



Finance & Risk Management Committee Meeting

October 17, 2024





**Welcome
&
Call to
Order**


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Roll Call



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Withdrawn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

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Public Comment for Items not on the Agenda

Consent Calendar

1. Approval of September 19, 2024,
Meeting Minutes

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Public Comment on Consent Calendar

Regular Agenda

2. Fiscal Year End 2023-24 Financial Audit Progress Report Presentation
3. Review of Treasurer's Report for Period Ending July 31, 2024
4. Recommend Board Approval of Resolution No. 2024-08, authorizing execution of an Energy Prepayment Transaction and related documents and 'form of' documents subject to maximum issuance amount and minimum savings parameters
5. Recommend Board Approval of Amendment to the Revolving Credit Agreement with JP Morgan to Increase the Credit Facility from \$150,000,000 to \$250,000,000

Item No. 2

Fiscal Year End 2023-24 Financial Audit Progress Report Presentation

**Recommendation: Receive and File Fiscal Year
End 2023-24 Financial Audit Progress Report
Presentation.**

Presenter:

Dr. Eric Washington,
Chief Financial Officer



PISENTI & BRINKER LLP

Certified Public Accountants & Advisors

*San Diego Community Power
Report to Finance and Risk Management
Committee
October 17, 2024*

Introduction

- Brett Bradford, CPA
 - Audit Partner
 - 21 years in public accounting and performing audits of government entities
 - Currently working with several CCA's throughout California
- Aliandra Schaffer
 - Supervisor
 - 5 years in public accounting and performing audits of governments (CCA's)



Results of current year audit:

- The 2024 audit is near completion. We plan on reporting the following:
 - Unmodified opinion – Based on our audit, the financial statements are materially accurate.
 - No significant deficiencies or material weakness in internal control noted.



Audits of the years ended June 30, 2024 and 2023

Financial Statements:

Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control.
- **Auditor** is responsible for auditing the Financial Statements
 - Considering risks of material misstatement in the Financial Statements
 - Considering internal controls relevant to the Financial Statements
 - Performing tests of year-end balances based on risk assessment
 - Evaluating adequacy of disclosures



Risk Assessment for the years ended June 30, 2024 and 2023

Significant areas of focus

- Revenue recognition
 - Accounts receivable and accrued revenue
 - Test a sample of customer billings
 - Relate total cash received during the year to revenue
 - Look at cash received subsequent to year-end and relate to A/R
 - Review revenue recognition through year-end and method for determining (accrued revenue)
- Cash and securities
 - Confirmations sent to financial institutions



Risk Assessment for the years ended June 30, 2024 and 2023

Significant areas of focus

- Accrued Cost of Electricity
 - Review subsequent bills from electricity providers and cash payments
- Financial Statement Note Disclosures – Complete and without bias



Required Board Communications

- There were no new material accounting policies adopted by San Diego Community Power throughout the period audited.
- No alternative treatments of accounting principles for material items in the financial statements have been discussed with management.



Required Board Communications (continued)

- We are not expecting to propose any adjustments to the financial statements.
- We have not identified any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.



Required Board Communications (continued)

- There have been no disagreements with management concerning the scope of our audit, the application of accounting principles, or the basis for management's judgments on any significant matters.
- We have not encountered any difficulties in dealing with management during the performance of our audit.



Questions?

Brett Bradford: 707-577-1582

Aliandra Schaffer: 707-577-1535



PISENTI & BRINKER LLP

Certified Public Accountants & Advisors



Public Comment for Item No. 2

Item No. 3

Review of Treasurer's Report for Period Ending July 31, 2024

Recommendation: Receive and File Treasurer's Report for Period Ending July 31, 2024

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 1: Treasurer's Report

YTD FY25 Budget v. Actual

Results for the period were positive overall compared to the adopted budget:

