



Finance, Administration, and Procurement Subcommittee Meeting

Friday, November 4, 2022
10:00am

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/81690389009>

Or join by phone by dialing: +1 669 900 6833

Webinar ID: 816 9038 9009

Consistent with the provisions of Assembly Bill 361, the East Bay Community Energy Board of Directors and standing committee meetings will be held via teleconference/videoconference during the current State of Emergency. Any interested member of the public can participate via Zoom by utilizing the link listed above or telephonically by utilizing the dial-in information listed on this agenda.

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least 2 working days before the meeting at (510) 906-0491 or cob@ebce.org.

If you have anything that you wish to be distributed to the Financial, Administrative and Procurement Subcommittee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. Welcome & Roll Call

2. Public Comment

This item is reserved for persons wishing to address the Financial, Administrative and Procurement Subcommittee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comment on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Financial, Administrative and Procurement Subcommittee are customarily limited to three minutes per speaker. The Chair may increase or decrease the time allotted to each speaker.

3. Approval of Minutes from September 16, 2022

4. Budget to Actuals (Informational Item)

Review Budget performance to Actual expenses in FY 2022

- 5. Reserve Contribution (Informational Item)**
Review proposed contribution to reserve funds
- 6. Credit Card Policy Amendment (Informational Item)**
Review proposed changes to EBCE's credit card policy
- 7. Committee Member and Staff Announcements including requests to place items on future Board Agendas**
- 8. Adjournment to date: TBD**



**Finance, Administration, and Procurement Subcommittee
Meeting**

Draft Minutes

Friday, September 16, 2022
10:00am

<https://us02web.zoom.us/j/81690389009>

Or join by phone:

Dial (for higher quality, dial a number based on your current location):

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1. Welcome & Roll Call

Present: Directors Valle (Alameda County), Marquez (Hayward), Cavanaugh (Piedmont), Narum (Pleasanton), and Chair Hannon (Newark)

Director Valle joined the meeting at 10:05am

2. Public Comment

This item is reserved for persons wishing to address the Committee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to three minutes per speaker and must complete an [electronic speaker slip](#). The Board Chair may increase or decrease the time allotted to each speaker.

There were no speakers for public comment.

3. Approval of Minutes from June 10, 2022

EBCE is committed to protecting our environment and is proud to be a
[Certified California Green Business](#)

Director Narum (Pleasanton) motioned to approve the Minutes. Director Cavanaugh (Piedmont) seconded the motion, which passed 4/0. Excused: Director Valle (Alameda County).

Director Valle joined the meeting at 10:05am

4. **Audit Progress Report (Informational Item)**
Update to the committee on the status of the audit

There were no speakers for public comment.

5. **Credit Facility (Informational Item)**
Inform the committee about progress as it relates to establishing our new credit facility

There were no speakers for public comment.

6. **Lease Extension (Informational Item)**
Inform committee about lease extension at EBCE HQ (1999 Harrison)

There were no speakers for public comment.

7. **Committee Member and Staff Announcements including requests to place items on future Board Agendas**

There were no announcements or requests to place items on future Board agendas.

8. **Adjournment to Friday, October 14, 2022 at 10:00am**

NOVEMBER 4, 2022

Budget to Actuals Report for FY 2021- 2022

Jason Bartlett
Senior Finance Manager



Introduction

- EBCE's fiscal year begins on July 1 and ends on June 30 of the following year
- EBCE's Board of Directors approves the next year's budget in the June Board meeting
- Expenses are tracked against budget line items throughout the fiscal year, and a final summary report is issued with the audited financial statements at the end of the year

Attachment A Highlights

- **Total Revenue and Other Sources is about 12% above budgeted amounts, due to higher than expected PG&E rates in 2022**
- **Energy costs are about 7% above budgeted amounts, due to increasing energy costs through the year**
- **Other expenditures were 9.7% under budget (\$3.6MM), due to lower costs in expected personnel expenses and functional areas**
- **Interest was about on par with budget**
- **Total Expenses were 7% above budget, as the combination of higher energy costs and reduced overhead**
- **Net result was about \$28.9M above budget, which represents a 5% margin**

Thank You!



