

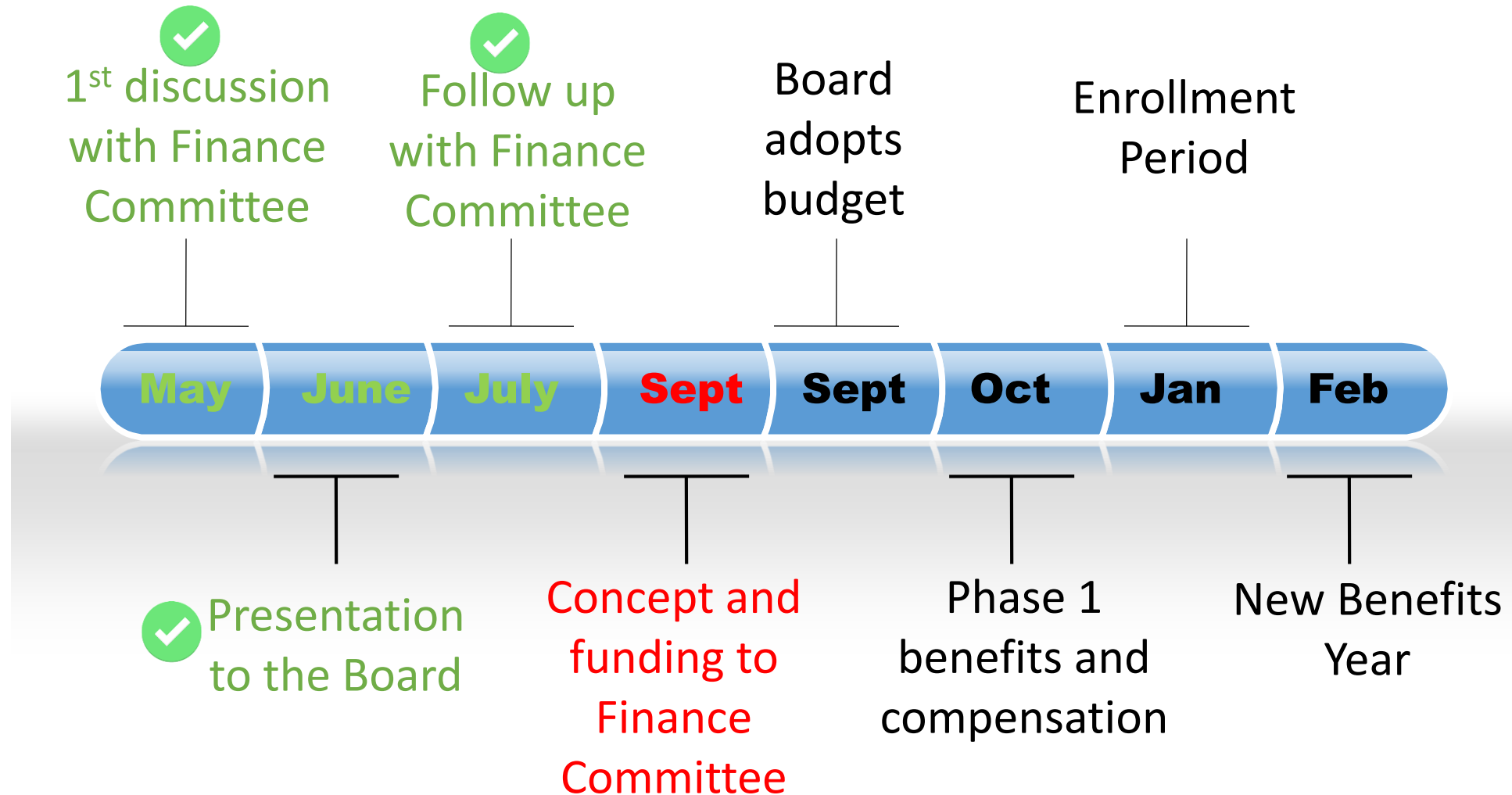


COMPENSATION & BENEFITS

MANAGING BUSINESS RISK THROUGH WORKFORCE CHANGES

**Finance & Administration Committee –
September 4, 2018**

TIMELINE

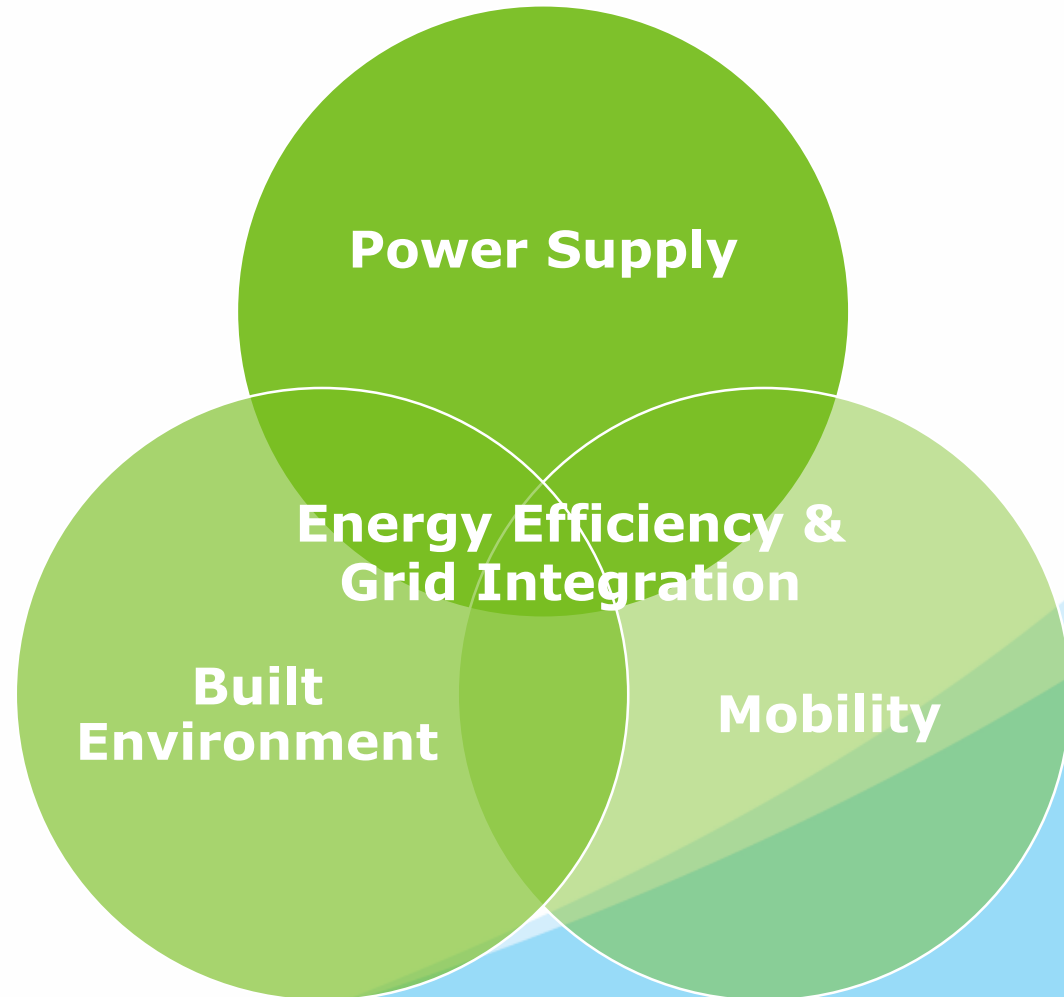


NEEDS OF THE AGENCY



Overarching SVCE Decarbonization Strategy

- SVCE must procure & maintain a decarbonized power supply portfolio and electrify everything, while taking measures to promote energy efficiency and ensure successful grid integration



BALANCING COMPLEX BUSINESS RISK & AFFORDABILITY

- **Risk/Challenges**

- PCIA and PG&E Rates
- Direct Access & New Customized Solutions
- Clean Power Supply, Duck Curve Integration, Market Volatility and Credit
- Higher expectations from customers
- Competitive rates, clean energy, programs

- **SVCE is no longer a start-up**

- Compensation and benefits changes needed to attract and retain the talent needed to maintain and grow the agency

- **Labor Market in Silicon Valley**

- Market continues to be very tight



BALANCING BUSINESS RISK & AFFORDABILITY

- Positions SVCE to be competitive in attracting and retaining employees
- Balances business risk with affordability
- If Recommendations are approved, it also is affordable:
 - Personnel costs approximately 2% of operating revenues
 - Including deferred compensation, total benefits are capped at approximately 25% of total personnel costs

BENEFITS



OBJECTIVE

- SVCE seeks to manage its business risk by changing its employee benefits offerings to create enterprise-aligned incentives for a healthy, happy, and productive workforce

CORE

- Medical
- Dental
- Vision
- Medical Spending Accounts
- Compensation
- PTO

BEST PLACE TO WORK

- Transportation
- Dependent Care
- Volunteer Time
- Other tax-advantaged spending accounts
- Electric Vehicle Rebate
- Education Assistance
