

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 – October 31, 2018 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2018

DATE: December 13, 2018

RECOMMENDATION:

Accept the Financial Statements (unaudited) for the period of October 1, 2018 to October 31, 2018 (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 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 year to date ending October 31, 2018.

Financial Statements for the period October 1, 2018 – October 31, 2018

In the Statement of Net Position, VCEA as of October 31, 2018 has a total of \$4,693,112 in its checking, money market and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$265,229 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of October 31, 2018 \$642,509 and \$1,718,992 respectively for a grand total of \$2,361,501. VCEA will begin paying SMUD for the monthly operating expenditures (starting with October 2018 expenditures) and repayment of the deferred amount of

\$1,512,360 over a 24-month period. The outstanding line of credit balance with River City Bank at October 31, 2018 totaled \$2,976,610. At October 31, 2018, VCE's net position is \$2,286,483.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$4,742,626 of revenue (net of allowance for doubtful accounts) of which \$4,870,659 was billed in October and (\$137,134) represent estimated unbilled revenue (net September and October). The cost of the electricity for the October revenue totaled \$3,074,183. For October, VCEA's gross margin is approximately 35.18% and operating income totaled \$1,363,656.

In the Statement of Cash Flows, VCEA cash flows from operations was \$2,256,068 due to the cash receipts of revenues from the summer months and the lower payment of September purchased electricity. The September purchased electricity (paid in October) was paid with cash from operations. VCE used the cash from operations to make a \$1,000,000 principal payment on the line of credit in early November.

Actual vs. Budget Variances for the year to date ending October 31, 2018

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

Electric revenues - (\$1,191,953) and (5%) - actual electric revenues are down from budget due to the mild summer weather which led to lower retail customer usage than forecasted load and the deferral of NEM customers until 2019.

Salaries & Wages/Benefits - (\$139,090) and (56%) - the decrease is due to the budgeted Assistant general manager (AGM) position has not been filled. Beginning September 2018, SMUD's Task Order 4 was amended to have SMUD provide proxy AGM services which is included in Contract Labor.

CalCCA dues - \$33,373 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 - (\$33,775) and (42%) - the decrease is due to no legislative expenditures incurred year-to-date.

Audit fees - (\$42,000) and (70%) - the decrease is due to the audit fees for the 2017/18 fiscal year were \$18,000 due to only one month of operations compared to the budget of \$60,000.

Marketing Collateral - (\$43,014) and (100%) - the decrease is due to the selection of a new marketing firm made in November and will begin in December 2018.

PG&E Data Fees - (\$44,051) and (34%) - due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$163,463) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$104,306) and (37%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

- 1) Financial Statements (Unaudited) October 1, 2018 to October 31, 2018 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending October 31, 2018



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF OCTOBER 1, 2018 TO OCTOBER 31, 2018

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON NOVEMBER 29, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF OCTOBER 31, 2018
(UNAUDITED)

ASSETS

Current assets:

Cash with fiscal agent	\$	4,693,112
Accounts receivable, net of allowance		4,699,169
Accrued revenue		2,387,297
Prepaid expenses		20,828
Inventory - Renewable Energy Credits		730,028
Other current assets and deposits		2,540
Total current assets		<u>12,532,974</u>

Noncurrent assets:

Restricted cash		1,365,229
Other noncurrent assets and deposits		600,000
Total noncurrent assets		<u>1,965,229</u>
TOTAL ASSETS	\$	<u>14,498,203</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	57,964
Accrued payroll		2,432
Interest payable		92,672
Due to member agencies		642,509
Accrued cost of electricity		5,133,182
Other accrued liabilities		1,718,992
User taxes and energy surcharges		87,360
Total current liabilities		<u>7,735,111</u>

Noncurrent liabilities

Line of credit		2,976,610
Loans from member agencies		1,500,000
Total noncurrent liabilities		<u>4,476,610</u>
TOTAL LIABILITIES	\$	<u>12,211,721</u>

NET POSITION

Net position:

