



**REGULAR MEETING of the Audit and Finance Committee of the
Peninsula Clean Energy Authority (PCEA)
Monday, December 11, 2017**

Peninsula Clean Energy,
2075 Woodside Road, Redwood City, CA 94061
10:00 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. 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)
2. Committee Members' Reports (Discussion)
3. Review Annual Audit Report (Discussion)
4. Midyear Budget Update (Discussion)
5. Recommend Approval of Investment Policy (Action)
6. Bank Move Update (Discussion)

CONSENT AGENDA

7. Approval of the Minutes for the October 23, 2017 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 Audit and Finance Committee Correspondence**

DATE: December 11, 2017
BOARD MEETING DATE: December 11, 2017
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
Jay Modi, Director of Finance & Admin, Peninsula Clean Energy

SUBJECT: Audited Financials for FY 2016 and FY 2017

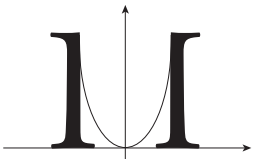
RECOMMENDATION:
Review Annual Audit Report

BACKGROUND:
Peninsula Clean Energy's (PCE) financials for Fiscal Years ending June 30th, 2016 and June 30th, 2017 were audited by the independent auditors Pisenti and Brinker (Auditors).

The auditors conducted the fieldwork and will be presenting their independent report and letter to management of PCE's financial statements for fiscal years 2015-2016 and 2016-2017. The financial statements were prepared by Maher Accountancy.

FISCAL IMPACT:
No fiscal impact

ATTACHMENTS
A. Audited Financial Statements for FY 2015-2016 and FY 2016-2017



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 October 31, 2017, 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
November 22, 2017



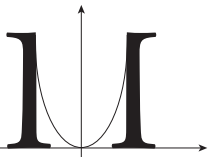
PENINSULA CLEAN ENERGY AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2017 through October 31, 2017

	2017/18 YTD Budget	2017/18 YTD Actual	2017/18 YTD Budget Variance (Under) Over	2017/18 YTD Actual/Budget %	2017/18 Annual Budget	2017/18 Budget Remaining
REVENUE AND OTHER SOURCES						
Revenue - Electricity, net	\$ 98,285,892	\$ 92,063,576	\$ (6,222,316)	94%	\$ 248,082,000	\$ 156,018,424
Revenue - Green Premium, net	247,151	306,248	59,097	124%	737,000	430,752
Interest income	-	1,405	1,405			
Total revenue and other sources	<u>98,533,043</u>	<u>92,371,229</u>	<u>(6,161,814)</u>	<u>94%</u>	<u>248,819,000</u>	<u>156,449,176</u>
EXPENDITURES AND OTHER USES						
CURRENT EXPENDITURES						
Cost of energy	60,806,705	56,502,876	(4,303,829)	93%	181,715,000	125,212,124
Data manager	1,319,782	1,345,528	25,746	102%	3,970,000	2,624,472
PG&E service fees	536,017	507,131	(28,886)	95%	1,636,000	1,128,869
Personnel	925,000	671,194	(253,806)	73%	3,320,000	2,648,806
Customer noticing	100,000	149,553	49,553	150%	425,000	275,447
Outreach and communications	208,000	66,207	(141,793)	32%	624,000	557,793
Professional services	339,000	184,845	(154,155)	55%	1,017,000	832,155
Legal and regulatory	310,000	484,562	174,562	156%	1,030,000	545,438
Energy programs	50,000	-	(50,000)	0%	250,000	250,000
General and administration	298,333	205,293	(93,040)	69%	795,000	589,707
Total current expenditures	<u>64,892,837</u>	<u>60,117,189</u>	<u>(4,775,648)</u>	<u>93%</u>	<u>194,782,000</u>	<u>134,664,811</u>
OTHER USES						
Rate stabilization reserve *	4,926,652	-	(4,926,652)	0%	12,440,950	12,440,950
Capital outlay	325,000	313,673	(11,327)	97%	484,000	170,327
Total other uses	<u>5,251,652</u>	<u>313,673</u>	<u>(4,937,979)</u>	<u>6%</u>	<u>12,924,950</u>	<u>12,611,277</u>
DEBT SERVICE	<u>115,000</u>	<u>101,750</u>	<u>(13,250)</u>	<u>88%</u>	<u>7,997,000</u>	<u>7,895,250</u>
Total Expenditures, Other Uses and Debt Service	<u>70,259,489</u>	<u>60,532,612</u>	<u>(9,726,877)</u>	<u>86%</u>	<u>215,703,950</u>	<u>155,171,338</u>
Net increase (decrease) in available fund balance	<u>\$ 28,273,554</u>	<u>\$ 31,838,617</u>	<u>\$ 3,565,063</u>	<u>113%</u>	<u>\$ 33,115,050</u>	<u>\$ 1,277,838</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 October 31, 2017