- Job Training
- Telecommuting
- Flex Time

CURRENT & FUTURE STATE

CURRENT

- HRtoGo is insurance broker (through CalChoice) and other servers (on-boarding, payroll, etc.)
- SVCE contributes towards employee-only medical premiums up to \$1,000
 - Does not include vision or enhanced dental
- FSA (effective July 1st) – employee only

FUTURE

- Review service providers
- Increased SVCE contributions to health; provides much more flexibility and self-direction (FSA with employer contribution and new HRA with employer contribution)
- If an employee selects a more economical option, the unspent funds will be available to the employee to cover other expense in the same “bucket”

RECOMMENDATIONS

Effective October 2018

- Time off enhancements
 - Days off between Christmas Eve and New Years (2018 & 2019)
 - Management Leave
 - Volunteering Time
- SVCE Contribution to vision and dental coverage, including family coverage
 - Family coverage for medical not allowed until new benefits year

RECOMMENDATIONS

Effective February 2019

HRA - Medical

Deposits made by employer only

No contribution limit

Prescription copays and medicine

Doctor or hospital expenses

Dental work and orthodontia

Eyeglasses/contact/laser eye surgery

Chiropractic or acupuncture

Full list available:

<http://www.irs.gov/pub/irs-pdf/p502.pdf>

FSA - Medical

Deposits made by employer or employee

\$2,650 per person contribution limit

Prescription copays and medicine

Doctor or hospital expenses

Dental work and orthodontia

Eyeglasses/contact/laser eye surgery

Chiropractic or acupuncture

Full list available:

<http://www.irs.gov/pub/irs-pdf/p502.pdf>

FSA - Other

Dependent care expenses for children under the age of 13 (e.g., childcare) or other tax dependents who are physically or mentally incapable (e.g., adult parents with dementia)

