



AGENDA

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

February 15, 2024
3:00 p.m.

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

The meeting will be held in person at the above date, time and location. Finance and Risk Management Committee (FRMC) Members and members of the public may attend in person. Under certain circumstances, FRMC Members may also attend and participate in the meeting virtually pursuant to the Brown Act (Gov. Code § 54953). As a convenience to the public, SDCP provides a call-in option and internet-based option for members of the public to virtually observe and provide public comments at its meetings. Additional details on in-person and virtual public participation are below. Please note that, in the event of a technical issue causing a disruption in the call-in option or internet-based option, the meeting will continue unless otherwise required by law, such as when an FRMC Member is attending the meeting virtually pursuant to certain provisions of the Brown Act.

Note: Any member of the public may provide comments to the Finance and Risk Management Committee 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. Anyone attending in person desiring to address the FRMC is asked to fill out a speaker's slip and present it to the Clerk of the Board or the Secretary. To provide remote 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 Comment 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

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board. Members of the public may provide a comment in either manner described above.

MEETING AGENDA

1. Approve January 11, 2024 Meeting Minutes

Recommendation: Approve January 11, 2024, Meeting Minutes.

2. Review of Treasurer's Report for Period Ending December 31, 2023

Recommendation: Receive and File Treasurer's Report for Period Ending December 31, 2023.

3. Approve Mid-Year Budget Amendment

Recommendation: Recommend Board Approval of Mid-Year Budget Amendment.

4. Presentation on Clean Energy Prepayment Financing

Recommendation: Receive and File Presentation on Clean Energy Prepayment Financing.

5. Approve Professional Services Agreement with Chandler Asset Management, Inc. for up to \$250,000 for Financial and Investment Portfolio Management Services through February 2025

Recommendation: Recommend Board Approval of Professional Services Agreement with Chandler Asset Management, Inc. for up to \$250,000 for Financial and Investment Portfolio Management Services through February 2025.

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***Compliance with the Americans with Disabilities Act***

SDCP Committee meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact (888) 382-0169 or info@sdcommunitypower.org. Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.

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 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, 2305 Historic Decatur Road, Suite 200, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



AGENDA

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

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

MINUTES

January 11, 2023

The Committee minutes are prepared and ordered to correspond to the Committee Agenda. Agenda Items can be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

WELCOME

CALL TO ORDER

Chair McCann (Chula Vista) called the Finance and Risk Management Committee meeting to order at 3:02 p.m.

ROLL CALL

PRESENT: Chair McCann (Chula Vista), Director Parent (La Mesa)

ABSENT: Director Aguirre (Imperial Beach)

Also Present: Chief Financial Officer ("CFO")/Treasurer Washington, Assistant General Counsel Norvell

PLEDGE OF ALLEGIANCE

CFO/Treasurer Washington led the Pledge of Allegiance.

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered.

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

There were no public comments.

REGULAR MEETING AGENDA

1. Approval of November 9, 2023 Meeting Minutes

ACTION: Motioned by Director Parent and seconded by Chair McCann to approve the minutes of the Finance and Risk Management Committee meeting held Thursday, November 9, 2023. The motion carried by the following vote:

Vote: 2-0

Yes: Chair McCann (Chula Vista), Director Parent (La Mesa)

No: None

Abstained: None

Absent: Director Aguirre (Imperial Beach)

2. Review of Treasurer's Report for Period Ending 11/30/23

CFO/Treasurer Washington presented the Treasurer's Report for period ending 11/30/23.

Following Committee questions and comments, no action was taken.

3. Update on 2024 Rate & Power Charge Indifference Adjustment (PCIA) Proposed Changes

Senior Rates and Strategy Analyst, Lu and Senior Finance Manager, Manglicmot presented on the Update on 2024 Rate & Power Charge Indifference Adjustment (PCIA) Proposed Changes.

Following Committee questions and comments, no action was taken.

COMMITTEE MEMBER ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

Chair McCann adjourned the meeting at 3:21 p.m.



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: San Diego Community Power Finance and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Review of Treasurer's Report for Period Ending 12/31/23
Date: February 15, 2024

RECOMMENDATION

Receive and File Treasurer's Report for Period Ending 12/31/23.

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 period ended December 31, 2023, along with budgetary comparisons.

SDCP additionally reports monthly metrics during its Board meetings as part of its Update on Back-Office Operations. As part of the Treasurer's Report, certain key metrics related to risk are to be presented during the Finance and Risk Management Committee (FRMC) meetings.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 12/31/23: \$806.22 million in net operating revenues were reported compared to \$852.77 million budgeted for the period. \$598.16 million in total expenses were reported (including \$583.38 million in energy costs) compared to \$546.50 million budgeted for the period (including \$518.88 million budgeted for energy costs). After expenses, SDCP's change in net position of \$208.07 million was reported for Fiscal Year-To-Date 2023-24. The following is a summary of the actual results compared to the Fiscal Year 2023-24 Budget.

Table 1: Budget Comparison Versus Actual Results

Budget Comparison					
	YTD FY24 as of 12/31/23 (6 mos)	FY24 YTD Budget	Budget Variance (\$)	Budget (%)	
Net Operating Revenues	\$ 806,222,352	\$ 852,765,001	\$ (46,542,649)	95%	
Total Expenses	\$ 598,156,221	\$ 546,502,842	\$ 51,653,379	109%	
Change in Net Position	\$ 208,066,131	\$ 306,262,159	\$ (98,196,028)	-32%	

- Net operating revenues finished \$46.54 million (or 5.0 percentage points) under the budget primarily due to lower-than-expected customer load correlated with cooler weather.
- Operating expenses finished \$51.65 million (or 9.0 percentage points) over the budget primarily due to higher-than-expected energy costs related to resource adequacy and renewable energy.

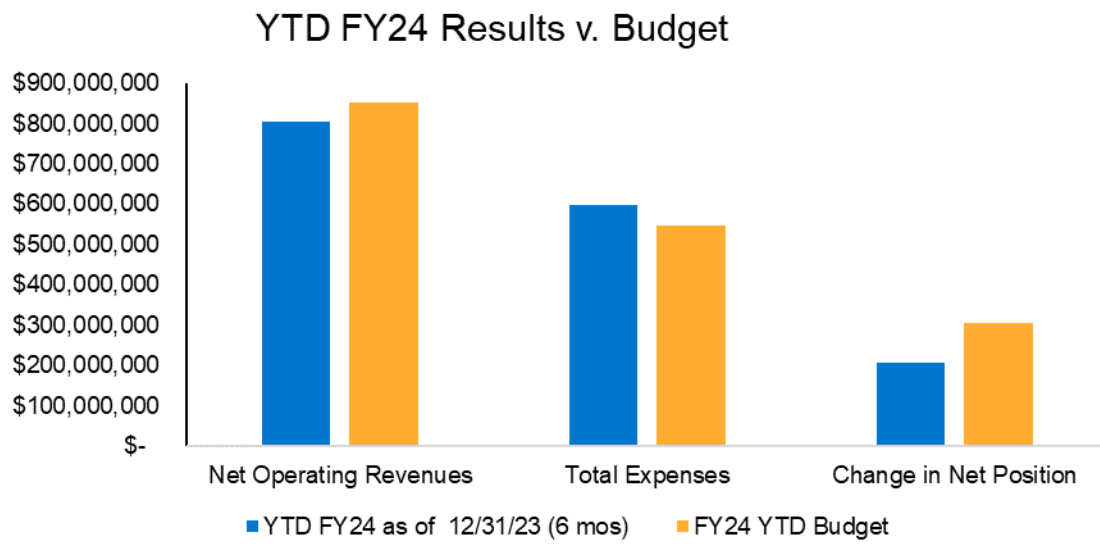
Year-to-date results compared to the projections came in lower than expected and track very closely to the budget results for the period. SDCP's change in net position was 32% under the projection primarily due to actual net revenue and actual energy costs being higher than projected.

