



**REGULAR MEETING of the Audit and Finance Committee of the  
Peninsula Clean Energy Authority (PCEA)  
Tuesday, May 8, 2018**

Peninsula Clean Energy,  
2075 Woodside Road, Redwood City, CA 94061  
9:00 a.m.

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Anne Bartoletti, Board Clerk, at least 2 working days before the meeting at [abartoletti@peninsulacleanenergy.com](mailto:abartoletti@peninsulacleanenergy.com). Notification in advance of the meeting will enable the PCEA to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it. Attendees to this meeting are reminded that other attendees may be sensitive to various chemical based products.*

*If you wish to speak to the Committee, please fill out a speaker's slip located on the tables as you enter the meeting room. If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of PCEA staff who will distribute the information to the Committee members and other staff.*

**WELCOME**

**ROLL CALL**

**PUBLIC COMMENT**

This item is reserved for persons wishing to address the Committee on any PCEA-related matters that are as follows: 1) Not otherwise on this meeting agenda; 2) Chief Executive Officer's of Staff Report on the Regular Agenda; 3) Committee Members' Reports on the Regular Agenda. Public comments on matters not listed above shall be heard at the time the matter is called.

As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to PCEA staff. Speakers are customarily limited to two minutes, but an extension can be provided to you at the discretion of the Committee Chair.

**ACTION TO SET AGENDA AND APPROVE THE CONSENT AGENDA**

This item is to set the final regular agenda and approve the items listed on the consent agenda. All items on the consent agenda are approved by one action.

## **REGULAR AGENDA**

1. Chair Report (Discussion) (est. 5 min.)
2. Staff Report (Discussion) (est. 5 min)
3. Committee Members' Reports (Discussion) (est. 5 min)
4. Introduce Interim CFO (Discussion) (est. 5 min)
5. Third Quarter of FY 2017-2018 Financial Report (Discussion) (est. 10 min)
6. Fiscal Year 2018-2019 Budget Review (Discussion) (est. 20 min)
7. Approve FY 2017-2018 Audit Preparation Calendar (Action) (est. 5 min)
8. Recommend Approval of Disbursement Policy (Action) (est. 5 min)
9. Approve Committee Meeting Schedule (Action) (est. 5 min)
10. Review Draft Investment Policy Statement (Discussion) (est. 20 min)
11. Presentation on Portfolio and Investment Options (Discussion) (est. 20 min)

## **CONSENT AGENDA**

12. Approval of the Minutes for the February 13, 2018 Meeting (Action)

Public records that relate to any item on the open session agenda for a regular Committee meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Committee. The Peninsula Clean Energy Authority office at 2075 Woodside Road, Redwood City, CA 94061, has been designated for the purpose of making those public records available for inspection. The documents are also available on the PCEA's Internet Web site. The website is located at: <http://www.peninsulacleanenergy.com>.



**PENINSULA CLEAN ENERGY**  
**JPA Board Correspondence**

**DATE:** May 2, 2018

**BOARD MEETING DATE:** May 8, 2018

**SPECIAL NOTICE/HEARING:** None

**VOTE REQUIRED:** None

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee

**FROM:** Jan Pepper, Chief Executive Officer, Peninsula Clean Energy

**SUBJECT:** Introduce Interim CFO (Discussion)

**RECOMMENDATION:**

Introduce Interim CFO.

**BACKGROUND:**

Peninsula Clean Energy has hired an interim CFO, Tina Caratan, to lead and assist with key projects, starting May 1, 2018 and continuing for two weeks beyond the start of the permanent CFO.

# Kristine L. Caratan, MNA, CPA, CGMA

415-385-1821

<https://www.linkedin.com/in/kristine-tina-caratan-mna-cpa-cgma-1084b924/>

## PROFESSIONAL EXPERIENCE

### **FINANCIAL CONSULTANT to NFPs** – January 2011 – Present

Engagements have included: SF Symphony, Exploratorium, Inner City Advisors/Fund Good Jobs, Diocese of Orange County (CA), Akonadi, AWDF-USA, The Asia Foundation, StreetSmart for Kids, RETA Trust, Women's Initiative for Self Employment, Asian Community Mental Health Services, Ronald McDonald House – SF, Earthjustice, Filoli Center, SF Produce Market, Northern California Community Loan Fund, Direct Impact Fund, City of Oakland, Fontanello, Duffield & Otake. Services provided include: Interim CFO, Board retreat facilitation, financial training for grants management staff, net asset review, liquidity analysis, assistance with organizational structure, pre and post-issuance quality control, preparation for year-end audit, and tax credit financing arrangements, including lease accounting.

**SAN FRANCISCO STATE UNIVERSITY / UNIVERSITY OF SAN FRANCISCO / SANTA CLARA UNIVERSITY** – Executive Professor – Fall 2011 to Present. Courses – Not for Profit/Government Accounting (undergraduate); Accounting Ethics (MSA and undergraduate)

### **FMCDI** – Kiev, Ukraine

Conference Facilitator – December 2015 and May 2016. Co-taught two 2-day conferences hosted by USAID to external auditors required to understand the requirements of GAGAS and Uniform Guidance

### **MOSS ADAMS LLP** – San Francisco, California

Audit Partner – Northern California NFP Practice Leader – 2001-2010

Audit Senior – 1977-1978

As practice leader for Northern California, I created, developed, and built the NFP practice for the firm in Northern California. This required developing the brand name for the firm in the not-for-profit community, identifying and training staff in NFP accounting and auditing, and building a coalition within the entire firm. I provided high quality audit and consulting services to a large variety of NFP clients. I have also presented (and continue to present) on a variety of topics (accounting, auditing, management) to a wide array of organizations. A sampling of my client projects and presentations include:

- Operational reviews during the Risk Assessment implementation period
- Cash flow modeling
- Comparison of investments held to investment policies
- Communications between finance and development departments
- Assistance in formulating audit and finance committee charters
- Review of IT structures (accounting focused)
- Provided advice on more effective monitoring procedures of investment managers
- Revenue recognition policies and procedures

I was employed by the firm in the late 1970s (1977-1978) as an audit senior. My decision to return to the firm was based entirely on the opportunity to build a practice devoted to not for profits located in the greater Bay Area and Northern California.

