

Exhibit to Agenda Item #1a

SMUD 2022 Proposed Budget Overview, including Debt Service, Pay Schedule and Special Compensation, and Corporate Services 2022 Proposed Budget.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, November 9, 2021, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

SMUD 2022 Proposed Budget Overview

Jennifer Davidson
Chief Financial Officer



Board Approval of Annual Budget



- Approving the budget is one of the Board's important fiduciary responsibilities
- Budget Presentation designed to describe the outcome of budget spending, aligned to the Board's Strategic Directions, categorized by the key components of the 2030 Clean Energy Vision
 - Safety & Reliability
 - Affordability
 - Organizational Agility
 - Environmental Leadership
 - Community Vitality
- Approval process designed to be transparent and provide opportunity for Board members' deeper dive where desired

Overview of 2022 Budget Process



November 5th	November 9th Finance & Audit Committee	November 10th Finance & Audit Committee	December 9th
Board members receive the 2022 Budget Book (proposed)	<ul style="list-style-type: none">• SMUD 2022 Proposed Budget Overview• Legal, Government Affairs & Reliability Compliance• Communications, Marketing & Community Relations• Enterprise Strategy• Zero Carbon Energy Solutions• Customer & Community Services• JPA's	<ul style="list-style-type: none">• Energy Delivery & Operations• Technology & Innovation• Workforce, Diversity & Inclusion	Request to approve the SMUD 2022 Budget

Business Conditions



SMUD continues to operate in volatile business conditions – managing and mitigating the business in the midst of uncertainty:

- Pandemic impact on economic recovery
- Shortages and supply chain bottlenecks
- New customer growth
- New technology and customer adoption
- Physical/grid infrastructure
- Weather and precipitation
- Resource adequacy

Prudent budget approach incorporates risk-based approach to align resources and risk

Basis of Financial Plan



Planning Assumptions

- Resourced to fully achieve the Board's Strategic Directions and metrics
- Conservative forecast assumptions for electric sales and commodities
- Economic data from multiple sources
- Potential of labor shortages for some areas
- 2022 rate increase included
- Commodity assumptions reflect normal water year and normal temperatures
- Includes forecasted customer adoption of energy efficiency, electric vehicles, solar and storage, and building electrification

Our strong financial metrics continue to positively provide stability during very uncertain times, providing benefits to Sacramento community and customers

Electric Sales



By December 2022, SMUD will have over 650K customers

- Residential customer count growing at approximately 1.0%
- Commercial customer count growing approximately 0.3%



653,000
total customers

residential
576,000

commercial
77,000

Load and Retail Sales

- Retail sales to customers up 1% in 2022
- The “COVID impact” is moderating to a “new normal”
- Near-term, DER adoption such as energy efficiency and solar is offset by electrification
- 2022 Peak is similar to 2021 Peak

2022 Budget Assumptions

	2021 Budget	2022 Proposed	Prop vs. Budget
Retail Sales to Customers (GWh)	10,087	10,166	1%
Peak System Demand (MW)	2,870	2,874	0%

Recommend Approval of:



