibited by law, except as provided in Government Code section 12940. Consultant shall have responsibility for compliance with this Section.

9. HOLD HARMLESS AND INDEMNIFICATION

A. General Indemnification. To the fullest extent permitted by law, Consultant shall, at its sole cost and expense, defend, hold harmless and indemnify Authority and its electedofficials, officers, attorneys, agents, employees, designated volunteers, successors, assigns and those Authority agents serving as independent contractors in the role of Authority officials (collectively "Indemnitees"), from and against any and all damages, costs, expenses, liabilities, claims, demands, causes of action, proceedings, expenses, judgments, penalties, liens, and losses of any nature whatsoever, including fees of accountants, attorneys, or other professionals and all costs associated therewith and the payment of all consequential damages (collectively "Liabilities"), in law or equity, whether actual, alleged or threatened, which arise out of, are claimed to arise out of, pertain to, or relate to the negligent acts or omissions of Consultant, its officers, agents, servants, employees, subcontractors, materialmen, consultants or their officers, agents, servants or employees (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of this Agreement, including the Indemnitees' active or passive negligence, except for Liabilities arising from the sole negligence or willful misconduct of the Indemnitees as determined by court decision or by the agreement of the Parties. Consultant shall defend the Indemnitees in any action or actions filed in connection with any Liabilities with counsel of the Indemnitees' choice, and shall pay all costs and expenses, including all attorneys' fees and experts' costs actually incurred in connection with such defense. Consultant shall reimburse the Indemnitees for any and all legal expenses and costs incurred by Indemnitees in connection therewith.

Intellectual Property Indemnification. Consultant hereby certifies that it owns, controls, or licenses and retains all right, title, and interest in and to any intellectual property it uses in relation to this Agreement, including the design, look, feel, features, source code, content, and other technology relating to any part of the services and including all related patents, inventions, trademarks, and copyrights, all applications therefor, and all trade names, service marks, know how, and trade secrets (collectively referred to as "IP Rights"), except as otherwise expressly provided by this Agreement. Consultant warrants that the services to be provided pursuant to this Agreement do not infringe, violate, trespass, or constitute the unauthorized useor misappropriation of any IP Rights of any third party. Consultant shall indemnify, defend, and hold

Indemnitees, harmless from and against any Liabilities by a third party that the services to be provided pursuant to this Agreement infringe or violate any third-party's IP Rights, provided any such right is enforceable in the United States. Such costs and expenses shall include reasonable attorneys' fees of counsel of Authority's choice, expert fees and all other costs and fees of litigation.

B. The acceptance of the services by Authority shall not operate as a waiver of these rights of indemnification. The hold harmless and indemnification provisions of this Section shall apply regardless of whether or not any insurance policies are determined to be applicable to the Liability.

C. Consultant's indemnifications and obligations under this section shall survive the expiration or termination of this Agreement.

10. INSURANCE

A. General Requirements. On or before the commencement of the term of this Agreement, Consultant shall furnish Authority with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with the requirements listed in Exhibit "C," which is attached hereto and incorporated herein by this reference. The required General Liability, Automobile Liability and Workers Compensation insurance and certificates, which do not limit Consultant's indemnification obligations under this Agreement, shall also contain substantially the following statement: "Should any of the above insurance covered by this certificate be canceled before the expiration date thereof, the insurer affording coverage shall provide thirty (30) days' advance written notice to the Authority by mail, Attention: Chief Executive Officer." Consultant shall maintain in force at all times during the performance of this Agreement all appropriate coverage of insurance required by this Agreement with an insurance company that is acceptable to Authority and licensed to do insurance business in the State of California. Endorsements naming the Authority as additional insured shall be submitted with the insurance certificates.

B. Subrogation Waiver. Consultant agrees that in the event of loss due to any of the perils for which he/she has agreed to provide comprehensive general and automotive liability insurance, Consultant shall look solely to his/her/its insurance for recovery. Consultant hereby grants to Authority, on behalf of any insurer providing comprehensive general and automotive liability insurance to either Consultant or Authority with respect to the services of Consultant herein, a waiver of any right to subrogation which any such insurer of Consultant may acquire against Authority by virtue of the payment of any loss under such insurance.

C. Failure to Secure or Maintain Insurance. If Consultant at any time during the term hereof should fail to maintain the foregoing insurance, Authority shall be permitted but not obligated, to terminate this Agreement or obtain such insurance in the Consultant's name or as an agent of the Consultant and shall be compensated by the Consultant for the costs of the insurance premiums, which costs shall not be commercially unreasonable, and computed from the date written notice is received that the premiums have not been paid.

D. Additional Insured. Authority, its members, officers, employees and volunteers shall be named as additional insureds under the General Liability and Automobile Liability insurance coverages required by this Agreement. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy.

E. Sufficiency of Insurance. The insurance limits required by Authority are not represented as being sufficient to protect Consultant. Consultant is advised to confer with Consultant's insurance broker to determine adequate coverage for Consultant.

F. Maximum Coverage and Limits. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum Insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be the minimum coverage and limits specified in this Agreement, or the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured, whichever is greater.

11. CONFLICT OF INTEREST

Consultant warrants that it, its officers, employees, associates and subcontractors, presently have no interest, and will not acquire any interest, direct or indirect, financial or otherwise, that would conflict in any way with the performance of this Agreement, and that it, its officers, employees, associates and subcontractors, will not employ any person having such an interest. Consultant and its officers, employees, associates and subcontractors, if any, shall comply with all conflict-of-interest statutes of the State of California applicable to Consultant's services under this Agreement, including the Political Reform Act (Gov. Code § 81000, et seq.) and Government Code Section 1090. During the term of this Agreement, Consultant may perform similar services for other clients, but Consultant and its officers, employees, associates and subcontractors shall not, without the Authority Representative's prior written approval, perform work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subcontractors to abstain from a decision under this Agreement pursuant to a conflict of interest statute. Consultant shall incorporate a clause substantially similar to this section into any subcontract that Consultant executes in connection with the performance of this Agreement. Consultant understands that it may be required to fill out a conflict-of-interest form if the services provided under this Agreement require Consultant to make certain governmental decisions or serve in a staff Authority, as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

12. PROHIBITION AGAINST TRANSFERS

Consultant shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of Authority. Any attempt to do so without such consent shall be null and void, and any assignee, sublessee, pledgee, or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money by Consultant from Authority under this Agreement may be assigned to a bank, trust company or other financial institution without prior written consent. Written notice of such assignment shall be promptly furnished to Authority by Consultant.

The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant, if Consultant is a partnership or joint venture or syndicate or cotenancy, which shall result in changing the control of Consultant, shall be construed as an assignment of this Agreement. Control means fifty percent (50%) or more of the voting power of the corporation.

13. SUBCONTRACTOR APPROVAL

Unless prior written consent from Authority is obtained, only those persons and subcontractors whose names are attached to this Agreement shall be used in the performance of this Agreement.

In the event that Consultant employs subcontractors, such subcontractors shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance in substantial conformity to the insurance carried by Consultant. In addition, any work or services subcontracted hereunder shall be subject to each provision of this Agreement.

Consultant agrees to include within their subcontract(s) with any and all subcontractors the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, to the extent they apply to the scope of the subcontractor's work. Subcontractors hired by Consultant shall agree to be bound to Consultant and Authority in the same manner and to the same extent as Consultant is bound to Authority under this Agreement. Subcontractors shall agree to include these same provisions within any sub-subcontract. Consultant shall provide a copy of the Indemnity and Insurance provisions of this Agreement to any subcontractor. Consultant shall require all subcontractors to provide valid certificates of insurance and the required endorsements prior to commencement of any work and will provide proof of compliance to Authority.