**BERTORELLI & COMPANY** – San Francisco, California

Audit Partner – Director of Quality Control – 1991 – 2000

During my tenure at Bertorelli & Company, as well as being the sole audit partner, I was responsible for developing the firm's quality control manual and successfully prepared the firm for its first peer review within 18 months of the firm's inception. I left the firm to rejoin Moss Adams.

**SPICER & OPPENHEIM** – San Francisco, California

Audit Senior Manager – SF Director of Quality Control and Recruiting – 1988 – 1990

Spicer & Oppenheim was a national firm, specializing in broker/dealers and hedge funds. The firm was headquartered in New York and had 10 offices nationwide. I was the San Francisco office's first director of quality control, a new position created by the national office. Within a year of my employment, I guided the office to a successful internal office inspection, a complete turnaround from the prior year. I was charged with completing all concurring reviews (cold review) for all financial statements issued by the San Francisco office. I was also responsible for all client service personnel recruiting. During my tenure, we successfully increased our audit and tax staff by over 30 additional personal, going from an office of approximately 70 to over 100 client service personnel.

**PERKINS, HARRISON & CARATAN** – San Francisco, California

Audit and Administrative Partner – 1982 – 1987

**COHEN & GRAFF** – San Francisco, California

Audit Manager and Senior Manager – 1979 – 1982

**LESTER WITTE & COMPANY** – San Francisco, California

Audit/Tax Staff and Audit Senior – 1974 – 1977

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**EDUCATION AND PROFESSIONAL LICENSING**

Bachelors of Science in Commerce – Accounting  
Santa Clara University

Masters of Nonprofit Administration  
University of San Francisco

Certified Public Accountant – California (active); Colorado and New York (inactive);  
Member – AICPA, CalCPA, AWSCPA

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## **PROFESSIONAL AND CIVIC INVOLVEMENTS (partial listing)**

- BETA ALPHA PSI* – International Board of Directors: 2005 – 2008  
Chair International Professional Partners: 2006 – 2008  
Member International Professional Partners: 2000 – 2008  
Project Run with It Coordinator: 2008 – 2016  
Co-Chair – Annual Meeting: 2017 and 2018  
Faculty Advisor, Beta Chi Chapter (SFSU) – 2011 – Present
- SANTA CLARA UNIVERSITY* – National Alumni Board: 1985 – 1988  
Accounting Advisory Board: 2002 – Present  
Guest Lecturer – On going (on faculty 2016-17)
- MOSS ADAMS FOUNDATION*: 2003 – 2010 (Vice-Chair 2005 to 2010)
- CALIFORNIA BOARD OF ACCOUNTANCY, QUALIFICATIONS COMMITTEE* –  
1986 – 2001 (Chair: 1995 – 1998)
- ST. THOMAS CATHOLIC CHURCH* – Finance Council: 1987 – 2012
- ST. IGNATIUS CATHOLIC CHURCH* – Administration Commission – 2015 - 2018

## **Awards and Presentations (partial listing)**

### **Awards**

- Santa Clara University – Accounting Department – Alumna of the Year - 2008  
California CPA Society – Experienced Leader – 2008  
American Woman's Society of CPAs – Woman CPA of the Year – 2010  
Beta Alpha Psi (Beta Chi Chapter) – Outstanding Co-Faculty Advisor – 2012  
Beta Alpha Psi (International) – President's Award – 2015  
Beta Alpha Psi (International) – Outstanding Faculty Advisor - 2017

### **Conference Presentations**

- Northern California Planned Giving Conference  
Stanford Planned Giving Conference  
AICPA Financial Executive's Forum  
California CPA Society  
CompassPoint  
Council on Foundations – Annual FAOG Conference  
American Council of Gift Annuities  
AWSCPA – 2012 Annual Conference Keynote Speaker  
DKF America's Conference  
Louisiana State CPA Society  
2015 APLG/FSA Annual Seminar  
Accounting & Financial Women's Alliance  
AICPA Global Women's Leadership Summit  
AICPA Not for Profit Conference



**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018

**BOARD MEETING DATE:** May 8, 2018

**SPECIAL NOTICE/HEARING:** None

**VOTE REQUIRED:** None

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee

**FROM:** Jay Modi, Director of Finance & Admin, Peninsula Clean Energy

**SUBJECT:** Review Third Quarter of FY 2017-2018 Financial Report

**ATTACHMENTS**

Finance Variance Summary as of 3/31/2018 (July '17 – Mar '18)

Two Compilation Reports from Maher Accountancy

### Finance Variance Summary as of 3/31/2018 (July '17 – Mar '18)

The PCE Budgetary Comparison Schedule for July 1, 2017 through March 31, 2018, attached to this memo compares budget to actual through the third fiscal quarter<sup>1</sup>.

Assumptions for the number of accounts and the load per account in the Fiscal Year 2017-18 budget were based on 2014-2015 datasets prepared by PCE's consultants. Because these datasets are 3 years old, the actual number of accounts and the actual energy usage per account is slightly different than what was initially assumed. The variance is approximately 4-5%, with the actual Revenue for PCE's default product, ECOplus, approximately 5% below budget, with a corresponding variance of 5% below budget for the Cost of Energy to serve these accounts. The revenue variance for PCE's ECO100 product is 80% above budget due to a greater amount of PCE's load opting-up to 100% renewable energy.

Budget variances for other budget categories are described below:

#### Underspend vs Budget

- **100% / \$175k Energy Programs:** This is forecasted to be spent on the pilot program to be launched over the next few months.
- **53% / \$406k Professional Services:** Heavily budgeted for Technical Consultants (PEA and IRP Development) but done in-house.
- **47% / \$218k Outreach and Communications:** Mainly due to the spend related to Designer, Videographer, and small grant pilot project concentrated in the last few months of fiscal year.
- **36% / \$872k Personnel:** Largely driven by moving the hiring from first-half fiscal-year to second-half fiscal year for the position of Power Resources Manager, Energy Programs Manager/Director, and Program Associate.
- **27% / \$113k G&A:** Underspend in business travel, conferences & professional development, and subscriptions.
- **20% / \$46k Customer noticing:** This is related to the timing of mailing the notices and it will likely catch-up in May-June.
- **8% / \$97k:** PG&E reduced the service fees per account by ~18%

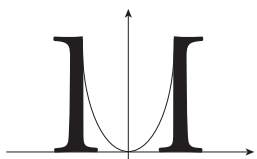
#### Overspend vs Budget

- **-17% / -\$140k Legal:** Partially overspent for legal regulatory due to delay in finding Regulatory Analyst resulting in increased consulting services, and partially overspent on legal related to power purchase agreement negotiation.
- **-2% / \$62k Data Manager:** This is billed as a fixed rate for the number of active accounts. The actual number of accounts enrolled is slightly higher than the budget, resulting in a variance.

