

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 – December 31, 2018 and January 31, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2019

DATE: March 14, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited):

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

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

In the Statement of Net Position, VCEA as of December 31, 2018 has a total of \$4,971,766 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$320,593 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of December 31, 2018 \$698,867 and \$1,449,345 respectively for a grand total of \$2,148,212. 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 December 31, 2018 totaled \$1,976,610. At December 31, 2018, VCE's net position is \$2,757,096.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,125,082 of revenue (net of allowance for doubtful accounts) of which \$2,880,737 was billed in December and \$234,045 represent estimated unbilled revenue (net November and December). The cost of the electricity for the December revenue totaled \$2,591,076. For December, VCEA's gross margin is approximately 17.09% and operating income totaled \$227,755.

In the Statement of Cash Flows, VCEA cash flows from operations was \$726,103 mainly due to a \$500,000 refund from CAISO for deposit made on CRR registration in June 2018. The November purchased electricity (paid in December) was paid with cash from operations.

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

In the Statement of Net Position, VCEA as of January 31, 2019 has a total of \$5,308,637 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$371,911 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of January 31, 2019 \$723,417 and \$1,397,875 respectively for a grand total of \$2,121,292. 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 January 31, 2019 totaled \$1,976,610. At January 31, 2019, VCE's net position is \$2,499,341.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,472,791 of revenue (net of allowance for doubtful accounts) of which \$3,069,348 was billed in January and (\$595,282) represent estimated unbilled revenue (net December and January). The reduction in unbilled revenue is mainly due to reduction of wholesale load of 10,000 MWh in January compared to December. The cost of the electricity for the January revenue totaled \$2,417,372, due to increase cost in RA and timing of CAISO fees. For January, VCEA's gross margin is approximately 2.3% and operating loss totaled (\$254,373), 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 \$400,884 due to the cash receipts of revenues exceeded the January payment for purchased electricity. The December purchased electricity (paid in January) was paid with cash from operations.

Actual vs. Budget Variances for the year to date ending January 31, 2019

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

Electric revenues - (\$2,388,019) 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 – (\$1,785,772) and (7%) – due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits – (\$229,596) 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 – (\$43,599) and (43%) - the decrease is due to CalCCA billing on a quarterly basis, but our budget has it as a one-time annual expense in January 2019.

SMUD – Credit Support – (\$40,497) and (10%) – due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

Legislative/Regulatory – (\$66,375) and (47%) – the decrease is due to no legislative expenditures incurred year-to-date.

Accounting Services – (\$42,447) and (85%) – 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 – (\$67,658) and (63%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$84,513) and (37%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$283,533) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$229,420) and (76%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

- 1) Financial Statements (Unaudited) December 1, 2018 to December 31, 2018 (with comparative year to date information.)
- 2) Financial Statements (Unaudited) January 1, 2019 to January 31, 2019 (with comparative year to date information.)
- 3) Actual vs. Budget for year to date ending January 31, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

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

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON January 31, 2019

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

ASSETS

Current assets:	
Cash and cash equivalents	\$ 4,971,766
Accounts receivable, net of allowance	3,195,302
Accrued revenue	1,873,021
Prepaid expenses	3,313
Inventory - Renewable Energy Credits	212,718
Other current assets and deposits	2,540
Total current assets	<u>10,258,660</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	320,593
Total restricted assets	<u>1,420,593</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 11,779,253</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 469,280
Accrued payroll	3,657
Interest payable	105,699
Due to member agencies	698,867
Accrued cost of electricity	2,766,689
Other accrued liabilities	1,449,345
User taxes and energy surcharges	52,010
Total current liabilities	<u>5,545,547</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	<u><u>\$ 9,022,157</u></u>

NET POSITION

Net position:	
Restricted	
Local Programs Reserve	\$ 39,747
Unrestricted	2,717,349
TOTAL NET POSITION	<u><u>\$ 2,757,096</u></u>

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

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,125,082	\$ 28,690,026
TOTAL OPERATING REVENUES	3,125,082	28,690,026
OPERATING EXPENSES		
Cost of electricity	2,591,076	22,535,161
Contract services	188,429	1,180,716
Staff compensation	85,688	494,284
General, administration, and other	32,134	193,762
TOTAL OPERATING EXPENSES	2,897,327	24,403,923
TOTAL OPERATING INCOME (LOSS)	227,755	4,286,103
NONOPERATING REVENUES (EXPENSES)		
Interest income	5,579	9,373
Interest and related expenses	(27,154)	(114,527)
TOTAL NONOPERATING REVENUES (EXPENSES)	(21,575)	(105,154)
CHANGE IN NET POSITION	206,180	4,180,949
Net position at beginning of period	2,550,916	(1,423,853)
Net position at end of period	\$ 2,757,096	\$ 2,757,096

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

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
	<u>2018</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,654,206	\$ 26,493,872
Payments for security deposits with energy suppliers	500,000	500,000
Payments to purchase electricity	(3,099,737)	(22,218,541)
Payments for contract services, general, and administration	(242,341)	(376,923)
Payments for staff compensation	(86,025)	(385,036)
Net cash provided (used) by operating activities	<u>726,103</u>	<u>4,013,372</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	(9,435)	(70,384)
Net cash provided (used) by non-capital financing activities	<u>(9,435)</u>	<u>306,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	5,579	9,373
Net cash provided (used) by investing activities	<u>5,579</u>	<u>9,373</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	722,247	4,328,971
Cash and cash equivalents at beginning of period	5,670,112	2,063,388
Cash and cash equivalents at end of period	<u>\$ 6,392,359</u>	<u>\$ 6,392,359</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 4,971,766	\$ 4,971,766
Restricted assets	1,420,593	1,420,593
Cash and cash equivalents at end of period	<u>\$ 6,392,359</u>	<u>\$ 6,392,359</u>

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

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
	<u>2018</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 227,755	\$ 4,286,103
(Increase) decrease in net accounts receivable	749,567	(3,189,631)
(Increase) decrease in accrued revenue	(234,936)	951,469
(Increase) decrease in prepaid expenses	8,757	(3,313)
(Increase) decrease in inventory - renewable energy credits	265,880	223,869
(Increase) decrease in other assets and deposits	500,000	500,000
Increase (decrease) in accounts payable	(4,328)	331,805
Increase (decrease) in accrued payroll	(337)	2,033
Increase (decrease) in due to member agencies	36,808	164,228
Increase (decrease) in accrued cost of electricity	(774,541)	92,750
Increase (decrease) in other accrued liabilities	(63,015)	612,051
Increase (decrease) in user taxes and energy surcharges	14,493	42,008
Net cash provided (used) by operating activities	<u>\$ 726,103</u>	<u>\$ 4,013,372</u>



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON FEBRUARY 27, 2019

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

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,308,637
Accounts receivable, net of allowance	3,288,455
Accrued revenue	1,274,677
Prepaid expenses	19,586
Other current assets and deposits	2,540
Total current assets	<u>9,893,895</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	371,911
Total restricted assets	<u>1,471,911</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 11,465,806</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 496,454
Accrued payroll	4,126
Interest payable	96,386
Due to member agencies	723,417
Accrued cost of electricity	2,708,795
Other accrued liabilities	1,397,875
User taxes and energy surcharges	62,802
Total current liabilities	<u>5,489,855</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	<u><u>\$ 8,966,465</u></u>

NET POSITION

Net position:	
Restricted	
Local Programs Reserve	\$ 37,169
Unrestricted	2,462,172
TOTAL NET POSITION	<u><u>\$ 2,499,341</u></u>

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

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,472,791	\$ 31,162,817
TOTAL OPERATING REVENUES	<u>2,472,791</u>	<u>31,162,817</u>
OPERATING EXPENSES		
Cost of electricity	2,417,372	24,952,533
Contract services	197,066	1,377,782
Staff compensation	81,430	575,714
General, administration, and other	31,296	225,058
TOTAL OPERATING EXPENSES	<u>2,727,164</u>	<u>27,131,087</u>
TOTAL OPERATING INCOME (LOSS)	(254,373)	4,031,730
NONOPERATING REVENUES (EXPENSES)		
Interest income	6,123	15,496
Interest and related expenses	(9,505)	(124,032)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,382)</u>	<u>(108,536)</u>
CHANGE IN NET POSITION	(257,755)	3,923,194
Net position at beginning of period	2,757,096	(1,423,853)
Net position at end of period	<u>\$ 2,499,341</u>	<u>\$ 2,499,341</u>

