



Regular Meeting of the Audit and Finance Committee of the Peninsula Clean Energy Authority (PCEA) Minutes

Monday, August 14, 2023
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

The meeting was called to order at 8:30 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

ROLL CALL

Participating:

Donna Colson, Burlingame
Leslie Ragsdale, Hillsborough
Marty Medina, San Bruno

Absent:

Carlos Romero, East Palo Alto
Jeff Aalfs, Portola Valley

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Medina moved, seconded by Director Ragsdale to set the Agenda.

MOTION PASSED: 3-0 (Absent: East Palo Alto, San Bruno)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
Totals		3			2

REGULAR AGENDA

1. Chair Report

Chair Colson shared that Peninsula Clean Energy is working with a recruiting firm for the Chief Financial Officer Recruitment.

2. Staff Report

Andy Stern, Interim Chief Financial Officer, provided an update to the Committee including an audit update with Picensi & Brinker including the audit schedule, and a potential special Audit and Finance Committee Meeting on September 11, 2023. They would target the October 26th Boardmember to approve the final audited financials. Andy noted that Peninsula Clean Energy is out of compliance with the investment policy at the moment as they are not allowed to have more than 20% of their assets in money market funds and he began discussions with Schwab and Fidelity.

Chair Colson explained that this cap on the money market fund might have to do with fees and active management fees and she asked if it makes sense to hire PFM to actively manage the portfolio and then they hire someone to put money into their money market fund.

Andy explained that the recommendation is that Peninsula Clean Energy go into a camp fund, which is a pool of purchased money market investments and the earning is 4.75% or 5.5% now, so rates are good. This allows them to get around the rule by basically investing in an investment vehicles. For example, Silicon Clean Energy has all of their money in this camp fund, but this is because they have been slow to implement what they agreed is their policy.

Chair Colson commented that the ladder approach is not the most optimal investment strategy because of volatility on securities. Andy suggested scheduling this for discussion at a special meeting in September.

3. Review Financial Reports and Investment Summary for 4th Quarter Fiscal Year (FY) 2022-2023 (Discussion)

Andy Stern, Interim Chief Financial Officer, gave a presentation on the preliminary Fiscal Year (FY) 2022-2023 Quarter 4 and End of Year Financial Report including load performance, the quarterly and monthly trend for revenue, the quarterly and monthly trend for cost of energy, financial performance year-to-date actual versus budget, the change in net position, days cash on hand, and the quarterly trend in cash and investment summary.

Chair Colson asked if the numbers are higher and she asked what for the percentage. Andy said they budgeted much higher Resource Adequacy for this coming fiscal year and explained the monthly trends driven by gas prices spiking. He pointed to 3 highlights regarding total costs and energy costs, year to date increases because of revenues, and total operating expenses.

Public Comments: None

Chair Colson asked about the \$14.7 million cash with the California Independent System Operator (CAISO) not being included on the summary. Andy explained it is not required, but the total collateral would be between \$6 and \$8 million. Peninsula Clean Energy has collateral of \$18 million because they were given \$3 or \$4 million of unsecured credit and then they have \$14.7 million with CAISO. They are probably over-deposited by about \$8 or \$10 million at the moment; however, in the summer, when collateral requirements will increase, they pay interest on it and there is not much reason in moving it back and forth, so they have been leaving it there.

Chair Colson asked if it is held as a reclassified asset and not as cash. Andy explained it could be actively managed but when they make a collateral call, it needs to be paid in two days. Chair Colson noted that it is important to know we have a hedge there.

4. Recommend to the Board of Directors Approval of an Update to Policy 14, Delegation of Authority Policy (Action)

Andy Stern, Interim Chief Financial Officer, explained the reasoning behind updating Policy 14 which is delegation of authority, and the proposed changes.

Director Ragsdale commented that she thinks the updates make sense.

Director Medina asked after the approval is completed, who is informed that it happened. Andy explained that the revised policy requires a monthly written report upon request. This policy does not authorize payment but instead authorizes signing the contract or commitment. The payment is handled on multiple levels. Director Medina noted that at the City level, he has seen contracts deliberately kept under \$100,000 and repeated.

Chair Colson asked if it is cumulative or individual. Andy explained that the language in the agreement says "CEO/CFO may approve and enter into any contract agreement if the total amount payable under the agreement is less than \$100,000 in any fiscal year." This does not preclude separate agreements so there is no policy that will be foolproof.

