

REDWOOD COAST ENERGY AUTHORITY

FINANCIAL MANAGEMENT POLICY

1. Introduction

This policy been prepared to define the financial management duties and procedures of the Redwood Coast Energy Authority (RCEA). Their purpose is to ensure that finances are managed transparently, efficiently, and with responsible stewardship. All terms and conditions of other RCEA policies shall apply to this policy. All terms and conditions made pursuant to agreements with grantor agencies and contractors shall apply to this policy. This policy is intended to replace all previous financial management and accounting policies to the extent they are inconsistent.

2. Division of Duties

The following is a list of personnel who have responsibilities for the accuracy and integrity of RCEA's financial management and reporting:

Board of Directors:

- Reviews financial reports.
- Reviews and approves warrants reports of financial transactions.
- Reviews and approves the annual budget as well as interim adjustments.
- Reviews and approves independent financial audits.
- Reviews and approves all contracts for goods and services that will exceed \$20,000 during any fiscal year.
- Designates check signing and disbursement authority, including electronic funds disbursement. Such authority shall include the Board Chair and the Vice Chair.

Executive Director:

- Reviews and approves all financial reports for submission to the Board of Directors.
- Has check signature authority as one of two required signatories.
- Reviews and approves all contracts for goods and services \$20,000 or less during any fiscal year.
- Reviews and approves internal accounting standards and operating procedures and any changes to those procedures.
- Has authority to initiate disbursements and transfer funds, per this policy.

Director of Business Planning and Finance:

- Serves as RCEA Treasurer.
- Approves reconciliations of bank accounts.
- Develops and maintains internal accounting standards and operating procedures to be approved by the Executive Director.
- Reviews and approves electronic funds transfers and submits them to the Executive

Director for review and approval. The Executive Director's approval may occur after the funds have been transferred.

- Has check signature authority as one of two required signatories.
- Has authority to initiate disbursements and transfer funds, per this policy.

Deputy Executive Director

- Reviews reconciliations of bank accounts.
- Reviews and approves electronic funds transfers with the Director of Business Planning and Finance. This may occur after funds have been transferred.
- Has check signature authority as one of two required signatories.
- Has authority to initiate disbursements and transfer funds, per this policy.

3. Spending Authority

The Executive Director is authorized to approve expenditures provided that:

- The expenditure complies with the above division of duties so that contracts reasonably expected to cost \$20,000 or more in any fiscal year be approved by the Board of Directors.
- The expenditure is consistent with all adopted RCEA policies, including but not limited to the Energy Risk Management Policy.
- The total cost of the expenditure will not result in exceeding the amount annually budgeted and approved in the applicable category by 5%.

All cash disbursements made by check shall be double-signed by authorized check signors as approved by the Board of Directors. Cash disbursements made by check in excess of \$20,000 for the payment of expenditures not under a contract previously approved by the Board of Directors shall be signed by at least one Board Member who is also an authorized check signor.

All disbursements by electronic funds transfer via the Automated Clearing House (ACH) apparatus shall be approved by two authorized check signors. Such authorization may take the form of an electronic approval or electronic signature. The first approval shall occur prior to the transfer while the second approval may occur subsequent to the transfer. ACH cash disbursement in excess of \$20,000 for the payment of expenditures not under a contract previously approved by the Board of Directors shall be signed by at least one Board Member who is also an authorized check signor.

4. RCEA Treasurer

RCEA's Amended and Restated Joint Powers Agreement establishes that the RCEA Board shall designate a qualified person to service as RCEA Treasurer. The agreement states that Treasurer shall have charge of depositing and maintaining custody of all funds held by the RCEA, and shall maintain strict accountability for all funds and reports of all receipts and disbursements. In addition, the Treasurer shall perform all other duties that may be imposed by applicable law (including Government Code Sections 6505 and 6505.5), RCEA's Joint Powers Agreement, or any rules of the Board.

Through this Policy the Board designates the Director of Business Planning and Finance to serve as RCEA Treasurer.