2022 SMUD Budget

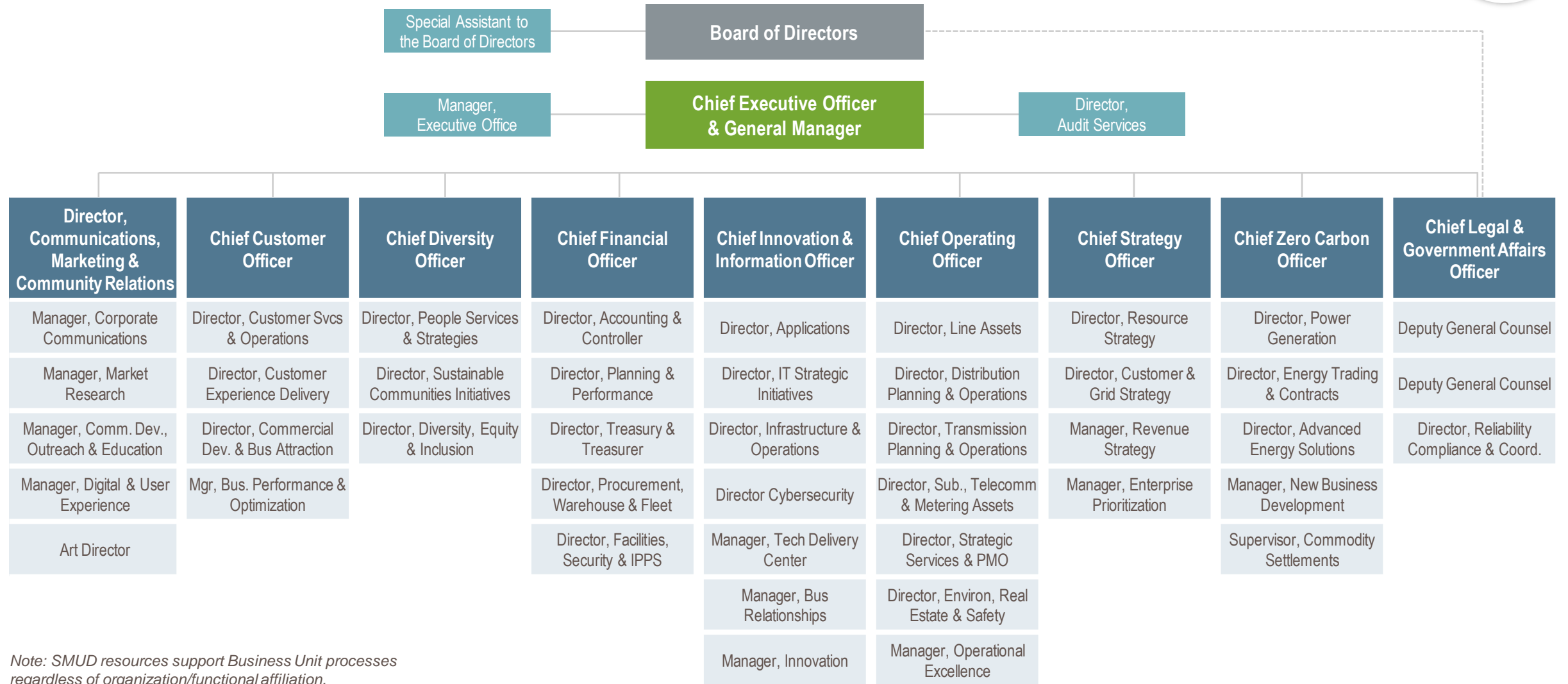
- 2022 Spending Authorization and Staffing Level
- Amendments to Public Good Charge funding level and Percentage Allocation
- Authority for Rate Stabilization Fund transfers
- Provisions for adjusting budget authority

Debt Management

- Declaration of Intent to Issue Debt
- Reimbursement of Capital Expenditures from Bond Proceeds

