

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

DATE: July 11, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited):

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

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

In the Statement of Net Position, VCEA as of May 31, 2019 has a total of \$6,574,971 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$549,665 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of May 31, 2019 \$505,799 and \$1,147,510 respectively for a grand total of \$1,653,309. 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 May 31, 2019 totaled \$1,976,610. At May 31, 2019, VCE's net position is \$5,448,591.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$4,844,581 of revenue (net of allowance for doubtful accounts) of which \$4,116,035 was billed in May and \$814,845 represent estimated unbilled revenue (net April and May). The cost of the electricity for the May revenue totaled \$3,069,539, which is higher than April 2019 due to timing of CAISO fees (credits) and increase in load due to the warmer weather in May. For May, VCEA's gross margin is approximately 36.64% and operating income totaled \$1,463,024. The year-to-date change in net position was \$6,872,444.

In the Statement of Cash Flows, VCEA cash flows from operations was \$563,748 due to May cash receipts of revenues exceeding the monthly operating expenses.

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

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

Electric revenues - (\$3,895,237) 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 - (\$2,790,502) and (8%) - due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits - (\$349,262) 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.

Travel - (26,159) and (93%) - the decrease is due minimal travel for in-state conferences.

SMUD - Credit Support - (\$79,442) 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 - \$36,795 and 7% - due to additional costs related to LT renewable procurement and other services.

SMUD - Call Center - (\$94,232) and (13%) - due to lower retail customers from the deferral of NEM customers.

Legal - \$43,534 and 111% - due to the increase legal costs related to PG&E bankruptcy case in 2019.

Legislative/Regulatory – (\$77,438) and (35%) – the decrease is due to no legislative expenditures incurred until February 2019 when VCE contracted for lobbying services.

Accounting Services – (\$70,365) and (84%) – 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 – (\$93,786) and (48%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$139,350) 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 – (\$431,039) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$381,570) and (79%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON JUNE 21, 2019

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

ASSETS

Current assets:	
Cash and cash equivalents	\$ 6,574,971
Accounts receivable, net of allowance	3,853,407
Accrued revenue	2,370,130
Prepaid expenses	9,585
Inventory - Renewable Energy Credits	74,658
Other current assets and deposits	2,540
Total current assets	<u>12,885,291</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	549,665
Total restricted assets	<u>1,649,665</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 14,634,956</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 474,722
Accrued payroll	3,650
Interest payable	98,571
Due to member agencies	505,799
Accrued cost of electricity	3,443,957
Other accrued liabilities	1,147,510
User taxes and energy surcharges	35,546
Line of credit	1,976,610
Total current liabilities	<u>7,686,365</u>
Noncurrent liabilities	
Loans from member agencies	1,500,000
Total noncurrent liabilities	<u>1,500,000</u>
TOTAL LIABILITIES	<u><u>\$ 9,186,365</u></u>

NET POSITION

Net position:	
Restricted	
Local Programs Reserve	\$ 68,723
Unrestricted	5,379,868
TOTAL NET POSITION	<u><u>\$ 5,448,591</u></u>

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

	FOR THE PERIOD ENDING MAY 31, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 4,844,581	\$ 44,262,955
TOTAL OPERATING REVENUES	<u>4,844,581</u>	<u>44,262,955</u>
OPERATING EXPENSES		
Cost of electricity	3,069,539	33,903,865
Contract services	194,518	2,088,429
Staff compensation	80,246	898,720
General, administration, and other	37,254	355,959
TOTAL OPERATING EXPENSES	<u>3,381,557</u>	<u>37,246,973</u>
TOTAL OPERATING INCOME (LOSS)	1,463,024	7,015,982
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,780	32,287
Interest and related expenses	(9,008)	(175,825)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(4,228)</u>	<u>(143,538)</u>
CHANGE IN NET POSITION	1,458,796	6,872,444
Net position at beginning of period	3,989,795	(1,423,853)
Net position at end of period	<u>\$ 5,448,591</u>	<u>\$ 5,448,591</u>

