



Redwood Coast Energy Authority

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BOARD FINANCE SUBCOMMITTEE MEETING AGENDA

May 19, 2021

Wednesday, 4:30 - 5:30 p.m.

COVID-19 NOTICE

RCEA OFFICES WILL NOT BE OPEN TO THE PUBLIC FOR THIS MEETING

Pursuant to the Governor's Executive Order [N-29-20](#) of March 17, 2020, and the Humboldt County Health Officer's March 30, 2020, [Shelter-in-Place Order](#), the Board of Directors Finance Subcommittee meeting will not be convened in a physical location. Subcommittee members will participate in the meeting via an online Zoom video conference.

To listen to the meeting by phone, call (669) 900-6833 or (253) 215-8782. Enter webinar ID: **846 0663 0648**. To watch the meeting online, join the Zoom webinar at <https://us02web.zoom.us/j/84606630648>.

You may submit written public comment by email to PublicComment@redwoodenergy.org. Please identify the agenda item number in the subject line. Comments will be included in the meeting record but not read aloud during the meeting.

To make a comment during the public comment periods, raise your hand in the online Zoom webinar, or press star (*) 9 on your phone to raise your hand. You will continue to hear the meeting while you wait. When it is your turn to speak, a staff member will unmute your phone or computer. You will have 3 minutes to speak, subject to the Chair's discretion.

While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click "start from your browser."

In compliance with the Americans with Disabilities Act, any member of the public needing special accommodation to participate in this meeting should call (707) 269-1700 or email Ltaketa@redwoodenergy.org at least 3 business days before the meeting. Advance notice enables RCEA staff to make their best effort to reasonably accommodate access to this meeting while maintaining public safety.

Pursuant to Government Code section 54957.5, all writings or documents relating to any item on this agenda which have been provided to a majority of the Board Finance Subcommittee members, including those received less than 72 hours prior to the meeting, will be made available to the public at www.redwoodenergy.org.

1. **ROLL CALL.** Committee Members: Scott Bauer, Chris Curran, Frank Wilson.
Staff: Lori Biondini, Director of Business Planning & Finance; Matthew Marshall, Executive Director.
2. **ORAL AND WRITTEN COMMUNICATIONS.** This item is provided for the public to address the Finance Subcommittee on matters not on the agenda. At the conclusion of all public statements, the Finance Subcommittee may respond. Any request that requires Finance Subcommittee action will be set by the Subcommittee to a future agenda or referred to staff.
3. **APPROVAL OF MINUTES.**
 - A. Approve Minutes of June 10, 2020, Board Finance Subcommittee Meeting.
4. **NEW BUSINESS.**
 - A. Subcommittee Chair Selection

Appoint an RCEA Finance Subcommittee Chair to serve a one-year term ending on the first regular Board of Directors meeting of 2022.
5. **OLD BUSINESS.**
 - A. RCEA Fiscal Year 2020-2021 Q1 - Q3 Budget Report (Information only)
 - B. Draft Fiscal Year 2021-2022 Budget

Provide guidance and input to staff on draft fiscal year 2021-2022 budget.
6. **COMMITTEE AND STAFF COMMUNICATIONS.** All communications shall be limited to RCEA business and shall not request or lead to action by the Subcommittee at this meeting.
7. **FUTURE AGENDA ITEMS.** Any request that requires Subcommittee action will be set by the Subcommittee for a future agenda or referred to staff.
8. **FUTURE MEETING DATES.**
9. **ADJOURNMENT.**



BOARD FINANCE SUBCOMMITTEE **DRAFT MEETING MINUTES**

Wednesday, June 10, 2020
2:00 - 3:30 p.m.

Notice of this meeting was posted on June 5, 2020. Executive Director Matthew Marshall called a regular meeting of the RCEA Board Finance Subcommittee to order on the above date at 2:00 p.m., stating that the meeting was being conducted by teleconference pursuant to Brown Act waivers included in Governor Newsom's COVID-19 State of Emergency Executive Orders and in response to local efforts to reduce the spread of the virus. Executive Director Marshall stated that the posted agenda outlined instructions for the public on listening to the meeting and providing comment. PRESENT: Committee Members Chris Curran, Michael Winkler, Sheri Woo. STAFF: Director of Business Planning & Finance Lori Biondini; Power Resources Director Richard Engel; Executive Director Matthew Marshall; Community Strategies Manager Nancy Stephenson; Clerk of the Board Lori Taketa.

ORAL COMMUNICATIONS

Executive Director Marshall invited public comment. No member of the public was in attendance. The public comment period was closed.

APPROVAL OF MINUTES

Neither committee members nor members of the public commented on the draft minutes.

M/S: Woo, Curran: Approve Minutes of June 12, 2019, Board Finance Subcommittee Meeting.

The motion passed with a unanimous voice vote. Ayes: Curran, Winkler, Woo. Noes: None. Abstentions: None.

NEW BUSINESS – Subcommittee Chair Selection

Member Woo nominated Member Curran to serve as Chair. There were no comments from the public.