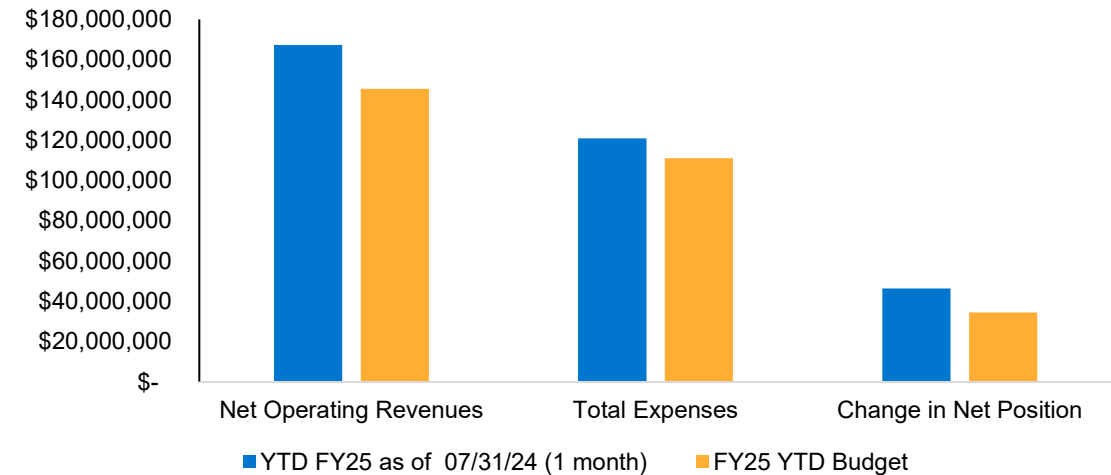
- Net operating revenues 15.0 percentage points over budget.
- Operating expenses came in 9.0 percentage points over budget

Financial results for the YTD FY25:

- \$167M in net operating revenues
- \$120M in total expenses (includes energy costs of \$103.3M or 86% of net revenues)
- \$46.4M change in YTD net position

Budget Comparison				
	YTD FY25 as of 07/31/24 (1 month)	FY25 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$167,360,408	\$145,579,846	\$21,780,562	115%
Total Expenses	\$120,864,755	\$111,096,293	\$9,768,462	109%
Change in Net Position	\$46,495,653	\$34,483,553	\$12,012,100	35%