Restricted		
Local Programs Reserve	\$	37,103
Unrestricted		2,249,380
TOTAL NET POSITION	\$	<u>2,286,483</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING OCTOBER 31, 2018	YEAR TO DATE
	<u> </u>	<u> </u>
OPERATING REVENUE		
Electricity sales, net	\$ 4,742,626	\$ 22,693,393
Other revenue	-	-
TOTAL OPERATING REVENUES	<u>4,742,626</u>	<u>22,693,393</u>
 OPERATING EXPENSES		
Cost of electricity	3,074,183	17,625,634
Contract services	194,126	925,667
Staff compensation	79,793	222,277
General, administration, and other	30,868	132,320
TOTAL OPERATING EXPENSES	<u>3,378,970</u>	<u>18,905,898</u>
 TOTAL OPERATING INCOME (LOSS)	1,363,656	3,787,496
 NONOPERATING REVENUES (EXPENSES)		
Interest income	970	970
Interest and related expenses	(11,443)	(78,129)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(10,473)</u>	<u>(77,159)</u>
 CHANGE IN NET POSITION	1,353,183	3,710,336
Net position at beginning of period	933,300	(1,423,853)
Net position at end of period	<u>\$ 2,286,483</u>	<u>\$ 2,286,483</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING OCTOBER 31, 2018	YEAR TO DATE
	<u>2018</u>	<u>DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 5,797,861	\$ 18,514,446
Payments for security deposits with energy suppliers	-	-
Payments to purchase electricity	(3,486,211)	(15,459,832)
Payments for contract services, general, and administration	23,762	(168,759)
Payments for member agency services	-	-
Payments for staff compensation	(79,344)	(221,469)
Other cash payments	-	-
Net cash provided (used) by operating activities	<u>2,256,068</u>	<u>2,664,386</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies	-	-
Draw of line of credit	-	4,376,610
Transfer to restricted cash	(63,786)	(265,229)
Principal payments of Line of Credit to bank	-	(3,000,000)
Interest and related expenses	(22,818)	(47,013)
Net cash provided (used) by non-capital financing activities	<u>(86,604)</u>	<u>1,064,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	970	970
Net cash provided (used) by investing activities	<u>970</u>	<u>970</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,170,434	3,729,724
Cash and cash equivalents at beginning of period	<u>2,522,678</u>	<u>963,388</u>
Cash and cash equivalents at end of period	<u>\$ 4,693,112</u>	<u>\$ 4,693,112</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING OCTOBER 31, 2018	YEAR TO DATE
	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,363,656	\$ 3,787,495
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	902,123	(4,693,498)
(Increase) decrease in accrued revenue	137,912	437,193
(Increase) decrease in prepaid expenses	(14,873)	(20,828)
(Increase) decrease in inventory - renewable energy credits	228,446	(293,441)
(Increase) decrease in other assets and deposits	-	-
Increase (decrease) in accounts payable	15,420	(79,511)
Increase (decrease) in accrued payroll	449	808
Increase (decrease) in due to member agencies	41,578	107,870
Increase (decrease) in accrued cost of electricity	(640,475)	2,459,243
Increase (decrease) in other accrued liabilities	206,632	881,698
Increase (decrease) in user taxes and energy surcharges	15,200	77,358
Net cash provided (used) by operating activities	<u>\$ 2,256,068</u>	<u>\$ 2,664,386</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2019
FOR THE YTD ENDING October 31, 2018

Description	10/31/2018	10/31/2018	YTD Variance	% over/under
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 22,693,393	\$ 23,885,346	\$ (1,191,953)	-5%
Interest Revenues	970	20,623	(19,653)	-95%
Purchased Power	17,625,634	18,400,455	(774,821)	-4%
Labor & Benefits	322,046	463,288	(141,242)	-30%
Salaries & Wages/Benefits	109,198	248,288	(139,090)	-56%
Contract Labor	212,847	215,000	(2,153)	-1%
Office Supplies & Other Expenses	38,077	19,550	18,527	95%
Technology Costs	2,410	5,000	(2,590)	-52%
Office Supplies	557	400	157	39%
Travel	1,737	10,150	(8,413)	-83%
CalCCA Dues	33,373	-	33,373	100%
Memberships	-	4,000	(4,000)	-100%
Contractual Services	826,105	967,136	(141,031)	-15%
LEAN Energy	4,336	12,000	(7,665)	-64%
Don Dame	1,983	3,000	(1,017)	-34%
SMUD - Credit Support	228,366	248,494	(20,128)	-8%
SMUD - Wholesale Energy Services	204,720	188,000	16,720	9%
SMUD - Call Center	235,765	258,084	(22,319)	-9%
CirclePoint	51,595	72,801	(21,206)	-29%
Legal	22,397	14,210	8,187	58%
Legislative/Regulatory	46,225	80,000	(33,775)	-42%
Accounting Services	5,064	25,000	(19,936)	-80%
Human Resources & Payroll	7,644	4,026	3,618	90%
Audit Fees	18,000	60,000	(42,000)	-70%
Banking Fees	10	1,520	(1,510)	-99%
Rents & Leases	5,597	5,600	(3)	0%
Hunt Boyer Mansion	5,597	5,600	(3)	0%
Future Office Space	-	-	-	0%
Other A&G	85,141	177,056	(91,915)	-52%
Marketing Collateral	-	43,014	(43,014)	-100%
PG&E Data Fees	84,991	129,042	(44,051)	-34%
Community Engagement Activities & Sponsorships	150	4,000	(3,850)	-96%
Green-e Certification	-	1,000	(1,000)	-100%
Miscellaneous Operating Expenses	3,301	2,000	1,301	65%
Contingency	-	163,463	(163,463)	-100%
TOTAL OPERATING EXPENSES	\$ 18,905,900	\$ 20,198,548	\$ (1,292,647)	-6%
Interest Expense - Munis	18,465	15,802	2,663	17%
Interest on RCB loan	51,921	156,226	(104,306)	-67%
Interest Expense - SMUD	7,742	5,800	1,942	33%
NET INCOME	\$ 3,710,335	\$ 3,529,593	\$ 180,742	5%