



Policy Number: 2022-10

Finance Policy Number: F21-002

Original Adoption Date: July 28, 2022

Subject: Budget Policy

Purpose: This policy (“Policy”) establishes San Diego Community Power’s (SDCP’s) timeline for annual budget preparation and for discretionary budget adjustments. This Policy is adopted pursuant to Government Code Section 6508 et seq. and must be adopted or amended by resolution.

Budget Guidelines:

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. There are several sections of the JPA that guide the development and management of the budget.

- **Section 4.6 Specific Responsibilities of the Board.** 4.6.2 Formulate and adopt an annual budget prior to the commencement of the fiscal year.
- **Section 7.2 Depository.** 7.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.
- **Section 7.3 Budget and Recovery Costs.** 7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval. 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.

Budget Preparation: The Chief Financial Officer (CFO) begins the annual budget process in February of any given year. The Finance department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, SDCP staff develop and refine budget proposals to develop an initial budget baseline for the Agency for the upcoming budget year. The budget is further refined through strategic planning sessions and through the SDCP Finance and Risk Committee.

The CFO shall then prepare and submit to the CEO (who further submits to the Board) a draft proposed budget for the next following fiscal year in May, or no later than the second month immediately preceding the start of the respective fiscal year. The budget shall be in alignment with established goals and shall reflect all activities

including operating programs, revenues, and expenditures. The budget shall be approved by the Board at a public meeting in June, or no later than the month immediately preceding the start of the respective fiscal year.

CEO and CFO Authority: The Chief Executive Officer (CEO) or CFO will have the discretion to authorize expense transfers from line items between and within SDCP’s budget level 2 categories as established and approved in the annual budget process by the SDCP Board, provided that net transfers total \$150,000 or less from the budget category.

For example, within the Professional Services and Consultants budget level 2 category, the CFO may authorize that \$150,000 move from the Data Management to the Technical Support budget level 3 categories, provided that the total Professional Services and Consultants budget level 2 category remains the same.

Table 1. Example - Expense transfers within budget level 2 categories

Professional Services and Consultants	FY23 Original Budget	FY23 Amended Budget	Change
Data Management	\$ 10,541,810	\$ 10,391,810	\$(150,000)
Legal/Regulatory	\$ 1,330,000	\$ 1,330,000	\$ -
Other Services	\$ 1,111,000	\$ 1,111,000	\$ -
SDG&E Fees	\$ 2,563,226	\$ 2,563,226	\$ -
Technical Support	\$ 1,335,000	\$ 1,485,000	\$ 150,000
Total Prof. Svcs. Expenses	\$ 16,881,036	\$ 16,881,036	\$ -

Additionally, for example, the CEO may authorize that \$150,000 move from the Professional Services and Consultants to the General Administration budget level 2 categories.

Table 2. Example – Expense transfers between budget level 2 categories

Budget Level 2	FY23 Original Budget	FY23 Amended Budget	Change
Cost of Energy	\$ 661,638,828	\$ 661,638,828	\$ -
General and Administration	\$ 2,591,363	\$ 2,741,363	\$ 150,000
Marketing and Outreach	\$ 4,164,167	\$ 4,164,167	\$ -
Personnel Costs	\$ 7,951,499	\$ 7,951,499	\$ -
Professional Svcs. and Consultants	\$ 16,881,036	\$ 16,731,036	\$(150,000)
Programs	\$ 1,395,000	\$ 1,395,000	\$ -
Debt Service	\$ 1,314,922	\$ 1,314,922	\$ -
Total Budget Level 2	\$ 695,936,815	\$ 695,936,815	\$ -

The CEO under his or her discretion may still require approval of the Board for any budget changes that may fall under the discretion of the Policy. Amendments to the annual budget as approved by the Board will reset the original appropriation (revenue or expense) for the fiscal year for the purposes of the Policy.

Balanced Budget: A balanced budget shall exist when the total projected revenues are greater than or equal to total projected expenses. Total revenues shall include all revenues from retail and wholesale sales of electricity. Total expenses shall include all operating expenses, program expenses, and contributions to reserve funds. Any year-end surplus will be used to maintain reserve levels. Any decrease in revenues and or increase in expenditures that causes the budget to become imbalanced will require an amended budget. The CFO shall prepare a proposed amended budget and submit to the Board for approval.