YTD FY25 Results v. Budget



Item 1: Treasurer's Report

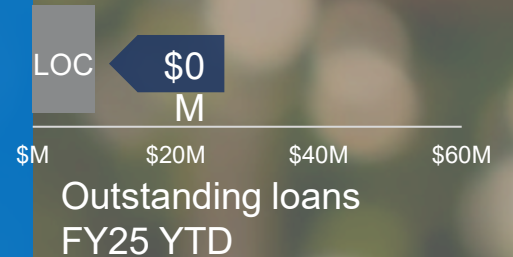
CONTRIBUTION

\$46M
Reserve
Contribution
FY 2024-25 YTD



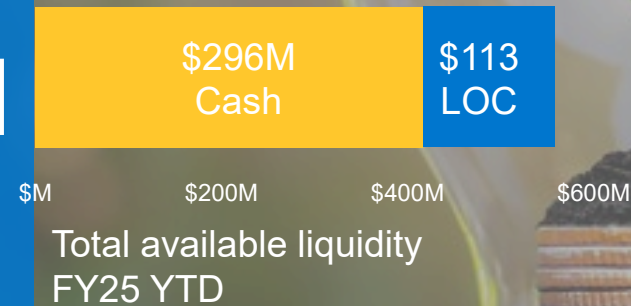
DEBT

\$0M
Outstanding
Debt
FY 2024-25 YTD



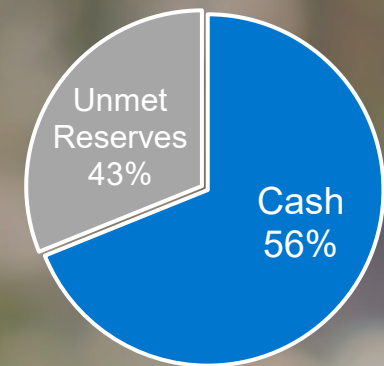
RESERVES

\$408M
Total Liquidity
FY 2024-25 YTD



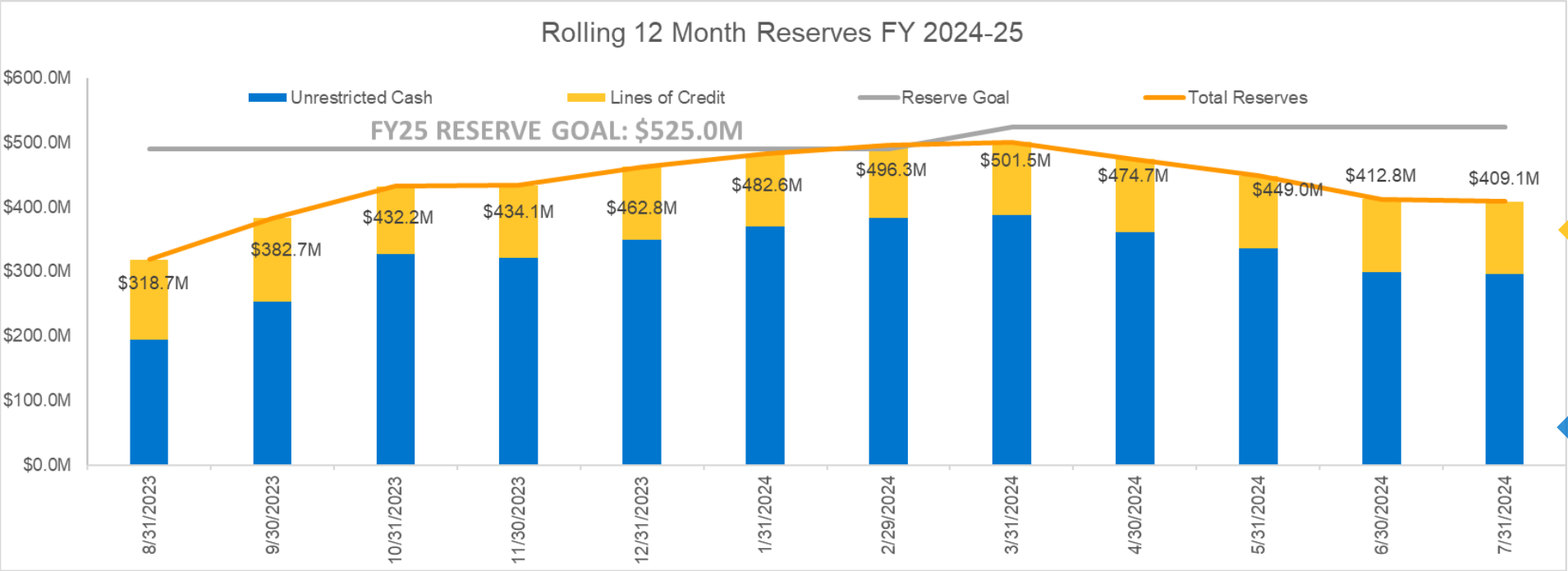
GOAL

56%
Percent Reserve
Goal Met
FY 2024-25



\$556M 180-DCOH
Reserve Target FY25

Item 1: Treasurer's Report



140 Days

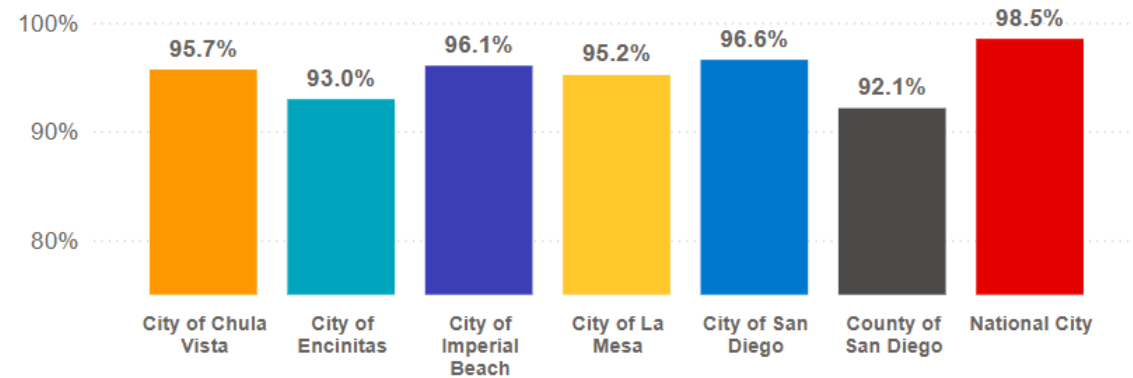
Cash on Hand with Total Liquidity

102 Days

Cash on Hand

Item 1: Treasurer's Report

Participation by Jurisdiction



Jurisdiction	Service Option Default	Eligible Accounts	Enrolled Accounts	Participation Rate
City of Chula Vista	PowerOn	98,768	94,515	95.7%
City of Encinitas	Power100	28,608	26,598	93.0%
City of Imperial Beach	PowerOn	10,965	10,532	96.1%
City of La Mesa	PowerOn	29,519	28,101	95.2%
City of San Diego	PowerOn	624,511	603,205	96.6%
County of San Diego	PowerOn	190,462	175,503	92.1%
National City	PowerOn	19,586	19,296	98.5%
Total		1,002,419	957,750	95.5%



