

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – 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 – June 30, 2018 and July 31, 2018

DATE: September 13, 2018

RECOMMENDATIONS:

Accept the Financial Statements (unaudited) for the following periods:

- 1) For the period of June 1, 2018 to June 30, 2018 (with comparative information from January 1, 2017 (Inception) to May 31, 2018 and Period to Date.)
- 2) For the period of July 1, 2018 to July 31, 2018 (with comparative information from Prior Periods)

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

For the period June 1, 2018-June 30, 2018

VCEA launched June 1, 2018 and the financial statements reflect the first month of power operations. In the Statement of Net Position, VCEA as of June 30, 2018 has a total of \$963,338 in a checking account with River City Bank and \$1,100,000 restricted cash for the Debt Service Reserve account related to our Line of Credit with River City Bank. VCEA has incurred obligations from Member agencies and SMUD and owes as of June 30, 2018 \$534,639 and \$837,294 respectively for a grand total of \$1,371,933. The repayments to the member agencies are deferred by the co-operation agreements until after the VCEA is revenue positive. The SMUD repayments are deferred until October 2018.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,820,188 of revenue (net of allowance for doubtful accounts) of which \$5,671 was billed in June and \$2,814,517 represent estimated unbilled revenue. The cost of the electricity for the June revenue totaled \$2,237,352. For June, VCEA's gross margin is approximately 20.6% and operating income totaled \$204,655.

For the period July 1, 2018-July 31, 2018

The financial statements for July 2018 represent the first full month of power operations. In the Statement of Net Position, VCEA as of July 31, 2018 has a total of \$1,246,062 in its checking and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$36,293 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of July 31, 2018 \$574,654 and \$1,082,390 respectively for a grand total of \$1,657,044. The outstanding line of credit balance with River City Bank at July 31, 2018 totaled \$3,600,885. At July 31, 2018, VCE's net position is \$(368,818).

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,970,683 of revenue (net of allowance for doubtful accounts) of which \$6,427,113 was billed in July and \$543,570 represent estimated unbilled revenue (net June and July). The cost of the electricity for the July revenue totaled \$5,538,730. For July, VCEA's gross margin is approximately 20.5% and operating income totaled \$1,065,468.

In the Statement of Cash Flows, VCEA cash flows from operations was \$(1,677,897) due to negligible cash receipts from June revenue and the payment of June purchased electricity. The June purchased electricity was paid with the \$2,000,885 draw on the RCB line of credit.

Attachments:

- 1) Financial Statements (Unaudited) June 1, 2018 to June 30, 2018 (with comparative information from January 1, 2017 (Inception) to May 31, 2018 and Period to Date.)
- 2) Financial Statements (Unaudited) July 1, 2018 to July 31, 2018 (with comparative information from Prior Periods.)



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

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

(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)

PREPARED ON AUGUST 14, 2018

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

	JUNE 30, 2018	MAY 31, 2018
ASSETS		
Current assets:		
Cash in Yolo County Treasury	\$ -	\$ 283,102
Cash with fiscal agent	963,388	234,492
Accounts receivable, net of allowance	2,830,161	-
Inventory - Renewable Energy Credits	436,587	-
Other current assets and deposits	2,540	2,540
Total current assets	4,232,676	520,134
Noncurrent assets:		
Restricted cash	1,100,000	-
Other noncurrent assets and deposits	600,000	600,000
Total noncurrent assets	1,700,000	600,000
TOTAL ASSETS	\$ 5,932,676	\$ 1,120,134
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 137,475	\$ 153,383
Accrued payroll	1,624	917
Interest payable	61,556	9,313
Due to member agencies	534,639	501,513
Accrued cost of electricity	2,673,939	-
Other accrued liabilities	837,294	531,273
User taxes and energy surcharges	10,002	-
Total current liabilities	4,256,529	1,196,399
Noncurrent liabilities		
Line of credit	1,600,000	-
Loans from member agencies	1,500,000	1,500,000
Total noncurrent liabilities	3,100,000	1,500,000
TOTAL LIABILITIES	\$ 7,356,529	\$ 2,696,399
NET POSITION		
Net position:		
Restricted	\$ -	\$ -
Unrestricted	(1,423,853)	(1,576,265)
TOTAL NET POSITION	\$ (1,423,853)	\$ (1,576,265)