Parking at or near work

Public transportation

RECOMMENDATIONS

Effective February 2019

	SVCE FUNDING	Employee Paycheck Deduction
Medical, Dental, Vision Premiums for self plus dependents	Up to \$1,000 monthly	Only if total cost exceeds \$1,000
HRA to be used for out of pocket medical expenses	\$500 monthly	N/A
FSA to be used for dependent care and transportation OR out of pocket medical expenses	\$200 monthly (nearly equivalent to amount allowed by IRS annually)	Employees can contribute more if desired
Total Cap for SVCE	\$1,700 Monthly	

Incremental is \$700/month

IMPLEMENTATION

- Approve recommendations & funding at Sept 12th Board meeting
 - Delegate implementation to CEO
 - Employee communications (Oct-Feb)
 - Open enrollment period (Jan '19)
 - In place Feb 1, 2019 (new benefits year)

PHASE 2 - OTHER BENEFITS

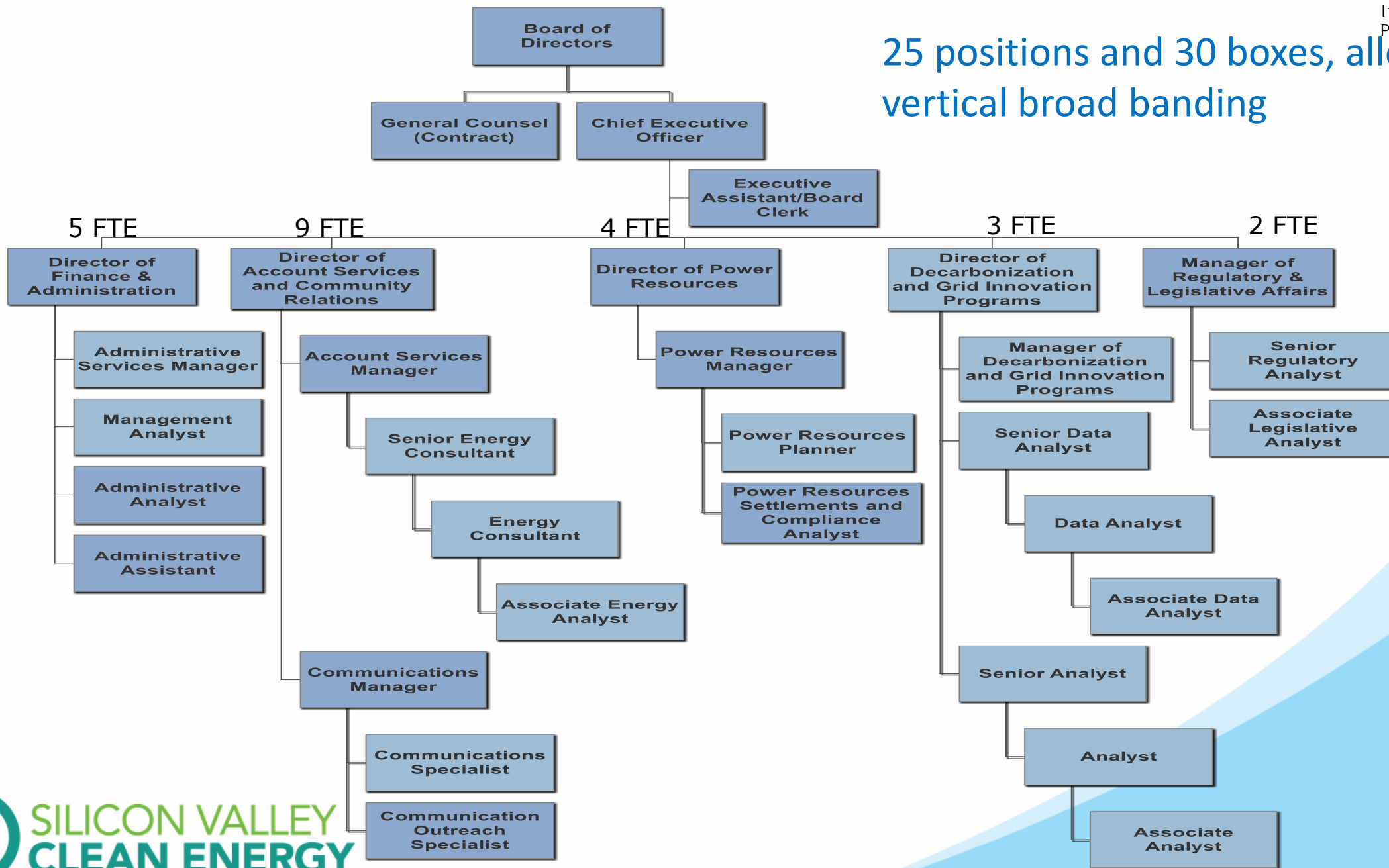
- Other benefits rolled out through policies taken to the Board
 - Education assistance
 - Electric vehicle rebate – Once/3 years
- Discuss later for possible mid-year budget – February 2019

COMPENSATION

BROADBANDING

- Adopt Broadbanding in the Organizational Chart
 - Maximum funded 25 FTE's
 - More boxes than FTE's – 30 boxes
 - Provides flexibility for SVCE
 - Horizontal Broadbanding encouraged (Account Services and Programs, etc.)
- All departments impacted