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<sup>1</sup> As PCE's budget was not approved on a month-to-date process, monthly variances are not necessarily indicative of any issues.





## ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Peninsula Clean Energy Authority

Management is responsible for the accompanying special purpose statement of Peninsula Clean Energy Authority (the Authority), a California Joint Powers Authority, which comprise the budgetary comparison schedule for the period ended March 31, 2018, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of PCE.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

*Maher Accountancy*

San Rafael, CA  
April 30, 2018



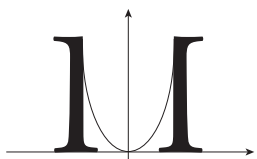
**PENINSULA CLEAN ENERGY AUTHORITY  
OPERATING FUND  
BUDGETARY COMPARISON SCHEDULE  
July 1, 2017 through March 31, 2018**

	<u>2017/18 YTD Budget</u>	<u>2017/18 YTD Actual</u>	<u>2017/18 YTD Budget Variance (Under) Over</u>	<u>2017/18 YTD Actual/Budget %</u>	<u>2017/18 Annual Budget</u>	<u>2017/18 Budget Remaining</u>
<b>REVENUE AND OTHER SOURCES</b>						
Revenue - Electricity, net	\$ 185,430,965	\$ 176,840,652	\$ (8,590,313)	95%	\$ 248,082,000	\$ 71,241,348
Revenue - Green Premium, net	560,919	1,009,101	448,182	180%	737,000	(272,101)
Electricity sales for resale	-	23,750	23,750			
Interest income	-	30,480	30,480			
Total revenue and other sources	<u>185,991,884</u>	<u>177,903,983</u>	<u>(8,087,901)</u>	<u>96%</u>	<u>248,819,000</u>	<u>70,969,247</u>
<b>EXPENDITURES AND OTHER USES</b>						
<b>CURRENT EXPENDITURES</b>						
Cost of energy	138,637,814	131,930,950	(6,706,864)	95%	181,715,000	49,784,050
Data manager	2,974,930	3,037,125	62,195	102%	3,970,000	932,875
PG&E service fees	1,219,975	1,123,349	(96,626)	92%	1,636,000	512,651
Personnel	2,400,000	1,527,911	(872,089)	64%	3,320,000	1,792,089
Customer noticing	225,000	178,894	(46,106)	80%	425,000	246,106
Outreach and communications	468,000	250,257	(217,743)	53%	624,000	373,743
Professional services	762,750	356,817	(405,933)	47%	1,017,000	660,183
Legal and regulatory	805,000	945,197	140,197	117%	1,030,000	84,803
Energy programs	175,000	-	(175,000)	0%	250,000	250,000
General and administration	608,750	641,157	32,407	105%	795,000	153,843
Total current expenditures	<u>148,277,219</u>	<u>139,991,657</u>	<u>(8,285,562)</u>	<u>94%</u>	<u>194,782,000</u>	<u>54,790,343</u>
<b>OTHER USES</b>						
Rate stabilization reserve *	9,299,594	-	(9,299,594)	0%	12,440,950	12,440,950
Capital outlay	440,000	331,977	(108,023)	75%	484,000	152,023
Total other uses	<u>9,739,594</u>	<u>331,977</u>	<u>(9,407,617)</u>	<u>3%</u>	<u>12,924,950</u>	<u>12,592,973</u>
DEBT SERVICE	7,997,000	7,701,173	(295,827)	96%	7,997,000	295,827
Total Expenditures, Other Uses and Debt Service	<u>166,013,813</u>	<u>148,024,807</u>	<u>(17,989,006)</u>	<u>89%</u>	<u>215,703,950</u>	<u>67,679,143</u>
Net increase (decrease) in available fund balance	<u>\$ 19,978,071</u>	<u>\$ 29,879,176</u>	<u>\$ 9,901,105</u>	<u>150%</u>	<u>\$ 33,115,050</u>	<u>\$ 3,290,104</u>

\* The rate stabilization reserve will be recognized at the end of the fiscal year

**PENINSULA CLEAN ENERGY AUTHORITY**  
**OPERATING FUND**  
**BUDGET RECONCILIATION TO STATEMENT OF**  
**REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**July 1, 2017 through March 31, 2018**

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$ 29,879,176
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(39,161)
Add back capital asset acquisitions	331,977
Add back principal payments on debt	7,480,800
Change in net position	<u>\$ 37,652,792</u>



## ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Peninsula Clean Energy Authority

Management is responsible for the accompanying financial statements of Peninsula Clean Energy Authority (the Authority), a California Joint Powers Authority, which comprise the statements of net position as of March 31, 2018, and February 28, 2018, and the statements of revenues, expenses, and changes in net position for the month and year-to-date ending March 31, 2018, and the statement cash flows for the period ended March 31, 2018, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

*Maher Accountancy*

San Rafael, CA  
April 30, 2018



# PENINSULA CLEAN ENERGY AUTHORITY

## STATEMENTS OF NET POSITION As of March 31, and February 28, 2018

	March	February	Increase (Decrease)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 59,341,293	\$ 57,019,910	\$ 2,321,383
Accounts receivable, net of allowance	16,168,111	15,817,133	350,978
Other receivables	206,497	90,357	116,140
Accrued revenue	10,205,706	9,818,516	387,190
Prepaid expenses	158,800	109,594	49,206
Deposits	614,556	1,924,926	(1,310,370)
Total current assets	86,694,963	84,780,436	1,914,527
Noncurrent assets			
Capital assets, net of depreciation	311,729	313,261	(1,532)
Deposits	135,355	135,355	-
Total noncurrent assets	447,084	448,616	(1,532)
Total assets	87,142,047	85,229,052	1,912,995
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,165,865	342,485	823,380
Accrued cost of electricity	25,514,949	24,672,747	842,202
Accrued payroll and related liabilities	132,778	124,456	8,322
Other accrued liabilities	-	365,000	(365,000)
Supplier security deposits	50,000	50,000	-
User taxes and energy surcharges due to other govts	722,944	626,175	96,769
Total current liabilities	27,586,536	26,180,863	1,405,673
Noncurrent liabilities			
Supplier security deposits	192,190	75,000	117,190
Total liabilities	27,778,726	26,255,863	1,522,863
<b>NET POSITION</b>			
Net investment in capital assets	311,729	313,261	(1,532)
Unrestricted	59,051,592	58,659,928	391,664
Total net position	\$ 59,363,321	\$ 58,973,189	\$ 390,132

