



AGENDA

Meeting of the Finance and Risk Management Committee San Diego Community Power (SDCP)

March 16th, 2023
4:00 p.m.

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

The meeting will be held in person at the above date, time and location. Finance and Risk Management Committee (FRMC) Members and members of the public may attend in person. Under certain circumstances, FRMC Members may also attend and participate in the meeting virtually pursuant to the Brown Act (Gov. Code § 54953). As a convenience to the public, SDCP provides a call-in option and internet-based option for members of the public to virtually observe and provide public comments at its meetings. Additional details on in-person and virtual public participation are below. Please note that, in the event of a technical issue causing a disruption in the call-in option or internet-based option, the meeting will continue unless otherwise required by law, such as when an FRMC Member is attending the meeting virtually pursuant to certain provisions of the Brown Act.

Note: Any member of the public may provide comments to the Finance and Risk Management Committee on any agenda item. When providing comments to the FRMC, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the FRMC as a whole through the Chair. Comments may be provided in one of the following manners:

1. Providing Oral Comments During Meeting. Anyone attending in person desiring to address the FRMC is asked to fill out a speaker's slip and present it to the Clerk of the Board or the Secretary. To provide remote comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. Members of the public will not be shown on video but will be able to speak when called upon. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes.
2. Written Comments. Written public comments must be submitted prior to the start of the meeting by using this (web form). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the FRMC members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments read at the meeting will be limited

to the first 400 words. Comments received after the start of the meeting will be collected, sent to the FRMC members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the FRMC, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar <https://zoom.us/j/93476863568> Telephone (Audio Only)

(669) 900-6833 or (253) 215-8782 | Webinar ID: 934 7686 3568

Welcome

Roll Call

Public Comment for Items Not on the Agenda

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

MEETING AGENDA

1. Approval of February 9, 2023 Meeting Minutes

Recommendation: Approve the February 2, 2023 Meeting Minutes

2. Review of Treasurer's Report for Period Ending 1/31/23

Recommendation: Receive and File Treasurer's Report for Period Ending 12/31/22

3. Presentation of the Proposed Framework of the SDCP Investment Policy

Recommendation: Receive and file presentation on the proposed framework of the SDCP Investment Policy.

4. Presentation of the Proposed Framework of the SDCP Debt Policy

Recommendation: Receive and file presentation on the proposed framework of the SDCP Debt Policy.

Committee Member Announcements

Committee Members may briefly provide information to other members and the public. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

Adjournment

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a Board meeting item which are distributed to a majority of the Members prior to or during the Board meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at info@sdcommunitypower.org or by mail to SDCP, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at the above website. Such public records are also available for inspection, by appointment, at San Diego Community Power, 2488 Historic Decatur Road, Suite 250, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



**Finance and Risk Management Committee
San Diego Community Power (SDCP)**

2488 Historic Decatur Road, Suite 250
San Diego, CA 92106

MINUTES
February 9, 2023

This meeting was conducted utilizing teleconferencing and electronic means consistent with Government Code Section 54953, as amended by Assembly Bill 361, in relation to the COVID-19 State of Emergency and recommended social distancing measures.

The Committee minutes are prepared and ordered to correspond to the Committee Agenda. Agenda Items can be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

CALL TO ORDER

Chair McCann (Chula Vista) called the Finance and Risk Management Committee meeting to order at 3:07 p.m.

ROLL CALL

PRESENT: Chair McCann (Chula Vista), Alternate Director Fisher (Imperial Beach), Alternate Director Shu (La Mesa)

ABSENT: None

Also Present: Chief Executive Officer ("CEO") Burns, Chief Financial Officer ("CFO")/Treasurer Washington, General Counsel Baron

PLEDGE OF ALLEGIANCE

Chair McCann (Chula Vista) led the Pledge of Allegiance.

PUBLIC COMMENTS

There were no public comments.

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered.

MEETING AGENDA

1. Review of Treasurer's Report for Period Ending December 31, 2022

CFO/Treasurer Washington presented the Treasurer's Report for Period Ending December 31, 2022.

Committee questions and comment ensued.

ACTION: Motioned by Chair McCann (Chula Vista) and seconded by Alternate Director Shu (La Mesa) to receive and file the Treasurer's Report for Period Ending December 31, 2022 and forward to the Board of Directors for consideration. The motion carried by the following vote:

Vote: 3-0

Yes: Chair McCann (Chula Vista), Alternate Director Fisher (Imperial Beach), Alternate Director Shu (La Mesa)

No: None

Abstained: None

Absent: None

2. Approval of Fiscal Year (FY) 2022-23 Budget Amendment

CFO/Treasurer Washington and Finance Manager Manglicmot presented the FY 2022-23 Amended Budget.

Committee questions and comments ensued.

ACTION: Motioned by Chair McCann (Chula Vista) and seconded by Alternate Director Fisher (Imperial Beach) to approve the FY 2022-2023 Amended Budget to reflect total operating revenues of \$929,791,929 and operating expenses of \$769,021,035 and forward to the Board of Directors for consideration. The motion carried by the following vote:

Vote: 3-0

Yes: Chair McCann (Chula Vista), Alternate Director Fisher (Imperial Beach), Alternate Director Shu (La Mesa)

No: None

Abstained: None

Absent: None

COMMITTEE MEMBER ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

Chair McCann (Chula Vista) adjourned the meeting at 3:46 p.m.



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: Financial and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Treasurer's Report –Presentation of Financial Results for Fiscal Year 2023 Period ended 01/31/23

Date: March 16, 2023

RECOMMENDATION

Receive and File Report.

BACKGROUND

San Diego Community Power (SDCP) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds.

SDCP has prepared its year-to-date financial statements for the period ended January 31, 2023, along with budgetary comparisons.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 01/31/23: \$491.13 million in net operating revenues were reported compared to \$456.97 million budgeted for the period. \$476.02 million in total expenses were reported (including \$461.97 million in energy costs) compared to \$448.83 million budgeted for the period (including \$428.66 million budgeted for energy costs). After expenses, SDCP's change in net position of \$15.12 million was reported for Fiscal Year 2023. The following is a summary of the actual results compared to the Fiscal Year 2023 Budget.

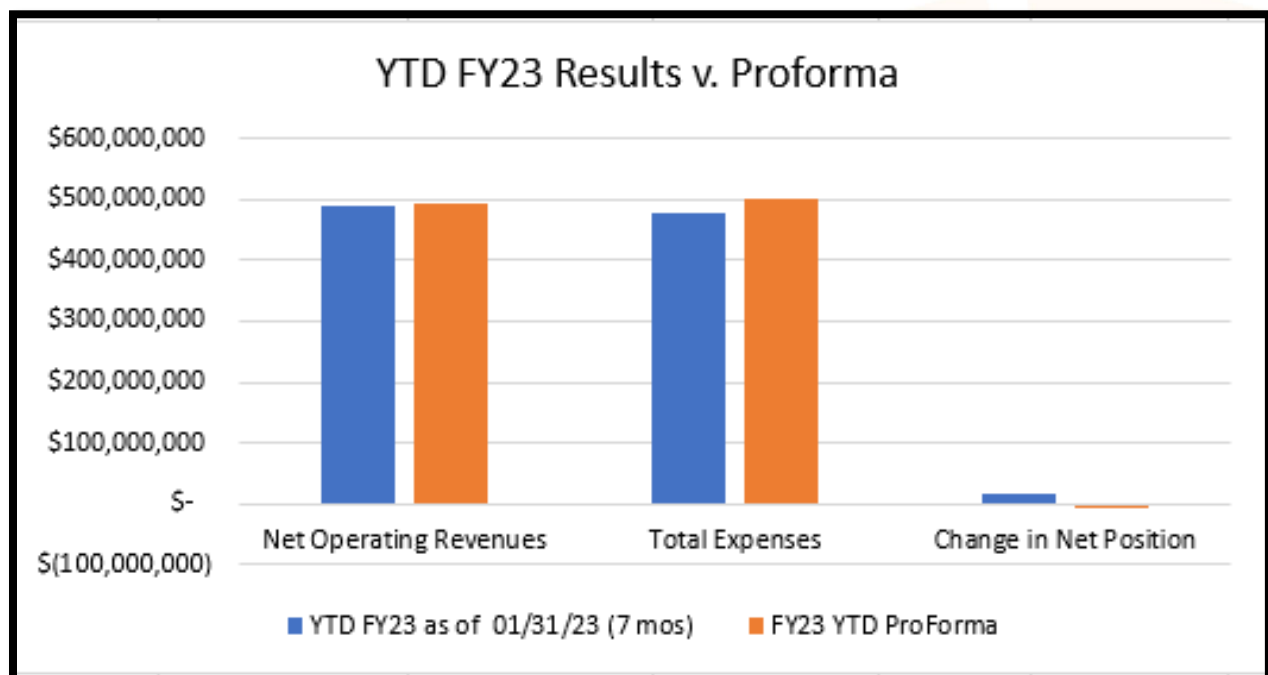
Budget Comparison				
	YTD FY23 as of 01/31/23 (7 mos)	FY23 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 491,133,709	\$ 456,974,905	\$ 34,158,804	107
Total Expenses	\$ 476,018,090	\$ 448,829,094	\$ 27,188,996	106
Change in Net Position	\$ 15,115,619	\$ 8,145,811	\$ 6,969,808	

- Net operating revenues finished \$34.16 million (or 7.0 percentage points) over the budget primarily due to opt outs performing better than projected and due to higher demand from non-residential customers.
- Operating expenses finished \$27.19 million (or 6.0 percentage points) over the budget primarily due to higher-than-expected energy costs.

