



Finance & Risk Management Committee Meeting

July 7, 2022



Regular Meeting Agenda

Welcome

Roll Call

Public Comment for items Not on the Agenda

Items to be Added, Withdrawn or Reordered on the Agenda

REGULAR AGENDA

1. Report on Treasurer's Report for Period Ending 5/30/22
2. Review and Recommendation on Budget Policy
3. Review and Recommendation on VAMO Election

Committee Member Announcements

Adjournment

Item 1

Treasurer's Report for Period Ending 5/30/22

Recommendation: Receive and File Treasurer's Report for Period Ending 5/30/22

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 1: Treasurer's Report

YTD FY22 Budget v. Actual

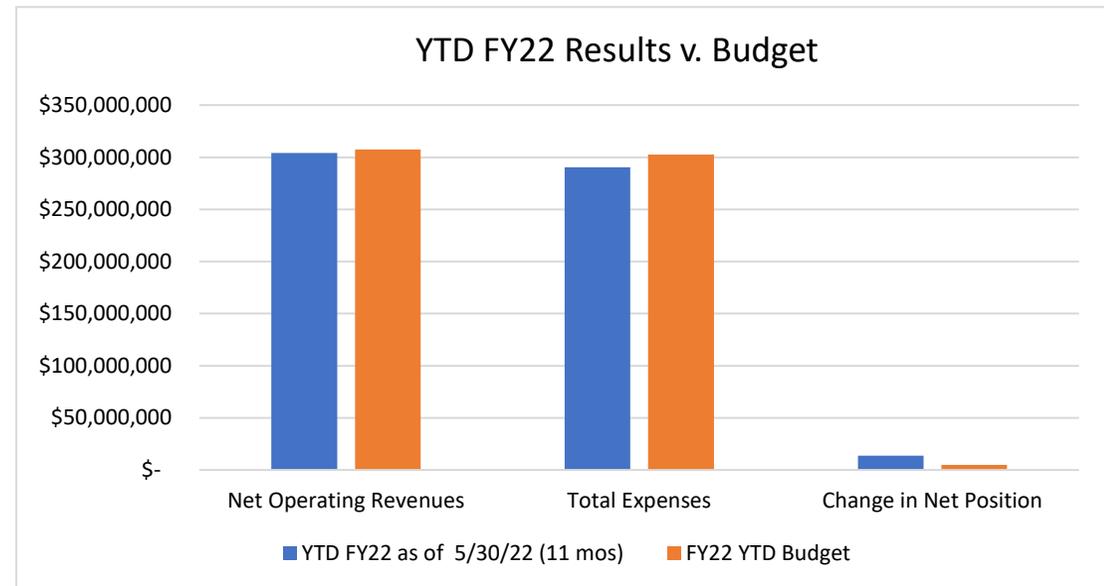
Results for the period were in line compared to the amended budget:

- Net operating revenues 1.1% under budget due to another billing timing differential expected to be resolved next reporting period.
- Operating expenses came in 4.0 percentage points under the budgeted amount

Financial results for the YTD FY22:

- \$304.24M in net operating revenues
- \$290.34M in total expenses (includes energy costs of \$281.96M or 95% of net revenues)
- \$8.90M change in YTD net position

	YTD FY22 as of 5/30/22 (11 mos)	Budget Comparison		
		FY22 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 304,238,197	\$ 307,514,491	\$ (3,276,294)	99
Total Expenses	\$ 290,388,336	\$ 302,565,570	\$ (12,177,234)	96
Change in Net Position	\$ 13,849,861	\$ 4,948,921	\$ 8,900,940	



