



## COUNTY OF HUMBOLDT

For the meeting of: January 24, 2017

Date: January 5, 2017

To: Board of Supervisors

From: Amy S. Nilsen, County Administrative Officer *AN*

Subject: Approval of the Headwaters Fund Board's Recommended Community Investment Fund Loan to the Redwood Coast Energy Authority

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive report and approve the Headwaters Fund Board's (HFB) recommended Community Investment Fund (CIF) loan of \$700,000 to support the Redwood Coast Energy Authority (RCEA) implementation of the Community Choice Energy program;
2. Authorize the Chair of the Board to sign the loan contracts with the RCEA and Redwood Region Economic Development Corporation (RREDC), for servicing of the loan; and
3. Direct the Clerk of the Board to return the signed Loan Service Agreements, Commercial Promissory Notes, and Commercial Loan Agreements to Economic Development.

Prepared by *Karen Meynell*CAO Approval *Eishia Hef*

REVIEW:

Auditor *MM*County Counsel *RD*Human Resources *RD*

Other

TYPE OF ITEM:

☒ Consent  
☐ Departmental  
☐ Public Hearing  
☐ Other

PREVIOUS ACTION/REFERRAL:

Board Order No. \_\_\_\_\_

Meeting of: \_\_\_\_\_

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor *Fennell* Seconded by Supervisor *Wilson*

Ayes *Sundberg, Fennell, Bass, Bohn, Wilson*  
Nays  
Abstain  
Absent

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *Jan. 24, 2017*By: *Kathy Hayes*  
Kathy Hayes, Clerk of the Board

## SOURCE OF FUNDING:

Headwaters Fund, Community Investment Fund #3846

## DISCUSSION:

The CIF of the Headwaters Fund is currently designed to support infrastructure and related projects that benefit an industry cluster or sub-cluster and have significant economic and environmental benefit. Applications for CIF loans and grants are considered on a case-by-case basis, as needed. The HFB reviewed and recommended the loan request from RCEA in their November 15, 2016 meeting. RCEA is a public joint powers agency located within Humboldt County formed in 2003 for the purpose of developing and implementing sustainable energy initiatives that reduce energy demand, increase energy efficiency and advance the use of clean, efficient and renewable resources available in the region. Member agencies of RCEA include the seven (7) incorporated cities located in Humboldt County, the County of Humboldt, and the Humboldt Bay Municipal Water District.

RCEA is moving forward with the implementation of a Community Choice Energy (CCE) program, which is designed to reduce costs to Humboldt County electricity customers and also support local energy generation. CCE is a legislatively-enabled process for communities to take over the role of supplying electricity from the existing electric utility. A CCE takes over the role of procuring electricity from generators and providing electricity to its customers.

The RCEA Board of Directors decided to re-structure the original program to bring more of the consultant work in-house during the “pre-startup” phase than was originally envisioned. This required an increase in internal capacity sooner, rather than later, and was an adjustment to the initial program design. This resulted in shifting consultant costs, which had a deferred payment financing structure with the energy service provider, to internal financing. It is anticipated additional funds of approximately \$700,000 will be required and is the basis of RCEA’s request.

The recommended terms are to disburse up to \$700,000 in Headwaters funds from the CIF. HFB approved and recommends a non-revolving line of credit with interest only payments during the 12 month draw period followed by a sixty (60) month term fully amortized repayment period. The interest rate is 5 percent fixed. The source of repayment will come from operating revenues from sales of electricity to CCE customers. Headwaters Fund would receive all principal and interest payments. RREDC is servicing the loan for zero (\$0) dollars.

Approximately \$200,000 will be required during the “pre-startup” phase, which is anticipated to extend until February 2017. At that point, barring any major issues, the CCE will be implemented. The remaining balance of the non-revolving line of credit would then be used to manage initial cash flow as payments to the RCEA for power purchased by consumers will be in arrears. RCEA anticipates that once operational cash flow starts, the non-revolving line of credit will be quickly repaid and closed.

As reported previously, Headwaters Fund is focusing on large public loans as a way to increase returns to the fund which can be used in the community for economic development projects. This loan will provide significant income to the fund in the next six years while reducing capital leakage from Humboldt County, thus adding to the economic base. In addition, the project will create 6 new jobs and retain 5 positions. It also is expected to provide a local market for biomass waste which would support the timber-products industry (one of the “Targets of Opportunity”).

### FINANCIAL IMPACT:

Currently there is \$1.8 million available to loan from the CIF. This amount takes into account prior undisbursed commitments, including \$250,000 to Fly Humboldt, and a concurrent request for grant funding (Decade of Difference, \$300,000). If this loan were awarded, and the maximum amount of \$700,000 was drawn, \$1.1 million would remain available for public infrastructure loans. It is anticipated that this loan will result in interest earnings to the Headwaters Fund of 5 percent over the 6 year term of the loan.

Approval of HFB recommendations support the Board's Strategic Framework to provide for and maintain infrastructure.

### OTHER AGENCY INVOLVEMENT:

Redwood Region Economic Development Commission

### ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve the recommended plan. This alternative is not recommended, as the project fits with the current Headwaters Fund goals and priorities of underwriting large public loans out of the CIF.

### ATTACHMENTS:

Attachment 1: RCEA Loan Application

Attachment 2: Loan Service Agreement between the County of Humboldt, Headwaters Fund and the Redwood Region Economic Development Commission

Attachment 3: Commercial Promissory Note and Commercial Loan Agreement between County of Humboldt, Headwaters Fund and Redwood Coast Energy Authority

ATTACHMENT 1  
RCEA LOAN APPLICATION

**The Headwaters Fund**  
**2011-12 Community Investment Fund Application-Financing for Communities**  
**COVERSHEET**

Date of application: November 10, 2016

Organization Name: Redwood Coast Energy Authority

Address: 633 Third Street, Eureka, CA 95501

Director/CEO: Matthew Marshall, Executive Director

Organization Type: Government (type): JPA  
Nonprofit(type): \_\_\_\_\_

Total current year organizational budget: \$1.923 million # of FTE employees: 21

Summarize the organization's mission:

The Redwood Coast Energy Authority ("RCEA") is a public joint powers agency located within the geographic boundaries of Humboldt County, formed in 2003 for the purpose of developing and implementing sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the region. Member agencies of RCEA include the seven (7) incorporated cities located in Humboldt County, the County of Humboldt, and the Humboldt Bay Municipal Water District.

Project title: Community Choice Energy Program

Project start date: Spring 2017 \_\_ Project end date: Ongoing

Geographic focus of project: County of Humboldt

Contact person name and title: Matthew Marshall, Executive Director

Contact phone: 269-1700 Contact email: mmarshall@redwoodenergy.org

Contact address (if different from above): \_\_\_\_\_

Are technical, design, and environmental studies complete? Yes

Loan Amount Requested: \$700,000 Estimated Loan Term: 72 months

Source of Loan Repayment: Cash flow.

Loan Security (description and value): N/A

## **1. Summary of Project**

RCEA is implementing a Community Choice Energy (CCE) program, which is designed to reduce costs to Humboldt County electricity customers, support local energy generation and reduce capital leakage from Humboldt County. This project will support local economic development through both direct investment and reduced costs to business.

## **2. Project Description**

The County of Humboldt and the cities of Arcata, Blue Lake, Eureka, Fortuna and Trinidad have adopted ordinances that allow customers in their jurisdictions to participate in a CCE program through the RCEA. The program will allow RCEA to purchase power directly and resell that power to local users.

The two key goals for the program are:

1. Provide overall rates that are lower than those offered by the local existing utility for similar power supplies.
2. Supply an energy portfolio that prioritizes the use of local renewable resources, including existing facilities to the maximum technically and economically feasible.

Initial program startup activities (some of which have been initiated or completed) include the following:

- Hire staff and contractors to manage implementation (initiated)
- Identify and negotiate supplier/vendor contracts (initiated)
  - Electric supplier and scheduling coordinator (The Energy Authority)
  - Data management provider (Noble Americas Energy Solutions)
- Define and execute communications plan (initiated)
  - Customer research/information gathering
  - Media campaign
  - Key customer/stakeholder outreach
  - Informational materials and customer notices
  - Customer call center
- Pay utility service initiation, notification, and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Obtain legal and regulatory support
- Implement financial management and reporting

Other costs related to starting up the CCE program will be the responsibility of program contractors (and are assumed to be covered by any fees/charges imposed by such contractors). These include capital requirements needed for collateral/credit support for electric supply expenses, customer information

system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

### **3. Economic Development Benefits**

Successful implementation of the CCE will result in a reduction of capital leakage from Humboldt County, thus adding to the economic base. In addition, CCE will give Humboldt County the ability to increase the use of existing local renewable biomass energy generation infrastructure. Investing in power from these sources is expected to support job retention and growth by providing stable revenue to businesses that are operating successfully but at a limited capacity due to low energy prices. It is also expected to support the timber-products industry (one of the "Targets of Opportunity") by providing a local market for biomass waste.

### **4. Job Impacts**

Six new jobs will be created. In addition, the program will support the continuation of approximately 5 FTEs existing positions. The use of local renewable energy is moving forward with a request for offers for local biomass power, which is anticipated to result in a contract with at least one local biomass plants. This will lead to indirect job creation and retention in energy production and in the forest products sector.

### **5. Environmental Benefits**

Supporting and developing local renewable generation will have several environmental benefits, mainly lowering fossil fuel use and greenhouse gas emissions associated with electricity generation. Each energy portfolio scenario has varying amounts of local biomass, solar, and local hydro. All exceed the forecasted PG&E renewable energy percentages by 5% of overall supply, and all achieve greenhouse gas emissions reductions of 5% compared to PG&E's forecasted emissions. Local biomass energy has the benefit of diverting sawmill residue from landfills and providing a market for forest management residues to prevent them from being burned in place either intentionally or in the next wildfire.

### **6. Quality of Life**

In addition to all of the above, another benefit of consequence of a CCE program is that revenue can be directed towards other areas that are considered environmentally important, such as energy efficiency, electric vehicle infrastructure, incentives for rooftop solar, and energy innovation funding. Future energy innovation projects are likely to include on-shore and off-shore wind and wave generation.

As noted above, The CCE program will include an energy contract with at least one, possible two, local biomass power plants. Healthy air quality is important to the community; solid prices and contracts for local biomass power are expected to provide for any necessary upgrades to improve operating efficiency and associated emissions of these facilities.