Financial results for the period performed over the projections presented in the year-to-date proforma. SDCP's change in net position was 291.23% over the projection primarily due to large CAISO Collateral Credits.

The following is a summary to actual results compared to the fiscal year-to-date proforma.

Proforma Comparison				
	YTD FY23 as of 01/31/23 (7 mos)	FY23 YTD ProForma	ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$ 491,133,709	\$ 492,211,784	\$ (1,078,075)	-0.22%
Total Expenses	\$ 476,018,090	\$ 500,116,145	\$ (24,098,055)	-4.82%
Change in Net Position	\$ 15,115,619	\$ (7,904,361)	\$ 23,019,980	-291.23%



For the period ending 01/31/23, SDCP contributed \$15,115,619 to its reserves but was expecting to lose \$7,904,361 per the FY 2022-23 adopted budget. Total SDCP reserves at the end of the period were \$47,424,864 and total available liquidity (including lines of credit) was \$73,904,782. SDCP has a total FY 2022-23 year-end reserve target of \$171,276,631, which is equivalent to 90-days of total operating expenses.

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 01/31/23 Financial Statements





ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of January 31, 2023, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. San Diego Community Power's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
February 23, 2023

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of January 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 47,424,864
Accounts receivable, net of allowance	68,237,296
Accrued revenue	27,424,388
Prepaid expenses	6,576,201
Other receivables	49,300
Deposits	10,481,677
Total current assets	<u>160,193,726</u>
Noncurrent assets	
Restricted cash	7,500,000
Deposits	4,005,000
Total noncurrent assets	<u>11,505,000</u>
Total assets	<u><u>171,698,726</u></u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	85,704,049
Accounts payable	1,051,991
Other accrued liabilities	2,321,002
State surcharges payable	182,579
Security deposits	614,873
Interest payable	139,838
Total current liabilities	<u>90,014,332</u>
Noncurrent liabilities	
Other noncurrent liabilities	517,741
Bank note payable	23,520,082
Total noncurrent liabilities	<u>24,037,823</u>
Total liabilities	<u><u>114,052,155</u></u>

NET POSITION

Restricted for collateral	2,500,000
Unrestricted	55,146,571
Total net position	<u><u>\$ 57,646,571</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Seven Months Ended January 31, 2023

OPERATING REVENUES

Electricity sales, net	\$ 491,133,709
Total operating revenues	<u>491,133,709</u>

OPERATING EXPENSES

Cost of energy	461,968,740
Contract services	8,449,368
Staff compensation	3,471,478
Other operating expenses	1,508,144
Total operating expenses	<u>475,397,730</u>
Operating income (loss)	<u>15,735,979</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	210,445
Interest and financing expense	<u>(830,805)</u>
Nonoperating revenues (expenses)	<u>(620,360)</u>

CHANGE IN NET POSITION

	15,115,619
Net position at beginning of period	<u>42,530,952</u>
Net position at end of period	<u><u>\$ 57,646,571</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Seven Months Ended January 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 494,042,973
Receipts of security deposits	52,958,210
Other operating receipts	10,332,595
Payments to suppliers for electricity	(445,846,030)
Payments for goods and services	(8,327,803)
Payments to employees for services	(3,240,110)
Payments for deposits and collateral	(99,762,956)
Payments for state surcharges	(1,394,349)
Net cash provided (used) by operating activities	<u>(1,237,470)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from loans	20,180,000
Principal payments - loans	(28,000,000)
Principal payments - note	(5,000,000)
Interest and related expense payments	(804,829)
Net cash provided (used) by non-capital financing activities	<u>(13,624,829)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>210,445</u>
Net change in cash and cash equivalents	(14,651,854)
Cash and cash equivalents at beginning of period	<u>69,576,718</u>
Cash and cash equivalents at end of period	<u><u>\$ 54,924,864</u></u>

