



AGENDA

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

June 6, 2022
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 attendance. In compliance with the Brown Act, SDCP is providing alternatives to in-person attendance for viewing and participating in the meeting. Further details are below.

Note: Any member of the public may provide comments to the Finance and Risk Management Committee (FRMC) on any agenda item. When providing comments to the FRMC, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the FRMC 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.
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 FRMC 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 FRMC 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. Report on Treasurer’s Report for Period Ending 4/30/22

Recommendation: Receive and File Treasurer’s Report for Period Ending 4/30/22

2. Approval of FY 2023 Operating Budget

Recommendation: Recommend Board approval of the FY 2023 Operating Budget

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

Availability of Committee Documents

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a FRMC meeting item which are distributed to a majority of the Members prior to or during the FRMC meeting are available for public review as required by law. Previously, public records were available for inspection at San Diego Community Power, 2468 Historic Decatur Road, Suite 250, San Diego, CA 92106. However, due to the Governor’s Executive Orders N-25-20 and N-29-20 and the need for social distancing, in-person inspection is now suspended. Public records, including agenda-related documents, can instead be requested electronically at info@sdcommunitypower.org or by mail to SDCP at, 815 E Street, Suite 12716, San Diego, CA 92112. The documents may also be posted at the above website.



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: Report on Treasurer's Report for Period ending 4/30/22

Date: June 6, 2022

RECOMMENDATION

Receive and File Treasurer's Report for Period Ending 4/30/22

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 year-to-date financial statements for the period ended April 30, 2022, along with budgetary comparisons.

ANALYSIS AND DISCUSSION

Financial results for the period ended 4/30/22: \$274.95 million in net operating revenues were reported compared to \$277.95 million budgeted for the period. \$264.75 million in total expenses were reported (including \$257.57 million in energy cost) compared to \$274.91 million budgeted for the period (including \$266.34 million budgeted for energy costs). After expenses, SDCP's change in net position of \$10.20 million was reported YTD Fiscal Year 2022. The following is a summary of the actual results compared to the YTD Fiscal Year 2022 Budget.

	YTD FY22 as of 4/30/22 (10 mos)	Budget Comparison		
		FY22 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 274,947,538	\$ 277,946,768	\$ (2,999,230)	99
Total Expenses	\$ 264,751,778	\$ 274,906,492	\$ (10,154,714)	96
Change in Net Position	\$ 10,195,760	\$ 3,040,276	\$ 7,155,484	

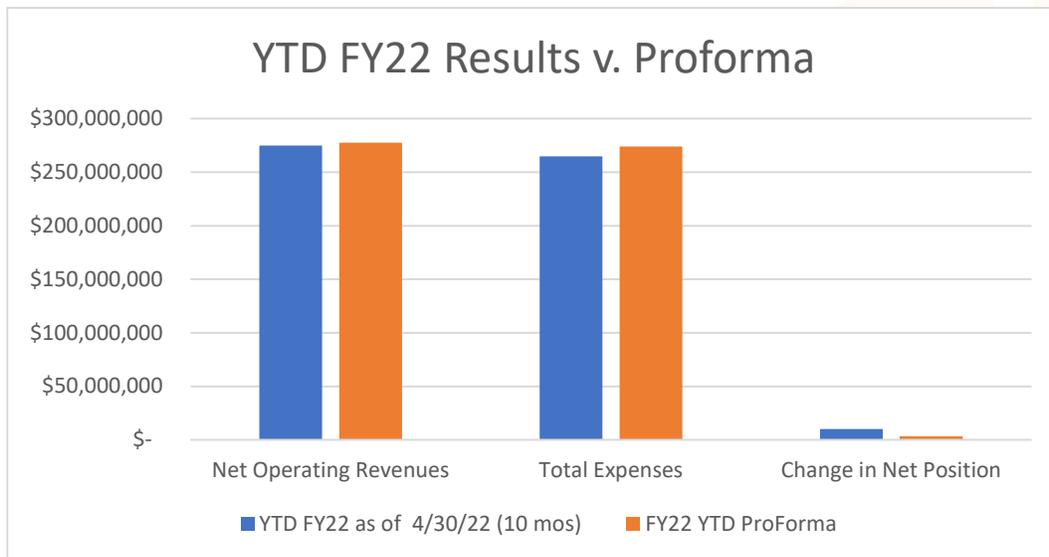


- Net operating revenues finished -\$3.00 million (or -1.1 percentage points) under the amended budget primarily as a result of a timing differential related to billing which will be resolved in the next reporting period.
- Operating expenses finished -\$10.15 million (or -3.7 percentage points) under the amended budget primarily due savings from hedging activities.

Financial results for the period performed better than the projections presented in the year-to-date proforma. SDCP’s change in net position was 202.68% over the projection primarily due to lower-than projected energy costs as a result of hedging activities. This was partially offset by lower-than expected net operating revenue.

