



# Finance & Risk Management Committee Meeting

June 20, 2024



The image features a background of blue water with ripples. A white diagonal shape, resembling a large arrow pointing from the top-left towards the bottom-right, is superimposed over the water. Inside this white shape, the text "Welcome & Call to Order" is written in a bold, blue, sans-serif font, arranged in four lines.

**Welcome  
&  
Call to  
Order**

The background features a vibrant blue water surface with gentle ripples. A large, white, diagonal shape, resembling a stylized arrow or a large 'V', is superimposed over the water, pointing from the top-left towards the bottom-right. The text 'Roll Call' is centered within this white shape.

# Roll Call



The background of the slide is a photograph of blue water with ripples. A large white diagonal shape, resembling a triangle pointing to the right, is overlaid on the water. The text is positioned within this white shape.

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Withdrawn  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

# Warm Welcome to Finance Intern!

Michelle Soto




San Diego Native

Student at UC  
Berkeley

Major:  
Environmental Econ.  
and Policy

Minor: Data Science



**Public  
Comment  
for Items  
NOT  
on the  
Agenda**

# Consent Agenda

1. Approval of May 16, 2024,  
Meeting Minutes



The background of the slide is a vibrant blue water surface with gentle ripples. A large, white, diagonal arrow shape is superimposed over the water, pointing from the top-left towards the bottom-right. The text is centered within the white arrow.

# **Public Comment on Consent Agenda**

# Regular Meeting Agenda

2. Review of Treasurer's Report for Period Ending April 30, 2024
3. Approval of Second Revision of Reserves Policy Revision
4. Approval of Investment Policy Revision
5. Approval of the FY 2024-25 Operating Budget, the FY 2024-25 Capital Budget, and the FY 2025-29 Capital Investment Plan

# Item 2

## Treasurer's Report for Period Ending April 30, 2024

**Recommendation: Receive and File Treasurer's Report for Period Ending April 30, 2024**

# Item 1: Treasurer's Report

## YTD FY24 Budget v. Actual

Results for the period underperformed overall compared to the adopted budget:

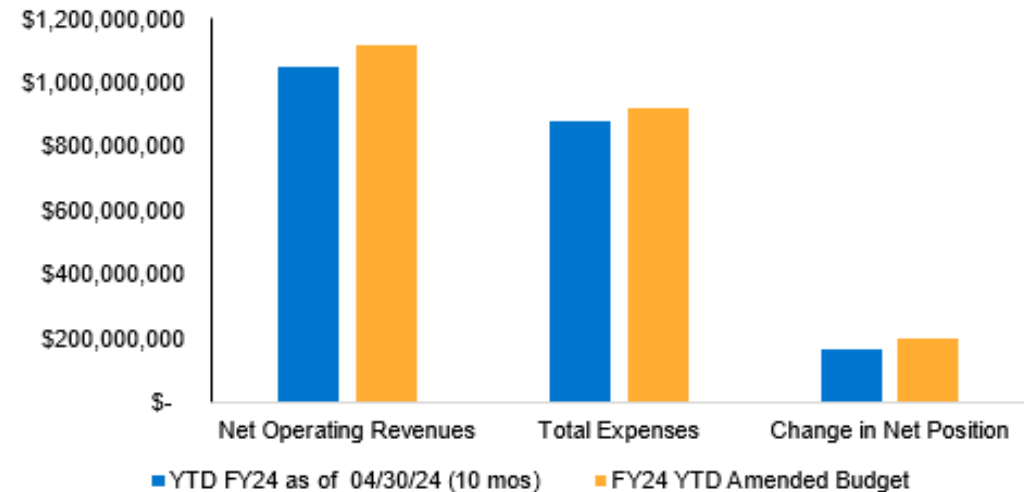
- Net operating revenues 6.0 percentage points under budget.
- Operating expenses came in 4.0 percentage points under budget

Financial results for the YTD FY24:

- \$1,048.2M in net operating revenues
- \$881.1M in total expenses (includes energy costs of \$859.09M or 82% of net revenues)
- \$167.2M change in YTD net position

Budget Comparison				
	YTD FY24 as of 04/30/24 (10 mos)	FY24 YTD Amended Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 1,048,220,173	\$ 1,119,783,840	\$ (71,563,667)	94%
Total Expenses	\$ 881,056,581	\$ 918,534,474	\$ (37,477,893)	96%
Change in Net Position	\$ 167,163,592	\$ 201,249,366	\$ (34,085,774)	-17%

