

NOVEMBER 4, 2022

Reserve Fund Contributions

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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!



Questions? Give us a call:
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 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).



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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.