## **7. Qualifications of Staff and Contractors**

Critical work has been completed by RCEA staff with substantial support from two contractors experienced in the field and with CCE projects. These two contractors include:

- A. The Energy Authority. The Energy Authority (TEA) provides public power utilities access to dedicated resources and advanced technology systems, allowing them to respond competitively in the changing market. Through partnership with TEA, utilities benefit from state-of-the-art technology and dedicated resources for a fraction of the cost.
- B. Noble Americas Energy Solutions. As one of the top retail energy marketers in the country, Noble Solutions supplies natural gas and power to customers' sites throughout the United States. Their products and services capture the benefits of deregulation while protecting our customers from unexpected increases in energy prices.

## **8. Work Completed and Planned**

The initial program startup activities (some of which have been initiated or completed) include the following:

- 1. Hire staff and contractors to manage implementation (initiated)
- 2. Identify and negotiate supplier/vendor contracts (initiated)
  - a. Electric supplier and scheduling coordinator (The Energy Authority)
  - b. Data management provider (Noble Americas Energy Solutions)
- 3. Define and execute communications plan (initiated)
  - a. Customer research/information gathering
  - b. Media campaign
  - c. Key customer/stakeholder outreach
  - d. Informational materials and customer notices
  - e. Customer call center
- 4. Pay utility service initiation, notification, and switching fees
- 5. Perform customer notification, opt-out and transfers
- 6. Conduct load forecasting
- 7. Establish rates
- 8. Obtain legal and regulatory support
- 9. Implement financial management and reporting



## 9. Outcomes

RCEA estimates that local expenditures will range from \$53 million to \$178 million over the first five years of the program. These expenditures will include a reserve fund, local power purchases, renewable energy generation development and public benefit programs.

According to the Technical Study completed for the CCE, cumulative rate savings through 2021 are estimated to be between \$10 million and \$30 million for Humboldt County residents and businesses.

### Jobs

Six new public sector jobs will be created. In addition, the program will support the continuation of approximately 5 FTEs existing positions

The CCE program will also lead to indirect job creation and retention. Of immediate and significant relevance to the local economy is the critical role of local biomass power plants in the forest products sector. Biomass can be a renewable resource to generate base-load electricity. Without biomass plants providing a market for sawmill residuals, the increased cost of disposing of these residuals threatens the viability of possibly hundreds of local living-wage jobs within the forest industry.

NAICS	Title	Firms	Average Monthly Employment	Total 3rd Quarter Payroll 2015
484	Truck Transportation	44	697	\$9,605,000
488	Support Activities for Transportation	10	81	\$656,000
115	Agriculture and Forestry Support Activities	15	78	\$1,104,000
113	Forestry and Logging	41	390	\$5,321,00
321,221	Wood Product Manufacturing and Biomass Energy Generation	20	677	\$8,976,000
<b>Total</b>		<b>130</b>	<b>1923</b>	<b>\$20,341,000</b>

Source: EDD/LMID Quarterly Census of Employment and Wages 3rd Quarter 2015

September 2015 Total Employment for Humboldt County: 47,200

$1923/47,200 = 4\%$  of the county's total employment is connected to biomass

## **10. Community Change**

Again, as noted above, this project addresses a number of areas that will result in a change for the community.

### **Increase Economic Base**

Successful implementation of the CCE will result in a reduction of capital leakage from Humboldt County, thus adding to the economic base. Local control of rates can help communities to target incentives towards certain rate classes in order to attract new businesses or retain existing ones.

### **Create and Retain Jobs**

Six new public sector jobs will be created. In addition, the program will support the continuation of approximately 5 FTEs existing positions. The CCE program will also lead to indirect job creation and retention in the biomass and timber industries.

### **Incent New Business Development**

There will also be incentive to develop new generation projects in the future, such as solar and wind farms, creating jobs in the areas of analysis and planning, engineering, construction, monitoring, and maintenance.

### **Protect the Environment**

Supporting and developing local renewable generation will have several environmental benefits, mainly lowering fossil fuel use and greenhouse gas emissions associated with electricity generation.

### **Use Environmental Knowledge in the Creation of Jobs**

A second consequence of a CCE program is that revenue can be directed towards other areas that are considered environmentally important, such as energy efficiency, electric vehicle infrastructure, incentives for rooftop solar, and energy innovation funding.

### **Revitalize Infrastructure**

The CCE program will include an energy contract with at least one local biomass power plant. Healthy air quality is important to the community; solid prices and contracts for local biomass power are expected to provide for any necessary upgrades to improve operating efficiency and associated emissions of these facilities.

## **11. Risks and Challenges**

The primary risk to this project is financial. Though highly unlikely, it is possible that the cost of energy could exceed, in the short term, revenues received.

However, using experienced power purchasers and a strategic buying process, this risk should be small.

However, in the unanticipated event the Board of Directors decides to terminate the Program and any applicable restrictions on such termination have been satisfied, notice will be provided to customers six months in advance that they will be transferred back to PG&E. A second notice will be provided the last sixty days in advance of the transfer. The notice will describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one-year advance notice will be provided to PG&E and the CPUC before transferring customers, and RCEA will coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers will be transferred *en masse* on the date of their regularly scheduled meter read date.

RCEA will maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves will be maintained against the fees imposed for processing customer transfers. The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover re-entry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of re-entry fees is the responsibility of the energy services provider or the Community Choice Aggregator, except in the case of a customer returned for default or because its contract has expired. RCEA will self-insure against the risk of customer reentry fees.

## **12. Sustainability**

As noted in the attached credit write-up, the program is expected to generate sufficient cash flow to become self-sustaining in a relatively short time.

The project budget is as follows:

	2017	2018	2019	2020	2021
<b>Electric Sales Revenue</b>	33,396,311	51,183,741	51,715,310	52,518,764	54,248,025
<b>Uncollectible Accounts</b>	(100,189)	(153,551)	(155,146)	(157,556)	(162,744)
<b>Total Revenues</b>	33,296,122	51,030,189	51,560,164	52,361,208	54,085,281
<b>Staffing &amp; Consulting</b>	1,333,333	2,000,000	2,000,000	2,000,000	2,000,000
<b>Wholesale Services</b>	376,664	576,296	593,585	611,392	629,734
<b>Data Management Services</b>	684,895	1,037,449	1,047,624	1,057,903	1,068,286
<b>IOU Fees</b>	259,981	397,227	404,609	412,133	419,802
<b>Energy Programs</b>	333,333	500,000	500,000	500,000	500,000
<b>Debt Services</b>	169,841	254,762	254,762	254,762	254,762
<b>Energy Procurement</b>	25,475,933	41,524,260	42,495,609	44,339,748	45,855,973
<b>Total Operations Costs</b>	28,633,981	46,289,993	47,296,188	49,175,938	50,728,557
<b>Net Program Revenues</b>	4,662,141	4,740,196	4,263,976	3,185,270	3,356,724

### 13. What Happens if Project Not Funded by Headwaters

If this loan request is not approved, then the RCEA will continue to deplete its reserves to invest into the pre start-up process. This could cause financial hardship on the organization as it balances its investments into the CCE with its other energy programs.

Other impacts could include a delay in implementation or increased finance costs as RCEA would seek alternative sources of financing of the early implementation of the program.

## **Current Board of Directors**

### **COUNTY OF HUMBOLDT**

Ryan Sundberg

Virginia Bass (Alternate)

### **CITY OF ARCATA**

Susan Ornelas

Paul Pitino (Alternate)

### **CITY OF BLUE LAKE**

Jean Lynch

Stephen Kullmann (Alternate)

### **CITY OF EUREKA**

Linda Atkins, Chair

Marian Brady (Alternate)

### **CITY OF FERNDALE**

Michael Sweeney

Dan Brown (Alternate)

### **CITY OF FORTUNA**

Tiara Brown

Doug Strehl (Alternate)

### **CITY OF RIO DELL**

Tim Marks

Jack Thompson (Alternate)

### **CITY OF TRINIDAD**

Dwight Miller

### **HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

Sheri Woo, Vice-Chair

Barbara Hecathorn (Alternate)

# **RREDC Loan Request Summary**



Redwood Region Economic Development Commission

## Loan Application Summary

**Applicant:** Redwood Coast Energy Authority (RCEA)

<b>Legal Structure:</b>	Joint Powers Authority (JPA)	<b>Business Type:</b>	RCEA is a JPA composed of the County of Humboldt, the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad and the Humboldt Bay Municipal Water District.
-------------------------	------------------------------	-----------------------	--

**Owners:** N/A

**Guarantors:** N/A

## Summary of Project Request

<b>Purpose</b>	Working capital during startup of Community Choice Energy (CCE) program.
<b>Amount</b>	\$700,000
<b>Loan Type</b>	Non Revolving Line of Credit
<b>Term</b>	72 months. Interest only payments for 12 months. Fully amortized principal and interest payments for 60 months following draw period.
<b>Rate</b>	5% fixed
<b>Fee (Underwriting)</b>	1% plus all out of pocket costs
<b>Service fee to Headwaters</b>	\$3,000 per year
<b>Monthly Payments</b>	\$13,210 per month if fully disbursed.
<b>Primary Source or Repayment</b>	Cash flow from implementation of the Community Choice Energy Program
<b>Secondary Source of Repayment</b>	RCEA cash reserves, other business cash flow.

### Strengths

- 1) Extensive analysis of program.
- 2) Strong projected cash flow.
- 3) Stable customer markets.
- 4) Significant investment from applicant and other private participants.

### Weaknesses

- 1) Potential volatility of energy market.
- 2) Potential for high "opt-out" of customers.
- 3) Lack of collateral

## **LOAN REQUEST SUMMARY:**

### **Background:**

The Redwood Coast Energy Authority (“RCEA”) is a public joint powers agency located within the geographic boundaries of Humboldt County, formed in 2003 for the purpose of developing and implementing sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the region. Member agencies of RCEA include the seven (7) incorporated cities located in Humboldt County, the County of Humboldt, and the Humboldt Bay Municipal Water District.

RCEA is moving forward with the implementation of a Community Choice Energy (CCE) program, which is designed to reduce costs to Humboldt County electricity customers and also support local energy generation.

### **Project Description and Goals**

Community Choice Energy is a legislatively-enabled process for communities – cities and counties – to take over the role of supplying electricity from the existing electric utility. CCE was established in 2002 by the California legislature in Assembly Bill 117. CCE is an alternative to municipal ownership of a utility. With city or county ownership, the jurisdiction takes over the entire electricity system from the utility including the supply and distribution of electricity. This approach has historically been very difficult to accomplish due to high costs and strong opposition from the utilities. Community Choice Energy, on the other hand, has been proven to be relatively low cost, and utilities are prevented by law from opposing the formation of CCEs.

A CCE takes over the role of procuring electricity from generators and providing electricity to its customers. However, the CCE does not physically deliver the energy from the generator to the customer – that service is still provided by the utility. CCE customers pay a single utility bill to their incumbent utility, with portions of the payment going to both the CCE – for the supply portion – and to the existing utility for the transmission and distribution portion. The customer bill will still be issued by the utility, which will then pass along the funds for the energy portion to the CCE. The utility and CCE charges are itemized separately on the bill.