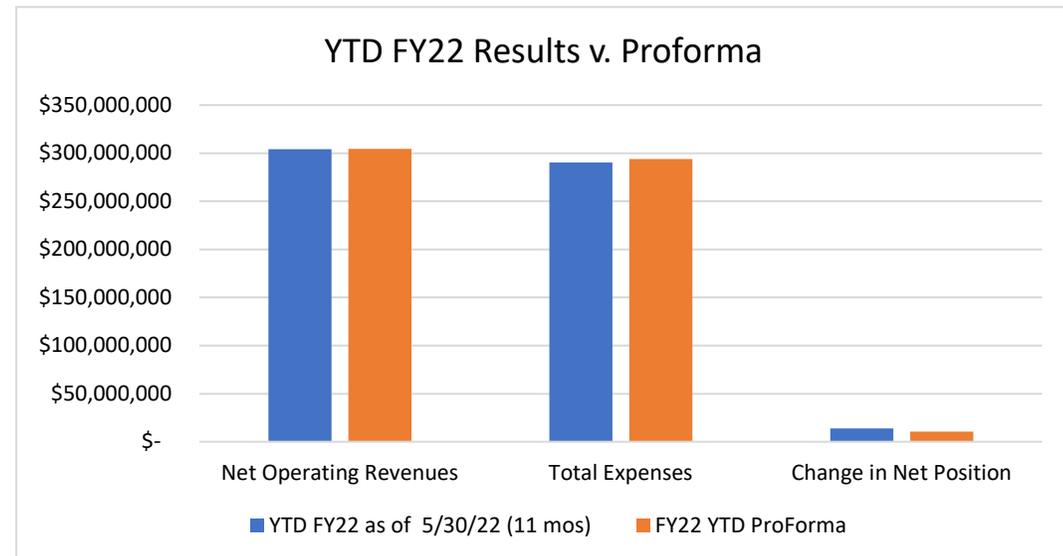
Item 1: Treasurer's Report

YTD FY22 Proforma v. Actual

Year-to-date financial results compared to projections:

- Net operating revenues were in-line with proforma projections
- Total expenses were 1.2% under the proforma projections
- Change in net position was \$3.34M over the projected

	YTD FY22 as of 5/30/22 (11 mos)	Proforma Comparison		Proforma (%)
		FY22 YTD ProForma	ProForma Variance (\$)	
Net Operating Revenues	\$ 304,238,197	\$ 304,433,522	\$ (195,325)	-0.06%
Total Expenses	\$ 290,388,336	\$ 293,927,823	\$ (3,539,487)	-1.20%
Change in Net Position	\$ 13,849,861	\$ 10,505,699	\$ 3,344,162	31.83%



Item 1

Treasurer's Report for Period Ending 5/30/22

Recommendation: Receive and File Treasurer's Report for Period Ending 5/30/22

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 2

Review and Recommendation on Budget Policy

Recommendation:

Recommend that the Board of Directors approve the Budget Policy.

Budget Policy Background

7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its **fiscal management policies** that should **include a deadline for approval.**



Budget Policy

<p>Budget Preparation Timeline <i>CFO to Board</i></p>	<p>CFO shall submit to Board the draft proposed budget two months prior to fiscal year. The budget shall be approved one month prior to fiscal year.</p>
<p>Transfers <u>within</u> Categories <i>Delegation to CEO/CFO</i></p>	<p>Delegates authority to CEO and CFO to make expense transfers between line items within budget level 2 categories, provided expense appropriation for budget level 2 category remains the same.</p>
<p>Transfers <u>between</u> Categories <i>Delegation to CEO</i></p>	<p>Delegates authority to CEO for transfers between budget level 2 categories, provided that expense transfers do not exceed 10% of original appropriation.</p>
<p>Supplemental Revenue <i>Delegation to CEO</i></p>	<p>Delegates authority to CEO to allocate additional revenue that is less than 10% of original net operating revenue.</p>
<p>Balanced Budget <i>CFO to Board</i></p>	<p>SDCP shall maintain a balanced budget in which projected revenues are greater than or equal to total projected expenditures.</p>

Policy Goals:

Predictable Timeline

- Set timeline for the Board, the public and other interested parties to provide feedback.
- Leads to more informed and robust budget.

Day-to-Day Operations

- Authority for minor day-to-day budget changes.
- Board doesn't need to review small movements.

Realignment Flexibility

- Allows changes due to realignment of priorities and to meet actual operating needs.
- Helps year-end closing process.

Revenue Changes

- CEO discretion to adjust budget for fluctuations.
- Ability to accept and expend additional, small funds such as grants.

Preserves Board Authority

- Adjustments over 10% require Board approval.
- CEO discretion to still require Board approval for any budget changes under discretion of Policy.