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$ 31,838,617
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(13,333)
Add back capital asset acquisitions	<u>313,673</u>
Change in net position	<u><u>\$ 32,138,957</u></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 statement of net position as of October 31, 2017, and the related statement of revenues, expenses, and changes in net position, and the statement cash flows for the period then ended 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
November 22, 2017



PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION

As of October 31, 2017

ASSETS

Current assets	
Cash and cash equivalents	\$ 49,643,325
Accounts receivable, net of allowance	21,932,959
Other receivables	50,683
Accrued revenue	11,776,977
Prepaid expenses	115,264
Total current assets	<u>83,519,208</u>
Noncurrent assets	
Capital assets, net of depreciation	319,253
Deposits	2,487,975
Total noncurrent assets	<u>2,807,228</u>
Total assets	<u>86,326,436</u>

LIABILITIES

Current liabilities	
Accounts payable	1,173,830
Accrued cost of electricity	22,792,732
Accrued interest payable	47,915
Accrued payroll and related liabilities	115,814
Other accrued liabilities	33,333
Supplier security deposits	50,000
User taxes and energy surcharges due to other governments	707,528
Total current liabilities	<u>24,921,152</u>
Noncurrent liabilities	
Loan payable to bank	3,000,000
Loans payable to County of San Mateo	4,480,800
Supplier security deposits	75,000
Total noncurrent liabilities	<u>7,555,800</u>
Total liabilities	<u>32,476,952</u>

NET POSITION

Net investment in capital assets	319,253
Unrestricted	53,530,231
Total net position	<u>\$ 53,849,484</u>

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

July 1, 2017 through October 31, 2017

OPERATING REVENUES

Electricity sales, net	\$ 92,063,576
Green electricity premium	306,248
Total operating revenues	<u>92,369,824</u>

OPERATING EXPENSES

Cost of electricity	56,502,876
Staff compensation and benefits	671,194
Data manager	1,345,528
Service fees - PG&E	507,131
Consultants and other professional fees	184,845
Legal	484,562
Communications and noticing	215,760
General and administration	205,293
Depreciation	13,333
Total operating expenses	<u>60,130,522</u>
Operating income (loss)	<u>32,239,302</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	1,405
Interest and related expense	(101,750)
Total nonoperating revenues (expenses)	<u>(100,345)</u>

CHANGE IN NET POSITION

	32,138,957
Net position at beginning of period	<u>21,710,527</u>
Net position at end of period	<u>\$ 53,849,484</u>

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2017 through October 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from electricity sales	\$ 91,688,935
Tax and surcharge receipts from customers	1,496,417
Payments to purchase electricity	(58,008,468)
Payments for staff compensation and benefits	(670,833)
Payments for consultants and other professional fees	(1,640,004)
Payments for legal fees	(459,562)
Payments for communications and noticing	(259,256)
Payments for general and administration	(157,629)
Tax and surcharge payments to other governments	(1,511,760)
Net cash provided (used) by operating activities	<u>30,477,840</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Deposits and collateral paid	(2,019,162)
Deposits and collateral returned	1,073,500
Interest and related expense payments	(87,965)
Net cash provided (used) by non-capital financing activities	<u>(1,033,627)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(184,508)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>1,963</u>
Net change in cash and cash equivalents	29,261,668
Cash and cash equivalents at beginning of year	<u>20,381,657</u>
Cash and cash equivalents at end of period	<u>\$ 49,643,325</u>

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS (continued)

July 1, 2017 through October 31, 2017

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

Operating income (loss)	\$ 32,239,302
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	13,333
Revenue reduced for uncollectible accounts	324,430
(Increase) decrease in net accounts receivable	(1,132,551)
(Increase) decrease in other receivables	(17,424)
(Increase) decrease in accrued revenue	93,142
(Increase) decrease in prepaid expenses	109,260
Increase (decrease) in accounts payable	391,230
Increase (decrease) in accrued payroll and related	(191)
Increase (decrease) in accrued cost of electricity	(1,594,770)
Increase (decrease) in accrued liabilities	33,333
Increase (decrease) in user taxes and energy surcharges due to other governments	18,746
Net cash provided (used) by operating activities	<u>\$ 30,477,840</u>



**PENINSULA CLEAN ENERGY
JPA Audit and Finance Committee Correspondence**

DATE: December 11, 2017
AUDIT & FINANCE COMMITTEE MEETING DATE: December 11, 2017
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: Investment Policy for Peninsula Clean Energy's unrestricted funds.

