

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 7

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Lisa Limcaco, Finance and Operations Director, VCEA  
Mitch Sears, Interim General Manager, VCEA

**SUBJECT:** Financial Update – February 28, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending February 28, 2019

**DATE:** April 11, 2019

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### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of February 1, 2019 to February 28, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending February 28, 2019.

### **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 February 28, 2019.

### Financial Statements for the period February 1, 2019 – February 28, 2019

In the Statement of Net Position, VCEA as of February 28, 2019 has a total of \$5,185,116 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$426,215 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of February 28, 2019 \$747,444 and \$1,335,440 respectively for a grand total of \$2,082,884. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of

\$1,522,433 over a 24-month period. The outstanding line of credit balance with River City Bank at February 28, 2019 totaled \$1,976,610. At February 28, 2019, VCE's net position is \$3,123,654.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,856,606 of revenue (net of allowance for doubtful accounts) of which \$2,641,262 was billed in February and \$219,903 represent estimated unbilled revenue (net January and February). The cost of the electricity for the February revenue totaled \$1,926,445, which is lower than January 2019 due to timing of CAISO fees (credits). For February, VCEA's gross margin is approximately 32.56% and operating income totaled \$628,835, mainly due to the estimate of unbilled revenues are based on average usage for the month and not actual usage therefore impacting the calculation of revenues when the wholesale load drops substantially from month-to-month.

In the Statement of Cash Flows, VCEA cash flows from operations was (\$64,009) due to operating expenses exceeded the February cash receipts of revenues.

Actual vs. Budget Variances for the year to date ending February 28, 2019

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

Electric revenues - (\$2,374,348) and (7%) - 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 2020.

Purchased Power - (\$2,293,074) and (8%) - due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits - (\$262,145) and (29%) - 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 - (\$35,256) and (35%) - the decrease is due to CalCCA billing on a quarterly basis, but our budget has it as a one-time annual expense in February 2019.

SMUD - Credit Support - (\$46,396) and (11%) - due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

SMUD - Wholesale Energy Services - \$32,565 and 9% - due to additional costs related to LT renewable procurement and other services.

SMUD - Call Center - (\$28,844) and (6%) - due to lower retail customers from the deferral of NEM customers.

Legislative/Regulatory – (\$67,690) and (42%) – the decrease is due to no legislative expenditures incurred until February 2019 when VCE contracted for lobbying services.

Accounting Services – (\$50,780) and (87%) – due to Yolo County's accounting department providing accounting services along with the VCE Director of Finance oversight which is ~\$6,000/month less than an outside accounting firm's fees that were budgeted.

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 – (\$74,487) and (57%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$97,564) and (38%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$320,003) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$267,880) and (77%) – due to lower outstanding Line of credit balance than originally budgeted.

**Attachments:**

- 1) Financial Statements (Unaudited) February 1, 2019 to February 28, 2019 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending February 28, 2019



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2019**

**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**

**PREPARED ON MARCH 28, 2019**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**AS OF FEBRUARY 28, 2019**  
**(UNAUDITED)**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 5,185,116
Accounts receivable, net of allowance	3,218,357
Accrued revenue	1,495,170
Prepaid expenses	10,827
Inventory - Renewable Energy Credits	158,664
Other current assets and deposits	2,540
Total current assets	<u>10,070,674</u>

Restricted assets:

Debt service reserve fund	1,100,000
Power purchase reserve fund	426,215
Total restricted assets	<u>1,526,215</u>

Noncurrent assets:

Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>

**TOTAL ASSETS**

\$ 11,696,889

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 467,286
Accrued payroll	4,104
Interest payable	95,700
Due to member agencies	747,444
Accrued cost of electricity	2,414,508
Other accrued liabilities	1,335,440
User taxes and energy surcharges	32,143
Total current liabilities	<u>5,096,625</u>

Noncurrent liabilities

Line of credit	1,976,610
Loans from member agencies	1,500,000
Total noncurrent liabilities	<u>3,476,610</u>

**TOTAL LIABILITIES**

\$ 8,573,235

**NET POSITION**

Net position:

Restricted

Local Programs Reserve	\$ 45,474
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Unrestricted