The CCE will determine not only what power sources will supply its customers, but will also:

- Set electricity supply rates
- Administer and contract with external service companies to manage the CCE
- Conduct all relevant regulatory filings and compliance actions
- Determine whether and how to allocate funds for local programs
- Provide customer service and engage in customer outreach and education

A CCE will become a significant presence within the community, with power supply and investment decisions that will affect the local economy and the environmental impact of its customers’ electricity consumption.

### **Other CCEs**

There are several CCEs which already operate in California, and many more that are in various stages of starting up. These CCEs have adopted different goals and strategies, however all have



been motivated to achieve environmental objectives and provide ratepayer and other economic benefits to their communities.

MCE Clean Energy (formerly Marin Clean Energy) was the first CCE in California and began in 2010 serving approximately ten thousand customers in Marin County<sup>1</sup>. It has continued to add jurisdictions and now serves over 170,000 customers in Marin, Contra Costa and Napa counties. MCE has developed a portfolio with 50% renewable power with plans to become 80% renewable by 2022. While developing a greener portfolio, MCE has also kept its electricity rates below PG&E's and built a reserve fund of \$25MM<sup>2</sup>.

In addition, MCE has been investing in a variety of innovative local programs. It has become an energy efficiency Program Administrator, receiving funding from the CPUC to administer energy efficiency programs within its service territory. It has developed aggressive net energy metering and feed-in-tariff rates – compensating generators at significantly higher rates than PG&E. MCE is also prototyping a variety of demand response and energy storage programs. Sonoma Clean Power (SCP) was the second operating CCE in California. It began serving customers in 2014. SCP has made reducing greenhouse gases its top priority and is currently serving its customers with a supply portfolio that is 78% Greenhouse Gas (GHG) free.

The MCE pre-launch start-up funding consisted primarily of;

1. \$330,000 cash contribution from the County of Marin
2. Approximately \$200,000 in grants
3. \$540,000 interest-free loan from the County
4. \$750,000 in unsecured loans from three private individuals,
5. \$1,450,000 loan from River City Bank.

The City of Lancaster began Lancaster Choice Energy in 2015. Lancaster is the first CCE established as an enterprise of a City. Like MCE and SCP it offers a variety of rate plans including the option of 100% renewable power. CleanPowerSF (serving San Francisco) has just recently begun service as the most recent CCE in California.

### **RCEA CCE Startup Activities and Financing Need**

The County of Humboldt and the cities of Arcata, Blue Lake, Eureka, Fortuna and Trinidad have adopted ordinances that allow customers in their jurisdictions to participate in a CCE program through the RCEA.

The two key goals for the program are:

1. Provide overall rates that are lower than those offered by the local existing utility for similar power supplies.
2. Supply an energy portfolio that prioritizes the use of local renewable resources, including existing facilities to the maximum technically and economically feasible.

---

<sup>1</sup> [https://www.mcecleanenergy.org/wp-content/uploads/2016/01/Marin-Clean-Energy-2015-Integrated-Resource-Plan\\_FINAL-BOARD-APPROVED.pdf](https://www.mcecleanenergy.org/wp-content/uploads/2016/01/Marin-Clean-Energy-2015-Integrated-Resource-Plan_FINAL-BOARD-APPROVED.pdf)

<sup>2</sup> <https://www.mcecleanenergy.org/wp-content/uploads/2016/01/2.3.16-ExCom-Meeting-Packet.pdf>

The initial program startup activities (some of which have been initiated or completed) include the following:

- Hire staff and contractors to manage implementation (initiated)
- Identify and negotiate supplier/vendor contracts (initiated)
  - Electric supplier and scheduling coordinator (The Energy Authority)
  - Data management provider (Noble Americas Energy Solutions)
- Define and execute communications plan (initiated)
  - Customer research/information gathering
  - Media campaign
  - Key customer/stakeholder outreach
  - Informational materials and customer notices
  - Customer call center
- Pay utility service initiation, notification, and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Obtain legal and regulatory support
- Implement financial management and reporting

Other costs related to starting up the CCE program will be the responsibility of program contractors (and are assumed to be covered by any fees/charges imposed by such contractors). These include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

### **Staffing and Contract Services**

RCEA will utilize a mix of internal staff and contractors in its CCE program implementation. RCEA currently has several full-time employees, including an Executive Director, several program specialists, and finance and administrative support personnel to support regulatory, procurement, finance, legal and communications activities. Personnel in the form of RCEA staff and contractors will be added incrementally to match workloads involved in program management.

To determine the capital requirements for the start-up period, it is assumed that approximately three full time equivalent staff as well as supporting contracted professional services would be engaged. Following the startup period, additional staff and/or contractors will be retained to support the roll-out of additional value-added services and local generation projects and programs.

### **Capital Requirements**

The start-up of the CCE program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital. Each of these functions and their anticipated capital requirements are discussed below.

Start-up staffing costs are estimated to be \$700,000, and gradually increase to approximately \$1 million annually. Contractor costs during startup and pre-startup activities are estimated to be approximately \$2.5 million, including direct costs related to public relations support, technical

support, and customer communications. Actual costs may vary depending on how RCEA manages its startup activities and the degree to which some or most of these startup activities are performed by the selected energy services provider rather than by RCEA.

Requisite deposits and operating reserves of the Program are estimated to approximate \$730,000 and include the following items: 1) operating reserves to address anticipated cash flow variations associated with RCEA program management - \$600,000 2) CCE bond (posted with the CPUC) - \$100,000; and 3) PG&E service fee deposit - \$30,000.

Operating revenues from sales of electricity will be remitted to RCEA beginning approximately on day 47 of program operations, based on PG&E's standard meter reading cycle of 30 days and PG&E's payment/collections cycle of 17 days. The electric supplier, TEA, will be responsible for providing the working capital needed to support electricity procurement, which is estimated to be \$5.8 to 7 million. This cost will be reflected in its price for providing full requirements electric service to the Program.

Therefore, the total staffing, contractor costs, and applicable deposits are expected to be approximately \$4.05 million, not including the power procurement costs. These are costs that ultimately will be collected through program rates; however, some of these costs will be incurred prior to RCEA selling its first kWh of electricity and will require financing.

### **Financing Plan**

The majority of anticipated startup funding will be provided to RCEA via a line of credit through the energy supplier, TEA. The balance of startup funding has been provided by RCEA from its reserves and operational cash flow.

Following the authorization of the CCE by the County of Humboldt, the RCEA Board of Directors decided to structure the program to bring more of the work in-house in the early years that was originally envisioned. This required an increase in internal capacity sooner rather than later and in the process was an adjustment to the initial program design. This resulted in shifting consultant costs, which had a deferred payment financing structure with the energy service provider to internal financing.

It is anticipated additional funds of approximately \$700,000 will be required and is the basis of this request. RCEA is proposing a non-revolving line of credit with interest only payments during the 12 month draw period followed by a sixty-month term fully amortized repayment period. The source of repayment will come from retail generation rates charged to CCE customers. It is anticipated that the start-up costs will be fully recovered through such customer generation rates within the first five years of operations.

Approximately \$200,000 will be required during the "pre-startup" phase, which is anticipated to extend until February 2017. At that point, barring any major issues, the CCE will be implemented. The remaining balance of the revolving line of credit would then be used to manage initial cash flow as payments to the RCEA for power purchase by consumers will be in arrears. However, it is anticipated that once operational cash flow starts that the revolving line of credit will be quickly repaid and closed.

Other up-front costs covered by other sources include:

1. \$82,000 by TEA for the technical study and program planning.

2. \$472,500 by Noble for services being provided by LEAN (program design, marketing/outreach) customer notifications), along with \$100,000 Bond to CPUC and \$25,000 Bond to PG&E.
3. \$7 million from TEA to cover the cash-flow delay between wholesale procurement and collecting revenue from retail sales -- wholesale power costs will be around \$3.4million per month and there is about a two-month lag for customer payments to start being received.

The table below shows the project projected revenue and expenses for the CCE.

	2017	2018	2019	2020	2021
<b>Electric Sales Revenue</b>	33,396,311	51,183,741	51,715,310	52,518,764	54,248,025
<b>Uncollectible Accounts</b>	(100,189)	(153,551)	(155,146)	(157,556)	(162,744)
<b>Total Revenues</b>	33,296,122	51,030,189	51,560,164	52,361,208	54,085,281
<b>Staffing &amp; Consulting</b>	1,333,333	2,000,000	2,000,000	2,000,000	2,000,000
<b>Wholesale Services</b>	376,664	576,296	593,585	611,392	629,734
<b>Data Management Services</b>	684,895	1,037,449	1,047,624	1,057,903	1,068,286
<b>IOU Fees</b>	259,981	397,227	404,609	412,133	419,802
<b>Energy Programs</b>	333,333	500,000	500,000	500,000	500,000
<b>Debt Services</b>	169,841	254,762	254,762	254,762	254,762
<b>Energy Procurement</b>	25,475,933	41,524,260	42,495,609	44,339,748	45,855,973
<b>Total Operations Costs</b>	28,633,981	46,289,993	47,296,188	49,175,938	50,728,557
<b>Net Program Revenues</b>	4,662,141	4,740,196	4,263,976	3,185,270	3,356,724

### Sources and Uses of Funds

Sources		Uses	
HWF CIF Loan	\$700,000	Revolving Line of Credit	\$700,000
RCEA	\$7,000	RREDC Loan Fee	\$7,000
Total Sources	\$707,000	Total Uses	\$707,000

### Business Financial Analysis:

RCEA provided audited financial statements for the Fiscal Year 2013 and 2014. Their Fiscal Year 2014 audit is scheduled to be adopted at their November board meeting.

They also provided internal statements for fiscal years 2014 – 2015 and interim statements for 2016. For FY 2013, revenues were approximately 1.3MM with net revenues of \$131,796. FY 2014 revenues were \$1.64MM with net revenues of \$73,259. FY 2015 had net revenues of \$3.2MM with net revenues of \$37,800.

As of 8/31/16, total revenues were \$264,415 with net revenue of <\$67,194>. According to management, this loss is a result of expensing their investment into the new CCE program.

The 8/31/16 balance sheet shows the following:

<b>Assets</b>		
	Current Assets	
	Cash	208,313
	Accounts Receivable	387,177
	Other Current Assets	200,816
	Total Current Assets	796,306
	Fixed Assets	67,099
	Other Assets	4,100
	Total Assets	<b>867,505</b>
<b>Liabilities and Equity</b>		
	Current Liabilities	
	Accounts Payable	50,921
	Credit Cards	1,978
	Other Current	116,068
	Total Current Liabilities	168,967
	Total Long Term Liabilities	8,429
	Total Liabilities	<b>177,397</b>
<b>Equity</b>	Investment in Capital Assets	51,609
	Fund Balance	705,694
	Net Income	<67,194>
	<b>Total Liabilities and Equity</b>	<b>867,505</b>

### **Policy Guidelines**

#### **Economic Base**

Successful implementation of the CCE will result in a reduction of capital leakage from Humboldt County, thus adding to the economic base.