**PENINSULA CLEAN ENERGY AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES**

**AND CHANGES IN NET POSITION**

**Month and Nine Months Ended March 31, 2018**

	<b>Month</b>	<b>Nine Months</b>
<b>OPERATING REVENUES</b>		
Electricity sales, net	\$ 17,561,223	\$ 176,840,652
Green electricity premium	171,464	1,009,101
Electricity sales for resale	23,750	23,750
Total operating revenues	<u>17,756,437</u>	<u>177,873,503</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	16,353,624	131,930,950
Staff compensation and benefits	194,526	1,527,911
Data manager	348,885	3,037,125
Service fees - PG&E	102,805	1,123,349
Consultants and other professional fees	22,510	356,817
Legal	139,277	945,197
Communications and noticing	20,568	429,151
General and administration	160,909	641,157
Depreciation	5,328	39,161
Total operating expenses	<u>17,348,432</u>	<u>140,030,818</u>
Operating income (loss)	<u>408,005</u>	<u>37,842,685</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	19,927	30,480
Interest and related expense	(37,800)	(220,373)
Total nonoperating revenues (expenses)	<u>(17,873)</u>	<u>(189,893)</u>
<b>CHANGE IN NET POSITION</b>	390,132	37,652,792
Net position at beginning of period	58,973,189	21,710,529
Net position at end of period	<u>\$ 59,363,321</u>	<u>\$ 59,363,321</u>

# PENINSULA CLEAN ENERGY AUTHORITY

## STATEMENT OF CASH FLOWS July 1, 2017 through March 31, 2018

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from electricity sales	\$ 184,439,994
Receipts from supplier security deposits	117,190
Tax and surcharge receipts from customers	3,103,297
Payments to purchase electricity	(130,867,944)
Payments for staff compensation and benefits	(1,510,061)
Payments for data manager	(2,689,288)
Payments for service fees - PG&E	(1,149,937)
Payments for consultants and other professional fees	(368,878)
Payments for legal	(926,680)
Payments for communications and noticing	(507,412)
Payments for general and administration	(539,758)
Tax and surcharge payments to other governments	(3,038,236)
Net cash provided (used) by operating activities	<u>46,062,287</u>

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Principal payments on loan	(7,480,800)
Deposits and collateral paid	(2,633,718)
Deposits and collateral received	3,426,120
Interest and related expense payments	<u>(216,703)</u>
Net cash provided (used) by non-capital financing activities	<u>(6,905,101)</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(228,629)</u>
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### CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>31,038</u>
Net change in cash and cash equivalents	38,959,595
Cash and cash equivalents at beginning of year	20,381,698
Cash and cash equivalents at end of period	<u><u>\$ 59,341,293</u></u>

**PENINSULA CLEAN ENERGY AUTHORITY**  
**STATEMENT OF CASH FLOWS (continued)**  
**July 1, 2017 through March 31, 2018**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 37,842,685
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	39,161
Revenue reduced for uncollectible accounts	624,660
(Increase) decrease in accounts receivable	4,332,067
(Increase) decrease in other receivables	(173,238)
(Increase) decrease in accrued revenue	1,664,413
(Increase) decrease in prepaid expenses	65,724
Increase (decrease) in accounts payable	371,256
Increase (decrease) in accrued payroll and related	16,773
Increase (decrease) in accrued cost of electricity	1,127,434
Increase (decrease) in user taxes and energy surcharges due to other governments	34,162
Increase (decrease) in supplier security deposits	117,190
Net cash provided (used) by operating activities	<u><u>\$ 46,062,287</u></u>





**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018

**BOARD MEETING DATE:** May 8, 2018

**SPECIAL NOTICE/HEARING:** None

**VOTE REQUIRED:** None

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee

**FROM:** Jay Modi, Director of Finance & Admin, Peninsula Clean Energy

**SUBJECT:** Review Fiscal Year 2018-2019 Budget

**RECOMMENDATION:**

Review Fiscal Year 2018-2019 Budget

**DISCUSSION:**

A draft of the Fiscal Year 2019 (July 2018 through June 2019) budget will be provided for review. The bottoms-up approach included discussions with the department heads to develop their portions of the budget. This budget will be reviewed with the Executive Committee on May 14 and presented to the Board of Directors for further discussion on May 24, 2018.



**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018  
**BOARD MEETING DATE:** May 8, 2018  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority Present

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee  
**FROM:** Jay Modi, Director of Finance & Admin, Peninsula Clean Energy  
**SUBJECT:** Approve FY 2017-18 Audit Preparation Calendar

**RECOMMENDATION:**

Approve FY 2017-2018 Audit Preparation Calendar.

**BACKGROUND:**

In September 2017, Pisenti and Brinker were selected to audit the financials statements of Peninsula Clean Energy (PCE) for the years ending June 30, 2016 to June 30, 2019. In December 2017, Pisenti and Brinker successfully completed the audit of Peninsula Clean Energy's financial statements for the Fiscal Year 2016-17 and Fiscal Year 2015-2016.

**DISCUSSION:**

In order to complete the Fiscal Year 2017-2018 audit in a reasonable time frame, the Director of Finance & Administration is proposing the following tentative audit schedule.

<b>FY 2017-18 Tentative Audit Schedule</b>	<b>Date</b>	<b>Party</b>
Provide audit document list	31-May	P&B
Perform preliminary audit procedures	25-Jun	P&B
Send bank confirmations	12-Jul	P&B/PCE
Preliminary Trial Balance	15-Aug	Mike/PCE
Draft Unaudited Financials	30-Aug	Mike/PCE
Fieldwork	9/1-9/30	P&B
Communication with audit committee	1-Sep	P&B
Review Draft Unaudited Financials	10-Sep	A&FC
Trial Balance and Financial Statements finalized	21-Sep	Mike/PCE
Review Draft Audited Financials	8-Oct	A&FC
Review Audited Financials	25-Oct	BOD

**FISCAL IMPACT:**

The cost of the audit for FY 2017-2018 is \$19,600.