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

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,988,774	\$ 29,482,646
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(2,262,548)	(24,481,089)
Payments for contract services, general, and administration	(244,381)	(621,304)
Payments for staff compensation	(80,961)	(465,997)
Net cash provided (used) by operating activities	400,884	4,414,256
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	(18,818)	(89,202)
Net cash provided (used) by non-capital financing activities	(18,818)	287,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	6,123	15,496
Net cash provided (used) by investing activities	6,123	15,496
NET CHANGE IN CASH AND CASH EQUIVALENTS	388,189	4,717,160
Cash and cash equivalents at beginning of period	6,392,359	2,063,388
Cash and cash equivalents at end of period	\$ 6,780,548	\$ 6,780,548
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 5,308,637	\$ 5,308,637
Restricted assets	1,471,911	1,471,911
Cash and cash equivalents at end of period	\$ 6,780,548	\$ 6,780,548

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

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (254,373)	\$ 4,031,730
(Increase) decrease in net accounts receivable	(93,153)	\$ (3,282,784)
(Increase) decrease in accrued revenue	598,344	\$ 1,549,813
(Increase) decrease in prepaid expenses	(16,273)	\$ (19,586)
(Increase) decrease in inventory - renewable energy credits	212,718	\$ 436,587
(Increase) decrease in other assets and deposits	-	\$ 500,000
Increase (decrease) in accounts payable	27,174	\$ 358,979
Increase (decrease) in accrued payroll	469	\$ 2,502
Increase (decrease) in due to member agencies	24,550	\$ 188,778
Increase (decrease) in accrued cost of electricity	(57,894)	\$ 34,856
Increase (decrease) in other accrued liabilities	(51,470)	\$ 560,581
Increase (decrease) in user taxes and energy surcharges	10,792	\$ 52,800
Net cash provided (used) by operating activities	\$ 400,884	\$ 4,414,256

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2019
FOR THE YEAR TO DATE ENDING JANUARY 31, 2019

Description	1/31/2019	1/31/2019	YTD Variance	% over/under
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 31,162,817	\$ 33,550,836	\$ (2,388,019)	-7%
Interest Revenues	15,497	45,462	(29,965)	-66%
Purchased Power	24,952,533	26,738,305	(1,785,772)	-7%
Labor & Benefits	575,714	805,310	(229,596)	-29%
Salaries & Wages/Benefits	197,131	435,746	(238,615)	-55%
Contract Labor	371,295	362,500	8,795	2%
Human Resources & Payroll	7,288	7,065	223	3%
Office Supplies & Other Expenses	66,466	137,042	(70,576)	-51%
Technology Costs	5,323	9,520	(4,197)	-44%
Office Supplies	955	702	253	36%
Travel	1,787	17,800	(16,013)	-90%
CalCCA Dues	58,401	102,000	(43,599)	-43%
Memberships	-	7,020	(7,020)	-100%
Contractual Services	1,377,782	1,638,104	(260,322)	-16%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	3,572	3,000	572	19%
SMUD - Credit Support	346,274	386,771	(40,497)	-10%
SMUD - Wholesale Energy Services	358,135	329,000	29,135	9%
SMUD - Call Center	432,390	451,647	(19,257)	-4%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	39,013	24,920	14,093	57%
Legislative/Regulatory	73,628	140,000	(66,372)	-47%
Accounting Services	7,553	50,000	(42,447)	-85%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	40,307	107,965	(67,658)	-63%
Rents & Leases	9,874	13,500	(3,627)	-27%
Hunt Boyer Mansion	9,874	8,400	1,474	18%
Future Office Space	-	5,100	(5,100)	-100%
Other A&G	142,217	237,879	(95,662)	-40%
PG&E Data Fees	141,956	226,469	(84,513)	-37%
Community Engagement Activities & Sponsorships	251	7,000	(6,749)	-96%
Green-e Certification	-	1,750	(1,750)	-100%
Banking Fees	10	2,660	(2,650)	-100%
Miscellaneous Operating Expenses	6,501	3,500	3,001	86%
Contingency	-	283,533	(283,533)	-100%
TOTAL OPERATING EXPENSES	\$ 27,131,087	\$ 29,857,173	\$ (2,726,086)	-9%
Interest Expense - Munis	36,445	27,739	8,706	31%
Interest on RCB loan	72,833	302,253	(229,420)	-76%
Interest Expense - SMUD	14,755	11,400	3,355	29%
NET INCOME	\$ 3,923,194	\$ 3,397,733	\$ 525,461	15%