



Finance & Risk Management Committee Meeting

April 13, 2023



The background of the slide features a close-up photograph of blue water with gentle ripples. A large, white, diagonal stripe cuts across the image from the top-left to the bottom-right. The text is positioned within the white stripe.


**Welcome
&
Call to
Order**

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Roll Call

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Withdrawn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



Public Comment for Items NOT on the Agenda

Regular Meeting Agenda

Welcome

Roll Call

Items to be Added, Withdrawn or Reordered on
the Agenda

Public Comment for items Not on the Agenda

REGULAR AGENDA

1. Approval of March 16, 2023 Meeting Minutes
2. Treasurer's Report for Period Ending 2/28/23
3. Recommend Board Approval of the SDCP Debt Policy

Committee Member Announcements

Adjournment

Item 1

Approval of March 16, 2023 Meeting Minutes

**Recommendation: Approve March 16, 2023
Meeting Minutes**

Presenter:
Kimberly Isley
Clerk of the Board

Item 2

Treasurer's Report for Period Ending 02/28/23

Recommendation: Receive and File Treasurer's Report for Period Ending 02/28/23

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 2: Treasurer's Report

YTD FY23 Budget v. Actual

Overall, results for the period were favorable when compared to the budget:

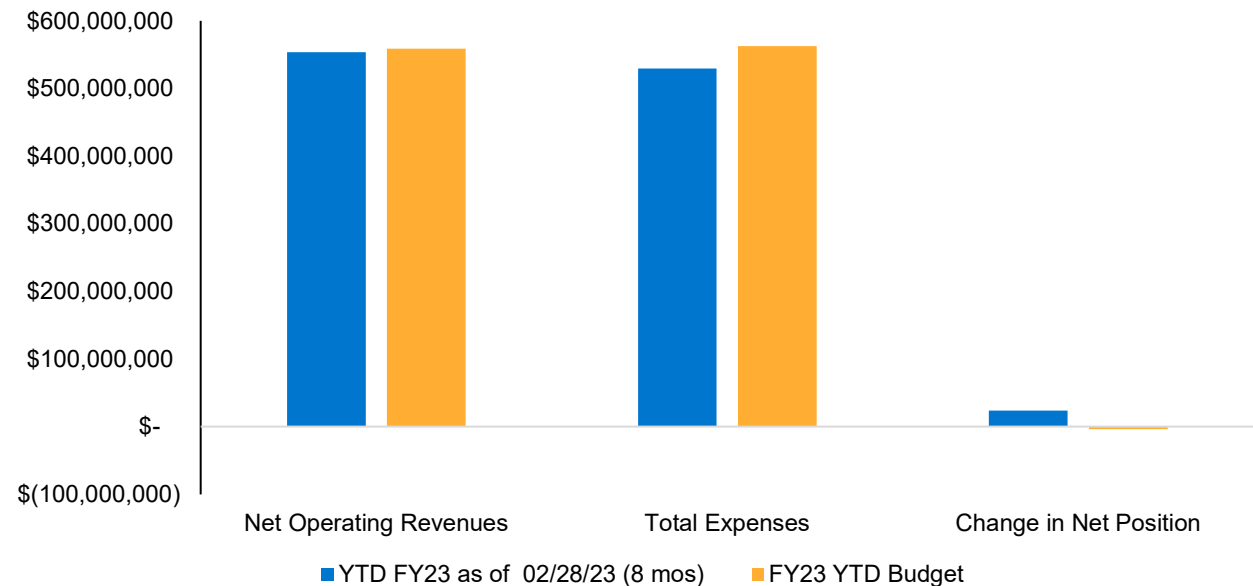
- Net operating revenues 1.0 percentage points under budget.
- Operating expenses came in 6.0 percentage points under budget

Financial results for the YTD FY23:

- \$553.8M in net operating revenues
- \$529.8M in total expenses (includes energy costs of \$513.5M or 93% of net revenues)
- \$23.9M change in YTD net position

