

FY 2023-2024 Budget Surplus, Waterfall Allocations, and Reserve Fund Balance

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FY 2024 Budget to Actuals

Overall, actuals came in very much aligned with net budget expectations:

- Revenue slightly under by 2%
- Overall Operating Expenditures higher by 1.6%
- Other Sources & Uses had largest variance due to elevated interest rates through the year and damages recovered from undelivered contracts
- ~\$10.5MM was recognized from GASB 62 Rate Stabilization Fund for customer On-Bill Credits from FY 2022-2023 net revenues
- ~\$37.4MM deferred to GASB 62 Rate Stabilization Fund in accordance with Board approved waterfall (discussed further)

REVENUES	Budget	Actuals	
Electricity Sales	950,386,000	927,809,610	-2.4%
Uncollectable	(12,095,000)	(8,586,671)	-29.0%
Total Revenue and Other Sources	938,291,000	919,222,939	-2.0%
EXPENDITURES & OTHER USES			
OPERATING EXPENDITURES			
Cost of Energy	682,367,000	707,476,247	3.7%
Data Management/Customer Service	7,769,000	7,729,768	-0.5%
PG&E Service Fees	2,719,000	2,723,416	0.2%
CAISO Scheduling Coordinator	731,000	708,964	-3.0%
Personnel	21,911,000	16,269,116	-25.7%
Marketing & Communications	5,303,000	2,582,110	-51.3%
Legal, Policy, & Regulatory Affairs	3,509,000	1,368,407	-61.0%
Other Professional Services	2,505,000	1,383,794	-44.8%
General & Administrative	5,711,000	4,332,803	-24.1%
Total Current Expenditures	732,525,000	744,574,625	1.6%
OTHER SOURCES & USES			
Investment Income	1,680,000	13,149,786	682.7%
Other Income	48,000	445,263	827.6%
Liquidated Damages	-	15,330,202	100.0%
Interest & Financing Costs	(1,650,000)	(780,181)	-52.7%
Local Development Transfer	(25,500,000)	(25,500,000)	0.0%
Capital Expenditures *	(500,000)	(390,397)	-21.9%
Total Other Sources & Uses	(25,922,000)	2,254,673	-108.7%
GROSS INCREASE (DECREASE)	179,844,000	176,902,987	-1.6%
Revenue Recognized from Rate Stabilization Fund**	-	10,504,837	100.0%
Revenue Deferred to Rate Stabilization Fund	(29,844,000)	(37,407,824)	25.3%
NET INCREASE (DECREASE) ***	150,000,000	150,000,000	0.0%

* Depreciation has been removed and is expressed as Capital Expenditures

** Amount not determinable at time of budget approval

*** Net Increase is allocated to working capital and reserves



Budget Net Revenues to Audit Net Position Reconciliation

The Budget is an internal proforma document set at the discretion of the Board. The financial statements in the Audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB).

Ava drafts each budget in accordance with industry best practices and does best efforts to align with GAAP and GASB standards, but fundamental differences exist and reconciliation should be defined.

The table below reconciles the audited Net Position increase to the budget actuals Net Revenues

Reconciled Item	Details	Amount	Balance
Audited Net Position	<i>Includes GASB 62 Net Deferral</i>		172,677,755
Depreciation	<i>Accrued depreciation of assets</i>	(699,331)	173,377,086
LD Budget Allocation	<i>Budgeted capital transfer to Programs</i>	25,500,000	147,877,086
LD Revenue from Grants	<i>FY 23/24 grant revenue in Programs</i>	1,440,935	146,436,151
LD Actual Expenses	<i>Actual FY 23/24 Program expenses</i>	(4,321,877)	150,758,028
Capital Outlay	<i>Capital reconcillation</i>	390,397	150,367,631
GASB 87 Lease	<i>Lease obligations outstanding as of 6/30/2024</i>	367,631	150,000,000

The remaining \$150MM balance is allocated to reserve funds and working capital and is described in further details in the next two slides.



Waterfall Discussion

June 21, 2023, the Board of Directors (BOD) approved the fiscal year budget for July 1, 2023 through June 30, 2024 by Resolution R-2023-37.

This resolution allocated surplus revenues to abide by a waterfall of contributions in the following manner:

- The first \$50 million to be retained for working capital needs
- The next \$100 million to be allocated to reserve funds
- The remaining balance was to be split with 50% being allocated to long-term renewable energy and/or clean storage investments and 50% to be determined at a future date

January 17, 2024, the BOD approved Resolution R-2024-2, to restructure and more clearly define the remaining balance allocations as:

- 60% to be dedicated to on-bill credits with some portions specifically applied to CARE and FERA customers
- 40% to be dedicated to incentives for clean storage investments as incentives for net-billing tariff projects with an emphasis on resilience development.



Waterfall Distribution

In accordance with Board resolutions R-2023-37 and R-2024-2, the allocation of net revenues is as follows:

- The first \$50 million is recognized and retained for working capital needs
- The next \$100 million is recognized and added to the reserve fund balance
- The remaining amount is deferred to the GASB 62 Rate Stabilization Fund to be recognized in the following manner:
 - \$22,444,694 to be applied to customer bills as a credit in the current fiscal year
 - \$14,963,130 to be applied as program incentives for net billing tariff solar & storage program

	Allocation	Budget	Actuals	% Change
Revenues After Operations & Other Uses		179,484,000	176,902,987	-1.4%
GASB 62 RSF Recognition		-	10,504,837	100.0%
Net Revenues		179,484,000	187,407,824	4.4%
Contributions				
Working Capital	50,000,000	129,484,000	137,407,824	6.1%
Reserve Funds	100,000,000	29,484,000	37,407,824	26.9%
Remaining				
On-Bill Credits	60%	17,690,400	22,444,694	26.9%
Net Billing Tariff Program	40%	11,793,600	14,963,130	26.9%



Reserve Fund Balance

The Reserve Fund, as established by resolution R-2021-2 and governed by policy P10.1, works to provide a suitable cash balance to guard against expense shocks. The fund balance is set to meet annual operating expense targets. These targets meet Ava financial objectives, including but not limited to:

- Securing favorable commercial terms with vendors and power providers
- Maintain Ava’s “A Stable” credit rating
- Provide funds for unanticipated expenditures
- Maintain long-term Ava financial independence and rate stability

Contribution Year	Contribution	Withdraws	Balance	OpEx to Cover	PctOps
2018-2019	40,513,687	-	40,513,687	410,686,000	9.9%
2019-2020	49,704,640	-	90,218,327	383,045,000	23.6%
2020-2021	-	-	90,218,327	471,897,000	19.1%
2021-2022	65,655,073	-	155,873,400	562,667,000	27.7%
2022-2023	75,000,000	-	230,873,400	732,885,000	31.5%
2023-2024	100,000,000	-	330,873,400	810,350,000	40.8%



Thank you!



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