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

Table 2: Proforma Comparison Versus Actual Results

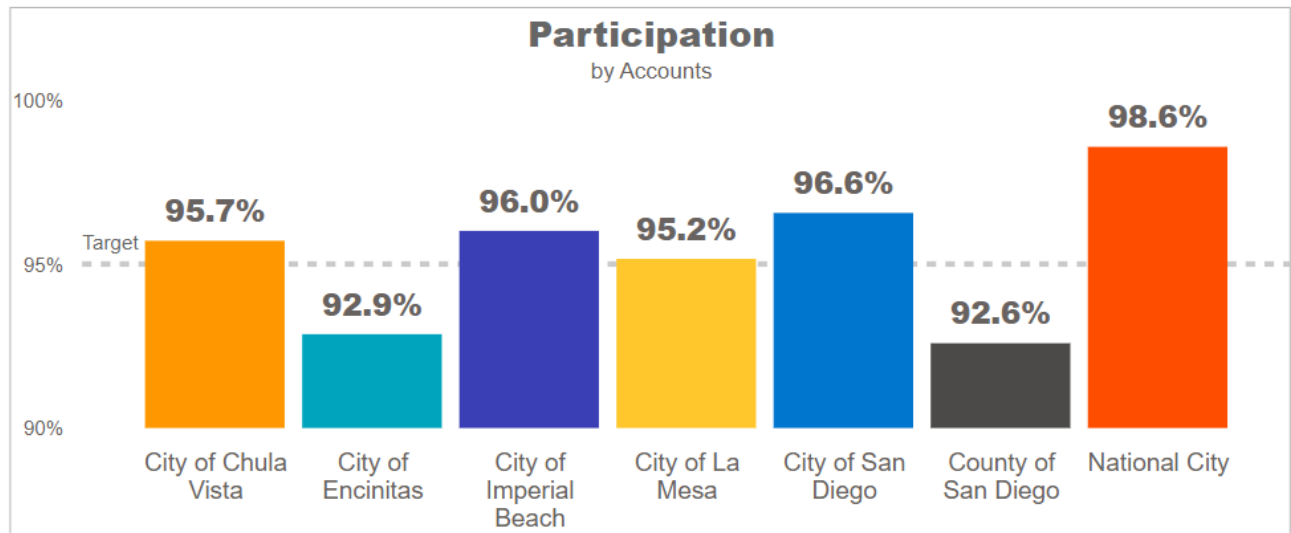
Proforma Comparison					
	YTD FY24 as of 12/31/23 (6 mos)	FY24 YTD ProForma	ProForma Variance (\$)	Proforma (%)	
Net Operating Revenues	\$ 806,222,352	\$ 852,765,001	\$ (46,542,649)	-5%	
Total Expenses	\$ 598,156,221	\$ 545,892,659	\$ 52,263,562	10%	
Change in Net Position	\$ 208,066,131	\$ 306,872,342	\$ (98,806,211)	-32%	

Figure 1: Proforma versus Actual Results



For the period ending 12/31/23, SDCP contributed \$208,066,131 to its reserves but expected to contribute \$306,262,159 per the FY 2023-24 adopted budget. Total SDCP reserves at the end of the period were \$391,804,293 and total available liquidity (including lines of credit) was \$541,804,293. SDCP has a total FY 2023-24 year-end reserve target of \$491,079,452, which is equivalent to 180-days of total operating expenses as set in SDCP's Reserve Policy and Strategic Goals.

Figure 2: Participation Rates



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,479	97,668	4,189	95.7%
City of Encinitas	26,458	28,492	2,034	92.9%
City of Imperial Beach	10,497	10,933	436	96.0%
City of La Mesa	28,002	29,427	1,425	95.2%
City of San Diego	600,474	621,866	21,392	96.6%
County of San Diego	166,292	190,235	14,105	92.6%
National City	18,936	19,444	277	98.6%
Total	944,138	998,065	43,858	95.6%

Phase 4 mass enrollment process in National City and Unincorporated County of San Diego for Non-Net Energy Metering (NEM) customers is officially completed as of May 2023. The participation rate for this new phase is fluid and will change as we continue with our enrollment of Net Energy Metering (NEM) customers from April 2023 through March 2024. In the interim, we are reporting on the opt outs and eligible accounts associated with the phase based on those accounts that we have noticed for enrollment on a rolling basis as of the reporting month.

Staff are also presenting State of SDCP Arrearages related to financial risk for FRMC consideration and for regular review. Additional metrics can be added by request. The below arrearage data includes SDCP's Receivables aged 120+ Days as of 2/01/2024.

Figure 3: State of SDCP Arrearages

Balances over 120 days

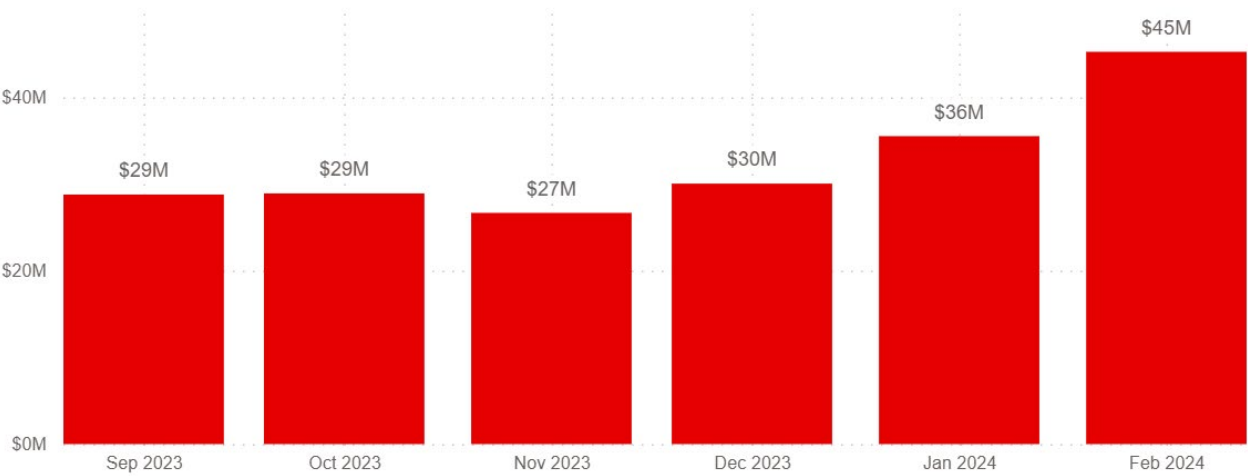
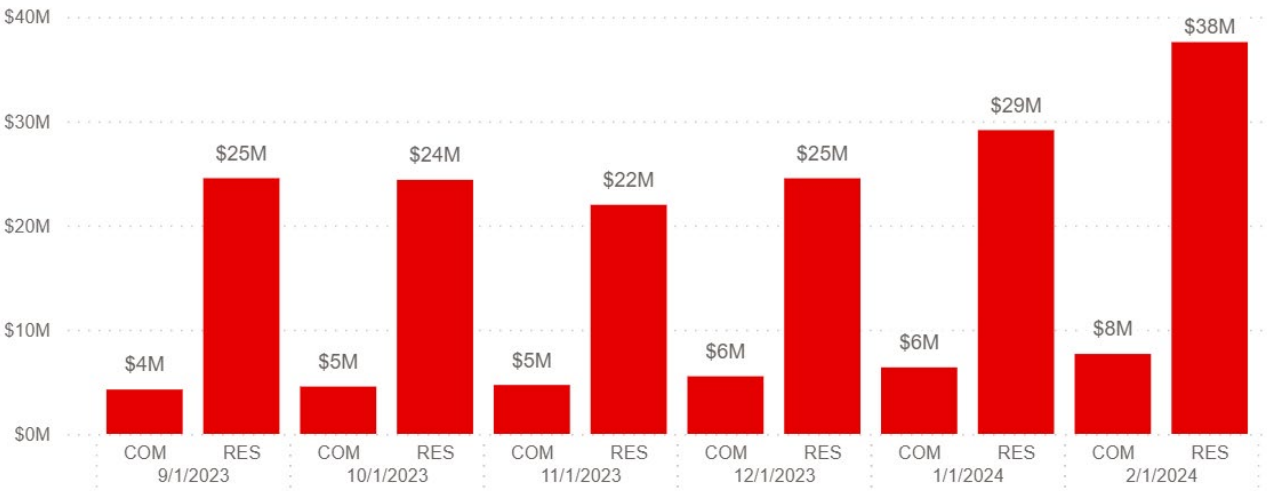


Figure 4: State of SDCP Arrearages Residential vs Commercial

Balances over 120 days - RES vs COM



FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 12/31/23 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 December 31, 2023, 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
February 1, 2024

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of December 31, 2023

ASSETS

Current assets	
Cash and cash equivalents - unrestricted	\$ 349,769,489
Cash and cash equivalents - restricted	500,000
Accounts receivable, net of allowance	105,054,350
Accrued revenue	52,103,418
Prepaid expenses	1,950,887
Other receivables	634,740
Deposits	3,393,534
Total current assets	<u>513,406,418</u>
Noncurrent assets	
Cash and cash equivalents - restricted	1,647,000
Lease asset, net of amortization	1,560,699
Capital assets, net of depreciation	141,434
Total noncurrent assets	<u>3,349,133</u>
Total assets	<u>516,755,551</u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	108,578,229
Accounts payable	1,520,359
Other accrued liabilities	5,363,414
State surcharges payable	585,271
Deposits - energy suppliers	4,155,000
Interest and finance costs payable	275,852
Lease liability	750,995
Total current liabilities	<u>121,229,120</u>
Noncurrent liabilities	
Supplier security deposits	624,000
Lease liability	863,667
Total noncurrent liabilities	<u>1,487,667</u>
Total liabilities	<u>122,716,787</u>

NET POSITION

Net investment in capital assets	87,471
Restricted for collateral	2,147,000
Unrestricted	391,804,293
Total net position	<u>\$ 394,038,764</u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Six Months Ended December 31, 2023

OPERATING REVENUES

Electricity sales, net	\$ 805,591,352
Grant revenue	631,000
Total operating revenues	<u>806,222,352</u>

