



Staff Report Item 7

TO: East Bay Community Energy Finance, Administration, and Procurement Committee

FROM: Howard Chang, Chief Operating Officer

SUBJECT: California Community Choice Financing Authority Joint Powers Authority (Informational Item)

DATE: March 10, 2021

Recommendation

Receive an update regarding the formation of the California Community Choice Financing Authority to issue municipal bonds for prepay transactions.

Background and Discussion

Prepay Overview:

As discussed now at Board and Board Committee meetings, an energy prepayment - or 'prepay' - is a long-term financial transaction available to municipal utilities and tax-exempt entities such as CCAs that enables a meaningful power procurement cost savings opportunity. This prepayment structure has historically been utilized for natural gas procurement and is now being applied towards renewable energy. EBCE and Silicon Valley Clean Energy (SVCE) are currently jointly preparing a prepay transaction. A number of other CCAs are also in the process of initiating a similar structure.

Issuing Entity Overview:

Prepays utilize the municipal bond market and therefore need a bond issuing entity in order to participate. The issuing entity is the final party to the prepay transaction that EBCE and SVCE need to secure to fully prepare to transact. While there are 'issuers for hire' in the California municipal bond market should the conduit not be in place in time for an optimal market execution of the EBCE-SVCE transaction, there are a number of advantages to CCAs to establish a conduit issuance JPA. The primary

reasons are control and oversight in the bond issuance process and cost savings. Utilizing an available issuance JPA can cost in excess of \$200,000 annually.

California Community Choice Financing Authority Overview:

The Joint Exercise of Powers Act, being California Government Code Sections 6500 and following (the “Act”), permits two or more public agencies to create, by agreement, a joint powers authority for the purpose of jointly exercising any common power and certain additional powers provided for in the Act, including the power to issue bonds for the purposes specified in the Act. Central Coast Community Energy, East Bay Community Energy, Marin Clean Energy, and Silicon Valley Clean Energy (together, “the CCAs”) propose to enter into a joint powers agreement (the “Joint Powers Agreement”) to create the California Community Choice Financing Authority (the “CCCFA”) to serve as a conduit financing joint powers authority. CCCFA’s primary objective will be to assist its members by financing or refinancing projects and other programs on behalf of its members by, among other things, issuing or incurring bonds, notes, commercial paper, installment purchase, lease purchase and similar agreements and certificates of participation therein, and other evidences of indebtedness, and it will exercise powers beneficial for such purposes. This will be a project financing based public agency, rather than policy making agency. It is not intended to be a policy-maker or advocate, though it may, from time to time, advance or support public policies in support of its purpose that do not conflict with interests or policies advanced by any Member.

Membership in the CCCFA will be divided into two tiers: the first tier will consist of Founding Members and the second will consist of Associate Members (as such terms are defined in the Joint Powers Agreement). The Board of Directors of the CCCFA will consist of one representative of each of the Founding Members, which will initially consist of Central Coast Community Energy, East Bay Community Energy, Marin Clean Energy, and Silicon Valley Clean Energy. Associate Members may be added to the CCCFA pursuant to the terms of the Joint Powers Agreement, provided that any such Associate Member possesses the power to purchase and sell electric energy and enter into related contracts for such purposes. Each Director shall be the Chief Executive Officer, General Manager, Executive Director, or designee of the Chief Executive Officer, General Manager, or Executive Director, of each Founding Member and shall be appointed by and serve at the pleasure of the Founding Member that the Director represents.

In the preparation of the proposed JPA Agreement, the CEOs and General Counsels decided to propose that the directors be administrative staff of the members due to the very technical nature of this JPA which is project financing rather than policy oriented. Also, it was felt that continuity on the Board is important due to the fact that the project financing agreements will be long-term obligations and having directors with a long-term knowledge base is important with respect to decision-making on this Board.

Pursuant to the Act, and subject to the limitations in Section 6508.1 of the Act, the Joint Powers Agreement specifies that the debts, liabilities and obligations of the CCCFA, including bonds issued by the CCCFA, will not constitute debt, liabilities or obligations of any member. If a member agency desires to withdraw, it may do so with board approval as long as the founding members retain a minimum of three members, so as not to cause the obligations of the CCCFA to consolidate on any individual members balance sheet.

By entering in the CCCFA JPA Agreement, EBCE will have the opportunity, but not the obligation, to structure a prepay transaction and issue the bonds through the CCCFA. The only costs imposed by the JPA Agreement on the members are the administrative costs of CCCFA, which do not include any project costs. Administrative costs will be paid in accordance with policy that will be developed by the founding members. The costs are not substantial as the staffing of this JPA will be limited with most staffing and operating costs supported by individual members. Additional costs will include retaining an independent auditor.

It is important to note that the CCCFA JPA will be the counterparty with the Prepay Supplier in the prepay transaction, and therefore the counterparty to all the underlying agreements. That is, EBCE will sign an agreement with the CCCFA JPA, and the CCCFA JPA will be the entity to sign all the rest of the transaction documents.

Timeline:

The CCAs are actively developing the JPA documentation for each CCA to bring forward for their own Board approval. Staff plans to bring an action item to the full EBCE Board for approval of the JPA at the March 17, 2021 meeting.

Attachments

None.