



AGENDA

Meeting of the Finance and Risk Management Committee San Diego Community Power (SDCP)

February 9th, 2023
3:00 p.m.

The meeting will proceed as a teleconference meeting in compliance with waivers to certain provisions of the Brown Act provided for under Government Code section 54953(e)(1)(A), in relation to the COVID-19 State of Emergency and recommended social distancing measures. There will be no location for in-person public attendance. In compliance with the Brown Act, SDCP is providing alternatives to in-person public attendance for viewing and participating in the meeting. Further details are below.

Note: Any member of the public may provide comments to the Board of Directors on any agenda item. When providing comments to the Board, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the Board as a whole through the Chair. Comments may be provided in one of the following manners:

1. Providing Oral Comments During Meeting. To provide comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. Members of the public will not be shown on video but will be able to speak when called upon. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes. Please be aware that the Chair has the authority to reduce equally each speaker's time to accommodate a large number of speakers.
2. Written Comments. Written public comments must be submitted prior to the start of the meeting by using this ([web form](#)). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the Board members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments read at the meeting will be limited to the first 400 words. Comments received after the start of the meeting will be collected, sent to the Board members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the FRMC, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar <https://zoom.us/j/93476863568> Telephone (Audio Only)

(669) 900-6833 or (253) 215-8782 | Webinar ID: 934 7686 3568

Welcome

Roll Call

Public Comment for Items Not on the Agenda

Items to be Added, Withdrawn, or Reordered on the Agenda

MEETING AGENDA

1. Review of Treasurer’s Report for Period Ending 12/31/22

Recommendation: Receive and File Treasurer’s Report for Period Ending 12/31/22

2. Approval of Fiscal Year (FY) 2022-23 Budget Amendment

Recommendation: Recommend Board approval of the FY 2022-23 Amended Budget to reflect total operating revenues of \$929,791,929 and operating expenses of \$769,021,035..

Committee Member Announcements

Committee Members may briefly provide information to other members and the public. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

Adjournment

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a Board meeting item which are distributed to a majority of the Members prior to or during the Board meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at info@sdcommunitypower.org or by mail to SDCP, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at the above website. Such public records are also available for inspection, by appointment, at San Diego Community Power, 2488 Historic Decatur Road, Suite 250, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



SAN DIEGO COMMUNITY POWER
Staff Report – Item 1

To: Financial and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Treasurer’s Report –Presentation of Financial Results for Fiscal Year 2023 Period ended 12/31/22
Date: February 9, 2023

RECOMMENDATION

Receive and File Report.

BACKGROUND

San Diego Community Power (SDCP) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds.

SDCP has prepared its year-to-date financial statements for the six-month period ended December 31, 2022, along with budgetary comparisons.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 12/31/22: \$446.5 million in net operating revenues were reported compared to \$416.57 million budgeted for the period. \$434.71 million in total expenses were reported (including \$422.52 million in energy costs) compared to \$388.31 million budgeted for the period (including \$371.96 million budgeted for energy costs). After expenses, SDCP is reporting a change in net position of \$11.84 million for Fiscal Year 2023. The following is a summary of the actual results compared to the Fiscal Year 2023 Budget.

Budget Comparison				
	YTD FY23 as of 12/31/22 (6 mos)	FY23 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 446,495,436	\$416,574,584	\$ 29,920,852	107
Total Expenses	\$ 434,659,339	\$388,976,251	\$ 45,683,088	112
Change in Net Position	\$ 11,836,097	\$ 27,598,333	\$ (15,762,236)	