Shawn Marshall, Chief Executive Officer, noted that it may be important internally if they are going to expand who is able to approve, that they keep a monthly record which should come as part of a report.

Chair Colson said the report should be monthly and cumulative to see what has been paid. She asked if \$100,000 is enough as this gets used up quickly. Andy explained that he believes the Joint Powers Authority (JPA) might hold that \$100,000 limit and if changed, the JPA would need to be updated.

Chair Colson suggested it may be important to look at the JPA for updating that could be needed. Andy asked if the report should be monthly and if "upon request" be removed from the policy. Shawn explained that her intention would be an internal operating policy that requires weekly and monthly reports and a cumulative report that goes to the CEO. Andy said this would enable them to easily respond to requests.

Director Ragsdale noted it should be shared internally among the c-suite.

Chair Colson emphasized this does not need to be codified in Board policy but should be an internal policy.

MOTION: Director Medina moved, seconded by Director Ragsdale to Recommend approval by the full Board of Directors approve a revised Policy number 14 at its meeting on August 22, 2023.

MOTION PASSED: 3-0 (Absent: East Palo Alto, Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
	Totals	3			2

5. Recommend to the Board of Directors Approval of an Update to Policy 17, disbursement and Invoice Payment Policy (Action)

Andy Stern, Interim Chief Financial Officer, explained the reasoning behind updating Policy 17 and the proposed changes including the 3 categories of approval levels:

1. Invoices not related to Power Resources
2. Invoices related to Power Resources administration activities
3. Invoices related to Energy/Electricity procurement

Chair Colson asked and confirmed examples include:

1. Rent, program expenses, rebates to customers
2. Administrative services, forecasting services, hiring legal review, scheduling coordinators, and
3. Payments to Wright Energy and different power providers

Andy continued explaining that for 1, it would be reviewed by a Manager, Director, and then the CEO/CFO.

Chair Colson asked if things have been running smoothly. Andy explained that there have been no issues, but sometimes wrong invoices have been caught.

Shawn Marshall, Chief Executive Officer, explained this is a checks and balances policy. They have had some internal meetings about deadlines to get approvals in and make sure everything is flowing, but also it allows them to review things to conduct a checks and balance.

Andy shared that the change for Area 3 for Level 1 and 2 would change to increase to \$3,000,000 sharing that 378 payments fall into these categories and only 13 fell into this range. He further explained that the review is done by two Managers, the Director, and the CEO does a final check for anomalies. Shawn added that this was a bottleneck previously.

Director Ragsdale asked what if the change is \$3 million, and Andy said before, the prior CEO was approving every single invoice, and said he always approves every single invoice.

Chair Colson explained that at the start of Peninsula Clean Energy there were fewer contracts, but at this level, it has become unmanageable. Andy explained there is an additional check, and any payment sent in a wire must be released by Shawn.

Chair Colson noted that the process by which money was wired and transferred, noting the training around phishing, and that there was a situation which was rectified which resulted in these policies being put in place. She asked if training was included for Staff, and Shawn confirmed.

Andy shared that all wire transfers are set up with 3 levels of scrutiny, which he described.

Director Ragsdale asked if there has been any problem where some minor vendor insists on a wire for a small amount, and Andy explained they would resist that and they also do a verbal check of the wire instructions with the contact, so they make a phone call, through an email to verify.

Public Comment: David Mauro

MOTION: Director Ragsdale moved, seconded by Director Medina to Recommend approval by the full Board of Directors approve a revised Policy number 17 at its meeting on August 22, 2023

MOTION PASSED: 3-0 (Absent: East Palo Alto, Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
	Totals	3			2

6. Committee Members' Reports

Chair Colson shared a report from the second meeting of the Surplus Fund Ad-hoc Subcommittee, noting that everyone has been collaborative and thoughtful and they are on track to come up with an overall strategy. She added that the Committee has been discussing ways to broadly impact clients and create structural ways to reduce carbon and structural ways to reduce the cost of electricity as opposed to one-time benefits.

Shawn and Directors acknowledged Andy for his expertise and time, and thanked him.

ADJOURNMENT

The Meeting was adjourned at 9:43 a.m.