

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
Chad Rinde, Chief Financial Officer, Yolo County
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – November 30, 2018 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2018

DATE: January 23, 2019

RECOMMENDATION:

Accept the Financial Statements (unaudited) for the period of November 1, 2018 to November 30, 2018 (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2018.

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 November 30, 2018.

Financial Statements for the period November 1, 2018 – November 30, 2018

In the Statement of Net Position, VCEA as of November 30, 2018 has a total of \$4,304,479 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$265,633 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of November 30, 2018 \$662,059 and \$1,512,360 respectively for a grand total of \$2,174,419. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of

\$1,512,360 over a 24-month period. The outstanding line of credit balance with River City Bank at November 30, 2018 totaled \$1,976,610. At November 30, 2018, VCE's net position is \$2,550,916.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,871,551 of revenue (net of allowance for doubtful accounts) of which \$3,618,685 was billed in November and (\$749,308) represent estimated unbilled revenue (net October and November). The large decrease in unbilled revenues for November is due to the change to winter rates and no demand charges effective November 1, 2018. The cost of the electricity for the November revenue totaled \$2,318,451. For November, VCEA's gross margin is approximately 19.26% and operating income totaled \$264,433.

In the Statement of Cash Flows, VCEA cash flows from operations was \$622,883 due to the cash receipts of revenues from the summer months and a higher payment of October purchased electricity due to a \$847,000 payment of Renewable Energy Credits (REC) purchased in July but paid in November. The October purchased electricity (paid in November) was paid with cash from operations. VCE used the cash from operations to make a \$1,000,000 principal payment on the line of credit in early November.

Actual vs. Budget Variances for the year to date ending November 30, 2018

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

Electric revenues - (\$1,377,733) and (5%)- 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 - (\$1,021,894) and (5%) - due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits - (\$170,964) 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 - \$41,715 and 100% - the increase 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 - (\$25,028) and (9%) - due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

SMUD - Call Center - (\$26,940) and (8%) - due to contracted amount based on # of customers which are down because of the deferral of ~7,000 NEM customers enrollment until 2020.

Legislative/Regulatory - (\$45,216) and (45%) - the decrease is due to no legislative expenditures incurred year-to-date.

Accounting Services – (\$28,269) 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 – (\$61,287) and (95%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$58,311) and (36%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$199,729) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$146,232) and (71%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

- 1) Financial Statements (Unaudited) November 1, 2018 to November 30, 2018 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending November 30, 2018



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

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

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON DECEMBER 21, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2018
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,304,479
Accounts receivable, net of allowance	3,944,869
Accrued revenue	1,638,085
Prepaid expenses	12,070
Inventory - Renewable Energy Credits	478,598
Other current assets and deposits	2,540
Total current assets	<u>10,380,641</u>

Restricted assets:

Debt service reserve fund	1,100,000
Power purchase reserve fund	265,633
Total restricted assets	<u>1,365,633</u>

Noncurrent assets:

Other noncurrent assets and deposits	600,000
Total noncurrent assets	<u>600,000</u>
TOTAL ASSETS	<u><u>\$ 12,346,274</u></u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 473,608
Accrued payroll	3,994
Interest payable	87,980
Due to member agencies	662,059
Accrued cost of electricity	3,541,230
Other accrued liabilities	1,512,360
User taxes and energy surcharges	37,517
Total current liabilities	<u>6,318,748</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>\$ 9,795,358</u></u>

NET POSITION

Net position:

Restricted	
Local Programs Reserve	\$ 39,747
Unrestricted	2,511,169
TOTAL NET POSITION	<u><u>\$ 2,550,916</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING NOVEMBER 30, 2018	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,871,551	\$ 25,564,944
Other revenue	-	-
TOTAL OPERATING REVENUES	2,871,551	25,564,944
OPERATING EXPENSES		
Cost of electricity	2,318,451	19,944,085
Contract services	173,835	992,287
Staff compensation	79,104	408,596
General, administration, and other	29,308	161,628
TOTAL OPERATING EXPENSES	2,600,698	21,506,596
TOTAL OPERATING INCOME (LOSS)	270,853	4,058,348
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,824	3,794
Interest and related expenses	(9,244)	(87,373)
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,420)	(83,579)
CHANGE IN NET POSITION	264,433	3,974,769
Net position at beginning of period	2,286,483	(1,423,853)
Net position at end of period	\$ 2,550,916	\$ 2,550,916