25 positions and 30 boxes, allows for vertical broad banding



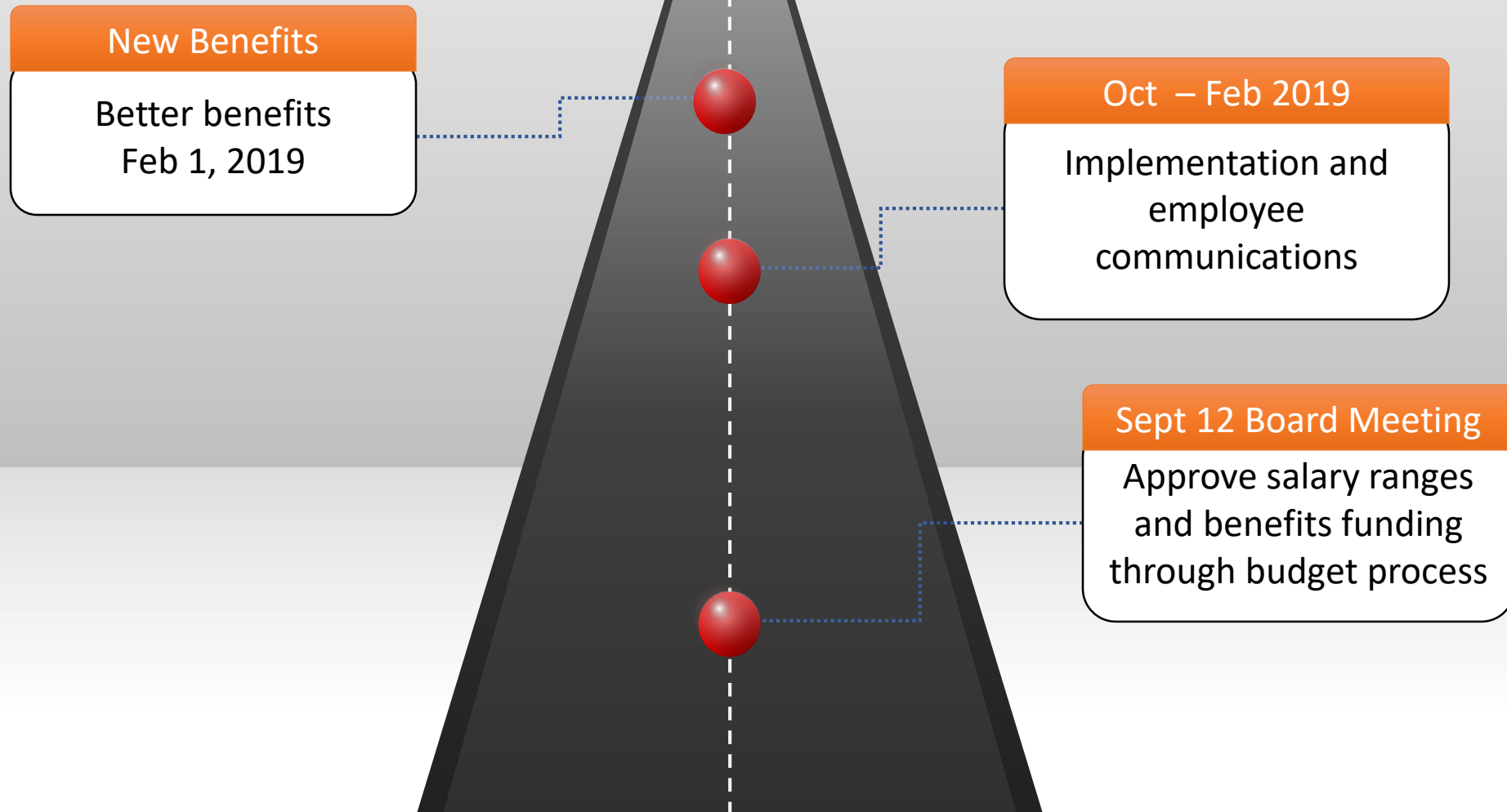
COMP. STUDY RECOMMENDATIONS

- No significant changes from the July Finance Committee meeting
- Recommendation is to change maximum salary ranges where appropriate
- Recommendation is to apply a 3.4% salary range (min/max) change to all positions based on CPI-Urban Bay Area
- Update every 2 years

Title	Min	Max	CPI-U Bay Area		Comp Study	
			Min	Max	Min	Max
Director of Account Services and Community Relations	138,432	217,536	143,139	224,932	143,139	224,932
Account Services Manager	103,824	163,152	107,354	168,699	107,354	168,699
Senior Energy Consultant	90,846	122,364	93,935	126,524	93,935	126,524
Energy Consultant	77,868	122,364	80,516	126,524	80,516	126,524
Associate Energy Analyst	64,890	101,970	67,096	105,437	67,096	105,437
Communications Manager	103,824	163,152	107,354	168,699	107,354	168,699
Community Outreach Specialist	56,238	88,374	58,150	91,379	58,150	95,034
Communications Specialist	56,238	88,374	58,150	91,379	58,150	95,034
Director of Finance and Administration	138,432	217,536	143,139	224,932	143,139	249,675
Administrative Services Manager	112,476	176,748	116,300	182,757	116,300	182,757
Management Analyst	95,172	149,556	98,408	154,641	98,408	154,641
Administrative Analyst	77,868	122,364	80,516	126,524	80,516	137,912
Administrative Assistant	51,912	81,576	53,677	84,350	53,677	85,193
Manager of Regulatory and Legislative Effectivness	115,824	175,152	119,762	181,107	119,762	181,107
Senior Regulatory Analyst	90,846	142,758	93,935	147,612	93,935	147,612
Associate Legislative Analyst	67,053	105,369	69,333	108,952	69,333	108,952
Director of Power Resources	164,388	258,324	169,977	267,107	169,977	267,107
Power Resources Manager	129,780	203,940	134,193	210,874	134,193	210,874
Power Resources Planner	112,476	176,748	116,300	182,757	116,300	182,757
Power Resources Settlements and Compliance Analyst	95,172	149,556	98,408	154,641	98,408	154,641
Board Clerk/Executive Administrator	95,172	149,556	98,408	154,641	98,408	154,641
Director of Decarbonization and Grid Innovation	122,802	189,546	126,977	195,991	126,977	195,991
Manager of Decarbonization and Grid Innovation	112,476	176,748	116,300	182,757	116,300	182,757
Senior Data Analyst	102,846	147,342	106,343	152,352	106,343	152,352
Data Analyst	89,868	134,364	92,924	138,932	92,924	138,932
Associate Data Analyst	76,890	113,970	79,504	117,845	79,504	117,845
Senior Analyst	90,846	122,364	93,935	126,524	93,935	126,524
Analyst	77,868	122,364	80,516	126,524	80,516	126,524
Associate Analyst	64,890	101,970	67,096	105,437	67,096	105,437

