Agenda

• Call to Order / Roll Call

• Public Comment (for items not on the Agenda)

• Action to set the Agenda and Approve Consent Items

• Chair Report

• Staff Report

• Regular Agenda
Chair Report
Staff Report
Staff Report

• Retroactive Approval of FY2021-2022 Spending
  o Total Operating Expenses Budget Approval = $241,811,865
  o Total Operating Expenses Audited Actual = $246,539,330

  o Retroactive Board approval skipped
  o Since so late now, will re-start practice for FY2022-2023 year
  o Transparency of forecasts and transparency of ongoing spending
RESOLUTION RECOMMENDING THAT THE BOARD OF DIRECTORS APPROVE THE FISCAL YEAR 2023-2024 BUDGET WITH TOTAL OPERATING EXPENSES NOT TO EXCEED $350,657,317
Schedule – Budget Review and Approval

- May 16, 2023 – Review Initial Draft Budget with Audit & Finance Committee
- May 25, 2023 – Review Initial Draft Budget with Board of Directors
- June 12, 2023 – Review Revised Draft Budget with Audit & Finance Committee
- June 12, 2023 – Review Revised Draft Budget with Executive Committee
- June 22, 2023 – Approve Final Budget by Board of Directors
Revisions Since Initial Draft Budget

- Update to year-end FY23 forecast reflecting April 2023 financial results
- Minor adjustments to Programs Budget
- Modification to assumptions of Gov PV prepayment for conservatism
- Minor modifications to Days Cash on Hand calculation
Draft Budget FY2023-2024 – Key Assumptions (Page 1 of 2)

Revenues
  o PG&E Generation Rates – Slight decline in rates for next 4 years
    o January 1, 2024 – Increase 1%
  o PCIA Rates – Continuing decrease in rates as of January 1, 2024
    o January 1, 2024
      o San Mateo – Drop to $0.00 from already low rate
      o Los Banos – Drop to $0.00 from already low rate
    o After 2024
      o Significant increases for next 4 years, near to rates of 2022, but still not approaching rates of 2021
  o Customer Rates to PCE – Relatively flat for next 3 years, then lower in 2027 and 2028 (but still well above low year of 2021)
Cost of Energy –
  o Budgeted at $311 million - Increase of $39 million (14%) over FY23 forecast
  o Overall budget includes 2 conservatism contingencies
    o Energy Cost Volatility = $15 million/year
    o 99% of 24x7 Hourly Renewable Project Delays = $56 million over 5 years; $770K in FY24
  o Total cost is 9% higher than FY23 forecast without conservatism adders

Non-expense Capital Outflows/Inflows
  • Solar and Storage on Public Buildings
    o Capital Outlay and Investment Tax Credit
      o PV1 - $7.4 million outflow in FY24; $2.2 million ITC inflow in FY26
      o PV2 - $43.0 million in FY25; $15.0 million ITC inflow in FY27
    o Repayment based on usage over 20-year period
  • Ongoing On-Bill Finance Programs
## Revised Draft Budget (FY23 Forecast and FY24 Summary)

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>2023 Budget</th>
<th>2023 Forecast</th>
<th>Variance - Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Sales, net</td>
<td>364,961,141</td>
<td>429,685,416</td>
<td>64,724,275</td>
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<tr>
<td>Green electricity premium</td>
<td>2,822,550</td>
<td>2,999,401</td>
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<tr>
<td></td>
<td>367,783,691</td>
<td>432,684,817</td>
<td>64,901,127</td>
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</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of energy</td>
<td>264,208,440</td>
<td>311,261,389</td>
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<tr>
<td>Staff compensation</td>
<td>8,583,221</td>
<td>10,922,801</td>
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<tr>
<td>Data Manager</td>
<td>3,600,000</td>
<td>3,871,152</td>
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<tr>
<td>Service Fees - PG&amp;E</td>
<td>1,350,000</td>
<td>1,400,000</td>
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<tr>
<td>Consultants &amp; Professional Services</td>
<td>1,431,813</td>
<td>1,788,491</td>
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<tr>
<td>Legal</td>
<td>1,474,000</td>
<td>1,574,558</td>
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<tr>
<td>Communications and Noticing</td>
<td>2,686,208</td>
<td>2,850,940</td>
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<td>General and Administrative</td>
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<td>Community Energy Programs</td>
<td>8,640,000</td>
<td>12,726,000</td>
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<tr>
<td>Depreciation</td>
<td>96,000</td>
<td>234,750</td>
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<tr>
<td></td>
<td>294,429,488</td>
<td>350,657,317</td>
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</tbody>
</table>