In addition, CCE will give Humboldt County the ability to increase the use of existing local renewable biomass energy generation infrastructure. Investing in power from these sources is expected to support job retention and growth by providing stable revenue to businesses that are operating successfully but at a limited capacity due to low energy prices. It is also expected to support the timber-products industry (one of the “Targets of Opportunity”) by providing a local market for biomass waste.

CCE provides a way for a community to have control over electricity generation rate setting. Local control of rates can help communities to target incentives towards certain rate classes in order to attract new businesses or retain existing ones.

RCEA estimates that local expenditures will range from \$53 million to \$178 million over the first five years of the program. These expenditures will include a reserve fund, local power purchases, renewable energy generation development and public benefit programs.

Further, according to the Technical Study completed for the CCE, cumulative rate savings through 2021 are estimated to be between \$10 million and \$30 million for Humboldt County residents and businesses.

## Jobs

Although RCEA jobs are public sector jobs, they plan to outsource key functions to local private business.

Six new public sector jobs will be created. In addition, the program will support the continuation of approximately 5 FTEs existing positions. The program goal of maximizing the use of local renewable energy is moving forward with a request for offers for local biomass power, which is anticipated to result in a contract with at least one of the local biomass plants. This is discussed more fully later.

There is considerable organizational growth required of RCEA to have the capacity to implement the CCE program, which will come with a significantly larger operational budget than any previous RCEA initiative. It will be imperative to have ongoing support from private consultants in the key areas of energy procurement, energy scheduling services, customer data management, banking, accounting and audit services, and human resources.

The CCE program will also lead to indirect job creation and retention. Of immediate and significant relevance to the local economy is the critical role of local biomass power plants in the forest products sector. Biomass from sustainably managed forests is a renewable resource that can be used to generate base-load electricity. Without biomass plants providing a market for sawmill residuals, the increased cost of disposing of these residuals threatens the viability of possibly hundreds of local living-wage jobs within the forest industry. Yana Valachovic, University of California Cooperative Extension Forest Advisor and Humboldt - Del Norte County Director, describes the current situation this way: "Without a market to purchase sawmill residue or residue from fuel reduction or forest health activities, sawmills are scrambling, investors are looking elsewhere, and many forest stewardship activities have been stopped. This creates a significant economic and ecological crisis in this region." Local control over our energy supply will allow the community a key opportunity to potentially solve this problem.

NAICS	Title	Firms	Average Monthly Employment	Total 3rd Quarter Payroll 2015
484	Truck Transportation	44	697	\$9,605,000
488	Support Activities for Transportation	10	81	\$656,000
115	Agriculture and Forestry Support Activities	15	78	\$1,104,000
113	Forestry and Logging	41	390	\$5,321,00
321,221	Wood Product Manufacturing and Biomass Energy Generation	20	677	\$8,976,000
<b>Total</b>		<b>130</b>	<b>1923</b>	<b>\$20,341,000</b>

Source: EDD/LMID Quarterly Census of Employment and Wages 3rd Quarter 2015

September 2015 Total Employment for Humboldt County: 47,200

$1923/47,200 = 4\%$  of the county's total employment is connected to biomass

There will also be incentive to develop new generation projects in the future, such as solar and wind farms, creating jobs in the areas of analysis and planning, engineering, construction, monitoring, and maintenance.

### **Environmental Protection**

The Technical Study completed for the CCE program examined a number of financially viable scenarios that would address Humboldt County's goal of securing a sustainable energy future. Supporting and developing local renewable generation will have several environmental benefits, mainly lowering fossil fuel use and greenhouse gas emissions associated with electricity generation. Each proposed energy portfolio scenario has varying amounts of local biomass, solar, and local hydro, however all exceed the forecasted PG&E renewable energy percentages by 5% of overall supply, and all achieve greenhouse gas emissions reductions of 5% compared to PG&E's forecasted emissions. Local biomass energy has the added environmental benefit of diverting sawmill residue away from landfills, and providing a potential market for forest management residues to prevent them from being burned in place either intentionally or as fuel for the next wildfire.

### **Uses Environmental Knowledge in the Creation of Jobs**

A second consequence of a CCE program is that revenue can be directed towards other areas that are considered environmentally important, such as energy efficiency, electric vehicle infrastructure, incentives for rooftop solar, and energy innovation funding. Future energy innovation projects are likely to include on-shore and off-shore wind and wave generation.

### **Infrastructure Revitalization**

The CCE program will include an energy contract with at least one, possible two, local biomass power plants. Healthy air quality is important to the community; solid prices and contracts for local biomass power are expected to provide for any necessary upgrades to improve operating efficiency and associated emissions of these facilities.

**Bankability:** Not applicable to this Joint Powers Authority

### **Recommendation**

Approval of this loan is recommended for the following reasons:

1. The loan is consistent with the County's Comprehensive Economic Development Strategy in that it can result in lower costs to businesses, reduces capital leakage from the region, creates jobs and supports job retention in a targeted industry.
2. Projected cash flow from implementation of the CCE is sufficient to service the debt.
3. Should the CCE not be implemented, there is sufficient projected cash flow from current operations to service the expected prestart borrowing.
4. Successful implementation of the CCE is expected to have the additional environmental benefits including the increased use of renewable energy sources.

# Redwood Coast Energy Authority

## Balance Sheet

As of August 31, 2016

	<u>Aug 31, 16</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1062 • Chase DD Checking	58,916.31
1060 • Umpqua Checking-9271	30,401.94
1000 • COUNTY TREASURY 3839	103,911.55
1010 • Petty Cash	45.93
Total 1050 • GRANTS & DONATIONS 3840	<u>15,037.26</u>
Total Checking/Savings	208,312.99
Total Accounts Receivable	387,176.56
<b>Other Current Assets</b>	
1102 • Paypal Account Balance	19.87
1120 • Inventory Asset	71,592.60
1202 • Prepaid Expenses	33,814.64
1205 • Prepaid Insurance	20,642.16
Total 1210 • Retentions Receivable	<u>74,747.06</u>
Total Other Current Assets	<u>200,816.33</u>
Total Current Assets	796,305.88
Total Fixed Assets	67,099.39
Total Other Assets	<u>4,100.00</u>
<b>TOTAL ASSETS</b>	<u><u>867,505.27</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Total Accounts Payable	50,921.45
Total Credit Cards	1,977.53
<b>Other Current Liabilities</b>	
2001 • Accounts Payable-Other	39,342.60
Total 2100 • Payroll Liabilities	57,097.15
Total 2210 • Retentions Payable	<u>19,628.67</u>
Total Other Current Liabilities	<u>116,068.42</u>
Total Current Liabilities	168,967.40
Total Long Term Liabilities	<u>8,429.11</u>
Total Liabilities	177,396.51
<b>Equity</b>	
2320 • Investment in Capital Assets	51,609.12
3900 • Fund Balance	705,694.01
Net Income	<u>-67,194.37</u>
Total Equity	<u>690,108.78</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>867,505.27</u></u>



**Redwood Coast Energy Authority**  
**Profit Loss Budget vs. Actual**  
August 2016

	<u>Jul - Aug 16</u>	<u>Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense			
Income			
5 REVENUE EARNED			
Total 5000 • Revenue - government agencies	21,275.24	357,364.00	6.0%
Total 5100 • Revenue - program related sales	3,202.18	17,500.00	18.3%
5300 • Revenue - Investments	0.00	200.00	0.0%
Total 5400 • Revenue-nongovernment agencies	239,937.88	1,553,570.00	15.4%
Total 5 REVENUE EARNED	<u>264,415.30</u>	<u>1,928,634.00</u>	<u>13.7%</u>
Total Income	<u>264,415.30</u>	<u>1,928,634.00</u>	<u>13.7%</u>
Gross Profit	<u>264,415.30</u>	<u>1,928,634.00</u>	<u>13.7%</u>
Expense			
7 EXPENSES - PERSONNEL			
7101 • Screening/Testing Services	171.12	600.00	28.5%
7102 • Safety	27.50	1,000.00	2.8%
7103 • Staff Training and Development	229.00	15,000.00	1.5%
7200 • Salaries, Wages & Benefits			
7210 • Salaries - staff	116,014.80	905,020.00	12.8%
7220 • Wages - Interns	12,276.21	71,061.00	17.3%
7230 • Pension Plan Contributions	3,386.94	29,086.00	11.6%
7240 • Employee Benefits-Insurance	34,579.10	277,943.00	12.4%
7250 • Payroll Taxes Etc.	12,579.56	94,326.00	13.3%
7255 • Worker's Comp Insurance	1,409.19	7,400.00	19.0%
Total 7260 • Paid Time Off	21,785.19	142,331.00	15.3%
7265 • Jury Duty	0.00	500.00	0.0%
Total 7200 • Salaries, Wages & Benefits	<u>202,030.99</u>	<u>1,527,667.00</u>	<u>13.2%</u>
Total 7 EXPENSES - PERSONNEL	<u>202,458.61</u>	<u>1,544,267.00</u>	<u>13.1%</u>
8 NON-PERSONNEL RELATED EXP			
8100 • Non-Personnel Expenses			
8110 • Office Supplies	1,429.44	6,000.00	23.8%
8111 • Furniture & Equipment	1,650.67	2,800.00	59.0%
Total 8120 • Information Technology	565.46	55,000.00	1.0%
Total 8130 • Telephone & Telecommunications	1,153.92	6,500.00	17.8%
8140 • Postage & delivery	521.74	1,800.00	29.0%
Total 8170 • Printing & copying	893.95	7,500.00	11.9%
Total 8180 • Books, subscriptions, edu matls	553.10	1,000.00	55.3%
8190 • Exhibits & displays	0.00	1,800.00	0.0%
8195 • Tool bank	97.58	4,000.00	2.4%
Total 8100 • Non-Personnel Expenses	<u>6,865.86</u>	<u>86,400.00</u>	<u>7.9%</u>
8200 • Facility Expenses			
8210 • Office Lease	8,200.00	49,200.00	16.7%
Total 8220 • Utilities	1,830.17	11,500.00	15.9%
8230 • Janitorial	1,001.84	6,500.00	15.4%
8240 • Facility repairs & maintenance	1,679.10	3,500.00	48.0%
8250 • EV Station Repairs & Maintenance	0.00	5,000.00	0.0%
Total 8200 • Facility Expenses	<u>12,711.11</u>	<u>75,700.00</u>	<u>16.8%</u>