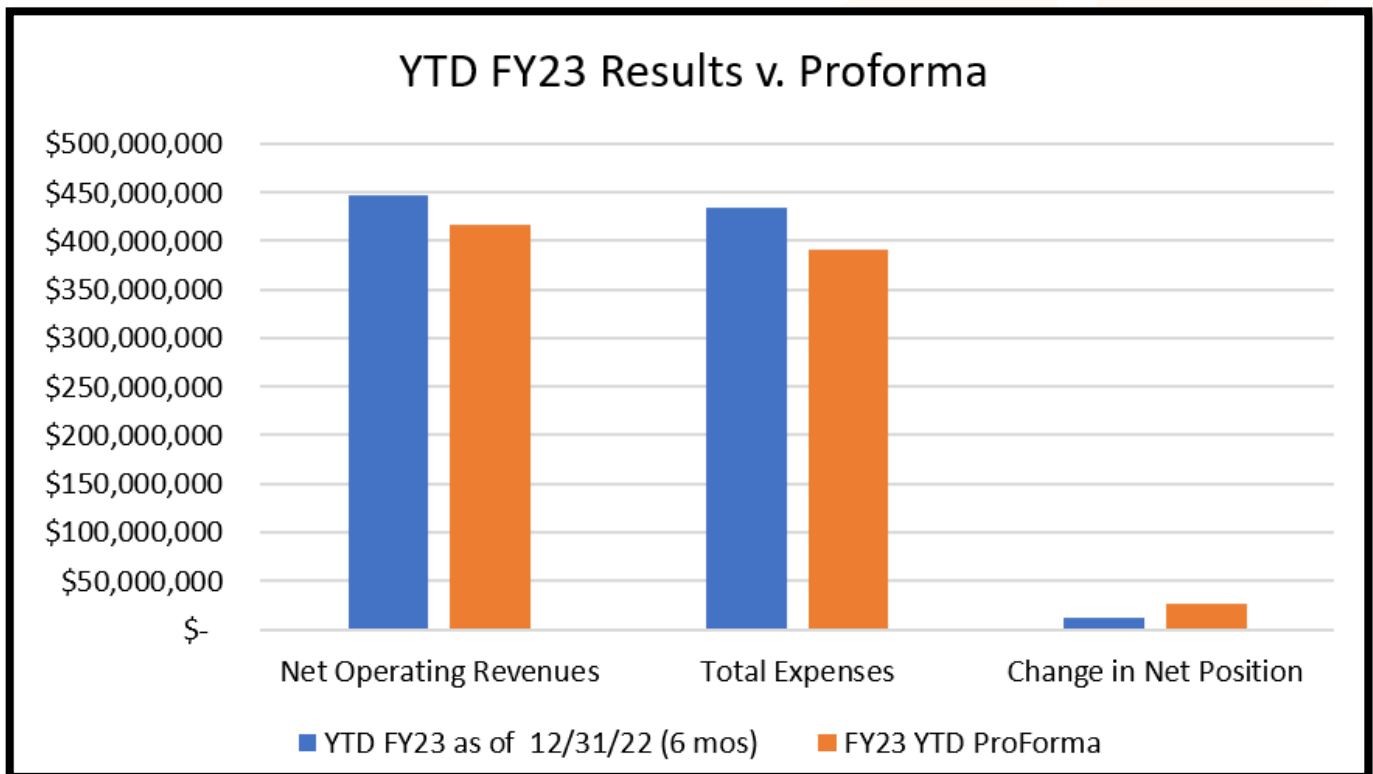


- Net operating revenues finished \$29.92 million (or 7.0 percentage points) over the budget primarily due to opt outs performing better than projected.
- Operating expenses finished \$45.74 million (or 12.0 percentage points) over the budget primarily due to higher-than-budgeted energy costs.

Financial results for the period performed under the projections presented in the year-to-date proforma. SDCP’s change in net position was -54.95% under the projection primarily due to higher-than projected energy usage and costs.

The following is a summary to actual results compared to the fiscal year-to-date proforma.

Proforma Comparison				
	YTD FY23 as of 12/31/22 (6 mos)	FY23 YTD ProForma	ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$ 446,495,436	\$416,574,584	\$ 29,920,852	7.18%
Total Expenses	\$ 434,659,339	\$390,431,438	\$ 44,227,901	11.33%
Change in Net Position	\$ 11,836,097	\$ 26,143,146	\$ (14,307,049)	-54.73%



For the period ending 12/31/22, SDCP contributed \$11,836,097 to its reserves compared to \$26,143,146 presented in the proforma. Total SDCP reserves at the end of the period were \$54,367,049 and total available liquidity (including lines of credit) was \$56,488,276. SDCP has a total FY 2022-23 year-end reserve target of \$171,276,631, which is equivalent to 90-days of total operating expenses.

