



Staff Report Item 16

TO: East Bay Community Energy Board of Directors

FROM: Jason Bartlett, Senior Finance Manager

SUBJECT: Reserve Fund Contribution from 2021-22 Fiscal Year (Action Item)

DATE: November 16, 2022

Recommendation

Approve a resolution to add the proposed contributions to the reserve fund balance

Background and Discussion

Reserve Fund Policy

On June 20, 2018 the Board of Supervisors approved by resolution R-2018-26 the adoption of a financial reserve policy, P-2018-10. This policy established reserve fund targets, along with minimum and maximum contribution limits, for the purposes of establishing and supporting agency credit, finance necessary collateral postings, and to support local development program funding.

On January 20, 2021 the Board of Supervisors approved by resolution R-2021-2 to amend the financial reserve policy to single sum to fulfill all the purposes outlined in the original policy and set a target for this sum to be 50% of annual operating costs, with an acceptable range from a minimum of 25% and a maximum of 75%. Policy P-2021-10.1 is the current state of the reserve policy.

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 performs the calculation in accordance with the methodology described and includes the final total recommended 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 year's budgeted operating expenses are \$562,673,000. This new reserve balance is approximately 27.7% of these expenses and complies with Policy P-2021-10.1 by reaching a minimum target of 25% of operating expenses.

Fiscal Impact

This allocation will not impact normal operations and continues EBCE's firm commitment to financial security.

Attachments

- A. Resolution

RESOLUTION NO. __

A RESOLUTION OF THE BOARD OF DIRECTORS

**OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING A CONTRIBUTION
TO THE RESERVE FUND BALANCE**

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020.

WHEREAS On June 20, 2018, the Board approved Resolution R-2018-26 to adopt a Financial Reserve Policy, P-2018-10. This Policy established reserve targets, and minimum and maximum annual contribution limits,

WHEREAS On January 20, 2021, the Board approved Resolution R-2021-2 to amend the Financial Reserve Policy, P-2021-10.1. This policy amends the reserve target ranges to a percentage of annual operating costs and eliminates minimum and maximum annual contribution limits,

WHEREAS The available amount for contribution is determined from the audited financial statements by the sum of convertible assets less the sum of total liabilities, deferred resources, cash previously allocated to reserve funds, funds allocated to the Local Development fund, and anticipated cash needed for working capital,

WHEREAS The available balance is then added to the existing reserve fund balance to set the new amount held in reserves.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Based on the methodology of determining available funds, an additional \$65,655,073 of unrestricted cash is available for reserve allocation.

Section 2. Based on the proper application of available funds to the reserve fund, a new reserve fund balance is established at \$155,873,400.

Section 3. The new reserve fund balance is 27.7% of Fiscal Year 2023 budgeted operating expenses and is in compliance with P-2021-10.1 by exceeding the minimum target of 25%.

Section 4. The Board hereby approves the addition of the proposed contributions to the Reserve Fund balance.

ADOPTED AND APPROVED this 16th day of November, 2022.

Dianne Martinez, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board