| Operating Income (Loss)                  | 73,354,203  | 123,966,717  |

| NON-OPERATING REVENUES (EXP.)            | 600,000      | 645,192      |

| CHANGE IN NET POSITION                   | 73,954,203   | 124,611,909  |

| Net Position at the beginning of period  | 174,211,272  | 300,430,872  |
| Net Position at the end of period        | 248,165,475  | 425,042,781  |

| Total Cash & Cash Equivalents (after GOV PV programs) | 262,859,728 |
| Unrestricted Cash Days on Hand            | 323        |

FY24 Budget Approval: Total Operating Expenses
## Revised Draft Budget FY2024-2028 – 5-year Outlook

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2024</th>
<th>2025 Forecast (FY)</th>
<th>2026 Forecast (FY)</th>
<th>2027 Forecast (FY)</th>
<th>2028 Forecast (FY)</th>
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<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity Sales, net</td>
<td>471,670,872</td>
<td>484,233,036</td>
<td>482,737,236</td>
<td>452,054,000</td>
<td>402,863,671</td>
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<td>Green electricity premium</td>
<td>2,953,162</td>
<td>2,961,637</td>
<td>2,978,004</td>
<td>2,994,557</td>
<td>3,019,185</td>
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<td><strong>Total</strong> OPERATING REVENUES</td>
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<td>487,194,674</td>
<td>485,715,240</td>
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<td>405,882,856</td>
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<td><strong>OPERATING EXPENSES</strong></td>
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<tr>
<td>Cost of energy</td>
<td>311,261,389</td>
<td>383,611,464</td>
<td>382,474,223</td>
<td>344,299,885</td>
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<td>Data Manager</td>
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<td>4,103,421</td>
<td>4,349,626</td>
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<td>1,400,000</td>
<td>1,484,000</td>
<td>1,573,040</td>
<td>1,667,422</td>
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<td>2,964,912</td>
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<td>3,223,520</td>
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<td>Community Energy Programs</td>
<td>12,726,000</td>
<td>22,130,000</td>
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<td>30,355,000</td>
<td>32,935,000</td>
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<td>Depreciation</td>
<td>234,750</td>
<td>1,062,250</td>
<td>2,466,694</td>
<td>2,616,000</td>
<td>2,616,000</td>
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<tr>
<td><strong>Total</strong> Operating Expenses</td>
<td>350,657,317</td>
<td>433,407,562</td>
<td>438,723,088</td>
<td>406,769,676</td>
<td>396,572,285</td>
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<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>123,966,717</td>
<td>53,787,112</td>
<td>46,992,152</td>
<td>48,278,882</td>
<td>9,310,571</td>
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<tr>
<td><strong>NON-OPERATING REVENUES (EXP.)</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Nonoperating Income/(Expense)</td>
<td>645,192</td>
<td>673,580</td>
<td>703,218</td>
<td>734,160</td>
<td>766,463</td>
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<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>124,611,909</td>
<td>54,460,692</td>
<td>47,695,370</td>
<td>49,013,041</td>
<td>10,077,033</td>
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<tr>
<td>Net Position at the beginning of period</td>
<td>300,430,872</td>
<td>425,132,781</td>
<td>479,688,873</td>
<td>527,485,368</td>
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<td>Net Position at the end of period</td>
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<td>479,593,473</td>
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<td>576,498,409</td>
<td>586,682,634</td>
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<tr>
<td>Total Cash &amp; Cash Equivalents (after GOV PV programs)</td>
<td>377,161,637</td>
<td>385,717,729</td>
<td>432,714,223</td>
<td>493,834,456</td>
<td>501,025,113</td>
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<tr>
<td>Unrestricted Cash Days on Hand</td>
<td>393</td>
<td>326</td>
<td>362</td>
<td>446</td>
<td>464</td>
</tr>
</tbody>
</table>
## Revised Draft Budget FY2024-2028 – 5-year Outlook