Employee Pay Schedules as required by State law

Organization Chart by Executive



Budget Structure: Business Units & Segments



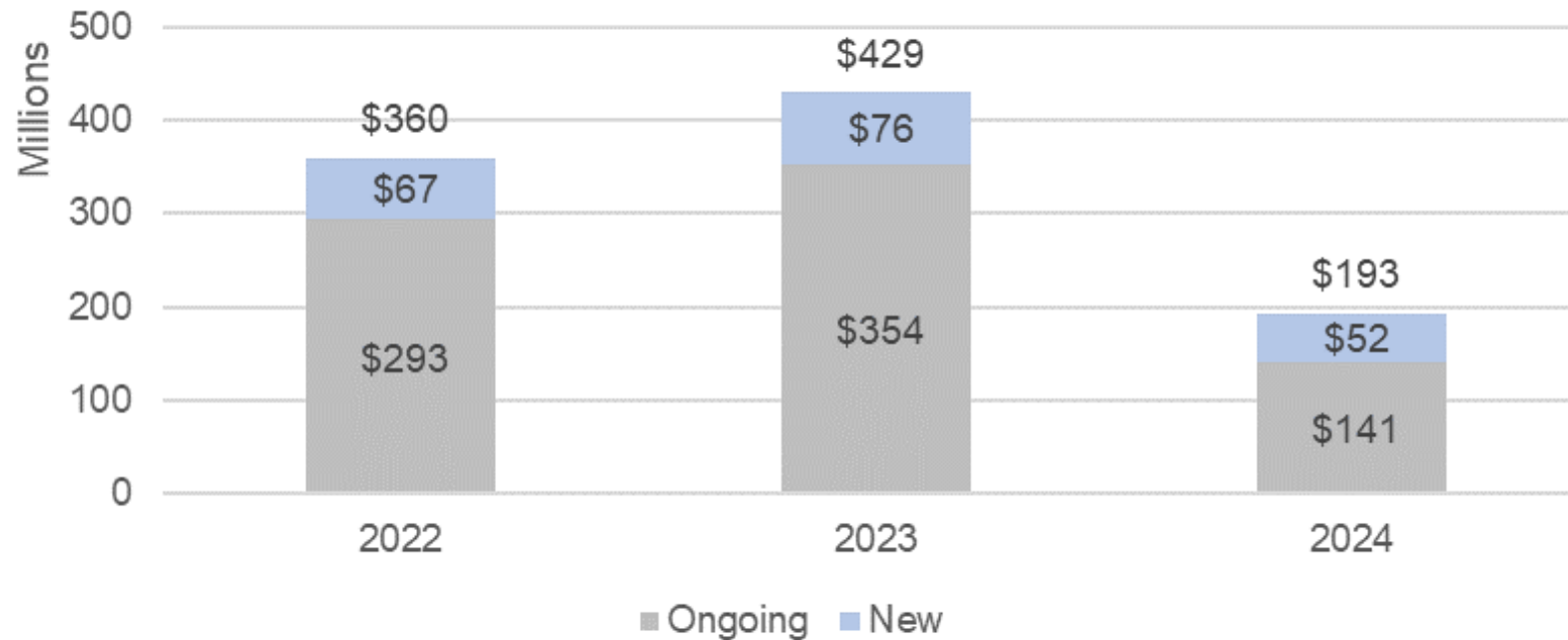
Customer/ Community	Enterprise Strategy	Energy Delivery & Operations	Zero Carbon Energy Solutions	Workforce, Diversity & Inclusion	Technology & Innovation	Corporate
Customer Experience Delivery	Resource Strategy	Transmission Planning & Ops	Power Generation	People Services & Strategies	Applications	Governance
Revenue Services & Operations	Customer & Grid Strategy	Distribution Planning & Ops	Advanced Energy Solutions	Diversity, Equity & Inclusion	Infrastructure & Operations	Finance
Customer Services & Operations	Revenue Strategy	Line Assets	Commodity, Procurement & Sales	Sustainable Communities	Strategy & Innovation	Legal, Gov't Affairs & Reliability Compliance
Community Energy Services	Enterprise Prioritization	Substation, Telecom & Network	New Business Development		Strategic Initiatives	Comm., Marketing & Community Relations
Commercial Development & Business Attraction		Strategic Services & PMO			Cybersecurity	Facilities, Security & Office Services
		Environmental, Real Estate & Safety				Procurement, Warehouse & Fleet
		Operational Excellence				Enterprise Affairs

Budget Authorization



(\$ Millions)	2021 Forecast	2021 Budget	2022 Proposed	\$ Change vs Budget	% Change vs Budget
Commodities	\$464.0	\$440.9	\$440.7	(\$0.2)	0.0%
SMUD Operating Expenses	559.1	631.2	659.6	28.4	4.5%
Public Good Expenses	48.3	68.1	63.6	(4.5)	-6.6%
Capital	301.0	390.9	359.9	(31.0)	-7.9%
Debt Service	211.3	213.7	212.2	(1.6)	-0.7%
TOTAL Budget Authorization	\$1,583.8	\$1,744.8	\$1,735.9	(\$8.9)	-0.5%
Revenue	(10.0)	(9.3)	(10.4)	(1.1)	11.9%
Net	\$1,573.7	\$1,735.6	\$1,725.5	(\$10.0)	-0.6%

Capital Portfolio Seeking Approval for 2022 Expenditures



Position Summary

Full Time & Limited Term



Position Counts by Executive	2021 Full Time	2021 Limited Term	2021 Total	2022 Full Time	2022 Limited Term	2022 Total	Position Increase/ Decrease	% Change vs 2021
CEO & General Manager	33	0	33	33	0	33	0	0%
Communications, Marketing & Community Relations	63	2	65	64	1	65	0	0%
Chief Legal & Gov't Affairs Officer	38	0	38	38	0	38	0	0%
Chief Financial Officer	302	7	309	307	2	309	0	0%
Chief Operating Officer	779	21	800	796	14	810	10	1%
Chief Zero Carbon Officer	246	1	247	254	2	256	9	4%
Chief Strategy Officer	41	0	41	46	0	46	5	12%
Chief Customer Officer	278	29	307	296	7	303	(4)	-1%
Chief Diversity Officer	74	7	81	80	6	86	5	6%
Chief Information & Innovation Officer	262	12	274	265	7	272	(2)	-1%
Enterprise Resource Pool	41	13	54	31	0	31	(23)	-43%
SMUD Total	2,157	92	2,249	2,210	39	2,249	0	0%