**ATTACHMENTS**

N/A



**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018  
**BOARD MEETING DATE:** May 8, 2018  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority Present

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee

**FROM:** Jay Modi, Director of Finance & Admin, Peninsula Clean Energy

**SUBJECT:** Recommend approval of Disbursement Policy

**RECOMMENDATION:**

Approve Disbursement Policy.

**BACKGROUND:**

Peninsula Clean Energy is strengthening internal controls through implementation of the proposed Disbursement Policy.

**DISCUSSION:**

To strengthen the disbursement process through cash, check, wire, and ACH, the Director of Finance and Administration is proposing approval of the disbursement policy.

**FISCAL IMPACT:**

No fiscal impact.

**ATTACHMENTS**

Disbursement Policy.

**Subject:** Disbursement Policy

**1.0 Purpose:** The purpose of this policy is to provide procedures for the disbursement process through cash, check, wire, AHC or any other form of payment.

**2.0 Responsible Parties:** The Director of Finance and Administration is responsible for ensuring uniform policies and procedures are followed for disbursement policy.

**3.0 Scope:**

3.1 The policy applies to all employees of Peninsula Clean Energy.

3.2 The policy does not cover the disbursement of funds from Wilmington Trust lockbox facility which is covered by separate agreements.

**4.0 Signature Authority:**

Any PCE staff requesting a manual check will submit a written request to the Director of Finance and Administration and the Chief Executive Officer. The Director of Finance and Administration can sign the checks per PCE's Delegation of Authority Policy, Section 5.2 after written or verbal approval from the Chief Executive Officer. Manual checks over \$1,000 must be co-signed by the Director of Finance and Administration and the Chief Executive Officer. The company should attempt to keep the use of manual checks to a minimum.

**5.0 Safeguard of Check Stock:**

Check stock shall be physically secured in PCE's office at 2075 Woodside Road, Redwood City, CA 94061. Access will be limited to the Director of Finance and Administration, the CEO, and the Office Manager.

**6.0 Controls at PCE's Bank:**

6.1 PCE maintains its Operating Account at First Republic Bank (FRB).

6.2 The Payee Positive Pay function has been enabled at FRB to detect check fraud. The function allows matching of payee, check number and dollar amount of each check presented for payment against a list of checks previously authorized and issued by PCE.

6.3 FRB will place a debit block to protect the account against fraud or unauthorized payments.

6.4 Direct Debit Vendors: At times, certain vendors or taxing authorities will only

transact with PCE if we allow them to direct debit (extract funds) from a PCE designated bank account. All vendors with this requirement will be preapproved by the Chief Executive Officer and the Director of Finance and Administration. Additionally, the Director of Finance and Administration will maintain a list of all vendors that fall into this category. PCE will attempt to keep the number of vendors with this type of arrangement to a minimum.

## 7.0 Segregation of Duties:

To ensure appropriate processing of payments, the staff must follow the approved segregation of duties where the same person cannot initiate a wire and approve the payment. A wire can be initiated by 1) the Director of Finance and Administration or 2) Maher Accountancy and must be approved based on the approval workflow per section 8 below. If a wire is initiated by the Director of Finance and Administration, it must be approved by the Chief Executive Officer.

If the CEO is not available to approve the wire, the Chair of the Board can approve it. If the Chair of the Board is not available to approve the wire, the Vice Chair can approve it.

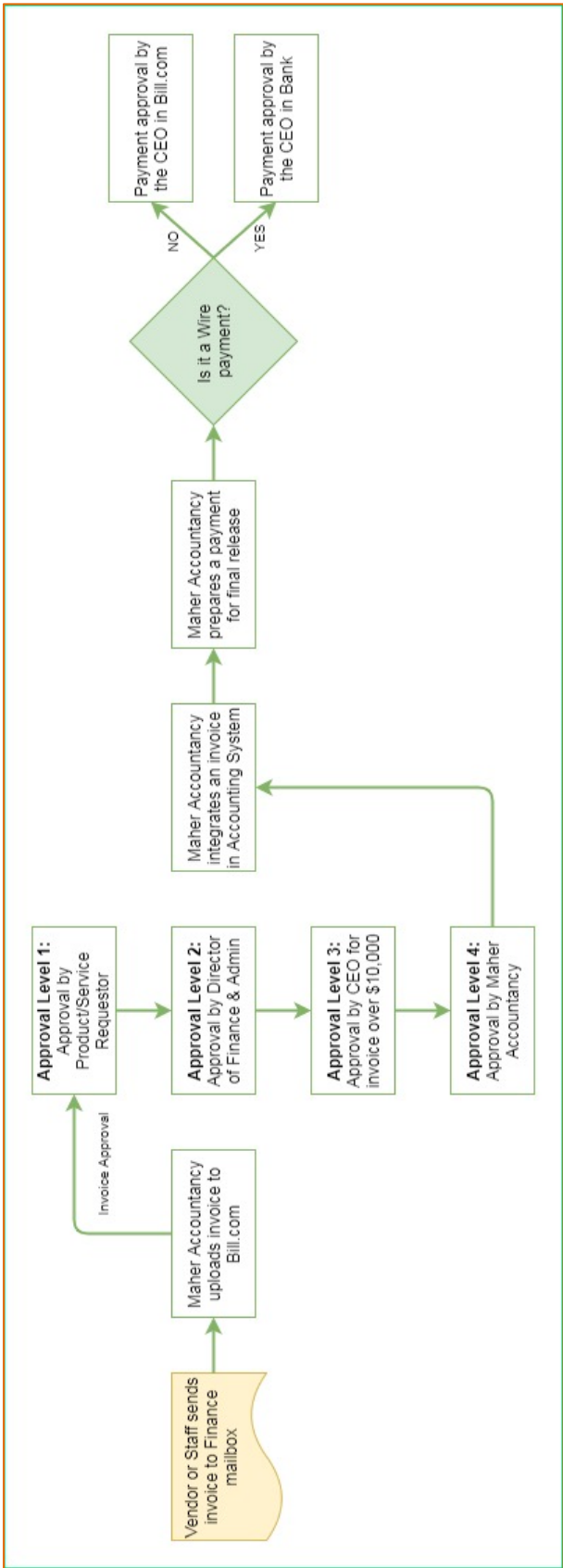
## 8.0 Payment Process:

All the parties involved in the disbursement process should follow the payment process as mapped in the Attachment A.