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING NOVEMBER 30, 2018	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 4,325,220	\$ 22,839,666
Payments to purchase electricity	(3,658,972)	(19,118,804)
Payments for contract services, general, and administration	34,177	(134,582)
Payments for staff compensation	(77,542)	(299,011)
Net cash provided (used) by operating activities	622,883	3,287,269
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	(1,000,000)	(4,000,000)
Interest and related expenses	(13,936)	(60,949)
Net cash provided (used) by non-capital financing activities	(1,013,936)	315,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,824	3,794
Net cash provided (used) by investing activities	2,824	3,794
NET CHANGE IN CASH AND CASH EQUIVALENTS	(388,229)	3,606,724
Cash and cash equivalents at beginning of period	6,058,341	2,063,388
Cash and cash equivalents at end of period	\$ 5,670,112	\$ 5,670,112
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 4,304,479	\$ 4,304,479
Restricted assets	1,365,633	1,365,633
Cash and cash equivalents at end of period	\$ 5,670,112	\$ 5,670,112

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING NOVEMBER 30, 2018	YEAR TO DATE
	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 270,853	\$ 4,058,348
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	754,300	(3,939,198)
(Increase) decrease in accrued revenue	749,212	1,186,405
(Increase) decrease in prepaid expenses	8,758	(12,070)
(Increase) decrease in inventory - renewable energy credits	251,430	(42,011)
Increase (decrease) in accounts payable	415,644	336,133
Increase (decrease) in accrued payroll	1,562	2,370
Increase (decrease) in due to member agencies	19,550	127,420
Increase (decrease) in accrued cost of electricity	(1,591,951)	867,291
Increase (decrease) in other accrued liabilities	(206,632)	675,066
Increase (decrease) in user taxes and energy surcharges	(49,843)	27,515
Net cash provided (used) by operating activities	<u>\$ 622,883</u>	<u>\$ 3,287,269</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2019
FOR THE YEAR TO DATE ENDING November 30, 2018

Description	11/30/2018	11/30/2018	YTD Variance	%
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 25,564,944	\$ 26,942,677	\$ (1,377,733)	-5%
Interest Revenues	3,794	27,601	(23,807)	-86%
Purchased Power	19,944,085	20,965,979	(1,021,894)	-5%
Labor & Benefits	408,596	579,560	(170,964)	-29%
Salaries & Wages/Benefits	136,922	310,360	(173,438)	-56%
Contract Labor	265,663	264,167	1,497	1%
Human Resources & Payroll	6,011	5,033	978	19%
Office Supplies & Other Expenses	47,302	24,700	22,602	92%
Technology Costs	2,928	6,500	(3,572)	-55%
Office Supplies	921	500	421	84%
Travel	1,738	12,700	(10,962)	-86%
CalCCA Dues	41,715	-	41,715	100%
Memberships	-	5,000	(5,000)	-100%
Contractual Services	992,285	1,214,078	(221,793)	-18%
LEAN Energy	4,496	12,000	(7,505)	-63%
Don Dame	2,391	3,000	(609)	-20%
SMUD - Credit Support	268,009	293,037	(25,028)	-9%
SMUD - Wholesale Energy Services	258,710	235,000	23,710	10%
SMUD - Call Center	295,665	322,605	(26,940)	-8%
CirclePoint	57,536	72,801	(15,265)	-21%
Legal	24,397	17,780	6,617	37%
Legislative/Regulatory	54,784	100,000	(45,216)	-45%
Accounting Services	5,064	33,333	(28,269)	-85%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	3,234	64,521	(61,287)	-95%
Rents & Leases	6,998	7,000	(3)	0%
Hunt Boyer Mansion	6,998	7,000	(3)	0%
Future Office Space	-	-	-	0%
Other A&G	103,151	169,453	(66,301)	-39%
PG&E Data Fees	102,991	161,303	(58,311)	-36%
Community Engagement Activities & Sponsorships	150	5,000	(4,850)	-97%
Green-e Certification	-	1,250	(1,250)	-100%
Banking Fees	10	1,900	(1,890)	-99%
Miscellaneous Operating Expenses	4,181	2,500	1,681	67%
Contingency	-	199,729	(199,729)	-100%
TOTAL OPERATING EXPENSES	\$ 21,506,598	\$ 23,162,998	\$ (1,656,400)	-7%
Interest Expense - Munis	18,465	19,773	(1,308)	-7%
Interest on RCB loan	58,670	204,902	(146,232)	-71%
Interest Expense - SMUD	10,236	7,750	2,486	32%
NET INCOME	\$ 3,974,769	\$ 3,574,855	\$ 399,914	11%