14. REPORTS

Each and every report, draft, work product, map, record and other document, hereinafter collectively referred to as "Report", reproduced, prepared or caused to be prepared by Consultant pursuant to or in connection with this Agreement, shall be the exclusive property of Authority. Consultant shall not copyright any Report required by this Agreement and shall execute appropriate documents to assign to Authority the copyright to Reports created pursuant to this Agreement. Any Report, information and data acquired or required by this Agreement shall become the property of Authority, and all publication rights are reserved to Authority. Consultant may retain a copy of any Report furnished to the Authority pursuant to this Agreement.

A. All Reports prepared by Consultant may be used by Authority in execution or implementation of: (1) The original project for which Consultant was hired; (2) Completion of the original project by others; (3) Subsequent additions to the original project; and/or (4) Other Authority projects as Authority deems appropriate in its sole discretion.

B. Consultant shall, at such time and in such form as Authority may require, furnish reports concerning the status of services required under this Agreement.

C. All Reports shall also be provided in electronic format, both in the original file format (e.g., Microsoft Word) and in PDF format.

D. No Report, information or other data given to or prepared or assembled by Consultant pursuant to this Agreement that has not been publicly released shall be made available to any individual or organization by Consultant without prior approval by Authority, unless such disclosure is required by law or by regulatory or judicial process.

E. Authority shall be the owner of and shall be entitled upon request to immediate possession of accurate reproducible copies of Reports or other pertinent data and information gathered or computed by Consultant prior to termination of this Agreement or upon completion of the work pursuant to this Agreement.

15. RECORDS

Consultant shall maintain complete and accurate records with respect to costs, expenses, receipts and other such information required by Authority that relate to the performance of services under this Agreement, in sufficient detail to permit an evaluation of the services and costs. All such records shall be clearly identified and readily accessible. Consultant shall provide free access to such books and records to the representatives of Authority or its designees at all proper times, and gives Authority the right to examine and audit same, and to make transcripts therefrom as necessary, and to allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a minimum period of five (5) years after Consultant receives final payment from Authority for all services required under this agreement

16. PARTY REPRESENTATIVES

The Chief Executive Officer ("Authority Representative") shall represent the Authority in all matters pertaining to the services to be performed under this Agreement. Monique Spyke, Managing Director ("Consultant Representative") shall represent Consultant in all matters pertaining to the services to be performed under this Agreement.

17. CONFIDENTIAL INFORMATION AND DOCUMENTS

A. Consultant covenants that all data, reports, documents, discussion, or other information (collectively "Data") developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed or released by Consultant without prior written authorization by Authority. Authority shall grant such authorization if applicable law or regulatory or judicial process requires disclosure and Consultant is legally permitted to notify Authority of such requested disclosure. Consultant, its officers, employees, agents, or subcontractors shall not without written authorization from the Authority Representative or unless requested in writing by the Authority Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the Authority. Response to a subpoena or court order shall not be considered "voluntary," provided Consultant, if legally permitted, gives Authority notice of such court order or subpoena.

B. If legally permitted, Consultant shall promptly notify Authority should Consultant, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed thereunder or with respect to any project or property located within the Authority. Authoritymay, but has no obligation to, represent Consultant or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with Authority and to provide Authority with the opportunity to review any response to discovery requests provided by Consultant. However, Authority's right to review any such response does not imply or mean the right by Authority to control, direct or rewrite the response.

C. In the event Authority gives Consultant written notice of a "litigation hold", then as to all data identified in such notice, Consultant shall, at no additional cost to Authority, isolate and preserve all such data pending receipt of further direction from the Authority.

D. Consultant agrees to comply with the confidentiality and data protection provisions set forth in Exhibit “D,” attached hereto and incorporated herein by this reference.

E. Consultant’s covenants under this section shall survive the expiration or termination of this Agreement.

18. NOTICES

Any notice, consent, request, demand, bill, invoice, report or other communication required or permitted under this Agreement shall be in writing and conclusively deemed effective: (a) on personal delivery, (b) on confirmed delivery by courier service during Consultant’s and Authority’s regular business hours, or (c) three Business Days after deposit in the United States mail, by first class mail, postage prepaid, and addressed to the Party to be notified as set forth below:

TO AUTHORITY:
333 W. El Camino Real
Suite 330
Sunnyvale CA 94087
Attention: Chief Executive Officer

TO CONSULTANT:
Monique Spyke
Managing Director
PFM Asset Management LLC
1 California Street, Suite 1000
San Francisco, CA 94111

With a copy to:
PFM Asset Management LLC
213 Market Street
Harrisburg, PA 17101
Attn: Chief Administrative Officer

19. TERMINATION

In the event a Party fails or refuses to perform any of the provisions hereof at the time and in the manner required hereunder, such Party shall be deemed in default in the performance of this Agreement. If the defaulting Party fails to cure the default within the time specified (which shall be determined by the non-defaulting Party but shall be not less than 10 days) and according to the requirements set forth in non-defaulting Party’s written notice of default, and in addition to any other remedy available to the non-defaulting Party by law, the Authority Representative or Consultant Representative, as applicable, may terminate the Agreement by giving Consultant written notice thereof, which shall be effective immediately. The Authority Representative shall also have the option, at its sole discretion and without cause, of terminating this Agreement by giving seven (7) calendar days' prior written notice to Consultant as provided herein. Upon receipt of any notice of termination, Consultant shall immediately discontinue performance.

In the event of Authority's termination of this Agreement due to no fault or failure of performance by Consultant, Authority shall pay Consultant for services satisfactorily performed up to the effective date of termination. Upon termination, Consultant shall immediately deliver to the Authority any and all copies of studies, sketches, drawings, computations, and other material or products, whether or not completed, prepared by Consultant or given to Consultant, in connection with this Agreement. Such materials shall become the property of Authority. Consultant shall have no other claim against Authority by reason of such termination, including any claim for compensation.

20. COMPLIANCE WITH LAWS

Consultant shall keep itself informed of all applicable federal, state and local laws, ordinances, codes, regulations and requirements which may, in any manner, affect those employed by it or in any way affect the performance of its services pursuant to this Agreement. Consultant shall, at all times, observe and comply with all such laws and regulations including, but not limited to the Americans with Disabilities Act, the Stored Communications Act, 18 U.S.C. Section 2701, et seq., California Civil Code Sections 1798.80 through 1798.84, and the California Consumer Privacy Act, Civil Code Section 1798.100 *et seq*. Authority, and its officers and employees, shall not be liable at law or in equity by reason of the failure of the Consultant to comply with this paragraph.

Consultant represents and agrees that all personnel engaged by Consultant in performing services are and shall be fully qualified and are authorized or permitted under state and local law to perform such services. Consultant represents and warrants to Authority that it has all licenses, permits, certificates, qualifications, and approvals required by law to provide the services and work required to perform services under this Agreement, including a business license. Consultant further represents and warrants that it shall keep in effect all such licenses, permits, and other approvals during the term of this Agreement.

21. CONFLICT OF LAW

This Agreement shall be interpreted under and enforced by the laws of the State of California. The Agreement and obligations of the Parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities). Any suits brought pursuant to this Agreement shall be filed with the Superior Court of the County of Santa Clara, State of California.

22. ADVERTISEMENT

Consultant shall not post, exhibit, display or allow to be posted, exhibited, displayed any signs, advertising, show bills, lithographs, posters or cards of any kind pertaining to the services performed under this Agreement unless prior written approval has been secured from Authority to do otherwise.