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**EAST BAY COMMUNITY ENERGY AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Periods Ended June 30, 2022**

| | 2021/22 YTD Budget | 2021/22 YTD Actual | 2021/22 YTD Budget Variance Over (Under) | 2021/22 YTD Actual/ Budget % | 2021/22 Annual Budget | 2021/22 Budget Remaining |
|---|-----------------------|-----------------------|---|------------------------------------|--------------------------|-----------------------------|
| REVENUE AND OTHER SOURCES | | | | | | |
| Electricity Sales | \$ 508,636,000 | \$ 549,707,554 | \$ 41,071,554 | 108% | \$ 508,636,000 | \$ (41,071,554) |
| Uncollectables | (8,939,000) | (10,994,151) | (2,055,151) | 0% | (8,939,000) | 2,055,151 |
| Investment Income | 798,000 | 221,757 | (576,243) | 28% | 798,000 | 576,243 |
| CAPP Revenue | - | 7,901,267 | 7,901,267 | 0% | - | (7,901,267) |
| Liquidated Damages | - | 14,658,400 | 14,658,400 | 0% | - | (14,658,400) |
| Other Income | 894,000 | 346,148 | (547,852) | 39% | 894,000 | 547,852 |
| Total Revenue and Other Sources | <u>501,389,000</u> | <u>561,840,975</u> | <u>60,451,975</u> | 112% | <u>501,389,000</u> | <u>(60,451,975)</u> |
| EXPENDITURES AND OTHER USES | | | | | | |
| CURRENT EXPENDITURES | | | | | | |
| Cost of energy | 442,338,000 | 474,633,254 | 32,295,254 | 107% | 442,338,000 | (32,295,254) |
| Data Management/Billing/Customer Service | 8,645,000 | 7,963,686 | (681,314) | 92% | 8,645,000 | 681,314 |
| PG&E Service Fees | 2,752,000 | 2,718,013 | (33,987) | 99% | 2,752,000 | 33,987 |
| Scheduling | 843,000 | 681,437 | (161,563) | 81% | 843,000 | 161,563 |
| Personnel | 9,421,000 | 7,887,860 | (1,533,140) | 84% | 9,421,000 | 1,533,140 |
| Marketing, Outreach, Communications | 1,614,000 | 1,284,047 | (329,953) | 80% | 1,614,000 | 329,953 |
| Legal, Policy, & Regulatory Affairs | 1,592,000 | 1,026,409 | (565,591) | 64% | 1,592,000 | 565,591 |
| Other Professional Services | 850,000 | 926,766 | 76,766 | 109% | 850,000 | (76,766) |
| General & Administrative | 3,033,000 | 2,360,133 | (672,867) | 78% | 3,033,000 | 672,867 |
| Local Development (Transfer to LD Fund Budget) | 8,475,000 | 8,475,000 | - | 100% | 8,475,000 | - |
| Depreciation | 60,000 | 62,601 | 2,601 | 104% | 60,000 | (2,601) |
| Total Current Expenditures | <u>479,623,000</u> | <u>508,019,206</u> | <u>28,396,206</u> | 106% | <u>479,623,000</u> | <u>(28,396,206)</u> |
| OTHER USES | | | | | | |
| Interest and Financing Costs | 898,000 | 903,504 | 5,504 | 101% | 898,000 | (5,504) |
| Capital expenditures | 5,500,000 | 8,699,252 | 3,199,252 | 158% | 5,500,000 | (3,199,252) |
| Total Debt Service | <u>6,398,000</u> | <u>9,602,756</u> | <u>3,204,756</u> | 150% | <u>6,398,000</u> | <u>(3,204,756)</u> |
| Total Expenditures, Other Uses and Debt Service | <u>486,021,000</u> | <u>517,621,962</u> | <u>31,600,962</u> | 107% | <u>486,021,000</u> | <u>(31,600,962)</u> |
| Net Increase (Decrease) in Available Fund Balance | <u>\$ 15,368,000</u> | <u>\$ 44,219,013</u> | <u>\$ 28,851,013</u> | 288% | <u>\$ 15,368,000</u> | |

