

AGENDA

FINANCE AND RISK MANAGEMENT COMMITTEE SAN DIEGO COMMUNITY POWER (SDCP)

April 17, 2020

3:30 p.m.

DUE TO THE STAY AT HOME ORDER IN CALIFORNIA AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, MEMBERS OF THE FINANCE AND RISK MANAGEMENT COMMITTEE WILL BE PARTICIPATING REMOTELY FOR THIS MEETING AND THERE WILL BE NO LOCATION FOR IN-PERSON ATTENDANCE. SDCP IS PROVIDING ALTERNATIVES TO IN-PERSON ATTENDANCE FOR VIEWING AND PARTICIPATING IN THE MEETING. FURTHER DETAILS ARE BELOW.

Note: Any member of the public may provide comments to the San Diego Community Power (SDCP) Finance and Risk Management Committee on any agenda item or on a matter not appearing on the agenda, but within the jurisdiction of the Committee. Public comments must be submitted using this ([web form](#)). Please indicate whether your comment is on a specific agenda item or a non-agenda item. When providing comments to the Committee, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the Committee as a whole through the Chair. Comments are limited to four hundred (400) words on the form. If you have anything that you wish to be distributed to the Committee, please provide it to the Board Clerk via info@sdcommunitypower.org, who will distribute the information to the Members. It is requested that comments and other information be provided at least two (2) hours before the start of the Committee meeting. All comments received by such time will be provided to the Committee members in writing. In the discretion of the Chair, the first ten (10) comments received on each agenda item, or on non-agenda matters, may be read into the record at the meeting. Comments received after the two (2) hour limit will be collected, sent to the Committee members in writing, and be part of the public record.

The public may participate using the following remote options:

Teleconference Meeting Webinar

<https://zoom.us/j/94771266219>

Telephone (Audio Only)

(669) 900-6833 | Webinar ID: 947 7126 6219

CALL TO ORDER

ROLL CALL

ELECTION OF COMMITTEE CHAIR

ITEMS TO BE ADDED, WITHDRAWN OR REORDERED ON THE AGENDA

PRESENTATION

NON-AGENDA PUBLIC COMMENTS

CONSENT CALENDAR

All matters are approved by one motion without discussion unless a member of the Board of Directors requests a specific item to be removed from the Consent Agenda for discussion. A member of the public may comment on any item on the Consent Agenda.

REGULAR AGENDA

The following items call for discussion or action by the Committee. The Committee may discuss and/or take action on any item listed below if the Committee is so inclined.

- 1. Discussion and Recommendation on Credit and Banking Services and Collateral Agreements.**
 - a. Receive update and recommend Board approval of credit and banking services agreement with River City Bank.
 - b. Receive update and recommend Board approval of collateral agreement with Emerald Blue, LLC.

- 2. Discussion and Provide Direction on Rate Discount, Power Content, and Phasing Plan.**
 - a. Receive update and provide direction to staff and Pacific Energy Advisors on rate discount, power content, and phasing plan.

DIRECTOR COMMENTS

Committee Members may briefly provide information to other members of the Committee and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events, or activities related to SDCP business. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

REPORTS BY MANAGEMENT AND GENERAL COUNSEL

SDCP Management and General Counsel may briefly provide information to the Committee and the public. The Committee may engage in discussion if the specific subject matter of the report is identified below, but the Committee may not take any action other than to place the matter on a future agenda. Otherwise, there is to be no discussion or action taken unless authorized by law.

ADJOURNMENT

Compliance with the Americans with Disabilities Act

SDCP meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact (858) 492-6005 or info@sdcommunitypower.org. Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.

Availability of Committee Documents

Copies of the agenda and agenda packet are available at www.sdcommunitypower.org/committees. Late-arriving documents related to a Committee meeting item which are distributed to a majority of the Members prior to or during the Committee meeting are available for public review as required by law. Until SDCP obtains offices, those public records are available for inspection at the City of San Diego Sustainability Department, located at 1200 Third Ave., Suite 1800, San Diego, CA 92101. However, due to the Governor's Executive Orders N-25-20 and N-29-20 and the need for social distancing, that is now suspended and can instead be made available electronically at info@sdcommunitypower.org. The documents may also be posted at the above website. Late-arriving documents received during the meeting are available for review by making an electronic request to the Board Secretary via info@sdcommunitypower.org.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 1

To: San Diego Community Power
Finance and Risk Management Committee

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Mike Berwanger, Managing Director
PFM Financial Advisors, LLC

Subject: Discussion and Recommendation on Credit and Banking Services and Collateral Agreements

Date: April 17, 2020

Recommendation

- Receive update and recommend Board approval of credit and banking services agreement with River City Bank.
- Receive update and recommend Board approval of collateral agreement with Emerald Blue, LLC.

Background

The City of San Diego, in service to San Diego Community Power (SDCP), retained PFM Financial Advisors (PFM) in March 2019 to provide financial advisory services in soliciting and finalizing credit and banking services for SDCP. At the December 3, 2019 Board meeting the SDCP Board of Directors directed staff and PFM to finalize negotiations with River City Bank for a credit facility and banking services for SDCP's start-up/operational financing and banking needs.

Analysis and Discussion

As part of their due diligence, River City Bank requested an updated pro forma. Due to changing market conditions, the updated pro forma reflected program changes and variances from the version provided with the credit and banking RFP. This prompted River City Bank to make a change to their offer and request collateral for the \$5 million startup costs in order to proceed. SDCP and PFM discussed at length the pros and cons of continuing with River City Bank or pivoting to the runner-up bank. Ultimately, SDCP decided that the risk of pivoting to another bank and the timing implications and unknown outcome of that outweighed the RCB request.

SDCP staff reached out to Emerald Blue, LLC (Emerald Blue), a local, philanthropic individual with interest in supporting local climate action, who had previously expressed interest in supporting SDCP.

SDCP staff and PFM had several discussions with Emerald Blue and River City Bank arrived at favorable terms to allow Emerald Blue to provide the requested \$5 million collateral. This accomplished SDCP's objective of not requiring JPA members to provide collateral. And this meets River City Bank's request. With the Emerald Blue commitment, River City Bank has reached final credit approval.

Key terms for the River City Bank agreement:

The River City Bank proposal outlined their offer of up to \$40 million Line of Credit for a 2-year term with an option to convert the line into a 3 year term loan. Half of the line would be made available for cash advances, and the remainder for Letters of Credit. River City Bank offered a floating rate calculated based on 1-Month LIBOR plus 2.00% (subject to floor rate of 2.00%) on the revolving line, and a 2.00% fee on any Letters of Credit.

Key terms from the Emerald Blue agreement:

Emerald Blue has offered to lend the \$5 million in collateral to SDCP that was requested by River City Bank. The loan will be subordinate to the River City Bank facility. The \$5 million will be held in an interest earning account, which will accrue until commercial operations commence, and will be released quarterly thereafter. SDCP will make interest only payments to Emerald Blue on a quarterly basis after operations have been launched at an interest rate calculated at 1-Month LIBOR plus 2.00%. Once the collateral requirement is released SDCP will repay the principal to Emerald Blue on a monthly basis for 36 months

Fiscal Impact

If the Board adopts the recommended agreements with River City Bank and Emerald Blue, LLC, San Diego Community Power will achieve its goals for receipt of startup and operational credit. By accepting collateral funding from a local investor, this relieves the need for any member city to provide collateral.