23. WAIVER

A waiver by Authority of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

24. INTEGRATED CONTRACT

This Agreement represents the full and complete understanding of every kind or nature whatsoever between the Parties, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by a written document signed by both Authority and Consultant.

25. AUTHORITY

The individual(s) executing this Agreement represent and warrant that they have the legal authority and authority to do so on behalf of their respective legal entities.

26. INSERTED PROVISIONS

Each provision and clause required by law to be inserted into the Agreement shall be deemed to be enacted herein, and the Agreement shall be read and enforced as though each were included herein. If through mistake or otherwise, any such provision is not inserted or is not correctly inserted, the Agreement shall be amended to make such insertion on application by either Party.

27. CAPTIONS AND TERMS

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

28. AUTHORITY'S RIGHTS TO EMPLOY OTHER CONSULTANTS

Authority reserves the right to employ other consultants in connection with the subject matter of the Scope of Services.

29. EXHIBITS

The Exhibits referenced in this Agreement are attached hereto and incorporated herein by this reference as though set forth in full in the Agreement. If any inconsistency exists or arises between a provision of this Agreement and a provision of any exhibit, or between a provision of this Agreement and a provision of Consultant's proposal, the provisions of this Agreement shall control.

30. FORCE MAJEURE

Consultant shall not be liable for any failure to perform its obligations under this Agreement if Consultant presents acceptable evidence, in Authority's sole judgment, that such failure was due to acts of God, embargoes, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond Consultant's reasonable control and not due to any act by Consultant.

31. FINAL PAYMENT ACCEPTANCE CONSTITUTES RELEASE

The acceptance by Consultant of the final payment made under this Agreement shall operate as and be a release of Authority from all claims and liabilities for compensation to

Consultant for anything done, furnished or relating to Consultant's work or services. Acceptance of payment shall be any negotiation of Authority's check or the failure to make a written extra compensation claim within sixty calendar days of the receipt of that check. However, approval or payment by Authority shall not constitute, nor be deemed, a release of the responsibility and liability of Consultant, its employees, subcontractors and agents for the accuracy andcompetency of the information provided and/or work performed; nor shall such approval or payment be deemed to be an assumption of such responsibility or liability by Authority for any defect or error in the work prepared by Consultant, its employees, subcontractors and agents.

32. ATTORNEY FEES

In any litigation or other proceeding by which a Party seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing Party shall be entitled to recover all attorneys' fees, experts' fees, and other costs actually incurred in connection with such litigation or other proceeding, in addition to all other relief to which that Party may be entitled.

33. SEVERABILITY

If any provision in this Agreement is held by a court of competent jurisdiction to be illegal, invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

34. SUCCESSORS AND ASSIGNS

The terms and conditions of this Agreement shall be binding on the successors and assigns of the Parties to this Agreement.

35. NO THIRD PARTY BENEFICIARIES INTENDED

This Agreement is made solely for the benefit of the Parties to this Agreement and their respective successors and assigns, and no other person or entity may have or acquire a right by virtue of this Agreement.

36. COUNTERPARTS; FACSIMILE/PDF/ELECTRONIC SIGNATURE

This Agreement may be executed in multiple counterparts, all of which shall be deemed an original, and all of which will constitute one and the same instrument. The Parties agree that a facsimile, PDF or electronic signature may substitute for and have the same legal effect as the original signature.

37. DRAFTING PARTY

This Agreement shall be construed without regard to the Party that drafted it. Any ambiguity shall not be interpreted against either Party and shall, instead, be resolved in accordance with other applicable rules concerning the interpretation of contracts.

38. INVESTMENT ADVISOR PROVISIONS

A. Services of Consultant. Authority hereby engages Consultant to serve as investment advisor under the terms of this Agreement with respect to the funds described in this Agreement and such other funds as Authority may from time to time assign by written notice to Consultant (collectively the "Managed Funds"), and Consultant accepts such appointment. In connection therewith, Consultant will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. Consultant shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. Consultant shall furnish Authority with statistical information and reports with respect to investments of the Managed Funds. Consultant shall place all orders for the purchase, sale, loan or exchange of portfolio securities for Authority's account with brokers or dealers recommended by Consultant and/or Authority, and to that end Consultant is authorized as agent of Authority to give instructions to the custodian designated by Authority (the “Custodian”) as to deliveries of securities and payments of cash for the account of Authority. In connection with the selection of such brokers and dealers and the placing of such orders, Consultant is directed to seek for Authority the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to Consultant by such brokers and dealers. The Custodian shall have custody of cash, assets and securities of Authority. Consultant shall not take possession of or act as custodian for the cash, securities or other assets of Authority and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the state investment statutes and the applicable covenants and as supplemented by such other written instructions as may from time to time be provided by Authority to Consultant. Consultant shall be entitled to rely upon Authority's written advice with respect to anticipated drawdowns of Managed Funds. Consultant will observe the instructions of Authority with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which Consultant reasonably believes to be reputable, qualified and financially sound.

B. Pool Compensation. Assets invested by Consultant under the terms of this Agreement may from time to time be invested in (i) a money market mutual fund managed by an entity affiliated with Consultant or (ii) a local government investment pool managed by Consultant (either, a “Pool”) or in individual securities. Average daily net assets subject to the fees described in this Agreement shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for Consultant and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

C. Registered Advisor; Duty of Care. Consultant hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. Consultant shall immediately notify Authority if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which Authority may have under any federal securities laws. Authority hereby authorizes Consultant to sign I.R.S. Form W-9 on behalf of Authority and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement. Consultant shall provide Authority a copy of such form W-9.

D. Consultant’s Other Clients. Authority understands that Consultant performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. Authority agrees that Consultant, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. Consultant shall not have any obligation to purchase, sell or exchange any security for the

Managed Funds solely by reason of the fact that Consultant, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

E. Disciplinary Actions. Consultant shall promptly give notice to Authority if Consultant shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission ("SEC") or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority ("FINRA"), or any regulatory authority of any State based upon the performance of services as an investment advisor.

F. Books. Consultant shall maintain records of all transactions in the Managed Funds. Consultant shall provide Authority with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by Consultant and Authority.

G. Brochure and Brochure Supplement. Consultant warrants that it has delivered to Authority prior to the execution of this Agreement Consultant's current SEC Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). Authority acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

IN WITNESS WHEREOF, the Parties have caused the Agreement to be executed as of the date set forth above.

RECOMMENDED FOR APPROVAL

DocuSigned by:
Amrit Singh
A88F1DF92E8E467...
Amrit Singh, Chief Financial Officer/Director of Administrative Services

PFM ASSET MANAGEMENT LLC

DocuSigned by:
By: Monique Spyke
9F3C6924/B994AC...
Name: Monique Spyke
Title: Managing Director
Date: 5/9/2022

SILICON VALLEY CLEAN ENERGY AUTHORITY
A Joint Powers Authority

DocuSigned by:
By: Girish Balachandran
5CA64B9AC4C24C3...
Name: Girish Balachandran
Title: Chief Executive Officer
Date: 5/9/2022

Exhibit A
Scope of Services

Specific responsibilities of the selected investment adviser will include:

1. At the start of the engagement assist the Authority staff in preparing an updated and revised investment policy for review by the Finance and Administration Committee and for approval by the Board of Directors. This step will include a study sessions with the Finance and Administration Committee and the full Board as requested by the Authority staff.

2. Annually review the Authority's then current investment policy and discuss areas for improvement with staff that meet the Authority's risk tolerance.