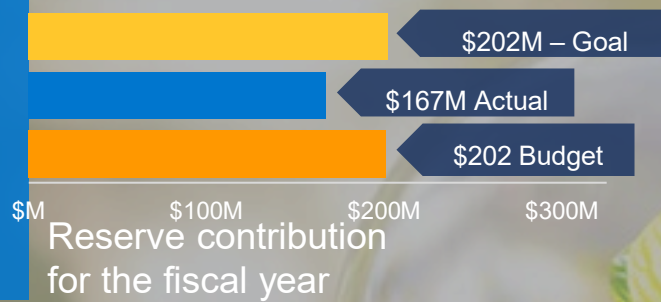
YTD FY24 Results v. Budget



# Item 1: Treasurer's Report

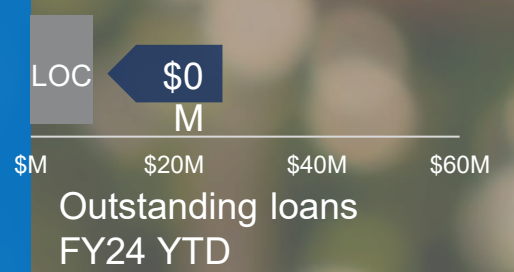
## CONTRIBUTION

**\$167M**  
Reserve Contribution  
FY 2023-24 YTD



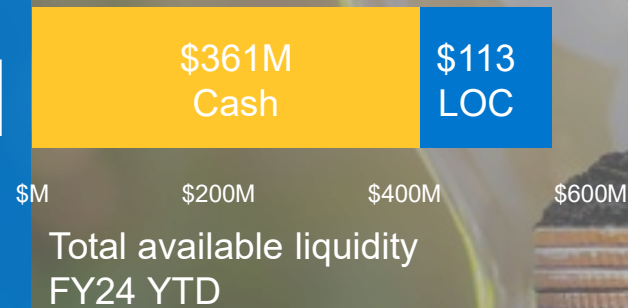
## DEBT

**\$0M**  
Outstanding Debt  
FY 2023-24 YTD



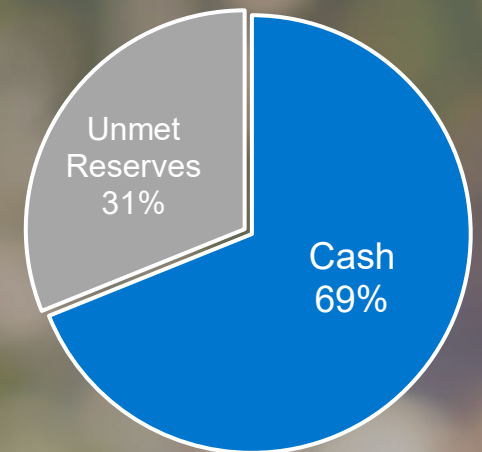
## RESERVES

**\$474M**  
Total Liquidity  
FY 2023-24 YTD



## GOAL

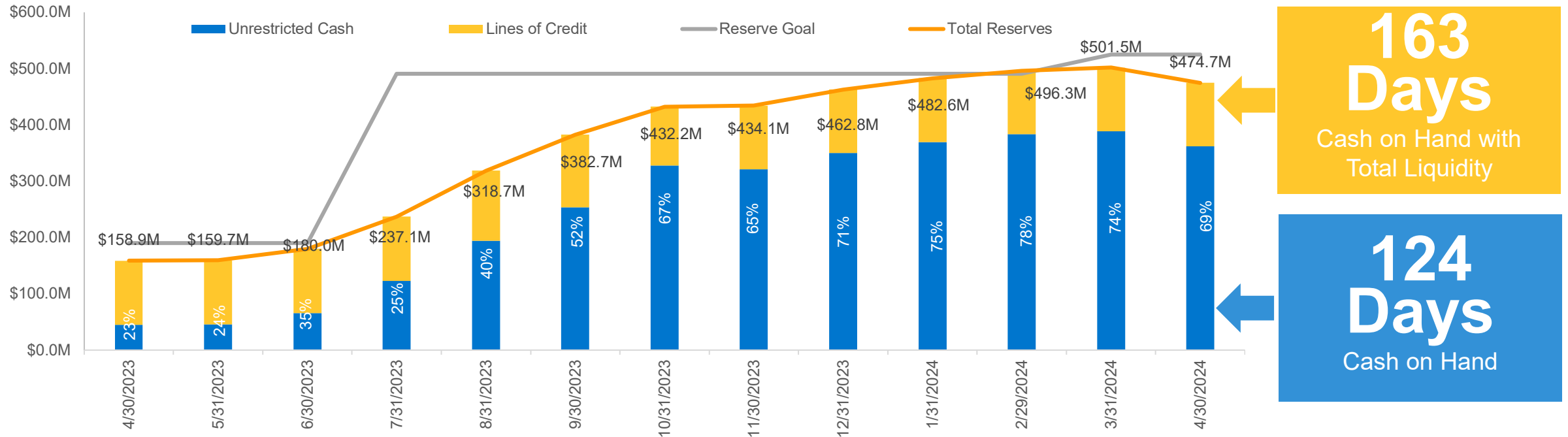
**69%**  
Percent Reserve  
Goal Met  
FY 2023-24



\$525M 180-DCOH  
Reserve Target FY24

# Item 1: Treasurer's Report

Rolling 12 Month Reserves FY 2023-24



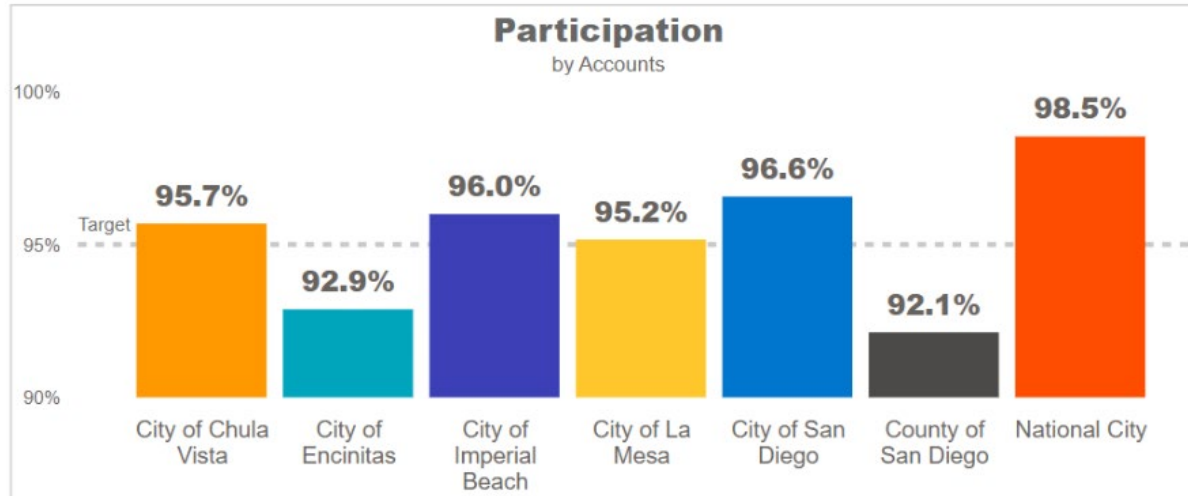
**163 Days**

Cash on Hand with Total Liquidity

**124 Days**

Cash on Hand

# Item 1: Treasurer's Report



Jurisdiction	Active	Eligible	Opt Outs	Participation
<b>City of Chula Vista</b>	94,079	98,323	4,244	95.7%
<b>City of Encinitas</b>	26,532	28,566	2,034	92.9%
<b>City of Imperial Beach</b>	10,519	10,958	439	96.0%
<b>City of La Mesa</b>	28,049	29,476	1,427	95.2%
<b>City of San Diego</b>	601,983	623,408	21,425	96.6%
<b>County of San Diego</b>	174,925	189,906	14,953	92.1%
<b>National City</b>	19,236	19,528	287	98.5%
<b>Total</b>	<b>955,323</b>	<b>1,000,165</b>	<b>44,809</b>	<b>95.5%</b>



