

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Valley Clean Energy Alliance Board of Directors

FROM: Chad Rinde, Accounting Manager, Yolo County
Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US

SUBJECT: VCEA Implementation Budget and Fiscal Management

DATE: August 31, 2017

RECOMMENDATIONS:

1. Approve budget allocations for the fiscal year ended 2017-18 for the period of VCEA program implementation (Attachment A: Implementation Budget);
2. Approve authorization for 2017-18 for interim program staff, Mitch Sears from the City of Davis and Taro Echiburu from Yolo County, to continue as authorized officials to approve payments and costs of the VCEA as per Board approved contracts and budget; and
3. Direct interim VCEA staff on the process for the reimbursement of member agency costs.

BACKGROUND & DISCUSSION:

A. Program Implementation Budget/Allocation of City and County Contributions

During the 2016-17 City of Davis and Yolo County budget hearings, each Agency allocated \$500,000 to support VCEA start-up activities. The City of Woodland allocated \$500,000 with these funds received in fiscal year 2017-18. These funds are offered as loans to VCEA to be repaid with interest at each respective agency's pooled municipal treasury rates from early VCEA revenues once the Agency and its Community Choice Energy program is operational and revenue positive.

At its meeting in October 2016, the CCA planning subcommittee approved the initial allocation of VCEA implementation expenses which was formally adopted into a 2016-17 budget at the January 2017 VCEA meeting. These implementation expenses cover only the identified costs associated with the next stages of VCEA start up. The major change is that in the existing budget, staff worked to identify staff time or other soft costs incurred by the City or County on behalf of VCEA for which reimbursement will be sought in the future. The budget does not cover the pre-launch expenses associated with power procurement and related security deposits. These costs are intended to be covered by a line of credit to be provided by a third party lender as discussed in previous Board reports.

The VCEA Board is asked to approve the implementation budget (Attachment A) for fiscal year 2017-18, which has been integrated into the County's chart of accounts as reflected in the attachment. Integration into the County's chart of accounts continues to allow both revenues and expenses to be tracked throughout the start-up period, and budget reports will be generated and shared with the Board at regular intervals. The budget report (Attachment B) reflects the financial activity of the VCEA from inception through June 30, 2017 showing VCEA has not spend the initial startup funding.

B. Fiscal Management Services Provided by the County

In accordance with the Cooperative Administrative Agreement that the VCEA Board approved at its December 13, 2016 meeting, County finance staff has agreed to assist with the following fiscal management services until such time the VCEA Board authorizes its Executive Officer or other VCEA finance staff to assume financial management responsibilities for the Agency.

- 1) Establish a VCEA Fund and chart of accounts within County accounting system and coordinate with interim VCEA staff for the transfer of City/County contributions
- 2) Cut warrants and pay authorized invoices
- 3) Track expenses and produce financial statements for Board review
- 4) Assist with development of initial proforma and longer-term Agency operating budgets (to be approved for FY 2017-2018)
- 5) Assist with development of Banking and Credit Services RFP and credit negotiations
- 6) Assist with requirements for an anticipated credit guarantee to be provided jointly by the City of Davis, County of Yolo, and City of Woodland as described below
- 7) Assist in supporting an independent audit when time appropriate

As part of the Board action, County staff is recommending that the board continue the authorization authority of interim Agency Staff, Mitch Sears and Taro Echiburu, to authorize

VCEA expenditures and payments as per Board approved contracts and within the spending limits outlined in section 3.4 of the JPA Agreement until permanent staff are hired.

C. Reimbursement of Member Agency Costs

In accordance with the Cooperative Agreements that the VCEA Board approved with the City of Davis, County of Yolo, and City of Woodland, each agency is cooperatively providing staffing to VCEA during the interim start-up period until the VCEA hires permanent staff. The VCEA committed to reimburse each member agency for all costs incurred to the extent that VCEA funds are available. Each of the member agencies recognized that that the payment may not occur for a few years and repayment may occur over a period of time.

Staff identified an inconsistency in the Cooperation and Administrative Services Agreements between VCEA and the three member agencies regarding the frequency of billing for reimbursable expenses: the Davis agreement specifies that the city will bill VCEA for quarterly, and the Yolo County and Woodland agreements indicate a monthly billing schedule.

In order to achieve consistency between billing of all member agencies, staff propose the following procedure:

- Staff propose that for consistency and to reduce the number of transactions, all member agencies should bill VCEA quarterly (Jan-March, Apr-June, July-Sept, Oct-Dec).
- Each member agency will bill for all staff time directly devoted to VCEA for staff members below the department-head level, using loaded rates, and beginning from the date when the agency joined the JPA.
- Using these parameters as guidance, the member agencies are preparing quarterly invoices for all quarters to date through September 2017, to be reported to the Board at the October meeting. However, the invoices will be held for payment until the VCEA program is launched as specified in the Cooperation Agreements.

- Expected categories of staff services are:
 - Lead member-agency staff
 - Interim General Manager
 - Treasurer
 - Human Resources
 - Clerk
 - Administrative support

To satisfy future audit needs, Davis and Woodland intend to set up timesheet codes for recording staff time spent on VCEA work going forward. Yolo County already has a separate charge codes for this purpose.