3. Provide assistance in developing and implementing an investment strategy that will maintain or enhance portfolio quality and performance within the parameters of the Authority's Investment Policy and cash flow needs.

4. Manage the Authority's investment portfolio as the Authority's fiduciary and pursuant to the specific investment objectives stated in the adopted investment policy. Place all orders for the purchase and sale of securities, communicate settlement information to the Authority's staff or custodian and coordinate security settlement.

5. Ensure the portfolio complies with all applicable laws and the Authority's Investment Policy including resolutions relating to the investment of public funds.

6. Provide the Authority with investment reports that shall include, but not be limited to the following:

   a. Monthly holdings and transaction statements including detailed portfolio holdings and portfolio summary statistics.

   b. Quarterly investment reports including a description of market conditions, investment strategies employed, performance, and suggested changes to investment strategy.

   c. Annual portfolio performance reports, based on the Authority's fiscal year, including, but not limited to local and national economy, the Authority's portfolio holdings, performance objectives, and policy compliance.

7. Perform broker/dealer due diligence and maintain relations with the broker/dealer community.

8. Continually monitor market conditions and circumstances and report on any recommended changes to policies, strategies, and specific positions.

9. Attend Finance and Administration Committee and Board of Directors meetings as required.

10. Serve as a general resource to the Authority's staff for information, advice, and training regarding fixed-income investments. Communicate as necessary with the Authority staff to understand the Authority's investment operations.

Exhibit B
Compensation

Authority shall compensate Consultant for professional services in accordance with the termsand conditions of this Agreement based on the rates and compensation schedule set forth below.

For services provided by the Advisor pursuant to this Agreement, the Client shall pay the Advisor an annual fee, in monthly installments, based on the daily net assets under management according to the schedule below:

Average Assets Under Management	Fees
Initial $100 million	8 basis points (0.08%)
Next $100 million	6 basis points (0.06%)
Above $200 million	5 basis points (0.05%)

"Daily net assets" is defined to include the amortized value of securities, accrued interest and cash or any money market fund balance.

The minimum annual fee for assets under management is $25,000, and such minimum annual fee shall be applied in equal monthly installments. For avoidance of doubt, in any month where the amount of the fee calculated under the schedule above is less than the amount of such equal monthly installment, then the amount of such equal monthly installment shall be applied.

Invoices

IMonthly Invoices

In order to request payment, Consultant shall submit monthly invoices to the Authority describing the services performed and the applicable charges (include a statement indicating the basis upon which the fee was calculated). Authority shall pay all undisputed invoice amounts within thirty (30) calendar days after receipt up to the maximum compensation set forth herein. Authority does not pay interest on past due amounts.

Reimbursable Expenses

Administrative, overhead, secretarial time or overtime, word processing, photocopying, in house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses.

Additional Services

Consultant shall provide additional services outside of the services identified in Exhibit A only by advance written authorization from Authority Representative prior to commencement of any additional services. Consultant shall submit, at the Authority Representative's request, a detailed written proposal including a description of the scope of additional services, schedule, and proposed maximum compensation. Any changes mutually agreed upon by the Parties, and any increase or decrease in compensation, shall be incorporated by written amendments to this Agreement.

Exhibit C

Insurance Requirements and Proof of Insurance

Consultant shall maintain the following minimum insurance coverage:

A. **COVERAGE**:

1. **Workers Compensation:**
Statutory coverage as required by the State of California.

2. **Liability:**
Commercial general liability coverage with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate for bodily injury and property damage. ISO occurrence Form CG 0001 or equivalent is required.

3. **Automotive:**
Comprehensive automotive liability coverage with minimum limits of $1,000,000 per accident for bodily injury and property damage. ISO Form CA 0001 or equivalent is required.

4. **Professional Liability:**
Professional liability insurance which includes coverage for the professional acts, errors and omissions of Consultant in the amount of at least $1,000,000.

5. **Privacy and Cybersecurity Liability**
Privacy and cybersecurity liability (including costs arising from data destruction, hacking or intentional breaches, crisis management activity related to data breaches, and legal claims for security breach, privacy violations, and notification costs of at least $5,000,000 US per occurrence.

Exhibit D
Confidentiality and Data Security Requirements

Subject to the terms and conditions of the Agreement, current proprietary and confidential information of Authority regarding customers of Authority ("Authority Customers") and/or other confidential information (collectively "Confidential Information") may be disclosed to Consultant from time to time in connection herewith solely for the purposes set forth in the Agreement. Such disclosure is subject to the following legal continuing representations and warranties by Consultant:

1. The Confidential Information disclosed to Consultant in connection herewith may include, without limitation, the following information about Authority Customers: (a) names; (b) addresses; (c) telephone numbers and email addresses; (d) service agreement numbers and account numbers; (e) meter and other identification numbers; (f) Authority-designated account numbers; (g) electricity and gas usage (including monthly usage, monthly maximum demand, electrical or gas consumption, HP load, and other data detailing electricity or gas needs and patterns of usage); (h) billing information (including rate schedule, baseline zone, CARE participation, end use code (heat source) service voltage, medical baseline, meter cycle, bill cycle, balanced payment plan and other plans); (i) payment / deposit status; (j) number of units; and (k) other similar information specific to Authority Customers individually or in the aggregate. Confidential Information shall also include specifically any copies, drafts, revisions, analyses, summaries, extracts, memoranda, reports and other materials prepared by Consultant or its representatives that are derived from or based on Confidential Information disclosed by Authority, regardless of the form of media in which it is prepared, recorded or retained.

2. Except for electric and gas usage information provided to Consultant pursuant to this Agreement, Confidential Information does not include information that Consultant proves (a) was properly in the possession of Consultant at the time of disclosure; (b) is or becomes publicly known through no fault of Consultant, its employees or representatives; or (c) was independently developed by Consultant, its employees or representatives without access to any Confidential Information.

3. From the Effective Date, no portion of the Confidential Information may be disclosed, disseminated or appropriated by Consultant, or used for any purpose other than the purposes set forth in the Agreement or as may be permitted by the Agreement.

   Consultant shall, at all times and in perpetuity or until such time as such Confidential Information is no longer retained by Consultant pursuant to applicable regulatory record keeping requirements or Consultant's internal document archiving requirements keep the Confidential Information in the strictest confidence and shall take all reasonable measures to prevent unauthorized or improper disclosure or use of Confidential Information. Consultant shall implement and maintain reasonable security procedures and practices appropriate to the nature of the information, to protect Confidential Information, from unauthorized access, destruction, use, modification, or disclosure and prohibits the use of the data for purposes not set forth in the Agreement. Specifically, Consultant shall restrict access to Confidential Information, and to materials prepared in connection therewith, to those employees or representatives of Consultant who have a "need to know" such

Confidential Information in the course of their duties with respect to the Consultant program and who agree to be bound by the nondisclosure and confidentiality obligations of this Agreement. Prior to disclosing any Confidential Information to its employees or representatives, Consultant shall require such employees or representatives to whom Confidential Information is to be disclosed to review this Agreement and to agree to be bound by the terms of this Agreement. Consultant shall not disclose Confidential Information or otherwise make it available, in any form or manner, to any other person or entity that is not Consultant's employee or representative (a "Third Party"), except where that Third Party has separately entered into a nondisclosure agreement with Authority. Without limiting Consultant's obligation of confidentiality as further described herein, Consultant shall be responsible for establishing, maintaining, and providing written evidence to Authority of, a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that comply with or are substantial similar to the security controls identified in the current version of NIST SP800-53, and that is designed to: (a) ensure the security and confidentiality of the Authority's Data; (b) protect against any anticipated threats or hazards to the security or integrity of the Data; (c) protect against unauthorized disclosure, access to, or use of the Data; (d) ensure the proper disposal of Data; and, (e) ensure that all employees, agents, and subcontractors of Consultant, if any, comply with all of the foregoing. In no case shall the safeguards of Consultant's data privacy and information security program used to protect Data be less stringent than the safeguards used by Consultant for its own data. The requirements set forth in the following sentences of this Section shall apply only to the extent that the services include handling credit card information,. The Consultant shall comply at all times with all applicable Payment Card Industry Data Security Standards (PCI-DSS). Consultant agrees and warrants that it is responsible for the security of "cardholder data" that Consultant possesses, stores, processes or transmits on behalf of the Authority, and for any impact on the security of Authority's cardholder data environment adversely affected by any failure of Company to maintain compliance with provisions of the PCI-DSS applicable to the services. No less than annually, Consultant shall conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to Authority. The required audit shall be a SAS-70 (or successor standard) compliant audit, and Consultant shall provide the audit findings in the form of an SAS-70 Type II report.