# **Public Comment for Item 2**



# Item 2

## Treasurer's Report for Period Ending April 30, 2024

### Recommendation: Receive and File Treasurer's Report for Period Ending April 30, 2024

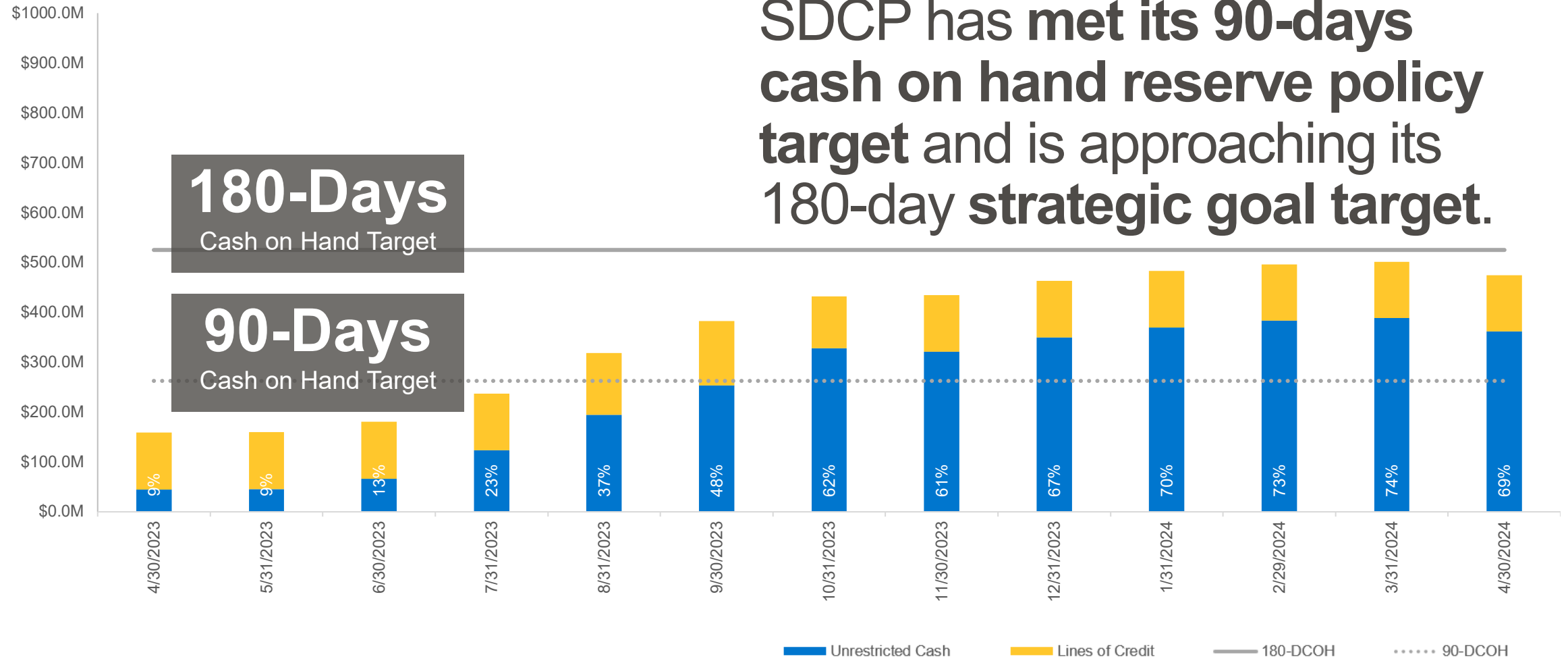
# Item 3

## Approval of Second Revision of Reserves Policy

**Recommendation: Recommend Board Approval of Reserve Policy Revision**

# Historical Cash on Hand and Liquidity

SDCP has met its 90-days cash on hand reserve policy target and is approaching its 180-day strategic goal target.



# Reserve Policy Updates

## Current Policy

**Contribution:**  
15% Gross Revenue  
Annually

**Goal:**  
90-Days Operating  
Expense

SDCP will allocate up to 15% of gross revenue annually toward building an Operating/Working Capital Reserve equivalent to 90 days of total operating expenses held as unrestricted cash.

## Proposed Policy

**Contribution:**  
Discretionary

**Goal:**  
180-Days Cash on  
Hand

The contribution to Reserves is determined through SDGP's annual budget process as defined in the agency's Budget Policy and/or SDGP's rate setting process as defined in the agency's Rate Development Policy.

### Use of Excess Reserves

Capital Projects	Financing Programs
Strategic Purposes	Paying Debt
	Rate Reductions

### Use of Excess Reserves

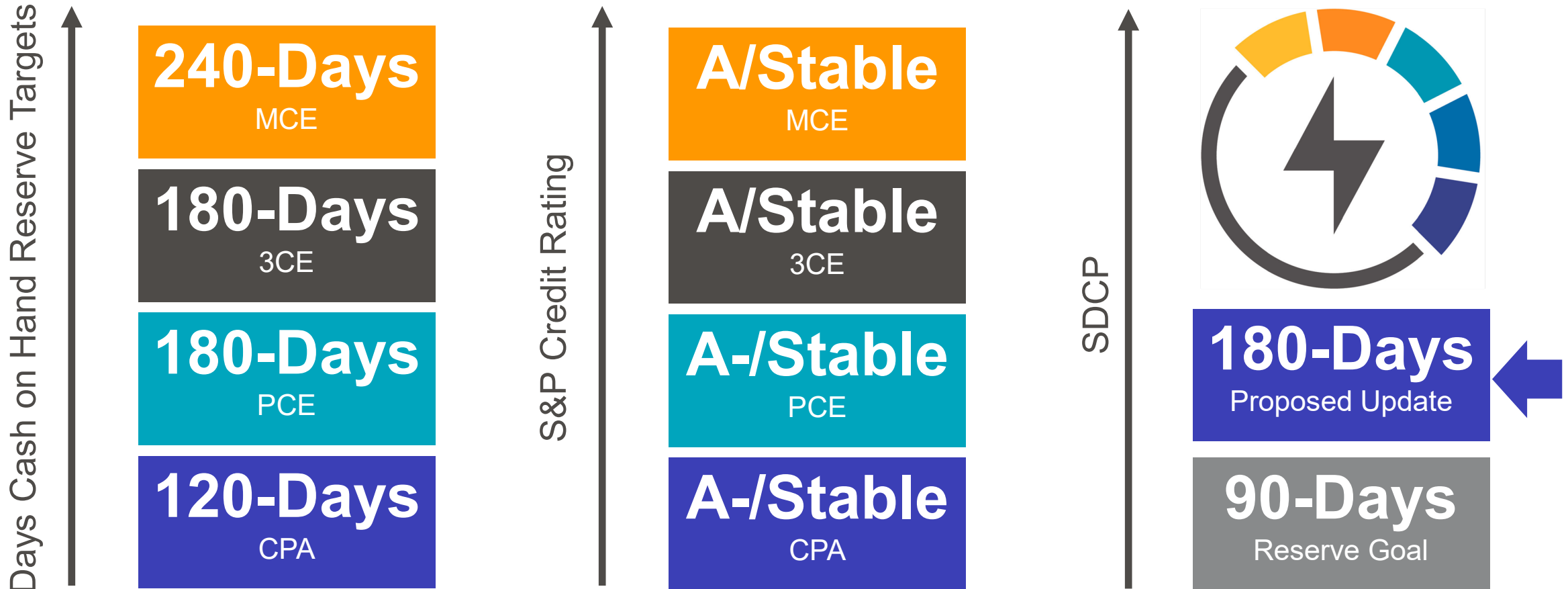
Capital Projects	Financing Programs
Strategic Purposes	Paying Debt
Stabilization Reserve	Rate Reductions
Programmatic Reserve	