OPERATING EXPENSES

Cost of electricity	583,382,510
Contract services	9,551,908
Staff compensation	5,053,535
Other operating expenses	1,816,978
Depreciation and amortization	284,278
Total operating expenses	<u>600,089,209</u>
Operating income	<u>206,133,143</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	2,993,013
Interest and financing expense	(1,099,723)
Nonoperating revenues (expenses), net	<u>1,893,290</u>

CHANGE IN NET POSITION

	208,026,433
Net position at beginning of year	<u>186,012,331</u>
Net position at end of year	<u><u>\$ 394,038,764</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Six Months Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 838,982,426
Receipts of supplier security deposits	30,572,233
Receipts from wholesale sales	10,008,941
Other operating receipts	631,000
Payments to suppliers for electricity	(543,807,401)
Payments for goods and services	(8,659,648)
Payments of staff compensation and benefits	(4,848,024)
Payments for deposits and collateral	(2,774,693)
Payments of state surcharges	(1,157,645)
Net cash provided by operating activities	<u>318,947,189</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Principal payments - bank note	(35,730,000)
Interest and related expense payments	(1,352,079)
Net cash provided (used) by non-capital financing activities	<u>(37,082,079)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments of lease liability	(250,774)
Payments to acquire capital assets	(71,550)
Net cash (used) by capital and related financing activities	<u>(322,324)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>2,542,823</u>
Net change in cash and cash equivalents	284,085,609
Cash and cash equivalents at beginning of year	67,830,880
Cash and cash equivalents at end of year	<u>\$ 351,916,489</u>

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 349,769,489
Restricted cash - current	500,000
Restricted cash - noncurrent	1,647,000
Cash and cash equivalents	<u>\$ 351,916,489</u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Six Months Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 206,133,143
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	284,278
(Increase) decrease in:	
Accounts receivable, net	5,459,381
Accrued revenue	26,689,366
Prepaid expenses	28,576,611
Other receivables	49,165
Deposits	14,262,816
Increase (decrease) in:	
Accrued cost of electricity	31,232,886
Accounts payable	1,081,093
Other accrued liabilities	1,568,767
State surcharges payable	84,682
Supplier security deposits	3,525,000
Net cash provided by operating activities	<u><u>\$ 318,947,189</u></u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose operating fund budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended December 31, 2023, 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
February 1, 2024

**SAN DIEGO COMMUNITY POWER
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Six Months Ended December 31, 2023**

	2023/24 YTD Budget	2023/24 YTD Actual	2023/24 YTD Budget Variance (Under) Over	2023/24 YTD Actual/ Budget %	2023/24 Annual Budget	2023/24 Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	888,296,876	\$ 839,157,658	(49,139,218)	94%	\$ 1,346,325,552	\$ 507,167,894
Less: Uncollectible Customer Accounts	(35,531,875)	(33,566,306)	1,965,569	94%	(53,853,022)	(20,286,716)
Grant Revenue	-	631,000	631,000		-	(631,000)
Total Revenues and Other Sources	<u>852,765,001</u>	<u>806,222,352</u>	<u>(46,542,649)</u>		<u>1,292,472,530</u>	<u>486,250,178</u>
OPERATING EXPENSES						
Cost of Energy	518,879,875	583,382,510	64,502,635	112%	948,529,425	365,146,915
Professional Services and Consultants	12,007,530	9,176,636	(2,830,894)	76%	22,939,626	13,762,990
Personnel Costs	6,500,242	5,053,535	(1,446,707)	78%	13,178,031	8,124,496
Marketing and Outreach	1,557,720	1,165,642	(392,078)	75%	2,973,829	1,808,187
General and Administration	4,272,938	1,164,206	(3,108,732)	27%	7,861,973	6,697,767
Programs	145,750	100,000	(45,750)	69%	278,250	178,250
Total Operating Expenses	<u>543,364,055</u>	<u>600,042,529</u>	<u>56,678,474</u>		<u>995,761,134</u>	<u>395,718,605</u>
Operating Income (Loss)	<u>309,400,946</u>	<u>206,179,823</u>	<u>(103,221,123)</u>		<u>296,711,396</u>	<u>90,531,573</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment Income	-	2,993,013	2,993,013		-	(2,993,013)
Interest and Related Expenses	(1,218,787)	(1,106,705)	112,082	91%	(2,437,574)	(1,330,869)
Transfer to Capital Investment Program	<u>(1,920,000)</u>	-	1,920,000	0%	<u>(3,840,002)</u>	<u>(3,840,002)</u>
Total Non-Operating Revenues (Expenses)	<u>(3,138,787)</u>	<u>1,886,308</u>	<u>5,025,095</u>		<u>(6,277,576)</u>	<u>(8,163,884)</u>
NET INCREASE (DECREASE)	<u>\$ 306,262,159</u>	<u>\$ 208,066,131</u>	<u>\$ (98,196,028)</u>		<u>\$ 290,433,820</u>	<u>\$ 82,367,689</u>

See accountants' compilation report.



SAN DIEGO COMMUNITY POWER Staff Report – Item 3

To: San Diego Community Power Finance and Risk Management Committee
From: Eric Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Mid-Year Budget Amendment
Date: February 15, 2024

RECOMMENDATION

Recommend Board approval of mid-year budget amendment.

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 necessary to address contingencies and unexpected expenses. On June 23, 2023, the Board approved the FY 2023-24 budget which included net revenue of \$1,292,472,530 and total expenses of \$1,002,038,709, resulting in net position of \$290,433,821.

Since then, the FY 2023-24 budget has had significant changes to its operating revenues and expenses. Specifically, on January 18, 2024, the Board approved a rate change, effective February 1, 2024, which also included increased expense and energy cost projections. Other budget adjustments included reductions 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 2023-24 budget to increase total net operating revenues to \$1,304,274,067 and total expenses to \$1,071,601,284, resulting in a net position of \$232,672,783 for FY 2023-24.

ANALYSIS AND DISCUSSION

The FY 2023-24 Amended budget seeks to adjust the budget originally presented to the Board in June 2023. The amended budget includes a minor increase in revenues and large increases in the cost of energy. The rate change approved by the Board in January 2024 is reflected in the budget and aligned with the most recent proforma. The amendment also includes a 7.5% (or \$3.5 million) reduction in non-energy costs.

Table 1 illustrates the proposed FY 2023-24 budget amendment in comparison to SDCP's budgets from prior years.

Table 1. SDCP Operating Budgets

SDCP Budget	Date Adopted	Date Amended	Total Expense	Net Position
FY 2020-21	6/25/2020	5/27/2021	\$34,135,000	(\$7,848,092)
FY 2021-22	6/24/2021	2/24/2022	\$341,934,335	\$36,119,151
FY 2022-23	6/23/2022	2/23/2023	\$772,078,710	\$157,713,219
FY 2023-24	6/23/2023		\$1,002,038,709	\$290,433,821
FY 2023-24	(Proposed)		\$1,071,601,284	\$232,672,783

The FY 2023-24 budget amendment includes the key assumptions outlined below. A more detailed breakdown and explanation of revenues and expenses are presented in Attachment A.

Net Revenue

The rate changes approved by the Board during the January 18, 2024, meeting which became effective on February 1, 2024.

Cost of Energy

Energy costs were adjusted up by 7.6% from \$948,529,425 to \$1,020,844,552. This increase was driven by increased renewable energy and resource adequacy costs.

Operating Expenses

SDCP's non-energy operating expenses fall into five categories: personnel costs, professional services and consultants, marketing, and outreach, general and administration and programs. SDCP has direct control of these costs and actively manages them. Overall, SDCP is proposing a reduction in non-operating expenses of 7.5% from \$47,231,709 to \$43,708,093. Given the small percentage of SDCP's total expenses, operating expenses had minimal impact on the overall total expense. Expense assumptions include the following:

- **Personnel** include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes increasing staffing levels to 70 (instead of fifty-nine in the adopted budget) by the end of FY 2023-24.



- **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** include funding to support initial pilot programs after the SDCP Community Power Plan is launched and other community-based program efforts.

Net Position

The proposed FY 2023-24 budget results in a net position of \$232,672,783.

The following table illustrates SDCP's proposed FY 2023-24 budget amendment compared to its adopted budget for FY 2023-24.



Table 2. FY 2023-24 Budget Amendment compared to FY 2023-24 Adopted Budget

Item	FY 24 Adopted Budget	FY 24 Amended Budget	Difference
Gross Revenue	\$1,346,325,552	\$1,365,732,007	\$19,406,455
Less Uncollectibles	(\$53,853,022)	(\$61,457,940)	(\$7,604,918)
Net Revenue	\$1,292,472,530	\$1,304,274,067	\$11,801,537
Cost of Energy	\$948,529,425	\$1,020,844,552	\$72,315,127
Non-Energy Costs	\$47,231,709	\$43,708,093	(\$3,523,616)
Subtotal Operating Expense	\$995,761,134	\$1,064,552,645	\$68,791,511
Debt Service	\$2,437,574	\$2,393,639	(\$43,935)
CIP	\$3,840,002	\$4,655,000	\$814,998
Total Expense	\$1,002,038,710	\$1,071,601,284	\$69,562,574
Net Position	\$290,433,820	\$232,672,783	\$57,761,037

Budget Development Timeline

On July 28, 2022, the Board adopted a budget development schedule as part of the SDCP Budget Policy. This development schedule includes a mid-year budget review through the proposed budget amendment.