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

	YTD FY22 as of 4/30/22 (10 mos)	FY22 YTD ProForma	ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$ 274,947,538	\$ 277,553,840	\$ (2,606,302)	-0.94%
Total Expenses	\$ 264,751,778	\$ 274,185,332	\$ (9,433,554)	-3.44%
Change in Net Position	\$ 10,195,760	\$ 3,368,508	\$ 6,827,252	202.68%



FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2022 Year-to-Date Period Ended 4/30/22 Financial Statements



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 April 30, 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
May 26, 2022

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of April 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 6,764,220
Accounts receivable, net	24,133,968
Accrued revenue	14,068,656
Prepaid expenses	1,645,192
Other receivables	672,200
Deposits	<u>6,012,057</u>
Total current assets	53,296,293
Noncurrent assets	
Restricted cash	12,500,000
Deposits	<u>3,650,000</u>
Total noncurrent assets	<u>16,150,000</u>
Total assets	<u><u>69,446,293</u></u>

LIABILITIES

Current liabilities	
Accrued cost of energy	34,703,886
Accounts payable	510,939
Other accrued liabilities	424,270
State surcharges payable	92,532
Security deposits	604,000
Interest payable	<u>105,720</u>
Total current liabilities	<u>36,441,347</u>
Noncurrent liabilities	
Other noncurrent liabilities	517,741
Bank note payable	31,340,082
Loans payable	<u>5,000,000</u>
Total noncurrent liabilities	<u>36,857,823</u>
Total liabilities	<u><u>73,299,170</u></u>

NET POSITION

Unrestricted	<u>(3,852,877)</u>
Total net position (deficit)	<u><u>\$ (3,852,877)</u></u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Ten Months Ended April 30, 2022**

OPERATING REVENUES

Electricity sales, net \$ 274,947,538

OPERATING EXPENSES

Cost of energy	257,570,521
Contract services	2,170,665
Staff compensation	2,941,599
General and administration	1,545,125
Total operating expenses	<u>264,227,910</u>
Operating income	<u>10,719,628</u>

NONOPERATING EXPENSES

Interest and financing expense	<u>523,868</u>
Nonoperating expenses	<u>523,868</u>

CHANGE IN NET POSITION

	10,195,760
Net position at beginning of period	<u>(14,048,637)</u>
Net position at end of period	<u><u>\$ (3,852,877)</u></u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Ten Months Ended April 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 250,971,591
Receipts of supplier security deposits	184,000
Other operating receipts	5,596,638
Payments to suppliers for electricity	(241,754,271)
Payments for goods and services	(3,839,227)
Payments to employees for services	(2,640,761)
Payments for deposits and collateral	(7,183,708)
Payments for state surcharges	(808,996)
Net cash provided (used) by operating activities	525,266

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from loans	8,500,000
Interest and related expense payments	(481,612)
Net cash provided (used) by non-capital financing activities	8,018,388

Net change in cash and cash equivalents	8,543,654
Cash and cash equivalents at beginning of period	10,720,566
Cash and cash equivalents at end of period	\$ 19,264,220

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	6,764,220
Restricted cash	12,500,000
Cash and cash equivalents	\$ 19,264,220

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Ten Months Ended April 30, 2022

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

Operating income	\$ 10,719,628
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Provision for uncollectible accounts	2,777,248
(Increase) decrease in:	
Accounts receivable	(25,795,095)
Accrued revenue	(1,848,347)
Other receivables	3,371,072
Prepaid expenses	(1,645,192)
Deposits	(5,762,057)
Increase (decrease) in:	
Accrued cost of electricity	18,559,165
Accounts payable	148,657
Other accrued liabilities	334,936
State surcharges payable	81,251
Supplier security deposits	(416,000)
Net cash provided (used) by operating activities	<u>\$ 525,266</u>



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: Financial and Risk Management Committee
 From: Eric Washington, Chief Financial Officer
 Via: Karin Burns, Chief Executive Officer
 Subject: Approval of FY 2023 Operating Budget
 Date: June 6, 2022

RECOMMENDATION

Recommend Board approval of the FY 2023 Operating Budget.

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 that 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.

Table 1 illustrates the draft FY 2022-23 operating budget in comparison to SDCP’s budgets from prior years.

Table 1. SDCP Operating Budgets

SDCP Budget	Board Adoption Date	Expense	Net Position
Fiscal Year 2020-21 Operating Budget	6/25/20 (amended) 5/27/21	\$33,778,000	(\$7,848,092)
Fiscal Year 2021-22 Operating Budget	6/24/21 (amended) 2/24/22	\$341,199,063	\$36,119,151
Fiscal Year 2022-23 Operating Budget	TBD	\$693,584,384	\$14,085,340

ANALYSIS AND DISCUSSION

The draft FY 2022-23 budget includes net operating revenue of \$708,984,646, operating expenses of \$693,584,384, and total expenses of \$694,899,306, resulting in net income

of \$14,085,340. The FY 2022-23 budget includes the key assumptions outlined below. A more detailed breakdown and explanation of revenues and expenses are presented in Attachment A.