### Definitions

**Reserves:** Net Position

**Days cash on hand:**  
(unrestricted cash and cash equivalents) x 365 /  
(operating expenses for the current fiscal year)

# Benchmarking – CCA Reserve Targets





**Public  
Comment  
for Item 3**

# Item 3

## Approval of Second Revision of Reserves Policy

**Recommendation: Recommend Board Approval of Reserve Policy Revision**

# Item 4

## Approval of Investment Policy Revision

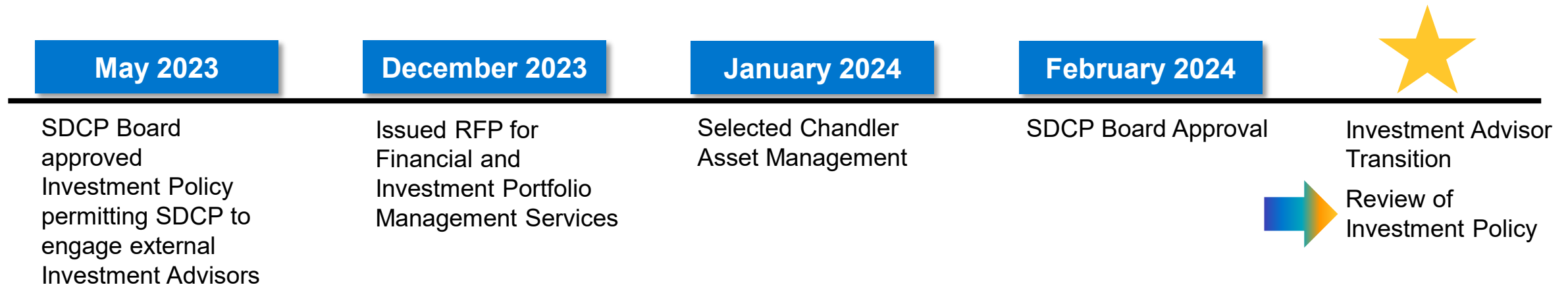
### Recommendation:

**Recommend Board Approval of Resolution No. 2024-04, adopting the first revision of the SDCP Investment Policy.**

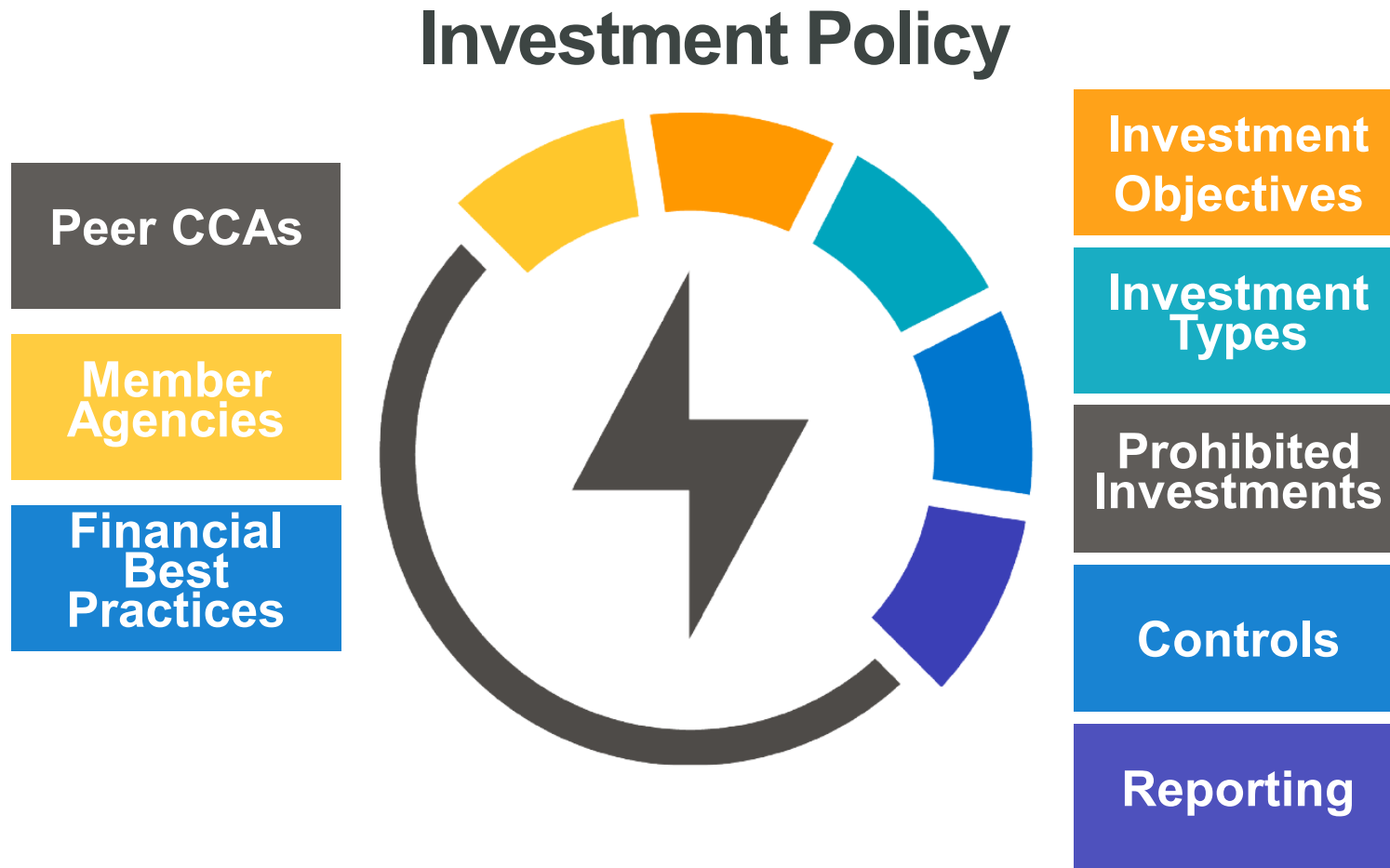


# Investment Policy Timeline

The timeline including Chandler Asset Management process:



# Development of Investment Policy



# Investment Policy Revisions

The revised Investment Policy includes updated language from the recent passing of SB 1489.

## Market Benchmark

Added to Annual Report

## Collateralization Language

Pursuant to State Code

## Acceptable Investments

4 Additional Investment Types

## Risk Management

Renamed Diversification section to include Risk Management

## Updated Glossary

Clearer Glossary Terms

## Prohibited Investments

Securities with settlement date exceeding 45 days

# Acceptable Investment Types

All Authorized investment types for SDCP are pursuant to California Government Code 53601.

## Acceptable Investments

- ✓ Deposits at Banks
- ✓ Local Agency Investment Fund (LAIF)
- ✓ US Treasury Obligations
- ✓ Federal Agency Securities
- ✓ Bankers' Acceptances
- ✓ Negotiable Certificates of Deposit
- ✓ Placement Service Deposits
- ✓ Money Market Funds
- ✓ Commercial Paper

## Added Acceptable Investments

- ✓ Medium Term Notes
- ✓ Pass Thru Securities
- ✓ Municipal Securities
- ✓ Supranationals



# Prohibited Investment Types

Pursuant to Section 53601.6, SDCP shall not invest in any fund or security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to:

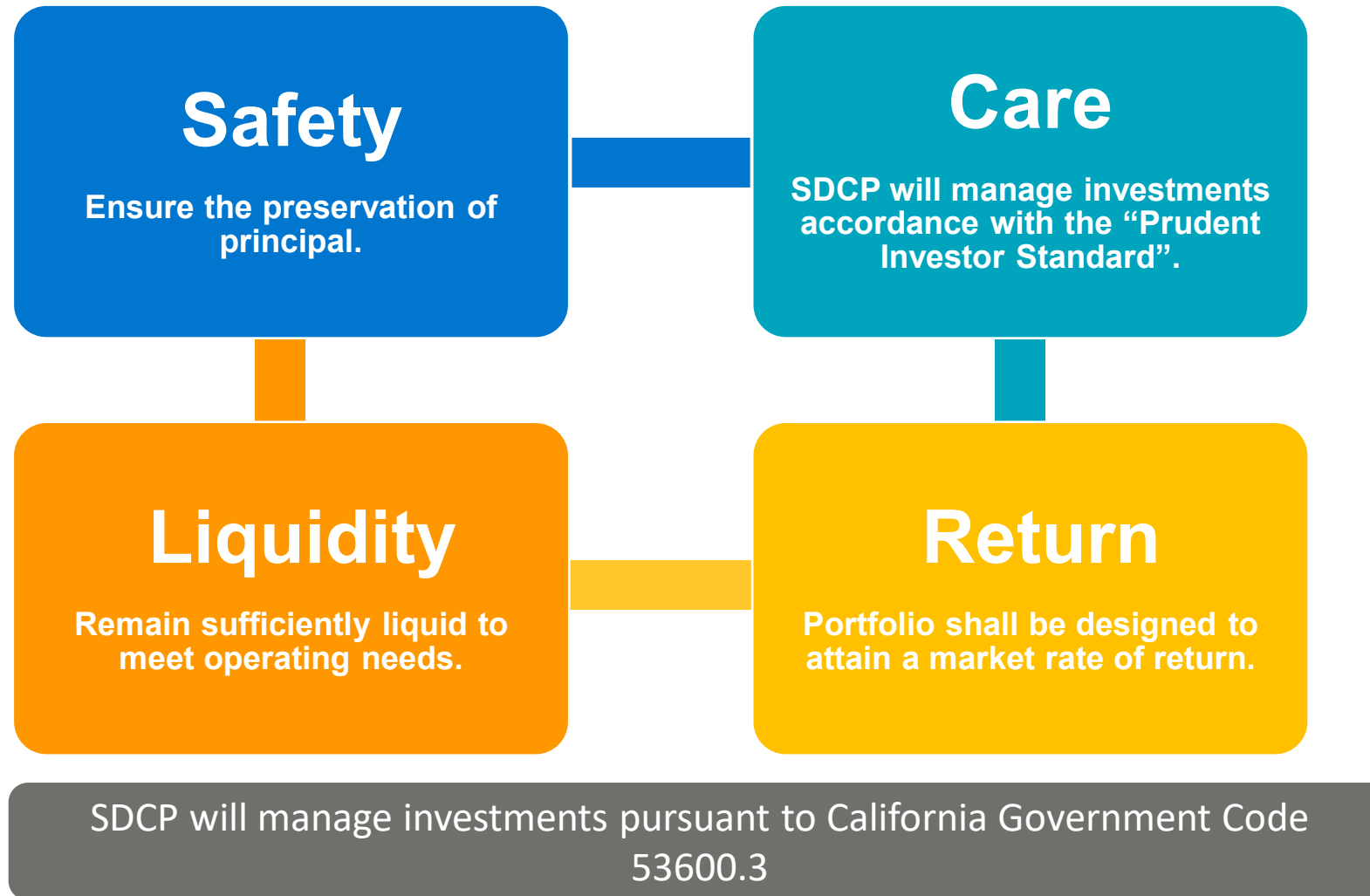
## Prohibited Investments


- X Inverse Floaters
- X Range Notes
- X Mortgage-derived Interest-only Strips
- X Foreign Currency
- X Crypto Asset Securities
- X Trading securities for the sole purpose of speculating on the future direction of interest rates.
- X Purchasing or selling securities on margin.