RECOMMENDATION:

Recommend approval of Investment Policy

BACKGROUND:

As Peninsula Clean Energy (PCE) has been in operation for over one year, PCE has increased its financial net position. During PCE's initial start-up phase, the focus was on setting up standard operating procedures with less focus on earning a return on accumulated funds. At this point, with the accumulation of substantial unrestricted funds in the operating account, it is financially prudent for PCE to earn a return on these funds. These funds can be invested in highly liquid and low risk investment securities.

DISCUSSION:

To proceed with these investments, the Director of Finance and Administration is proposing the following Investment Policy. The selected investments will be in compliance with the requirements of the California Government Code for California local agencies.


This Investment Policy has been reviewed by the Associate General Counsel.

FISCAL IMPACT:

No fiscal impact

ATTACHMENTS

A. Investment Policy

	Investment Policy	Effective: December 14, 2017
	Version 1	Policy #15

1.0 PURPOSE

Peninsula Clean Energy (PCE) believes in securing its unrestricted funds while producing a reasonable rate of return on selective investments. Pursuant to California Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing PCE's funds, the primary objective shall be to safeguard the principal of the funds. The secondary objective shall be to meet PCE's liquidity needs. The third objective shall be to achieve a return on PCE's funds.

2.0 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.

3.0 RESPONSIBLE PARTIES

The Director of Finance and Administration is responsible for reviewing PCE's cash flow requirements and determining the amount of liquidity required for working capital. Funds not required for working capital will be invested in a managed portfolio of fixed income securities in accordance with and subject to this Investment Policy and all applicable laws.

4.0 INVESTMENT GUIDELINES

PCE's investment of funds not required for the agency's immediate needs is governed by California Government Code Sections 53600, *et seq.* The California Debt and Investment Advisory Commission publishes the *Local Agency Investment Guidelines (Update for 2017)*, attached hereto as Attachment A. Particular attention should be given to pages 12-16 thereof, which list and discuss all allowable investment types, as well as limitations on maturity length, maximum portfolio allocation, and minimum quality requirements. Investments not listed on Table 1 (page 14) of Attachment A are prohibited.

5.0 INTERNAL CONTROLS

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. PCE 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.

	Investment Policy	Effective: December 14, 2017
	Version 1	Policy #15


6.0 REPORTING

The Director of Finance and Administration will provide a semi-annual investment report to the Audit & Finance Committee and 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.

7.0 POLICY REVIEW

The investment policy will be reviewed at least annually to ensure its consistency with applicable laws and agency goals.

DRAFT

	Investment Policy	Effective: December 14, 2017
	Version 1	Policy #15

Attachment A:

Local Agency Investment Guidelines (Update for 2017)



Page 12 of Local Agency Investment Guidelines

**II. A Which investments are permissible? Which are prohibited?
[Sections 16340, 16429.1, 53601, 53601.6, 53601.8, 53635, 53635.2, 53635.8, 53638, and 53684]**

MINIMUM LEGAL REQUIREMENT:

Local agencies may invest only in those instruments specified in State law.

Sections 16340, 16429.1, 53601, 53601.6, 53601.8, 53635, 53635.2, 53635.8, 53638, and 53684 include a number of requirements on how and where public money may be invested. Figure 1 provides a synopsis of the permitted investment instruments and limitations on each, in which all local agencies may invest.

12 LOCAL AGENCY INVESTMENT GUIDELINES

	Investment Policy	Effective: December 14, 2017
	Version 1	Policy #15

Page 13 of Local Agency Investment Guidelines

Prohibited investments include securities not listed in Figure 1, as well as inverse floaters, range notes, interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual² if held to maturity as specified in Section 53601.6. This restriction does not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 that are authorized for investment pursuant to subdivision (l) of Section 53601.

Section 53601 provides that public agencies may invest in bonds issued by the local agency itself. In 2008, the Legislature added Section 5925 to clarify that the purchase of bonds by the local agency that issued the bonds does not cancel or otherwise affect the bonds. This addressed concerns that the purchased bonds would be considered defeased or refunded under certain Treasury Rules. With the addition of Section 5925 the repurchased or acquired bonds may be treated as outstanding bonds to the extent provided by the issuer or the documents defining the rights of the bondholders.

CONSENSUS RECOMMENDATION:

Local agencies should include the list of permissible securities in the investment policy and modify the list to meet its unique needs. These modifications may include additional restrictions on the type and amount of specific authorized securities to reflect current federal tax and securities regulations and an agency’s risk tolerance.

The addition of Code Section 5925 authorizing State and local agencies to purchase their own bonds was intended to be complementary to Internal Revenue Service (IRS) Notice 2008-41 and 2008-88 that allowed municipal issuers to temporarily hold certain types of their own tax-exempt debt without extinguishment or loss of tax-exempt status. However, these IRS provisions were meant to be temporary and sunset, with some remaining exceptions for certain variable rate debt, on December 31, 2010. Given the incongruity between Section 5925 and IRS rules, a local agency should seek legal guidance on the potential tax implications of purchasing its own debt.