Operating Revenue

Allow for revenues from sales of electricity to customers for Phase 1, 2, 3 and the beginning of Phase 4. Assumptions include an overall 5% opt-out rate.

Cost of energy includes all the various services purchased from the power market through our suppliers to supply energy to SDCP's customers.

Operating Expenses

SDCP's operating expenses fall into four categories: personnel costs, professional services and consultants, marketing and outreach, and general and administration. Expense assumptions include the following:

- **Personnel** include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 14 new staff members and two interns during the FY 2022-23 budget cycle.
- **Professional Services and Consultants** include SDG&E fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services.
- **Marketing and Outreach** includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP.
- **General and Administration** budget covers the cost of office space, equipment, membership dues, and other general operational costs.
- **Programs** includes funding to support initial pilot programs after the SDCP Community Power Plan is launched and other community-based program efforts.

Non-Operating Expenses

SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs are comprised of repayment of loan principle, associated interest costs as well as potential renewal fees on debt or letters of credit.

Net Income

The proposed FY 2022-23 budget results in a net position of \$14,085,340.

The following table illustrates SDCP's proposed FY 2022-23 operating budget compared to its amended budget for FY 2021-22.

Table 2. FY 2022-23 Proposed Budget compared to FY 2021-22 Amended Budget

Item	FY 23 Proposed Budget, \$M	FY 22 Amended, \$M
Gross Revenue	716.1	380.8
Less Uncollectible Accounts	(7.2)	(2.7)
Net Revenue	709.0	378.1
Cost of Energy	661.6	329.5
Non-Energy Costs	31.9	11.7
Subtotal Operating Expense	693.6	341.1
Debt Service	1.3	0.7
Total Expense	675.2	341.9
Net Position	14.1	36.1

Community Choice Aggregator (CCA) Comparison

Upon completion of Phase 4 in FY23, San Diego Community Power’s budget will be similar in proportion when compared to other similar CCAs in California.

FY 2022-23 Budget Development Schedule

The current schedule for development of the draft FY 2022-23 budget is shown in Table 4 below.

Table 4. Current Budget Development Schedule

February	March-April	May	June	
Develop Operating Revenue Estimate	Staff develop operating budgets	Strategic planning sessions with SDCP Board	Financial and Risk Management Committee Review	July 1 st Budget Implemented
Develop Operating Expense Estimate	Baseline budget is developed	SDCP Board Preview (Information Item)	SDCP Board Approval	Mid-year budget review (February)
Develop financial plan for credit rating in 3-years				Budget amendments as necessary

FISCAL IMPACT

The proposed FY 2022-23 budget is expected to result in a net position of \$14,012,792.

ATTACHMENTS

Attachment A: FY2022-23 Operating Budget



FISCAL YEAR 2022-23 BUDGET

for the period

July 1, 2022 through June 30, 2023



**San Diego Community Power
Draft Budget for FY 2022-23
Supplemental Details**

	FY 2022-23 Draft Budget	% of Net Revenues
OPERATING REVENUES		
Gross Ratepayer Revenues	\$ 716,146,107	
(Less 1% Uncollectible Customer Accounts)	\$ (7,161,461)	
Net Operating Revenues	<u>\$ 708,984,646</u>	<u>100.0%</u>
COST OF ENERGY		
Cost of Energy	\$ 661,638,828	
Total Cost of Energy	<u>\$ 661,638,828</u>	<u>93.3%</u>
Gross Net Position	<u>\$ 47,345,818</u>	<u>6.7%</u>
OPERATING EXPENSES		
Professional Services and Consultants		
Data Management	\$ 10,541,810	
SDG&E Fees	\$ 2,563,226	
Technical Support	\$ 1,335,000	
Legal/Regulatory	\$ 1,268,000	
Other Services	\$ 1,108,455	
Total Prof. Svcs. Costs	<u>\$ 16,816,491</u>	<u>2.4%</u>
Personnel Costs		
Salaries	\$ 5,914,426	
Benefits (retirement/health)	\$ 1,052,803	
Payroll Taxes	\$ 408,589	
Accrued PTO	\$ 75,218	
Total Personnel Costs	<u>\$ 7,451,035</u>	<u>1.1%</u>
Marketing and Outreach		
Printing	\$ 2,323,000	
Sponsorships/Local Memberships	\$ 1,136,667	
Communications Consultants	\$ 642,000	
Total Mrktg and Outreach Costs	<u>\$ 4,101,667</u>	<u>0.6%</u>
General and Administration		
Other G & A	\$ 1,937,461	
Cal CCA Dues	\$ 370,000	
Rent	\$ 180,000	
Insurance	\$ 3,902	
Total G & A Costs	<u>\$ 2,491,363</u>	<u>0.4%</u>
Programs		
Programs	\$ 1,085,000	
Total Programs Costs	<u>\$ 1,085,000</u>	<u>0.2%</u>
Net Operating Expenses	<u>\$ 31,945,556</u>	<u>4.5%</u>
Total Operating Expenses	<u>\$ 693,584,384</u>	<u>97.8%</u>
Operating Income (Loss)	<u>\$ 15,400,262</u>	<u>2.2%</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and Related Expenses	\$ 1,314,922	
Total Non-Operating Revenues (Expenses)	<u>\$ 1,314,922</u>	<u>0.2%</u>
CHANGE IN NET POSITION	<u>\$ 14,085,340</u>	<u>2.0%</u>