Table 4. Current Budget Development Schedule

February	March-April	May	June	
Develop Operating Revenue Estimate Develop Operating Expense Estimate Develop financial plan for credit rating	Strategic planning sessions with SDCP Board Staff develop operating budgets Baseline budget is developed	FRMC Preview and Recommend SDCP Board Preview and feedback	SDCP Board Approval	July 1 st Budget Implemented
				 Mid-year budget review (February) Budget amendments as necessary

FISCAL IMPACT

The FY 2023-24 amended budget right sizes the revenues to the rate decrease approved by the board on January 18, 2024, and effective February 1, 2024. The amendment also accounts for increases in energy costs, aligns expenses with known personnel, marketing, communications, professional services, and general and administrative costs, and includes a reduction in non-operating expenses of 7.5% from \$47,231,709 to \$43,708,093.

The resulting FY 2023-24 budget amendment results in a net position of \$232.7 million versus \$290.4 million in the FY 2023-24 adopted budget.

ATTACHMENTS

Attachment A: FY2023-24 Budget Amendment



FISCAL YEAR 2023-24 AMENDED BUDGET

for the period

**July 1, 2023, through June 30,
2024**

San Diego Community Power
Budget Amendment for FY 2023-24 (Proposed)
Supplemental Details

	FY 2023-24 Adopted Budget	FY 2023-24 Budget Amended	% of Net Revenues
OPERATING REVENUES			
Gross Ratepayer Revenues	\$ 1,346,325,552	\$ 1,365,732,007	
(Less 4.5% Uncollectible Customer Accounts)	\$ (53,853,022)	\$ (61,457,940)	
Net Operating Revenues	<u>\$ 1,292,472,530</u>	<u>\$ 1,304,274,067</u>	95.5%
COST OF ENERGY			
Cost of Energy	\$ 948,529,425	\$ 1,020,844,552	
Total Cost of Energy	<u>\$ 948,529,425</u>	<u>\$ 1,020,844,552</u>	74.7%
Gross Net Position	<u>\$ 343,943,105</u>	<u>\$ 283,429,515</u>	20.8%
OPERATING EXPENSES			
Professional Services and Consultants			
Data Management	\$ 13,458,692	\$ 13,458,692	
SDG&E Fees	\$ 4,035,591	\$ 4,035,591	
Technical Support	\$ 1,440,000	\$ 1,325,000	
Legal/Regulatory	\$ 2,176,000	\$ 1,511,444	
Other Services	\$ 1,829,343	\$ 1,919,930	
Total Prof. Svcs. Costs	<u>\$ 22,939,626</u>	<u>\$ 22,250,657</u>	1.6%
Personnel Costs			
Salaries	\$ 10,300,938	\$ 9,052,605	
Benefits (retirement/health)	\$ 2,018,456	\$ 1,809,775	
Payroll Taxes	\$ 731,264	\$ 613,641	
Accrued PTO	\$ 127,373	\$ 127,373	
Total Personnel Costs	<u>\$ 13,178,031</u>	<u>\$ 11,603,394</u>	0.8%
Marketing and Outreach			
Printing	\$ 1,369,829	\$ 1,367,178	
Partnerships/Sponsorships/Memberships	\$ 964,000	\$ 914,000	
Marketing and Communications	\$ 640,000	\$ 644,800	
Total Mrktg and Outreach Costs	<u>\$ 2,973,829</u>	<u>\$ 2,925,978</u>	0.2%
General and Administration			
Other G & A	\$ 6,966,205	\$ 5,886,728	
Education and Training	\$ 60,000	\$ -	
Cal CCA Dues	\$ 405,000	\$ 405,000	
Rent	\$ 398,768	\$ 453,245	
Insurance	\$ 32,000	\$ 67,592	
Total G & A Costs	<u>\$ 7,861,973</u>	<u>\$ 6,812,564</u>	0.5%
Programs			
Programs	\$ 278,250	\$ 115,500	
Total Programs Costs	<u>\$ 278,250</u>	<u>\$ 115,500</u>	0.0%
Net Operating Expenses	<u>\$ 47,231,709</u>	<u>\$ 43,708,093</u>	3.2%
Total Operating Expenses	<u>\$ 995,761,133</u>	<u>\$ 1,064,552,645</u>	77.9%
Operating Income (Loss)	<u>\$ 296,711,397</u>	<u>\$ 239,721,422</u>	17.6%
NON-OPERATING REVENUES (EXPENSES)			
Interest and Related Expenses	\$ 2,437,574	\$ 2,393,639	
Total Non-Operating Revenues (Expense)	<u>\$ 2,437,574</u>	<u>\$ 2,393,639</u>	0.2%
CAPITAL INVESTMENT PROGRAM (CIP)			
Transfer to Capital Investment Program	\$ 3,840,002	\$ 4,655,000	
Interfund Transfer Out (Expenses)	<u>\$ 3,840,002</u>	<u>\$ 4,655,000</u>	0.3%
CHANGE IN NET POSITION	<u>\$ 290,433,821</u>	<u>\$ 232,672,783</u>	17.0%

Budget Amendment Overview

Budget-in Brief

The proposed FY 2023-24 Operating Budget Amendment includes the first full fiscal year of full enrollment from Phase 1, 2, 3 and 4 for all potential ratepayers from SDCP's member jurisdiction within the San Diego region. This budget therefore provides the first representation in the agency's history of what full revenues and expenses are expected to be moving forward, all assumptions being equal.

As SDCP scales to full enrollment, the agency is additionally, thoughtfully scaling the agency by adding staff to grow to 70 total staff. By the end of FY 2023-24, SDCP is expected to have similar operating budgets and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, and similarly, by the end of FY 2023-24, SDCP's reserves, and total liquidity are expected to be comparable to its CCA counterparts who have investment-grade credit ratings.

The proposed FY 2023-34 Operating Budget Amendment additionally includes reduced travel expenses, legal and regulatory costs, and personnel costs.

Lastly, this budget includes the addition of a Capital Investment Plan (CIP) that shifts programs and projects over multi-year periods from the operating budget to the CIP.

By the end of FY 2023-24, SDCP will be on track to nearly hitting its 180-days cash on hand Strategic Plan Goal reserve target.

Proposed Budget Amendment

The SDCP FY 2023-24 Proposed Budget Amendment is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets adopted for FY24 in comparison to the proposed FY24 Amended Budget.

	FY24 Proposed	FY24 Amended
Gross Revenue	1,346.3	1,365.7
Less Uncollectible Accounts	(53.9)	(61.5)
Net Operating Revenues	1,292.5	1,304.3
Cost of Energy	948.5	1,020.8
Non-Energy Costs	47.2	43.7
Subtotal Operating Expense	995.8	1,064.6
Debt Service	2.4	2.4
CIP	3.8	4.6
Total Expenses	1,002.3	1,071.6
Net Position	290.4	232.7

Amounts displayed in millions, \$

Operating Revenue

SDCP's main source of revenue currently is from the retail sale of electricity to its customers. Revenue budgeted for FY 2023-24 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and retail sales to our residential customer base.

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which is an increase from the 4% uncollectible rate assumed in the adopted budget.
- Rates remain at the levels adopted by the Board on January 18, 2024, including a potential rate increase in the summer. Further mid-year rate changes are subject to Board approval.

The following table summarizes the revenues for FY24 Amended Budget and the FY24 Adopted Operating Budget. Note that Gross Revenue and Less Uncollectible Accounts are based on projected numbers from rate setting that was approved by the Board back on January 18, 2024.

	FY24 Adopted	FY24 Amended
Gross Ratepayer Revenues	1,346.3	1,365.7
(Less 4.5% Uncollectible Customer Accounts) ¹	(53.9)	(61.5)
Net Operating Revenues	1,292.5	1,304.3

Amounts displayed in millions, \$

¹ Uncollectible accounts were calculated with an assumption at 4% in the adopted budget for FY24.

Operating Expenses

Expenses in the SDCP Operating Budget fall into five budget level 2 categories: cost of energy, personnel costs, professional services and consultants, marketing, and outreach, and general and administration.