4. Notwithstanding the above, Consultant may disclose Confidential Information to the extent required by an order, subpoena, or lawful process requiring the disclosure of such Confidential Information issued by a court or other governmental authority of competent jurisdiction, provided that Consultant, if legally permitted, notifies Authority promptly upon receipt thereof to allow Authority to seek protective treatment for such Confidential Information.

5. In the event that Consultant has actual knowledge of a negligent act or omission, error, misconduct, or breach that permits any external unauthorized access to, or that compromises the security, confidentiality, or integrity of the Authority's Data or the physical, technical, administrative, or organizational safeguards put in place by Consultant that relate to the protection of the security, confidentiality, or integrity of the Authority's Data, Consultant shall, as applicable: (a) notify Authority as soon as practicable but no later than seventy-two (72) hours of becoming aware of such occurrence; (b) cooperate

with Authority in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials as required by applicable law; (c) in the case of Confidential Information, (i) notify the affected individuals who comprise the Confidential Information as soon as practicable but no later than is required to comply with applicable law including, but not limited to, the provisions of California Civil Code Section 1798.82, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or, (ii) reimburse Authority for any costs in notifying the affected individuals; (d) in the case of Confidential Information, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the Confidential Information for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twelve (12) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) without limiting Consultant's obligations of indemnification as further described in this Agreement, indemnify, defend, and hold harmless Authority for any and all Claims (as defined herein), including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from Authority in connection with the occurrence, arising from Consultant's negligence; (g) assist the Authority with recreating lost Data if available through Consultant's disaster recovery plan, with such assistance provided at no additional cost to the Authority; (h) provide to Authority a detailed plan within ten (10) calendar days of the occurrence describing the measures Consultant will undertake to prevent a future occurrence and (i) upon conclusion of the occurrence, or at Authority's request, provide to Authority a summary of the occurrence, including reason for occurrence, details of occurrence, how occurrence was addressed and other information reasonably required by Authority, which shall be executed by Consultant and may be relied upon by Authority as a true and accurate account of the occurrence. Notification to affected individuals, as described above, shall comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Consultant's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Consultant has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Consultant. This Section shall survive the termination of this Agreement, until such time as the requirements of Section 10 hereof have been satisfied.

6. It shall be considered a material breach of this Agreement if Consultant engages in a pattern or practice of accessing, storing, using, or disclosing the Confidential Information in violation of the contractual obligations described herein. Consultant understands that if Authority finds that Consultant is engaged in a pattern or practice of accessing, storing, using, or disclosing Confidential Information in violation of this Agreement Authority shall promptly cease all disclosures of Confidential Information to Consultant.

7. Consultant shall be liable for the actions of, or any disclosure or use by, its employees or representatives contrary to this Agreement; however, such liability shall not limit or prevent any actions by Authority directly against such employees or representatives for

improper disclosure and/or use. In no event shall Consultant or its employees or representatives take any actions related to Confidential Information that are inconsistent with holding Confidential Information in strict confidence. Consultant shall immediately notify Authority in writing if it becomes aware of the possibility of any misuse or misappropriation of the Confidential Information by Consultant or any of its employees or representatives. However, nothing in this Agreement shall obligate the Authority to monitor or enforce the Consultant's compliance with the terms of this Agreement.

8. If and only to the extent applicable to the services provided by Consultant hereunder, Consultant shall comply with the consumer protections concerning subsequent disclosure and use set forth in Attachment B to California Public Utilities Commission (CPUC) Decision No. 12-08-045.

9. In addition to any other requirements set forth in the Agreement, within thirty (30) business days of receipt of Authority's written request, and at Authority's option, Consultant will either return to Authority all tangible Confidential Information, including but not limited to all electronic files, documentation, notes, plans, drawings, and copies thereof, or will provide Authority with an affidavit of destruction that all such tangible Confidential Information of Authority has been destroyed. The foregoing notwithstanding, copies of Confidential Information may be retained by Consultant for internal record-keeping in accordance with regulatory requirements and in connection with routine electronic archiving.

10. Consultant acknowledges that disclosure or misappropriation of any Confidential Information could cause irreparable harm to Authority and/or Authority Customers, the amount of which may be difficult to assess. Accordingly, Consultant hereby confirms that the Authority shall be entitled to apply to a court of competent jurisdiction or the California Public Utilities Commission (if and only to the extent that such Commission would have jurisdiction over the services to be performed by the Consultant hereunder) for an injunction, specific performance or such other relief (without posting bond) as may be appropriate in the event of improper disclosure or misuse of its Confidential Information by Consultant or its employees or representatives. Such right shall, however, be construed to be in addition to any other remedies available to the Authority, in law or equity.

11. In addition to all other remedies, Consultant shall indemnify and hold harmless Authority, its officers, employees, or agents from and against and claims, actions, suits, liabilities, damages, losses, expenses and costs (including reasonable attorneys' fees, costs and disbursements) attributable to actions or non-actions of Consultant and/or its employees and/or its representatives in connection with the unauthorized use or disclosure of Confidential Information.

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2022)[A] APPLICABLE TO ALL LOCAL AGENCIES[B]

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY[C]	MAXIMUM SPECIFIED % OF PORTFOLIO[D]	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations—CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40%[E]	None	53601(g)
Commercial Paper—Non-Pooled Funds[F] (under $100,000,000 of investments)	270 days or less	25% of the agency's money[G]	Highest letter and number rating by an NRSRO[H]	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. $100,000,000 of investments)	270 days or less	40% of the agency's money[G]	Highest letter and number rating by an NRSRO[H]	53601(h)(2)(c)
Commercial Paper—Pooled Funds[I]	270 days or less	40% of the agency's money[G]	Highest letter and number rating by an NRSRO[H]	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30%[J]	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50%[K]	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50%[K]	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days[L]	20% of the base value of the portfolio	None[M]	53601(j)
Medium-Term Notes[N]	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple[P,Q]	53601(l) and 53601.6(b)
Collateralized Bank Deposits[R]	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass–Through and Asset–Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple[S]	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund[T]	N/A	None	None	16340
Supranational Obligations[U]	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

TABLE OF NOTES FOR FIGURE 1

[A] *Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.*

[B] *Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.*

[C] *Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.*

[D] *Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repur-chase agreement would be subject to the restrictions.*

[E] *No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.*

[F] *Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.*

[G] *Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.*

[H] *Issuing corporation must be organized and operating within the U.S., have assets in excess of $500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.*

[I] *Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).*

[J] *No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).*

[K] *Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.*

[L] *Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.*

[M] *Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.*

[N] *"Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."*

[O] *No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.*

[P] *A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.*

[Q] *A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of $500 million.*

[R] *Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.*

[S] *A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).*

[T] *Local entities can deposit between $200 million and $10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.*

[U] *Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.*

GLOSSARY

ACCRUED INTEREST: Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report of the *(entity).* It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

ASSET-BACKED SECURITIES: Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINTS: Refers to the yield on bonds. Each percentage point of yield in bonds equals 100 basis points (1/100% or 0.01%). If a bond yield changes from 2.25% to 2.39%, that is a rate of 14 basis points.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOOK RETURN: Book return includes interest, amortization/accretion of premiums/discounts, realized gains and losses, over a given period of time.