## 9.0 Policy Enforcement:

- 9.1 This policy will be shared with Maher Accountancy and FRB, who are expected to follow the defined processes.
- 9.2 Elimination of the approval step in the process or failing to follow this policy will be subject to disciplinary action or termination.

Attachment A: Payment Process





**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018  
**BOARD MEETING DATE:** May 8, 2018  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority Present

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee  
**FROM:** Jan Pepper, Chief Executive Officer, Peninsula Clean Energy  
**SUBJECT:** Approve Committee Meeting Schedule

**RECOMMENDATION:**

Approve Committee Meeting Schedule.

**DISCUSSION:**

Taking into consideration the Fiscal Year 2017-2018 audit calendar, review of quarterly financials, and other agenda items, the Chief Executive Officer proposes the attached Committee meeting schedule.

**FISCAL IMPACT:**

N/A

**ATTACHMENTS**

Audit and Finance Committee Meeting Schedule.





## Audit and Finance Committee Meeting Schedule 2018

Location: Peninsula Clean Energy, 2075 Woodside Road, Redwood City, CA 94061

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Meeting Date:	Time:	Location:
January 22, 2018	10:00 am	Lobby conference room
February 13, 2018	2:15 pm	Lobby conference room
May 8, 2018	9:00 am	Lobby conference room
September 11, 2018	9:00 am	Lobby conference room
October 9, 2018	9:00 am	Lobby conference room
November 13, 2018	9:00 am	Lobby conference room
Projected date for first meeting of 2019:		
February 5, 2019	9:00 am	Lobby conference room



## MEMORANDUM

**Date:** May 1, 2018

**To:** Jan Pepper & Jay Modi  
Peninsula Clean Energy

**From:** Paul Hackleman & Bill Tugaw, Consultants  
NFP

**Subject:** Draft Investment Policy Statement

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The Director of Finance and Administration and NFP held two meetings to prepare a draft Investment Policy Statement (IPS) for the Committee's consideration.

NFP started with the Investment Policy Statement from the City of Burlingame and made preliminary modifications to conform to a sample Peninsula Clean Energy (PCE) IPS. In the first meeting, PCE and NFP reviewed the draft IPS page by page to identify any changes that needed to be made. These changes were made and shared with PCE.

Many of these changes were made to conform the policy to the Local Agency Investment Guidelines (Chapter 1) and also incorporated a review of other public agencies IPS documents.

The second meeting focused on Chapter 2: Fund Management of the Local Agency Investment Guidelines. Again, PCE and NFP reviewed Chapter 2 page by page to assure that: 1) the draft IPS conformed and was in compliance with Local Agency Investment Guidelines and 2) that the IPS conformed with actual investment operational procedures currently followed and anticipated by PCE.

Based on this second meeting, the draft IPS was modified and returned to PCE. The draft will then be shared with the Committee on May 8, 2018. Any edits or comments by the Committee will be included before sending a draft IPS document to the PCE Board.

# **PENINSULA CLEAN ENERGY (PCE)**

## **STATEMENT OF INVESTMENT POLICY**

**May 2018**

### **PURPOSE**

This statement contains guidelines for the prudent investment of PCE's temporarily idle cash in accordance with Government Code sections 53600, et. seq. The ultimate goal of the PCE's Investment Policy is to protect PCE's pooled cash while producing a reasonable rate of return on investments.

### **SCOPE**

The Investment Policy applies to all funds and investment activities of PCE except the investment of bond proceeds, which are governed by the appropriate bond documents, and any pension or other post-employment benefit funds held in a trust.

### **PRUDENCE**

The standard of prudence to be used by investment officials will be the "prudent investor" standard, which states that, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

### **OBJECTIVES**

The primary objectives, in priority order, of the investment activities of PCE are

1. **SAFETY** – Safety of principal is the foremost objective of the Peninsula Clean Energy.
2. **LIQUIDITY** – PCE's portfolio will remain sufficiently liquid to enable PCE to meet its cash flow requirements. It is important that the portfolio contain investments which provide the ability of being easily sold at any time with minimal risk of loss of principal or interest.

3. RETURN – PCE’s portfolio will be designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations.

### **DELEGATION OF INVESTMENT AUTHORITY**

Pursuant to Government Code Section 53607, the Chief Executive Officer in consultation with the Director of Finance and Administration is authorized to invest and reinvest money of PCE, to sell or exchange securities so purchased, and to deposit such securities for safekeeping in accordance with and subject to this investment policy.

PCE may engage the support services of outside investment advisors in regard to its investment program, so long as these services are likely to produce a net financial advantage or necessary financial protection of PCE’s financial resources.

### **INVESTMENT PROCEDURES**

The Director of Finance and Administration and Chief Executive Officer will establish investment procedures for the operation of PCE’s investment program.

### **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

### **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Director of Finance and Administration will maintain a list of financial dealers and institutions qualified and authorized to transact business with PCE.

The purchase by PCE of any investment other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, which is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a federally regulated securities exchange, a national or state chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The Director of Finance and Administration will investigate all institutions that wish to do business with PCE, to determine if they are adequately capitalized, make markets in securities appropriate for PCE’s needs, and agree to abide by the conditions set forth in the Peninsula Clean Energy’s Investment Policy and any other guidelines that may be provided. This will be done annually by having the financial institutions:

1. Provide written notification that they have read, and will abide by, PCE's Investment Policy.
2. Submit their most recent audited Financial Statement within 120 days of the institution's fiscal year end.

If PCE has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of PCE.

Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, when practicable.

### **ACCEPTABLE INVESTMENT INSTRUMENTS**

Where this section specifies a percentage limitation for a particular security type or issuer, that percentage is applicable only on the date of purchase and shall be calculated on the basis of market value. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Director of Finance and Administration or his/her designee will perform a timely review and decide whether to sell or hold the investment.

PCE will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% regardless of security type.

Acceptable investments authorized for purchase by the Director of Finance and Administration are:

1. **U.S. Treasury obligations** for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **Federal agency or United States government-sponsored enterprise obligations**, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. **Obligations of the State of California or any local agency within the state**, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency that is rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical-rating organization (NRSRO). Purchases of the obligations described in this subdivision and in subdivision 4 (registered treasury notes or bonds of any of the other 49 states in addition to California) collectively may not exceed 30% of PCE's portfolio.
4. **Registered treasury notes or bonds of any of the other 49 states in addition to California**, including bonds payable solely out of the

revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states that is rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of the obligations described in this subdivision and in subdivision 3 (obligations of the State of California or any local agency within the state) collectively may not exceed 30% of PCE's portfolio.