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 12/31/22 Financial Statements





ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended December 31, 2022, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SDCP.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. SDCP's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to SDCP because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
January 25, 2023

**SAN DIEGO COMMUNITY POWER
BUDGETARY COMPARISON SCHEDULE
Six Months Ended December 31, 2022**

	2022/23 YTD Budget	2022/23 YTD Actual	2022/23 YTD Budget Variance (Under) Over	2022/23 YTD Actual/ Budget %	2022/23 Annual Budget	2022/23 Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	420,782,408	\$ 451,005,491	30,223,083	107%	\$ 716,146,107	\$ 265,140,616
Less Uncollectible Customer Accounts	(4,207,824)	(4,510,055)	(302,231)	107%	(7,161,461)	(2,651,406)
Total Revenues and Other Sources	<u>416,574,584</u>	<u>446,495,436</u>	<u>29,920,852</u>		<u>708,984,646</u>	<u>262,489,210</u>
OPERATING EXPENSES						
Cost of Energy	371,964,441	422,522,133	50,557,692	114%	661,638,828	239,116,695
Professional Services and Consultants	8,193,753	7,065,532	(1,128,221)	86%	16,881,036	9,815,504
Personnel Costs	3,580,984	2,958,555	(622,429)	83%	7,951,499	4,992,944
Marketing and Outreach	1,815,917	884,758	(931,159)	49%	4,164,167	3,279,409
General and Administrative Programs	1,947,623	596,229	(1,351,394)	31%	2,591,363	1,995,134
	802,500	-	(802,500)	0%	1,395,000	1,395,000
Total Operating Expenses	<u>388,305,218</u>	<u>434,027,207</u>	<u>45,721,989</u>		<u>694,621,893</u>	<u>260,594,686</u>
Operating Income (Loss)	<u>28,269,366</u>	<u>12,468,229</u>	<u>(15,801,137)</u>		<u>14,362,753</u>	<u>1,894,524</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	58,833	58,833		-	(58,833)
Debt Service and Bank Fees	(671,033)	(690,965)	(19,932)	103%	(1,314,922)	(623,957)
Total Non-Operating Revenues (Expenses)	<u>(671,033)</u>	<u>(632,132)</u>	<u>38,901</u>		<u>(1,314,922)</u>	<u>(682,790)</u>
CHANGE IN NET POSITION	<u>\$ 27,598,333</u>	<u>\$ 11,836,097</u>	<u>\$ (15,762,236)</u>		<u>\$ 13,047,831</u>	<u>\$ 1,211,734</u>

See accountants' compilation report.



ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of December 31, 2022, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. San Diego Community Power's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
January 25, 2023

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 30,008,358
Accounts receivable, net of allowance	65,857,701
Accrued revenue	27,723,298
Prepaid expenses	5,389,148
Other receivables	5,609,776
Deposits	<u>15,197,511</u>
Total current assets	149,785,792
Noncurrent assets	
Restricted cash	7,500,000
Deposits	<u>4,005,000</u>
Total noncurrent assets	<u>11,505,000</u>
Total assets	<u><u>161,290,792</u></u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	78,198,334
Accounts payable	949,292
Other accrued liabilities	2,519,295
State surcharges payable	490,715
Security deposits	614,873
Interest payable	<u>113,411</u>
Total current liabilities	<u>82,885,920</u>
Noncurrent liabilities	
Other noncurrent liabilities	517,741
Bank note payable	<u>23,520,082</u>
Total noncurrent liabilities	<u>24,037,823</u>
Total liabilities	<u><u>106,923,743</u></u>

NET POSITION

Restricted for collateral	2,500,000
Unrestricted	<u>51,867,049</u>
Total net position	<u><u>\$ 54,367,049</u></u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Six Months Ended December 31, 2022**

OPERATING REVENUES

Electricity sales, net	\$ 446,495,436
Total operating revenues	<u>446,495,436</u>

OPERATING EXPENSES

Cost of energy	422,522,132
Contract services	7,230,341
Staff compensation	2,958,555
General and administration	1,316,179
Total operating expenses	<u>434,027,207</u>
Operating income (loss)	<u>12,468,229</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	58,833
Interest and financing expense	<u>(690,965)</u>
Nonoperating revenues (expenses)	<u>(632,132)</u>