Budget Comparison				
	YTD FY23 as of 02/28/23 (8 mos)	FY23 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 553,791,653	\$ 558,931,078	\$ (5,139,425)	99%
Total Expenses	\$ 529,808,952	\$ 562,578,606	\$ (32,769,654)	94%
Change in Net Position	\$ 23,982,701	\$ (3,647,528)	\$ 27,630,229	

YTD FY23 Results v. Budget



Item 2: Treasurer's Report

YTD FY23 Proforma v. Actual

Year-to-date financial results compared to projections:

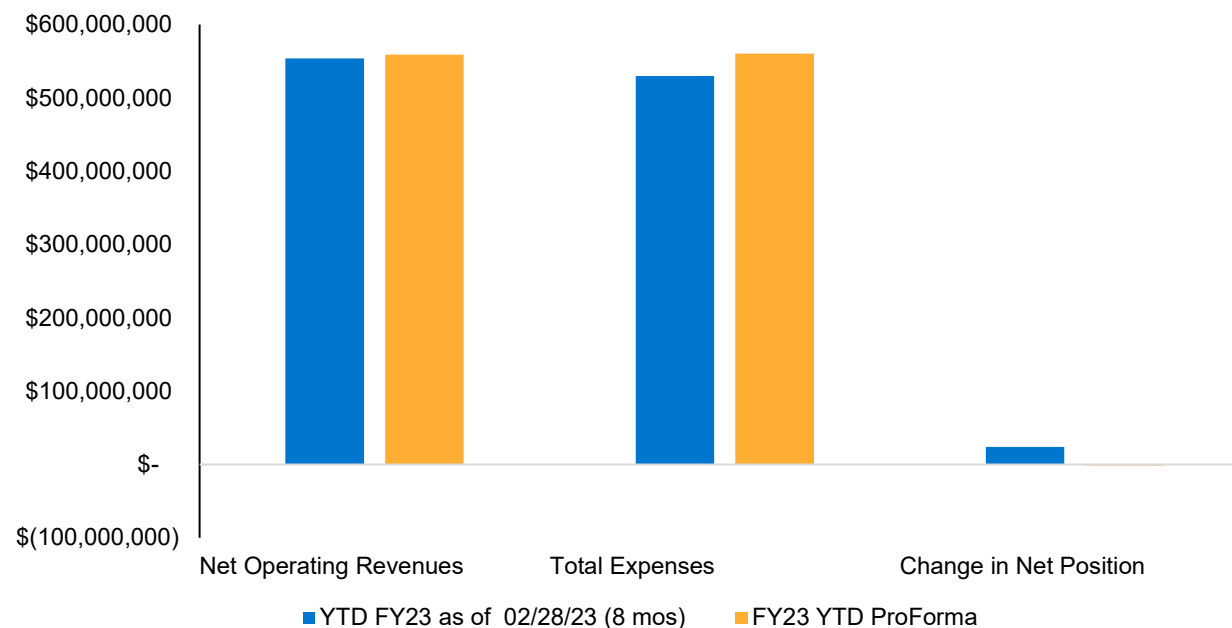
- Net operating revenues were 1% lower than proforma projections
- Total expenses were 5% under the proforma projections
- Change in net position was \$25.3M over the projected (\$1.3M) deficit

Results for the period were favorable overall compared to proforma:

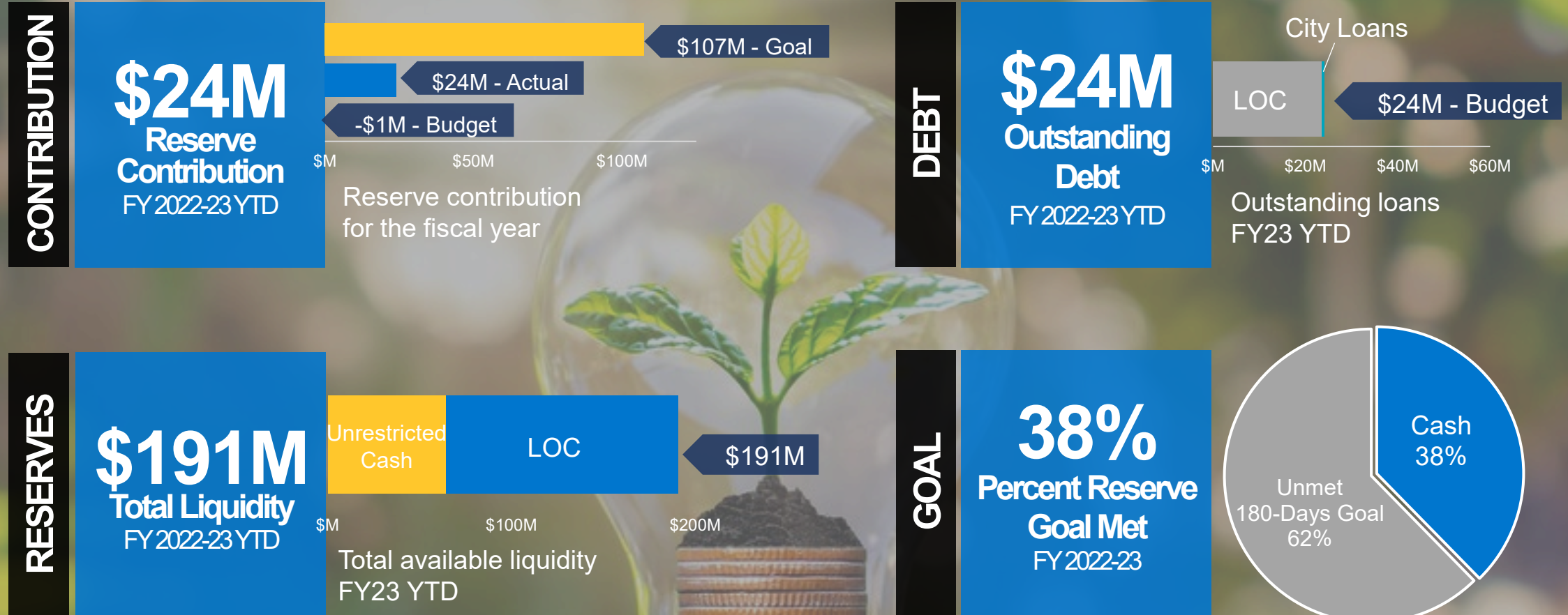
- Expenses were \$30.42M under the projected

Proforma Comparison				
	YTD FY23 as of 02/28/23 (8 mos)	FY23 YTD ProForma	ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$ 553,791,653	\$ 558,931,078	\$ (5,139,425)	-1%
Total Expenses	\$ 529,808,952	\$ 560,238,664	\$ (30,429,712)	-5%
Change in Net Position	\$ 23,982,701	\$ (1,307,586)	\$ 25,290,287	