Budget Policy - Timeline

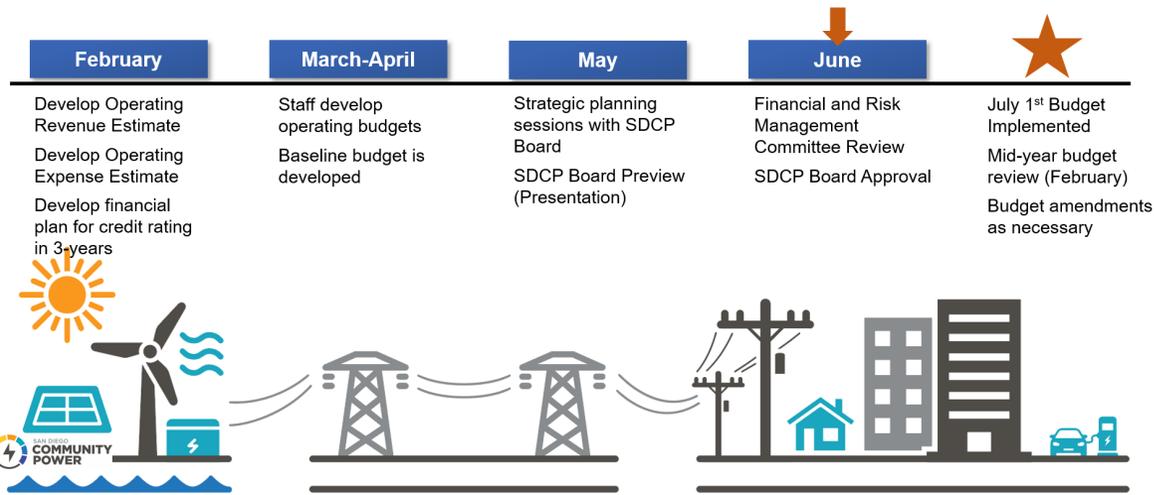
Budget Preparation Timeline

CFO to Board

CFO shall submit to Board the draft proposed budget two months prior to fiscal year. The budget shall be approved one month prior to fiscal year.

Budget Development for FY 2022-23

The schedule for budget development is the following.



- Budget preparation timelines will follow the timeline set in the FY23 budget.
- Requires two public hearings through the Board.

Budget Policy – Transfers within Categories

Transfers within Categories

Delegation to CEO/CFO

Delegates authority to CEO and CFO to make **expense transfers between line items** within budget level 2 categories, provided expense appropriation for budget level 2 category remains the same.

Example:

Within, Professional Services and Consultants budget level 2 category, the CFO may authorize \$2,000,000 move from the Data Management to the Technical Support budget level 3 categories, provided that the total Professional Services and Consultants budget level 2 category remains the same.

Budget Level 2, \$M	FY23 Budget
Cost of Energy	661.6
Professional Services	16.9
Personnel	8.0
Marketing and Outreach	4.2
General and Admin. Programs	2.6
Interest and Related Exp.	1.4
	1.3
Total	695.9

Budget Level 3, \$M	FY23 Budget	FY23 Amended
Data Management	10.5	8.5
SDG&E Fees	2.6	2.6
Technical Support	1.3	3.3
Legal/Regulatory	1.3	1.3
Other Services	1.1	1.1
Total Professional Services	16.9	16.9

Budget Policy – Transfers between Categories

Transfers between Categories

Delegation to CEO

Delegates authority to CEO for transfers **between budget level 2 categories**, provided that expense transfers do not exceed 10% of original appropriation.

Example:

The CEO may authorize that up to \$795,149.94 move from the Personnel Costs to the Professional Services and Consultants category. Additional budget movements above \$795,150 from the Personnel Costs budget level 2 category will require approval by the Board.

Budget Level 2, \$M	FY23 Budget	FY23 Amended	% Change
Cost of Energy	661.6	661.6	0.0%
Professional Services	16.9	17.7	0.0%
Personnel	8.0	7.2	(10.0%)
Marketing and Outreach	4.2	4.2	4.7%
General and Admin.	2.6	2.6	0.0%
Programs	1.4	1.4	0.0%
Interest and Related Exp.	1.3	1.3	0.0%
Total	695.9	695.9	0.0%

Budget Policy – Supplemental Revenue

Supplemental Revenue

Delegation to CEO

Delegates authority to CEO to allocate additional revenue that is less than 10% of original net operating revenue.

Example:

The CEO may authorize up to \$70,898,465 in FY23 in additional net operating revenue be appropriated. The CEO may also authorize increases to budget level 2 categories up to 10% of the original budget for the budget level 2 category. Remaining net operating revenue is additional operating.

Budget Level 2, \$M	FY23 Budget	FY23 Amended	% Change
Gross Ratepayer Revenue	716.1	787.8	10.0%
Less Uncollectibles	(7.2)	(7.9)	10.0%
Net Operating Revenue	709.0	780.0	10.0%
Cost of Energy	661.6	727.8	10.0%
Professional Services	16.9	18.6	10.0%
Personnel	8.0	8.7	10.0%
Marketing and Outreach	4.2	4.6	10.0%
General and Admin.	2.6	2.9	10.0%
Programs	1.4	1.5	10.0%
Total Operating Expense	694.6	764.1	10.0%
Operating Income (Loss)	14.4	15.8	10.0%

Item 2

Review and Recommendation on Budget Policy

Recommendation:

Recommend that the Board of Directors approve the Budget Policy.



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Next Regular Meeting

August 4, 2022