## Added Prohibited Investments

- X Securities with settlement date exceeding 45 days (SB 1489 Requirement)

# Investment Objectives (Safety, Liquidity, Return, Standard of Care)





**Public  
Comment  
for Item 4**

# Item 4

## Approval of Investment Policy Revision

### Recommendation:

**Recommend Board Approval of Resolution No. 2024-04, adopting the first revision of the SDCP Investment Policy.**



# Item 5

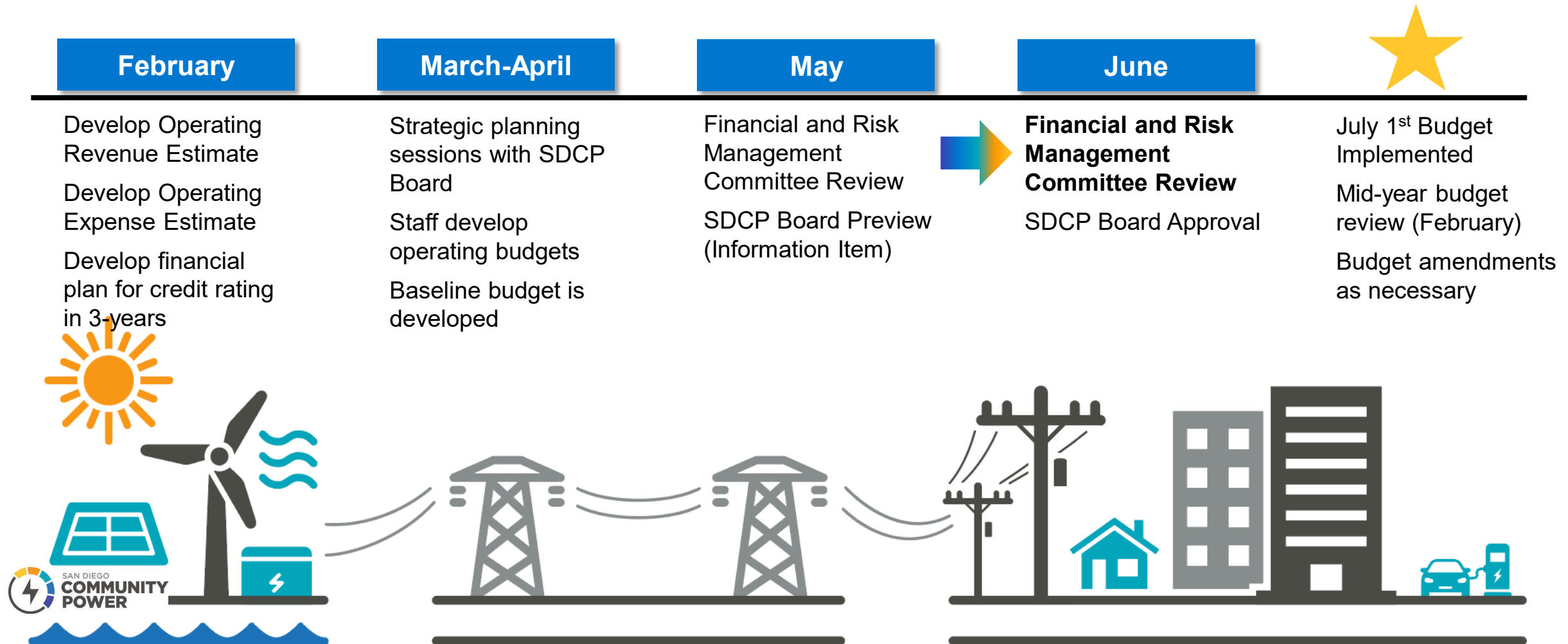
## Approval of the FY 2024-25 Operating Budget, the FY 2024-25 Capital Budget, and the FY 2025-29 Capital Investment Plan

### Recommendation:

Recommend Board Approval of Resolution No. 2024-03, adopting the FY 2024-2025 Operating Budget, the FY 2024-2025 Capital Budget, and the FY 2025-2029 Capital Investment Plan.

# Budget Development for FY 2024-25

The Board adopted schedule for budget development is the following.



# Budget Principles for FY 2024-25

- Maintain a fiscally **responsible** and **sustainable** budget.
- **Maintain sufficient funds** and **reserves** to **sustain operations** while **considering future economic conditions**.
- **Provide an easier to understand and user-friendly** operating budget for both internal and external users.
- Develop budget within **framework of public-agency guidelines** and **best practices**.
- **Engage the SDCP Board, constituent groups, and the public** in the budget process and inform them about **sustainable energy needs**.
- Keep the SDCP Board of Directors and Executive Team **informed** on the fiscal condition of SDCP.
- Develop a budget that will ultimately **prioritize people, transparency, and our communities**.

# Budget - Highlights

- Thoughtfully scale the agency by **growing to 80 total staff.**
- Continued outreach through **community events, sponsorships and advertising** to inform customers about SDCP.
- Projects added into **Capital Investment Plan (CIP)** for non-recurring costs.
- Reducing **Professional Service Agreement** costs by in-housing services.