M/S: Woo, Winkler: Appoint Chris Curran to serve as RCEA Finance Subcommittee Chair for a one-year term ending on the first regular Board of Directors meeting of 2021.

The motion passed with a unanimous voice vote. Ayes: Curran, Winkler, Woo. Noes: None. Abstentions: None.

OLD BUSINESS – Draft RCEA Fiscal Year 2020-2021 Budget

Executive Director Marshall reviewed the draft budget, explaining program activities and how some programs have been impacted by the pandemic, revenue sources, program and personnel expenses, large power resources projects and how the timing of receiving loan funds for the agency's largest project, the airport microgrid, affects the balance sheet.

Demand-Side Management energy efficiency program funding sources are shifting to new PG&E contracts and direct administration of CPUC funds which will allow expanded support for community-requested local resiliency, distributed energy, customer solar and electrification projects. The amount of PG&E contract funds will be less than previous years and program funding will rely more on CCE revenue. Program focus will expand to include programs that are integrated with the Community Choice Energy program, such as demand response and load shifting to times of the day when power is less expensive. Work to support the transition to electric vehicles continues and staff is seeking ways to grow this program. E-bike and residential energy kit Citizen Sourced customer programs have been successfully launched. Funds allocated to other Citizen Sourced programs have not been utilized due to the focus on transitioning to Program Administrator status. These funds may be rolled forward to the next fiscal year with some additional funding proposed for the newly launched programs.

Executive Director Marshall described anticipated COVID-19 impacts to electricity sales revenue and wholesale power cost reductions. A return to previous power portfolio procurement goals is anticipated in 2021. Cost-reduction actions that were approved by the Board at the previous meeting are being implemented. The current draft budget includes an anticipated increase in uncollectible electricity bill payments. RCEA is working with other CCAs to ensure that late payments will be reimbursed equally to PG&E and CCAs. The agency is working with Humboldt State University economics professors to model more accurate energy usage forecasts for 2021, which are required by the state.

The agency continues to build reserves at a moderate pace and current conditions affirm the need for a contingency fund. COVID, PG&E rate changes, and exit fee increases significantly impacted RCEA's revenues this fiscal year. Current forecasts anticipate a rebound next year and staff does not anticipate adding to or drawing from reserves in 2021. Committee members expressed how the ability to meet reserve targets helps decide whether it is possible to purchase an office building or not. Strong reserves will enable RCEA to obtain an investment grade credit rating, which allows access to financing for power procurement projects, which would in turn free up working cash. Obtaining an investment grade credit rating is especially challenging for entities with a rural, low-income customer base and RCEA will be working with credit rating agencies on requirements in the next year.

Staff described the need for larger, permanent office space and a potential building purchase, which was not included in the draft budget. Currently available office spaces would all require significant remodeling. Social distancing, remote working, and a modest increase in staff to implement strategic plan goals are being factored into office space needs, although the agency will continue to partner with other agencies and hire contractors and consultants where possible to be effective and maintain flexibility.

The subcommittee discussed the process by which plans to reopen to the public were being created. Staff stressed the need for flexibility to retreat to remote work if the pandemic worsened, and the need to protect staff and the public.

Cost of living increases are addressed through a salary survey and a salary schedule revision, which is done every two years. The next survey and any resulting changes to the salary schedule will be implemented for the 2021-2022 fiscal year.

No member of the public was present to comment.

Chair Curran adjourned the meeting at 3:13 p.m.

Lori Taketa
Clerk of the Board

DRAFT



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STAFF REPORT Agenda Item # 4A

AGENDA DATE:	May 19, 2021
TO:	Board Finance Subcommittee
PREPARED BY:	Lori Taketa, Clerk of the Board
SUBJECT:	Subcommittee Chair Selection

BACKGROUND

The RCEA Board of Directors created the standing Finance Subcommittee on January 28, 2019, "to meet as needed to work with staff and advise the Board of Directors on matters relating to audit, finance and budget." Subcommittee members serve one-year terms ending on the first regular Board meeting of each year. Discussion prior to the subcommittee's creation focused on the directors' expressed desire to increase organizational transparency and Board member understanding of the agency's finances.

Directors Scott Bauer, Chris Curran and Frank Wilson volunteered to serve on this standing subcommittee at the Board's January 28, 2021 meeting.

Staff recommends the subcommittee members appoint a chair to call meetings as needed.

STAFF RECOMMENDATION

Appoint an RCEA Finance Subcommittee Chair to serve a one-year term ending on the first regular Board of Directors meeting of 2022.

ATTACHMENT

None.



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STAFF REPORT Agenda Item # 5A

AGENDA DATE:	May 19, 2021
TO:	Board of Directors Finance Subcommittee
PREPARED BY:	Lori Biondini, Business Planning and Finance Director
SUBJECT:	FY20-21 Q3 Budget Update

SUMMARY

Please find attached the Profit and Loss Budget versus Actual report through March 2021/Q3, presenting revenue and expenses for three-quarters of this fiscal year. Overall, our revenue is slightly higher than expected at this point in the year, and our total expenses are right where we would expect them. Staff anticipates that revenue and expenses for the remainder of the fiscal year will be typical, with the following exceptions.