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

	JUNE 1, 2018 - JUNE 30, 2018	JANUARY 1, 2017 - MAY 31, 2018
OPERATING REVENUE		
Electricity sales, net	\$ 2,820,188	\$ -
Other revenue	-	-
TOTAL OPERATING REVENUES	<u>2,820,188</u>	<u>-</u>
OPERATING EXPENSES		
Cost of electricity	2,237,352	-
Contract services		
Contractors	246,661	1,066,865
Member agencies	33,126	501,513
Staff compensation	8,581	9,341
General and administration	36,304	5,636
Other expenses	53,509	-
Depreciation	-	-
TOTAL OPERATING EXPENSES	<u>2,615,533</u>	<u>1,583,355</u>
TOTAL OPERATING INCOME (LOSS)	204,655	(1,583,355)
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	16,403
Interest and related expenses	(52,243)	(9,313)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(52,243)</u>	<u>7,090</u>
CHANGE IN NET POSITION	152,412	(1,576,265)
Net position at beginning of period	(1,576,265)	-
Net position at end of period	<u>\$ (1,423,853)</u>	<u>\$ (1,576,265)</u>

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

	JUNE 1, 2018 - JUNE 30, 2018	JANUARY 1, 2017 - MAY 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 29	\$ -
Payments for security deposits with energy suppliers	-	(600,000)
Payments to purchase electricity	-	-
Payments for contract services, general, and administration	(46,361)	(387,845)
Payments for member agency services	-	-
Payments for staff compensation	(7,874)	(8,424)
Other cash payments	-	(2,540)
Net cash provided (used) by operating activities	<u>(54,206)</u>	<u>(998,809)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies	-	1,500,000
Draw of line of credit	1,600,000	-
Transfer to restricted cash	(1,100,000)	-
Net cash provided (used) by non-capital financing activities	<u>500,000</u>	<u>1,500,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	-	16,403
Net cash provided (used) by investing activities	<u>-</u>	<u>16,403</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	445,794	517,594
Cash and cash equivalents at beginning of period	517,594	-
Cash and cash equivalents at end of period	<u>\$ 963,388</u>	<u>\$ 517,594</u>

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

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

Operating Income (Loss)	\$ 204,655	\$ (1,583,355)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(2,830,161)	-
(Increase) decrease in inventory - renewable energy credits	(436,587)	-
(Increase) decrease in other assets and deposits	-	(602,540)
Increase (decrease) in accounts payable	(15,908)	153,383
Increase (decrease) in accrued payroll	707	917
Increase (decrease) in due to member agencies	33,126	501,513
Increase (decrease) in accrued cost of electricity	2,673,939	-
Increase (decrease) in other accrued liabilities	306,021	531,273
Increase (decrease) in user taxes and energy surcharges	10,002	-
Net cash provided (used) by operating activities	<u>\$ (54,206)</u>	<u>\$ (998,809)</u>



VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

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

(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)

PREPARED ON AUGUST 31, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF JULY, 31, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	<u>JULY 31, 2018</u>	<u>JUNE 30, 2018</u>	<u>MAY 31, 2018</u>
ASSETS			
Current assets:			
Cash in Yolo County Treasury	\$ -	\$ -	\$ 283,102
Cash with fiscal agent	1,246,062	963,388	234,492
Accounts receivable, net of allowance	5,959,837	5,671	-
Accrued revenue	3,430,303	2,824,490	-
Prepaid expenses	16,687	-	-
Inventory - Renewable Energy Credits	1,029,703	436,587	-
Other current assets and deposits	2,540	2,540	2,540
Total current assets	<u>11,685,132</u>	<u>4,232,676</u>	<u>520,134</u>
Noncurrent assets:			
Restricted cash	1,136,293	1,100,000	-
Other noncurrent assets and deposits	600,000	600,000	600,000
Total noncurrent assets	<u>1,736,293</u>	<u>1,700,000</u>	<u>600,000</u>
TOTAL ASSETS	<u>\$ 13,421,425</u>	<u>\$ 5,932,676</u>	<u>\$ 1,120,134</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 122,542	\$ 137,475	\$ 153,383
Accrued payroll	2,332	1,624	917
Interest payable	67,968	61,556	9,313
Due to member agencies	574,654	534,639	501,513
Accrued cost of electricity	6,804,900	2,673,939	-
Other accrued liabilities	1,082,390	837,294	531,273
User taxes and energy surcharges	34,572	10,002	-
Total current liabilities	<u>8,689,358</u>	<u>4,256,529</u>	<u>1,196,399</u>
Noncurrent liabilities			
Line of credit	3,600,885	1,600,000	-
Loans from member agencies	1,500,000	1,500,000	1,500,000
Total noncurrent liabilities	<u>5,100,885</u>	<u>3,100,000</u>	<u>1,500,000</u>
TOTAL LIABILITIES	<u>\$ 13,790,243</u>	<u>\$ 7,356,529</u>	<u>\$ 2,696,399</u>
NET POSITION			
Net position:			
Restricted			
Local Programs Reserve	\$ 10,550	\$ -	\$ -
Unrestricted			
TOTAL NET POSITION	<u>\$ (368,818)</u>	<u>\$ (1,423,853)</u>	<u>\$ (1,576,265)</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JULY 1, 2018 TO JULY 31, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	JULY 1, 2018 - JULY 31, 2018	JUNE 1, 2018 - JUNE 30, 2018	JANUARY 1, 2017 - MAY 31, 2018
OPERATING REVENUE			
Electricity sales, net	\$ 6,970,683	\$ 2,820,188	\$ -
Other revenue	-	-	-
TOTAL OPERATING REVENUES	<u>6,970,683</u>	<u>2,820,188</u>	<u>-</u>
OPERATING EXPENSES			
Cost of electricity	5,538,730	2,237,352	-
Contract services:			
Contractors	280,455	246,661	1,066,865
Member agencies	40,015	33,126	501,513
Staff compensation	9,049	8,581	9,341
General, administration, and other	36,966	89,813	5,636
Depreciation	-	-	-
TOTAL OPERATING EXPENSES	<u>5,905,215</u>	<u>2,615,533</u>	<u>1,583,355</u>
TOTAL OPERATING INCOME (LOSS)	1,065,468	204,655	(1,583,355)
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	-	16,403
Interest and related expenses	(10,433)	(52,243)	(9,313)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(10,433)</u>	<u>(52,243)</u>	<u>7,090</u>
CHANGE IN NET POSITION	1,055,035	152,412	(1,576,265)
Net position at beginning of period	(1,423,853)	(1,576,265)	-
Net position at end of period	<u>\$ (368,818)</u>	<u>\$ (1,423,853)</u>	<u>\$ (1,576,265)</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JULY 1, 2018 TO JULY 31, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

	JULY 1, 2018 TO JULY 31, 2018	JUNE 1, 2018 - JUNE 30, 2018	JANUARY 1, 2017 - MAY 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from electricity sales	\$ 435,274	\$ 29	\$ -
Payments for security deposits with energy suppliers	-	-	(600,000)
Payments to purchase electricity	(2,000,885)	-	-
Payments for contract services, general, and administration	(103,945)	(46,361)	(387,845)
Payments for member agency services	-	-	-
Payments for staff compensation	(8,341)	(7,874)	(8,424)
Other cash payments	-	-	(2,540)
Net cash provided (used) by operating activities	<u>(1,677,897)</u>	<u>(54,206)</u>	<u>(998,809)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Loans from member agencies	-	-	1,500,000
Draw of line of credit	2,000,885	1,600,000	-
Transfer to restricted cash	(36,293)	(1,100,000)	-
Interest and related expenses	(4,021)	-	-
Net cash provided (used) by non-capital financing activities	<u>1,960,571</u>	<u>500,000</u>	<u>1,500,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	-	16,403
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>16,403</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
	282,674	445,794	517,594
Cash and cash equivalents at beginning of period	963,388	517,594	-
Cash and cash equivalents at end of period	<u>\$ 1,246,062</u>	<u>\$ 963,388</u>	<u>\$ 517,594</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JULY 1, 2018 TO JULY 31, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

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

Operating Income (Loss)	\$ 1,065,468	\$ 204,655	\$ (1,583,355)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in net accounts receivable	(5,954,166)	(5,671)	-
(Increase) decrease in accrued revenue	(605,813)	(2,824,490)	-
(Increase) decrease in prepaid expenses	(16,687)	-	-
(Increase) decrease in inventory - renewable energy credits	(593,116)	(436,587)	-
(Increase) decrease in other assets and deposits	-	-	(602,540)
Increase (decrease) in accounts payable	(14,933)	(15,908)	153,383
Increase (decrease) in accrued payroll	708	707	917
Increase (decrease) in due to member agencies	40,015	33,126	501,513
Increase (decrease) in accrued cost of electricity	4,130,961	2,673,939	-
Increase (decrease) in other accrued liabilities	245,096	306,021	531,273
Increase (decrease) in user taxes and energy surcharges	24,570	10,002	-
Net cash provided (used) by operating activities	<u>\$ (1,677,897)</u>	<u>\$ (54,206)</u>	<u>\$ (998,809)</u>