



# Monterey County

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## Board Report

Legistar File Number: 17-0953

September 19, 2017

**Introduced:** 9/8/2017

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** General Agenda Item

Approve and authorize the Chair of the Board of Supervisors to execute the Agreement By and Among the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito Counties (MBCP) and the Counties of Monterey, Santa Cruz and San Benito regarding Credit Support for MBCP.

### RECOMMENDATION:

It is recommended that the Board of Supervisors approve and authorize the Chair of the Board of Supervisors to execute the Agreement By and Among the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito Counties (MBCP) and the Counties of Monterey, Santa Cruz and San Benito regarding Credit Support for MBCP.

### SUMMARY/DISCUSSION:

Monterey Bay Community Power (MBCP) is a regional Community Choice Energy Joint Powers Agency that was formed on February 28, 2017. On March 7, 2017, the Monterey County Board of Supervisors adopted a resolution approving the MBCP Joint Exercise of Powers Agreement, and on March 21, 2017, the Board adopted an enabling ordinance establishing the County as a founding member of the MBCP Authority.

MBCP requires start-up and initial working capital in the amount of \$3 million and is negotiating a Credit Agreement with River City Bank (RCB), which includes a Non-Revolving Credit line of up to \$3 million for this purpose. RCB requires a credit guaranty for the Non-Revolving credit line, and the Counties of Monterey, San Benito, and Santa Cruz have agreed to provide this guarantee in a total amount of \$3 million. On July 25, 2017, the Monterey County Board of Supervisors took the following actions:

1. Approved the Memorandum of Agreement Between the County of Monterey and Monterey County Cities Regarding Credit Guaranty for Monterey Bay Community Power ("Cities Agreement"), contingent on approval by all member cities;
2. Approved the Shared Financial Agreement by and Among the County Members of the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito, contingent on approval by all member cities of the Cities Agreement;
3. Approved Non-Revolving Credit Guaranty with River City Bank to provide approximately 45.45% percent of the credit guaranty, contingent on approval by all members of the Cities Agreement; and,
4. Authorized the County Administrative Officer to make modifications to all agreements that do not change the material terms and to execute the agreements on behalf of the County.

As of this report, all Monterey County member cities have approved the Cities Agreement, and as authorized by the Board of Supervisors, the Monterey County CAO has executed the Cities Agreement and the Shared Financial Agreement. It is expected that the Non-Revolving Credit Guaranty will be ready for final execution in the month of September after a Credit Agreement between MBCP and RCB is approved by the MBCP Policy Board. The Credit Agreement is set to go before the MBCP Policy Board for final approval on September 13, 2017.

Because the Credit Agreement provides that RCB and MBCP may amend the Agreement without approval from the Counties of Monterey, Santa Cruz, and San Benito (collectively Guarantors), a Guarantor Agreement (Attachment A) was drafted to safeguard the Guarantors from amendments to the Credit Agreement that may impact the terms of the Credit Guarantee. Per the terms of the attached Guarantor Agreement, MBCP must obtain express and formal approval from the Guarantors for any amendment to the Credit Agreement. The Guarantor Agreement will become effective from the effective date of the Credit Guaranty, and will remain in effect until the release of the Credit Guaranty by RCB.

OTHER AGENCY INVOLVEMENT:

The MBCP Authority is comprised of the following agencies:

- County of Santa Cruz
- City of Santa Cruz
- City of Watsonville
- City of Capitola
- City of Scotts Valley
- County of Monterey
- City of Salinas
- City of Monterey
- City of Pacific Grove
- City of Carmel
- City of Seaside
- City of Marina
- City of Sand City
- City of Soledad
- City of Greenfield
- City of Gonzales
- County of San Benito
- City of Hollister
- City of San Juan Bautista

The Auditor-Controller, Treasurer-Tax Collector, CAO Budget & Analysis Division, CAO-Intergovernmental and Legislative Affairs Division, and County Counsel have been involved in evaluating the Credit Guaranty, the Shared Financial Agreement, and the Credit Agreement between MBCP and the Bank. In addition, CAO and County Counsel staff have had extensive discussions regarding the Credit Agreement and the Guarantor Agreement with MBCP staff and the Counties of Santa Cruz and San Benito.

FINANCING:

The County's total principal share of the Credit Guarantee is up to \$272,727 or approximately 9.09% of the total amount advanced to MBCP. The actual amount could be less if the outstanding balance is less than \$3 million if MBCP were to default on the non-revolving credit line. The total estimated amount of the County's monetary risk will be categorized as a "Contingent Liability" and will not require funds to be sequestered.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Activities of the Monterey Bay Community Power (MBCP) Authority are consistent with the Board of Supervisors' Strategic Initiatives for Economic Development, Administration, Infrastructure, and Health and Human Services. The MBCP JPA is expected to offer year-end rebates to customers and significantly increase the use of renewable energy, thus impacting the economic well-being of Monterey County utility customers, and promoting a sustainable and healthy environment.

Check the related Board of Supervisors Strategic Initiatives:

X Economic Development  
X Administration  
X Health & Human Services  
X Infrastructure  
\_\_\_Public Safety

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Approved by: Nicholas E. Chiulos, Assistant County Administrative Officer

Attachments:

- a. Guarantor Agreement