Position Summary

Part-time & Students Information Only



Part Time/Student Position Count	2021 Approved Positions	2022 Positions Planned	Position Increase/ (Decrease)
CEO & General Manager	1	1	0
Communications, Marketing & Community Relations	0	0	0
Chief Legal & Gov't Affairs Officer	2	2	0
Chief Financial Officer	1	1	0
Chief Operating Officer	3	2	(1)
Chief Zero Carbon Officer	0	0	0
Chief Strategy Officer	0	0	0
Chief Customer Officer	101	103	2
Chief Diversity Officer	2	3	1
Chief Information & Innovation Officer	15	15	0
Enterprise Resource Pool	1	0	(1)
Part Time	126	127	1
Students	72	76	4
SMUD Total	198	203	5

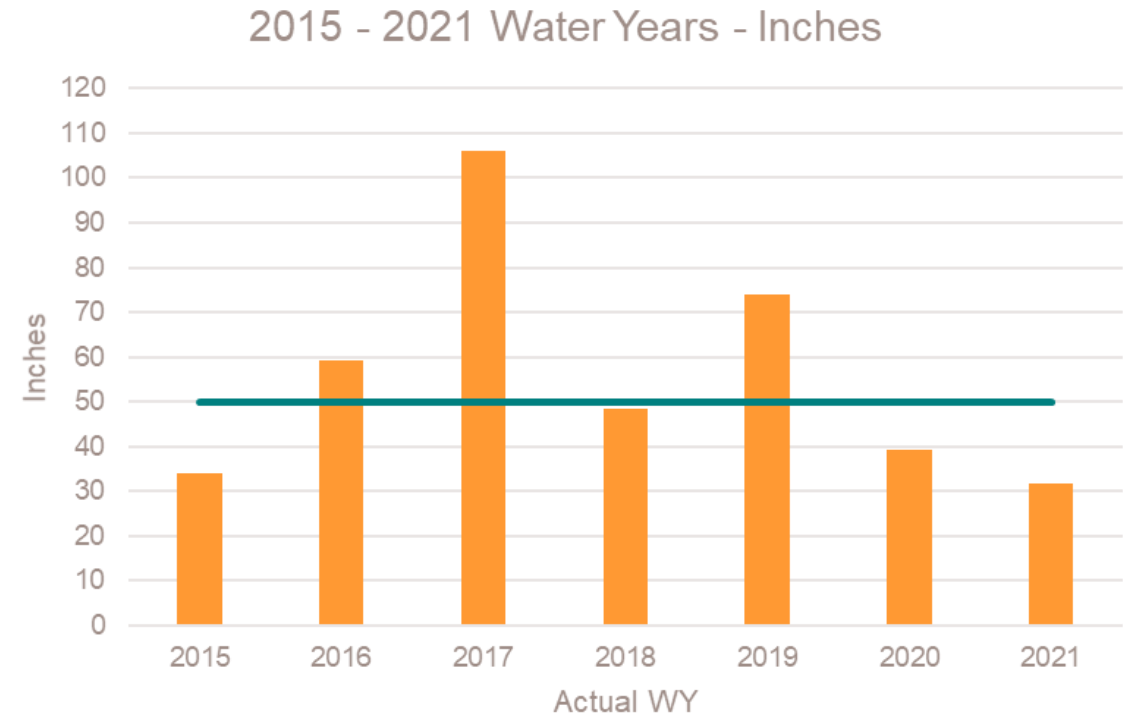
Includes organization changes.

