

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 6

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
Chad Rinde, Asst. Chief Financial Officer, Yolo County
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – September 30, 2018 (unaudited) financial statements (with comparative information from prior periods) and Actual vs. Budget for the quarter ending September 30, 2018

DATE: November 15, 2018

RECOMMENDATION:

Accept the Financial Statements (unaudited) for the period of September 1, 2018 to September 30, 2018 (with comparative information from prior periods) and Actual vs. Budget for the quarter ending September 30, 2018.

BACKGROUND & DISCUSSION:

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, staff is reporting the Actual vs. Budget variances for the quarter ending September 30, 2018.

Financial Statements for the period September 1, 2018 – September 30, 2018

In the Statement of Net Position, VCEA as of September 30, 2018 has a total of \$2,522,678 in its checking and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$201,443 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of September 30, 2018 \$600,931 and \$1,512,360 respectively for a grand total of \$2,113,291. The outstanding line of credit balance with River City Bank at September 30, 2018 totaled \$2,976,610. At September 30, 2018, VCE's net position is \$933,300.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$5,108,041 of revenue (net of allowance for doubtful accounts) of which \$5,214,366 was billed in September and (\$113,994) represent estimated unbilled revenue (net August and September). The cost of the electricity for the September revenue totaled \$3,843,458. For September, VCEA's gross margin is approximately 24.76% and operating income totaled \$976,468.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,252,110 due to full month of cash receipts from July and August revenue and the payment of August purchased electricity. The August purchased electricity (paid in September) was paid with cash from operations. VCE used the cash from operations to make a \$3,000,000 principal payment on the line of credit.

Actual vs. Budget Variances for the quarter ending September 30, 2018

Below are the financial statement line items >\$25,000 and 5%:

Electric revenues - (\$1,162,230) and (6%)- actual electric revenues are down from budget due to the mild weather in August and September which led to lower retail customer usage than forecasted load.

Purchased Power – (\$884,583) and (6%) - The wholesale load is down from budget due to lower revenues which led to a reduction in Purchased Power.

Salaries & Wages/Benefits – (\$123,146) and (66%) – the decrease is due to the budgeted Assistant general manager position has not been filled.

CalCCA dues - \$25,030 and 100% - the increase is due to CalCCA billing on a quarterly basis, but our budget has it as a one-time annual expense in January 2019.

Legislative/Regulatory – (\$25,704) and (43%) – the decrease is due to no legislative expenditures incurred for this quarter.

PG&E Data Fees – (\$30,769) and (32%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$120,780) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Attachments:

- 1) Financial Statements (Unaudited) September 1, 2018 to September 30, 2018 (with comparative information for prior periods.)
- 2) Actual vs. Budget for the quarter ending September 30, 2018



VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF SEPTEMBER 1, 2018 TO SEPTEMBER 30, 2018

(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)