**Redwood Coast Energy Authority**  
**Profit Loss Budget vs. Actual**  
August 2016

Total 8300 • Travel & Meeting Expense	768.98	17,000.00	4.5%
Total 8320 • Meetings, workshops & events	2,384.74	12,000.00	19.9%
<b>8500 • Other Expenses</b>			
8513 • Organizational Development	0.00	500.00	0.0%
8520 • Insurance P&L	10,089.58	9,500.00	106.2%
8530 • Dues & Memberships	105.00	3,500.00	3.0%
Total 8560 • Website Expenses	15.00	1,000.00	1.5%
Total 8570 • Advertising & Marketing Expense	3,176.27	22,000.00	14.4%
8591 • Use Tax	0.00	300.00	0.0%
8592 • Service Charge	0.00	200.00	0.0%
8593 • Bank Charges	0.00	200.00	0.0%
8595 • Credit Card Processing Fees	72.29	500.00	14.5%
8596 • Flex Billing Service Fee	19.62	300.00	6.5%
8597 • EV Site Host Pmts	0.00	5,000.00	0.0%
Total 8500 • Other Expenses	13,477.76	43,000.00	31.3%
8600 • Capital Development - Facility	0.00	1,000.00	0.0%
<b>8700 • Professional Services</b>			
8710 • Contracts - Program Related Ser	29,983.27	261,005.00	11.5%
8720 • Accounting	13,270.00	45,000.00	29.5%
8740 • Legal	22,039.85	48,000.00	45.9%
Total 8700 • Professional Services	65,293.12	354,005.00	18.4%
Total 8 NON-PERSONNEL RELATED EXP	101,501.57	589,105.00	17.2%
Total 9 INCENTIVES & REBATES	27,331.41	460,000.00	5.9%
Total Expense	331,291.59	2,593,372.00	12.8%
Net Ordinary Income	-66,876.29	-664,738.00	10.1%
<b>Other Income/Expense</b>			
Total Other Income	0.00	700,000.00	0.0%
Total Other Expense	318.08	19,008.00	1.7%
Net Other Income	-318.08	680,992.00	-0.0%
Net Income	-67,194.37	16,254.00	-413.4%

**Redwood Coast Energy Authority**  
**Profit and Loss**  
August 2016

	<u><b>TOTAL</b></u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>5 REVENUE EARNED</b>	
Total 5000 · Revenue - government agencies	9,330.89
Total 5100 · Revenue - program related sales	2,289.34
Total 5400 · Revenue-nongovernment agencies	141,029.15
<b>Total 5 REVENUE EARNED</b>	<u>152,649.38</u>
<b>Total Income</b>	<u>152,649.38</u>
<b>Gross Profit</b>	152,649.38
<b>Expense</b>	
<b>7 EXPENSES - PERSONNEL</b>	
<b>7200 · Salaries, Wages &amp; Benefits</b>	
7210 · Salaries - staff	64,774.03
7220 · Wages - Interns	6,653.63
7230 · Pension Plan Contributions	1,703.16
7240 · Employee Benefits-Insurance	17,691.32
7250 · Payroll Taxes Etc.	6,586.08
7255 · Worker's Comp Insurance	742.83
Total 7260 · Paid Time Off	6,746.07
<b>Total 7200 · Salaries, Wages &amp; Benefits</b>	<u>104,897.12</u>
<b>Total 7 EXPENSES - PERSONNEL</b>	104,897.12
<b>8 NON-PERSONNEL RELATED EXP</b>	
<b>8100 · Non-Personnel Expenses</b>	
8110 · Office Supplies	65.83
Total 8120 · Information Technology	565.46
Total 8130 · Telephone & Telecommunications	582.22
8140 · Postage & delivery	500.00
Total 8170 · Printing & copyng	643.88
Total 8180 · Books, subscriptions, edu matls	553.10
<b>Total 8100 · Non-Personnel Expenses</b>	<u>2,910.49</u>
<b>8200 · Facility Expenses</b>	
8210 · Office Lease	4,100.00
Total 8220 · Utilities	900.63
8230 · Janitorial	491.41
8240 · Facility repairs & maintenance	65.74
8200 · Facility Expenses - Other	1,554.61
<b>Total 8200 · Facility Expenses</b>	<u>7,112.39</u>
<b>Total 8300 · Travel &amp; Meeting Expense</b>	93.29
<b>Total 8320 · Meetings, workshops &amp; events</b>	1,028.69

**Redwood Coast Energy Authority**  
**Profit and Loss**  
August 2016

<b>8500 · Other Expenses</b>	
8530 · Dues & Memberships	105.00
<b>Total 8570 · Advertising &amp; Marketing Expense</b>	<b>1,390.28</b>
8595 · Credit Card Processing Fees	52.77
<b>Total 8500 · Other Expenses</b>	<b>1,548.05</b>
<b>8700 · Professional Services</b>	
8710 · Contracts - Program Related Ser	5,170.00
8720 · Accounting	13,000.00
8740 · Legal	8,198.25
<b>Total 8700 · Professional Services</b>	<b>26,368.25</b>
<b>Total 8 NON-PERSONNEL RELATED EXP</b>	<b>39,061.16</b>
<b>Total 9 INCENTIVES &amp; REBATES</b>	<b>4,568.76</b>
<b>Total Expense</b>	<b>148,527.04</b>
<b>Net Ordinary Income</b>	<b>4,122.34</b>
<b>Other Income/Expense</b>	
<b>Total Other Expense</b>	<b>159.04</b>
<b>Net Other Income</b>	<b>-159.04</b>
<b>Net Income</b>	<b>3,963.30</b>

# Redwood Coast Energy Authority

## Balance Sheet

As of June 30, 2015

	Jun 30, 15
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1060 · Umpqua Checking	183,566.50
1000 · COUNTY TREASURY 3839	101,245.35
1010 · Petty Cash	109.23
Total 1050 · GRANTS & DONATIONS 3840	12,468.42
<b>Total Checking/Savings</b>	297,389.50
<b>Total Accounts Receivable</b>	587,795.42
<b>Other Current Assets</b>	
1102 · Paypal Account Balance	184.87
1120 · Inventory Asset	47,232.14
1202 · Prepaid Expenses	12,939.00
Total 1210 · Retentions Receivable	17,978.30
<b>Total Other Current Assets</b>	78,334.31
<b>Total Current Assets</b>	963,519.23
<b>Fixed Assets</b>	
1500 · Fixed Asset	93,591.39
1600 · Accumulated depreciation	-26,492.00
<b>Total Fixed Assets</b>	67,099.39
<b>Total Other Assets</b>	4,100.00
<b>TOTAL ASSETS</b>	<b>1,034,718.62</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Total Accounts Payable	209,018.50
Total Credit Cards	984.91
<b>Other Current Liabilities</b>	
2001 · Accounts Payable-Other	12,939.00
Total 2100 · Payroll Liabilities	58,467.52
Total 2210 · Retentions Payable	43,607.33
<b>Total Other Current Liabilities</b>	115,013.85
<b>Total Current Liabilities</b>	325,017.26
<b>Total Long Term Liabilities</b>	10,337.57
<b>Total Liabilities</b>	335,354.83
<b>Equity</b>	
2320 · Investment in Capital Assets	49,700.66
3900 · Fund Balance	611,863.60
Net Income	37,799.53
<b>Total Equity</b>	699,363.79
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,034,718.62</b>

**Redwood Coast Energy Authority**  
**Profit & Loss Budget vs. Actual**  
July 2014 through June 2015

	<u>Jul '14 - Jun 15</u>	<u>Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>			
Income			
Total 4 GRANTS AND DONATIONS	0.00	5,000.00	0.0%
<b>5 REVENUE EARNED</b>			
Total 5000 - Revenue - government agencies	1,626,515.89	1,902,143.00	85.5%
Total 5100 - Revenue - program related sales	19,091.38	10,600.00	180.1%
Total 5300 - Revenue - Investments	218.31	0.00	100.0%
Total 5400 - Revenue- nongovernment agencies	1,559,363.27	1,407,200.00	110.8%
<b>Total 5 REVENUE EARNED</b>	<b>3,205,188.85</b>	<b>3,319,943.00</b>	<b>96.5%</b>
<b>Total Income</b>	<b>3,205,188.85</b>	<b>3,324,943.00</b>	<b>96.4%</b>
<b>Gross Profit</b>	<b>3,205,188.85</b>	<b>3,324,943.00</b>	<b>96.4%</b>
Expense			
<b>7 EXPENSES - PERSONNEL</b>			
7100 - Recruitment Expenses	3,444.00		
7101 - Screening/Testing Services	418.80	600.00	69.8%
7102 - Safety	1,184.25	200.00	592.1%
<b>7200 - Salaries, Wages &amp; Benefits</b>			
7210 - Salaries - staff	607,566.82	682,603.00	89.0%
7220 - Wages - Interns	88,014.14	86,095.00	102.2%
7230 - Pension Plan Contributions	17,075.51	21,881.00	78.0%
7240 - Employee Benefits-Insurance	188,658.75	213,006.00	88.6%
7250 - Payroll Taxes Etc.	75,236.81	77,280.00	97.4%
7255 - Worker's Comp Insurance	7,239.86	6,500.00	111.4%
Total 7260 - Paid Time Off	88,659.96	103,000.00	86.1%
7265 - Jury Duty	121.29		
<b>Total 7200 - Salaries, Wages &amp; Benefits</b>	<b>1,072,573.14</b>	<b>1,190,365.00</b>	<b>90.1%</b>
<b>Total 7 EXPENSES - PERSONNEL</b>	<b>1,077,620.19</b>	<b>1,191,165.00</b>	<b>90.5%</b>
<b>8 NON-PERSONNEL RELATED EXP</b>			
<b>8100 - Non-Personnel Expenses</b>			
8110 - Office Supplies	4,514.36	4,700.00	96.1%
8111 - Furniture & Equipment	3,665.13	2,800.00	130.9%
Total 8120 - Information Technology	14,281.59	13,500.00	105.8%
Total 8130 - Telephone & Telecommunications	6,938.82	6,000.00	115.6%
8140 - Postage & delivery	1,694.54	1,800.00	94.1%
Total 8170 - Printing & copying	6,886.75	7,000.00	98.4%
Total 8180 - Books, subscriptions, edu matls	849.00	500.00	169.8%
8190 - Exhibits & displays	24.90	800.00	3.1%
8195 - Tool bank	7,763.03	3,500.00	221.8%
8100 - Non-Personnel Expenses - Other	20.00		
<b>Total 8100 - Non-Personnel Expenses</b>	<b>46,638.12</b>	<b>40,600.00</b>	<b>114.9%</b>

	<b>Jul '14 - Jun 15</b>	<b>Budget</b>	<b>% of Budget</b>
<b>8200 • Facility Expenses</b>			
8210 • Office Lease	49,200.00	49,200.00	100.0%
Total 8220 • Utilities	8,588.26	8,000.00	107.4%
8230 • Janitorial	6,292.47	6,500.00	96.8%
8240 • Facility repairs & maintenance	2,659.86	3,500.00	76.0%
8250 • EV Station Repairs & Maintenance	35.49		
Total 8200 • Facility Expenses	66,776.08	67,200.00	99.4%
Total 8300 • Travel & Meeting Expense	17,866.72	15,000.00	119.1%
Total 8320 • Meetings, workshops & events	4,186.03	6,500.00	64.4%
<b>8500 • Other Expenses</b>			
8520 • Insurance P&L	17,582.21	9,000.00	195.4%
8530 • Dues & Memberships	2,784.07	2,500.00	111.4%
8540 • Staff Development	600.00	1,000.00	60.0%
Total 8560 • Website Expenses	354.28	500.00	70.9%
Total 8570 • Advertising & Marketing Expense	6,648.68	5,000.00	133.0%
8591 • Use Tax	148.35	500.00	29.7%
8592 • Service Charge	147.66		
8593 • Bank Charges	120.00		
8595 • Credit Card Processing Fees	381.97		
8596 • Flex Billing Service Fee	97.46		
8597 • EV Site Host Pmts	940.98		
Total 8500 • Other Expenses	29,805.66	18,500.00	161.1%
<b>8600 • Capital Development - Facility</b>			
8615 • EV Charge Stations	25,936.07		
8600 • Capital Development - Facility - Other	0.00	1,000.00	0.0%
Total 8600 • Capital Development - Facility	25,936.07	1,000.00	2,593.6%
Total 8700 • Contracts - Professional Serv	1,339,600.61	1,519,050.00	88.2%
<b>8800 • Professional Services - Admin</b>			
8810 • Accounting	17,869.00	30,000.00	59.6%
8820 • Legal	2,246.30	3,500.00	64.2%
8830 • Organizational Development	0.00	500.00	0.0%
Total 8800 • Professional Services - Admin	20,115.30	34,000.00	59.2%
Total 8900 • Volunteer Services	0.00	300.00	0.0%
Total 8 NON-PERSONNEL RELATED EXP	1,550,924.59	1,702,150.00	91.1%
Total 9 INCENTIVES & REBATES	536,934.99	410,000.00	131.0%
66900 • Reconciliation Discrepancies	1.07		
Total Expense	3,165,480.84	3,303,315.00	95.8%
Net Ordinary Income	39,708.01	21,628.00	183.6%
Net Other Income	-1,908.48	-1,908.00	100.0%
Net Income	37,799.53	19,720.00	191.7%

**REDWOOD COAST ENERGY AUTHORITY**  
**County of Humboldt**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2014**

**With**

**INDEPENDENT AUDITOR'S REPORT**



# REDWOOD COAST ENERGY AUTHORITY

## TABLE OF CONTENTS

June 30, 2014

Page  
Number

### INTRODUCTION SECTION

Title Page  
Table of Contents

### FINANCIAL SECTION

Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis	4a
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Notes to Financial Statements	11

### REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23
---	----

REDWOOD COAST ENERGY AUTHORITY

TABLE OF CONTENTS - CONTINUED

June 30, 2014

SUPPLEMENTARY INFORMATION

Organization	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25
Audit Findings and Recommendations	27
Status of Prior Year Audit Findings	31

DRAFT

## REDWOOD COAST ENERGY AUTHORITY

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors  
Redwood Coast Energy Authority  
633 3<sup>rd</sup> Street  
Eureka, California 95501

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Redwood Coast Energy Authority ("RCEA") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise RCEA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

REDWOOD COAST ENERGY AUTHORITY  
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS -  
CONTINUED

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of RCEA as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4a through 4d and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

REDWOOD COAST ENERGY AUTHORITY  
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS -  
CONTINUED

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RCEA's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of RCEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RCEA's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS  
Eureka, California  
October 28, 2016

**Year Ending June 30, 2014**

---

The Redwood Coast Energy Authority is a Joint Powers Authority (JPA). It was formed in 2003, representing seven municipalities (the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Trinidad and Rio Dell) and the County of Humboldt, with the Humboldt Bay Municipal Water District joining later. As a JPA, RCEA is governed by a Board composed of representatives from each of these jurisdictions.

RCEA's mission is to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the region.

To accomplish this mission, during the year ending June 30, 2014 RCEA employed thirteen full-time staff (Executive Director, Operations Manager, Office Manager, Program Manager, three Energy Specialists, four Energy Technicians, and three Program Assistants). RCEA also employed numerous student interns, and sometimes serves as a placement site for AmeriCorps members and county workforce-experience training program participants.

All of RCEA's funding comes from contracts and grants, generally bringing resources to Humboldt County that would not otherwise be available. The operating budget for the year ending June 30, 2014 was approximately \$1.8 million. Funding sources during the year included:

- A contract with Pacific Gas & Electric Company (PG&E) to promote energy efficiency through a local government partnership known as the Redwood Coast Energy Watch.
- A contract with the California Energy Commission to develop and implement a pilot project to demonstrate key aspects of the RePower Humboldt Strategic Plan, including the use of biomass as a key resource and fuel switching.
- Contracts with local educational agencies to help plan and implement energy efficiency and clean energy projects using CA Department of Education and CA Energy Commission funding.
- A contract with the California Energy Commission to develop a regional alternative fuels readiness plan.
- A contract with the California Energy Commission to develop a regional electric vehicle charging network.
- Smaller grants and contracts with the City of Blue Lake, the Hoopa Valley Housing Authority, and the Schatz Energy Research Center.

A large share of RCEA activities occur under the umbrella of the Redwood Coast Energy Watch (RCEW) partnership with PG&E. Core RCEW activities include:

- Redwood Coast Energy Resource Center
- Public Agency Energy Initiatives
- Small Business Direct Install Program
- Non-Profit Energy Efficiency Program
- Residential Direct Install Program
- Energy Efficiency Strategic Initiatives

Approximately 15% of RCEA's annual expenditures are for a pass-through of energy efficiency rebates and incentives to public agency, small business, and residential utility consumers.

The assets of RCEA exceeded its liabilities by \$655,711 at June 30, 2014. Of this amount, \$606,011 are unrestricted and may be used to meet RCEA ongoing program needs.

RCEA's total net position increased by \$14,300 during the year ending June 30, 2014. The increase is the result of program revenues exceeding program expenses.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the RCEA's basic financial statements. RCEA's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government Wide Financial Statements**

The *government wide financial statements* are designed to provide readers with a broad overview of RCEA's finances, in a manner similar to a private-sector business and are presented on the full accrual basis.

The *statement of net position* presents information on all of RCEA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of RCEA is improving or deteriorating.

The *statement of activities* presents information showing how RCEA's net position changed during the year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RCEA, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. RCEA's sole fund is the general fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. Governmental fund financial statements focus on near term inflows and outflows of current financial resources, as well as on balances of current financial resources available at the end of the fiscal year. This information is useful in evaluating RCEA's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of RCEA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the full accrual government wide financial statements. As a single purpose government, RCEA has chosen to present the two types of reporting on the same statement, with reconciling amounts provided.

## Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

### Government Wide Financial Statements Analysis

#### *Condensed Statement of Net Position*

June 30,	2014	2013
<b>Assets</b>		
Current assets	\$ 1,079,957	\$ 653,753
Capital assets, net of accumulated depreciation	60,038	57,631
<b>Total Assets</b>	<b>1,139,995</b>	<b>711,384</b>
<b>Liabilities</b>		
Current liabilities	484,284	69,973
<b>Total net position</b>	<b>\$ 655,711</b>	<b>\$ 641,411</b>
<b>Changes in Net Position</b>		
Year ended June 30,	2014	2013
<b>Revenues</b>		
Program revenues:		
Contract	\$1,740,910	\$1,283,645
Grant	5,000	27,943
Other income	4,972	497
General revenues- investment income	926	568
<b>Total revenues</b>	<b>1,751,808</b>	<b>1,312,653</b>
<b>Expenses</b>		
Salaries and employee benefits	830,068	676,903
Services and supplies	909,847	503,955
Net depreciation	(2,407)	(46,220)
Loss on disposal of assets	0	13,746
<b>Total expenses</b>	<b>1,737,508</b>	<b>1,148,383</b>
<b>Increase in net position</b>	<b>14,300</b>	<b>164,270</b>
<b>Net position – beginning of year</b>	<b>641,411</b>	<b>477,141</b>



---

**Net position – end of year**

**\$ 655,711 \$ 641,411**

---

RCEA revenues are primarily received on a reimbursement basis. The increase in revenue from the year ending June 30, 2013 to the year ending June 30, 2014 was the result of an increase in program activities. Similarly, the increase in expenses for the year ending in June 30, 2014 is due to primarily to an increase in program activities.

### **Government Fund Financial Analysis**

The general fund is the sole fund of RCEA. As a measure of the general fund's reserves, it may be useful to compare unreserved fund balance and total fund expenditures. Unreserved fund balance at the end of June 30, 2014 and 2013 represents 30.8% and 44.6% of total fund expenditures for the respective years.

### **Economic Factors and Next Year's Budget and Rates**

For the year ended June 30, 2015 the following factors affect RCEA's finances:

- Increasing ramp-up of the 2013-14 and 2015 Energy Watch program cycles.
- Continuing work on the \$1.75 million "Repowering Humboldt with Community Scale Renewable Energy" grant from the California Energy Commission.
- Increasing ramp-up of the Prop. 39 program focused on educational agencies.
- Addition of the Energy Upgrade CA Ambassador program, a one-year outreach campaign begun in September 2014.
- Continuing activities for the alternative fuels readiness planning project and the regional electric vehicle charging network project, both funded by the California Energy Commission; and the City of Blue Lake and Hoopa Valley Housing Authority Climate Action Plan projects.

These factors were considered in preparing RCEA's budget for the year ending June 3, 2015.

### **Requests for Information**

This financial report is designed to provide a general overview of RCEA's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Redwood Coast Energy Authority, 633 3<sup>rd</sup> Street, Eureka, CA 95501.

