

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING THE SAN JOSE CLEAN ENERGY FINANCIAL RESERVES POLICY THAT ESTABLISHES A FRAMEWORK TO BUILD RESERVES TO AT LEAST 180 DAYS OF OPERATING EXPENSES

WHEREAS, on February 13, 2017, the City Council of the City of San José (“City”) received an introduction and overview of the San José Clean Energy (“SJCE”) Community Choice Aggregation Business Plan (“Business Plan”), which identified the establishment of financial reserves as an important component of SJCE’s growth and development as a Community Choice Aggregator; and

WHEREAS, consistent with the Business Plan, the City Council adopted Section 26.40.010 of the San José Municipal Code, which states that rates must generate sufficient revenue to meet anticipated expenditures required and maintain adequate reserves; and

WHEREAS, in the fall of 2021, SJCE commissioned Deloitte & Touche, LLP (“Deloitte”) to examine SJCE’s Business Plan and compare assumptions to performance; and

WHEREAS, Deloitte recommended that SJCE build reserves to 180 days of operating expenses to strengthen financial resiliency and rate stability; and

WHEREAS, the SJCE Financial Reserves Policy recommends that SJCE shall strive to build and maintain financial reserves of at least 180 days of total operating expenses (including power supply expenses) held in an operating reserve or as unrestricted cash, that funding for financial reserves will come from an excess of revenues over expenditures, that the contribution to and draws on the reserves will be determined through SJCE’s City Council-approved budgeting and rate-setting processes, and that

financial reserve levels will be monitored during each fiscal year and reported in SJCE's annual financial report; and

WHEREAS, the SJCE Financial Reserves Policy will enable SJCE to meet its strategic objectives, secure favorable commercial terms from both energy providers and lenders, acquire and maintain an investment grade credit rating (i.e., as a standalone entity, without the benefit of the City's other financial resources), satisfy working capital requirements, procure energy at competitive rates, cover unanticipated expenditures, and support customer rate stability; and

WHEREAS, the City desires to approve the SJCE Financial Reserves Policy, as described in Attachment D of the Memorandum from the Director of the Community Energy Department, dated November 14, 2022, to support the long-term viability of SJCE;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

The San José Clean Energy Financial Reserves Policy (Attachment D to the staff memorandum) that establishes a framework to build reserves to at least 180 days of operating expenses is hereby approved.

ADOPTED this _____ day of _____, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk