

RESOLUTION NO. 2025-20

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER, ADOPTING A REVISED FINANCIAL RESERVES POLICY.

WHEREAS, San Diego Community Power (Community Power) is a joint powers authority formed pursuant to the Joint Exercise of Powers Act, Cal. Gov. Code § 6500 *et seq.*, California Public Utilities Code § 366.2, and a Joint Powers Agreement effective on October 1, 2019, and amended on December 16, 2021, (“JPA Agreement”); and

WHEREAS, in June 2021, the Board of Directors (the “Board”) approved Financial Reserves Policy F21_001, the terms of which, as amended from time to time, provide a policy framework for accumulating and maintaining reserves as part of Community Power’s annual budget and rate setting processes; and

WHEREAS, in August 2025, the Board adopted Resolution No, 2025-08 establishing investment guidelines for protecting Community Power’s cash reserves, deposits, and investments while producing a reasonable rate of return on investments, but are excluded from the definition for “Days Cash on Hand”; and

WHEREAS, the Board finds it necessary and prudent to ensure long-term financial stability of Community Power by maintaining adequate financial reserves; and

WHEREAS, the Board recognizes that investments held in compliance with California Government Code section 16429.1 *et. seq* and Community Power’s Investment Policy represent a liquid and reliable source of funds that can be accessed in times of fiscal need; and

WHEREAS, this third revision to the policy to include such investments within the definition of “Days Cash On Hand” will provide clarity, transparency, and consistency in the application of Community Power’s Financial Reserves Policy.

NOW THEREFORE, BE IT RESOLVED, the Board of Directors hereby amends the Financial Reserves Policy as provided in Exhibit A, attached hereto and incorporated herein, with the inclusion of investments within the definition of “Days Cash on Hand”, in accordance with Government Code sections 53600 *et. seq.* and Community Power’s Investment Policy for the purpose of calculating Financial Reserves as provided therein.

This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Board of Directors of San Diego Community Power held on October 23, 2025, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:



Terra Lawson-Remer, Chair
Board of Directors
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:



Maricela Hernandez, MMC, CPMC
Secretary/Clerk of Board of Directors
San Diego Community Power



Veera Tyagi, General Counsel
San Diego Community Power

POLICY	FINANCIAL RESERVES	ORIGINAL ADOPTION DATE:	JUNE 24, 2021
APPROVAL DATE	10/23/2025	RESOLUTION NO.	2025-20

PURPOSE AND SCOPE

San Diego Community Power (Community Power) will maintain Financial Reserves (Reserves) as described in this policy to:

- Meet Community Power's strategic objectives
- Secure, maintain, and/or improve a standalone investment grade credit rating
- Secure favorable terms with vendors, including power producers
- Satisfy working capital requirements
- Adhere to contractual covenants
- Provide funds to cover unanticipated expenditures
- Support rate stability

Policy Guidelines:

Community Power's financial reserve goal is to secure 180-days of cash on hand.

The contribution to Reserves is determined through Community Power's annual budget process as defined in the agency's Budget Policy and/or Community Power's rate setting process as defined in the agency's Rate Development Policy. To the extent Community Power is able to meet operational expenses and maintain competitive rates, Community Power will establish rates and adopt budgets with the goal of building and maintaining Reserves at or above the 180-days of cash on hand target level.

DEFINITIONS

- **Days cash on hand:** unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes x 365 / (operating expenses for the current fiscal year)
- **Reserves:** Net position
- **Use of Reserves:** A projected or estimated reduction in the amount of reserves by the end of a fiscal year below the sum of the balance of the reserves at the commencement of the fiscal year plus the projected addition to the Reserves in the budget for the current fiscal year.

Reserve Review: Reserves and annual contributions will be reviewed on an annual basis as part of Community Power's budget process. Reserves will also be reviewed at the completion of Community Power's annual audit to reconcile the Reserve balance.

Reserve Distribution: If reserves exceed the 180-days of cash on hand target level established in this policy, the Board may authorize reserve distributions as follows.

- **Strategic Uses:** Use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.
- **Stabilization Reserve:** Use excess funds to fund a Rate Stabilization Reserve. A Stability Reserve mitigates financial and cost of energy risk due cyclical cost of energy fluctuations and rate shocks and may maintain compliance with financial covenants. The purpose of this reserve would be to provide budgetary stabilization and not to serve as an alternative funding source for new programs.
- **Programmatic Reserve:** Use excess funds to establish a contingency for programs and projects. Specifically, this Reserve could fund unforeseen and unexpected needs such as cost overruns, local leveraging or matching for external funds, or other programmatic needs as required.

Conditions for Use of Reserves

- Temporary reductions in Reserves for cash flow purposes to even out the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves. Transfers to and from Reserves to account for such temporary cash flow fluctuations is within the discretion of the CFO.
- The CEO will have the discretion to authorize the use of reserves during the fiscal year up to the lesser of 10% of the year's total budgeted costs, or \$100 million, for the following purposes:
 1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 2. Meet any margin or collateral posting requirements under energy supply contracts; and
 3. Provide resources to meet emergency expenditures.
- Any further use of reserves as necessary or desirable, must be recommended by CEO to the Board for approval of such use.
- Any use of the reserves under the CEO's authority shall be reported to the Board at the next regularly scheduled meeting.

Policy Review: Community Power staff will complete a periodic review of this Financial Reserve Policy to ensure that the policy meets the needs of the organization.

PRIOR VERSIONS

DATE	ACTION	RESOLUTION NO.	POLICY NO.
6/24/21	ADOPTION	N/A	2020-04
02/24/2022	FIRST REVISION	N/A	F21_001
06/27/2024	SECOND REVISION	N/A	F21_001

RELATED POLICIES

Investment Policy – Resolution No. 2025-08