3,078,180

**TOTAL NET POSITION**

\$ 3,123,654

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2019**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	FOR THE PERIOD ENDING FEBRUARY 28, 2019	YEAR TO DATE
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 2,856,606	\$ 34,019,423
<b>TOTAL OPERATING REVENUES</b>	<b>2,856,606</b>	<b>34,019,423</b>
<b>OPERATING EXPENSES</b>		
Cost of electricity	1,926,445	26,878,978
Contract services	187,498	1,565,280
Staff compensation	80,957	656,671
General, administration, and other	32,871	257,929
<b>TOTAL OPERATING EXPENSES</b>	<b>2,227,771</b>	<b>29,358,858</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>628,835</b>	<b>4,660,565</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	3,641	19,137
Interest and related expenses	(8,163)	(132,195)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(4,522)</b>	<b>(113,058)</b>
<b>CHANGE IN NET POSITION</b>	<b>624,313</b>	<b>4,547,507</b>
Net position at beginning of period	2,499,341	(1,423,853)
Net position at end of period	<b>\$ 3,123,654</b>	<b>\$ 3,123,654</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2019  
(WITH COMPARATIVE YEAR TO DATE INFORMATION)  
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2019	YEAR TO DATE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 2,675,552	\$ 32,158,198
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(2,379,396)	(26,860,485)
Payments for contract services, general, and administration	(279,186)	(900,490)
Payments for staff compensation	(80,979)	(546,976)
<b>Net cash provided (used) by operating activities</b>	<u>(64,009)</u>	<u>4,350,247</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(8,849)	(98,051)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(8,849)</u>	<u>278,559</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	3,641	19,137
<b>Net cash provided (used) by investing activities</b>	<u>3,641</u>	<u>19,137</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	(69,217)	4,647,943
Cash and cash equivalents at beginning of period	6,780,548	2,063,388
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,711,331</u>	<u>\$ 6,711,331</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 5,185,116	\$ 5,185,116
Restricted assets	1,526,215	1,526,215
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,711,331</u>	<u>\$ 6,711,331</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2019**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD ENDING FEBRUARY 28, 2019</b>	<b>YEAR TO DATE</b>
	<u>                    </u>	<u>                    </u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 628,835	\$ 4,660,565
(Increase) decrease in net accounts receivable	70,098	(3,212,686)
(Increase) decrease in accrued revenue	(220,493)	1,329,320
(Increase) decrease in prepaid expenses	8,759	(10,827)
(Increase) decrease in inventory - renewable energy credits	(158,664)	277,923
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	(29,168)	329,811
Increase (decrease) in accrued payroll	(22)	2,480
Increase (decrease) in due to member agencies	24,027	212,805
Increase (decrease) in accrued cost of electricity	(294,287)	(259,431)
Increase (decrease) in other accrued liabilities	(62,435)	498,146
Increase (decrease) in user taxes and energy surcharges	(30,659)	22,141
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (64,009)</u></u>	<u><u>\$ 4,350,247</u></u>



**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2019**  
**FOR THE YEAR TO DATE ENDING February 28, 2019**

Description	2/28/2019	2/28/2019	YTD Variance	% over/-under
	FY2019 Actuals	FY2019 Budget		
Electric Revenue	\$ 34,019,423	\$ 36,393,771	\$ (2,374,348)	-7%
Interest Revenues	19,138	54,274	(35,136)	-65%
Purchased Power	26,878,978	29,172,052	(2,293,074)	-8%
Labor & Benefits	656,670	918,815	(262,145)	-29%
Salaries & Wages/Benefits	224,517	499,059	(274,542)	-55%
Contract Labor	424,111	411,667	12,445	3%
Human Resources & Payroll	8,042	8,090	(48)	-1%
Office Supplies & Other Expenses	77,498	142,234	(64,736)	-46%
Technology Costs	5,911	11,040	(5,129)	-46%
Office Supplies	1,251	804	447	56%
Travel	1,787	20,350	(18,563)	-91%
CalCCA Dues	66,744	102,000	(35,256)	-35%
Memberships	1,805	8,040	(6,235)	-78%
Contractual Services	1,565,281	1,843,969	(278,687)	-15%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	7,313	3,000	4,313	144%
SMUD - Credit Support	380,878	427,274	(46,396)	-11%
SMUD - Wholesale Energy Services	408,565	376,000	32,565	9%
SMUD - Call Center	487,324	516,168	(28,844)	-6%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	49,013	28,490	20,523	72%
Legislative/Regulatory	92,310	160,000	(67,690)	-42%
Accounting Services	7,553	58,333	(50,780)	-87%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	55,415	129,902	(74,487)	-57%
Rents & Leases	11,315	18,600	(7,286)	-39%
Hunt Boyer Mansion	11,315	8,400	2,915	35%
Future Office Space	-	10,200	(10,200)	-100%
Other A&G	162,071	272,414	(110,343)	-41%
PG&E Data Fees	161,810	259,374	(97,564)	-38%
Community Engagement Activities & Sponsorships	251	8,000	(7,749)	-97%
Green-e Certification	-	2,000	(2,000)	-100%
Banking Fees	10	3,040	(3,030)	-100%
Miscellaneous Operating Expenses	7,044	4,000	3,044	76%
Contingency	-	320,003	(320,003)	-100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 29,358,857</b>	<b>\$ 32,692,088</b>	<b>\$ (3,333,231)</b>	<b>-10%</b>
Interest Expense - Munis	35,922	31,735	4,187	13%
Interest on RCB loan	79,398	347,278	(267,880)	-77%
Interest Expense - SMUD	16,877	13,100	3,778	29%
<b>NET INCOME</b>	<b>\$ 4,547,507</b>	<b>\$ 3,363,846</b>	<b>\$ 1,183,661</b>	<b>35%</b>