SAN DIEGO COMMUNITY POWER

## Proposed Budget

Fiscal Year 2024-25

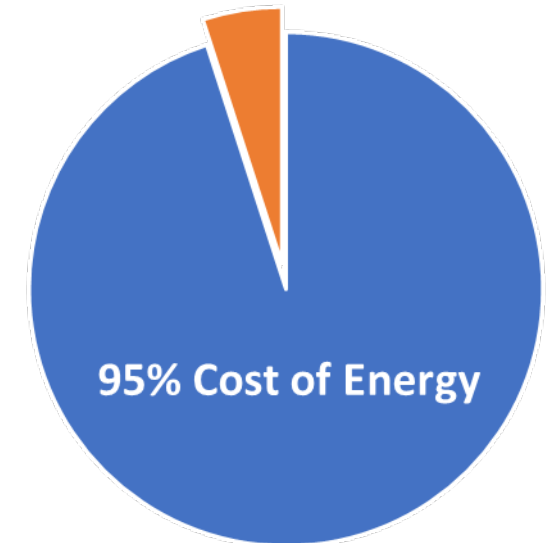
Proposed Draft

June 27, 2024

# Budget – Summary

Item	FY 24 Amended Budget, \$M	FY 25 Draft Budget, \$M
Gross Revenue	1,365.7	1,233.4
Less Uncollectible Accounts	(61.5)	(55.5)
<b>Net Revenue</b>	<b>1,304.3</b>	<b>1,177.9</b>
Cost of Energy	1,020.8	1,073.6
Non-Energy Costs	43.8	53.8
<b>Subtotal Operating Expense</b>	<b>1,064.6</b>	<b>1,127.5</b>
Debt Service	2.4	1.3
Capital Investment Plan	3.9	15.2
<b>Total Expense</b>	<b>1,071.0</b>	<b>1,143.9</b>
<b>Net Position</b>	<b>232.7</b>	<b>34.0</b>
<b>Cumulative Net Position</b>	<b>418.7</b>	<b>452.7</b>

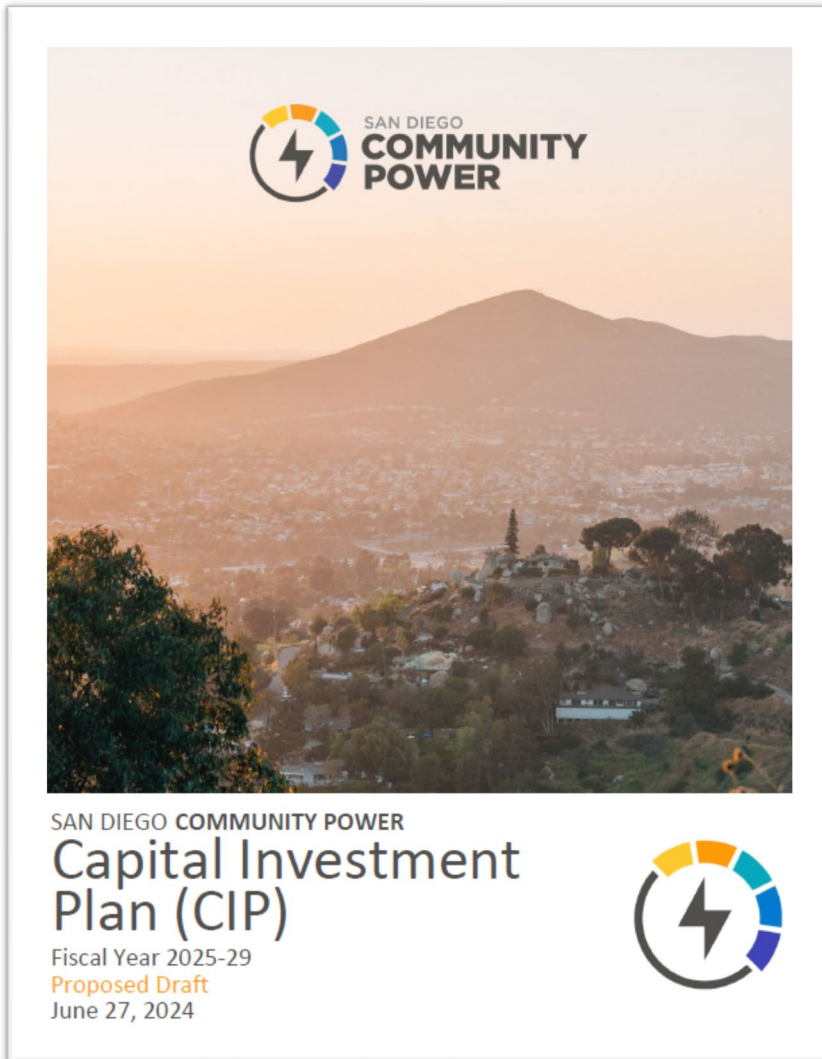
FY25 Cost of Energy / Net Revenue



# Budget – Changes since May Meeting

Category	5/25 Board Meeting	6/20 FRMC Meeting	FY25 Budget Change	% Change
<b>Revenue</b>				
Gross Ratepayer Revenues	\$ 1,223,897,182	\$ 1,233,430,250	\$ 9,533,068	1%
(Less 4.5%* Uncollectible )	\$ 55,075,373	\$ 55,504,361	\$ 428,988	1%
<b>Total</b>	<b>\$ 1,168,821,809</b>	<b>\$ 1,177,925,889</b>	<b>\$ 9,104,080</b>	<b>1%</b>
<b>Expenditures</b>				
Cost of Energy	\$ 1,059,154,955	\$ 1,073,648,137	\$ 14,493,182	1%
General and Administration	\$ 7,734,163	\$ 7,440,416	\$ (293,747)	-4%
Marketing and Outreach	\$ 3,274,454	\$ 3,010,404	\$ (264,050)	-8%
Personnel Costs	\$ 17,854,012	\$ 18,570,043	\$ 716,031	4%
Professional Services and Consultants	\$ 25,087,218	\$ 24,799,232	\$ (287,986)	-1%
Programs	\$ 100,000	\$ -	\$ (100,000)	
<b>Total</b>	<b>\$ 1,113,204,802</b>	<b>\$ 1,127,468,231</b>	<b>\$ 14,263,430</b>	<b>1%</b>
<b>Debt Service</b>	<b>\$ 2,551,069</b>	<b>\$ 1,276,000</b>	<b>\$ (1,275,069)</b>	<b>-50%</b>
<b>CIP</b>	<b>\$ 10,275,030</b>	<b>\$ 15,175,030</b>	<b>\$ 4,900,000</b>	<b>48%</b>
<b>Net Position</b>	<b>\$ 42,790,908</b>	<b>\$ 34,006,627</b>	<b>\$ (8,784,281)</b>	<b>-21%</b>