5. **Bankers' Acceptances** with a rating of the highest ranking or highest letter and number rating as provided for by an NRSRO. Purchases of bankers' acceptances may not exceed 180 days. No more than 40% of PCE's portfolio may be invested in bankers' acceptances.
6. **Commercial Paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph a or paragraph b:
  - a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
  - b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper will have a maximum maturity of 270 days or less. No more than 25% of PCE's portfolio may be invested in commercial paper. PCE may purchase no more than 10% of the outstanding commercial paper of any single issuer.

7. **Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. Eligible negotiable certificates of deposit (negotiable CDs) shall be rated in a rating category of "A" for long-term, "A-1" for short-term, their equivalents, or better by an NRSRO. No more than 30% of PCE's portfolio may be invested in negotiable CDs.
8. **Non-negotiable Certificates of Deposit** (time CDs) in a state or national bank, savings association or federal association, or federal or state credit union with a branch in the State of California. In accordance with California Government Code Section 53635.2, to be eligible to receive PCE deposits, a financial institution will have received an overall rating of not

less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities. Time CDs are required to be collateralized as specified under Government Code Section 53630 et seq. PCE, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. PCE will have a signed agreement with any depository accepting PCE funds per Government Code Section 53649. No deposits will be made at any time in time CDs issued by a state or federal credit union if a member of the PCE Board of Directors or the Director of Finance and Administration serves on the board of directors or any committee appointed by the board of directors of the credit union. In accordance with Government Code Section 53638, any deposit will not exceed that total shareholder’s equity of any depository bank, nor will the deposit exceed the total net worth of any institution.

9. **Medium-Term Notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes will be rated in a rating category “A” or its equivalent or better by a NRSRO. No more than 30% of PCE’s portfolio may be invested in medium-term notes.
10. **Demand Deposits - Collateralized**
11. **Passbook Savings Accounts - Collateralized**
12. **Shares of beneficial interest issued by diversified management companies** that are **money market funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment, money market funds must be managed with the goal of maintaining a stable net asset value (NAV) per share of \$1.00.

Further, to be eligible for investment pursuant to this subdivision these companies (money market funds) will either: (i) attain the highest ranking or the highest letter and numerical rating provided by at least two NRSROs or (ii) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

It is possible that a money market fund that is managed with the goal of maintaining a stable NAV per share of \$1.00 may be unable to maintain an NAV of \$1.00 per share due to market conditions or other factors. In such instances, the Director of Finance and Administration or his/her designee will perform a timely review and decide whether to sell or hold the fund(s), subject to any restraints imposed by the money market fund(s).

No more than 20% of PCE’s investment portfolio may be invested in money

market funds or mutual funds combined. Further, no more than 10% of PCE's investment portfolio may be invested in any one money market fund.

13. **Mutual Funds** must receive the highest ranking or the highest letter or numerical rating by no less than two nationally recognized rating services and must abide by the same investment restrictions that apply to public entities in California [Section 53601(a-k, m-o)]. No more than 20% of PCE's investment portfolio may be invested in money market funds or mutual funds combined.
14. **Mortgage Passthrough Security, collateralized mortgage obligation, mortgage backed or other pay through bond** of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20% of PCE's investment portfolio.
15. **Repurchase Agreements.** Repurchase Agreements shall be used solely as short-term investments not to exceed one (1) year.
16. **Reverse Repurchase Agreements and Securities Lending Agreements** – Reverse Repurchase Agreements cannot constitute more than 20% of PCE's investment portfolio and are limited to 92 days unless the minimum spread between the rate on investment and cost of funds is guaranteed in writing; and securities used to make reverse repurchase agreements must be held for a minimum of 30 days prior to the transaction.
17. **Local Agency Investment Fund (State Pool)** an investment pool run by the State Treasurer. PCE can invest up to the maximum amount permitted by the State Treasurer.
18. **County Investment Fund (San Mateo County Pool)**
19. **Shares of beneficial interest issued by a joint powers authority** (Local Government Investment Pools or "Pool") organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions to (q) of California Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. The Pool will be rated in a rating category "AAA" or its equivalent by a NRSRO. To be eligible under this section, the shares will maintain a stable net asset value (NAV) and the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:
  - a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.



- b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
- c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

20. **Supranationals** which are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by at least one NRSRO. No more than 30% of PCE's investment portfolio may be invested in supranationals.

### **RESTRICTION ON INVESTMENT POLICIES AND PCE CONSTRAINTS**

Section 53600 et. seq. of the State of California Government Code outlines the collateral requirements for certain types of investments and also limits the percentage of total investments which can be placed in certain classifications. Investments must meet the time schedules as indicated by the cash flow projections of PCE. Investments will be purchased with the intent to hold until maturity, however this will not preclude the sale of securities prior to maturity in order to reposition the portfolio's duration, credit quality, or enhance the rate of return.

### **INVESTMENT POOLS**

The State pool and San Mateo County Pool invests in additional Government Code authorized investments that are not approved for *direct* purchase by the Director of Finance and Administration. These pools shall provide a current investment policy and monthly reports for review by the Director of Finance and Administration. The Director of Finance and Administration is authorized to invest in these pools provided *they reasonably appear to be* in conformance with their investment policies.

### **MATURITY LIMIT**

State law requires that the maturity of any given instrument should not exceed five years unless specifically approved by PCE Board of Directors at least three months before the investment is made.

### **INTERNAL CONTROL**

The Director of Finance and Administration is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of PCE are protected from loss, theft or misuse. The PCE Chief Executive Officer or designee shall arrange for an annual audit by an external CPA firm in compliance with the requirements of state law and generally accepted accounting principles as

pronounced by the GASB (Governmental Accounting Standards Board.) As part of the audit, investment transactions will be tested. The annual audit will be an integral part, but not the sole part of management's program of monitoring internal controls.

### **CUSTODY OF SECURITIES**

All securities owned by PCE except time deposits and securities used as collateral for repurchase agreements, will be kept in safekeeping by a third-party bank's trust department, acting as an agent for PCE under the terms of a custody agreement executed by the bank and PCE.

All securities will be received and delivered using standard delivery versus payment procedures.