YTD FY23 Results v. Proforma

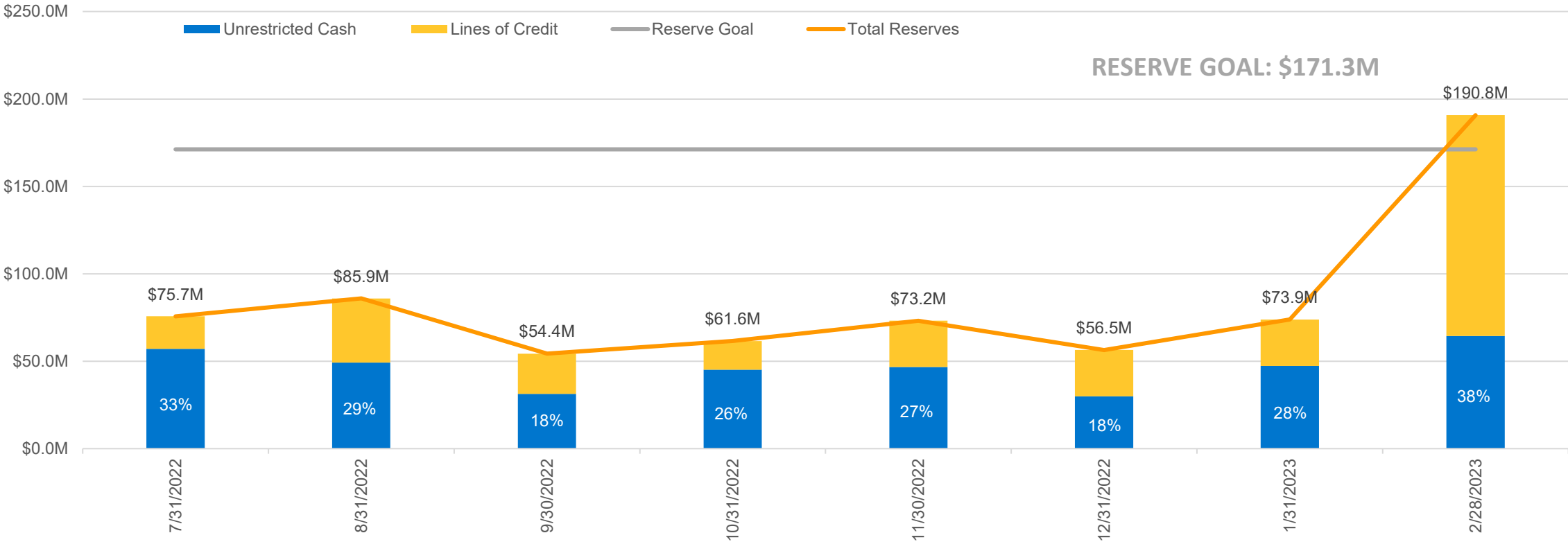


Item 2: Treasurer's Report

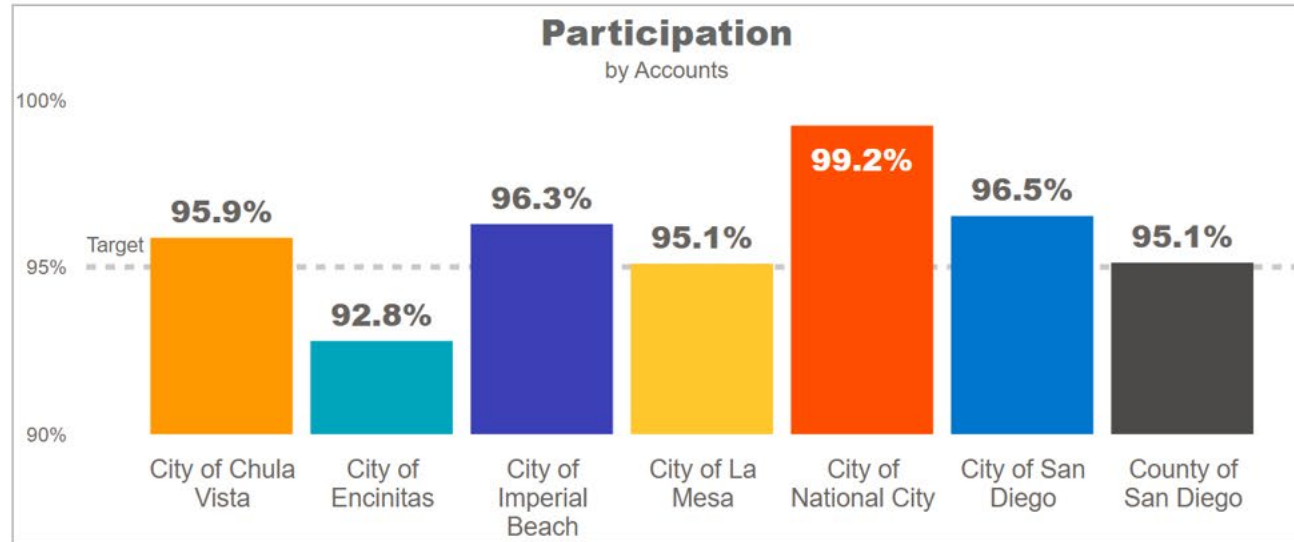


Item 2: Treasurer's Report

Year-to-Date Reserves FY 2023



Item 2: Treasurer's Report



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	92,845	96,605	3,983	95.9%
City of Encinitas	26,444	28,370	2,046	92.8%
City of Imperial Beach	10,508	10,878	404	96.3%
City of La Mesa	27,943	29,257	1,434	95.1%
City of National City	0	18,256	140	99.2%
City of San Diego	595,363	615,857	21,405	96.5%
County of San Diego	0	144,027	7,013	95.1%
Total	753,103	943,250	36,425	95.8%

Item 2

Recommendation: Receive and File Treasurer's Report for Period Ending 02/28/23

Item 3

Recommend Board Approval of the SDCP Debt Policy

Recommendation: Recommend Board approval of the Debt Policy

