



Finance, Administration and Procurement Subcommittee Meeting

Draft Minutes

Friday, November 4, 2022
10:00am

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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

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

Excused: Director Valle (Alameda County)

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.

There were no speakers for public comment.

3. Approval of Minutes from September 16, 2022

Director Cavanaugh (Piedmont) motioned to approve the minutes. Director Narum (Pleasanton) seconded the motion, which passed 4/0).

Excused: Director Valle (Alameda County).

4. Budget to Actuals (Informational Item)

Review Budget performance to Actual expenses in FY 2022

The Committee Discussed:

- **(6:48)** Noting that expenditures were 9.7% under budget (\$3.6MM), due to lower costs in expected personnel expenses and functional areas (slide 3), **Chair Hannon (Newark)** asked for the number of vacancies in headcount that currently exist in the organization.
- **(9:47)** Noting that the Local Development Fund 2021/22 YTD Actual was \$17,767,656 vs the Budgeted \$10,457,835 (slide 6), **Member Narum (Pleasanton)** asked why the Actual amount was so high.
- **(11:15)** Noting that \$20MM had already been budgeted for Local Development, **Member Narum (Pleasanton)** asked how the agency plans to draw down on \$37MM (\$20MM + \$17MM) over the course of the year.
- **(13:24)** In order to show the progress in drawing down this large amount, **Member Narum (Pleasanton)** suggested that staff should create another line item in the budget showing the accruals of what is committed from the Local Development Fund.
- **(15:09)** **Member Marquez (Hayward)** asked how the agency is doing with employee retention.
- **(17:02)** **Member Marquez (Hayward)** asked for staff to describe the process by which the agency would seek approval to add additional headcount over the 68 currently budgeted positions.
- **(18:08)** **Member Marquez (Hayward)** asked how the agency can more accurately capture anticipated expenses related to energy costs.
- **(20:07)** In response to Howard Chang's answer to the previous question, in which he described EBCE's long-term hedging strategy, **Member Marquez (Hayward)** asked how often these hedges are employed.
- **(20:45)** **Member Marquez (Hayward)** noted her support for **Member Narum's (Pleasanton)** suggestion to create a Local Development Fund accruals line item.
- **(21:42)** **Chair Hannon (Newark)** suggested that staff create a footnote that lists the dollars committed in the Local Development Fund. **Chair Hannon** suggested this footnote so that the Board will see that Local Developments funds are not \$37MM, but rather, they are X dollars, but Y dollars are committed to projects.
- **(22:09)** Noting the recent increase in interest rates, **Chair Hannon (Newark)** asked if cash could be shifted around to maximize returns.

There were no speakers for public comment.

5. Reserve Contribution (Informational Item)
Review proposed contribution to reserve funds

The Committee Discussed:

- **(27:11) Chair Hannon (Newark)** requested for staff to confirm that this item is informational, and that the subcommittee is not being asked to recommend or affirm any additional dollars to the reserve fund.
- **(28:01) Member Narum (Pleasanton)** spoke in approval of allocating all working capital adjusted funds available for reserves (see slide 3) to the reserves. **Member Narum** also stated that the subcommittee should recommend to the full board that all the funds be allocated to the reserves. **Member Narum** stated that the priority of the Board should be to raise the reserves up to at least a 50% target.
- **(29:03) Member Marquez (Hayward)** asked if the 50% reserve funding goal is common with other Community Choice Aggregators (CCAs).
- **(29:41)** Following Jason Bartlett's explanation that EBCE's current reserve policy was created after an extensive survey of other CCAs, **Member Marquez (Hayward)** asked for staff to describe the previous reserve policy.
- **(30:19) Member Marquez (Hayward)** requested an explanation for why the reserve target is so high, given her statement that the reserve target for municipalities is typically in the 20% range.
- **(34:39) Chair Hannon (Newark)** agreed with **Member Narum's** suggestion that the subcommittee recommend allocating all working capital adjusted funds to the reserves. **Chair Hannon** also asked staff to describe what would happen if the board or the agency needed to dip into the reserves - if, for example, the board would receive information back about the expenditure on a monthly basis.
- **(36:10) Chair Hannon (Newark)** also asked for staff to comment on the impact of the agency's liquidity on the interest rates on lines of credit that the agency has taken out in the previous year.
- **(36:48) Chair Hannon (Newark)** asked the committee to allow staff to indicate to the full board that the subcommittee had agreed to support the increase in the reserve, and that this policy should be adopted by the board. This request was received without objection.
- **(37:34)** In response to **Howard Chang's** inquiry about whether future budget items should be brought to the subcommittee as information or action items, **Chair Hannon (Newark)** requested that items be brought to the subcommittee as action items so that full board would know that subcommittee actively discussed, examined and supports its recommendation.

There were no speakers for public comment.

6. Credit Card Policy Amendment (Informational Item)
Review proposed changes to EBCE's credit card policy

The Committee Discussed:

- **(46:17) Member Kavanaugh (Piedmont)** asked for staff to confirm that, in the new policy, regular staff expenses are incurred on personal credit cards only as a last resort.
- **(47:09) Member Kavanaugh (Piedmont)** followed-up her previous question by asking for staff to discuss the financial burden placed on staff to carry expenses that might be incurred months in advance to actual use (for example, flight reservations), and funds are reimbursed back to the employee.
- **(49:05) Member Narum (Pleasanton)** asked if the updated policy has been reviewed by an auditor.
- **(53:05)** In response to staff's recommendation to increase the card limit from \$10,000 to \$20,000 per card (with the issuance of a third card for a \$60,000 account limit), **Chair Hannon (Newark)** asked for staff to provide data that would justify the recommendation.
- **(56:52) Chair Hannon (Newark)** asked if the updated policy indicated that the use of the agency credit card should be considered only as a last resort, and that payments should be processed primarily via invoicing. Chair Hannon also asked for staff to confirm that a mechanism exists for employees to submit an itinerary of expenses for payment by the agency without the employee having to pay for expenses first with a personal credit card.
- **(58:58) Chair Hannon (Newark)** asked who independently investigates the CEO and the COO to ensure compliance with the policy.
- **(1:02:29) Chair Hannon (Newark)** asked if there are any residual benefits to having a credit line this large in terms of benefits that come back to the agency.
- **(1:03:28) Chair Hannon (Newark)** indicated his support for the staff's recommendation.

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 committee member or staff announcements.

8. Adjournment to date: TBD

Minutes written by Adrian Bankhead.