Items in Red were adjusted per the Comp Study

Next Steps



SUMMARY

- Manages business risk
- Supports the attract and retain goals
- Recommendation is both affordable and competitive
- Supports SVCE as Best Place to Work and ensures SVCE thrives!

RECOMMENDATION

- Staff recommends support of compensation and benefits enhancements at the September 12th Board meeting

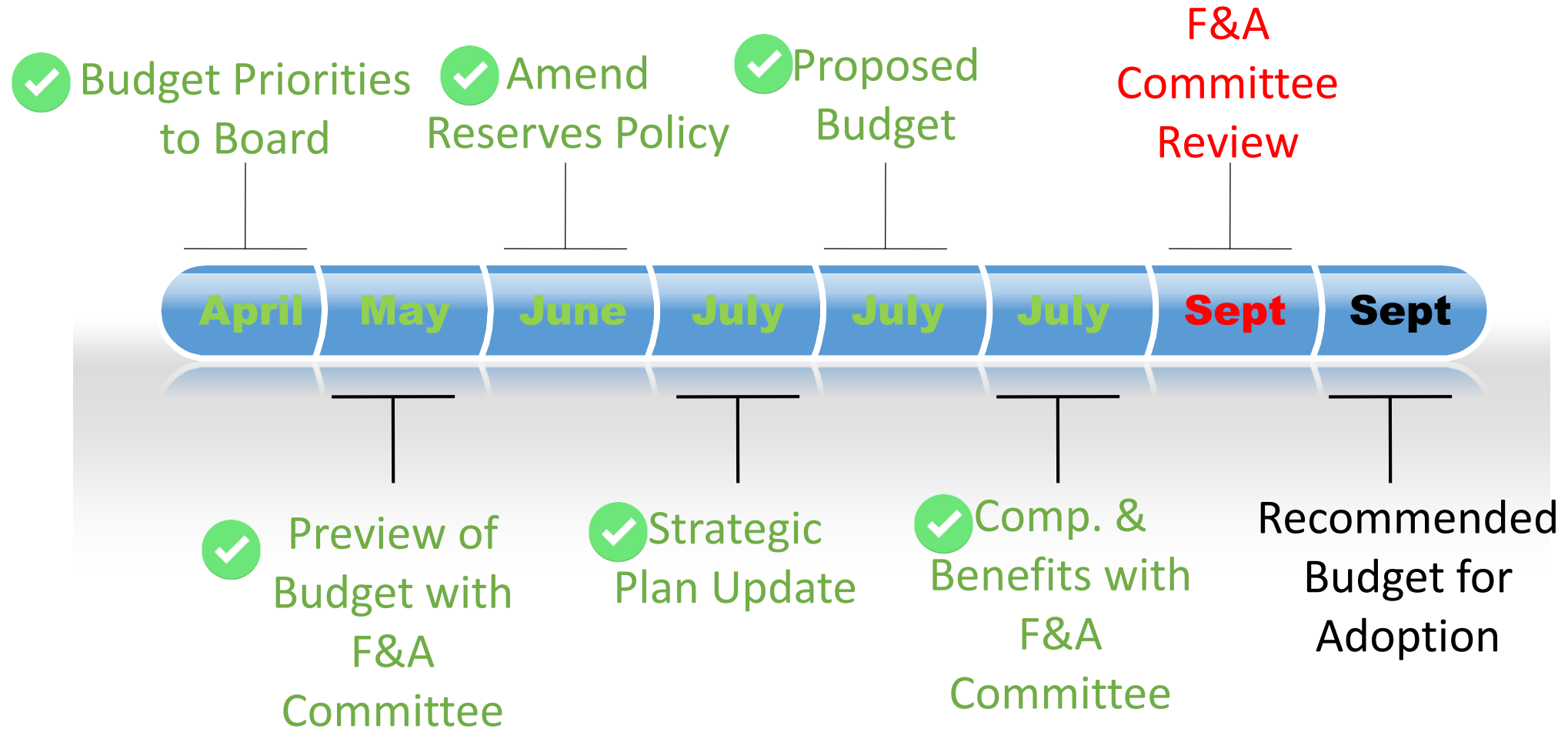
QUESTIONS?



FY 2018-19 RECOMMENDED OPERATING BUDGET

**Finance & Administration Committee –
September 4, 2018**

BUDGET CALENDAR



WHAT CHANGED?