CHANGE IN NET POSITION

	11,836,097
Net position at beginning of period	<u>42,530,952</u>
Net position at end of period	<u>\$ 54,367,049</u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Six Months Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 451,302,805
Other operating receipts	5,318,211
Payments to suppliers for electricity	(392,560,218)
Payments for goods and services	(6,757,919)
Payments to employees for services	(2,693,111)
Payments for deposits and collateral	(72,321,912)
Payments for state surcharges	(903,633)
Net cash provided (used) by operating activities	(18,615,777)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from loans	20,180,000
Principal payments - loans	(28,000,000)
Principal payments - note	(5,000,000)
Interest and related expense payments	(691,416)
Net cash provided (used) by non-capital financing activities	(13,511,416)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	58,833
Net change in cash and cash equivalents	(32,068,360)
Cash and cash equivalents at beginning of period	69,576,718
Cash and cash equivalents at end of period	\$ 37,508,358

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 30,008,358
Restricted cash	7,500,000
Cash and cash equivalents	\$ 37,508,358

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Six Months Ended December 31, 2022

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 12,468,229
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Provision for uncollectible accounts	4,510,055
(Increase) decrease in:	
Accounts receivable	(19,980,766)
Accrued revenue	19,216,317
Other receivables	(5,609,776)
Prepaid expenses	(927,840)
Deposits	(9,511,454)
Increase (decrease) in:	
Accrued cost of electricity	20,966,830
Accounts payable	324,337
Other accrued liabilities	1,779,289
State surcharges payable	158,129
Supplier security deposits	(42,009,127)
Net cash provided (used) by operating activities	<u><u>\$ (18,615,777)</u></u>

SAN DIEGO COMMUNITY POWER

FY23 - Supplemental Budget Details

Six Months Ended December 31, 2022

	2022/23 YTD Budget	2022/23 YTD Actual	2022/23 YTD Budget Variance (Under) Over	2022/23 YTD Actual/ Budget %	2022/23 Annual Budget	2022/23 Budget Remaining
OPERATING REVENUES						
Gross Ratepayer Revenues	\$ 420,782,408	\$ 451,005,491	\$ 30,223,083	107%	\$ 716,146,107	\$ 265,140,616
Less Uncollectible Accounts	(4,207,824)	(4,510,055)	(302,231)	107%	(7,161,461)	(2,651,406)
Net Operating Revenues	<u>416,574,584</u>	<u>446,495,436</u>	<u>29,920,852</u>		<u>708,984,646</u>	<u>262,489,210</u>
OPERATING EXPENSES						
Cost of Energy	<u>371,964,441</u>	<u>422,522,133</u>	<u>50,557,692</u>	114%	<u>661,638,828</u>	<u>239,116,695</u>
Professional Services and Consultants						
Data Management	4,792,437	4,306,820	(485,617)	90%	10,541,810	6,234,990
SDG&E Fees	1,102,813	1,172,187	69,374	106%	2,563,226	1,391,039
Technical Support	667,502	309,980	(357,522)	46%	1,335,000	1,025,020
Legal/Regulatory	672,502	620,097	(52,405)	92%	1,330,000	709,903
Other Services	958,500	656,448	(302,052)	68%	1,111,000	454,552
Total	<u>8,193,754</u>	<u>7,065,532</u>	<u>(1,128,222)</u>		<u>16,881,036</u>	<u>9,815,504</u>
Personnel Costs						
Salaries	2,883,073	2,597,243	(285,830)	90%	6,233,063	3,635,820
Benefits (retirement/health)	512,936	220,661	(292,275)	43%	1,274,972	1,054,311
Payroll Taxes	184,974	140,651	(44,323)	76%	443,464	302,813
Total	<u>3,580,983</u>	<u>2,958,555</u>	<u>(622,428)</u>		<u>7,951,499</u>	<u>4,992,944</u>
Marketing and Outreach						
Printing	1,302,999	533,850	(769,149)	41%	2,323,000	1,789,150
Sponsorships/Local Memberships	251,917	186,100	(65,817)	74%	1,199,167	1,013,067
Communications Consultants	261,000	164,809	(96,191)	63%	642,000	477,191
Total	<u>1,815,916</u>	<u>884,759</u>	<u>(931,157)</u>		<u>4,164,167</u>	<u>3,279,408</u>
General and Administration						
Other G&A	1,671,721	247,442	(1,424,279)	15%	2,037,461	1,790,019
Cal CCA Dues	185,000	182,991	(2,009)	99%	370,000	187,009
Rent	87,000	87,497	497	101%	180,000	92,503
Insurance	3,902	78,298	74,396	2007%	3,902	(74,396)
Total	<u>1,947,623</u>	<u>596,228</u>	<u>(1,351,395)</u>		<u>2,591,363</u>	<u>1,995,135</u>
Programs						
Programs	802,500	-	(802,500)	0%	1,395,000	1,395,000
Programs (Cost-Recovery)	-	-	-	0%	-	-
Total	<u>802,500</u>	<u>-</u>	<u>(802,500)</u>		<u>1,395,000</u>	<u>1,395,000</u>
Total Operating Expenses	<u>388,305,217</u>	<u>434,027,207</u>	<u>45,721,990</u>		<u>694,621,893</u>	<u>260,594,686</u>
Operating Income (Loss)	<u>28,269,367</u>	<u>12,468,229</u>	<u>(15,801,138)</u>		<u>14,362,753</u>	<u>1,894,524</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	58,833	58,833		-	(58,833)
Interest and Related Expenses	(671,033)	(690,965)	(19,932)	0%	(1,314,922)	(623,957)
Total Non-Operating Rev (Exp)	<u>(671,033)</u>	<u>(632,132)</u>	<u>38,901</u>		<u>(1,314,922)</u>	<u>(682,790)</u>
CHANGE IN NET POSITION	<u>\$ 27,598,334</u>	<u>\$ 11,836,097</u>	<u>\$ (15,762,237)</u>		<u>\$ 13,047,831</u>	<u>\$ 1,211,734</u>