BOOK VALUE: The value at which an asset is carried on a balance sheet.

BROKER: A broker brings buyers and sellers together for a commission.

CALIFORNIA ASSET MANAGEMENT PROGRAM ("CAMP" or the "Program"): A California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. CAMP is directed by a Board of Trustees and offers a range of services to assist Program investors/participants with their investment and arbitrage compliance needs.

CALLABLE SECURITIES: An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

CERTIFICATE OF DEPOSIT: A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit

Generally, short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). Negotiable CDs are insured by FDIC up to $250,000, but they are not collateralized beyond that amount.

Non-Negotiable Certificates of Deposit

CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to the amount of $250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or agency securities such as those issued by the Federal National Mortgage Association.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured short-term promissory note issued by corporations or municipalities, with maturities ranging from 2 to 270 days.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT RISK: The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Noninterest-bearing money market instruments that are issued a discount and redeemed at maturity for full face value *(e.g., U.S. Treasury Bills.)*

DIVERSIFICATION: The allocation of different types of assets in a portfolio to mitigate risks and improve overall portfolio performance.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

EFFECTIVE DURATION: Duration measures the weighted average of the present value of the cash flows of a fixed-income investment. Effective duration measures the price sensitivity of fixed-income investments, especially for those with embedded option features such as call options. As yields rise, the effective duration of a callable investment rises to reflect the fact that it has become less likely to be called. The more rates rise, the longer the effective duration will become, approaching the duration to maturity. The converse is true in a declining interest rate environment (that is, the more rates fall, the shorter the effective duration will become, approaching the duration to call). For securities without an embedded option, the duration to call, maturity, and effective duration are all the same. The calculation for effective duration is complicated and involves averaging the duration under a simulation of many possible interest rate scenarios in the future.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GOVERNMENT SPONSORED ENTERPRISES (GSE): Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy. Securities issued by GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries.

INTEREST: The amount a borrower pays to a lender for the use of his or her money.

INTEREST RATE RISK: Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or any other interest rate relationship.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND: A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET RISK: The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES: Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: MMF's are mutual funds that invest exclusively in short-term money market instruments. MMF's seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short-term investments.

MORTGAGE BACKED SECURITIES: Mortgage-backed securities (MBS) are created when a mortgagee or a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool. MBS owners receive a prorata share of the interest and principal cash flows (net of fees) that are "passed through" from the pool of mortgages. MBS are complex securities whose cash flow is determined by the characteristics of the mortgages that are pooled together. Investors in MBS face prepayment risk associated with the option of the underlying mortgagors to pre-pay or payoff their mortgage. Most MBS are issued and/or guaranteed by federal agencies and instrumentalities (e.g., Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC)).

MORTGAGE PASS-THROUGH OBLIGATIONS: Securities that are created when residential mortgages (or other mortgages) are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

MUNICIPAL NOTES, BONDS, AND OTHER OBLIGATIONS: Obligations issued by state and local governments to finance capital and operating expenses.

NET ASSET VALUE: Net asset value (NAV) is a term used in the mutual fund industry to determine the average price per share of a pool or mutual fund. How this measure varies over time provides information on whether the pool is stable or variable. NAV is the market value of all securities in a mutual fund, less the value of the fund's liabilities, divided by the number of shares in the fund outstanding. Shares of mutual funds are purchased at the fund's offered NAV.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

PAR AMOUNT OR PAR VALUE: The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the "face amount" of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

PORTFOLIO: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR STANDARD: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, re-investing, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

PUBLIC BANK: A corporation, organized as either a nonprofit mutual benefit corporation or a nonprofit public benefit corporation for the purpose of engaging in the commercial banking business or industrial banking business, that is wholly owned by a local agency, as specified, local agencies, or a joint powers authority.

QUALIFIED INSTITUTIONAL BUYER: Federal regulations define qualified institutional buyer (QIB) as any of the following entities, acting for its own account or the accounts of other QIBs, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the entity: insurance company, investment company, small business investment company, a Rural Business Investment Company, a plan (established and maintained by a public agency) for the benefit of its employees, employee benefit plan, trust fund (bank or trust company), business development company, 501(c)(3), investment adviser, and dealer, an institution that qualifies as an accredited investor. 17 CFR § 230.144A and 230.145

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REINVESTMENT RISK: The risk that interest rates may be lower than the yield on a fixed income security when the investor seeks to reinvest interest income or repaid principal from the security.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate them for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SUPRANATIONAL INSTITUTIONS: International institutions formed by two or more governments that transcend boundaries to pursue mutually beneficial economic or social goals. There are three supranational institutions that issue obligations that are eligible investments for California local agencies: the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB).

TOTAL RETURN: Total return includes interest, realized gains and losses, and unrealized gains and losses over a given period of time.

U.S. TREASURY OBLIGATIONS: Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio, typically expressed in days or years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ZERO-COUPON BOND: A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.

Staff Report – Item 4

Item 4:	**Recommend the SVCE Board of Directors Authorize the CEO to Execute Agreements with Firms Providing Services to Initiate SVCE to Execute its Second Prepay**
From:	Girish Balachandran, CEO
Prepared by:	Amrit Singh, CFO, and Director of Administrative Services
Date:	10/5/2022

RECOMMENDATION

Staff requests the Finance and Administration Committee recommend that the SVCE Board of Directors authorize the CEO to negotiate and approve[1] or execute agreements with the firms listed below for the services they will provide to enable SVCE to complete its second energy prepayment transaction. While the total expected cost for all of these agreements is $905,000, staff proposes to seek Board authorization to execute up to a total amount of $1,000,000, about 10 percent contingency that might be required for completing negotiations and the potential need for additional ancillary services.

1. PFM Financial Advisors LLC & PFM Swap Advisors - $175,000
2. Chapman & Cutler (Disclosure/Issuer's Counsel) - $200,000
3. Ballard Spahr (Bond and Tax Counsel) - $300,000
4. Moody's Investor Service Inc (Credit Rating) - $230,000

Except for Moody's Credit Rating fee, all other payments will be contingent on executing the Prepay transaction per the terms that the Board will later adopt, including designating a minimum savings threshold. To avoid the risk of stranding Moody's fees, SVCE will initiate Moody's service later when there is more certainty on successfully executing the transaction. Like the first Prepay transaction, Morgan Stanley, the Prepay Seller, is willing to split Moody's rating agency fee if the Prepay transaction is not executed by no fault of Morgan Stanley or SVCE.

Staff also requests the Finance and Administration Committee recommend that the Board of Directors approve engagement with Morgan Stanley as the Prepay Supplier with the following fee structure[2]:

- Bond underwriting fee of $5/bond. The dollar amount of this fee will depend on the total dollar value of the bonds. For example, if the Board later were to authorize the issuance of $1 billion in bonds, with a face value of $1,000 a bond, the underwriting fee would be $5 million.
- Energy Service Revenue of $1.10 per MWh.
- If any floating rate bonds are issued, Morgan Stanley will charge four basis points on the interest rate swap spread to mid-market for the corresponding interest rate swap.