# REDWOOD COAST ENERGY AUTHORITY

## STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 328,896
Accounts receivable	686,790
Prepaid expenses	12,939
Inventory	47,232
Security deposit	4,100
Furniture, fixtures and equipment	86,530
Accumulated depreciation	(26,492)
Total Assets	<u>1,139,995</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,139,995</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 397,093
Accrued wages payable	35,711
Accrued vacation payable	25,342
Accrued workers compensation payable	603
Retentions payable	15,197
Long-term liabilities:	
Due within one year	1,908
Due in more than one year	8,430
Total Liabilities	<u>\$ 484,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>\$ -</u>
<b>NET POSITION</b>	
Funds invested in capital assets, net of related debt	\$ 49,700
Restricted for energy efficient programs	-
Unrestricted	606,011
Total Net Position	<u>\$ 655,711</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

		<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Revenue and</u>
	<u>Expenses</u>	<u>For</u>	<u>Grants and</u>	<u>change in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Net Position</u>
Governmental Activities				<u>Governmental</u>
Grants and program services	\$ 1,447,511	\$ 9,972	\$ 1,740,910	<u>Activities</u>
Implementation expenses:				
Administrative	289,997			(289,997)
Total governmental activities	<u>\$ 1,737,508</u>	<u>\$ 9,972</u>	<u>\$ 1,740,910</u>	<u>\$ 13,374</u>
General revenues:				
Interest and investment earnings				\$ 926
Total general revenues				<u>926</u>
Change in net position				14,300
Net position, beginning				<u>641,411</u>
Net position, ending				<u>\$ 655,711</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 328,896
Accounts receivable	686,790
Prepaid expenses	12,939
Inventory	47,232
Security deposit	4,100
Total Assets	<u>1,079,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,079,957</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 397,093
Accrued wages payable	35,711
Accrued workers compensation payable	603
Retentions payable	15,197
Accrued vacation payable	25,342
Total Liabilities	<u>473,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>-</u>
<b>FUND BALANCES</b>	
Nonspendable	60,171
Assigned	10,000
Unassigned	535,840
Total Fund Balance	<u>606,011</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,079,957</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - governmental fund balance sheet \$ 606,011

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital and intangible assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, intangible assets, accumulated depreciation and accumulated amortization.

Capital assets at historical cost	\$ 86,530	
Accumulated depreciation and amortization	<u>(26,492)</u>	
Net		60,038

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities are reported, including long-term liabilities.

Note payable	<u>(10,338)</u>
--------------	-----------------

Total Net Position, Governmental Activities	<u><u>\$ 655,711</u></u>
---	--------------------------

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2014

	General Fund
Revenues:	
Contract revenue	\$ 1,740,910
Grant revenue	5,000
Other income	4,972
Investment income	926
Total Revenues	<u>1,751,808</u>
Expenditures:	
Program expenditures:	
Direct install subcontractor labor	113,914
Direct install hardware and materials	129,749
Direct incentive and rebate payments	22,221
Salaries and employee benefits	718,722
Program related services	463,541
Total Program Expenditures	<u>1,448,147</u>
Administrative expenditures:	
Salaries and employee benefits	111,346
Professional services	19,093
Travel and training	14,652
Office supplies and expense	39,883
Rent	49,200
Facility expense	11,991
Utilities	7,097
Meeting expense	7,264
Insurance	8,427
Dues and membership	2,968
Capital outlay	14,962
Debt service, principal	636
Advertising	4,885
Total Administration Expenditures	<u>292,404</u>
Total Expenditures	<u>1,740,551</u>
Excess of Revenues Over (Under) Expenditures	<u>11,257</u>
Other financing sources (uses):	
Proceeds from debt	10,974
Total Other Financing Sources (Uses)	<u>10,974</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>22,231</u>
Fund Balance at Beginning of Year	<u>583,780</u>
Fund Balance at End of Year	<u>\$ 606,011</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

Total changes in fund balances, governmental funds \$ 22,231

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 14,057	
Depreciation and amortization expense	(11,650)	
Net		2,407

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of premium or discount, were:

(10,974)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

Payment of debt principal	636
Changes In Net Position, Governmental Activities	<u>\$ 14,300</u>

The accompanying notes are an integral part of this statement.

## REDWOOD COAST ENERGY AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### 1. Summary of Significant Accounting Policies

##### A. Reporting Entity

The Redwood Coast Energy Authority ("RCEA") is a joint powers authority formed in 2003 under Health and Safety Code Section 6500 to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the Humboldt County region of California. The member agencies of RCEA are the County of Humboldt, the Humboldt Bay Municipal Water District, the cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell, and Trinidad. RCEA is governed by a Board of Directors comprised of representatives of the member agencies.

The California Public Utilities Commission ("CPUC") and the Local Government Commission ("LGC"), a California not-for-profit membership organization, have undertaken a pilot project to encourage the formation of regional organizations such as RCEA to promote energy efficiency, conservation and increased local self-reliance. The CPUC has made funds available to the LGC to help local governments establish and operate agencies such as RCEA. Funds are collected from rate payers by Pacific Gas and Electric ("PG&E") and distributed to RCEA in accordance with the objectives of this project.

##### B. Fund Accounting

The accounts of RCEA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. RCEA maintains one fund to account for the activity of the Redwood Coast Energy Authority.



REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

Major Governmental Funds:

The General Fund is the general operating fund of RCEA. It is used to account for all financial resources except those required to be accounted for in a separate fund.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of RCEA's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. RCEA does not allocate indirect expenses in the statement of activities. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about RCEA's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining funds are aggregated and reported as nonmajor funds.

2. Measurement Focus, Basis of Accounting

Government-wide Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which RCEA gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

RCEA considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include contracts and grants from the California Energy Commission, the County of Humboldt, Ecology Action, and Pacific Gas and Electric Company.

**Unearned revenue:**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

**Deferred Inflows and Outflows of Resources:**

Deferred outflows of resources represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until that future period.

Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period.

**Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

When RCEA incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is RCEA's policy to use restricted resources first, then unrestricted resources.

D. Budget and Budgetary Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the Government Code and other statutory provisions, commonly known as the County Budget Act, RCEA prepares and legally adopts a budget for the General Fund on or before August 30 for each fiscal year.

The budget is revised by RCEA during the year to give consideration to unanticipated income and expenditures. The original and final budgets are presented for the General Fund.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

RCEA maintains 42 percent of its cash in the Humboldt County Treasury. The County pools these funds with those of other governmental entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The Humboldt County Treasury had no investments in derivatives. RCEA does not have a specific policy which relates to interest rate risk.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption.

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

RCEA has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. RCEA has chosen to report the expenditures when incurred.

3. Program Revenues and Accounts Receivable

Program revenues include contract revenue and operating grants earned from other governmental agencies and not-for-profits.

Accounts receivable represent program revenues which have been earned for which the related cash has not been received. Management has determined that the need for an allowance for uncollectible accounts receivable is unnecessary at June 30, 2014.

4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. RCEA's policy is to capitalize assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Capital assets are depreciated using the straight-line method over estimated useful lives between 5 to 20 years.

5. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until that future period. RCEA had no items that qualified for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

be recognized as an inflow of resources (revenue) until that future period. RCEA had no items that qualified for reporting in this category as of June 30, 2014.

6. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of RCEA. The current portion of the liabilities is recognized in the General Fund at year-end. Accumulated sick leave benefits are not recognized as liabilities of RCEA. RCEA's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

7. Fund Balance Reserves and Designation

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of RCEA's Governing Board. RCEA's Governing Board is the highest level of decision-making authority for RCEA. Commitments may be established, modified, or rescinded only through resolutions approved by the Governing Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under RCEA's adopted policy, only the Governing Board may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

unrestricted fund balance is available, RCEA considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, RCEA considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless RCEA's Governing Board has provided otherwise in its commitment or assignment actions.

As of June 30, 2014, fund balances were composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepaid expenses	\$ 12,939
Inventories	47,232
Total Nonspendable	<u>60,171</u>
Assigned:	
PG&E Foundation - NEC Grant	10,000
Total Assigned	<u>10,000</u>
Unassigned:	
Other unassigned	535,840
Total Unassigned	<u>535,840</u>
Total Fund Balance	<u>\$ 606,011</u>

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. New Governmental Accounting Standards Board (GASB) Standard

During the year ended June 30, 2014, RCEA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

2. Cash and Investments

Cash at June 30, 2014 consisted of the following:

Pooled Funds -

Cash in County Treasury	\$ 137,603
Commercial Financial Institutions	<u>191,293</u>
Total	<u>\$ 328,896</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is fully insured or collateralized.

The fair market value of this County Treasury pool as of June 30, 2014, as provided by the pool sponsor, was \$136,774. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State-registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The County Treasurer's investments consist of 73.83 percent federal agencies, 10.49 percent money markets, and 15.68 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+, and A, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, RCEA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

is the risk that in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, RCEA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit RCEA's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2014, none of RCEA's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the Humboldt County Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the Humboldt County Treasurer's investments is 1,004 days.

Concentration of Credit Risk

The investment policy of RCEA contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represented 5 percent or more of total County investments at June 30, 2014.



REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

3. Receivables

Receivables at June 30, 2014 consisted of the following:

	<u>General Fund</u>
California Energy Commission	\$ 418,996
Humboldt Bay Municipal Water District	3,500
City of Blue Lake	2,113
McKeever Energy & Electric, INC.	3,850
Pacific Gas and Electric Company	195,686
Retentions	62,645
Total	<u>\$ 686,790</u>

Retentions are due upon completion of the projects. RCEA expects to collect all retentions.

4. Capital Assets

Capital asset activity for the period ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets being depreciated</i>				
Leasehold Improvements	\$ 27,937			\$ 27,937
Equipment	44,536	\$ 14,057		58,593
Total capital assets being depreciated	<u>72,473</u>	<u>14,057</u>	<u>-</u>	<u>86,530</u>
Less: Accumulated depreciation for:				
Leasehold Improvements	(467)	(1,397)		(1,864)
Equipment	(14,375)	(10,253)		(24,628)
Total accumulated depreciation	<u>(14,842)</u>	<u>(11,650)</u>	<u>-</u>	<u>(26,492)</u>
Capital assets being depreciated, net	<u>57,631</u>	<u>2,407</u>	<u>-</u>	<u>60,038</u>
Governmental activities capital assets, net	<u>\$ 57,631</u>	<u>\$ 2,407</u>	<u>\$ -</u>	<u>\$ 60,038</u>

For the year ended June 30, 2014, depreciation expense was \$11,650.

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

5. Risk Management

RCEA is covered for general business, liability, automobile, and errors and omissions through the Special Districts Risk Management Authority ("SDRMA"), a public entity risk pool. As a member of a public entity risk pool, RCEA is responsible for appointing an employee as a liaison between RCEA and SDRMA, implementing all policies of the SDRMA, and promptly paying all contributions. SDRMA is responsible for providing insurance coverage as agreed upon, assisting RCEA with implementation, providing claims adjusting, and defending any civil action brought against an officer of RCEA.