Budget Resolution

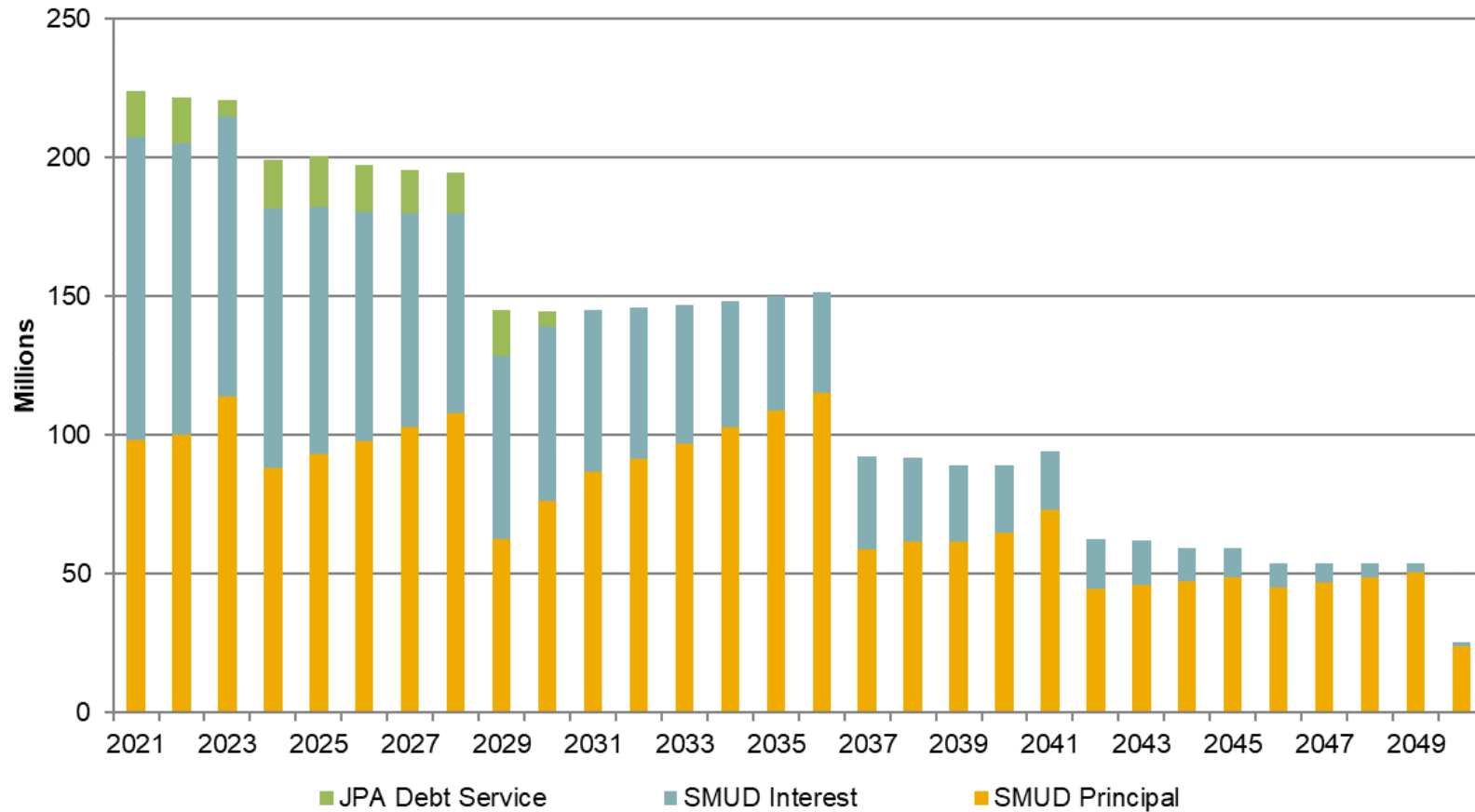
Provisions for Adjusting Budget Spending Authority



- Provisions for adjusting Budget for weather (Hydro Generation Adjustment; WAPA deliveries)
- Adjustments due to higher sales
 - Budget based on retail sales of GWh
 - Add 6.8¢ (the forecasted NP15 price) to the commodity budget line item for each kWh of sales in excess of 10,166 GWh to cover additional purchases
- Adjustments due to Low Carbon Fuel Standard (LCFS) sales and Cap-and-Trade carbon allowances to match revenue with expenses in the same year



Existing Debt Service



Debt Management Requested Action Assumptions and Debt Management Activity



- Establish additional bonding authority: Declare Intent to Issue Debt - \$400 million
- Potential opportunity to refund bonds issued in 2012 with lower interest rates
- Unrestricted cash balance expected in December 2022: \$429 million, or 151 days cash on hand
- Staff generally plans to issue new debt to preserve a 150-day minimum threshold for number of days cash on hand
- During 2022, staff will request Board's authorization for all new transactions

Debt Service



Debt Service (\$000s)	2021 Forecast	2021 Budget	2022 Proposed	\$ Change vs Budget	% Change vs Budget
Interest Expense ¹	\$116,297	\$117,425	\$113,294	(\$4,131)	-3%
Principal Repayments	98,040	98,040	100,150	2,110	2%
Fees/Bond Issuance Cost	794	2,079	2,310	231	191%
Total Debt Service	\$215,131	\$217,544	\$215,754	(\$1,790)	0%
Allocated to JPAs	(3,812)	(3,812)	(3,596)	216	-6%
NET DEBT SERVICE	\$211,319	\$213,732	\$212,158	(\$1,574)	0%

[1] Build America Bonds are shown gross of the rebate of \$9.3 million expected in 2022. The budget authorization is requested gross of the rebate. Includes net debt related swap payments and interest on long-term, variable rate, and subordinated debt. Assumes an interest rate of 4.34% (incl. all related fees & swaps) on avg. commercial paper balance of \$100 million.