- **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.
- **Personnel** – Personnel costs include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. In addition, costs include assumptions from the Board adopted compensation policy including potential merit and cost-of-living increase.
- **Professional services and consultants**
 - Legal/Regulatory Services – SDCP retains legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations and its general legal needs. This line item will also allow for the retention of both a state and federal lobbyist to support SDCP’s legislative and regulatory efforts.
 - Technical Support – SDCP engages consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, and a scheduling coordinator. After electric power is scheduled for delivery to customers and consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing several other market and regulatory requirements. As SDCP grows its internal staff, it will look to in-house portions of this service.
 - Other Services – SDCP contracts or plans to contract for IT Services, Audit services (data and financial), Accounting services, and other services as needed. SDCP continues to examine if these services are more cost effective or efficient to bring in-house and SDCP is growing its IT function in-house and expecting a reduction in its IT Services professional services agreement.
 - SDG&E Service Fees – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The rollout of all enrollment phases adds significant costs compared to FY 2023-24. The fees 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). There are also numerous small fees associated with data requests.
 - Data Management – 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. With full enrollment from all phases, the cost for Data Management will be higher compared to prior fiscal years.

- **General and Administration** – General and Administration costs include leasing office space, industry fees or memberships (e.g., CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, team building, etc.
- **Programs** – Programs includes funding for general and administrative support for all program areas including services such as geographic information systems (GIS) mapping grant-writing support, etc. Moving forward, individual program costs will be moved to SDCP's Capital Investment Program (CIP).

The table below summarizes the expenses for the FY24 Amended Budget and the FY24 Adopted Operating Budget. Note that SDCP reduced expenses in non-energy costs.

	FY24 Adopted	FY24 Amended
Cost of Energy	948.5	1,020.8
Professional Services and Consultants	22.9	22.3
Personnel Costs	13.2	11.6
Marketing and Outreach	3.0	2.9
General and Administration	7.9	6.8
Programs	0.3	0.1
Subtotal Operating Expenses	995.8	1,064.6
Interest and Related Expenses	2.4	2.4
Capital Investment Program (Transfer Out)	3.8	4.6
Total Expenses	1,002.4	1,071.6

Amounts displayed in millions, \$

Non-Operating Revenues (Expenses)

Non-operating revenue represents interest income earned on cash reserves. Non-operating expenses represents interest paid on borrowed funds under the bank credit facility maintained by SDCP used to finance a portion of its operations. Expenses also include other bank related fees (i.e., letter of credit issuance fees, renewal fees, etc.).

Capital Investment Program (CIP)

New for FY 2023-24, SDCP developed its first Capital Investment Program (CIP) which contains all the individual capital projects, equipment purchases, and major programs for the agency that are intended to span multiple years.

The FY 2023-24 budget proposed a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.

The CIP includes funding for local development feasibility studies, customer program pilot projects, member agency grants, community grants, a customer education platform, and other areas as outlined in the short

Operating Expenses by Department

The table below summarizes the FY24 Proposed Operating Budget expenses by department. Departments were established as part of the FY24 Proposed Operating Budget development and are not shown in the prior year. SDCP reduces the Operating budget for non-energy costs. The Power Services department includes Cost of Energy in their Expenses.

	FY24 Adopted	FY24 Amended
Power Services	950.7	1,022.4
Finance	3.8	3.3
Operations	17.9	16.2
Data Analytics and Account Services	19.1	19.1
Public Affairs	1.6	1.5
Programs	0.3	0.1
Regulatory Affairs	1.5	1.1
Human Resources	0.9	0.7
Total Operating Expenses	995.8	1,064.6

Amounts displayed in millions, \$

Personnel by Department

The table below summarizes the actual personnel at the FY24 Budget Adoption and the full-time equivalent (FTE) personnel in the FY24 Amended Operating Budget. While personnel may be authorized, they must be filled. Detailed information showing filled and proposed FTE transfers by department is included in the following Section. Personnel budget is included within the Operations department.

	FY24 Adopted	FY24 Amended
Power Services	12.0	17.0
Finance	7.0	7.0
Operations	7.0	7.0
Data Analytics and Account Services	10.0	11.0
Public Affairs	9.0	11.0
Programs	7.0	9.0
Regulatory Affairs	4.0	5.0
Human Resources	3.0	3.0
Total FTEs	59.0	70.0

Budget by Department

Operations

Budget Amendment Highlights

- The largest professional services agreement in Operations is with Best Best & Krieger LLP at \$450K for general counsel services which has been reduced to \$170K since the onboarding of in-house General Counsel.
- There is also a \$1.6M reduction in Personnel costs due to slower than expected hiring.

Department Positions

	FY24 Adopted	FY24 Amended
Operations	7.0	7.0

Power Services

Budget Amendment Highlights

- Responsible for SDCP's largest expense (Cost of Energy), the Power Services department is expected to grow its staff from 12 positions to 17 positions by the end of FY24.
- \$68K Reduction in Non-Energy Costs.
- Power Services department also has realized other revenues or cost reductions of \$585K through contract negotiations.

Department Positions

	FY24 Adopted	FY24 Amended
Power Services	12.0	17.0

Finance

Department Highlights

- Finance Department had a \$219K reduction in Budget.
- The Finance team will have a summer Intern, which is not considered an FTE.
- \$2M in interest earned has been realized by the Finance Department through December 2023.

Department Positions

	FY24 Adopted	FY24 Amended
Finance	7.0	7.0

Data Analytics and Account Services (IT)

Budget Amendment Highlights

- IT has been added to the department's responsibilities for SDCP.
- The BrenTech (IT Consultant) budget has increased per an amended contract approved by the Board in January 2024.

Department Positions

	FY24 Adopted	FY24 Amended
Data Analytics and Account Services	10.0	11.0

Public Affairs

Budget Amendment Highlights

- Continued outreach to educate the community of the benefits of community choice and to encourage awareness of our mission.
- Positions added to increase outreach efforts to SDCP member agencies.

Department Positions

	FY24 Adopted	FY24 Amended
Public Affairs	9.0	11.0

Programs

Budget Amendment Highlights

- Programs reallocated \$195K from the operating budget into the CIP, which is a continuing fund outside of SDCP Operating Budget.
- Programs was awarded a California Department of Food and Agriculture (CDFA) grant, which recognized as an expense that will be recovered.

Department Positions

	FY24 Adopted	FY24 Amended
Programs	7.0	9.0

Regulatory and Legislative Affairs

Budget Amendment Highlights

- \$397K Reduction in Department Budget.
- \$100K is included as a loss litigation fund.

Department Positions

	FY24 Adopted	FY24 Amended
Regulatory and Legislative Affairs	4.0	5.0

Human Resources

Budget Amendment Highlights

- \$155K Reallocation to Operations Department Budget

Department Positions

	FY24 Adopted	FY24 Amended
Human Resources	3.0	3.0



SAN DIEGO COMMUNITY POWER Staff Report – Item 4

To: San Diego Community Power Finance and Risk Management Committee
From: Eric Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Presentation on Clean Energy Prepayment Financing
Date: February 15, 2024

RECOMMENDATION

Receive and file presentation on clean energy prepayment financing.

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 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws, and procedures governing the operation of SDCP.

Further, section 3.2.7 of the JPA states that SDCP at the discretion of the Board may incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers authorized by law pursuant to Government Code Section 53850 et seq. and authority under the Act.

Finally, section 3.2.8 of the JPA states that SDCP at the discretion of the Board may issue revenue bonds and other forms of indebtedness and per section 3.2.9 may apply for, accept, and receive all licenses, permits, grants, loans, or other aids from any federal, state, or local public agency.

Municipal electric, gas utilities, and tax-exempt entities such as community choice aggregators (CCAs) in the United States (US) can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds. These entities must sell that commodity to retail end-users that reside within their traditional service area.

Prepayment transactions are legal and codified in US Tax Law. Since the first prepayments of natural gas were done in the early 1990's, the Internal Revenue Service (IRS) issued rules allowing tax-exempt prepayments and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327).

Since then, over 90 municipal prepayment transactions totaling over \$50 billion have been completed in the US – over 95% of these were for natural gas since natural gas is easier to “prepay” because the commodity is homogenous and is easy to store.

Prepayments have saved utility ratepayers (natural gas, electricity from gas fired power plants and energy from renewable power projects) billions of dollars in reduced rates and energy charges and are anticipated to continue to do so over the 30-year life of the transactions.

ANALYSIS AND DISCUSSION

SDCP is interested in pursuing a similar prepayment transaction. A potential prepayment transaction offers the opportunity to reduce existing renewable energy Power Purchase Agreement (PPA) costs by 5-10% or \$3 to \$5 MWh (megawatt hour).

Central Coast Community Energy (3CE), for example, secured its first prepayment transaction on October 31, 2023. The \$647.8 million bond issuance is projected to save 3CE customers 11.4% in energy costs, which translates to \$32.9 million in the cost of energy over the initial seven-year period of the bonds.

FISCAL IMPACT

N/A

ATTACHMENTS

N/A





SAN DIEGO COMMUNITY POWER Staff Report – Item 5

To: San Diego Community Power Finance and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Approve the Professional Services Agreement with Chandler Asset Management, Inc. for up to \$250,000 for Financial and Investment Portfolio Management services

Date: February 15, 2023

RECOMMENDATION

Recommend Board approval of Professional Services Agreement with Chandler Asset Management Inc. for a not-to exceed contract value of up to \$250,000 through February 2025 for Financial and Investment Portfolio Management services.