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Development of Debt Policy

San Diego Community Power
- Joint Powers Agreement -
Amended and Restated Effective December 16, 2021

Previous Versions/Amendments:
Original Agreement Effective October 1, 2019
First Amendment Effective November 22, 2019

55682.00001.34213371.3

Doc ID: 5b03a5af40453ec26d938de45eefe228d917e9

4.12.2 Two-thirds vote (or such greater vote as required by state law) of the appointed Directors shall be required to take any action on the following:

(a) Issue bonds or other forms of debt;

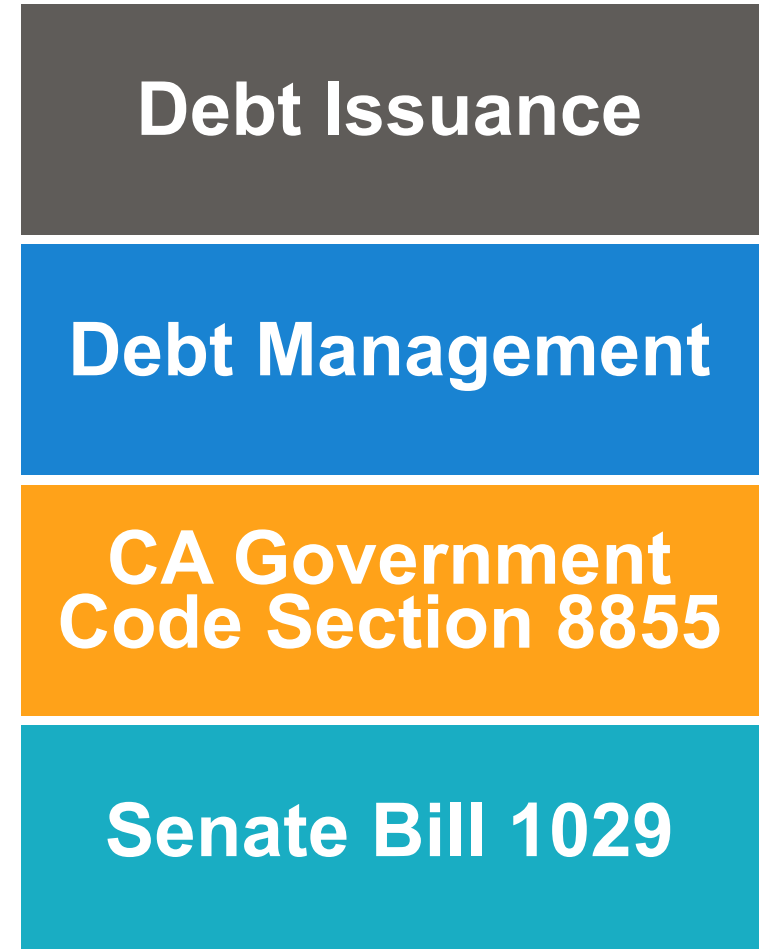


Development of Debt Policy

Debt Policy



Scope and Authority



Additional Policy Elements

SDCP has added three additional requirements to its proposed debt policy which are not required by local, state or federal law.



