



## **FINANCE OVERVIEW**

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Counties of Monterey, San Benito, and Santa Cruz

June 9, 2016

Study Session



# Financing Overview

- Need for Financing and/or Capital Contributions to support:
  - Startup costs (incurred prior to and shortly after MBCP service commencement; prior to receipt of customer rate revenues)
  - Working capital requirements (timing lag between customer energy delivery and revenue receipt  $\approx$  60-90 days)
  - Reserve deposits (required by supplier(s) to ensure availability of funds required to cover MBCP's near-term payment obligations)
- Sources of Financing and/or Capital Contributions:
  - Bank loan(s)
  - Letter(s)/line(s) of credit
  - Member contributions (to be repaid by MBCP during early operations)

# MBCP Projected Startup Costs

Startup Cost Category	Projected Cost (\$)
Technical Study	\$150,000
JPA Formation/Development	\$50,000
Implementation Plan Development	\$50,000
Power Supplier Solicitation & Contracting	\$75,000
Staffing	\$708,750
Consultants and Legal Counsel	\$600,000
Marketing & Communications	\$270,000
Security Deposits	\$22,500
Service Fees	\$37,500
CCE Bond	\$100,000
Miscellaneous Administrative & General	<u>\$187,500</u>
<b>Total</b>	<b>\$2,251,250</b>

# MBCP Working Capital Estimates

- Total MBCP working capital  $\approx$  \$10.7 million
  - Additive to estimated start-up costs
  - Includes CAISO deposit = \$500,000 (may be covered by scheduling coordinator)
  - Includes supplier reserve/reserve deposit  $\approx$  \$2.25 million
  - Includes amounts required to address timing of customer payments
  - Assumes sixty-day payment terms for power supply
  - Note: standard 30-day payment terms would increase working capital requirements by  $\approx$  \$15 million

# Key Considerations: MBCP Financing

- Identification of prospective financiers
- Potential guarantee or other form of security
- Timing of service commencement
  - Anticipated PG&E rate changes
  - Seasonal rate/revenue differences
- Phase-in schedule
  - Number of phases
  - Duration of phase-in period
- Operational capabilities/organizational readiness
- Communications and outreach