BACKGROUND

This is a request to enter into a new Agreement with the selected vendor, Chandler Asset Management, Inc. ("Chandler") to provide professional services for financial and investment management services that align with SDCP's Investment Policy.

On May 25, 2023, the SDCP Board of Directors ("Board") approved the SDCP Investment Policy. SDCP's Investment Policy states that SDCP may engage with external investment advisors to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's Policy.

On December 1, 2023, SDCP issued a Request for Proposal ("RFP") for Financial and Investment Portfolio Management Services with Submittals due on December 19, 2023. After conducting a formal evaluation and interview process Chandler Asset Management was selected to advance in contract negotiations on January 26, 2024.

The external investment advisers may be granted discretion to purchase and sell investment securities in accordance investment objective set forth in this Policy. SDCP may engage the services of one or more external investment advisers to assist in the management of SDCP's investment portfolio in a manner consistent with the Investment Policy.

Staff therefore recommends for Board approval of the Financial and Investment Portfolio Management Services Request for Proposal Contract.

ANALYSIS AND DISCUSSION

As SDCP continues to build towards a 180-days cash on hand goal, it requires Financial and Investment Portfolio Management Services from a reliable and proven firm working with public institution funds. Those services must adhere to the strict requirements of the California Government Code and SDCP's Investment Policy.

Chandler is a locally founded firm and is currently headquartered in nearby San Diego. Chandler has over 35 years of experience working with public institutions giving them insights with the specific codes, constraints, and objectives SDCP would need to navigate. Chandler Asset Management currently serves some of SDCP's Member Agencies such as the County of San Diego, Cities of Chula Vista, and Imperial Beach. In addition, Chandler currently serves two other California Community Choice Aggregators. As of September 30, 2023, Chandler has more than \$33.5 billion under management for clients in regions across the United States, with more than \$23.3 billion under management for 156 public agencies in our home state alone. 100% of Chandler's assets are in separately managed accounts, like SDCP's current portfolio.

The Chandler Agreement outlines a 4-week transition process for SDCP, beginning with notification of award. This process will involve strategy development, investment preparation, and culminating in the final investment of funds. The agreement will have a 1-year term with two options for 1-year extensions. Chandler will provide all services throughout the length of the contract including:

- Annual review of the Investment Policy (All changes will require Board approval.)
- Cash Flow Analysis
- Active and Conservative Investment Management
- Monthly, Quarterly and Annual Reporting Cadences

Chandler Asset Management stands out as an ideal investment management partner for San Diego Community Power. Their deep public sector expertise, tailored approach, risk-conscious philosophy, and strong history demonstrate their ability to meet SDCP's specific requirements. As SDCP seeks a reliable and trustworthy partner to navigate the complexities of public investment, Chandler presents a compelling choice to achieve investment success while upholding the highest standard of care.

Pursuant to the SDCP Procurement Policy, Contracts greater than \$125,000 must be presented to the Board for approval. Staff is requesting approval of the Professional Services Agreement with Chandler Asset Management, Inc. for a not-to-exceed contract value of up to \$250,000.

FISCAL IMPACT

SDCP will enter a contract that could cost up to \$250,000.

ATTACHMENTS

Attachment A: Professional Services Agreement with Chandler Asset Management



SAN DIEGO COMMUNITY POWER PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement (“**Agreement**”) is made and entered into this 22nd day of February 2024, by and between SAN DIEGO COMMUNITY POWER, a California joint powers agency (“**SDCP**”) and Chandler Asset Management, Inc., (“**Consultant**”). SDCP and Consultant are sometimes individually referred to as “**Party**” and collectively as “**Parties.**”

RECITALS

A. Consultant desires to perform and assume responsibility for the provision of certain professional services required by SDCP on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing Financial and Investment Portfolio Management Services, is licensed in the State of California, and is familiar with the plans of SDCP.

B. SDCP desires to engage Consultant to assist in fulfilling SDCP’s fiduciary duty to their constituents by providing high quality fixed income portfolios in a careful investment framework (“**Project**”) as set forth in this Agreement.

AGREEMENT

1. Scope of Services and Term.

1.1 General Scope of Services. Consultant promises and agrees to furnish to SDCP all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the financial and investment portfolio management services necessary for the Project (“**Services**”). The Services are more particularly described in Exhibit A attached hereto, and which are stated in the proposal to SDCP. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto, and all applicable local, state and federal laws, rules and regulations.

1.1.1 Additional Terms Specific to the Investment Management Relationship. SDCP and Consultant agree to the additional terms specific to the investment management relationship and are more particularly described in Exhibit B, were stated in the proposal to SDCP, and which are incorporated into the Agreement by reference.

1.2 Term. The term of this Agreement shall be from February 22, 2024 to February 28, 2025, unless earlier terminated as provided herein. Consultant shall complete the Services within the term of this Agreement and shall meet any other established schedules and deadlines. SDCP reserves the option to amend the Agreement for up to two additional 12-month terms.

2. Responsibilities of Consultant.

2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means,

methods and details of performing the Services subject to the requirements of this Agreement. SDCP retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of SDCP and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

2.2 Schedule of Services. Consultant shall perform the Services expeditiously, within the term of this Agreement. Consultant represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Consultant's conformance with the Schedule, SDCP shall respond to Consultant's submittals in a timely manner. Upon request of SDCP, Consultant shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

2.3 Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of SDCP.

2.4 Substitution of Key Personnel. Consultant has represented to SDCP that certain key personnel will perform and coordinate the Services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of SDCP. In the event that SDCP and Consultant cannot agree as to the substitution of key personnel, SDCP shall be entitled to terminate this Agreement for cause. As discussed below, any personnel who fail or refuse to perform the Services in a manner acceptable to SDCP, or who are determined by the SDCP to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, or a threat to the safety of persons or property, shall be promptly removed from the Project by the Consultant at the request of the SDCP. The key personnel for performance of this Agreement are as follows:

Investment Management

[Placeholder]

Client Service

[Placeholder]

Compliance

[Placeholder]

2.5 SDCP's Representative. In its capacity as investment manager, Consultant shall receive all instructions, directions and other communications on SDCP's behalf respecting SDCP's account from Eric Washington, SDCP Chief Financial Officer & Treasurer ("SDCP Representative"). Consultant is hereby authorized to rely and act upon all such instructions, directions and communications from such Representative or any agent of such Representative.

2.6 Consultant's Representative. Consultant hereby designates Nicole Dragoo, or her designee, to act as its Representative for the performance of this Agreement (“**Consultant's Representative**”). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

2.7 Coordination of Services. Consultant agrees to work closely with SDCP staff in the performance of Services and shall be available to SDCP's staff, consultants and other staff at all reasonable times.

2.8 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and sub- contractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from SDCP, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of the Consultant or its subcontractors who is determined by SDCP to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to SDCP, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

2.9 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to SDCP, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold SDCP, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

2.10 Insurance.

2.10.1 Time for Compliance. Consultant shall not commence the Services under

this Agreement until it has provided evidence satisfactory to SDCP that it has secured all insurance required under this section, in a form and with insurance companies acceptable to SDCP. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to SDCP that the subcontractor has secured all insurance required under this section.

2.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subcontractors. Consultant shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001 or exact equivalent); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage (form CA 0001, code 1 (any auto) or exact equivalent); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Consultant shall maintain limits no less than: (1) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

2.10.3 Professional Liability. Consultant shall procure and maintain, and require its subcontractors to procure and maintain, for a period of five (5) years following completion of the Services, errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$2,000,000 per claim. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

2.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by SDCP to add the following provisions to the insurance policies:

(A) General Liability.

(i) Commercial General Liability Insurance must include coverage for (1) Bodily Injury and Property Damage; (2) Personal Injury/Advertising Injury; (3) Premises/Operations Liability; (4) Products/Completed Operations Liability; (5) Aggregate Limits that Apply per Project; (6) Explosion, Collapse and Underground (UCX) exclusion deleted; (7) Contractual Liability with respect to this Agreement; (8) Broad Form Property Damage; and (9) Independent Consultants Coverage.

(ii) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to the Agreement.

(iii) The policy shall give SDCP, its directors, officials, officers, employees, and agents insured status using ISO endorsement forms 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(iv) The additional insured coverage under the policy shall be “primary and non-contributory” and will not seek contribution from SDCP’s insurance or self-insurance and shall be at least as broad as CG 20 01 04 13, or endorsements providing the exact same coverage.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) SDCP, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects SDCP, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant’s scheduled underlying coverage. Any insurance or self-insurance maintained by SDCP, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant’s insurance and shall not be called upon to contribute with it in any way.

(C) Workers’ Compensation and Employers Liability Coverage.

(i) Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers’ compensation or to undertake self-insurance in accordance with the provisions of that code, and Consultant will comply with such provisions before commencing work under this Agreement.

(ii) The insurer shall agree to waive all rights of subrogation against SDCP, its directors, officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

(D) All Coverages. Defense costs shall be payable in addition to the limits set forth hereunder. Requirements of specific coverage or limits contained in this section are

not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits set forth herein shall be available to SDCP, its directors, officials, officers, employees and agents as additional insureds under said policies. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater.