LOCAL DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Periods Ended June 30, 2022

| | <u>2021/22 Annual Budget</u> | <u>2021/22 YTD Actual</u> | <u>2021/22 Budget Remaining</u> |
|-------------------------------------|----------------------------------|-------------------------------|-------------------------------------|
| REVENUE AND OTHER SOURCES | | | |
| Transfer from Operating Fund | \$ 8,475,000 | \$ 8,475,000 | \$ - |
| Grants/Credits | 390,000 | 1,614,597 | (1,224,597) |
| Total Revenues and other sources | <u>8,865,000</u> | <u>10,089,597</u> | <u>(1,224,597)</u> |
| EXPENDITURES AND OTHER USES | | | |
| CURRENT EXPENDITURES | | | |
| Program expenses | <u>8,475,000</u> | <u>2,389,776</u> | <u>6,085,224</u> |
| Total Expenditures and other uses | <u>8,475,000</u> | <u>2,389,776</u> | <u>6,085,224</u> |
| Net Increase (Decrease) | 390,000 | 7,699,821 | |
| Fund balance at beginning of period | 10,067,835 | 10,067,835 | |
| Fund balance at end of period | <u>\$ 10,457,835</u> | <u>\$ 17,767,656</u> | |

NOVEMBER 4, 2022

Reserve Fund Contributions

Jason Bartlett
Senior Finance Manager



Background and Introduction

- June 20, 2018 Board of Directors approve financial reserve policy
- December 18, 2019, EBCE was able to make it's first contribution to the Reserve Funds from net revenues in the 2018-2019 fiscal year in the amount of \$40,513,687
- November 18, 2020, EBCE makes second contribution from net revenues in the 2019-2020 fiscal year in the amount of \$49,704,640 to bring the balance to \$90,218,327
- January 20, 2021, Board of Directors approve amendment to reserve policy creating more efficient accounting structure and setting a target range of a minimum of 25% of annual operating costs to a maximum of 75%, with 50% being optimal.
- No contribution was made from the 2020-2021 fiscal year due to needed liquidity in working capital during time of high PCIA and rising market prices

Methodology and Calculation

The methodology for determining the amount to allocate to reserves is as follows:

1. Determine the convertible assets from the audited financial statements
2. Deduct total liabilities and non-recognized revenues
3. Deduct balances of the Local Development Fund and current reserves
4. Adjust for possible current working capital needs
5. Add remaining amount to the reserve balance

| Table 1: Net Unrestricted Assets Available for Reserve Funds | | |
|---|--------------------|------------------|
| Cash & Equivalents | 152,215,061 | |
| Accounts Receivable | 79,814,399 | |
| Accrued Revenue | 47,590,010 | |
| Other Receivables | 6,286,352 | |
| Total Convertible Assets | 285,905,822 | A |
| | | |
| Total Liabilities | 96,450,766 | |
| Rate Stabilization Deferred Resources | 15,814,000 | |
| Total Deferrables | 112,264,766 | B |
| | | |
| Unrestricted Available for Reserves | 173,641,056 | C = A-B |
| Current Reserves Balance | 90,218,327 | D |
| Local Development Fund Balance | 17,767,656 | E |
| 2022 Undrestricted Funds Available for Reserves | 65,655,073 | F = C-D-E |
| | | |
| Additional Working Capital Requirements | - | G |
| Working Capital Adjusted Funds Available for Reserves | 65,655,073 | H = F-G |
| | | |
| New Reserve Balance | 155,873,400 | I = D+H |
| | | |
| Current Budget Operating Expenses | 562,673,000 | |
| | 25% | 140,668,250 |
| | 50% | 281,336,500 |
| | 75% | 422,004,750 |
| | | |
| Reserve Balance Ratio to Operating Expenses | 27.7% | |

Thank You!



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Approved January 20, 2021 Item #11
 Policy P-10.1
 R-2021-2

EAST BAY COMMUNITY ENERGY FINANCIAL RESERVE POLICY
 (Effective as of January 20, 2021, per Resolution No. R-2021-2)

Purpose

EBCE's reserve policy (this "Policy") is established to provide a suitable cash balance to be held to meet target levels of annual operating expenses. This Policy will be maintained as described in the Guidelines to provide for the following objectives:

- Maintain long-term EBCE financial independence and rate stability,
- Meet EBCE strategic objectives,
- Secure favorable commercial terms with vendors and power providers,
- Support EBCE's pursuit of, and maintenance upon receiving, a credit rating,
- Provide a source of funds for unanticipated expenditures, and
- Make cash available for other operational needs as approved by the Board of Directors (the "Board").