As a result of amendments to Government Code Sections 53601.8 and 53635.8, local agencies should review portfolio limitations for CDs and negotiable CDs in their investment policies.

Some investments, such as straight floaters or floating rate notes that are not otherwise prohibited have the potential to result in zero interest accrual. Before purchasing these types of investments, the local agency should evaluate all possible outcomes, and, as a safeguard, should consider including in its investment policy a statement establishing an acceptable positive spread or floor for all securities, which pay interest based on a spread to an index. Also, while not

² Zero interest accrual means the security has the potential to realize zero interest depending upon the structure of the security. Zero coupon bonds and similar investments that start at a level below the face value are legal because their value does increase.

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FIGURE 1
ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT
CODE (AS OF JANUARY 1, 2017)^A APPLICABLE TO ALL LOCAL AGENCIES^B

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations—CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% ^E	None
Commercial Paper—Pooled Funds ^F	270 days	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H
Commercial Paper—Non-Pooled Funds ^F	270 days	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H
Negotiable Certificates of Deposit	5 years	30% ^I	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30% ^K	None
Placement Service Certificates of Deposit	5 years	30% ^K	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^L	20% of the base value of the portfolio	None ^M
Medium-Term Notes ^N	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple ^{P,Q}
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better ^R
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^S
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund ^T	N/A	None	None
Supranational Obligations ^U	5 years	30%	"AA" rating category or its equivalent or better

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TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F "Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, has program wide credit enhancements, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- ^I "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.
- ^J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^K No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).
- ^L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States"
- ^O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.
- ^Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.
- ^R Issuer must be rated in a rating category of "A" or its equivalent or better as provided by a nationally recognized statistical rating organization.
- ^S A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB).



**REGULAR MEETING of the Audit and Finance Committee
of the Peninsula Clean Energy Authority (PCEA)
Monday, October 23, 2017
MINUTES**

2075 Woodside Road, Redwood City, CA
11:00 a.m.

CALL TO ORDER

Meeting was called to order at 11:03 a.m.

ROLL CALL

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

Absent:

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 / Liu

Motion passed unanimously 4-0 (Absent: no one)

REGULAR AGENDA**1) CHAIR REPORT**

Donna Colson—Chair—welcomed committee members and reported on a conversation she had with Senator Jerry Hill about CCAs (Community Choice Aggregation).

2) INTRODUCE NEW DIRECTOR OF FINANCE AND ADMINISTRATION

Jan Pepper—CEO—introduced Jay Modi, Peninsula Clean Energy's (PCE) new Director of Finance and Administration. Jay provided a brief overview of his background and experience. Jan also introduced Mike Maher—CPA with Maher Accountancy—who is PCE's accountant.

3) COMMITTEE MEMBERS REPORTS

Donna Colson reported that PCE staff met with Doug Silverstein—contributor to the Citizens Environmental Council of Burlingame and Sustainable San Mateo County—who is encouraging Burlingame residents to Opt-Up to ECO100.

4) AUDIT UPDATE

Jay Modi reported that our auditor, Pisenti & Brinker LLP, was impacted by the north Bay fires in Santa Rosa, but the audit is on track to be completed late November or early December. Mike Maher reported that the auditor is working out of their office in Petaluma, and confirmed that the audit will be completed before December 31, 2017.

5) DIRECTION FROM RETREAT

- a. **RESERVE FUND POLICIES**
- b. **RATE STABILIZATION FUND POLICIES**
- c. **INVESTMENT POLICIES**

Jay Modi reviewed a draft reserve fund policy outline. The Committee members discussed the pros and cons of having a reserve fund, rate stabilization fund, operating or revenue reserve, capital reserve, investment policy, and contribution ratio or policy. They also discussed mitigating risks, and planning for regulatory and market changes. There was a general consensus that PCE should aim to have six months of operating expenses in reserve.

6) CREDIT RATING

Jay Modi reported that PCE does not yet have a credit rating. Mike Maher reported that the credit rating agencies don't understand the financials of CCAs. Committee members discussed the need for PCE to have strong financials to demonstrate stability.

7) BANKING RELATIONSHIPS

Jay Modi reported that PCE's current bank, Union Bank, was not providing very good support, not providing financial benefits or options, and was actually costing PCE money. Jay reported that he had met with several banks and credit unions, and found that several provided better interest rates, investment options, and support. Jay reported that he recommends the PCE move to a different bank, and that he should be able to make a choice soon.

ADJOURNMENT

Meeting was adjourned at 1:40 p.m.