JULY 2018

PROPOSED BUDGET (\$ in Thousands)	
Revenues	286,197
Power Supply	207,710
Other Operating Expenses	<u>20,413</u>
Net Surplus	<u>\$58,074</u>

CURRENT

RECOMMENDED BUDGET (\$ in Thousands)	
Revenues	260,045
Power Supply	211,815
Other Operating Expenses	<u>19,039</u>
Net Surplus	<u>\$29,192</u>

\$28.9 million DECREASE in Net Surplus

REVENUE UPDATES

- Alternate Decision on PCIA on horizon
 - 21% Increase built in budget
 - Potential up to 30% increase
 - Each 1% of PCIA increase erodes \$0.7 million of revenue for SVCE
 - Decision expected in mid-September

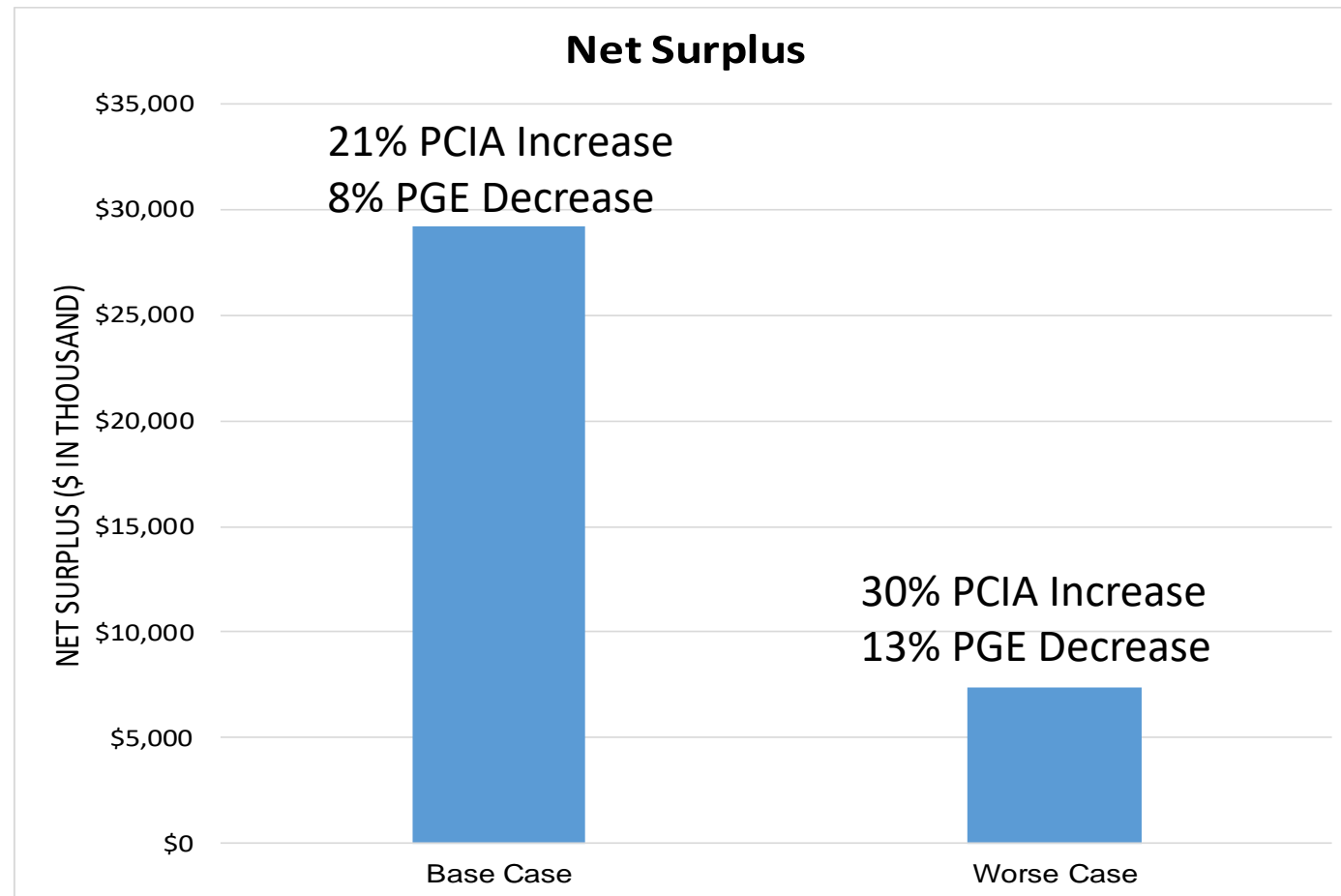
REVENUE UPDATES

- PG&E Rates expected to decrease
- June ERRRA forecast included 13% drop in rates
- Budget assumes an 8% drop in rates
- SVCE will counter with a return to a 1% discount to PG&E compared to current 6%
- Rates impact SVCE the most
- Update expected on Aug. 31st and November