Guidelines

EBCE shall maintain a cash reserve (the "Reserve").

EBCE shall strive to maintain the dollar amount in the Reserve during any fiscal year to be equal to a percentage (the "Target Percentage") of the operating expenses projected for such fiscal year based on the relevant annual budget. The reserves shall be funded by available surplus revenues as determined by the most recent audited financial statements. If the Board does not take action to determine a new Target Percentage before the beginning of a fiscal year, then the Target Percentage from the prior fiscal year will continue to be the Target Percentage for the new fiscal year, until the Board decides to make any changes. The Board may change the Target Percentage at any time during the fiscal year.

Generally, starting in fiscal year 2021-22, the Target Percentage shall be 50%, but may range from 25% and 75%; provided that upon a finding of special circumstances by the Board, the Board may determine to use a Target Percentage outside of this range for any fiscal year (or other period of time).



Finance Department
 1999 Harrison Street, Suite 800
 Oakland, CA 94612



1-510-650-7584
 1-833-699-EBCE (3223)



ap@ebce.org

In connection with its recommendations with respect to the Reserve and the Target Percentage, Staff will monitor EBCE's liquidity through the annual audited financial statements.

Spending Authority

Authority to spend from money in the Reserve must align with Board approved budgets or approved for special action by the Board.

Board Discretion

The Board may, by resolution, modify or suspend any provision of this Policy for any duration at any time.

NOVEMBER 4, 2022

Credit Card Policy Amendment

Jason Bartlett
Senior Finance Manager



Introduction and Background

- In October 18, 2018, EBCE Board approved Credit Card Use and Controls Policy to establish guidelines on use and risk management on corporate credit cards
- This policy established two cards to be issued—one to the CEO and one to the COO/Treasurer—for eligible operating expenses that cannot be procured through invoicing, check payment, or bank transfers
- This policy set a cap of \$20,000 total on the account, or \$10,000 per issued card

Current Demand and Amendment Requests

- EBCE has two processes by which the credit cards are used:
 - Executive cardholders are allowed to use the card for business related needs, with independent monthly review of charges at time of payment
 - Employees can request use of the cards through a two-level authorization process with a no-touch final payment (employees never see the card numbers)
- At the time the cards were issued, EBCE had 18 employees. Today, EBCE has 54 employees, and as such demand for use of the cards have increased
 - Currently over 1/3rd of the monthly cap is used for recurring charges like subscriptions, data usage, and marketing needs (on average)
 - In 75% of months, additional internal one-time requests meet card limits early
- Demand impacts executive need for the cards by meeting card limits and co-mingling accounting functions that are better off as separate,
 - For example, marketing charges appear on the executive travel statement and must be manually reassigned
- Staff recommends two amendments to allow for better process and controls
 - Allow for the issuance of a 3rd card to be controlled by the Finance Lead for internal and recurring charges
 - Increase the limit on the account to \$60,000, or \$20,000 on each card

Controls on the Cards

- All non-executive charges require multiple levels of approval before charge is placed, and all executive charges are reviewed and require receipts
- All charges are independently reviewed, receipts are retained, and a log is maintained for every transaction and is annually audited
- New controls are being put into place with a ticket-request system embedded with automated check-points and redundant approvals for review before charges are made on a card
- Staff is not recommending changing any of the established controls, safeguards, or other responsibilities
- Additional controls to be placed on the Finance Lead card
 - Additional level of mandatory authorization by functional lead of use requesting employee
 - Executive level monthly review of charges

Thank You!



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CREDIT CARD USE AND CONTROLS POLICY, FIRST AMENDMENT

Policy Number: 16.1
Approval Date: 11/16/2022
Agenda Item: XX
Approved by Resolution:

1. PURPOSE:

The purpose of this policy is to set guidelines for the usage and payment of business expenditures from Corporate Credit Cards (Cards). This credit card policy is not intended to override the administrative procurement policies and use of the Cards shall be in accordance with these policies.

