FY 2019-20 OPERATING BUDGET TIMELINE

- **Jun**: Strategic Plan adopted
- **Aug**: Finance Committee Review
- **Aug**: Board Reviews Proposed Budget
- **Aug**: MAWG Review
- **Sept**: Finance Committee Review
- **Sept**: Board Votes on Recommended Budget
## CHANGE TO BUDGET

### $ in THOUSANDS

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Budget</th>
<th>Recommended Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGY REVENUES</td>
<td>$318,220</td>
<td>$318,220</td>
<td>$0</td>
</tr>
<tr>
<td>POWER SUPPLY</td>
<td>$244,640</td>
<td>$245,340</td>
<td>$700</td>
</tr>
<tr>
<td>OPERATING MARGIN</td>
<td>$73,580</td>
<td>$72,880</td>
<td>$700</td>
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<tr>
<td>OPERATING EXPENSES</td>
<td>$16,670</td>
<td>$16,950</td>
<td>$280</td>
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<tr>
<td>NON-OPERATING INCOME/(EXPENSE)</td>
<td>$1,940</td>
<td>$1,450</td>
<td>$490</td>
</tr>
<tr>
<td>TRANSFER, DEBT SERVICE &amp; OTHER</td>
<td>$6,807</td>
<td>$6,807</td>
<td>$0</td>
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<tr>
<td>BALANCE AVAILABLE FOR RESERVES</td>
<td>$52,043</td>
<td>$50,573</td>
<td>$1,470</td>
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</tbody>
</table>
FINANCIAL SUMMARY

$318.2 MM Energy Revenues
267k Accounts, 3.9 million MWh’s and 4% discount to PG&E

$245.3 MM Energy Costs
>90% hedged for fiscal year

$72.9 MM Contribution Margin
Margin to fund operating expenses, programs, capital and debt service

$50.6 MM Budget Surplus
Injected into Reserves

$150 MM Reserves
End the FY at Reserve Target Range of 180 Days
PERSONNEL REVIEW

• Funding 27 FTE’s, 5 Part-Time
  • Rates Manager (Finance & Admin)
  • Analyst (Decarbonization & Grid Innovations)
  • Adjusted salary tables by 4%

• 3 New Positions added for broadbanding
  • Sr. Communications Specialist
  • Sr. Communications Outreach Specialist
  • Sr. Rates Analyst
  • Not funded
BOARD FOLLOW-UP - HR

**Operations**

1. Human Resource Generalist On-Site
   Provide resource for new hires and current employees
   - Recruitment enhancement
   - Maintain employee handbook
2. Benefits Broker that will help contain health costs and better communicate options to employees
3. New Payroll System
4. New On-Boarding Application
5. Compensation Study

**Culture**

1. Invest in expertise to help create and sustain SVCE culture
2. Team Building and Employee Goodwill
3. Administrative Manager hiring soon with a focus on H.R.
4. Staff will evaluate future needs and adjust the budget if necessary
Adequate funding for strategic marketing

- ~$1 million is budgeted in various accounts across departments
- Outreach including surveys, events (Bike to the Future) and C&I Workshops (Watts for Lunch)
- Awareness (Newsletters, market surveys and sponsorships)
- Programs Support (EV, Buildings, etc.)
- C&I Pricing
Purchase a Facility

- Process on-going regarding facility needs
  - Option #1 – Stay in current location but move to larger space
  - Option #2 – Lease somewhere else
  - Option #3 – “Make it Work” in current office
  - Option #4 – Purchase

- Recommendation should be made to the Board later in 2019
BOARD FOLLOW-UP (cont.)

Margins by Customer Class

• Board adopted a commercial pricing policy in response to Direct Access
• Board Directors have access to margins and customized contracts
• To remain competitive, recommend not revealing margins publicly
Review Reserves Policy

- SVCE should reach cash reserve target by end of FY 2019-20
- Review the cash reserves policy and develop plan for reserves in excess of target
  - Increase programs budget
  - Reduction in rates
  - CAPEX
NEXT STEPS

• Recommended Budget Review/Approval by Finance Committee to Board
  • Resolution 2019-10

• Mid-Year Budget Spring 2020
  • Recalibrate the budget
THANK YOU