

MEETING of the Finance Committee of the  
Clean Power Alliance of Southern California  
Wednesday, August 26, 2020, 10:45 a.m.

**MINUTES**

*The Finance Committee conducted this meeting remotely, in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.*

**WELCOME & ROLL CALL**

Chair Julian Gold called the meeting to order at 10:45 a.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

<b>Roll Call</b>			
<b>Beverly Hills</b>	Julian Gold	Committee Chair	Remote
<b>Carson</b>	Reata Kulcsar	Committee Member	Remote
<b>Claremont</b>	Corey Calaycay	Committee Member	Remote
<b>Rolling Hills Estates</b>	Steve Zuckerman	Committee Member	Absent
<b>Santa Monica</b>	Pam O'Connor	Committee Member	Remote

All votes are unanimous unless otherwise stated.

**GENERAL PUBLIC COMMENT**

There was no public comment.

**CONSENT AGENDA**

1. Approve Minutes from the July 22, 2020 Finance Committee Meeting
2. Receive and File June and July 2020 Risk Management Team Report
3. Receive and File July CPA Investment Report

**Motion:** Committee Member O'Connor, Santa Monica

**Second:** Committee Member Calaycay, Claremont

**Vote:** The consent agenda was approved by a roll call vote.

**REGULAR AGENDA**

4. Report from the Chief Financial Officer  
David McNeil, Chief Financial Officer, provided an update on the organization's financial performance in the 2019-2020 fiscal year (FY), noting that audit results will be presented to the Finance Committee in October. Mr. McNeil also discussed the impact of the recent heat waves on CPA's financial performance, indicating a probable increase in revenue due to retail sales of energy and demand charges, but also an increase in costs. However, Mr. McNeil stated that the organization's hedging strategy performed well and allowed CPA to mitigate some of the negative impacts from the increase in cost of energy during the heat waves.

Mr. McNeil reported on treasury operations, highlighting an accumulation in cash on hand that will allow CPA to repay a \$10 million dollar loan to Los Angeles County at the end of September. Lastly, Mr. McNeil reviewed the payment dashboard, which demonstrated an increase in accounts receivable (AR) aging.

CPA Board Chair Diana Mahmud asked for clarification on the figures listed in the AR aging graph. Mr. McNeil noted that the days of aging are not cumulative and stated that the deterioration of AR and bad debt expense are two of many variables that contribute to CPA's profitability. Mr. McNeil explained that the allowance for bad debt is an accounting concept that represents CPA's estimate of the amount of accounts receivables will not be collected. The \$10.2 million allowance for bad debt is an estimate of accounts receivable that CPA does not expect to collect as of July 31, 2020.

5. Review and Recommend Board Adoption of Proposed Resolution Creating a Fiscal Stabilization Fund and Fiscal Stabilization Fund Policy

Mr. McNeil discussed the proposed creation of a stabilization fund and stated that once approved, staff plans to defer revenues into the fund that would otherwise be recorded in the fiscal year ending June 30, 2020. Mr. McNeil described the features and mechanics of the fund, noting that stabilizations funds are commonly used in state and local governments for sound financial management; and noted that CPA's banks, credit rating agencies, and CPA's independent auditor, Baker Tilly, view the stabilization fund positively from a credit, accounting, and control perspective. Mr. McNeil stated that the policy would authorize the Executive Director to make transfers to and from the Fund provided that an increase in net position falls below or exceed 4% of revenues, the fund balance must be positive in order to transfer amounts to revenues, and the fund balance is capped at 10% of CPA revenues. Lastly, Mr. McNeil emphasized that the policy does not authorize the expenditure of funds and will help to mitigate potential adverse impacts on CPA financial performance arising from bad debt, energy markets and CPA's cost of energy, and rate competitiveness.

Mr. McNeil and Matt Langer, Chief Operating Officer, discussed the 2020 Power Charge Indifference Adjustment (PCIA) undercollection and emphasized how falling prices can increase the PCIA fee paid by CPA customers to offset Southern California Edison's revenue shortfall. Additionally, the increase in PCIA may exceed the positive impact low prices have on CPA's cost of energy and reduce CPA rate competitiveness. This situation can benefit from the use of the stabilization fund, which will help maintain rate competitiveness in the dynamic energy market.

Chair Gold commented that the City of Beverly Hills has an established stabilization fund that is used to prudently manage risk. Committee Member Kulcsar asked if the stabilization fund will affect when and how quickly CPA contributes to the reserve target and the reason for not using the reserves to address risk. Chair Gold noted that the Stabilization Fund can be thought of as a "first line of defense" in the event of adverse fiscal events. Mr. McNeil explained that CPA will defer revenues into a stabilization fund and still meet its 4% target, starting with FY 19/20 where it will defer approximately \$20 million. Additionally, Mr. McNeil noted that that the stabilization fund would allow CPA to use transfers from the fund to increase revenue and that only once the fund is exhausted would it be necessary to draw on reserves under adverse circumstances. Mr. McNeil noted that the Reserve Policy will be reviewed in January 2021.

**Motion:** Committee Chair Gold, Beverly Hills  
**Second:** Committee Member Calaycay, Claremont  
**Vote:** Item 5 was approved by a roll call vote.

**COMMITTEE MEMBER COMMENTS**

None.

**ADJOURN**

Committee Chair Gold adjourned the meeting at 11:48 p.m.