2. RESPONSIBLE PARTIES:

The Treasurer is responsible for ensuring uniform policies and procedures are followed for EBCE's credit card policy.

3. SCOPE

The policy applies to all the Corporate Credit Cardholders of East Bay Community Energy (EBCE).

4. CONTROLS OVER CARD

1. Cards will be issued only to the CEO, the COO/Treasurer, and the Finance Lead.
2. At least one card controlling member will review and approve the monthly statements before the card is paid irrespective of the card balance.
3. The use of the card shall only be used for business-related expenditures and shall not be used for personal expenses or cash withdrawals.
4. Each card will have a standard monthly credit limit of \$20,000.



5. A lost or stolen card must be reported as soon as it is discovered as missing.

5. CARD USAGE

The proper name of the cardholder will be embossed on the card along with “East Bay Community Energy”. The card is valuable property which requires proper treatment by the cardholder to protect it from misuse by unauthorized parties. The cardholder is required to activate (as per instructions received with the card) and sign the card immediately upon receipt. The card may be used upon activation. When a new card is issued to the cardholder, it is the cardholder's responsibility to destroy the previous card (cut it in pieces) and discard. If the cardholder's employment is terminated for any reason, the cardholder shall immediately give the card to the CEO, COO/Treasurer, or Finance Lead.

Eligible uses of the card include:

1. Refreshments and meals for outreach events and meetings
2. Conference registration
3. Travel arrangements (ex: airfare, car rental, train fare and hotels)
4. Certain marketing and social media expenses
5. Recurring payment of data or industry news subscriptions
6. Urgent office supplies and maintenance
7. Cell phone purchases and monthly cell phones service

All expenses must be in accordance with the board approved expenses established in the approved budget.

The card may not be transferred to, assigned to, or used by anyone other than the designated cardholder. Amex or EBCE may, at any time, suspend or cancel the cardholder's privileges for any reason and the cardholder will surrender the credit card to the CEO, COO/Treasurer, or Finance Lead upon request. The cardholders should attempt to keep the use of the card to a minimum.

Employees are NOT permitted to use the card for personal expenses. Any rewards earned on the card will belong to the company.

6. SAFEGUARD OF CARD

1. The cardholder is required to ensure proper safeguard of the card by: Securely keeping the card in his/her possession, signing the back of the card, and destroying an expired or replaced card
2. The cardholder is required to ensure proper safeguard of the card by: Securely keeping the card in his/her possession, signing the back of the card, and destroying an expired or replaced card.
3. Ensuring that only the last four digits of the card number appear on any printed document

7. EXPENSES ACCOUNTING, REPORTING AND PAYMENT

1. The cardholder is required to obtain and submit the original invoices/receipts for card expenditures of \$25 or more; however, employees are encouraged to provide all receipts. In addition to receipts, the employee incurring the expense shall provide:
 - i. A description of the business purpose.
 - ii. In the case of meals or conferences, who was in attendance.
 - iii. In the case of travel, travel dates.
 - iv. Any transaction with missing documentation requires a written explanation for the missing documentation. Include the vendor's name, date, description of purchase, and reason for the missing documentation.
2. The cardholder is responsible for submitting the invoices/receipts of all transactions to COO/Treasurer and the Finance Lead within 5 business days of incurring the transaction.
3. The Finance Lead is responsible for downloading the monthly statement for all the cards, matching the invoices/receipts to the charges in the statement, ensuring the accounting of every charge in the appropriate period, and the making payment by the statement due date.
4. The Finance Lead will review monthly statements and documentation for completeness and process payment approval from direct supervisor and Treasurer. In the case of the Finance Lead's expenses, the Treasurer or CEO will review and sign off on such expenses. In the case of the Treasurer's expenses, the CEO will review and sign off on such expenses.



In the case of the CEO expenses, the expenses will be provided to the Chair of the Board for review and approval. However, EBCE will not await approval to make payment of credit card expenses.

8. POLICY ENFORCEMENT

1. Employees are NOT permitted to use the card for personal expenses for any reason. Failure to abide by this provision could result in disciplinary actions, up to and including termination of employment.
2. Any willful intent to disregard the policy will result in revocation of the card and could result in disciplinary actions, up to and including termination of employment.