

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, February 27, 2019, 11:00 a.m.

MINUTES

*555 W. 5th Street, 35TH Floor
Los Angeles, CA 90013*

*Camarillo City Hall
601 Carmen Drive, Camarillo, CA 93010*

*Beverly Hills City Hall
4PthP Floor, Conference Room 4B
455 N. Rexford Drive,
Beverly Hills, CA 90210*

*Carson City Hall
Executive Conference Room
701 E. Carson Street, Carson, CA 90745*

*Rolling Hills Estates City Hall
4045 Palos Verdes Drive N., Rolling Hills
Estates, CA 90274*

I. WELCOME & ROLL CALL

Acting Chair Steve Zuckerman called the meeting to order and the Board Secretary Jacquelyn Betha Isidore conducted roll call.

Roll Call			
Beverly Hills	Robert Wunderlich	Committee Alternate	Remote
Camarillo	Tony Trembley	Committee Member	Remote
Carson	Reata Kulcsar	Committee Member	Remote
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica			Absent

II. PUBLIC COMMENT

There were no public comments on items not on the agenda.

III. REGULAR AGENDA

1. Approved Minutes from January 23, 2019 Finance Committee Meeting

David McNeil, Chief Financial Officer, noted two corrections to the January meeting minutes. First, the minutes should reflect that CPA is not required to

maintain a deposit per the loan agreement with the County of Los Angeles, and second, that CPA is required to maintain a two-million-dollar deposit to support the loan agreement with River City Bank.

Motion: Camarillo, Committee Member Tony Trembley.

Second: Carson, Committee Member Reata Kulcsar.

Vote: Item 1, with the stated amendments, was approved by a unanimous roll call vote.

2. Discussed and provided input on Draft Amendment to FY 2018/19 Budget

David McNeil, Chief Financial Officer, presented a Draft Amendment to the fiscal year (FY) 2018-19 Budget. He indicated that a Proposed Amendment to the FY 2018-19 Budget would be presented to the Board for approval on March 7, 2019. CPA is proposing a \$25 million increase in expenses resulting from lower opt-out rate assumptions than those used in initial base budget. The opt-out rate is trending well below 10%. Reduced opt-out rates in addition to the expedited schedule of enrolling our residential commercial customers have produced higher load and thus higher revenue. Mr. McNeil highlighted that the budget amendment is not a projection, but an authorization to expend funds. CPA does not have authorization to receive revenue that does not fall within an approved category. The wholesale energy sales budget will be removed because we have already recorded the revenue in the cost of energy line item. During the next fiscal year, the energy sales budget will be recorded in a separate line item. The Committee Members discussed various breakdowns of the budget line items. Mr. McNeil indicated that he would provide additional detail in the staff report regarding cost of energy and a description about what is included in the cost, a breakdown on the percentage basis of what the increase is composed of. A consideration was discussed that the Committee could conduct a closed session item to receive more information about cost of energy during next year's budgeting process.

3. Discussed and provided input on draft changes to publicly available CPA interim financial reporting

David McNeil, Chief Financial Officer, presented and discussed financial reporting alternatives and solicited the Finance Committee's input. He reported

that staff would bring back proposed revised financial reporting formats to the Finance Committee at its March meeting on the following items;

1. CPA financial reporting
2. Draft Financial Dashboard for YTD December 2018
3. Draft Quarterly FY 2018-19 Budget to Actual Report – YTD December 2018
4. FY 2018/19 Budget Amendment
5. FY 2019/20 Budgeting process

Committee Member Trembley requested that staff show a more detailed breakout on the Technical, Legal and Other Services line items presented in the annual the budget. Mr. McNeil explained that staff will provide a more thorough breakdown in the tables for the 2019-2020 budget where appropriate and in keeping with CPA's confidentiality requirements.

4. Discussed and provided input on Draft Reserve Policy

David McNeil, Chief Financial Officer, provided a presentation to cover the purpose and benefits of having a reserve policy. Adequate reserves will enable CPA to satisfy working capital requirements, procure energy at competitive rates, adhere to contractual covenants, obtain and maintain an investment grade credit rating, cover unanticipated expenditures, and support rate stability. The Reserve Policy outlines the appropriate target levels (minimum and maximum) of reserves. Reserves are defined as the Net Position which represents the difference between CPA's assets and liabilities as defined by the Government Accounting Standards Board and consistent with generally accepted accounting principles.

The Committee discussed a proposal to reduce the maximum reserve amount from 75% to 60% and agreed to recommend the proposal. The Committee discussed a proposal to use a single reserve target rather a reserve target range and elected to recommend a reserve target range.

5. Received and filed December 2018 Monthly Financial Dashboard

David McNeil, Chief Financial Officer, presented a highlighted overview of annual audited statements, annual budget and the budget amendment process and the reporting surrounding that and the Monthly Dashboard. Mr. McNeil indicated that he will present the development of the FY19/20 budget to the Finance Committee during its April and May meetings. Mr. McNeil proposed various revisions the format of CPA's Financial Dashboard and indicated he would like to provide a quarterly report format in September 2019, which would be the first quarter of the next fiscal year.

Acting Chair Zuckerman requested to see the monthly sales graph included in the Dashboard. Committee Alternate Wunderlich would like to see a monthly budget/forecast graph reflecting the seasonality in addition to the annual budget.

6. Received February 2019 Risk Management Team Report

Matthew Langer, Chief Operating Officer, reviewed the open positions and the purchase of energy hedges covering portions of 2019 and the period of January 2020 through December 2021. Matt also highlighted the possibility of a change to the policy that measures hedge targets using a rolling 12 month schedule.

IV. COMMITTEE MEMBER COMMENTS

Committee Member Trembley requested that we add the day and length of time of the Finance Committee meeting as an item of discussion to the March Agenda.

V. ADJOURNED

Acting Chair Zuckerman adjourned the meeting.