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 47,424,864
Restricted cash	<u>7,500,000</u>
Cash and cash equivalents	<u><u>\$ 54,924,864</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Seven Months Ended January 31, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 15,735,979
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Provision for uncollectible accounts	4,960,947
(Increase) decrease in:	
Accounts receivable	(22,811,253)
Accrued revenue	19,515,227
Other receivables	(49,300)
Prepaid expenses	(2,114,893)
Deposits	(4,795,620)
Increase (decrease) in:	
Accrued cost of electricity	28,472,545
Accounts payable	427,036
Other accrued liabilities	1,580,996
State surcharges payable	(150,007)
Supplier security deposits	(42,009,127)
Net cash provided (used) by operating activities	<u><u>\$ (1,237,470)</u></u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended January 31, 2023, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SDCP.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. SDCP's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to SDCP because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
February 23, 2023

SAN DIEGO COMMUNITY POWER
BUDGETARY COMPARISON SCHEDULE
Seven Months Ended January 31, 2023

	2022/23 YTD Budget	2022/23 YTD Actual	2022/23 YTD Budget Variance (Under) Over	2022/23 YTD Actual/ Budget %	2022/23 Annual Budget	2022/23 Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	461,590,813	\$ 496,094,656	34,503,843	107%	\$ 716,146,107	\$ 220,051,451
Less Uncollectible Customer Accounts	(4,615,908)	(4,960,947)	(345,039)	107%	(7,161,461)	(2,200,514)
Total Revenues and Other Sources	<u>456,974,905</u>	<u>491,133,709</u>	<u>34,158,804</u>		<u>708,984,646</u>	<u>217,850,937</u>
OPERATING EXPENSES						
Cost of Energy	428,663,690	461,968,741	33,305,051	108%	661,638,828	199,670,087
Professional Services and Consultants	9,488,028	8,205,616	(1,282,412)	86%	16,881,036	8,675,420
Personnel Costs	4,297,290	3,471,478	(825,812)	81%	7,951,499	4,480,021
Marketing and Outreach	2,640,958	1,060,270	(1,580,688)	40%	4,164,167	3,103,897
General and Administrative	2,063,970	691,625	(1,372,345)	34%	2,591,363	1,899,738
Programs	901,250	-	(901,250)	0%	1,395,000	1,395,000
Total Operating Expenses	<u>448,055,186</u>	<u>475,397,730</u>	<u>27,342,544</u>		<u>694,621,893</u>	<u>219,224,163</u>
Operating Income (Loss)	<u>8,919,719</u>	<u>15,735,979</u>	<u>6,816,260</u>		<u>14,362,753</u>	<u>(1,373,226)</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	210,445	210,445		-	(210,445)
Debt Service and Bank Fees	(773,908)	(830,805)	(56,897)	107%	(1,314,922)	(484,117)
Total Non-Operating Revenues (Expenses)	<u>(773,908)</u>	<u>(620,360)</u>	<u>153,548</u>		<u>(1,314,922)</u>	<u>(694,562)</u>
CHANGE IN NET POSITION	<u>\$ 8,145,811</u>	<u>\$ 15,115,619</u>	<u>\$ 6,969,808</u>		<u>\$ 13,047,831</u>	<u>\$ (2,067,788)</u>

See accountants' compilation report.



SAN DIEGO COMMUNITY POWER Staff Report – Item 3

To: Financial and Risk Management Committee
From: Eric Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Presentation of the Proposed Framework of the SDCP Debt Policy
Date: March 16, 2023

RECOMMENDATION

Receive and file presentation on the proposed framework of the SDCP Debt Policy.

BACKGROUND

On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021.

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA further states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Debt Policy herein.

In direct relation to the purpose of the proposed Debt Policy, section 3.2.7 of the JPA states that SDCP at the discretion of the Board may incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers authorized by law pursuant to Government Code Section 53850 et seq. and authority under the Act.

Further, section 3.2.8 of the JPA states that SDCP at the discretion of the Board may issue revenue bonds and other forms of indebtedness and per section 3.2.9 may apply

for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state or local public agency.

Finally, California Government Code Section 8855 and Senate Bill 1029, among many things, requires debt issuers to adopt a local debt policy governing the issuance of debt and to enhance the management of government financial resources.

On January 23, 2023, the Board approved a rate adjustment effective February 1, 2023. As part of this approval, the Board received a presentation from staff that outlined that SDCP projected, per the best assumptions at the time which are subject to change, the agency would build 180-days of cash on hand by October 2023. The milestone for building 180-days of cash on hand is one of the major considerations for SDCP to ultimately receive an investment-grade credit rating consistent with the strategic goals adopted by the Board on June 23, 2022.