(i) The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of SDCP (if agreed to in a written contract or agreement) before SDCP's own insurance or self-insurance shall be called upon to protect it as a named insured. The umbrella/excess policy shall be provided on a "following form" basis with coverage at least as broad as provided on the underlying policy(ies).

(ii) Consultant shall provide SDCP at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to SDCP at least ten (10) days prior to the effective date of cancellation or expiration.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by SDCP, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(v) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, SDCP has the right but not the duty to obtain the insurance it deems necessary and any premium paid by SDCP will be promptly reimbursed by Consultant or SDCP will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, SDCP may cancel this Agreement. SDCP may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(vi) Neither SDCP nor any of its directors, officials, officers, employees or agents shall be personally responsible for any liability arising under or by virtue of this Agreement.

2.10.5 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to SDCP, its directors, officials, officers, employees, agents and volunteers.

2.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by SDCP. Consultant shall guarantee that, at the option of SDCP, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects SDCP, its directors, officials, officers, employees, agents and volunteers; or (2) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

2.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, licensed to do business in California, and satisfactory to SDCP.

2.10.8 Verification of Coverage. Consultant shall furnish SDCP with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to SDCP. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf and shall be on forms provided by SDCP if requested. All certificates and endorsements must be received and approved by SDCP before work commences. SDCP reserves the right to require complete, certified copies of all required insurance policies, at any time.

2.10.9 Subcontractor Insurance Requirements. Consultant shall not allow any subcontractors to commence work on any subcontract until they have provided evidence satisfactory to SDCP that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors shall be endorsed to name SDCP as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, SDCP may approve different scopes or minimum limits of insurance for particular subcontractors.

2.10.10 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and life-saving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are

necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3. **Fees and Payments.**

3.1 Compensation. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit C, attached hereto. The total compensation shall not exceed **Two Hundred and Fifty Thousand Dollars (\$250,000)** without written approval of SDCP's CEO. Extra Work may be authorized, as described below, and, if authorized, said Extra Work will be compensated at the rates and manner set forth in this Agreement.

3.2 Payment of Compensation. Consultant shall submit to SDCP a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the amount of Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. SDCP shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3 Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by SDCP.

3.4 Extra Work. At any time during the term of this Agreement, SDCP may request that Consultant perform Extra Work. As used herein, "**Extra Work**" means any work which is determined by SDCP to be necessary for the proper completion of the Project, but which the Parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from SDCP's Representative.

4. **Accounting Records.** Consultant shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of SDCP during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

5. **General Provisions.**

5.1 Termination of Agreement.

5.1.1 Grounds for Termination. SDCP may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to SDCP, and

Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, SDCP may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such documents and other information within fifteen (15) days of the request.

5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, SDCP may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

5.2 Delivery of Notices. All reports and other communications required hereunder to be in writing shall be delivered in person, or sent by first-class mail postage prepaid, by overnight courier, by confirmed facsimile with original to follow or by confirmed electronic mail with proof of receipt to the addresses set forth below. Either party to this Agreement may, by written notice given at any time, designate a different address for the receipt of reports and other communications due hereunder:

Consultant: Chandler Asset Management
9255 Towne Centre Drive
Suite 600
San Diego, CA 92121

SDCP: San Diego Community Power
815 E Street, Suite 12716
San Diego, CA 92112

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

5.2.1 Electronic Delivery. From time to time, Consultant may be required to deliver certain documents to SDCP such as account information, notices and required disclosures. SDCP hereby consents to Consultant's use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and SDCP agrees that such notification will constitute "delivery". SDCP further agrees to provide Consultant with SDCP's email address(s) and to keep this information current at all times by promptly notifying Consultant of any change in email address(s). SDCP email addresses: EWashington@sdcommunitypower.org;
TManglicmot@sdcommunitypower.org;
CDo@sdcommunitypower.org

5.3 Ownership of Materials and Confidentiality.

5.3.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for SDCP to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement (“**Documents & Data**”). Consultant shall require all subcontractors to agree in writing that SDCP is granted a non-exclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or provided to Consultant by SDCP. SDCP shall not be limited in any way in its use of the Documents & Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at SDCP’s sole risk.

5.3.2 Intellectual Property. In addition, SDCP shall have and retain all right, title and interest (including copyright, patent, trade secret and other proprietary rights) in all plans, specifications, studies, drawings, estimates, materials, data, computer programs or software and source code, enhancements, documents, and any and all works of authorship fixed in any tangible medium or expression, including but not limited to, physical drawings or other data magnetically or otherwise recorded on computer media (“**Intellectual Property**”) prepared or developed by or on behalf of Consultant under this Agreement as well as any other such Intellectual Property prepared or developed by or on behalf of Consultant under this Agreement.

SDCP shall have and retain all right, title and interest in Intellectual Property developed or modified under this Agreement whether or not paid for wholly or in part by SDCP, whether or not developed in conjunction with Consultant, and whether or not developed by Consultant. Consultant will execute separate written assignments of any and all rights to the above referenced Intellectual Property upon request of SDCP.

Consultant shall also be responsible to obtain in writing separate written assignments from any subcontractors or agents of Consultant of any and all right to the above referenced Intellectual Property. Should Consultant, either during or following termination of this Agreement, desire to use any of the above-referenced Intellectual Property, it shall first obtain the written approval of the SDCP.

All materials and documents which were developed or prepared by the Consultant for general use prior to the execution of this Agreement and which are not the copyright of any other party or publicly available and any other computer applications, shall continue to be the property of the Consultant. However, unless otherwise identified and stated prior to execution of this Agreement, Consultant represents and warrants that it has the right to grant the exclusive and perpetual license for all such Intellectual Property as provided herein.

SDCP further is granted by Consultant a non-exclusive and perpetual

license to copy, use, modify or sub-license any and all Intellectual Property otherwise owned by Consultant which is the basis or foundation for any derivative, collective, insurrectional, or supplemental work created under this Agreement.

5.3.3 Confidential Relationship. The terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Consultant to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties.

5.3.4 Infringement Indemnification. Consultant shall defend, indemnify and hold SDCP, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by SDCP of the Documents & Data, including any method, process, product, or concept specified or depicted.

5.4 Cooperation; Further Acts. The Parties shall fully cooperate with one another and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

5.5 Attorney's Fees. If either Party commences an action against the other Party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

5.6 Indemnification.

5.6.1 To the fullest extent permitted by law, Consultant shall defend (with counsel of SDCP's choosing), indemnify and hold the SDCP, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant shall defend, at Consultant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against SDCP, its directors, officials, officers, employees, agents or volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against SDCP or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. Consultant shall reimburse SDCP and its directors, officials, officers, consultants, employees, agents and/or volunteers, for any and

all legal expenses and costs, including reasonable attorneys' fees, incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the SDCP, its officials, officers, employees, agents, or volunteers. This section shall survive any expiration or termination of this Agreement.

5.6.2 If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code § 2782.8), then, and only to the extent required by Civil Code § 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

5.7 Entire Agreement. This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both Parties.

5.8 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in San Diego County.

5.9 Time of Essence. Time is of the essence for each and every provision of this Agreement.

5.10 SDCP's Right to Employ Other Consultants. SDCP reserves right to employ other consultants in connection with this Project.

5.11 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the Parties.

5.12 Assignment or Transfer. Consultant shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of SDCP. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

5.13 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subcontractors of Consultant, except as otherwise specified in this Agreement. All references to SDCP include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this

Agreement.

5.14 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

5.15 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

5.16 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

5.17 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

5.18 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, SDCP shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of SDCP, during the term of his or her service with SDCP, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

5.19 Equal Opportunity Employment and Subcontracting. Consultant represents that it is an equal opportunity employer and it shall not discriminate on the basis of race, gender, gender expression, gender identity, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of applicants, employees, subcontractors, vendors, or suppliers. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Further, Consultant shall provide equal opportunity for subcontractors to participate in subcontracting opportunities.

5.20 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for Workers' Compensation, or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

5.21 Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make

this Agreement and bind each respective Party.

5.22 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

5.23 Subcontracting. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of SDCP. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

**SIGNATURE PAGE TO
SAN DIEGO COMMUNITY POWER
PROFESSIONAL SERVICES AGREEMENT**

IN WITNESS WHEREOF, the Parties have made and executed this Agreement as of the date first written above.

SAN DIEGO COMMUNITY POWER

CHANDLER ASSET MANAGEMENT

By: _____

By: _____

Name: Karin Burns

Name: Nicole Dragoo

Title: CEO

Title: Chief Executive Officer

ATTEST:

Secretary, SDCP Board of Directors

APPROVED AS TO FORM:

SDCP General Counsel

EXHIBIT A

SCOPE OF SERVICES

Chandler Asset Management, Inc. (“Chandler”) has both the expertise and bandwidth to perform each of the required duties specified in this Agreement as well as additional special services as requested.