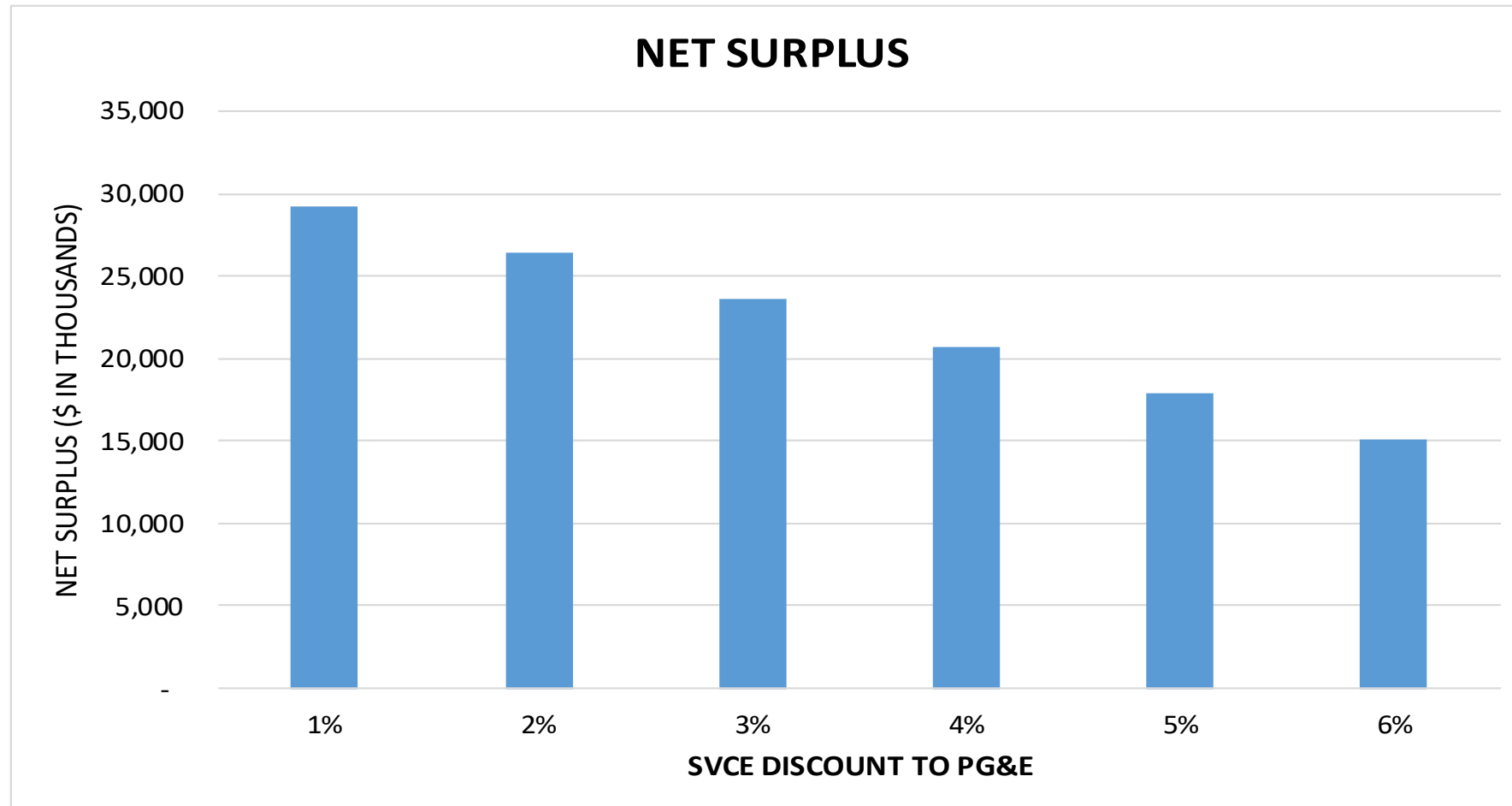
OTHER UPDATES

- Power Supply increased by \$4 million
 - Driver was 3% budget contingency
 - Update open positions with current market prices
- Other Operating costs decreased by \$1.4 million
 - Have direction of compensation, benefits and lease
- SB237 alive but may not impact us till next fiscal year