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[1] The California Community Choice Financing Authority (CCCFA) is developing its business processes and practices and instead of the CEO may execute these agreements after the approval of SVCE's Board.

[2] CCCFA will execute a Bond Purchase Agreement with Morgan Stanley at the time of the sale of bonds, which will document these fees and bond pricing results. The other charges (Energy Service Revenue and swap fee) will be implemented later along with other Prepay transactional documents.

All these transaction costs will be paid from the bond proceeds, and the Board-designated savings target will be net of these costs.

BACKGROUND

SVCE and EBCE spent over two years executing our first Prepay with Morgan Stanley as the Prepay Bank Supplier (see timeline in Attachment 1). SVCE's portion was for 50 MW accounting for about 11% of SVCE's load. This transaction saves SVCE about 10% of the energy cost of the initial transaction assigned into the Prepay, about $1.9 million per year during the initial bond pricing period of ten years. Power delivery under the Prepay began 1/1/2022, and SVCE is successfully settling each month and realizing the savings (see summary in Attachment 2). Staff would like to leverage the two years of work put into this structure by replicating it for another Prepay with the same counterparties as the first Prepay transaction, with one exception discussed later in the report. The commercial terms of this second Prepay are still being worked out, but it could be another 10% of SVCE's load.

Since our first transaction was executed, MCE successfully executed its Prepay transaction. Earlier this year, EBCE executed its second Prepay using the same approach staff recommends for SVCE's second transaction. Several other CCAs are currently pursuing a prepay transaction.

The goal of the prepayment transaction is to reduce the cost of power purchases on quantities delivered under the prepay structure with minimal risk to SVCE. The Prepay structure enables publicly owned utilities, including CCAs, to reduce their energy costs by financing the acquisition of long-term energy supplies with tax-exempt bonds. Attachment 3 provides an overview of the Prepay structure; this was shared with the Board last year before executing the first Prepay transaction.

ANALYSIS & DISCUSSION

Except for Ballard Spahr, SVCE has worked with these parties for the first Prepay Transaction for the role defined in the table below. For the first Prepay Transaction, SVCE and EBCE conducted competitive solicitations that resulted in the selection of PFM Financial Advisors LLC, Chapman and Cutler, and Morgan Stanley. Moody's Investor Service Inc was selected because they have the most experience in rating Prepay Bonds of all the rating agencies. For the second Prepay, as shown in the table below, these parties are discounting their service fees.

Firms	Role	First Prepay Cost	Proposed Cost for the Second Prepay
PFM Financial Advisors LLC (PFM)	Municipal Advisor: Advises prepay buyer in negotiations; required by Municipal Securities Rulemaking Board (MSRB)	$250,000	$175,000
Chapman & Cutler	Disclosure and Issuer's Counsel: Provides legal counsel and prepares official statement and prospectus	$310,000	$200,000
Ballard Spahr	Bond and Tax Counsel: Represents bondholders and provides tax opinion on the transaction	N/A	$300,000
Moody's Investor Service Inc	Rating Agency: Provides the credit rating for the bonds	$315,000	$230,000

For the first Prepay, SVCE worked with Orrick, Herrington & Sutcliffe as the bond and tax counsel at the cost of $425,000. Because of a potential conflict of interest, SVCE will not work with this firm for this transaction. Working with our financial advisor, PFM, staff selected Ballard Spahr, a firm with significant experience in Prepay transactions. PFM reached out to the few niche firms that provide Prepay Bond and Tax Counsel services. After a discussion with PFM, staff agreed with PFM's recommendation of Ballard Spahr based on the competitiveness of their offer and their ability to leverage the work from SVCE's first Prepay transaction.

For this second Prepay transaction, the Prepay Supplier, Morgan Stanley, has proposed charging the same fee as the first transaction.

When the Board later approves the Prepay transaction, the transaction will include a commodity swap agreement with the Royal Bank of Canada (RBC). RBC has agreed to charge the same fee as per the first transaction, $0.40 MWh.

The transaction will entail other nominal costs within the CEO's execution authority. These include:

- Trustee (Bank of New York) ~$32,000
- Trustee Counsel (Bank of New York Counsel) ~$35,000
- Investment Advisor ~$42,000
- Green Bond Second Party Opinion (Kestrel Verifiers) ~$25,000

When the Board later approves the Prepay transaction and the terms for execution, the designated savings will be net of all these transaction costs.

STRATEGIC PLAN

Entering a Prepayment transaction will further Goals #5, #6, and #13 of the SVCE Strategic Plan.

Goal #5: Acquire clean and reliable electricity in a cost-effective, equitable, and sustainable manner.

Goal #6: Manage and optimize power supply resources to meet affordability, GHG reduction, and reliability objectives.

Goal #13: Commit to maintaining a strong financial position.

FISCAL IMPACT

Like the first Prepay transaction, this second transaction can also bring significant savings to SVCE's power procurement portfolio at minimal risks to SVCE. The actual savings will depend on market conditions. A savings of eight to ten percent, achieved for the initial bond term of the first transaction, could amount to ~$3 per year for a 50 MW around-the-clock transaction, given the current high commodity prices.

The request at this time is to seek Board authorization to execute agreements with the financial advisor, issuer's counsel, and the bond and tax counsel and to engage with Morgan Stanley as the Prepay Supplier; the fees are all contingent upon the execution of the deal and carry minimal financial risk to SVCE. The credit rating agency fee is not contingent, but SVCE will only engage with the rating agency when there's more certainty in executing the transaction. Morgan Stanley will also split this cost if the transaction through no party's fault fails. The payment for all the fees will be made from the bond proceeds, and the savings target established later by the Board will be net of these fees.

ATTACHMENTS

1. Timeline of SVCE's First Prepay Transaction
2. Summary of the Details of the First Prepay Transaction and Transaction Cost Breakdown
3. Overview of the Prepay structure

Attachment 1.

First Prepay Timeline

June-2019	SVCE presents Prepay Structure Overview Presentation (developed by Goldman Sachs) to Finance and Admin Committee
Aug-2019	SVCE presents a brief verbal update on prepay process to Finance and Admin Committee
Sept-2019	SVCE and PFM Financial Advisors provide an update on the upcoming RFP process to Finance and Admin Committee
Nov-2019	SVCE provides Prepay RFP Overview to Executive Committee - PFM issues RFP to select Prepay Bank Supplier on behalf of EBCE and SVCE on Nov 12th - RFP Proposals were due December 5th
Jan-2020	SVCE presents Prepay Structure Overview to Finance and Admin Committee
Spring-2020	SVCE and EBCE conduct RFP evaluations to select Prepay Bank Supplier
July-2020	SVCE and EBCE select Morgan Stanley as Prepay Bank Supplier
Aug-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Sept-2020	SVCE provides Board with Prepay Overview on preparing for a Prepay Transaction SVCE provides Prepay Status Report to Finance and Admin Committee
Oct-2020	SVCE Board Authorizes CEO to enter legal service agreements to finalize Prepayment Transaction (Orrick, Herrington & Sutcliffe and Chapman & Cutler LLP)
Nov-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Mar-2021	SVCE provides Prepay Status Report to Finance and Admin Committee SVCE provides Prepay Status Report to Executive Committee
April-2021	SVCE Board Approves Participation in the California Community Choice Financing Authority Joint Powers Authority
Aug-2021	The Finance and Admin Committee reviews the Prepay Transaction and votes to recommend Board approval. Board authorizes execution of the first Prepay Transaction subject to parameters including that bonds are not obligations of SVCE, size of the bonds, and minimum savings target.
Sept-2021	Sept 9, 2021 bonds priced
Jan-2022	Power delivery under Prepay begins

Attachment 2.