Green Bonds

To the extent possible, SDCP bond issuances shall be green bonds. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.



Pledged Revenues

No less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.



Annual Debt Service

Long-term debt shall not exceed 5% of the Agency's annual total expenses.

Permitted Debt Types

SDCP may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below.

Long-Term Debt

- Finance capital expenditures
- Structured within expected useful life

Short-Term Debt

- Interim funding pending long-term debt
- Maturity generally less than 7 years

Variable Rate Debt

- Long-term variable rate debt as needed

Refunding Debt

- Refinance bonds
- Achieve debt service savings
- Restructure debt service payments
- Modify covenants
- Reduce exposure to counterparties

Example – Long-Term Debt (Revenue Bond)

Example (Revenue Bond):
SDCP issues a \$500 million revenue bond to construct a solar and storage project.

- *Loan amount: \$500,000,000*
- *Interest Rate: 5.00%*
- *Pledged revenues: Ratepayer revenue*
- *Repayment Term/Useful life: 20 years*

SDCP Additional Bond Tests

1. **Green bonds** earmarked to raise money for climate and environmental projects.
2. **Pledged revenues** will be no less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.
3. **Annual debt service** on long-term debt shall not exceed 5% of the Agency's annual total expenses.

Example – Long-Term Debt (Revenue Bond)

**FY 2024
Projected**

Net Revenue
\$1,284 m

Total Expense
\$974 m

Net Position
\$310 m

Debt Service Schedule

Year	Interest	Principal	Balance
			500,000,000.00
1	25,000,000.00	15,121,293.60	484,878,706.40
2	24,243,935.32	15,877,358.28	469,001,348.12
3	23,450,067.41	16,671,226.19	452,330,121.93
4	22,616,506.10	17,504,787.50	434,825,334.43
5	21,741,266.72	18,380,026.88	416,445,307.55
6	20,822,265.38	19,299,028.22	397,146,279.33
7	19,857,313.97	20,263,979.63	376,882,299.70
8	18,844,114.99	21,277,178.61	355,605,121.09
9	17,780,256.05	22,341,037.55	333,264,083.54
10	16,663,204.18	23,458,089.42	309,805,994.12
11	15,490,299.71	24,630,993.89	285,175,000.23
12	14,258,750.01	25,862,543.59	259,312,456.64
13	12,965,622.83	27,155,670.77	232,156,785.87
14	11,607,839.29	28,513,454.31	203,643,331.56
15	10,182,166.58	29,939,127.02	173,704,204.54
16	8,685,210.23	31,436,083.37	142,268,121.17
17	7,113,406.06	33,007,887.54	109,260,233.63
18	5,463,011.68	34,658,281.92	74,601,951.71
19	3,730,097.59	36,391,196.01	38,210,755.70
20	1,910,537.79	38,210,755.69	0.01
Total Debt Service	302,425,871.89	500,000,000.00	

SDCP Bond Tests

1. Green Bonds

Solar/storage project.

Bond Test Passed

2. Pledged Revenues

FY24 Revenue = \$1,284m

Aggregate Debt Service= \$802m

Calculation

$1.5 \times \$802\text{m} = \$1,204\text{m}$

$\$1,284\text{m} > \$1,204\text{m}$

Bond Test Passed

3. Annual Debt Service

FY24 Expense = \$974m

Yearly Debt Service = \$40.1m

Calculation

$\$974\text{m} \times 5\% = \48.7m

$\$48.7\text{m} > \40.1m

Bond Test Passed

Item 3

**Recommendation: Recommend Board approval
of the Debt Policy**

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Committee Member Announcements

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Adjournment



Next Regular Finance & Risk Management Committee Meeting

May 11, 2023