- Annual Net Energy Metered customer payouts were completed in April and May; that total is anticipated to be around \$250,000. This number is accounted for under Revenue – Electricity Sales as a deduction and will affect the total revenue by less than 1%.
- RCEA still has not realized the revenue or the bulk of expenses for the Airport Microgrid project (Other Income and 8.1 Facilities and Operations expenses), however, RCEA and USDA staff are quickly working towards closing and drawing from the loan before June 30. If that happens, the draw will be about \$1.5 million. As next year's budget is developed, staff will move remaining loan funds from this year's revenue budget to the next, as well as expenses that have been delayed due to construction schedule adjustments.
- The cost of wholesale power looks to be at 85% of the budget, and RCEA made an additional, approximate \$950,000 Renewable Portfolio Standards settlement payment in April, on top of regular energy costs. Total costs for wholesale power supply may rise to about 10% over budget.
- Legal costs under 8.4 Professional and Program Services have been steadily increasing the past few years and will likely exceed the budgeted amount this year. Average monthly legal costs have been \$13,900 which means the total could exceed the budgeted amount by 30%.
- One of the unanticipated expenses this year, under Non-Operating Costs, are charges associated with specialized bank accounts that RCEA was required to open and maintain. Two are escrow accounts with Wells Fargo for 1) the interconnection study associated with the Airport Microgrid project and 2) the Financial Security Requirement that CCAs must maintain with their Investor Owned Utility counterparts. RCEA has also opened an account with First Republic Bank governed by a Deposit Account Control Agreement for the purposes of

maintaining a reserve fund that satisfies the requirements of the USDA Rural Utilities Service loan contract. All these specialized accounts are not services provided by our regular bank and have associated yearly fees ranging from \$3,000 to \$6,000 each.

RECOMMENDED ACTIONS

None. Informational only.

ATTACHMENTS

Profit and Loss Budget versus Actual report through March 2021/Q3

Redwood Coast Energy Authority
Profit & Loss Budget vs. Actual
July 2020 through March 2021

	<u>Jul '20 - Mar 21</u>	<u>Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense			
Income			
5 REVENUE EARNED			
Total 5000 · Revenue - government agencies	77,420.00	737,317.00	10.5%
Total 5100 · Revenue - program related sales	9,748.58	9,000.00	108.32%
Total 5400 · Revenue-nongovernment agencies	655,664.24	1,556,600.00	42.12%
Total 5500 · Revenue - Electricity Sales	36,157,943.27	41,763,500.00	86.58%
Total 5 REVENUE EARNED	36,900,776.09	44,066,417.00	83.74%
Total Income	36,900,776.09	44,066,417.00	83.74%
Gross Profit	36,900,776.09	44,066,417.00	83.74%
Expense			
Total 6 WHOLESALE POWER SUPPLY	30,537,059.73	36,074,000.00	84.65%
Total 7 PERSONNEL EXPENSES	1,897,525.39	2,838,644.00	66.85%
Total 8.1 FACILITIES AND OPERATIONS	842,416.14	6,606,484.00	12.75%
Total 8.2 COMMUNICATIONS AND OUTREACH	54,881.89	114,000.00	48.14%
Total 8.3 TRAVEL AND MEETINGS	661.55	18,450.00	3.59%
8.4 PROFESSIONAL & PROGRAM SRVS			
8400 · Regulatory	138,803.93	200,000.00	69.4%
8410 · Contracts - Program Related Ser	216,921.64	326,000.00	66.54%
8420 · Accounting	19,280.00	75,000.00	25.71%
8430 · Legal	121,872.65	125,000.00	97.5%
8450 · Wholesale Services - TEA	463,039.83	620,500.00	74.62%
8460 · Procurement Credit - TEA	518,650.17	650,500.00	79.73%
8470 · Data Management - Calpine	662,065.35	913,450.00	72.48%
Total 8.4 PROFESSIONAL & PROGRAM SRVS	2,140,633.57	2,910,450.00	73.55%
Total 8.5 PROGRAM EXPENSES	450,219.85	627,550.00	71.74%
Total 8.6 INCENTIVES & REBATES	39,258.17	601,000.00	6.53%
Total 9 NON OPERATING COSTS	42,997.59	35,500.00	121.12%
Total Expense	36,005,653.88	49,826,078.00	72.26%
Net Ordinary Income	895,122.21	-5,759,661.00	-15.54%
Net Other Income	0.00	6,000,000.00	0.0%
Net Income	<u>895,122.21</u>	<u>240,339.00</u>	<u>372.44%</u>



STAFF REPORT
Agenda Item # 5B

AGENDA DATE:	May 19, 2020
TO:	Board of Directors Finance Subcommittee
PREPARED BY:	Matthew Marshall, Executive Director
SUBJECT:	Fiscal Year 2021-22 Preliminary Draft Budget

SUMMARY

Staff will provide a presentation on the preliminary draft budget at the meeting.

STAFF RECOMMENDATION

Provide guidance and input to staff on draft FY21-22 budget.