6. Excess of Expenditures Over Appropriations

Excesses of expenditures over appropriations in individual funds for the year ending June 30, 2014 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Contracts - program related services	\$ 75,073
Salaries and employee benefits - administrative	36,372
Travel and training	282
Bank Charges	91
Meeting expense	164
Dues and memberships	768
Debt service - principal	636

7. Retirement Plan

RCEA has established a Savings Incentive Match Plan for employees (a "Simple IRA") where RCEA and employees make contributions to individual retirement accounts ("IRAs"). Under the Simple IRA, RCEA must make contributions matching participating employee contributions, up to a maximum of 3 percent of an employee's gross salary per year. Employees may contribute up to the maximum federally allowed amount. All regular employees of RCEA are eligible to participate in the Simple IRA plan. Plan contributions by RCEA for the year ended June 30, 2014 were \$13,388.

REDWOOD COAST ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

8. Long-Term Obligations

RCEA obtained a loan with PG&E in January 2014 for energy upgrades in the amount of \$10,974 at 0 percent interest for 69 months. Future payments obligations are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>
2015	\$ 1,908
2016	1,908
2017	1,908
2018	1,908
2019	1,908
Thereafter	795
<b>Totals</b>	<b>\$ 10,338</b>

9. Line of Credit

RCEA maintains an unsecured line of credit through Umpqua Bank with a credit limit of \$75,000 and an interest rate of 5 percent. As of June 30, 2014, this line of credit had a zero balance.

10. Lease of Real Property

RCEA entered into a 23 month lease for its facility as of May 1, 2013, with monthly payments of \$4,100. Total rent expense was approximately \$49,200 for the year ended June 30, 2014. Future lease commitments are \$36,900 for the year ending June 30, 2015.

11. Concentrations and Contingencies

RCEA receives the majority of its funding through a contract with PG&E to provide energy efficient programs. For the year ended June 30, 2014, this amount represented 66 percent of total revenue. As of June 30, 2014 accounts receivable from PG&E were \$195,686.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**REDWOOD COAST ENERGY AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND**

For The Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Non-government agencies	\$1,501,863	\$1,345,863	\$1,150,886	\$ (194,977)
Government agencies	1,110,488	510,488	590,024	79,536
Foundation trusts/grants	10,000	5,000	5,000	-
Other income	300	4,150	4,972	822
Investment income	500	500	926	426
<b>Total Revenues</b>	<b>2,623,151</b>	<b>1,866,001</b>	<b>1,751,808</b>	<b>(114,193)</b>
<b>Expenditures:</b>				
Program expenditures -				
Direct install, incentives, and rebates	591,053	433,053	265,884	167,169
Salaries and employee benefits	780,949	772,335	718,722	53,613
Contracts - program related services	988,468	388,468	463,541	(75,073)
<b>Total Program Expenditures</b>	<b>2,360,470</b>	<b>1,593,856</b>	<b>1,448,147</b>	<b>145,709</b>
Implementation expenditures -				
Administrative expenditures:				
Salaries and employee benefits	75,860	74,974	111,346	(36,372)
Professional services	30,300	29,500	19,093	10,407
Travel and training	9,370	14,370	14,652	(282)
Bank charges		400	491	(91)
Permit fees		400	400	-
Office supplies and expense	42,525	40,225	38,992	1,233
Rent	49,200	49,200	49,200	-
Janitorial	4,380	6,580	6,368	212
Facility expense	4,000	6,000	5,623	377
Utilities	9,550	8,550	7,097	1,453
Meeting expense	7,900	7,100	7,264	(164)
Volunteer services	300			-
Insurance	8,500	8,500	8,427	73
Dues and membership	2,000	2,200	2,968	(768)
Capital outlay	1,000	15,693	14,962	731
Advertising	2,500	5,000	4,885	115
Debt service - principal			636	(636)
<b>Total Implementation Expenditures</b>	<b>247,385</b>	<b>268,692</b>	<b>292,404</b>	<b>(23,712)</b>
<b>Total Expenditures</b>	<b>2,607,855</b>	<b>1,862,548</b>	<b>1,740,551</b>	<b>121,997</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>15,296</b>	<b>3,453</b>	<b>11,257</b>	<b>7,804</b>
<b>Other financing sources (uses):</b>				
Proceeds from debt		10,974	10,974	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>10,974</b>	<b>10,974</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>15,296</b>	<b>14,427</b>	<b>22,231</b>	<b>7,804</b>
<b>Fund Balance at Beginning of Year</b>	<b>583,780</b>	<b>583,780</b>	<b>583,780</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 599,076</b>	<b>\$ 598,207</b>	<b>\$ 606,011</b>	<b>\$ 7,804</b>

SUPPLEMENTARY INFORMATION

DRAFT

REDWOOD COAST ENERGY AUTHORITY  
ORGANIZATION  
June 30, 2014

Redwood Coast Energy Authority is a Joint Powers Authority formed in 2003, representing seven municipalities, the County of Humboldt, and the Humboldt Bay Municipal Water District.

The Board of Trustees for the fiscal year ended June 30, 2014 was composed of the following:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Jurisdiction</u>
Linda Atkins	Chairperson	Eureka
Susan Ornelas	Vice Chairperson	Arcata
Michael Sweeny	Member	Ferndale
Stephen Kullmann	Member	Blue Lake
Mike Losey	Member	Fortuna
Frank Wilson	Member	Rio Dell
Tom Davies	Member	Trinidad
Ryan Sundberg	Member	County of Humboldt
Barbara Hecathorn	Member	Humboldt Bay Municipal Water District

ADMINISTRATION

Matthew Marshall  
Executive Director

## REDWOOD COAST ENERGY AUTHORITY

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Redwood Coast Energy Authority  
633 Third Street  
Eureka, California 95501

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Redwood Coast Energy Authority ("RCEA"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise RCEA's basic financial statements, and have issued our report thereon dated October 28, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered RCEA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RCEA's internal control. Accordingly, we do not express an opinion on the effectiveness of RCEA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



## REDWOOD COAST ENERGY AUTHORITY

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2014-1 through 2014-4, that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RCEA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Redwood Coast Energy Authority's Response to Findings**

RCEA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. RCEA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

October 28, 2016

REDWOOD COAST ENERGY AUTHORITY  
AUDIT FINDINGS AND RECOMMENDATIONS

June 30, 2014

2014-1: INTERNAL CONTROLS OVER EXPENDITURES

Criteria

Good internal controls over expenditures include obtaining and documenting the required support, authorization, and approval prior to issuing the disbursement.

Condition

During our testing of expenditures, in which we tested 18 percent of all operating expenditures, we noted 5 instances totaling \$21,196 where there was either no documentation of approval prior to issuing the disbursement or the approval was not readily apparent. We noted 2 instances totaling \$513 where the executive director approved his own reimbursement. Further, we noted 4 instances totaling \$10,874 where no purchase order was used prior to issuing the disbursement. We also noted 1 instance where a detailed receipt was not present for a meal purchase. Finally, we noted 1 instance where \$201 worth of alcohol was purchased.

Effect

The lack of documentation of prior authorization or approval and support documentation of disbursements could result in errors or inappropriate expenditures being incurred without prior knowledge of management. The purchase of alcohol may not conform to board policy.

Cause

RCEA did not use a purchase order form or other approved authorization documents on all disbursements.

Recommendation

We recommend that RCEA update its policy regarding the use of purchase order forms or other approved authorization documents for all disbursements.

June 30, 2014

Corrective Action Plan

RCFA will use purchase order forms or other approved authorization documents on all disbursements.

2014-2: BANK RECONCILIATION APPROVAL DOCUMENTATION

Criteria

Good internal controls over cash include review of monthly bank reconciliations by an individual other than the custodian of the bank account.

Condition

RCFA maintains a checking account with Empqua Bank for general operations. The custodian of the funds prepared monthly bank reconciliations. However, RCFA did not document review and approval of the bank reconciliations by someone other than the custodian of the account.

Effect

Failure to have another person review the bank reconciliations could result in future errors not being detected in a timely manner.

Cause

It was not the policy of RCFA to obtain documentation of review of the bank reconciliations.

Recommendation

We recommend that RCFA assign a person to review and initial the monthly bank reconciliations for all the bank accounts.

Corrective Action Plan

RCFA will assign a person to review and initial the monthly bank reconciliations for all bank accounts.

REDWOOD COAST ENERGY AUTHORITY

AUDIT FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2014

2014-3: PAYROLL INTERNAL CONTROL

Criteria

Good internal controls over payroll include supervisor review and approval of time sheets.

Condition

During our testing of payroll we noted that the executive director was approving his own time sheet.

Effect

Not having a board member or supervisor sign and approve time sheets increases the chance that inappropriate or incorrect wages could be paid and not detected in a timely manner. We noted no actual inappropriate payments for the year ended June 30, 2014.

Cause

RCEA did not have a policy regarding approval of executive director time sheets.

Recommendation

We recommend that RCEA establish procedures for a board member to review and approve the executive director's time sheet.

Corrective Action Plan

RCEA will establish procedures for a board member to review and approve the executive director's time sheet.

2014-4: TIMELY CLOSING OF ACCOUNTING PERIOD

Criteria

Good internal controls include completing the annual accounting period close in a timely fashion.

REDWOOD COAST ENERGY AUTHORITY

AUDIT FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2014

Condition

RCEA closed the June 30, 2014 year end approximately 16 months after the year end.

Effect

The audit report was issued approximately 26 months after the year end.

Cause

Staffing limitations and scheduling conflicts with an outside firm resulted in delayed closing of year end.

Recommendation

We recommend that RCEA works closely with an outside firm to ensure that the year end is closed in a timely fashion.

Corrective Action Plan

RCEA will work closely with an outside firm to ensure that the year end is closed in a timely fashion.

REDWOOD COAST ENERGY AUTHORITY  
STATUS OF PRIOR YEAR AUDIT FINDINGS

June 30, 2014

2013-1: INTERNAL CONTROLS OVER EXPENDITURES

Condition

During our testing of expenditures, in which we tested 38 percent of all expenditures, we noted 8 instances totaling \$4,283 where there was no documentation of approval prior to issuing the disbursement.

Recommendation

We recommend that RCEA update its policy regarding the use of purchase order forms or other approved authorization documents for all disbursements.

Current Status

Not implemented, see Finding 2014-1.

2013-2: BANK RECONCILIATION APPROVAL DOCUMENTATION

Condition

RCEA maintains a checking account with Umpqua Bank for general operations. The custodian of the funds prepared monthly bank reconciliations. However, RCEA did not document review and approval of the bank reconciliations by someone other than the custodian of the account.

Cause

It was not the policy of RCEA to obtain documentation of review of the bank reconciliations.

Current Status

Not implemented, see finding 2014-2.