### Impact of Gov PV Programs on Cash Position

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<tr>
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<th>2027</th>
<th>2028</th>
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<td><strong>Revised Draft Budget</strong></td>
<td><strong>Forecast (FY)</strong></td>
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<td><strong>Total Operating Expenses</strong></td>
<td><strong>Operating Income (Loss)</strong></td>
<td><strong>NON-OPERATING REVENUES (EXP.)</strong></td>
<td><strong>Total Nonoperating Income/(Expense)</strong></td>
<td><strong>CHANGE IN NET POSITION</strong></td>
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<td>766,463</td>
<td>10,077,033</td>
<td>503,275,113</td>
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<tr>
<td><strong>Total Cash &amp; Cash Equivalents (before Gov PV programs)</strong></td>
<td>387,561,637</td>
<td>431,717,729</td>
<td>433,514,223</td>
<td>481,834,456</td>
<td>503,275,113</td>
</tr>
<tr>
<td><strong>Net Gov PV Programs (Outflow)/Inflow</strong></td>
<td>(10,400,000)</td>
<td>(46,000,000)</td>
<td>(800,000)</td>
<td>12,000,000</td>
<td>(2,250,000)</td>
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<tr>
<td><strong>Total Cash &amp; Cash Equivalents (after Gov PV programs)</strong></td>
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RESOLUTION RECOMMENDING THAT THE BOARD OF DIRECTORS APPROVE THE FISCAL YEAR 2023-2024 BUDGET WITH TOTAL OPERATING EXPENSES NOT TO EXCEED $350,657,317
Investment Strategy
(Discussion)
## Investment Management – Current Estimated Summary

As of June 2, 2023

<table>
<thead>
<tr>
<th>Institution</th>
<th>Amount</th>
<th>Investment Mix</th>
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<tbody>
<tr>
<td>Fidelity</td>
<td>$50.3 million</td>
<td>Fidelity Institutional Money Market Government Portfolio</td>
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<tr>
<td>First Republic (Operating)</td>
<td>$22.6 million</td>
<td>Cash</td>
</tr>
<tr>
<td>Schwab</td>
<td>$45.6 million</td>
<td>Schwab Treasury Obligations Money Fund</td>
</tr>
<tr>
<td>US Bank (as Custodian)</td>
<td>$125.0 million</td>
<td>Cash and Fixed Income Portfolio</td>
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<tr>
<td></td>
<td></td>
<td>• PFM - $64.7 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• FRB - $60.3 million</td>
</tr>
<tr>
<td>Total</td>
<td>$243.5 million</td>
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</table>

Recent changes to diversify financial institutions
**Investment Management – Policy #19**

- Most recent version approved on May 28, 2020
- Priorities (in priority order)
  - Safety, Liquidity, Return
- Enabled
  - Broader access to high-quality fixed income investment options
  - Further diversification of the portfolio’s holdings
  - Enhanced investment returns with safety as the overarching principle
- Expanded investment options as permitted by California Government Code to allow:
  - Banker’s Acceptances – short-term debt issued by a commercial bank
  - Medium-term Corporate Notes
- Extended maturity of allowable investments as permitted by California Government Code
  - Increase 2-year maximum to 5-year maximum
  - Eliminated 1-year maximum on portfolio’s weighted average maturity (Code has no limit)
• Added some guardrails of maximum holdings in some specific categories
• Some examples:
  o Corporate Medium-Term Notes (up to 5 years) – Up to 30% of portfolio
  o Money Market/Mutual Funds Combined – Up to 20% of portfolio
  o Single Money Market Fund – no more than 10% of portfolio
• Issues with Recent Diversification of Financial Institutions
  o Each manager can comply with policy, but more difficult to monitor overall compliance across institutions
  o Simplification and safety directives have led to “violation” of money market fund guardrails
Investment Management – Alternatives/Direction

• Remove/relax money market/mutual fund guardrails
• Establish fixed income managed portfolios with Schwab/Fidelity
• Direction about specific balances in various institutions
• Additional funding to PFM/FRB
• Others?
Prepayment of PPAs
(Discussion)
PREPAYMENT TRANSACTIONS SAVING $ MILLIONS FOR CCA RATEPAYERS
Prepay for a Supply of Gas or Electricity by Issuing Tax-Exempt Debt

- 137 Prepayment Transactions totaling over $77 billion completed
  - Mostly to prepay for a supply of natural gas
  - Estimated over $13 billion in total savings to customers

- Over $5 billion issued by CCCFA to prepay for CCA renewable energy
  - Reduces cost of existing PPA obligations by 8-12%
Prepayment Authorization

- IRS Private Letter Ruling for AMEA to Prepay Alabama Power
  - Covered Prepays from 1991 to 1999

- 2003 US Treasury Regulations
  - Covers both gas and electricity

  - Applies to natural gas only
Founding Members:  

Associate Members:

- Must join CCCFA JPA as an Associate Member to do a transaction:
  - $20,000 fee to do a prepayment
  - Share in annual JPA operating expenses – minimal costs/yr.
Why Use CCCFA For Prepayment Transactions?