PREPARED ON OCTOBER 31, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	SEPTEMBER 30, 2018	AUGUST 31, 2018	JULY 31, 2018	JUNE 30, 2018
ASSETS				
Current assets:				
Cash in Yolo County Treasury	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	2,522,678	4,450,588	1,246,062	963,388
Accounts receivable, net of allowance	5,601,292	6,608,758	5,281,479	5,671
Accrued revenue	2,525,209	2,639,781	3,789,784	2,824,490
Prepaid expenses	5,955	9,743	16,687	-
Inventory - Renewable Energy Credits	958,474	966,415	1,029,703	436,587
Other current assets and deposits	2,540	2,540	2,540	2,540
Total current assets	<u>11,616,148</u>	<u>14,677,825</u>	<u>11,366,255</u>	<u>4,232,676</u>
Noncurrent assets:				
Restricted cash	1,301,443	1,136,293	1,136,293	1,100,000
Other noncurrent assets and deposits	600,000	600,000	600,000	600,000
Total noncurrent assets	<u>1,901,443</u>	<u>1,736,293</u>	<u>1,736,293</u>	<u>1,700,000</u>
TOTAL ASSETS	<u>\$ 13,517,591</u>	<u>\$ 16,414,118</u>	<u>\$ 13,102,548</u>	<u>\$ 5,932,676</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 42,544	\$ 86,527	\$ 122,542	\$ 137,475
Accrued payroll	1,983	2,807	2,332	1,624
Interest payable	104,047	79,229	67,968	61,556
Due to member agencies	600,931	594,152	574,654	534,639
Accrued cost of electricity	5,773,656	6,832,967	6,804,900	2,673,939
Other accrued liabilities	1,512,360	1,290,314	1,082,390	837,294
User taxes and energy surcharges	72,160	54,992	33,690	10,002
Total current liabilities	<u>8,107,681</u>	<u>8,940,988</u>	<u>8,688,476</u>	<u>4,256,529</u>
Noncurrent liabilities				
Line of credit	2,976,610	5,976,610	3,600,885	1,600,000
Loans from member agencies	1,500,000	1,500,000	1,500,000	1,500,000
Total noncurrent liabilities	<u>4,476,610</u>	<u>7,476,610</u>	<u>5,100,885</u>	<u>3,100,000</u>
TOTAL LIABILITIES	<u>\$ 12,584,291</u>	<u>\$ 16,417,598</u>	<u>\$ 13,789,361</u>	<u>\$ 7,356,529</u>
NET POSITION				
Net position:				
Restricted				
Local Programs Reserve	\$ 23,571	\$ 14,203	\$ 7,370	\$ -
Unrestricted	909,729	(17,683)	(694,183)	(1,423,853)
TOTAL NET POSITION	<u>\$ 933,300</u>	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (1,423,853)</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	SEPTEMBER 1, 2018 - SEPTEMBER 30, 2018	AUGUST 1, 2018 - AUGUST 31, 2018	JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
OPERATING REVENUE				
Electricity sales, net	\$ 5,108,041	\$ 6,190,038	\$ 6,652,688	\$ 17,950,767
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	<u>5,108,041</u>	<u>6,190,038</u>	<u>6,652,688</u>	<u>17,950,767</u>
OPERATING EXPENSES				
Cost of electricity	3,843,458	5,169,263	5,538,730	14,551,451
Contract services	181,505	229,566	320,470	731,541
Staff compensation	76,079	57,356	9,049	142,484
General, administration, and other	30,531	33,955	36,966	101,452
TOTAL OPERATING EXPENSES	<u>4,131,573</u>	<u>5,490,140</u>	<u>5,905,215</u>	<u>15,526,928</u>
TOTAL OPERATING INCOME (LOSS)	976,468	699,898	747,473	2,423,839
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	-	-
Interest and related expenses	(39,688)	(16,565)	(10,433)	(66,686)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(39,688)</u>	<u>(16,565)</u>	<u>(10,433)</u>	<u>(66,686)</u>
CHANGE IN NET POSITION	936,780	683,333	737,040	2,357,153
Net position at beginning of period	(3,480)	(686,813)	(1,423,853)	(1,423,853)
Net position at end of period	<u>\$ 933,300</u>	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ 933,300</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

	SEPTEMBER 1, 2018 - SEPTEMBER 30, 2018	AUGUST 1, 2018 - AUGUST 31, 2018	JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from electricity sales	\$ 6,247,247	\$ 6,034,064	\$ 435,274	\$ 12,716,585
Payments for security deposits with energy suppliers	-	-	-	-
Payments to purchase electricity	(4,894,828)	(5,077,908)	(2,000,885)	(11,973,621)
Payments for contract services, general, and administration	(23,406)	(65,170)	(103,945)	(192,521)
Payments for member agency services	-	-	-	-
Payments for staff compensation	(76,903)	(56,881)	(8,341)	(142,125)
Other cash payments	-	-	-	-
Net cash provided (used) by operating activities	<u>1,252,110</u>	<u>834,105</u>	<u>(1,677,897)</u>	<u>408,318</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Loans from member agencies	-	-	-	-
Draw of line of credit	-	2,375,725	2,000,885	4,376,610
Transfer to restricted cash	(165,150)	-	(36,293)	(201,443)
Principal payments of Line of Credit to bank	(3,000,000)	-	-	(3,000,000)
Interest and related expenses	(14,870)	(5,304)	(4,021)	(24,195)
Net cash provided (used) by non-capital financing activities	<u>(3,180,020)</u>	<u>2,370,421</u>	<u>1,960,571</u>	<u>1,150,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	-	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,927,910)	3,204,526	282,674	1,559,290
Cash and cash equivalents at beginning of period	4,450,588	1,246,062	963,388	963,388
Cash and cash equivalents at end of period	<u>\$ 2,522,678</u>	<u>\$ 4,450,588</u>	<u>\$ 1,246,062</u>	<u>\$ 2,522,678</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