- 1. Client Onboarding and implementation**
- 2. Develop and implement an investment strategy that is aligned with SDCP's Investment Policy.**

Chandler will provide full-time discretionary investment management services for SDCP and will develop objectives and constraints for each portfolio through a collaborative process with your staff, including:

A. Reviewing SDCP's Investment Policy

At the inception of the Agreement, Chandler's investment team will review SDCP's current investment policy and provide guidance on strategies and relevant compliance considerations, including:

- Scope of the policy that defines which funds are covered;
- Investment objectives that clearly define how to attain safety, liquidity, and return;
- Standard of care;
- Delegation of authority;
- Ethics and conflicts of interest;
- Authorized investments;
- Management of market and credit risk;
- Safekeeping and custody of securities;
- Reporting requirements; and
- Performance standards

Chandler conducted an initial review of SDCP's Investment Policy and made the following recommendations:

- Update the acceptable investment types to align with California Government Code.
 - SDCP could expand their portfolio to include medium-term notes, pass-through securities, municipal securities and/or supranationals.
- Enhance risk management by adding a limitation to callable bonds, updating language on qualified institutional buyers (QIBs), and detailing the maximum allocation for each acceptable investment in the portfolio.
- Update language of prohibited investments to incorporate a September 2022

change to California Government Code, which limits the purchase of a security with a settlement date greater than 45 days (SB 1489).

- Provide a market benchmark for performance evaluation to be included in the annual report.

B. Chandler will assist SDCP's staff prepare to share findings and recommendations with stakeholders.

This review would be conducted annually and include suggestions to reflect the latest changes to California Government Code, as well as incorporate your objectives and cash flow needs that may change over time.

C. Developing an Approach to Socially Responsible Investing (SRI) and Environmental, Social and Governance (ESG) Practices

Chandler will work with SDCP staff to integrate sustainable investment guidelines into SDCP's portfolio as needed. This service includes:

- Advising on SRI language designed to exclude specific sectors of the market, such as gas & oil, tobacco/alcohol, and/or firearms;
- Ongoing consideration / analysis of ESG characteristics within Chandler's overall issuer selection process prior to purchasing a security for inclusion within your portfolio;
- Identifying and taking action when investments deviate from the organization's SRI and/ or ESG objectives;
- Monitoring and testing SRI compliance pre and post trade using Chandler's extensive multi-level compliance system; and
- Reporting on SRI compliance in monthly and quarterly reports

D. Conducting a Cash Flow Analysis.

Chandler will conduct a statistical analysis of SDCP's use of cash and incorporate any known budgetary events to project future balances and quantify liquidity needs, as well as identify any opportunities to optimize its investments through an investment program allocation to longer duration strategies.

As SDCP continues to grow, it may have even more funds to optimize between its liquid and core portfolios, and we would revisit our cash flow analysis and forecasts frequently to confirm that the portfolio is structured to enhance returns.

E. Establishing an Appropriate Performance Benchmark.

In line with an overarching investment strategy Chandler will identify an appropriate benchmark to measure portfolio outcomes. The benchmark will reflect the actual securities being purchased and the risks undertaken and should have a similar weighted average maturity and credit profile as the portfolio.

3. Ensure preservation of principal.

Chandler will manage SDCP's investment portfolio comprised of asset classes in the U.S. fixed income universe that align with SDCP's objectives of safety, liquidity, and return and as permitted by California Government Code 53601 and 53635.

Chandler will reduce exposure to market risk by diversifying the portfolio by issuer and security type, and by establishing and maintaining a target portfolio duration that is consistent with SDCP's risk profile and investment objectives. Additionally, Chandler will employ an in-house, proprietary credit research process with the objective of identifying stable and improving credits to include in client portfolios.

4. Manage funds in accordance with "Prudent Investor Standard" pursuant to California Government Code Section 53600.3

5. Attain a market rate of return throughout the economic cycle while considering investment risk and liquidity constraints.

6. Monitor and manage the risks in conformance with the internal controls associated with SDCP's investment portfolio.

7. Provide SDCP with regular reports on the performance of the investment portfolio & Access to the Chandler Client Portal, Clearwater Analytics.

Monthly Statement – Chandler will provide monthly portfolio accounting and performance statements. Each monthly report begins with a one-page management summary of portfolio characteristics that provides an excellent overview of the portfolio, including performance relative to your selected benchmark(s), followed by a statement of compliance. A detailed asset listing, including cost, book, and market values, a transaction ledger, an earned interest report, and a cash flow report follow the summary page. The delivery of these reports will be provided on the 3rd business day of the month following month end.

Quarterly Reports – Chandler will provide quarterly investment reports in a format designed to facilitate discussion between our investment professionals and SDCP. The reports present portfolio characteristics, return, and compliance using graphs, charts, and illustrations in a format that is effective for your financial staff, Board of Directors, and additional stakeholders.

Annual Reports – Chandler will provide a GASB 40 report which provides the information needed to prepare the required fiscal year-end portfolio risk assessment, and will assist SDCP in drafting the narratives for GASB notes and financial notes included in SDCP's Comprehensive Annual Financial Report. A GASB 72 report will be made available by fiscal year-end.

8. Meet with SDCP Regularly to Discuss Investment Performance and Strategy

Chandler will facilitate regular Quarterly or Monthly meetings, determined jointly by Chandler and SDCP, to address your governing body per your requirements.

9. Provide Special Financial Services as Requested by SDCP

Key tasks are as follows; other special financial services can be accommodated at SDCP's request:

Task	Frequency
Conduct kick-off meeting	At inception
Investment Policy review	At inception; annually thereafter
Bond Indenture review	At inception/as needed
Cash flow analysis	At inception/ongoing
Establish benchmarks/strategies	At inception
Invest initial funds	At inception
Conduct investment research	Ongoing (weekly)
Reinvest funds	Ongoing (as needed)
Review compliance	Daily
Provide monthly reports	Monthly (aim to provide by 3 rd business day)
Provide quarterly reports	Quarterly (aim to provide by 20 th business day)
In-person presentations	Quarterly/as needed
Review cash flow forecasts	Ongoing
Maintain proactive communication	Daily

EXHIBIT B

ADDITIONAL TERMS SPECIFIC TO INVESTMENT MANAGEMENT RELATIONSHIP

1. Investment Policy. In investing and reinvesting SDCP's assets, Consultant shall comply with SDCP's Investment Policy, which is located on SDCP's website at the following hyperlink: <https://sdcommunitypower.org/key-documents/>.
2. Authority of Consultant. Consultant is hereby granted full discretion to invest and reinvest all assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by Representative.
3. Proxy Voting. Consultant will vote proxies on behalf of SDCP unless otherwise instructed. Consultant has adopted and implemented written policies and procedures and will provide SDCP with a description of the proxy voting procedures upon request. Consultant will provide information regarding how SDCP proxies were voted upon request. To request proxy policies or other information, please contact us by mail at the address provided, by calling 800-317-4747 or by emailing your request to info@chandlerasset.com.
4. Custody of Securities and Funds. Consultant shall not have custody or possession of the funds or securities that SDCP has placed under its management. SDCP shall appoint a custodian to take and have possession of its assets. SDCP recognizes the importance of comparing statements received from the appointed custodian to statements received from Consultant. SDCP recognizes that the fees expressed above do not include fees SDCP will incur for custodial services.
5. Valuation. Consultant will value securities held in portfolios managed by Consultant no less than monthly. Securities or investments in the portfolio will be valued in a manner determined in good faith by Consultant to reflect fair market value.
6. Investment Advice. SDCP recognizes that the opinions, recommendations and actions of Consultant will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Consultant acts in good faith, SDCP agrees that Consultant will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable laws.
7. Payment of Commissions. Consultant may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Consultant to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act. Nevertheless, it is understood that Consultant may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Consultant makes no warranty or representation regarding commissions paid on transactions hereunder.

8. Other Clients. It is further understood that Consultant may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for SDCP's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Consultant will have no obligation to purchase or sell for SDCP's account any securities which it may purchase or sell for other clients.

9. Receipt of Brochure and Privacy Policy. SDCP hereby acknowledges receipt of the disclosure statement or "brochure" and "brochure supplement" also known as Part 2A and Part 2B of Form ADV, required to be delivered pursuant to Rule 204-3 of the Investment Advisers Act of 1940 (Brochure). SDCP further acknowledges receipt of Consultant's Privacy Policy, as required by Regulation S-P.

EXHIBIT C

Fee Schedule for Advisory Services

Chandler will provide investment advisory services in accordance with the following fee schedule:

Assets Under Management	Annual Asset Management Fee
First \$125 million	0.07 of 1% (7 basis points)
Next \$75 million	0.04 of 1% (4 basis points)
Over \$200 million	0.03 of 1% (3 basis points)

Fees will be charged monthly in arrears and can be debited directly from your third-party custody account. The proposed fee schedule is all-inclusive for the services that Chandler provides, including technological resources, onboarding and implementation, online access to the Chandler Client Portal, comprehensive reporting, and meetings, as well as the investment management and treasury management support services described herein.

This fee schedule does not include charges that SDCP would incur for third party custodial services.