Public Comment for Item No. 3

Item No. 4

Board Approval of Resolution No. 2024-08, authorizing execution of an Energy Prepayment Transaction and related documents and ‘form of’ documents subject to maximum issuance amount and minimum savings parameters

Recommendation: Recommend Board Approval to Adopt Resolution No. 2024-08 approving parameters under which an energy prepayment transaction can be completed; authorizing and/or approving documents or “form of” documents supporting the prepay transaction; and directing California Community Choice Financing Authority (CCCFA) to make payments to service providers for issuance costs from prepay bond proceeds.

Prepayment Transaction Overview

- Goal – Reduce cost of power purchases by 8% or more
- How – Leverage use of tax-exempt bonding capacity to secure long-term supply
- Background
- Codified in the U.S. tax law
- Used since the 1990s largely for natural gas transactions
- Over 100 transactions totaling over \$75 billion completed in the U.S. – mostly for gas
- Twelve energy prepayment transactions totaling \$11.3 billion completed over the last few years for six California Community Choice Aggregators:
 - Ava Community Energy
 - Silicon Valley Clean Energy
 - Marin Clean Energy
 - Pioneer Community Energy
 - Clean Power Alliance
 - Central Coast Community Energy

Prepayments That Have Been Completed by Public Utilities in California

Date	Amt. (\$000)	Issuer	Description	Beneficiary
06/2006	230,845	Vernon Nat. Gas Fin Auth	Nat Gas	City of Vernon Elec
01/2007	209,350	Roseville Natural Gas Fin Auth	Nat. Gas	City of Roseville Elec
05/2007	757,055	Northern Ca Gas Auth No. 1	Nat. Gas	SMUD
09/2007	887,360	Long Beach Bond Fin Auth	Nat. Gas	City of Long Beach
10/2007	504,445	So. Ca. Pub. Power Auth	Nat. Gas	Multiple MOUs
10/2007	251,695	Long Beach Bond Fin. Auth	Nat. Gas	City of Long Beach
08/2009	901,620	M-S-R Energy Authority	Nat. Gas	MID/Redding/SVP
10/2009	514,160	So. Ca Pub Power Auth (Windy Flats)	Elec (Wind)	LADWP, Mult. MOUs
04/2010	778,665	Cal. Statewide Comm Dev Auth	Nat. Gas	SMUD
2010/11	394,700	So. Ca Pub Power Auth (Milford 1 & 2)	Elec (Wind)	LADWP, Mult. MOUs
12/2018	539,615	Northern Ca Energy Auth	Gas/Elec	SMUD
5/2024	592,270	So. Ca Pub Power Auth (Energy Prepay)	Elec	Anaheim
Total	\$6,561,780			

SCPPA/APU transaction in May saved over 15% on old/expensive PPAs

Prepayments That Have Been Completed by CCAs in California

Date	Amt. (\$000)	Issuer	Description	Beneficiary
09/2021	1,234,720	California Community Choice Fin Auth	Elec (Green)	SVCE, EBCE
11/2021	602,655	California Community Choice Fin Auth	Elec (Green)	MCE
06/2022	931,120	California Community Choice Fin Auth	Elec (Green)	EBCE
12/2022	459,640	California Community Choice Fin Auth	Elec (Green)	Pioneer
01/2023	841,550	California Community Choice Fin Auth	Elec (Green)	SVCE
02/2023	998,780	California Community Choice Fin Auth	Elec (Green)	CPA
06/2023	958,290	California Community Choice Fin Auth	Elec (Green)	CPA
08/2023	997,895	California Community Choice Fin Auth	Elec (Green)	EBCE
10/2023	647,750	California Community Choice Fin Auth	Elec (Green)	CCCE
12/2023	1,038,285	California Community Choice Fin Auth	Elec (Green)	MCE
01/2024	1,101,625	California Community Choice Fin Auth	Elec (Green)	SVCE
08/2024	1,524,180	California Community Choice Fin Auth	Elec (Green)	CPA
9/2024		California Community Choice Fin Auth	Elec (Green)	PCE
9/2024		California Community Choice Fin Auth	Elec (Green)	CPA
Total				

