

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

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 – March 31, 2019 and April 30, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 2019

DATE: June 17, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited):

1. For the period of March 1, 2018 to March 31, 2018 (with comparative year to date information).
2. For the period of April 1, 2019 to April 30, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 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 April 30, 2019.

Financial Statements for the period March 1, 2019 – March 31, 2019

In the Statement of Net Position, VCEA as of March 31, 2019 has a total of \$5,642,897 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$473,789 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of March 31, 2019 \$621,745 and \$1,272,901 respectively for a grand total of \$1,894,646. 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. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in March 2019 and repayment of the deferred amount of \$556,188 over a 12-month period. The outstanding line of credit balance with River City Bank at March 31, 2019 totaled \$1,976,610. At March 31, 2019, VCE's net position is \$3,666,766.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,718,026 of revenue (net of allowance for doubtful accounts) of which \$2,925,664 was billed in March and (\$191,054) represent estimated unbilled revenue (net February and March). The cost of the electricity for the March revenue totaled \$1,898,737, which is lower than February 2019 due to timing of CAISO fees (credits). For March, VCEA's gross margin is approximately 30.15% and operating income totaled \$564,639. The year-to-date change in net position was \$5,090,619.

In the Statement of Cash Flows, VCEA cash flows from operations was \$522,475 due to March cash receipts of revenues exceeding the monthly operating expenses.

Financial Statements for the period April 1, 2019 – April 30, 2019

In the Statement of Net Position, VCEA as of April 30, 2019 has a total of \$6,017,018 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$548,641 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of April 30, 2019 \$613,896 and \$1,210,259 respectively for a grand total of \$1,824,155. 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. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in March 2019 and repayment of the deferred amount of \$556,188 over a 12-month period. The outstanding line of credit balance with River City Bank at April 30, 2019 totaled \$1,976,610. At April 30, 2019, VCE's net position is \$3,989,795.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,680,925 of revenue (net of allowance for doubtful accounts) of which \$2,818,614 was billed in April and \$249,408 represent estimated unbilled revenue (net March and April). The cost of the electricity for the April revenue totaled \$2,056,611, which is higher than March 2019 due to timing of CAISO fees (credits). For April, VCEA's gross margin is approximately 23.29% and operating income totaled \$327,754. The year-to-date change in net position was \$5,413,648.

In the Statement of Cash Flows, VCEA cash flows from operations was \$454,691 due to April cash receipts of revenues exceeding the monthly operating expenses.

Actual vs. Budget Variances for the year to date ending April 30, 2019

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

Electric revenues - (\$3,428,812) and (8%) - 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 – (\$2,982,832) and (9%) – due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits – (\$319,787) and (28%) – 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.

SMUD – Credit Support – (\$72,466) and (14%) – due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

SMUD – Wholesale Energy Services - \$33,190 and 7% - due to additional costs related to LT renewable procurement and other services.

SMUD – Call Center – (\$83,947) and (13%) – due to lower retail customers from the deferral of NEM customers.

Legal - \$41,604 and 117% - due to the increase legal costs related to PG&E bankruptcy case in 2019.

Legislative/Regulatory – (\$75,371) and (38%) – the decrease is due to no legislative expenditures incurred until February 2019 when VCE contracted for lobbying services.

Accounting Services – (\$62,032) and (83%) – 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 – (\$88,844) and (51%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$125,406) and (39%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$393,411) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$343,745) and (79%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

- 1) Financial Statements (Unaudited) March 1, 2019 to March 31, 2019 (with comparative year to date information.)
- 2) Financial Statements (Unaudited) April 1, 2019 to April 30, 2019 (with comparative year to date information.)
- 3) Actual vs. Budget for year to date ending April 30, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON APRIL 30, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF MARCH 31, 2019
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,642,897
Accounts receivable, net of allowance	3,179,039
Accrued revenue	1,304,115
Prepaid expenses	2,070
Inventory - Renewable Energy Credits	185,527
Other current assets and deposits	2,540
Total current assets	10,316,188

Restricted assets:

Debt service reserve fund	1,100,000
Power purchase reserve fund	473,789
Total restricted assets	1,573,789

Noncurrent assets:

Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 11,989,977

LIABILITIES

Current liabilities:

Accounts payable	\$ 414,963
Accrued payroll	4,351
Interest payable	100,107
Due to member agencies	621,745
Accrued cost of electricity	2,387,821
Other accrued liabilities	1,272,901
User taxes and energy surcharges	44,713
Total current liabilities	4,846,601

Noncurrent liabilities

Line of credit	1,976,610
Loans from member agencies	1,500,000
Total noncurrent liabilities	3,476,610
TOTAL LIABILITIES	\$ 8,323,211

NET POSITION

Net position:

Restricted	
Local Programs Reserve	\$ 50,905
Unrestricted	3,615,861
TOTAL NET POSITION	\$ 3,666,766

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MARCH 1, 2019 TO MARCH 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MARCH 31, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,718,026	\$ 36,737,449
TOTAL OPERATING REVENUES	<u>2,718,026</u>	<u>36,737,449</u>
OPERATING EXPENSES		
Cost of electricity	1,898,737	28,777,715
Contract services	142,967	1,708,247
Staff compensation	81,222	737,893
General, administration, and other	30,461	288,390
TOTAL OPERATING EXPENSES	<u>2,153,387</u>	<u>31,512,245</u>
TOTAL OPERATING INCOME (LOSS)	564,639	5,225,204
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,198	23,335
Interest and related expenses	(25,725)	(157,920)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(21,527)</u>	<u>(134,585)</u>
CHANGE IN NET POSITION	543,112	5,090,619
Net position at beginning of period	3,123,654	(1,423,853)
Net position at end of period	<u>\$ 3,666,766</u>	<u>\$ 3,666,766</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MARCH 31, 2019	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,960,969	\$ 35,119,167
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(1,952,287)	(28,812,772)
Payments for contract services, general, and administration	(405,232)	(1,305,722)
Payments for staff compensation	(80,975)	(627,951)
Net cash provided (used) by operating activities	<u>522,475</u>	<u>4,872,722</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(21,318)	(119,369)
Net cash provided (used) by non-capital financing activities	<u>(21,318)</u>	<u>257,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,198	23,335
Net cash provided (used) by investing activities	<u>4,198</u>	<u>23,335</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	505,355	5,153,298
Cash and cash equivalents at beginning of period	6,711,331	2,063,388
Cash and cash equivalents at end of period	<u>\$ 7,216,686</u>	<u>\$ 7,216,686</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 5,642,897	\$ 5,642,897
Restricted assets	1,573,789	1,573,789
Cash and cash equivalents at end of period	<u>\$ 7,216,686</u>	<u>\$ 7,216,686</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING MARCH 31, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 564,639	\$ 5,225,204
(Increase) decrease in net accounts receivable	39,318	(3,173,368)
(Increase) decrease in accrued revenue	191,055	1,520,375
(Increase) decrease in prepaid expenses	8,757	(2,070)
(Increase) decrease in inventory - renewable energy credits	(26,863)	251,060
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	(52,323)	277,488
Increase (decrease) in accrued payroll	247	2,727
Increase (decrease) in due to member agencies	(125,699)	87,106
Increase (decrease) in accrued cost of electricity	(26,687)	(286,118)
Increase (decrease) in other accrued liabilities	(62,539)	435,607
Increase (decrease) in user taxes and energy surcharges	12,570	34,711
Net cash provided (used) by operating activities	<u>\$ 522,475</u>	<u>\$ 4,872,722</u>



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON MAY 30, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF APRIL 30, 2019
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,017,018
Accounts receivable, net of allowance	2,724,557
Accrued revenue	1,554,664
Prepaid expenses	18,343
Inventory - Renewable Energy Credits	135,446
Other current assets and deposits	2,540
Total current assets	10,452,568

Restricted assets:

Debt service reserve fund	1,100,000
Power purchase reserve fund	548,641
Total restricted assets	1,648,641

Noncurrent assets:

Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 12,201,209

LIABILITIES

Current liabilities:

Accounts payable	\$ 450,193
Accrued payroll	4,531
Interest payable	99,114
Due to member agencies	613,896
Accrued cost of electricity	2,298,494
Other accrued liabilities	1,210,258
User taxes and energy surcharges	58,318
Line of credit	1,976,610
Total current liabilities	6,711,414

Noncurrent liabilities

Loans from member agencies	1,500,000
Total noncurrent liabilities	1,500,000
TOTAL LIABILITIES	\$ 8,211,414

NET POSITION

Net position:

Restricted	
Local Programs Reserve	\$ 54,135
Unrestricted	3,935,660
TOTAL NET POSITION	\$ 3,989,795

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF APRIL 1, 2019 TO APRIL 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE	
	PERIOD ENDING	YEAR TO DATE
	APRIL 30, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	2,680,925	\$ 39,418,374
TOTAL OPERATING REVENUES	<u>2,680,925</u>	<u>39,418,374</u>
OPERATING EXPENSES		
Cost of electricity	2,056,611	30,834,326
Contract services	185,664	1,893,911
Staff compensation	80,581	818,474
General, administration, and other	30,315	318,705
TOTAL OPERATING EXPENSES	<u>2,353,171</u>	<u>33,865,416</u>
TOTAL OPERATING INCOME (LOSS)	327,754	5,552,958
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,172	27,507
Interest and related expenses	(8,897)	(166,817)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(4,725)</u>	<u>(139,310)</u>
CHANGE IN NET POSITION	323,029	5,413,648
Net position at beginning of period	3,666,766	(1,423,853)
Net position at end of period	<u>\$ 3,989,795</u>	<u>\$ 3,989,795</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING APRIL 30, 2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,898,463	\$ 38,017,630
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(2,095,857)	(30,908,629)
Payments for contract services, general, and administration	(267,514)	(1,573,236)
Payments for staff compensation	(80,401)	(708,352)
Net cash provided (used) by operating activities	<u>454,691</u>	<u>5,327,413</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(9,890)	(129,259)
Net cash provided (used) by non-capital financing activities	<u>(9,890)</u>	<u>247,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,172	27,507
Net cash provided (used) by investing activities	<u>4,172</u>	<u>27,507</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	448,973	5,602,271
Cash and cash equivalents at beginning of period	7,216,686	2,063,388
Cash and cash equivalents at end of period	<u>\$ 7,665,659</u>	<u>\$ 7,665,659</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 6,017,018	\$ 6,017,018
Restricted assets	1,648,641	1,648,641
Cash and cash equivalents at end of period	<u>\$ 7,665,659</u>	<u>\$ 7,665,659</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING APRIL 30, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 327,754	\$ 5,552,958
(Increase) decrease in net accounts receivable	454,482	(2,718,886)
(Increase) decrease in accrued revenue	(250,549)	1,269,826
(Increase) decrease in prepaid expenses	(16,273)	(18,343)
(Increase) decrease in inventory - renewable energy credits	50,081	301,141
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	35,230	312,718
Increase (decrease) in accrued payroll	180	2,907
Increase (decrease) in due to member agencies	(7,849)	79,257
Increase (decrease) in accrued cost of electricity	(89,327)	(375,445)
Increase (decrease) in other accrued liabilities	(62,643)	372,964
Increase (decrease) in user taxes and energy surcharges	13,605	48,316
Net cash provided (used) by operating activities	<u>\$ 454,691</u>	<u>\$ 5,327,413</u>

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

Description	4/30/2019	4/30/2019	YTD Variance	%
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 39,418,374	\$ 42,847,186	\$ (3,428,812)	-8%
Interest Revenues	27,508	71,763	(44,255)	-62%
Purchased Power	30,834,326	33,817,158	(2,982,832)	-9%
Labor & Benefits	818,472	1,138,259	(319,787)	-28%
Salaries & Wages/Benefits	279,156	625,686	(346,530)	-55%
Contract Labor	529,743	502,433	27,310	5%
Human Resources & Payroll	9,573	10,140	(567)	-6%
Office Supplies & Other Expenses	95,700	157,718	(62,018)	-39%
Technology Costs	6,963	19,180	(12,217)	-64%
Office Supplies	1,714	1,008	706	70%
Travel	1,787	25,450	(23,663)	-93%
CalCCA Dues	83,431	102,000	(18,569)	-18%
Memberships	1,805	10,080	(8,275)	-82%
Contractual Services	1,893,911	2,263,124	(369,213)	-16%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	9,544	3,000	6,544	218%
SMUD - Credit Support	443,240	515,706	(72,466)	-14%
SMUD - Wholesale Energy Services	503,190	470,000	33,190	7%
SMUD - Call Center	561,263	645,210	(83,947)	-13%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	77,234	35,630	41,604	117%
Legislative/Regulatory	124,629	200,000	(75,371)	-38%
Accounting Services	12,968	75,000	(62,032)	-83%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	84,933	173,777	(88,844)	-51%
Rents & Leases	14,199	28,800	(14,602)	-51%
Hunt Boyer Mansion	14,199	8,400	5,799	69%
Future Office Space	-	20,400	(20,400)	-100%
Other A&G	200,391	341,506	(141,115)	-41%
PG&E Data Fees	199,780	325,186	(125,406)	-39%
Community Engagement Activities & Sponsorships	601	10,020	(9,419)	-94%
Green-e Certification	-	2,500	(2,500)	-100%
Banking Fees	10	3,800	(3,790)	-100%
Miscellaneous Operating Expenses	8,416	5,000	3,416	68%
Contingency	-	393,441	(393,441)	-100%
TOTAL OPERATING EXPENSES	\$ 33,865,415	\$ 38,145,005	\$ (4,279,590)	-11%
Interest Expense - Munis	49,100	39,750	9,350	24%
Interest on RCB loan	93,582	437,328	(343,745)	-79%
Interest Expense - SMUD	20,807	16,248	4,559	28%
NET INCOME	\$ 5,413,648	\$ 4,280,618	\$ 1,133,029	26%