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

Operating Income (Loss)	\$ 976,468	\$ 699,898	\$ 747,473	\$ 2,423,839
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in net accounts receivable	1,007,466	(1,327,279)	(5,275,808)	(5,595,621)
(Increase) decrease in accrued revenue	114,572	1,150,003	(965,294)	299,281
(Increase) decrease in prepaid expenses	3,788	6,944	(16,687)	(5,955)
(Increase) decrease in inventory - renewable energy credits	7,941	63,288	(593,116)	(521,887)
(Increase) decrease in other assets and deposits	-	-	-	-
Increase (decrease) in accounts payable	(43,983)	(36,015)	(14,933)	(94,931)
Increase (decrease) in accrued payroll	(824)	475	708	359
Increase (decrease) in due to member agencies	6,779	19,498	40,015	66,292
Increase (decrease) in accrued cost of electricity	(1,059,311)	28,067	4,130,961	3,099,717
Increase (decrease) in other accrued liabilities	222,046	207,924	245,096	675,066
Increase (decrease) in user taxes and energy surcharges	17,168	21,302	23,688	62,158
Net cash provided (used) by operating activities	<u>\$ 1,252,110</u>	<u>\$ 834,105</u>	<u>\$ (1,677,897)</u>	<u>\$ 408,318</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2019
FOR THE QUARTER ENDING SEPTEMBER 30, 2018

Description	9/30/2018	9/30/2018	YTD Variance	% over/under
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 17,950,767	\$ 19,112,997	\$ (1,162,230)	-6%
Interest Revenues	-	14,698	(14,698)	-100%
Purchased Power	14,551,451	15,436,034	(884,583)	-6%
Labor & Benefits	223,102	352,049	(128,948)	-37%
Salaries & Wages/Benefits	63,070	186,216	(123,146)	-66%
Contract Labor	160,031	165,833	(5,802)	-3%
Office Supplies & Other Expenses	29,189	14,400	14,789	103%
Technology Costs	2,086	3,500	(1,414)	-40%
Office Supplies	557	300	257	86%
Travel	1,516	7,600	(6,084)	-80%
CalCCA Dues	25,030	-	25,030	100%
Memberships	-	3,000	(3,000)	-100%
Contractual Services	650,923	713,611	(62,688)	-9%
LEAN Energy	4,836	12,000	(7,165)	-60%
Don Dame	919	3,000	(2,081)	-69%
SMUD - Credit Support	182,794	199,780	(16,986)	-9%
SMUD - Wholesale Energy Services	156,440	141,000	15,440	11%
SMUD - Call Center	175,801	193,563	(17,762)	-9%
CirclePoint	47,806	72,801	(24,995)	-34%
Legal	19,397	10,640	8,757	82%
Legislative/Regulatory	34,296	60,000	(25,704)	-43%
Accounting Services	5,064	16,667	(11,603)	-70%
Human Resources & Payroll	5,570	3,020	2,550	84%
Audit Fees	18,000	-	18,000	100%
Banking Fees	-	1,140	(1,140)	-100%
Rents & Leases	4,198	4,200	(2)	0%
Hunt Boyer Mansion	4,198	4,200	(2)	0%
Future Office Space	-	-	-	0%
Other A&G	66,133	122,039	(55,906)	-46%
Marketing Collateral	-	21,507	(21,507)	-100%
PG&E Data Fees	66,013	96,782	(30,769)	-32%
Community Engagement Activities & Sponsorships	120	3,000	(2,880)	-96%
Green-e Certification	-	750	(750)	-100%
Miscellaneous Operating Expenses	1,934	1,500	434	29%
Contingency	-	120,780	(120,780)	-100%
TOTAL OPERATING EXPENSES	\$ 15,526,929	\$ 16,764,613	\$ (1,237,683)	-7%
Interest Expense - Munis	18,465	11,839	6,626	56%
Interest on RCB loan	42,993	107,551	(64,558)	-60%
Interest Expense - SMUD	5,228	3,767	1,461	39%
NET INCOME	\$ 2,357,152	\$ 2,239,925	\$ 117,227	5%