Davis and Yolo County will also bill for reimbursement of attorney fees. Given the considerable legal efforts involved in the formation of the VCEA JPA, we recommend that reimbursement of attorney fees be retroactive to the beginning of those efforts directly related to the formation of the JPA in addition to covering efforts directly devoted to VCEA following the JPA startup.

Davis intends to bill for reimbursement of LEAN Energy fees starting in December, when Davis and Yolo County formed the JPA, but will not include LEAN Energy charges from the period leading up to JPA formation.

Attachments:

- A. Proposed VCEA Implementation Budget
- B. Proposed VCEA Budget in County Chart of Accounts

Valley Clean Energy Authority Proposed Implementation Budget		Account Reference
Program Planning, Strategy and Project Management		
LEAN Energy US - Project Advisors	\$70,000	501165
Subcommittee and Board Meeting Expenses	\$5,000	501110
TOTAL:	\$75,000	
JPA Formation		
JPA Agreement/Legal Services	\$25,000	501156
Executive/staff salaries:		
General Manager (50% of year - Jan to Jun 2018)	\$104,000	See right
City of Davis - Interim General Manager (Calendar year 2017)	\$187,000	502121
City of Davis - Administrative Support	\$18,750	502121
County of Yolo - Energy & Sustainability Manager (Jan 17 - Jun 18)	\$123,000	502125
City of Woodland - Environmental Manager (Jul 17 - Jun 18)	\$78,000	502123
Start up administrative costs (office rent, equipment, insurance, etc.)	\$50,000	See right
TOTAL:	\$585,750	
Technical and Energy Services		
Implementation Plan	\$35,000	501165
Operating Budget/Proforma	\$5,000	501165
Power Supply RFP, vendor selection and contract negotiations	\$100,000	501165
Rate Design/Rate Setting	\$60,000	501165
Assistance with NEM/FIT programs, registrations and compliance	\$50,000	501165
TOTAL:	\$250,000	
Communications/Customer Enrollment*		
Logo/Branding/Subbrands	\$11,960	501020
Website	\$25,887	501020
Collateral Design/Video	\$33,638	501020
Paid Media/Pre-Launch Marketing	\$61,951	501020
Community Outreach	\$70,415	501020
Customer Notifications	\$196,558	501020
TOTAL:	\$400,407	
Finance/Legal		
Banking and Credit Services - RFP, Selection, Negotiation and Paperwork	\$25,000	501154
Power Supply Contract - Legal Services	\$50,000	501156
County of Yolo - Department of Financial Services	\$25,000	501151
Financial Audit (FY17 & FY18)	\$20,000	501151
TOTAL:	\$120,000	
Regulatory/Legislative		
Participation in Regulatory Proceedings/Legal	\$15,000	501156
Monitoring and Reporting	\$10,000	501165
TOTAL:	\$25,000	
Contingency		
Contingency	\$54,716	503300
TOTAL:	\$54,716	
TOTAL:	\$1,510,873	

*Assumes 4 notices to 50,000 customers in Davis and unincorporated County and additional 23,500 customers in Woodland

<u>Executive Staff/Salaries</u>	
500100	\$69,680
500400	\$34,320
Total	\$104,000

<u>Start Up Administrative Costs</u>	
501191	\$20,000
501210	\$20,000
501053	\$10,000
Total	\$50,000

VALLEY CLEAN ENERGY ALLIANCE
FUND 6925
BUDGET TO ACTUAL (INCEPTION - JUNE 30, 2017)

<u>ACCOUNT</u>	<u>ACCOUNT DESCRIPTION</u>	<u>BUDGET</u>	<u>ACTUALS</u>	<u>VARIANCE</u>
REVENUES				
400700	INVESTMENT EARNINGS-POOL	\$ -	\$ 3,373	\$ 3,373
405050	LTD PROCDS-LOANS PAYABLE	1,000,000	1,000,000	-
REVENUE TOTAL		1,000,000	1,003,373	3,373
EXPENDITURES				
500100	REGULAR EMPLOYEES	67,000	-	67,000
500400	OTHER EMPLOYEE BENEFITS	33,000	-	33,000
501020	COMMUNICATIONS	170,000	-	170,000
501053	INSURANCE-OTHER	10,000	-	10,000
501110	OFFICE EXPENSE	5,000	-	5,000
501152	PROF & SPEC SVC-INFO TECH SVC	30,000	-	30,000
501154	PROF & SPEC SVC-FSCL AGNT FEES	25,000	-	25,000
501156	PROF & SPEC SVC-LEGAL SVC	100,000	-	100,000
501165	PROF & SPEC SVC-OTHER	320,000	-	320,000
501180	PUBLICATIONS AND LEGAL NOTICES	200,000	-	200,000
501191	RENTS & LEASES-BUILDG & IMPRV	20,000	-	20,000
501210	MINOR EQUIPMENT	20,000	-	20,000
EXPENDITURE TOTAL		1,000,000	-	1,000,000
FUND BALANCE ESTIMATE		\$ -	\$ 1,003,373	\$ 1,003,373