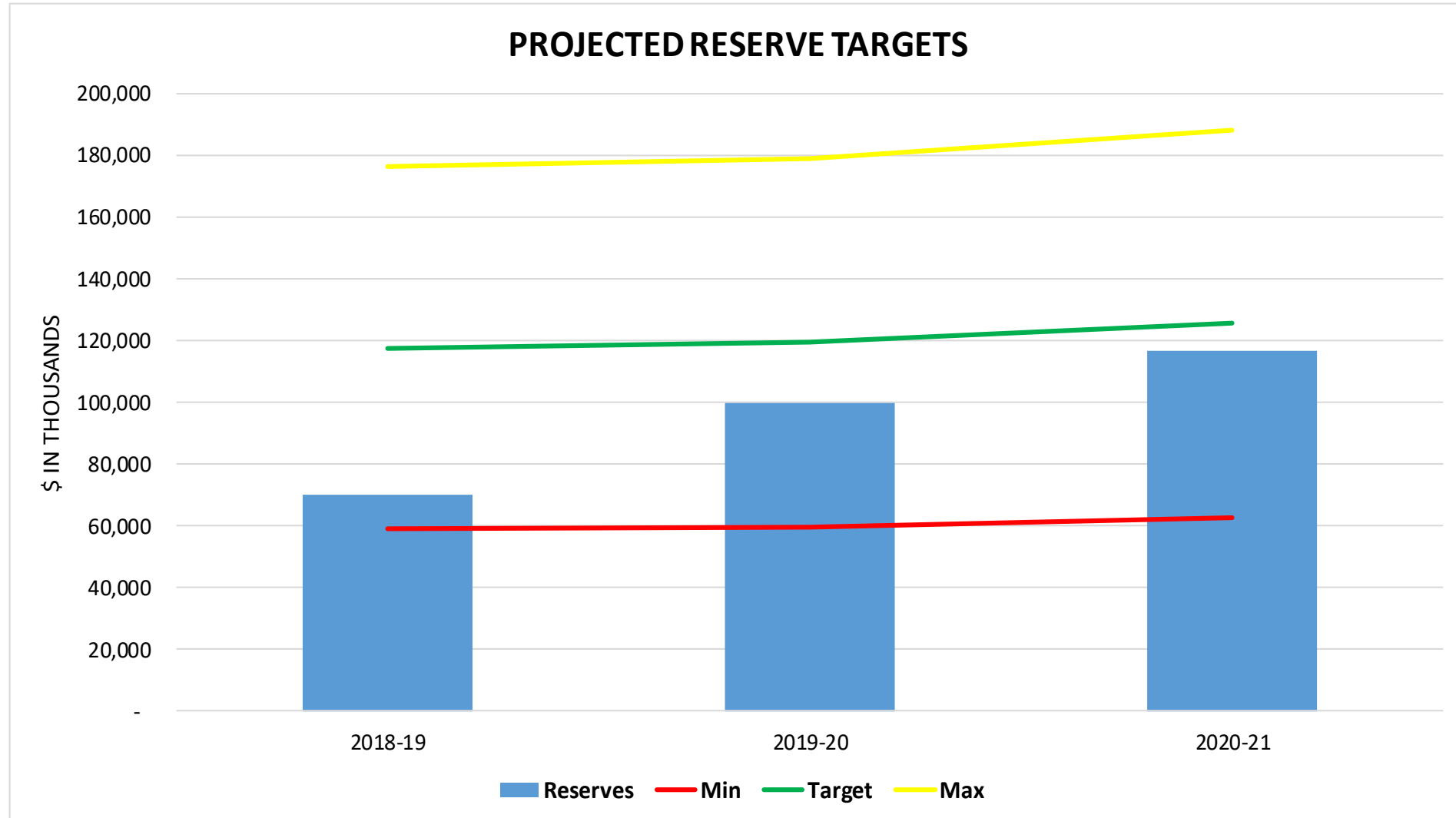
SURPLUS SENSITIVITY



RATES DISCOUNT



RESERVES



SILICON VALLEY CLEAN ENERGY
FY 2018-19 RECOMMENDED BUDGET
BASE CASE (PCIA 21%, PG&E -8%)
(\$ in thousands)

Line	DESCRIPTION	FY2017-18 MID-YEAR BUDGET	FY 2018-19 PROPOSED BUDGET	VARIANCE	
				\$	%
	REVENUES				
1	Energy Sales	253,508	258,832	5,324	2.1%
2	Green Prime Premium	610	614	4	0.6%
3	Other Income	51	100	49	97.0%
4	Investment Income	100	500	400	400.0%
5	TOTAL REVENUES	<u>\$254,269</u>	<u>\$260,045</u>	<u>\$5,777</u>	<u>2.3%</u>
	EXPENSES				
6	Power Supply	182,561	211,815	(29,254)	-16.0%
7	Data Management	3,277	3,375	(99)	-3.0%
8	PG&E Fees	887	1,074	(187)	-21.1%
9	Employment Expenses	3,555	4,833	(1,278)	-36.0%
10	Professional Services	1,325	1,830	(505)	-38.1%
11	Marketing & Promotions	550	1,103	(553)	-100.5%
12	Notifications	125	155	(30)	-24.0%
13	Lease	335	429	(94)	-27.9%
14	General & Administrative	598	636	(38)	-6.4%
15	TOTAL EXPENSES	<u>\$193,213</u>	<u>\$225,250</u>	<u>(\$32,038)</u>	<u>-16.6%</u>
16	TOTAL EXPENSES W/O POWER SUPPLY	<u>\$10,652</u>	<u>\$13,435</u>	<u>-\$2,783</u>	<u>-26.1%</u>
	ENERGY PROGRAMS				
17	Various Programs	5,070	5,177	(106)	-2.1%
18	TOTAL ENERGY PROGRAMS	<u>\$5,070</u>	<u>\$5,177</u>	<u>(\$106)</u>	<u>-2%</u>
	CAPITAL INVESTMENT				
19	Facility Equipment	50	350	(300)	-600.0%
20	TOTAL CAPITAL INVESTMENT	<u>\$50</u>	<u>\$350</u>	<u>(\$300)</u>	<u>-600%</u>
	DEBT SERVICE				
21	Financing	-	30	(30)	
22	Interest	16	-	16	100%
23	Principal	5,630	-	5,630	100%
24	TOTAL DEBT SERVICE	<u>\$5,646</u>	<u>\$30</u>	<u>\$5,616</u>	<u>99%</u>
	CASH INFLOWS/(OUTFLOWS)				
25	Financial Security Requirement	-	(147)	(147)	
26	Refund of Bond	-	100	100	
27	TOTAL CASH INFLOWS/(OUTFLOWS)	<u>\$0</u>	<u>(\$47)</u>	<u>(\$47)</u>	
28	BALANCE AVAILABLE FOR RESERVES	<u>\$50,290</u>	<u>\$29,192</u>	<u>\$21,099</u>	<u>-42.0%</u>

SUMMARY

- New base case includes:
 - 8% drop in rates
 - 21% increase in PCIA
 - 1% discount to PG&E
- Will update budget before Board meeting as new information released
- Good news is SVCE has built up cash and has hedged most of next year's power supply to partially offset risks

QUESTIONS?