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: Financial and Risk Management Committee
From: Eric Washington, Chief Financial Officer
Via: Karin Burns, Interim Chief Executive Officer
Subject: Approval of Fiscal Year (FY) 2022-23 Budget Amendment
Date: February 9, 2023

RECOMMENDATION

Recommend Board approval of the FY 2022-23 Amended Budget to reflect total operating revenues of \$929,791,929 and operating expenses of \$769,021,035.

BACKGROUND

On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

Section 7.3.1 of the JPA specifies that the board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. On June 23, 2022, the Board approved the FY 2022-23 budget which included net operating revenue of \$708,984,646, operating expenses of \$694,621,893, and total expenses of \$695,936,815, resulting in net income of \$13,047,831.

Since then, the FY 2022-23 budget has had significant changes to its operating revenues and expenses. Specifically, on January 23, 2023, the Board approved a rate change, effective February 1, 2022. This rate change was largely due to significantly higher market power costs affecting all market participants and to an increase in the cost of market power supply in 2023; taken together, energy costs have driven an increase in projected expenses for remainder of FY 2022-23. Other expense adjustments include small adjustments in personnel, professional services and consultants, and general and administration costs. These adjustments are primarily due to the timing of acquiring staff, aligning with known costs and contracted services.

Staff therefore recommend approving an amendment to the FY 2022-23 budget to increase total net operating revenues to \$929,791,929 and operating expenses total expenses to \$769,021,035, resulting in a net income of \$161,720,080 for FY 2022-23.

ANALYSIS AND DISCUSSION

FY 2022-23 Amended Budget

The FY 2022-23 amended budget presented here seeks to make adjustments to the budget originally presented to the Board in June 2022. The amended budget includes both significant increases in revenues and in the cost of energy as has been previously discussed in prior Board meetings. This proposed amended budget adjusts the revenues and costs to be in line with the most recent proforma which reflects the rate change approved by the Board in January 2022. The following is a summary of the proposed FY 2022-23 budget amendments.

- Revenues
 - The Board approved a rate change during its meeting on January 23, 2023 that increased projected net revenue in FY 2022-23 from \$708,984,646 to \$929,791,929.
- Expenses
 - **Cost of energy** was adjusted up by 11.7% from \$661,638,828 to \$738,800,294. This increase was driven by increased market power costs affecting all market participants. SDCP is also impacted by the increase in cost of market power supply in 2023.
 - **Personnel, Professional services, Marketing and Outreach, General and Administration** costs had minimal adjustments.
- Operating Income – The resulting projected operating income is up from \$13,047,831 to \$ 161,720,080 for FY 2022-23.

FISCAL IMPACT

The FY 2022-23 amended budget right sizes the revenues to the rate increase approved by the board on January 23, 2023. The amendment also accounts for increases in energy costs and aligns expenses with known personnel, marketing, communications, professional services, and general and administrative costs.

The resulting FY 2021-22 budget amendment results in operating income of \$161.7 million versus \$13.0 million in the FY 2022-23 adopted budget.

ATTACHMENTS

N/A

