



### **Staff Report Item 8**

**TO:** East Bay Community Energy Board of Directors

**FROM:** Howard Chang, Chief Operating Officer

**CC:** Nick Chaset, Chief Executive Officer

**SUBJECT:** **Authorization to execute revolving credit agreement with Barclays Bank PLC.**

**DATE:** February 21, 2018

---

#### **Recommendation**

Adopt a Resolution authorizing the Chief Executive Officer to execute a revolving credit agreement with Barclays Bank PLC to provide start-up capital prior to launch and credit for power procurement. The revolving credit facility will provide up to \$50 million of capital over a term of 3 years with flexibility to terminate the facility without penalty after 1 year.

#### **Background and Discussion**

Following a formal RFP solicitation and review process, the board approved EBCE to award Barclays and enter into negotiations due to the flexibility to provide unsecured credit and the flexibility in the facility size. Barclays has total Tier 1 capital of \$56.5 billion. It has extended credit to the CCA industry and has extensive municipal/public financing experience that can assist EBCE with innovative financing solutions in the future.

EBCE staff has entered into extensive negotiations with Barclays with the support of experienced outside counsel and public finance consultants. We have reached an agreement on the major provisions regarding facility size, tenor, permitted use of funds, draw mechanisms, commitment fee & interest rates, operating reserve requirements, and other key debt covenants.

One of the key provisions of the agreement is to allow EBCE to repay Alameda County during the term of the loan if an operating reserve requirement and debt service coverage ratio are properly met.

Full terms & conditions are provided in the attached agreement and details regarding interest rates, fees, and proceeds are summarized herein to comply with California SB 450 Section 5852.1, requiring such presentation to the board.

- A. Interest Costs per annum:
  - a. LIBOR + 1.40% for collateralized loans
  - b. LIBOR + 5.25% for uncollateralized loans
  - c. 1.00% as a commitment fee for undrawn amounts of the facility
- B. Finance charges to 3rd parties: Estimated to total \$100,000 to \$150,000 to cover costs such as counsel and recording fees
- C. Proceeds: Maximum gross proceeds is \$50,000,000 for a fully drawn facility. Because this is a revolving credit facility this amount may be lower and fluctuate at any time up to a maximum draw of \$50,000,000
- D. Total Payment amount:
  - a. Based on a maximum draw amount of \$50,000,000 over 3 years, total payment amount accounting for interest and finance charges to 3rd parties is estimated at \$10,406,250 based on an assumed LIBOR of 1.5875% and the applicable spread for an uncollateralized loan. Total payment including principal is \$60,406,250.
  - b. Based on an average loan balance of \$10,000,000 and an undrawn amount of \$40,000,000 over 3 years, total payment amount accounting for interest and finance charges to 3rd parties is estimated at \$3,401,250 based on an assumed LIBOR of 1.5875% and the applicable spread for an uncollateralized loan. Total payment including principal is \$53,401,250.

The majority of funds from the facility will be utilized for short term and long-term power purchase agreements and to provide collateral as security for ongoing power procurement needs. One of the critical criteria is also to give EBCE the necessary financial flexibility to meet working capital needs during the run-up to launch and revenue generation. While Alameda County has provided significant support to EBCE, the costs of start-up, including staffing, marketing, and compliance will exceed this amount. To this end, EBCE explicitly sought uncollateralized working capital facilities that could be used to support EBCE working capital needs while EBCE and its JPA members work to put in a place collateral facility to lower credit costs. Collateral in the form of posting cash, letter of credit, or guarantees from city or county entities can reduce the interest rate on the credit facility significantly (i.e. up to \$2M in savings). Alternatively, collateral can be provided for a portion of the facility to partially offset the rate differential.

EBCE staff recommends that the board approve a resolution authorizing EBCE CEO Nick Chaset to complete final negotiations and execute the revolving credit agreement. Additional consideration should also be made to provide collateral or financial guarantees by JPA members to help alleviate the costs of the credit facility.

## RESOLUTION NO. 2018-

### RESOLUTION OF THE BOARD OF DIRECTORS OF EAST BAY COMMUNITY ENERGY AUTHORITY APPROVING A REVOLVING CREDIT AGREEMENT WITH BARCLAYS BANK PLC, AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE SAME ON BEHALF OF THE AUTHORITY, AND CERTAIN RELATED MATTERS

**WHEREAS**, the East Bay Community Energy Authority ("East Bay Community Energy") was formed on December 1, 2016 to provide community choice aggregation services for electricity customers in Alameda County;

**WHEREAS**, the initial launch of service of the community choice aggregation program is planned for June 1, 2018 with a second launch planned for September 1, 2018;

**WHEREAS**, East Bay Community Energy needs working capital funds to pay start-up costs in preparation for the service launches and to make reserve deposits for entry into EEI Master Power Purchase and Sale Agreements and the WSPP Master Agreements;

**WHEREAS**, East Bay Community Energy sent its Request for Proposals No. 17-2 for Credit and Banking Services to qualified lenders and has selected Barclays Bank PLC as having the response best addressing East Bay Community Energy's needs;

**WHEREAS**, there has been presented at this meeting a proposed form of Revolving Credit Agreement ("Revolving Credit Agreement") to be entered into by East Bay Community Energy and Barclays Bank PLC;

**WHEREAS**, in compliance with Government Code Section 5852.1, East Bay Community Energy has obtained from Barclays Bank PLC the certain required good faith estimates and such estimates have been disclosed at this meeting; and

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the entry into the Revolving Credit Agreement authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Board of Directors is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize the execution of the Revolving Credit Agreement for the purposes, in the manner and upon the terms provided;

**NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AS FOLLOWS:**

Section 1. The Board of Directors ("Board") hereby specifically finds and declares that the statements, findings and determinations of East Bay Community Energy set forth above are true and correct, and the Board hereby authorizes entry into the Revolving Credit Agreement permitting borrowings thereunder not to exceed \$50,000,000

outstanding at any time and for an initial term not to exceed three (3) years for the purposes set forth above.

Section 2. The proposed form of the Revolving Credit Agreement presented to this meeting and on file with the Secretary is hereby approved, and the Chief Executive Officer is hereby authorized and directed, for and in the name and on behalf of East Bay Community Energy, to execute and deliver to Barclays Bank PLC the Revolving Credit Agreement in substantially said form, with such changes thereto as the Chief Executive Officer, after consultation with counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Chief Executive Officer and the Secretary of the Board, and other appropriate officers of the Board or East Bay Community Energy, are hereby authorized and directed, jointly and severally, for and in the name and on behalf of East Bay Community Energy, to execute and deliver any and all documents, certificates, representations, and agreements as they, with the advice of counsel, shall approve, and to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions that the Board has approved in this Resolution.

Section 4. All actions heretofore taken by the officers and agents of the Board or East Bay Community Energy with respect to the Revolving Credit Agreement are hereby ratified, confirmed and approved.

**ADOPTED AND APPROVED this \_\_\_\_ day of February 2018.**

\_\_\_\_\_  
Scott Haggerty, Chair

**ATTEST:**

\_\_\_\_\_  
Stephanie Cabrera, Clerk of the Board