

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

To: Board of Directors

From: Edward Burnham, Director of Finance & Internal Operations
Mitch Sears, Executive Officer

Subject: Extension of Credit Agreement with River City Bank

Date: April 11, 2024

RECOMMENDATION

1. Adopt a resolution approving a two-year extension of the Second Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed \$11,000,000.
2. Authorize the Executive Officer to conduct any final negotiations, implement the approval, and sign all necessary documents related to the extension of the two-year Second Amended and Restated Credit Agreement with River City Bank.

BACKGROUND AND ANALYSIS

At the March 10, 2022 Board meeting, the Board approved [Item 16](#) including a resolution for a Second Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed \$11,000,000 and a term loan for approximately \$1.1M. At the December 14, 2023 Board Meeting, the Board approved [Item 17](#) including the early payment and retirement of term loan portion of the agreement with River City Bank.

Revolving Line of Credit (RLOC) with RCB

The current RLOC Agreement has a limit of \$7,000,000 available for cash advances and/or letters of credit and an additional \$4,000,000 credit facility available for Letters of Credit, for a total RLOC of \$11,000,000. Since August 2018, VCE has not drawn cash on the RLOC. VCE currently has a \$147,000 letter of credit issued for the PG&E Financial Security Requirement required by CPUC regulations for all CCAs, and a \$3.8M letter of credit issued as optional financial security for PPA pricing discounts that provide power cost savings. Both letters of credit remain undrawn by the beneficiaries.

River City Bank Terms – Revolving Line of Credit

The following key terms are summarized from the agreement with RCB.

- Type of Financing: Commercial Revolving Line of Credit
- Maximum Amount: \$11,000,000, with a \$7,000,000 sublimit for cash advances
- Maturity: April 15, 2026 (*two years from the current 4/15/2024 maturity date*)

- Interest Rate: Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- Fees:
 - Loan Fee: 0.50% of the total RLOC commitment, payable upon loan closing
 - Documentation Fee: \$500, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents.
 - Non-Use Fee: 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

Collateral/Pledged Assets

RCB shall maintain a perfected security interest in 1st lien position via a UCC filing and security agreement in each of the following:

- Restricted Debt Service Reserve Account ("DSRA") maintained at RCB in the minimum amount of \$1,100,000.
 - VCE has requested that the DSRA become interest-bearing, for which a formal decision will be made in RCB's 4/11/2024 Loan Committee.
- A security agreement that covers (i) the right of set-off to all of Borrower's deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues.
- A UCC-1 perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.
- No junior liens will be permitted on any Collateral.

Covenants

The RLOC is currently subject to the following loan covenants, which will be maintained for the renewal term:

- Rate Covenant: VCE shall set customer rates at levels to cover all annual costs, inclusive of debt service.
- Adj. Tangible Unrestricted Net Position: VCE will maintain a minimum Adjusted Tangible Unrestricted Net Position of \$17,500,000, measured annually as of each fiscal year end.
- Change in Net Position: VCE must achieve a minimum cumulative change in net position of \$1.00 for each fiscal year.
- Leverage Ratio: VCE shall maintain a total Liabilities to total Adjusted Tangible Unrestricted Net Position ratio not any time greater than 1:50 : 1:00, measured quarterly as of each calendar quarter.

Staff believes that the RLOC renewal is mutually beneficial for RCB and VCE as VCE continues to build reserves towards the initial investment grade credit rating. Staff believes that the cash requirements and the reduced but continued uncertainty related to the PCIA fee, resource adequacy costs, and PG&E bundled rates justify the renewal of the line of credit with River City Bank. The revolving credit line provides an additional ~35 days of cash liquidity when evaluated by rating agencies.

CONCLUSION

Staff recommends the Board Authorize a two year extension of the \$11,000,000 RLOC facility, per the Second Amended and Restated Credit Agreement (RLOC Agreement).

Attachment

1. Resolution authorizing the Executive Officer to execute an extension of the Credit Agreement with the River City Bank.

VALLEY CLEAN ENERGY ALLIANCE**RESOLUTION NO. 2024-___****RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
AUTHORIZING THE EXTENSION OF ITS REVOLVING LINE OF CREDIT WITH RIVER CITY BANK**

WHEREAS, The Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

WHEREAS, the City of Winters, located in Yolo County, was added as a member of VCE and a party to the VCE in December of 2019;

WHEREAS, pursuant to a Resolution adopted on May 10, 2018, the Board of Directors of VCE (the “Board”) approved the execution of a credit agreement and related documents thereto (collectively and as previously amended and extended, the “Credit Facility”) with River City Bank (“RCB”), pursuant to which RCB agreed to provide credit working capital to meet VCE’s liquidity needs and RCB also agreed to provide certain credit enhancements;

WHEREAS, pursuant to a Resolution adopted on March 10, 2022, the Board of Directors of VCE (the “Board”) approved the a Second Amended and Restated Credit Agreement (the “Agreement”) with River City Bank, including a revolving line of credit not to exceed \$11,000,000 and a term loan for approximately \$1.1M;

WHEREAS, the Credit Facility currently has a limit of \$7,000,000 available for cash advances and/or letters of credit and an additional \$4,000,000 credit facility available for Letters of Credit, for a total maximum amount of \$11,000,000;

WHEREAS, RCB is willing to extend the Credit Facility for two years ending in April 2026 pursuant to the terms set forth in the Amendment; and

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The Board of Directors (the “Board”) of the Valley Clean Energy Alliance (“VCE”) hereby approves the executive officer and his designees as authorized representatives of

VCE (each an “Authorized Representative” and collectively, the “Authorized Representatives”) in connection with the negotiation and execution of the two-year extension the Amendment, including such related amendments deemed necessary or advisable by the Authorized Representative executing the Amendment extending the term of the Agreement, and any ancillary documents relating thereto.

Section 3. The Board hereby approves each Authorized Representative, acting singly, to execute and deliver the extension, and any related ancillary documents necessary to implement the Amendment Terms and in such form and substance as may be approved by such Authorized Representative, in consultation with General Counsel to VCE, as in the best interests of VCE, the execution thereof to be conclusive evidence of such approval.

Section 4. The Board hereby approves each Authorized Representative, acting singly, to borrow and authorize advances or the issuance of letters of credit from time to time under the Agreement Revolving Credit Facility in such amounts as in their judgment should be borrowed and to provide security for the obligations of VCE under the Agreement, including, without limitation, a pledge of the net revenues of VCE, and to execute and deliver any requests or other documents and agreements as such Authorized Representative may, in his or her discretion, deem reasonably necessary or proper in order to carry into effect the provisions of the Amended Revolving Credit Facility.

Section 5. The Authorized Representatives, the Board Secretary, and the Board Chair and all other appropriate officials of the VCE are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution.

Section 6. The Board hereby approves all acts, transactions or agreements undertaken, prior to the adoption of these resolutions by any of the officers of VCE, or their designees, in its name and for its account in connection with the foregoing matters, are hereby ratified, confirmed and adopted by VCE.

Section 7. This Resolution shall take effect immediately upon its adoption.

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PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the __ day of _____ 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, VCE Chair

Alisa M. Lembke, VCE Board Secretary