### **PERFORMANCE STANDARDS**

PCE's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration similar to that of the PCE's portfolio, against which portfolio performance shall be compared on a regular basis. Currently, the benchmark used for comparison purposes is the Bank of America Merrill Lynch 1-5 year U.S. Treasury index.

### **REPORTING**

The Director of Finance and Administration will provide a quarterly investment report to the PCE Board of Directors showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, and current market value for all securities.

### **POLICY REVIEW**

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.
2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.

Approved by Board of Directors on \_\_\_\_\_

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Janis Pepper, Chief Executive Officer

Jay Modi, Director of Finance and Administration

DRAFT

## Glossary

**Asset Backed Securities (ABS)** are securities backed by loans or receivables on assets other than real estate. ABS can be secured by a variety of assets including, but not limited to credit card receivables, auto loans, and home equity loans.

**Bankers' Acceptances** are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

**Broker-Dealer** is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

### Certificates Of Deposit

1. **Negotiable Certificates of Deposit** are large-denomination CDs. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.
2. **Non-negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for these instruments, therefore, they are not liquid. They are classified as public deposits, and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

**Collateral** refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

**Commercial Paper** is a short term, unsecured, promissory note issued by a corporation to raise working capital.

**Demand Deposits** are funds held that can be withdrawn at anytime without advance notice to the institution holding the funds.

**Duration** is a measure of the sensitivity of the price of a security or a portfolio of securities to a change in interest rates, typically stated in years.

**Federal Agency Obligations** are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

**Issuer** means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

**Liquidity** refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

**Local Agency Investment Fund (LAIF)** is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$65 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

**Local Government Investment Pools (LGIP)** are investment tools similar to money market funds that allow public entities to invest funds.

**Market Value** is the price at which a security is trading and could presumably be purchased or sold.

**Maturity** is the date upon which the principal or stated value of an investment becomes due and payable.

**Medium-Term Notes** are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term “Medium Term” refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

**Money Market Fund** is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders. Eligible money market funds must strive to maintain a stable net asset value (NAV) of \$1 per share.

**Mortgage Backed Securities (MBS) or Mortgage Passthrough Securities** are securities that are backed cash flows from an underlying pool of mortgages.

**Principal** describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

**Repurchase Agreements** are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

**Reverse Repurchase Agreements** are short-term investment transactions. They are used to address cash flow concerns by entering into an agreement in which a counterparty will buy securities from a local agency. At the end of the agreement, the counterparty that purchased the securities will resell the securities to the local agency at a specified date and price.

**Security Lending Agreements** are short-term investment transactions. Securities owned by the local agency are loaned to a borrower who provides an agreed upon return and collateral to the local agency. At the conclusion of the agreement, the loaned securities are returned to the local agency and the collateral is returned to the borrower.

**Supranational entities** are formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.

**Total Return** is the performance of a portfolio including interest income and any capital appreciation or depreciation as a result of interest rate movements.

**U.S. Treasury Issues** are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

**Yield to Maturity** is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.



**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** May 2, 2018

**BOARD MEETING DATE:** May 8, 2018

**SPECIAL NOTICE/HEARING:** None

**VOTE REQUIRED:** None

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance Committee

**FROM:** Jan Pepper, Chief Executive Officer, Peninsula Clean Energy

**SUBJECT:** Presentation on Portfolio and Investment Options

**RECOMMENDATION:**

Discuss Portfolio and Investment Options.

**BACKGROUND:**

Peninsula Clean Energy hired First Republic Bank as its corporate banking partner and investment portfolio manager.

**DISCUSSION:**

To better understand the profile of First Republic Bank as an investment portfolio manager, the Managing Director and Fixed Income Wealth Manager from First Republic Bank will be giving a brief presentation about short-term investment options.

**FISCAL IMPACT:**

No fiscal impact.

**ATTACHMENTS**

Portfolio and Investment Option Presentation.





**REGULAR MEETING of the Audit and Finance Committee  
of the Peninsula Clean Energy Authority (PCEA)  
Monday, February 13, 2018  
MINUTES**

2075 Woodside Road, Redwood City, CA  
2:15 p.m.

**CALL TO ORDER**

Meeting was called to order at 2:30 p.m.

**ROLL CALL**

**Present:** Donna Colson, City of Burlingame, *Chair*  
Carlos Romero, City of East Palo Alto  
Laurence May, Town of Hillsborough

**Staff:** Jan Pepper, Chief Executive Officer, Peninsula Clean Energy  
Jay Modi, Director of Finance and Administration, Peninsula Clean Energy  
Anne Bartoletti, Board Clerk, Peninsula Clean Energy  
Michael J. Maher, CPA, Maher Accountancy

**A quorum was established.**

**PUBLIC COMMENT**

No public comment.

**ACTION TO SET THE AGENDA AND APPROVE CONSENT AGENDA ITEMS**

Motion Made / Seconded: May / Colson

**Motion passed unanimously 2-0 (Absent: Carlos Romero)**

Donna Colson—Chair—announced that agenda item 4 was being moved up for discussion.

## **REGULAR AGENDA**

### **4) FINANCIAL REPORT**

Jay Modi—Director of Finance and Administration—reviewed the Mid-Year Finance Variance Summary report based on the Mid-Year financials distributed at the January 25, 2018 Board meeting. Members discussed the budget and the financial components of the variances.

### **1) CHAIR REPORT**

Donna Colson—Chair—reported that PCE is looking for another person to work with Jan on Peninsula Clean Energy's (PCE) financials.

### **2) STAFF REPORT**

Jan Pepper—CEO—reported that PCE will initiate a search for a CFO (Chief Financial Officer) as part of her succession planning. She reported that PCE will seek someone with a breadth of experience to be able to step in and take over leading PCE if / when Jan is away.

### **3) COMMITTEE MEMBERS' REPORTS**

None.

### **5) REVIEW CREDIT CARD POLICY**

Jay Modi reported that PCE now has 2 American Express credit cards each with a monthly credit limit of \$5,000, and the committee discussed a draft of protocols relating to the cards.

### **6) REVIEW DISBURSEMENT POLICY**

Committee members reviewed the draft disbursement policy. Jay Modi and Michael Maher, PCE's Accountant, outlined the primary electronic bill payment process, and the minimal use of manual paper checks. The Committee discussed parameters for co-signing paper checks and authorizations for wire payments.

## **ADJOURNMENT**

Meeting was adjourned at 4:00 p.m.