

MINUTES

Finance Committee of the
Clean Power Alliance of Southern California
Regular Meeting
Wednesday, March 22, 2023, 11:00 a.m.

Meeting videos are available on [CPA's YouTube Channel](https://www.youtube.com/@CPApublicmeetings).
www.youtube.com/@CPApublicmeetings

Committee participated in this meeting from the following locations:

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| Camarillo City Hall Mayor's Office 601 Carmen Drive Camarillo, CA 93010 | CPA Office 801 S. Grand Ave., Suite 400 Los Angeles, CA 90017 |
| Claremont City Hall Citrus Room 207 Harvard Avenue Claremont, CA 91711 | Carson City Hall Executive Conference Room 701 East Carson Street Carson, CA 90745 |
| Rolling Hills Estates City Hall Conference Room 4045 Palos Verdes Drive North Rolling Hills Estates, CA 90274 | |

CALL TO ORDER & ROLL CALL

Committee Chair Santangelo called the meeting to order at 11:00 a.m. and Gabriela Monzon, Board Clerk, conducted roll call.

| Roll Call | | | |
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| Camarillo | Susan Santangelo | Committee Chair | Remote |
| Carson | Reata Kulcsar | Committee Member | Remote |
| Claremont | Corey Calaycay | Committee Member | Remote |
| Rolling Hills Estates | Steve Zuckerman | Committee Member | Remote |
| Santa Monica | Pam O'Connor | Committee Member | Absent |

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the February 22, 2023, Finance Committee Meeting
2. Receive and File February 2023 Risk Management Team Report

3. Receive and File February 2023 CPA Investment Report
4. Receive and File January 2023 Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Kulcsar, Carson
Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

5. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, reported that CPA continues to maintain its treasury operations and liquidity at a healthy level, and staff is proceeding with its financial modeling and budgeting for the upcoming fiscal year. J.P. Morgan has confirmed its willingness to accommodate an increase to CPA's line of credit to \$160 million, an extension of the term, and some adjustments to language regarding an adverse material clause. Staff will share the proposed terms with S&P, the credit rating agency, and request S&P input on those terms. Mr. McNeil shared that CPA bank deposits are secured by California regulations which require that banks in possession of municipal agency deposits collateralize those deposits. Mr. McNeil indicated that staff receive collateral reports from River City Bank on a weekly basis, adding that CPA has another account at the Local Agency Investment Fund (LAIF) where CPA is likely to move more funds in the coming months as its cash position grows. CPA's January financial results continue to be under budget, reflecting the electricity market price spike in December, January, and February. Mr. McNeil stated that staff has updated the financial projections for the year, which include the rate increase approved by the Board, and staff is projecting a positive full-year contribution to the net position.

Responding to Committee Member Zuckerman's questions concerning River City Bank's collateral holding, Mr. McNeil indicated that the collateral is made up of a variety of different treasury and related securities and by a letter of credit from the Federal Home Loan Bank. Committee Member Kulcsar asked about ease of liquidity and bank account diversification. Mr. McNeil explained that the collateral is liquid; additionally, staff intends to diversify bank accounts in a controlled and strategic manner. Committee Member Kulcsar commented that an additional banking institution without ties to the Community Choice Aggregation (CCA) market may be useful.

6. (a) Review Proposed Fiscal Year (FY) 2022/23 Amended Budget; and (b) Recommend Approval of Proposed FY 2022/23 Amended Budget to the Board of Directors

Mr. McNeil provided a presentation of the proposed FY 2022/23 amended budget. Mr. McNeil reviewed various budget amendment highlights including the operating expenses, non-operating expenses and revenue, and net position.

Responding to Committee Member Zuckerman's question about Board approval, staff indicated the budget amendment will be a consent item and will be included in the staff report. Committee Member Zuckerman expressed support for the adoption of the amended budget and suggested that summary language be used to express that CPA will still experience a positive net position increase at the end of the year.

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Calaycay, Claremont
Vote: Item 6 was approved by a roll call vote.

7. Preview of Proposed Clean Energy Prepayment Transaction

Kate Freeman, Financial Strategy & Initiatives Manager, provided a presentation on a preview of the proposed clean energy prepayment transaction. Ms. Freeman reviewed the details of the February 2023 prepay transaction, provided a summary of the proposed Board action, explained the structure of the prepay transaction, and identified the documents included in the upcoming Board resolution.

Responding to Committee Member Zuckerman's inquiry about the role of Deutsche Bank, Ms. Freeman clarified that the savings from a prepay transaction are generated between the spread on municipal bond rates and the rates at which a large corporate borrower, such as Deutsche Bank, would be able to borrow money. Borrowers such as Deutsche Bank are the source of savings for CPA, as they are the corporations taking the proceeds for the first 8-year period of the bonds and making interest payments on them every year. Committee Member Zuckerman asked about the second loan agreement after the 8-year period, and Ms. Freeman explained that after seven years, Deutsche Bank has the option to tender the bonds and can offer terms of extension of their loan after eight years. CPA is not locked into using Deutsche Bank after the initial 8-year period and can solicit alternate bids in the market at that point. Committee Member Kulcsar inquired about the agreement to indemnify California Community Choice Financing Authority (CCCFA) for the rating agency and Green Bond opinion fees in the event the prepay bonds are not issued. Ms. Freeman explained that the agreement to indemnify CCCFA involves the last steps of the transaction, and the fees only arise if the bond market is closed for prepays for a duration in excess of six months; staff indicated the at-risk amount is estimated to be \$180,000. Committee Member Zuckerman asked several questions regarding language indicating that the payment of the bond is not guaranteed by Goldman Sachs. Staff specified that Goldman Sachs issues a credit guarantee for all payments to be made by J. Aron under the transaction structure; the bonds holders benefit from reserve fund accounts.

Ms. Freeman reviewed the selection of the prepay service providers that staff will recommend to the Board and outlined the prepay cost of issuance and service provider fees and expenses. Mr. McNeil noted that MCM, Chapman & Cutler, and Goldman Sachs agreed to reduce their transaction fees for the second transaction.

Committee Member Zuckerman inquired about the amount borrowed for the second prepay transaction, and Ms. Freeman indicated that amount would depend on market interest rates as of the day of pricing. Responding to Committee Member Zuckerman's question about the first prepay transaction, Ms. Freeman clarified that all funds have been received into the prepay estate and that CPA will begin to receive monthly discounts on energy costs in July. Chair Santangelo inquired about the amount of detail that will be presented to the Board. Mr. McNeil indicated that the presentation will be similar to the one made to the Board in October, adding that staff has reached out to provide new Board members with further orientation on prepay transactions prior to the April Board meeting. The Committee expressed support for the second prepay transaction.

COMMITTEE MEMBER COMMENTS

Committee Member Zuckerman commented that the RMT report may need an amendment, as it indicates that CPA is in full compliance; however, CPA fell short of its 2023 year ahead Resource Adequacy (RA) compliance requirement. Mr. McNeil clarified that the RMT report is focused on compliance with CPA's Energy Risk Management Policy (ERMP), which will undergo its annual review process; staff will engage the Finance Committee in the review of the ERMP.

ADJOURN

Committee Chair Santangelo adjourned the meeting at 12:01 p.m.