Entities Involved in a Prepayment Transaction

- **SD Community Power** – Has existing Power Purchase Agreement(s) for clean energy
- **Prepay Counterparty** – Typically a financial institution with a commodity presence or a financial institution partnered with a commodity market participant
- **Issuer** – Bond issuing entity formed for sole purpose of selling the prepayment bonds, typically a Joint Powers Authority (“JPA”). All other CCAs have used California Community Choice Financing Authority (CCCFA)
- **Existing Power Supply Counterparty** – Agrees to limited assignment of the existing PPA
- **Bond Investors** – Purchase the non-recourse tax-exempt prepayment bonds
- **Service Providers** - Municipal financial advisor, bond, tax and disclosure counsel, to support the structuring and issuance of a prepayment transaction.

Prepayment Timeline

- ~~Nov 7, 2023:~~ ~~Request for Proposal (RFP) was issued for Municipal Financial Advisor (MFA)~~
- ~~Dec 28, 2023:~~ ~~PFM Financial Advisors LLC (PFM) was selected as MFA~~
- ~~Feb 15, 2024:~~ ~~Finance and Risk Management Committee (FRMC) Prepaid Financing Presentation~~
- ~~Feb 22, 2024:~~ ~~Board Presentation Prepaid Financing Presentation~~
- ~~Apr 19, 2024:~~ ~~RFP issued for underwriter and legal services (bond, tax, disclosure)~~
- ~~Aug 22, 2024:~~ ~~Legal counsel agreement with Chapman & Cutler for disclosure services—~~
~~Potential Board approved~~
- ~~Sep 19, 2024:~~ ~~FRMC – Presentation and potential recommendation for Board approval of—~~
~~Resolution for Bond Issuer~~
- ~~Sep 26, 2024:~~ ~~Board – Presentation and potential approval of Resolution for Bond Issuer~~
- Oct 11, 2023:** Bond Issuer admits SDCP Associate Member
- Oct 17, 2024:** **FRMC – Presentation and potential recommendation for Board approval on Resolution to authorize transaction subject to parameters**
- Oct 24, 2024:** Board – Presentation and potential recommendation for Board approval on Resolution to authorize transaction subject to parameters
- Nov 7, 2024:** Execute prepaid agreement
- Nov 19, 2024:** **Closing**



Public Comment for Item No. 4

Item No. 5

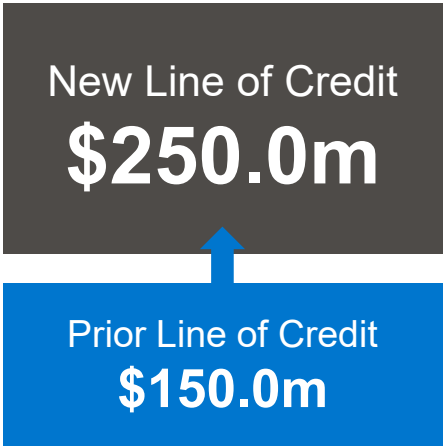
Recommend Board Approval of Amendment to the Revolving Credit Agreement with JP Morgan to Increase the Credit Facility from \$150,000,000 to \$250,000,000

Recommendation: Recommend SDCP Board of Directors approval to authorize the Chief Financial Officer or Chief Executive Officer to execute an amendment to the revolving credit agreement and related documents necessary to implement an increase to the existing line of credit from \$150,000,000 to \$250,000,000 from a JP Morgan credit facility

Amend J.P. Morgan Credit Agreement for \$250M

Recommendation: Authorize the CFO or CEO to amend the credit agreement with JP Morgan and related documents necessary to increase the line credit from \$150 million to \$250 million.

J.P.Morgan



Loan Type	<ul style="list-style-type: none">Commercial Revolving Line of Credit (“RLOC”)
Purpose	<ul style="list-style-type: none">To support energy procurement costsTo support working capital as neededTo support the issuance Letters of Credit
Key Changes	<ul style="list-style-type: none">Increase the amount of the funding commitment in the Credit Agreement from \$150,000,000 to \$250,000,000Reduce the LC Facility Fee from 1.10% to 1.05%



Public Comment for Item No. 5

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Committee Member Announcements



Adjournment

Next Regular Finance & Risk Management Committee Meeting

November 14, 2024