- CCA is not obligated for payment on the bonds
- Bond is not a debt on the CCA’s balance sheet
- Does not affect CCA’s credit rating nor debt capacity

Reduces Risk:
Renewable Energy Prepayment Structure

1. CCA
2. Issuer (CCCFA)
3. The Bonds
4. Electricity Supplier

- Electricity
- Electric Payments
- Debt
- Bond
- Prepayment
- PPA Assignments
Long-Term PCC1 Product Prepayment Transaction Overview:
Structure and Documents

Before Prepayment

1. Project (PPA Seller)
2. PPA
3. Long-Term PCC-1 Product
4. CCA
5. Cash Flow

With Prepayment

1. Project (PPA Seller)
2. PPA
3. Limited Assignment Agreement
4. Electricity Purchase and Sale Agreement
5. Master Power Supply Agreement
6. Clean Energy Purchase Contract
7. CCA

After Prepayment

1. Project (PPA Seller)
2. PPA
3. Upstream Supplier
4. Prepaid Seller
5. CCCFA
6. CCA
7. Parties
8. CCA

Parties

- CCA
- Upstream Supplier
- Prepaid Seller
- CCCFA
- CCA
“**Limited Assignment Right**: Buyer may from time to time assign the right to receive all or a portion of the Product that would otherwise be delivered to Buyer hereunder. In connection with any such assignment, Buyer and Seller agree to execute the limited assignment agreement attached hereto as Exhibit [__]. For the avoidance of doubt, Buyer will remain responsible for all its obligations under this Agreement related to such assigned Product, including (i) the obligation to pay for such Product to the extent the assignee thereof does not do so and (ii) any damages associated with such assignee’s failure to take any such Product.”
Multiple PPAs assigned into the transaction over the 30-year term.
Assembling the Prepayment Deal Team

CCA (Prepay project participant)

Municipal Financial Advisor
- Financial advisory
- Helps select deal entities
- Fiduciary responsibility to CCA

Prepay Counsel
- Legal advisory
- Represents CCA's interests

Conduit Issuer
- Issues prepay bonds
- Clearing house
- Engages many project participants

Prepaid Supplier
- Structures prepay deal
- Engages other deal entities
- Takes in funding
- Markets + underwrites prepay bonds

Custodian / Trustee
- Manages prepay estate
- Bond interest payments

Rating Agency
- Rates bonds

Bond / Tax Counsel
- Legal services, Document drafting
- Affirms tax-exempt bond status

Other Entities in Prepay Deal
- Financial advisory
- Helps select deal entities
- Fiduciary responsibility to CCA
- Legal advisory
- Represents CCA's interests
- Issues prepay bonds
- Clearing house
- Engages many project participants
- Structures prepay deal
- Engages other deal entities
- Takes in funding
- Markets + underwrites prepay bonds
- Legal services, Document drafting
- Affirms tax-exempt bond status
# Example Prepay Deal Timeline

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<th>Contract with Service Providers</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<tbody>
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<td>Select + contract with Municipal Financial Advisor + Prepay Counsel</td>
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<tr>
<td>Select + join with Conduit Issuer</td>
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<td>Structure Prepay Deal</td>
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<td>Prepare “form of” deal documents</td>
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<tr>
<td>Prepare for Transaction Launch</td>
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<td>Confirm PPA assignments</td>
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<td>Finalize deal documents</td>
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## Key Milestones

- **CCA Board approval**
- **CCCFA Board approval**
- **Transaction Price & Close**
GARTH SALISBURY
BOARD MEMBER & TREASURER/CONTROLLER, CCCFA
CFO & TREASURER, MCE

California Community Choice Financing Authority
Committee Members’ Reports
Adjournment