Staff Report Item 5

TO: East Bay Community Energy Finance, Administration, and Procurement Subcommittee

FROM: Jason Bartlett, Finance Manager

SUBJECT: Annual Finance Reporting Schedule to the Board (Informational Item)

DATE: March 13, 2020

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Recommendation
Receive the Financial Reporting Agenda to the Board

Background and Discussion
The Financial Reporting Agenda to the Board outlines and describes the key financial reports to be issued to the Board and the appropriate meeting schedule.

Fiscal Impact
This memo has no direct fiscal impact

Attachments

A. EBCE Financial Reporting Agenda to the Board
East Bay Community Energy Annual Finance Reporting Schedule to the Board

To create greater transparency about East Bay Community Energy Authority’s (EBCE) financial reporting policy to the Board of Directors (the Board), EBCE presents the following discussion on the development of each report and the delivery schedule.

There are seven (7) key financial reports scheduled to be delivered to the Board and committees throughout the course of the fiscal year. They are as follows:

1. Annual Audited Financial Statements
2. Annual Budget
3. Annual Budget-to-Actual Comparison
4. Mid-Year Budget Review and Optional Revise
5. Quarterly Unaudited Financial Statements
6. Quarterly Treasurer Reports
7. Reserve Fund Allocation Report

Please note, EBCE’s fiscal year begins on July 1st and ends on June 30th.

The Annual Audit is conducted by an independent auditor each year, beginning at the close of the fiscal year, and focuses on the financial activities of a single fiscal year. The auditor reviews EBCE’s financial activities in-depth for truthfulness, performs a variety of compliance testing, examines related financial policies and practices, evaluates the robustness of the financial controls, and prepares a report for the Board. Due to contractual obligations with EBCE’s counter parties, the Annual Audit targeted to be completed and delivered within 120 days from June 30th, which is October 29th. As such, the Annual Audit is scheduled to be presented to the Board for the last October Board Meeting. A preliminary draft is scheduled to be presented to the Executive Committee for review prior to then. The Audit is an informational item and requires no action on behalf of the Board.

The Annual Budget is prepared each year internally to present expected financial activity for the upcoming fiscal year. Revenues are projected based on historical retail usage and anticipated PG&E rates, PCIA charges, and NEM balances. Expenses are comprised of two essential categories: Energy Operations and Overhead Operations.

Energy Operations expenses primarily consist of projected electricity costs based upon anticipated wholesale purchases necessary to meet retail demand and the most current forward curve of monthly energy prices. In addition, electricity costs include resource
adequacy, renewable, and carbon free forecasted purchases. Other related Energy Operations expenses are for scheduling load, ancillary services, billing, metering, and load data management costs.

Overhead Operations expenses consists of all internal overhead costs such as salaries, rent, administrative costs, marketing, policy and regulatory activities, legal obligations, and related contractor and vendor expenses. Additional Overhead may include interest costs on any debt outstanding, or other related capital costs such as depreciation.

The Annual Budget is an action item that requires Board approval before it can be enacted.

**The Annual Budget-to-Actual Comparison** is where the Annual Audit and the Annual Budget meet. Staff will compare anticipated financial activity for the fiscal year from the Annual Budget, or the Mid-Year Budget Revise, to the actual financial activity that occurred as presented in the Annual Audit. A discussion will be presented to speak to each compared category and as to why they differ. This item is informational and requires no action on behalf of the Board.

**The Mid-Year Budget Review and Optional Revise** provides two essential functions: First is to provide the Board with insight into the Annual Budget’s performance halfway through the fiscal year; and second to provide certain cost item corrections if they are largely deviating from the Annual Budget expectation. The cost item that is expected to deviate the most is electricity prices. The Annual Budget is passed with certain assumptions about what prices are expected to be through the course of the year, but actual numbers may vary materially. The Mid-Year Budget Review and Optional Revise allows the Board to make any necessary corrections to keep costs in line with expectations. This item may be informational only if there are no significant deviations in expectations, otherwise it may require Board approval to amend the current Annual Budget.

**The Quarterly Financial Statements** are unaudited financial activities meant to give timely reports on EBCE’s financial status. These are generated 45 days after the end of each fiscal quarter, and will be presented at the next Board Meeting following completion of preparing such reports. These statements will be presented in a format similar to both the Annual Audited financial statements and the Annual Budget summary to allow for consistent reporting between these documents.
The fiscal quarters are defined as follows, with the appropriate reporting month:
Q1: Jul 1st – Sep 30th  Reported in November Board Meeting
Q2: Oct 1st – Dec 31st  Reported in February Board Meeting
Q3: Jan 1st – Mar 31st  Reported in May Board Meeting
Q4: Apr 1st – Jun 30th  Reported as Annual Audit in October Board Meeting

Please note, the Quarterly Financial Statements will be provided for all quarters except for Q4, as that will be provided within the Annual Audited Financial Statements.

The Quarterly Financial Statements are informational items and require no action by the Board.

The Quarterly Treasurer Reports provide the Board with a summary of EBCE’s cash position. These reports present current bank balances, cash received through operations in each reporting month of the quarter, any current outstanding debt balances, current outstanding customer delinquency amounts, and other related financial highlights. The Quarterly Treasurer Reports cover the fiscal quarters defined in the Quarterly Financial Statements discussion above, but are reported in the month immediately following the end of the quarter. The following is the Treasurer Report presentation schedule:

Q1: October Board Meeting
Q2: January Board Meeting
Q3: April Board Meeting
Q4: July Board Meeting

Please note, unlike the Quarterly Financial Statements, the Quarterly Treasurer Reports will report the Q4 information prior to completion of the annual audit.

The Quarterly Treasurer Reports are informational items and require no action by the Board.

The Reserve Fund Allocation Report presents how EBCE’s net financial position at the end of each fiscal year is allocated through the reserve fund waterfall, in accordance with EBCE Financial Reserve Policy as approved in P-2018-10 on June 20th, 2018. The final document will have all reserve funds’ balances. Since the net position is the direct result of the Annual Audit, and as it may take additional time for all revenues and funds to cash settle, the Reserve Fund Allocation Report is presented in the November Board Meeting. This item is informational and does not require any action by the Board.
The following is a table that calendars the delivery of these reports to the Board or essential committees, beginning with the first report of the fiscal year and ending with the final audit.

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<tr>
<th>Month</th>
<th>Report</th>
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<tr>
<td>October</td>
<td>Q1 Treasurer Report (Jul - Sep)</td>
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<td>November</td>
<td>Reserve Report</td>
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<td>November</td>
<td>Q1 Unaudited Financials (Jul – Sep)</td>
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<td>January</td>
<td>Q2 Treasurer Report (Oct - Dec)</td>
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<td>February</td>
<td>Mid-Year Budget Review &amp; Revise</td>
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<td>February</td>
<td>Q2 Unaudited Financials (Oct – Dec)</td>
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<td>April</td>
<td>Q3 Treasurer Report (Jan - Mar)</td>
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<td>May</td>
<td>Q3 Unaudited Financials (Jan – Mar)</td>
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<td>June</td>
<td>Budget Review &amp; Approval</td>
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<td>July</td>
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<td>October</td>
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<td>October</td>
<td>Budget-to-Actuals, Fiscal Year</td>
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