Summary of the Details of the First Prepay Transaction

Aggregate Principal Bond Amount	$1,234,720,000 (SVCE and EBCE combined)
Total Bond Proceeds	$1,475,895,642.5 (SVCE and EBCE combined)
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 10 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.[3]
Final Bond Maturity Date	• February 1, 2052.
Discount Achieved	• $4.38 per MWh, about 10% of the energy cost of SVCE's 3-year transaction initially assigned into the Prepay. • ~$1.9 million per year for SVCE during the initial bond pricing period of ten years.
Energy Volume Supported by Bond Proceeds	109 MW, of which SVCE's share is 50 MW (about 11% of load) and EBCE's share is 59 MW for approximately the first ten years of the transaction; after that, the same proportional volume split will be maintained between SVCE and EBCE.

Summary of the Transaction Cost Breakdown ($000)

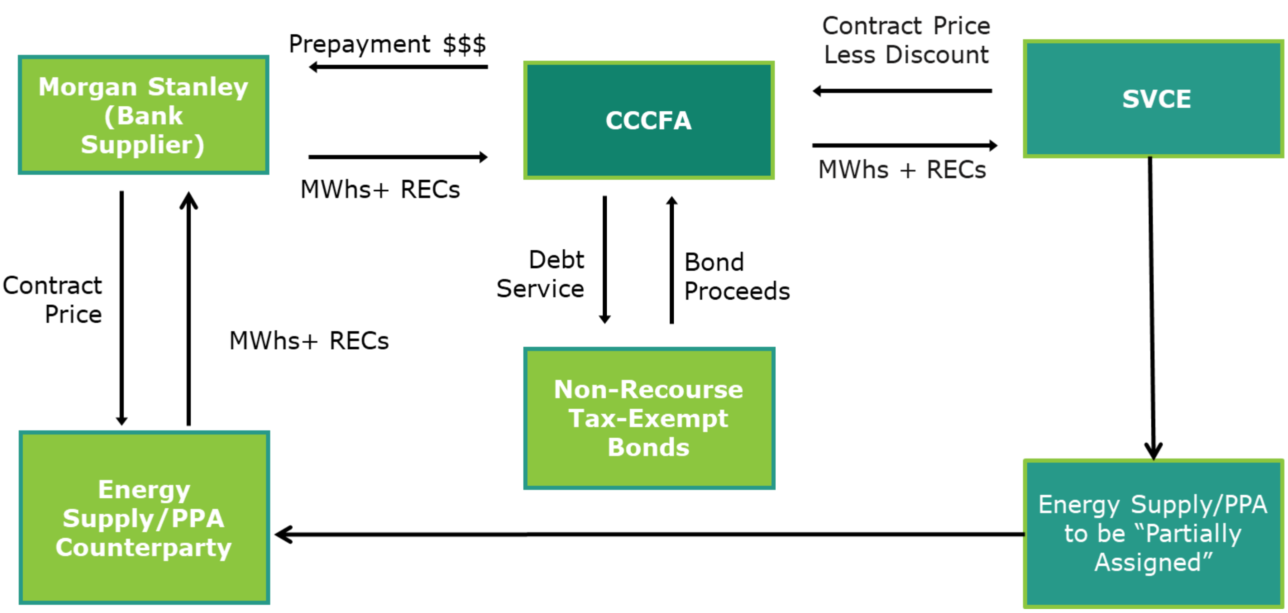
Bond and Tax Counsel: Orrick, Herrington & Sutcliffe	425
Credit Rating: Moody's	315
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	310
Municipal Advisor: Public Financial Management	250
Investment Advisor: Public Financial Management Asset Mgmt	42
Trustee: Bank of New York (BNY)	32
Trustee Counsel: BNY Counsel	35
Printing Cost	3
Contingency/Other	10
Total COI	1,422
Morgan Stanley Underwriting	6,341
Total	**7,763**

[3] The repricing agreement has a minimum savings requirement of $2 per MWh.

Attachment 3.

Overview of the Prepay structure

Structural Overview of Power Prepay



Under the existing, non-Prepay, structure, SVCE has Power Purchase Agreements (PPA) and other carbon-free energy transactions with a counterparty (Energy Supplier). The Energy Supplier provides energy and any associated renewable/carbon-free credits (environmental credits) to SVCE, and SVCE pays the Energy Supplier the contract price. Under the prepayment structure:

1. SVCE assigns its rights to energy under the energy contract equivalent to the prepaid quantity to Morgan Stanley at the contract price. Now, the Energy Supplier will provide the assigned quantity of energy with any associated environmental credits to Morgan Stanley. Morgan Stanley will pay the contract price to the Energy Supplier.
2. SVCE, along with the other initial founding member CCAs[4], created the California Community Choice Financing Authority (CCCFA), a separate legal entity that can issue tax-exempt municipal bonds.
3. CCCFA issues non-recourse tax-exempt bonds secured by the contractual rights and transaction cashflows under a trust indenture. The bonds are not secured or guaranteed by SVCE or CCCFA. Based on the contractual agreements securing the bonds, the bonds will carry the credit ratings of Morgan Stanley.
4. CCCFA uses the proceeds from the bonds, net of all prepay transaction fees, and pays Morgan Stanley the present value of energy cost and any environmental credits that Morgan Stanley will deliver to CCCFA over the 30-year term of the transaction under a prepaid power agreement.
5. SVCE and CCCFA execute a power supply agreement. Under this agreement, SVCE pays CCCFA the initial contract price less a discount as CCCFA delivers to SVCE the energy and environmental credits it receives from Morgan Stanley.
6. CCCFA uses payments received from SVCE to pay interest and principal payments to the Bondholders.

[4]SVCE along with Central Coast Community Energy (3CE), East Bay Community Energy (EBCE), and Marin Clean Energy (MCE), as the first set of founding members, established CCCFA.

Under the prepayment structure, SVCE receives the same energy and environmental credits from the Energy Supplier (indirectly via Morgan Stanley and then CCCFA) but for a lower price. The savings or lower price source is primarily the difference between taxable and tax-exempt debt interest rates. Morgan Stanley's capital needs are funded by a variety of means in taxable corporate markets, which have higher interest rates than tax-exempt debt. As a public agency, CCCFA can issue tax-exempt debt. When CCCFA provides the prepayment to Morgan Stanley for energy that Morgan Stanley will deliver over the term of the transaction, Morgan Stanley is effectively raising capital at a lower cost. On a negotiated basis, Morgan Stanley flows the savings to SVCE by lowering the price SVCE pays for the energy and any environmental credits. By using this prepayment structure, SVCE can reduce the cost of energy purchases that are delivered under this structure.

The bonds can have an initial term of about 5-10 years, and SVCE will not execute the transactions unless the Board-authorized savings can be realized. At the end of the initial term, the bonds will be refinanced, and the terms of the discount will be set per a Repricing Agreement, which will also specify a minimum discount threshold.

The risks to SVCE are minimal as the debt will not be recourse to SVCE. If for any reason, the structure falls apart, the original energy contract will revert to SVCE, and the loss to SVCE will be the staff time invested in the project and the future savings expected to be generated by the prepayment transaction. The initial consultant and attorney fees are all contingent upon the execution of the transaction and will be financed from the bond proceeds.