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

	FOR THE PERIOD ENDING May 31, 2019	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,877,493	\$ 40,895,123
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(1,863,288)	(32,771,917)
Payments for contract services, general, and administration	(369,330)	(1,942,566)
Payments for staff compensation	(81,127)	(789,479)
Net cash provided (used) by operating activities	563,748	5,891,161
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	(9,551)	(138,810)
Net cash provided (used) by non-capital financing activities	(9,551)	237,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,780	32,287
Net cash provided (used) by investing activities	4,780	32,287
NET CHANGE IN CASH AND CASH EQUIVALENTS	558,977	6,161,248
Cash and cash equivalents at beginning of period	7,665,659	2,063,388
Cash and cash equivalents at end of period	\$ 8,224,636	\$ 8,224,636
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 6,574,971	\$ 6,574,971
Restricted assets	1,649,665	1,649,665
Cash and cash equivalents at end of period	\$ 8,224,636	\$ 8,224,636

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

	<u>FOR THE PERIOD ENDING MAY 31, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,463,024	\$ 7,015,982
(Increase) decrease in net accounts receivable	(1,128,850)	(3,847,736)
(Increase) decrease in accrued revenue	(815,466)	454,360
(Increase) decrease in prepaid expenses	8,758	(9,585)
(Increase) decrease in inventory - renewable energy credits	60,788	361,929
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	24,529	337,247
Increase (decrease) in accrued payroll	(881)	2,026
Increase (decrease) in due to member agencies	(108,097)	(28,840)
Increase (decrease) in accrued cost of electricity	1,145,463	770,018
Increase (decrease) in other accrued liabilities	(62,748)	310,216
Increase (decrease) in user taxes and energy surcharges	(22,772)	25,544
Net cash provided (used) by operating activities	<u>\$ 563,748</u>	<u>\$ 5,891,161</u>

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

Description	5/31/2019	5/31/2019	YTD	%
	YTD	YTD		
	FY2019 Actuals	FY2019 Budget	Variance	over/under
Electric Revenue	\$ 44,262,955	\$ 48,158,192	\$ (3,895,237)	-8%
Interest Revenues	32,288	80,633	(48,345)	-60%
		-		
Purchased Power	33,903,865	36,694,367	(2,790,502)	-8%
Labor & Benefits	898,719	1,247,981	(349,262)	-28%
Salaries & Wages/Benefits	305,795	688,999	(383,205)	-56%
Contract Labor	582,559	547,817	34,743	6%
Human Resources & Payroll	10,365	11,165	(800)	-7%
Office Supplies & Other Expenses	104,817	162,910	(58,093)	-36%
Technology Costs	7,683	20,700	(13,017)	-63%
Office Supplies	1,714	1,110	604	54%
Travel	1,841	28,000	(26,159)	-93%
CalCCA Dues	91,774	102,000	(10,226)	-10%
Memberships	1,805	11,100	(9,295)	-84%
Contractual Services	2,088,430	2,484,026	(395,595)	-16%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	10,230	3,000	7,230	241%
SMUD - Credit Support	491,404	570,846	(79,442)	-14%
SMUD - Wholesale Energy Services	553,795	517,000	36,795	7%
SMUD - Call Center	615,499	709,731	(94,232)	-13%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	82,734	39,200	43,534	111%
Legislative/Regulatory	142,962	220,400	(77,438)	-35%
Accounting Services	12,968	83,333	(70,365)	-84%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	101,928	195,714	(93,786)	-48%
Rents & Leases	15,640	33,900	(18,261)	-54%
Hunt Boyer Mansion	15,640	8,400	7,240	86%
Future Office Space	-	25,500	(25,500)	-100%
Other A&G	226,227	376,070	(149,842)	-40%
PG&E Data Fees	218,741	358,092	(139,350)	-39%
Community Engagement Activities & Sponsorships	601	11,040	(10,439)	-95%
Green-e Certification	-	2,750	(2,750)	-100%
Banking Fees	6,885	4,188	2,697	64%
Miscellaneous Operating Expenses	9,274	5,500	3,774	69%
Contingency	-	431,039	(431,039)	-100%
TOTAL OPERATING EXPENSES	\$ 37,246,972	\$ 41,435,792	\$ (4,188,820)	-10%
Interest Expense - Munis	49,100	43,770	5,329	12%
Interest on RCB loan	100,782	482,352	(381,570)	-79%
Interest Expense - SMUD	22,615	17,696	4,919	28%
NET INCOME	\$ 6,872,444	\$ 6,259,215	\$ 613,229	10%