OPERATING REVENUE

SDCP's sole source of revenue is from the retail sale of electricity to its customers. Revenue reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and a portion of retail sales to our residential customer base. Additional revenue assumptions include:

- The Enrollment for Phase 4 for the County of San Diego and National City beginning in April 2023.
- The substantial completion of Enrollment Phases 1, 2, and 3.
- Uncollectible accounts are assumed to be at 1% of total gross revenue.
- The overall opt-out rate is assumed to be 5%.
- Participation rate in Power100 is assumed at 7% of revenues.

COST OF ENERGY

Cost of energy includes all the various services purchased from the power market through our suppliers. This includes purchased energy, capacity, CAISO fees and other miscellaneous power market expenses. Energy costs assume hedging for FY 2022-23 as of June 2022 and forward electricity prices for the remaining, unhedged energy. This category represents the large majority of SDCP expenses.

OPERATING EXPENSES

SDCP's operating expenses fall into four categories: personnel costs, professional services and consultants, marketing and outreach, and general and administration. SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. Additional expense assumptions follow below.

- **Personnel** include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 14 new staff members and two interns during the FY 2022-23 budget cycle to support the continued growth of SDCP. Most notably, the hiring strategy assumes:
 - Power Services expands to eight staff to support the continued procurement of energy, SDCP's largest expense.
 - Programs builds up to seven staff to position SDCP to receive public feedback and establish community programs.
- **Professional Services and Consultants**
 - **Data Management** includes a broad scope of services that includes all "back office" billing data validation, bill coordination with SDG&E, call center services and billing technical support, customer enrollment database management, move-in/move-out services, customer research for enrollment support, and many support functions related to data reporting.



- **SDG&E Fees** include various service fees paid to SDG&E. This includes mass enrollment fees related to Phase 3 and Phase 4. The fees also cover SDG&E's costs associated with meter reading, additional data processing and bill coordination as mandated and regulated by the California Public Utilities Commission (CPUC). Further, there are numerous small fees associated with data requests.
 - **Technical Support** includes consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, new member analyses and a scheduling coordinator. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be true-up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements.
 - **Legal/Regulatory** includes legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs. This line item also includes the retention of a lobbyist to support SDCP's legislative and regulatory efforts.
 - **Other Services** include contracts for IT services, audits (data and financial audits), accounting services, and human resource services. As SDCP matures we will continue to monitor these services to determine whether it is more cost effective or efficient to bring this work in-house.
- **Marketing and Outreach**
 - **Printing** includes all statutory pre- and post-enrollment notification printing, postage and mailing requirements as part of our Phase 3 and Phase 4 mass enrollment efforts. SDCP also performs additional outreach in the form of mailers.
 - **Sponsorships and Local Memberships** includes outreach to educate the community of the benefits of community choice. This comes in the form of media advertising, sponsorships of community events, community organizations and partnerships.
 - **Communications Consultants** continues to be an important focus of SDCP in ensuring the community is informed about SDCP and that we continue to build professional-level name recognition, trust, and education. This also covers design of all required notifications sent out to customers, informing them of their enrollment in SDCP, opt-out procedures, rate comparisons, as well as other notices or educational or marketing information.
 - **General and Administration** costs include leasing office space, industry fees or memberships (e.g., bank fees, CalCCA dues), equipment and software, as well as



other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, logo gear, and team building.

- **Programs** includes funding to support initial pilot programs after the SDCP Community Power Plan is complete in calendar year 2023, grants to community organizations, investments that generate equitable energy-related benefits, education campaigns, opportunities for increased collaboration with member agencies and funding for a potential new CPUC energy-efficiency program. This category also includes a programs consultant to develop a detailed analysis of housing and demographics to inform future program investment. This will help position targeted investments in future programs for SDCP.

NON-OPERATING EXPENSES

Interest and related expenses including the repayment of loan principle, associated interest costs as well as potential renewal fees on debt or letters of credit.