# FY 2025-29 Capital Investment Plan (CIP)



Solar Battery Savings Program

Regional Energy Network

CPUC Green Tariffs

Solar/Storage Feasibility Study

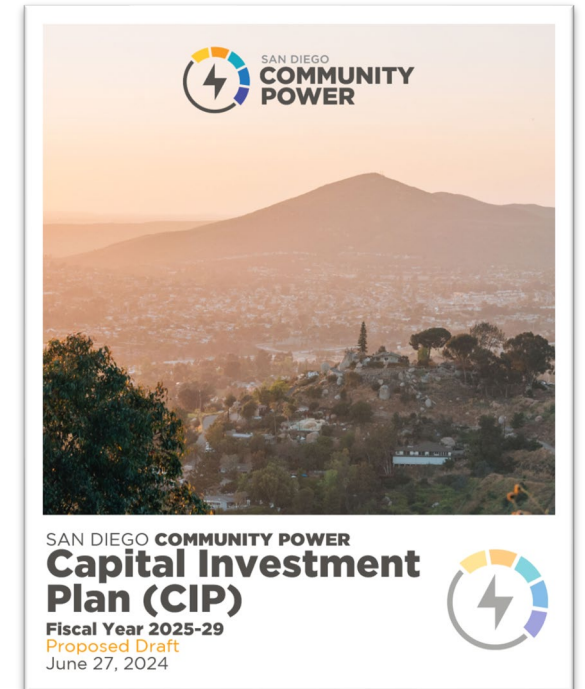
Community Grants

C&I Incentive Program

# Draft CIP – Summary

- **5-year planning document** for tracking program spending over multiple years and non-recurring project costs
- **Leverages** state and federal funding
- Inform region of **community** anticipated needs








Item	Carryforward, \$M	FY 25 Draft Budget, \$M
CIP - Operating Transfer In	3.2	15.2
DAC-GT CSGT	-	0.5
Regional Energy Network	-	0.7
CDFA Healthy Ref. Grant	0.7	-
<b>Total CIP Revenue</b>	<b>3.9</b>	<b>16.4</b>
<b>Total CIP Expense</b>	<b>3.9</b>	<b>16.4</b>





# Draft FY 2024-25 Budget

## Budget Changes by Category

	<b>Revenue</b>	Enrollment complete. Board approved <b>rate change</b> in January 2024.	FY24 <b>\$1,365.7m</b>	FY25 <b>\$1,223.9m</b>
	Cost of Energy	All contracts updated. Forward energy prices updated for open positions.	FY24 <b>\$1,020.8m</b>	FY25 <b>\$1,073.6m</b>
	Professional Services	Calpine higher with full enrollment. ETRM included. IT managed services, procurement counsel increased.	FY24 <b>\$22.3m</b>	FY25 <b>\$24.8m</b>
	Personnel	Recruitment strategy of 10 new staff growing the agency to 80 total staff.	FY24 <b>\$11.7m</b>	FY25 <b>\$18.6m</b>
	Marketing and Outreach	Customer interface improvements, slight increases to Partnerships and Events & Sponsorships.	FY24 <b>\$2.9m</b>	FY25 <b>\$3.0m</b>
	General and Administrative	Increased G&A budget to support operating and staff growth anticipated for FY25.	FY24 <b>\$6.8m</b>	FY25 <b>\$7.4m</b>
	Programs	Programs budget included in CIP as continuing projects. Overall admin in operating.	FY24 <b>\$0.1m</b>	FY25 <b>\$0.0m</b>

# Draft Budget – Personnel

Department	SDCP	MCE	CPA	AVA	PCE	3CE
Power Services	16	7	14	12	9	5
Data Analytics, IT & Customer Ops.	14	21	15	17	9	9
Public Affairs	12	16	8	9	8	4
Programs	11	19	6	12	7	4
Finance	7	5	12	5	2	5
Legal/Regulatory and Legislative	6	11	11	8	6	2
Executive Team	5	5	8	4	6	4
Operations	5	6	1	3	7	-
Human Resources	4	5	3	5	1	1
<b>Total</b>	<b>80</b>	<b>95</b>	<b>78</b>	<b>75</b>	<b>49</b>	<b>38</b>

# Budget – Personnel

Authorized in FY24

Proposed in FY25

Operating Funding



**69 FTEs**  
authorized  
through FY24  
13 FTEs vacant



**4.8 FTEs** funded  
by operating  
proposed in FY25

External Funding



**1 FTE** funded  
externally in  
FY24




**5.2 FTEs** funded  
externally proposed  
in FY25

# Budget – CCA Comparison

Community Choice Aggregator	Years Est. (JPA eff. Date)	Customer Accounts*	Cost of Energy, \$M**	Non-Energy Costs, \$M	Net Ratepayer Revenue, \$M	Energy Costs/Net Revenue (%)
Clean Power Alliance	Jun 2017	1,006,961	1,393.30	67.51	1,585.29	88%
<b>San Diego Community Power</b>	<b>Oct 2019</b>	<b>921,471</b>	<b>1,073.60</b>	<b>53.80</b>	<b>1,177.90</b>	<b>91%</b>
East Bay Community Energy	Dec 2016	643,275	753.52	56.62	962.74	78%
Marin Clean Energy	Dec 2008	586,296	688.76	45.55	787.86	87%
Central Coast Community Energy	Mar 2018	445,377	520.30	42.54	562.83	92%
Peninsula Clean Energy	Feb 2016	309,994	437.86	56.71	466.93	94%

\*Source: CalCCA as of December 2023

\*\*CPA from 5/16/24 Community Advisory Committee FY25 draft budget. SDCP from proposed FY25 budget. EBCE from 5/8/24 Finance Subcommittee FY25 draft budget. MCE from 3/21/24 Board meeting FY25 proposed budget. PCE from 5/13/14 Audit and Finance Committee FY25 draft budget. 3CE from FY24 adopted budget.



**Public  
Comment  
for Item 5**

# Item 5

## Approval of the FY 2024-25 Operating Budget, the FY 2024-25 Capital Budget, and the FY 2025-29 Capital Investment Plan

### Recommendation:

Recommend Board Approval of Resolution No. 2024-03, adopting the FY 2024-2025 Operating Budget, the FY 2024-2025 Capital Budget, and the FY 2025-2029 Capital Investment Plan.

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# **Committee Member Announcements**

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**Adjournment**





*Next Regular*  
**Finance & Risk  
Management  
Committee  
Meeting**

**August 15, 2024**