5. Independent Financial Audits

RCEA's Joint Powers Agreement establishes that the RCEA Board shall designate an RCEA Auditor. Through this policy the RCEA Board establishes that it will select a qualified person or entity to perform the function of independent auditor, and that the independent auditor will report directly to the RCEA Board of Directors and will be selected by the board through a process determined by the Board.

The auditor will be responsible for conducting annual financial audits that will be performed according to generally accepted accounting standards and government auditing standards. Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the RCEA Board for their review and approval after the financial statements have been reviewed by the Director of Business Planning and Finance and the Executive Director.

The Auditor will complete annual audits in a timely fashion and by no later than 10 months after the end of the applicable fiscal year. It is the responsibility of the Director of Business Planning and Finance, as well as all other RCEA staff, to provide any necessary information to the auditor so that audits can be completed in a timely fashion.

6. Budgeting

RCEA's fiscal year is July 1 to June 30; prior to June 30 of each year the Executive Director will submit to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Unless otherwise directed by the Board, the Executive Director will present a preliminary draft budget to the Board of Directors and the public at the regularly scheduled May Board of Directors meeting. The final proposed budget will be presented to the Board at its regularly scheduled June business meeting. The Board may choose to hold additional public hearings or study sessions prior to the June business meeting as it sees fit.

During the course of the year the Board may elect to adopt revisions to the annual budget as needed. The annual budget and any subsequent revisions the Board elects to make will be approved by motion of the Board.

7. Financial Reporting

Staff will provide the RCEA Board with regular financial reports, including Warrants Reports of disbursements, monthly profit and loss statements, balance sheets, and year-to-date budget versus actual reports. The Board of Directors may request other reports as it sees fit. The Director of Business Planning and Finance will prepare and present these reports monthly for review and approval or acceptance by the Board at their monthly meeting and made available to the public through RCEA's website as well as in hard copy at RCEA's main business office.

8. Accounting and Financial Operating Procedures

Consistent with this and other RCEA policies, generally accepted accounting standards, and any applicable laws the Director of Business Planning and Finance will develop and maintain internal accounting operating procedures and standards to guide day-to-day financial operations. These operating procedures, and any subsequent updates or revisions to them, will be approved by the Executive Director and presented to the board, and also made available for public review on RCEA's website as well as in hard copy at RCEA's main business office.

9. Wholesale Power Procurement

To ensure successful operation of the community choice energy (CCE) program, RCEA has contracted an experienced Power Manager who will be executing on RCEA's behalf the preponderance of power transactions as government by RCEA's Board-adopted Energy Risk Management Policy and RCEA's contract with the Power Manager. Power procurement not included in the authorized transaction types listed in the ERMP, or wholesale power transactions that fall outside of the delegations outlined in the ERMP will be purchased under this policy (e.g. local renewable energy purchase agreements, or transactions exceeding the approved limits).

10. Operating Reserves

During the first 12 months of CCE operations, RCEA will deposit funds in a reserve account such that at least \$5 million is in the account at the end of the first 12 months, and maintain such amount thereafter. The reserve requirement shall be funded from program revenue available after fully funding the aggregate of operating expenses in RCEA's approved budget. After the first 12 months of power procurement, the reserve account will continue to serve as credit support for RCEA power transactions through its contracted Power Manager. The amount in the fund shall be equal or greater than the credit exposure as calculated by the Power Manger on an annual basis.

In the first 12 months of CCE operations RCEA will also establish a minimum operating balance of \$1 million in RCEA's CCE operating account.

In addition to these minimum reserve requirement, the RCEA Board may set additional reserve targets or requirements as it deems appropriate.

11. Bad Debt or Uncollectable Accounts

RCEA shall include in its annual budget a reserve for bad debt or uncollectable accounts. This budgetary reserve will be calculated by the Director of Business Planning and Finance in coordination with RCEA's contracted Power Manager. On an annual basis, if actual collections experience so indicates, the bad debt reserve shall be modified appropriately.