Upon receipt of an investment-grade credit rating, SDCP may have the ability to issue debt, such as a revenue bond, given that SDCP can demonstrate the ability to meet potential debt payment obligations through the credit rating.

Staff therefore propose developing a Debt Policy for review and consideration with the FRMC.

ANALYSIS AND DISCUSSION

The SDCP Board has taken several important steps to potentially achieve an investment-grade credit rating which include, among many items:

1. Developing a Reserve Policy to increase liquidity;
2. Establishing and funding an Operating Reserve;
3. Adopting strategic goals that build to 180-days cash on hand, ultimately leading to an investment-grade credit rating;
4. Approving rates effective February 1, 2023 that potentially allow SDCP to achieve 180-days cash on hand in calendar year 2023.

After an investment-grade credit rating is achieved, SDCP will have an enhanced ability to issue tax-exempt or taxable bonds to finance ownership in energy generation or energy storage asset. Direct asset ownership may provide the opportunity for SDCP to control energy cost.

SDCP is maturing as a global leader, inspiring innovative solutions to climate change by powering our communities with 100% clean affordable energy, and must have access to all the available tools to reach its ambitious strategic goals of 75% renewable energy by 2027, 85% renewable energy by 2030, and 100% renewable energy by 2035 with 15% of SDCP's energy coming from new, distributed infill storage/solar+ storage resources by 2035.



SDCP's ability to issue tax-exempt debt to finance an ownership interest in a generating or storage facility is a distinct advantage over investor-owned utilities and direct access providers. There are no specific asset purchases currently under consideration by staff. The Debt Policy for consideration is a key step to enable SDCP to issue bonds which will ultimately be subject to Board approval as a separate action. The Debt Policy will help SDCP take advantage of ownership opportunities that may arise especially in conjunction with state or federal funding that might be available, for example, through the federal Inflation Reduction Act of 2022.

The proposed Debt Policy will articulate:

1. The situations and steps necessary for the issuance of debt;
2. The types of debt that may be issued; and
3. How the debt fits into SDCP's strategic plan and potential capital investment program.

The policy can evolve over time to adapt to changes in market practices and federal and state regulations. All of the current necessary state law requirements are incorporated.

The Debt Policy also includes sections to:

1. Facilitate decision making;
2. Establish basic parameters and principles; and
3. Other aspects to guide future Boards, staff and consultants.

All changes or updates to the SDCP Debt Policy will require Board approval.

FISCAL IMPACT

There are no fiscal impacts to recommend Board approval of the Debt Policy given that debt will not be issued as part of this action.

ATTACHMENTS

N/A





SAN DIEGO COMMUNITY POWER Staff Report – Item 4

To: Finance and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Presentation of the Proposed Framework of the SDCP Investment Policy

Date: March 16, 2023

RECOMMENDATION

Receive and file presentation on the proposed framework of the SDCP Investment Policy.

BACKGROUND

On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021.

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA states that one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.

On January 23, 2023, the Board approved a rate adjustment effective February 1, 2023. As part of this approval, the Board received a presentation from staff that outlined that SDCP projected, per the best assumptions at the time which are subject to change, the agency would build 180-days of cash on hand by October 2023. The milestone for building

180-days of cash on hand is one of the major considerations for SDCP to ultimately receive an investment-grade credit rating consistent with the strategic goals adopted by the Board on June 23, 2022.

In pursuing an investment-grade credit rating, it is prudent for SDCP to establish policies to ensure the effective management of its liquidity.

ANALYSIS AND DISCUSSION

Since SDCP established operations cash flow has been carefully monitored by the Finance department. Due to the rapid growth of the organization and projected increase in cash balances, staff requests developing an Investment Policy through the Finance and Risk Management Committee and reviewing the framework to potentially advance a recommendation for approval a policy by the Board of Directors in April 2023.

The Investment Policy will outline SDCP's investment objectives, define the standard of care consistent with California Government Code 53600, delegate authority to manage SDCP funds to the Treasurer, define authorized investments and require an annual review of the Investment Policy.

The Investment Objectives in order of priority are 1) to secure the safety of principal, 2) ensure adequate liquidity to enable SDCP to meet obligations and 3) to achieve a market return on investment.

Authorized investments are deposits at banks, funds deposited with the Local Agency Investment Fund, US Treasury and Federal Agency Securities, Bankers' Acceptances, Certificates of Deposit, Service Deposits, and Money Market Funds. Banks holding SDCP deposits must, by law, and have a satisfactory rating by the FDIC.

FISCAL IMPACT

There are no fiscal impacts to recommend Board approval of the Investment Policy.

ATTACHMENTS

N/A