Income Statement

(\$ Millions)



- Financial metrics are healthy
- Responsive to changing business conditions
- Holistic, initiatives achieve multiple goals
- Balanced between short-term needs and long-term goals

	2021 Forecast	2021 Budget	2022 Proposed
<u>Operating Revenues:</u>			
Electric Sales	\$ 1,561.2	\$ 1,508.0	\$ 1,549.4
EAPR/MED Discounts	(34.4)	(40.0)	(35.0)
Uncollectable Electric Sales	(32.6)	(10.0)	(10.9)
Net Sales	1,494.2	1,458.0	1,503.5
Other Revenue	27.0	39.4	51.9
Total Revenue	1,521.2	1,497.3	1,555.4
Commodity	464.0	440.9	440.7
Business Unit O&M	1,071.8	1,140.2	1,163.8
Other Costs/Income	267.9	279.5	275.2
Change in net position - Net Income (Loss)	\$ 181.5	\$ 77.6	\$ 116.4
Fixed Charge Coverage Ratio	2.12	1.80	1.93

Pay Schedule and Special Compensation



Requested Action

Adopt pay schedule and special compensation items for employees pursuant to California Code of Regulations, Title 2, sections 570.5 and 571 (b)

Corporate Services

2022 Proposed Budget & Initiatives

Jennifer Davidson

Chief Financial Officer



Business Segments & Functions



Governance	Finance	Facilities, Security & Office Services	Procurement, Warehouse & Fleet	Legal, Government Affairs & Reliability Compliance	Comm., Marketing & Community Relations	Enterprise
Audit Services	Planning & Performance	Facilities	Procurement	Corporate Legal	Marketing & Brand	Risk Mitigation Plans
Board Coordination	Treasury Operations & Risk Management	Security Operations	Warehouse	Reliability Compliance	Corporate Communications	
Executive Management	Corporate Accounting	Image Production & Postal Services	Fleet	Legislative, Regulatory & Government Relations	Market Research	



Safety & Reliability

- Continue to enhance security operations SD-6
 - Implement phase 2 of security badging system
- Ongoing facilities management SD-6, 8
 - Employee re-entry, including facilities modifications for any new safety protocols
 - Complete Rancho Seco Master Plan
- Continue developing the Enterprise Continuity Management Plan to ensure coordination across the organization SD-6, 17





Affordability

- Support achievement of the 2030 Clean Energy Vision SD-2, 3
 - Provide accurate and timely financial and performance data
 - Implement enhanced planning and risk management processes to support execution
- Manage debt, mitigate unfunded liabilities, manage risk to maximize rate smoothing and minimize rate increases SD-2, 3
 - Incorporate green financing as feasible
 - Ensure adequate mix of self-insurance, cash reserves and insurance combined with infrastructure and maintenance investments
- Research, monitor and implement new upcoming Accounting standards SD-2
 - Leases and Subscription-based Information Technology Arrangements





Organizational Agility

- Leverage newly consolidated planning group to streamline planning and develop process improvements, while also delivering on operational savings
 - Partnering with Enterprise Prioritization, Operational Excellence, Innovation, Risk Management and Project Management groups

SD-2





Environmental Leadership

- Enhancing our fleet by increasing the number of electric vehicles. SMUD's goal is to have 50% of all light duty vehicle miles driven be zero emissions and all electric by 2025. SD-7
- Creating a multi-year replacement plan for tool electrification SD-7
- Enhance environmental sustainability practices within SMUD procurement function SD-7, 13
 - Continue 3-year environmental sustainability projects from Utility & Supplier Alliance (EUSSCA)
 - Continuing to emphasize environmental leadership in Requests for Proposals (RFPs)
- Reduce operational waste and increase the recycling/re-use diversion rate SD-7





Organizational Agility

- Partnering with the Supplier Education & Economic Development (SEED) team and the new DE&I Director to explore opportunities to enhance our procurement practices SD-5,13
- Ensuring the budget and resources are aligned with priorities and risk to keep our rates affordable for all customers today and in the future SD-2, 5



2022 Proposed Budget

